Straits Resources

STRAITS RESOURCES LIMITED

A.B.N. 30 147 131 977

HALF-YEAR REPORT

31 December 2011

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This half-year financial information has been lodged with the ASX as required under listing rule 4.2A of the ASX.

Directors' Report – for the Interim Reporting Period 31 December 2011

As Straits was listed on the Australian Stock Exchange on 2 February 2011 (ASX Code: SRQ), there is no comparative reporting period.

Your directors present their report on the consolidated entity consisting of Straits Resources Limited (Straits) and the entities it controlled at the end of or during the half-year ended 31 December 2011.

Directors

The following persons were directors of the company during the half-year and up to the date of this report:

Alan Good	- Non-executive Chairman
Milan Jerkovic	- Chief Executive Officer
Michael Gibson	- Executive Director
Alastair Morrison	- Non-executive Director
Dr Susan Vearncombe	- Non-executive Director
Ravinder Singh Grewal	- Alternate Non-executive Director to Alastair Morrison

Results for Announcement to the Market

	31 December 2011 $'000
Total revenue from ordinary activities from continuing operations	$146,476
Profit/(loss) from ordinary activities after tax	($105,007)
Net Profit/(loss) for the period attributable to members	($105,027)

As announced on 6 December 2011, Straits restructured the existing Tritton Copper Mine Off take Agreement with J.P. Morgan Metals & Concentrates (J.P. Morgan). Included in the loss from ordinary activities after tax, as part of this restructure, is the upfront cash payment to J.P. Morgan for $96.9m pre-tax (US$98.3m).

Subsequent Events

1. Hillgrove

On 8 February 2012, Straits announced that it had signed an agreement with Ancoa NL (Ancoa) and Emu Nickel Ltd (ASX: EMU) for the sale of the Hillgrove Antimony/Gold Mine.

The transaction is based on the terms previously negotiated with Ancoa as announced to the market on 26 August 2011, with the major change being that the agreement with Ancoa has been amended to permit EMU to acquire Ancoa, with the right to purchase Hillgrove, which would achieve a listing of Hillgrove as the asset of EMU (rather than via a separate IPO by Ancoa).

Under the revised Agreement with EMU and Ancoa, the consideration remains at $40 million, which is payable at EMU's option in cash, EMU shares or convertible notes. EMU has expressed its intention to satisfy the consideration by payment of $10 million cash and a $30 million convertible note (41% premium exercisable within 5 years, interest payable at 12.5% pa after year 1).

The sale is subject to EMU shareholders approving the terms of its proposed acquisition of Ancoa, as well as to EMU raising sufficient funds to complete the acquisition, and therefore remains subject to market conditions.

2. Capital Raising

On 13 February 2012, Straits announced a capital raising of up to A$50 million before costs. The capital raising comprises:

- an institutional share placement, which involves the issue of a total of 75 million shares in two tranches at an issue price of A$0.60 per share to raise A$45 million ("Institutional Placement"). The Institutional Placement was supported by both existing shareholders and a number of new domestic and overseas institutions; and
- a share purchase plan under which Straits is offering eligible shareholders with a registered address in Australia or New Zealand the opportunity to each subscribe for up to A$15,000 worth of shares at the same issue price of A$0.60 per share to raise up to A$5 million ("SPP"),

(the Institutional Placement and the SPP together being the "Capital Raising").

Purpose of the Capital Raising

The funds raised under the Capital Raising will be used to:

- Repay the existing J.P. Morgan six month loan facility (US$10 million);
- Exercise the option to terminate the new off take agreement with J.P. Morgan for shipments scheduled from 1 July 2012 (US$9 million);
- Conduct further exploration and feasibility on the prospective Avoca Tank Project and associated targets near the Tritton Copper Mine with a view to assessing potential for development. Accelerate exploration at Mt Muro;
- Complete the Mt Muro production ramp-up; and
- Provide Straits with working capital to enable it to maintain a prudent liquidity buffer to support the operation of two large and growing mining operations (Tritton and Mt Muro) and to meet expenses of the offer.

3. Appointment of Director

As announced on 23 February 2012, Straits has appointed Mr Colin Wise as a Non-executive Director.

Mr Wise is an experienced corporate lawyer, consultant and company director with significant expertise in the mining and exploration industry, and resources, energy and corporate sectors. He spent 24 years with WMC Limited, 10 of which as General Counsel and subsequently, 4 years as Counsel to a New York law firm. He has extensive practical experience in Australia and internationally with a wide range of corporate, operational and legal matters.

Mr Wise is a Fellow of both the Australian Institute of Company Directors and the Australasian Institute of Mining and Metallurgy and is currently the Non-executive Chairman of St Barbara Limited (ASX: SBM), a position he has held since mid 2004.

Dividends

The directors have decided not to declare a dividend for this half-year period.

Net Tangible Asset Backing (NTA)

The NTA per ordinary share for the consolidated entity as at 31 December 2011 was $0.13 (30 June 2011 $0.53). The J.P. Morgan cash payment expense of $96.9m pre-tax included in the result for the period has impacted the Net Tangible Asset Backing per share for this financial period by ($0.30).

