



# **Straits Resources**

**STRAITS RESOURCES LIMITED**

**A.B.N. 30 147 131 977**

**HALF-YEAR REPORT**

**31 December 2012**

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 2012 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 2012

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 2012 and where required, the previous corresponding period for 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:

<b>Current Directors at Date of Report</b>	
Adrian Redlich	Non-executive Chairman <i>(appointed as a Non-executive Director on 16 November 2012)</i> <i>(appointed as Non-executive Chairman on 27 November 2012)</i>
Andre Labuschagne	Chief Executive Officer and Managing Director <i>(appointed as Chief Executive Officer and Managing Director on 20 December 2012)</i>
Alastair Morrison	Non-executive Director
Dr Susan Vearncombe	Non-executive Director
Ravinder Singh Grewal	Alternate Non-executive Director to Alastair Morrison
<b>Ceased Directors During Period</b>	
Alan Good	Former Non-executive Chairman <i>(ceased as a Director on 29 November 2012)</i>
Milan Jerkovic	Former Chief Executive Officer and Managing Director <i>(ceased as Chief Executive Officer and as a Director on 20 December 2012)</i>
Colin Wise	Former Non-executive Director <i>(ceased as a Director on 24 August 2012)</i>

### Results for Announcement to the Market

	<b>31 December 2012 A\$'000</b>	<b>31 December 2011 A\$'000</b>
Total revenue from ordinary activities from continuing operations	131,944	146,476
Profit/(loss) from ordinary activities after tax	(23,264)	(105,007)
Net Profit/(loss) for the period attributable to members	(23,264)	(105,027)

## **Subsequent Events**

### **Sale of Hillgrove**

On 4 February 2013, Straits announced that Bracken Resources Pty Ltd (Bracken), the holder of the option to purchase from Straits the Hillgrove Antimony/Gold Mine, exercised the option and paid to Straits the final option exercise payment of \$1 million. Straits and Bracken are now party to a binding Sale and Purchase Agreement for the sale of Hillgrove Mines Pty Ltd. Completion of the sale is conditional only on Bracken obtaining FIRB approval.

The transaction is based on the terms previously negotiated with Bracken as announced to the market on 9 November 2012 being a purchase price of \$27 million (additional to the \$3 million option payments already received from Bracken). Pursuant to the transaction, Bracken will also replace \$3.9 million in environmental bonds currently provided by Straits in respect of the Hillgrove Mine.

### **Demerger of Gold Business**

On 30 January 2013, Straits announced that the Board had approved a proposal to give effect to a demerger of Straits gold assets, with the aim of creating independent, ASX listed Gold and Copper entities. The Board's approval followed a strategic review of Straits assets with the Board favouring the demerger as an effective means to unlock value in the Group's copper and gold producing assets.

The separation of the gold and copper assets remains subject to a number of external approvals, including approval from Straits shareholders.

It is currently proposed that pursuant to the demerger, shares in the newly created gold entity would be returned to shareholders as an in-specie capital return.

### **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 2012 was \$0.09 (30 June 2012 was \$0.22).

## **Summary of Activities**

The major events that occurred during the period were:

- The appointment of a new management team including a new Chief Executive Officer and Chief Financial Officer;
- The appointment of a new Chairman;
- Recruitment of a new on-site management team at the Tritton Copper Mine including a new General Manager and Mine Manager;
- Major restructuring of the Corporate office including a reduction in personnel and the implementation of other cost saving initiatives;
- Implementation of a cost reduction program at the Tritton Copper Mine including a reduction in personnel, removal of non-essential contractors and a halt on all non-critical works;
- In November 2012 the Company entered into an exclusive arrangement with Bracken to sell the Hillgrove Mine. During the period Straits received two \$1m non-refundable option fees. As noted above, the final \$1m option fee was received by Straits in February 2013 and completion of the sale is conditional only on Bracken obtaining FIRB approval;
- Successful completion of a \$60 million Entitlement Offer;

- Establishment of a \$20 million short term debt facility with Glencore to provide bridge funding for the Group. During the period, the facility was fully repaid out of the proceeds from the Entitlement Offer;
- In conjunction with the Glencore short term facility and \$40 million sub-underwriting of the Entitlement Offer, Straits entered into a life of mine off-take agreement with Glencore for 100% of production from the Tritton Copper Mine which commences on the expiry of the existing off-take contracts, expected in the first quarter of FY2014;
- Restructuring of the Mt Muro pre-paid silver facility with Credit Suisse which resulted in a deferral of the all silver deliveries into the facility until March 2013 (releasing 570,275oz silver in that period). Under the revised silver delivery schedule, 1,995,053oz silver is to be delivered into the facility from March 2013 to June 2015;
- Commencement of a Resource drilling program at the Avoca Tank complex designed to allow the evaluation of a mine plan and progress the development of the Avoca Tank project; and
- Completion of drilling of the Kurrajong complex at Tritton, confirming the presence of a large mineralised copper system.

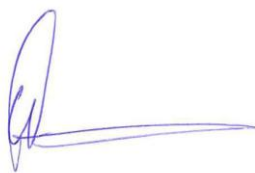
## **Independent Auditors Review Report**

The Half-Year Financial Report for the period ended 31 December 2012 contains an independent auditor's review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Additional disclosure has been included in Note 1 to the financial statements. The Emphasis of Matter however has not resulted in the independent auditor qualifying the review report.

## **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.



Andre Labuschagne  
Managing Director  
28 February 2013

## Financial