Summary of Activities

During the first half of the financial year, Straits continued to simplify the Group structure and concentrate its efforts on the Tritton Copper and Mt Muro gold mines in addition to its world class exploration portfolio. Major milestones achieved during the period include:

- as highlighted above, the Tritton Copper Offtake Agreement was restructured with J.P. Morgan, and from 1 January 2012 Tritton receives market related copper offtake terms;
- Tritton stabilised at 25,000 tpa copper production;
- reported further excellent intersections at the Avoca Tank prospect close to Tritton's North-East ore body;
- completed the sale of Magontec to Australian Magnesium Ltd (now Magontec Limited) for US$6.0m plus repayment of outstanding loans to Straits of A$12.8 million over 3 years;
- successful acquisition of the minority interests not already owned in Canadian listed Goldminco Corporation completed. Straits has now moved to 100% ownership and Goldminco has been de-listed from the Toronto Venture Exchange;
- US$50 million silver pre-pay facility finalised with Credit Suisse;
- Hillgrove antimony/gold mine – agreement with Ancoa NL for the sale of Hillgrove, subject to a successful capital raising and initial public offering (IPO) by Ancoa, which has subsequently been amended as noted above, and
- exploration programme at Mt Muro continues to produce very promising exploration results at the Serujan and Bantian prospects, targeting depth extensions to known significant gold producing structures. New discovery at Selampung north of Serujan also reported.

Rounding of Amounts to Nearest Thousand Dollars

Straits Resources Limited 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.

Signed in accordance with a resolution of the directors.

M Jerkovic
Director

Perth
28 February 2012

Financial Results and Review of Operations

Financial Results

The Group recorded a loss before minorities and after tax for the 6 month period to 31 December 2011 of $105.0m.

The December 2011 financial result for the Group was impacted by a number of key factors, including:

- buy out of the J.P. Morgan copper offtake agreement for $96.9m;
- an fx gain of $2.1m due to the Australian dollar depreciating from 107.17 US cents to 102.25 US cents during the period;
- continued investment in the development of the Serujan open pit; and
- a mark to market valuation reduction of held for trading investments of $5.4m.

Additionally, the Directors have determined in accordance with AASB 112 Income Taxes, to defer the recognition of the financial period movement in deferred tax assets for unused tax losses and the associated income tax benefit of $35.3m.

Table 1

Sales Revenue	**6 months 31 December 2011 $m**
Base metals – Tritton	112.2
Precious metals – Mt Muro	34.3
Total sales revenue from operations	**146.5**
Discontinued operations	-
Total sales revenue	**146.5**

Earnings before interest, tax, depreciation and amortisation from mining activities excluding the J.P. Morgan buyout of ($96.9m) and the time value on the collar of $2.2m (Underlying EBITDA), amounted to $13.8m with total Underlying EBITDA of $1.7m made up of the following:

Table 2

Underlying EBITDA	**6 months 31 December 2011 $m**
Base metals - Tritton	6.1
Precious metals - Mt Muro	7.7
Underlying EBITDA from mining activities	**13.8**
FX gain	2.4
Investments held for trading	(5.0)
Administration and support	(7.8)
Total Underlying EBITDA from continuing operations	**3.4**
Loss from discontinued operations	(1.7)
Total Underlying EBITDA	**1.7**

Financial results are reported under International Financial reporting Standards (IFRS). Underlying EBITDA is provided to assist readers to better understand the underlying consolidated financial performance.

Table 3

Net Profit/(loss) after Tax	6 months 31 December 2011 $m
Base metals - Tritton (including buy out)	(98.9)
Precious metals - Mt Muro	6.0
FX gain	2.4
Investments held for trading	(5.0)
Administration and support	(7.8)
Other items	(0.4)
Net loss from operating activities	**(103.7)**
Loss from discontinued operations	(1.3)
Profit/(loss) after tax	**(105.0)**
Profit/(loss) is attributable to:	
Owners of Straits Resources Limited	**(105.0)**

The Group's net asset position at 31 December 2011 was $88.6m including net assets of $10.3m for Hillgrove classified as held for sale.

The Directors have reviewed the carrying amount of assets across the Group. No impairment was identified for the assets for the half-year ended 31 December 2011.

Review of operations

Base Metals

Tritton Copper Mine

Production from Tritton Mines in the six months to 31 December 2011 totalled 12,375 tonnes of copper – with 12,060 tonnes of contained copper in concentrate and 315 tonnes in copper cement.

A record 639,606 tonnes of ore were mined during the period continuing the trend of steadily increasing mining production. Early in the period the underground paste line suffered a blockage which, whilst quickly recovered, caused the mining sequence to be changed and slightly lower grades to be mined out of the original sequence. The mining and fill sequence is now operating normally.

The transition to owner operator was completed in the period, with the core site workforce now employed directly by Tritton Mines. This now completes the capital and operating transition plan launched in FY2010. The management team is driving further improvements in both productivity and costs.

The Processing Plant continued to perform well during the period with mill recovery maintaining the consistently high level of 95.6% and matching the record mine output.

Hillgrove Mine – refer subsequent events

Production activities remain suspended at Hillgrove. Work continued on site to manage environmental and rehabilitation requirements (water treatment and stockpiles) and maintain operational equipment readiness.

As noted in Subsequent Events, Straits announced on 8 February 2012 that it had signed an agreement with Ancoa NL (Ancoa) and Emu Nickel Ltd (ASX: EMU) for the sale of the Hillgrove Antimony/Gold Mine.

Precious Metals

Mt Muro

Mt Muro produced 14,800 ounces of gold and 311,000 ounces of silver for the six month reporting period to 31 December 2011, the mill having treated 401,000 tonnes at 1.2 g/t Au and 33.8 g/t Ag.

The operation continues to focus on the major development of the Serujan open pit. This is progressing well, with waste movement levels continuing to rise and now at scheduled levels. Waste movement has risen to plan levels approaching 1.0 Mbcm per month.

Resource extension drilling has shown increases in the potential depth of the Serujan pit and the mine plan has been adjusted to increase the pit size to include this extra material. This has necessitated higher volumes of initial pre-stripping during the period which has delayed slightly the ramp up in production. Production is targeted at 100 koz Aueq for FY2013. The management team is driving further improvements in both productivity and costs.

Exploration

The group continues to invest heavily in exploration throughout Australia and Indonesia. Significant exploration success has been achieved at our two operating mines Tritton in NSW with the discovery of the Avoca Tank prospect close to Tritton's North-East ore body and at Mt Muro in Central Kalimantan Indonesia with significant resource upgrades during the year.

The Group continues to divest non core exploration assets whilst focussing on targets that have the potential to become significant development opportunities.

Base Metals

Tritton, NSW: Straits 100%

The exploration strategy continues to focus on the search for short and long term copper resources to supplement current mine requirements for the already installed infrastructure at the Tritton copper operation. At Tritton we have increased the resources and reserves of the operation to 172Kt of contained copper (approximately 7 years mine life) from 134Kt as at 30 June 2011.

Following the completion of reserve definition programmes at Tritton completed in August 2011 the exploration focus has shifted to the regional tenements testing a number of excellent geophysical and geochemical targets. In this regard the first target tested during the September quarter resulted in a new sulphide discovery at the Avoca Tank prospect. Seven holes were drilled at Avoca Tank in the September quarter and a further five drill holes were completed during the December quarter. Avoca Tank is located approximately 2km north of the Girilambone North mining area and had previously been drilled with shallow RC holes testing for copper oxide mineralisation during the 1990's. Drilling to date at Avoca Tank has identified significant VMS "Besshi style" sulphide mineralisation. The mineralisation is associated with a thick hanging wall zone of magnetite / chlorite alteration and a footwall mafic volcanic unit. The drilling of the Avoca Tank deposit represents the first significant mineralised system identified since regional exploration activities recommenced at the Tritton Operations.

During the first half of 2012, a work program is being developed for a second phase of drilling at Avoca Tank that would include aircore drilling over the entire mafic complex at Avoca Tank, with emphasis on the mafic / sediment boundary; in addition infill drilling to define the extent of the sulphide mineralisation is planned.

A number of excellent targets associated with mafic lithologies, coincident geochemical and geophysical anomalies require testing throughout the region.

Temora Project, NSW: Straits - 100%

The Temora Project covers approximately 1,020 km2 in the eastern region of the Lachlan Fold Belt (LFB) in New South Wales, Australia. The region is known for major porphyry and epithermal-type gold and copper-gold deposits and contains the Gidginbung Volcanics Belt (GVB), host of the Gidginbung mine that produced 700,000 ounces of gold until 1995. Goldminco has previously (June 2008) announced at the Temora Project combined resources of 21.1Mt @ 0.35% Cu and 0.5g/t Au indicated and 121.1Mt @ 0.32% Cu and 0.25g/t Au inferred. Drilling during the 2011 field season was primarily planned to target higher grade zones within the Culingerai and Yiddah Prospects.

Final drill results for the 2011 Temora field season are being compiled in readiness for an updated mineral resource inventory for the entire Temora Project area during the first quarter 2012.

Blayney Project, NSW: Straits - 100%

The Blayney Project is located 35km south of Orange within the central volcanic belt (Molong Volcanic Zone) of the Lachlan Fold Belt (LFB). The Blayney Project covers the eastern margin of the Forest Reefs Volcanics (FRV) – a Late Ordovician to early Silurian volcano-magmatic centre considered one of the most prospective geological environments in the LFB for porphyry-related Copper-Gold mineralisation. The FRV hosts the Cadia and Ridgeway copper and gold deposits of Newcrest Mining Limited.

Copper mineralisation is widespread in the Blayney Project with a number of Copper Gold historic mines and prospects including the Browns Creek, and Blayney Copper Mines. Mineralisation in all of these areas is skarn related and hosted within metasomatised calc-silicate rocks.

Work completed during the reporting period includes; Diamond core hole FDD039 which was completed to 952 metres at the Ferndale Porphyry Cu-Au prospect to test for the presence of porphyry mineralisation to the north and at depth beneath previously drilled skarn hosted Cu-Au mineralisation. Low tenor porphyry vein hosted mineralisation was observed from approximately 470m to 850m down hole.

RC drilling programme of the IP targets generated from the 2009 surveys at Greghamstown and Bluebird. Heavy rain delayed the completion of this programme until January 2012. No significant results were received.

Torrens, South Australia: *Straits – 70%*

The Torrens Joint Venture (Torrens EL 4296) is between Argonaut Resources NL (ASX:ARE) and Straits Resources Limited. Straits has, as of 9 January 2012, spent $7 million to earn 70% interest in this project. Accordingly, Straits has issued a Notice of Earn-in to Kelaray Pty Ltd (a wholly owned subsidiary of Argonaut) on 19 January 2012. Straits will soon be filing the instrument of transfer with the department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) to register its 70% interest in EL 4296.

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.

Stuart Shelf Joint Venture: Straits – earning 70%

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

Geophysical evaluation of the highest priority targets within the tenement package was completed during the June 2011 quarter.

Straits and UXA have negotiated and entered into amended Native Title Mining Agreements for Exploration in accordance with Part 9B of the South Australian Mining Act with Native Title Claim groups covering the tenements in the joint venture.

During the December quarter, a heritage clearance survey was successfully completed over a number of priority drill target areas. This has allowed detailed planning for drilling which commenced in January 2012.

Straits IOCG Exploration (EL4574 & EL4557): Straits – 100%

Straits is exploring in the Stuart Shelf and Mt Woods domains in its own right with two granted tenements and three further applications pegged. Straits is currently in negotiations with the Arabunna Peoples Native Title Claim Group with respect to entering into a Native Title Mining Agreement for Exploration in accordance with Part 9B of the South Australian Mining Act.

Maroochydore Project, WA: Straits – 50% Clawback Right

The Maroochydore Project is located in the Paterson Province of Western Australia, southeast of the Nifty copper mine. The project is held 100% by Aditya Birla Minerals Ltd. Straits retains a 50% clawback right which is triggered on the acceptance of an economic feasibility study.

Precious Metals

Mt Muro, Kalimantan Indonesia

Exploration at IMK over the last two years has focused primarily on developing the potential of the Serujan deposit, which is currently being mined. This has now been drilled to a depth of 200-250m over a strike length of ~ 1.8km with additional incremental gains expected along strike. Although exploration will continue in this area, focus is shifting to other projects in the development pipeline.

Exploration began to ramp up in the Bantian project during the quarter with a view to this becoming the next development project. This group of structures is ~3km long and a series of pits is envisaged. Other projects that will form part of the near term exploration strategy include Permata and Hulubai projects, in which Straits has previously intersected mineralization and resource estimates have been reported. Exploration will continue in these project areas in 2012.

Yandan (EPM8257, ML1005 and ML1096): Straits – 100%

On the 27 July 2011 Drummond Gold Limited (ASX:DGO) formally withdrew from the Heads of Agreement for the Farm In and Joint Venture with Straits Gold Pty Ltd a subsidiary of Straits Resources Limited for the Yandan Project.

Other Metals

Scandium

Straits resources completed the sale of its 20% interest in the Nornico scandium rights on the 4 August 2011. Metallica Minerals has taken full control and ownership of all scandium deposits contained within the broader Nornico project. Metallica is currently preparing for the BFS into the development of Nornico where it is targeting first mining from 2014, subject to a favourable BFS. The consideration paid to Straits was A$1,858,649 (excluding GST), which was satisfied by the issuance of 3.4 million shares in Metallica, and options to acquire shares.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the half year ended 31 December 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 review; and

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

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

Douglas Craig

Douglas Craig
Partner
PricewaterhouseCoopers

Perth
28 February 2011

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Straits Resources Limited ABN 30 147 131 977
Interim report - 31 December 2011

Contents

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

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

Straits Resources Limited
Level 1
35 Ventnor Avenue
WEST PERTH WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the director's report inclusive of the review of operations and activities on pages 1 to 10 , which is not part of these interim financial statments.

The interim financial statements were authorised for issue by the directors on 28 February 2012. The directors have the power to amend and reissue the interim financial statements.

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

	Notes	31 December 2011 $'000
Revenue from continuing operations		
Sales revenue		**146,476**
Other revenue from ordinary activities		**1,894**
	2	**148,370**
Other income	3	**6,443**
Expenses		
Cost of goods sold	4	**(142,699)**
Other expenses from ordinary activities		
Exploration expense	4	**(2,392)**
Administration	4	**(7,491)**
Sempra offtake agreement buyout	4(a)	**(96,855)**
Other	4	**(5,513)**
Finance costs - net	4	**(3,459)**
Loss before income tax		**(103,596)**
Income tax expense	5	**(141)**
Loss from continuing operations		**(103,737)**
Loss from discontinued operation	6	**(1,270)**
Loss for the period		**(105,007)**
Loss is attributable to:		
Owners of Straits Resources Limited		**(105,027)**
Non-controlling interests		**20**
		(105,007)
		Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	18	**(31.9)**
Diluted earnings per share	18	**(31.9)**
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic earnings per share	18	**(32.3)**
Diluted earnings per share	18	**(32.3)**

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

	Notes	31 December 2011 $'000
Loss for the period		**(105,007)**
Other comprehensive income		
Changes in the fair value of cash flow hedges	14(a)	**1,217**
Exchange differences on translation of foreign operations		**(152)**
Exchange differences derecognised on disposal of foreign operations		**931**
Other comprehensive income for the period, net of tax		**1,996**
Total comprehensive income for the period		**(103,011)**
Total comprehensive income for the period is attributable to:		
Owners of Straits Resources Limited		**(102,950)**
Non-controlling interests		**(61)**
		(103,011)

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

Straits Resources Limited
Consolidated balance sheet
As at 31 December 2011

	Notes	31 December 2011 $'000	30 June 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**24,705**	36,716
Trade and other receivables	7	**53,864**	32,952
Inventories		**19,723**	23,750
Financial assets at fair value through profit or loss		**23,311**	27,904
Derivative financial instruments		**949**	3,384
Short term mine development		**7,258**	3,804
Assets classified as held for sale	6	**17,885**	65,823
Total current assets		**147,695**	194,333
Non-current assets			
Receivables	8	**12,782**	3,732
Available-for-sale financial assets		**358**	-
Derivative financial instruments		**6,506**	-
Exploration and evaluation		**24,460**	15,579
Mine properties in use		**82,051**	54,785
Property, plant and equipment		**42,985**	38,991
Deferred tax assets		**17,814**	17,814
Total non-current assets		**186,956**	130,901
Total assets		**334,651**	325,234
LIABILITIES			
Current liabilities			
Trade and other payables		**48,743**	42,248
Interest bearing liabilities	9	**42,673**	8,276
Deferred revenue	10	**15,983**	-
Provisions		**2,994**	2,616
Non interest bearing liabilities		**250**	250
Liabilities directly associated with assets classified as held for sale	6	**4,295**	38,007
Total current liabilities		**114,938**	91,397
Non-current liabilities			
Interest bearing liabilities	11	**80,393**	12,307
Deferred revenue	12	**32,917**	-
Derivative financial instruments		**284**	-
Provisions		**17,513**	17,121
Total non-current liabilities		**131,107**	29,428
Total liabilities		**246,045**	120,825
Net assets		**88,606**	204,409

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

	Notes	**31 December 2011 $'000**	30 June 2011 $'000
EQUITY			
Contributed equity	13	**220,282**	219,921
Reserves	14(a)	**(7,640)**	(486)
Retained earnings	14(b)	**(124,036)**	(19,009)
Capital and reserves attributable to owners of Straits Resources Limited		**88,606**	200,426
Non-controlling interests		**-**	3,983
Total equity		**88,606**	204,409

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

	Notes	Attributable to owners of Straits Resources Limited					
		Contributed equity $'000	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 01 July 2011		219,921	(486)	(19,009)	200,426	3,983	204,409
Amounts recognised in profit and loss		-	-	(105,027)	(105,027)	20	(105,007)
Amounts recognised in other comprehensive income		-	2,077	-	2,077	(81)	1,996
Total comprehensive income for the period		**-**	**2,077**	**(105,027)**	**(102,950)**	**(61)**	**(103,011)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	13	361	-	-	361	-	361
Transactions with non-controlling interests		-	(9,436)	-	(9,436)	(3,922)	(13,358)
Employee share options - value of employee services		-	205	-	205	-	205
		361	(9,231)	-	(8,870)	(3,922)	(12,792)
Balance at 31 December 2011		**220,282**	**(7,640)**	**(124,036)**	**88,606**	**-**	**88,606**

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

	Notes	31 December 2011 $'000
Cash flows from operating activities		
Loss before tax - continuing operations		**(103,596)**
Adjustments to remove non cashflow elements of loss		
Finance costs net of interest income		**2,337**
Loss on held-for-trading financial assets		**5,383**
Unrealised exchange gains		**(2,127)**
Depreciation and amortisation	19	**8,314**
Employee share based payment		**342**
Net gain on sale of fixed assets		**(2,159)**
Unrealised gain on time value of options		**(2,174)**
Exploration expenditure written off		**359**
Movement in working capital		
Decrease in inventories		**4,560**
Increase in trade and other receivables		**(2,220)**
Increase in trade and other payables		**5,555**
Increase in provisions		**785**
Increase in deferred revenue		**48,501**
Interest received		**989**
Interest paid		**(2,550)**
Net cash outflow from operating activities of discontinued operations		**(1,740)**
Net cash outflow from operating activities		**(39,441)**
Cash flows from investing activities		
Payments for property, plant and equipment and mine properties		**(39,518)**
Payments for available-for-sale financial assets		**(50)**
Proceeds from sale of property, plant and equipment		**721**
Proceeds from sale of available-for-sale financial assets		**3,346**
Proceeds from sale of subsidiaries, net of cash disposed		**640**
Payments for exploration expenditure		**(10,409)**
Net cash ouflow from investing activities of discontinued operations		**(332)**
Net cash outflow from investing activities		**(45,602)**
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities		**250**
Proceeds from borrowings		**94,531**
Repayment of borrowings		**(3,688)**
Finance lease payments		**(6,805)**
Transactions with non-controlling interests		**(13,358)**
Net cash outflow from financing activities of discontinued operations		**(71)**
Net cash inflow from financing activities		**70,859**
Net decrease in cash and cash equivalents		**(14,184)**
Cash and cash equivalents at the beginning of the financial period		**36,716**
Effects of exchange rate changes on cash and cash equivalents		**2,173**
Cash and cash equivalents at end of period		**24,705**

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

Contents of the notes to the financial statements

1 Basis of preparation of half-year report

The interim financial statements are for the consolidated entity consisting of Straits Resources Limited and its subsidiaries.

These condensed consolidated interim financial statements for the half year reporting period ended 31 December 2011 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2011 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period.

(i) Critical accounting estimates

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

The 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 reporting period and on the amounts recognised in the financial statements. Information on such estimates and judgments are contained in the accounting policies and notes to the annual financial statements contained within the annual report for the period ended 30 June 2011.

(ii) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of 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. In the current reporting period, the Group recognised no such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affects 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.

(iii) Comparative reporting period

As Straits was incorporated on 1 November 2010 and listed on the Australian Stock Exchange on 2 February 2011 (ASX Code: SRQ) and conducted no transactions during the comparative reporting period ended 31 December 2010, there is no comparative reporting period presented.

2 Revenue

	31 December 2011 $'000
From continuing operations	
Sales revenue	
Mining activities	**146,476**
Other revenue	
Management fees	**3**
Interest	**1,122**
Other revenue from ordinary activities	**769**
	148,370

A portion of the Group's revenue from mining activities is cash flow hedged with respect to foreign currencies and copper and gold prices. The amount disclosed above for revenue from mining activies includes the effective amount of the derivatives that were used to hedge foreign currency revenues. The amount included in revenue is:

	31 December 2011 $'000
Forward currency in the money contracts - cash flow hedged	**1,391**

3 Other income

	31 December 2011 $'000
Net gain on disposal of property, plant and equipment	**2,215**
Foreign exchange gains (net)	**2,054**
Net gain on time value of option contracts	**2,174**
	6,443

4 Expenses

	31 December 2011 $'000
Profit before income tax includes the following specific expenses:	
Cost of production	
Mining activities	**134,523**
Depreciation	
Plant and equipment	**1,101**
Plant and equipment under finance leases	**1,515**
Total Depreciation	**2,616**
Amortisation	
Mine properties	**5,560**
Total Cost of goods sold	**142,699**
Exploration	
Exploration expenditure	**2,033**
Exploration written off	**359**
	2,392
Finance costs - net	
Interest and finance charges paid/payable	**3,084**
Unwinding of discounts on provisions	**375**
	3,459
Other	
Marketing	**74**
Unrealised loss on financial assets at fair value through profit and loss	**5,383**
Loss on dispoal of Fixed Assets	**56**
	5,513
Administration and support	
Australia	**7,054**
Asia	**437**
	7,491
Included within the above functions are the following:	
Employee benefits expense (includes employee benefit accruals)	**24,598**
Superannuation expense	**370**

4 Expenses (continued)

(a) Sempra buyout

During the period the Group restructured the existing Tritton Copper Mine offtake agreement with J.P. Morgan Metals & Concentrates. Under the restructuring arrangement, in exchange for an upfront cash payment, J.P. Morgan terminated the pre-existing offtake agreement.

A new offtake agreement has been entered into with J.P. Morgan for all copper concentrates from Tritton until the end of 2013, to be priced in line with the significantly lower prevailing market offtake terms for copper concentrate. In addition, Tritton has an option to terminate the new offtake agreement with J.P. Morgan for shipments scheduled from 1 July 2012, exercisable within four months. Straits will pay US$9 million to J.P. Morgan should it exercise this option.

5 Income tax benefit

(a) Income tax benefit

	31 December 2011 $'000
Current tax expense	263
Deferred tax benefit	(667)
	(404)
Income tax (benefit)/expense is attributable to:	
Loss from continuing operations	141
Loss from discontinued operations	(545)
Aggregate income tax benefit	(404)
Deferred income tax benefit included in income tax expense comprises:	
Increase in deferred tax assets	(69)
Decrease in deferred tax liabilities	(598)
	(667)

5 Income tax benefit (continued)

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

	31 December 2011 $'000
Loss from continuing operations before income tax expense	**(103,596)**
Loss from discontinued operations before income tax expense	**(1,815)**
	(105,411)
Tax at the Australian tax rate of 30.0%	**(31,623)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
Non deductible expenses	**70**
Tax losses not recognised	**35,252**
Recognition of previously unrecognised temporary differences	**263**
Temporary differences not recognised - other	**(4,111)**
Non assessable loss on sale of foreign subsidiary	**2**
Share-based payments	**94**
Sundry items	**(351)**
Income tax benefit	**(404)**

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

	Notes	31 December 2011 $'000
Cash flow hedges	14(a)	**404**

6 Current assets - Assets classified as held for sale

(a) Discontinued operation (Hillgrove)

(i) Description

The Hillgrove Mine remains a non-core asset held for sale. As at 31 December 2011 there has been no material change since 30 June 2011. Please refer to note 16(a) for information relating to the status of the sale process for Hillgrove. The assets and liabilities held for sale in relation to Hillgrove mine as at 31 December 2011 were $14,609,000 and $4,295,000 respectively. During the period Hillgrove mine incurred a loss of $1,270,000.

(b) Discontinued operation disposed

(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.

6 Current assets - Assets classified as held for sale (continued)

(b) Discontinued operation disposed (continued)

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

(ii) Details of the sale of the division

	31 December 2011 $'000
Consideration received or receivable:	
Present value of amount due	**13,811**
Carrying amount of net assets sold	**(13,811)**
Gain on sale after income tax	**-**

7 Current assets - Trade and other receivables

	Notes	**31 December 2011 $'000**	30 June 2011 $'000
Trade receivables		**7,121**	6,595
Other receivables	7(a)	**17,117**	11,206
Restricted cash	7(b)	**22,333**	11,542
Prepayments		**7,293**	3,609
		53,864	32,952

* Refer to note 8 for the non-current portions of these receivables.

(a) Other receivables

Other receivables is composed of receivables in relation to Australian GST refund claims, Indonesian VAT refund claims and receivables in relation to vendor financing associated with the sales of Gfe and Magontec businesses.

(b) Restricted cash

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

8 Non-current assets - Receivables

	31 December 2011 $'000	30 June 2011 $'000
Other receivables	**12,782**	3,732

* Refer to note 7 for the current portions of these receivables.

9 Current liabilities - Interest bearing liabilities

	31 December 2011 $'000	30 June 2011 $'000
Secured		
Bank loans	**37,861**	22
Lease liabilities	**2,878**	7,772
Other loans	**1,934**	482
Total secured current borrowings	**42,673**	8,276

The Group entered into the following significant financial arrangements during the period:

(i) Standard Chartered working capital facility

A facility arrangement between Tritton Resources (a subsidiary of the Group) and Standared Chartered Bank was entered into for a revolving line of credit to a maximum of US$15.0 million (A$14,670,000). Under the terms of the facility, Tritton Resources is able to draw against the facility until 31 December 2014. The facility is secured against the assets of Tritton Resources Pty Ltd and was fully drawn as at the reporting date with US$10.6 million being utilised in support of bank guarantees and the remainder drawn to support working capital requirements. The facility has been recognised in the Group's balance sheet as a current liability.

(ii) Standard Chartered financial prepaid copper swap

A facility arrangement between Tritton Resources (a subsidiary of the Group) and Standared Chartered Bank (SCB) was entered into for a financial prepaid copper swap. The swap covers a notional volume of 16,202 tonnes of contained copper over 4.5 years commencing January 2012. In simple terms, in exchange for receiving US$85 million upfront (less facility arrangement fees), Straits will make monthly payments to SCB based on monthly notional volumes of copper and a floating copper price. Straits has also entered into a collar arrangement covering this amount of copper with a floor price of US$5,000/Mt and a cap of US$15,000/Mt in respect of the same quantity of copper as is subject of the prepay. The collar protects Tritton under a weak copper price environment, while at the same time not “overhedging” and maintaining upside to a rising copper price.

The initial liability of US$83,227,000 (A$81,396,000) has been recognised as a liability by the Group with that portion which is due for repayment within twelve months of the reporting date being classified as a current liability US$13,705,000 (A$13,403,000), with the remaining balance being classified as non current (see note 11).

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

(iii) JP Morgan corporate facility

A facility arrangement between Straits Resources Limited and JP Morgan was entered into for a US$10 million loan facility (A$9,780,000), which at the reporting date was fully drawn. The Loan is repayable in six months from drawdown and is secured against listed company securities held by Straits. The Group has recognised the liability as a current interest bearing liability as at the reporting date.

10 Current liabilities - Deferred revenue

	31 December 2011 $'000	30 June 2011 $'000
Deferred revenue	**15,983**	-

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

The Group has classified deferred revenue as a current liability where delivery is expected within the next twelve months with any remaining deliveries due more than twelve months from the end of the reporting period being classified as non-current deferred revenue (see note 12).

11 Non-current liabilities - Interest bearing liabilities

	31 December 2011 $'000	30 June 2011 $'000
Secured		
Bank loans	**68,791**	798
Lease liabilities	**9,496**	9,091
Other loans	**2,106**	2,418
Total secured non-current borrowings	**80,393**	12,307

12 Non-current liabilities - Deferred revenue

	31 December 2011 $'000	30 June 2011 $'000
Deferred revenue	**32,917**	-

* Refer to note 10 for the current portions of these deferred revenues.

13 Contributed equity

Movements in ordinary share capital

	31 December 2011 Shares	Issue price	31 December 2011 $'000
Issues of ordinary shares during the period			
Shares issues for consideration:			
Employee exempt plan issue	140,392	$0.78	109
ESAP loans repaid			252
	140,392		361

14 Reserves and retained earnings

(a) Reserves

	31 December 2011 $'000	30 June 2011 $'000
Cash flow hedges	**3,570**	2,353
Share-based payments	**335**	130
Transactions with non-controlling interests	**(9,436)**	-
Foreign currency translation	**(2,109)**	(2,969)
	(7,640)	(486)

	31 December 2011 $'000
Movements:	
Cash flow hedges	
Opening balance	**2,353**
Revaluation - gross	**3,012**
Deferred tax	**(821)**
Transfer to net loss - gross	**(1,391)**
Deferred tax	**417**
Balance 31 December	**3,570**
Share-based payments	
Opening balance	**130**
Option expense	**205**
Balance 31 December	**335**
Transactions with non-controlling interests	
Acquisition of additional ownership in entity	**(9,436)**

14 Reserves and retained earnings (continued)

(a) Reserves (continued)

	31 December 2011 $'000
Foreign currency translation	
Opening balance	**(2,969)**
Transferred to profit and loss on disposal of foreign operation	**931**
Currency translation differences arising during the period	**(71)**
Balance 31 December	**(2,109)**

(b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2011 $'000
Balance 01 July	**(19,009)**
Net loss for the period	**(105,027)**
Balance 31 December	**(124,036)**

15 Subsidiaries and transactions with non-controlling interests

Transactions with non-controlling interests

In July 2011, Straits Resources Limited acquired approximately 92.6% of the Goldminco common shares not already owned by Straits or its affiliates. Subsequent to this, Straits has de-listed the common shares of Goldminco from the Toronto Venture Exchange and exercised its right under the compulsory acquisition provisions of the *Canada Business Corporations Act* to acquire the outstanding common shares of Goldminco not already owned by Straits and it's affiliates. Straits Resources Limited has paid a total consideration of $13,357,000 to acquire the remaining miniority interest in Goldminco. The carrying amount of the non-controlling interests in Goldminco on the date of acquisition was $3,921,000. The Group recognised a decrease in non-controlling interests of $3,921,000 and a decrease in equity attributable to owners of the parent of $9,436,000. The effect of these changes in the ownership interest of Goldminco on the equity attributable to owners of Straits Resources Limited during the period is summarised as follows:

	31 December 2011 $'000
Carrying amount of non-controlling interests acquired	**3,922**
Consideration paid to non-controlling interests	**(13,358)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(9,436)**

16 Events occurring after the balance sheet date

(a) Hillgrove mine

On 8 February 2012, Straits Resources Limited (Straits) announced that it has signed an agreement with Ancoa NL (Ancoa) and Emu Nickel Ltd (ASX: EMU) for the sale of the Hillgrove Antimony/Gold Mine.

The transaction is based on the terms previously negotiated with Ancoa as announced to the market on 26 August 2011, with the major change being that the agreement with Ancoa has been amended to permit EMU to acquire Ancoa, with the right to purchase Hillgrove, which would achieve a listing of Hillgrove as the asset of EMU (rather than via a separate IPO by Ancoa).

The main variation to the agreement previously made with Ancoa is that the consideration payable remains at $40 million, but is changed to:

- $10 million cash; and
- $30 million convertible note (41% premium exercisable within 5 years, interest payable at 12.5% pa after year 1).

(b) Capital raising

On 13 February 2012, Straits Resources Limited (Straits) announced a capital raising of up to A$50 million before costs.

The capital raising comprises:

- an institutional share placement, which involves the issue of a total of 75 million shares in two tranches at an issue price of A$0.60 per share to raise A$45 million (“Institutional Placement”). The Institutional Placement was supported by both existing shareholders and a number of new domestic and overseas institutions; and
- a share purchase plan under which Straits is offering eligible shareholders with a registered address in Australia or New Zealand the opportunity to each subscribe for up to A$15,000 worth of shares at the same issue price of A$0.60 per share to raise up to A$5 million (“SPP”).

The issue price of A$0.60 per share under the Capital Raising represents a 12.4% discount to the closing price of shares on ASX on 8 February 2012, and an 11.1% discount to the 10 day VWAP of shares traded on ASX to 8 February 2012.

17 Non-cash investing and financing activities

	31 December 2011 $'000
Acquisition of plant and equipment by means of finance leases	**1,949**
Increase in restricted cash by means of financing facilities	**10,367**
Disposal of exploration tenements in exchange for listed and unlisted securities	**1,859**
	14,175

18 Earnings per share

(a) Reconciliation of earnings used in calculating earnings per share

	31 December 2011 $'000
Basic and diluted earnings per share	
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	
From continuing operations	**(103,757)**
From discontinued operation	**(1,270)**
	(105,027)

(b) Weighted average number of shares used as denominator

	31 December 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**324,796,141**

19 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 Ltd that are used to make strategic decisions. Other than as detailed below, there has been no impact on the reportable segments presented for the consolidated entity.

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

Geographical segments

The Group operates in a number of geographical areas. Other than as detailed below, there has been no impact on the reportable segments presented for the consolidated entity.

Europe/China
The Group previously operated a specialty metals business in this geographical segment. The specialty metals business was disposed of during the period.

Segment results

Included in the December 2011 segment results is the discontinued operations segment relating to the Hillgrove mine as the disposal group held for sale.

19 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 31 December 2011 is as follows:

31 December 2011	Base Metals $'000	Precious Metals $'000	Other $'000	Total continuing operations $'000	Discontinued operations $'000	Consolidated $'000
Segment Revenue						
Sales to external customers	112,225	34,251	-	146,476	-	146,476
Total sales revenue	112,225	34,251	-	146,476	-	146,476
Other revenue	2,296	5	2,857	5,158	1	5,159
Total segment revenue	**114,521**	**34,256**	**2,857**	**151,634**	**1**	**151,635**
Unallocated revenue				1,125	-	1,125
Consolidated revenue				**152,759**	**1**	**152,760**
Adjusted EBITDA	**6,115**	**7,657**	**(10,384)**	**3,388**	**(1,717)**	**1,671**
Segment assets and liabilities						
Segement assets	**131,751**	**119,568**	**141,396**	**392,715**	**14,609**	**407,324**
Intersegment elimination				(90,487)	-	(90,487)
Unallocated assets				17,814	-	17,814
Total assets				**320,042**	**14,609**	**334,651**
Segment liabilities	**(182,208)**	**(88,804)**	**(34,225)**	(305,237)	(4,295)	(309,532)
Intersegment elimination				90,487	-	90,487
Unallocated liabilities				(27,000)	-	(27,000)
Total liabilities				**(241,750)**	**(4,295)**	**(246,045)**
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	17,622	31,875	366	49,863	332	50,195
Depreciation and amortisation expense	6,732	1,449	133	8,314	-	8,314

	Segment revenues from sales to external customers **31 December 2011 $'000**	Segment assets **31 December 2011 $'000**	Acquisitions of property, pland and equipment, intangibles and other non-current segment assets **31 December 2011 $'000**
Australia	112,225	214,745	18,320
South East Asia	34,251	102,092	31,875
	146,476	316,837	50,195
Unallocated assets		17,814	
Total assets		334,651	

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.

19 Segment information (continued)

(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 of Straits Resources Limited is measured in a manner consistent with that in the consolidated income statement.

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

	31 December 2011 $'000
Total segment revenue	**146,476**
Intersegment eliminations	**3**
Interest revenue	**1,122**
Other revenue	**769**
Total revenue from continuing operations (note 2)	**148,370**

(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.

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

	31 December 2011 $'000
Adjusted EBITDA	**3,388**
Finance costs	**(3,459)**
Depreciation	**(2,753)**
Amortisation	**(5,561)**
Time value of options	**2,174**
Unrealised fx loss on foreign currency loans	**(530)**
Sempra contract buyout expense	**(96,855)**
Loss before income tax from continuing operations	**(103,596)**

(iii) Segment assets
The amounts provided to the directors of Straits Resources Limited with respect to total assets are measured in a manner consistent with that of the interim financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

19 Segment information (continued)

(c) Other segment information (continued)

Reportable segments assets are reconciled to total assets as follows:

	31 December 2011 $'000
Segment assets	**392,715**
Intersegment eliminations	**(90,487)**
Discontinued operation	**14,609**
Unallocated:	
Deferred tax assets	**17,814**
Total assets as per the consolidated balance sheet	**334,651**

(iv) Segment liabilities
The amounts provided to the directors of Straits Resources Limited with respect to total liabilities are measured in a manner consistent with that of the interim financial statements. These liabilities are allocated based on the operations of the segment.

Other than with respect to the Standard Chartered working capital facility and Standard Chartered financial prepaid copper swap entered into by Tritton Resources (a subisdiary of the Group), the Group's borrowings are not considered to be segment liabilities but rather managed by the treasury function. The liabilities associated with the Standard Chartered working capital facility and Standard Chartered financial prepaid copper swap have been allocated to the base metals segment.

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

	31 December 2011 $'000
Segment liabilities	**305,237**
Intersegment eliminations	**(90,487)**
Discontinued operation	**4,295**
Unallocated:	
Current borrowings	**13,248**
Non-current borrowings	**13,752**
Total liabilities as per the consolidated balance sheet	**246,045**

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 13 to 34 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the 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, and

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
Director

Perth
28 February 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Straits Resources Limited, which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Straits Resources Limited Group (the consolidated entity). The consolidated entity comprises both Straits Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Straits Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Independent auditor's review report to the members of Straits Resources Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Straits Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Douglas Craig

Douglas Craig
Partner

Perth
28 February 2012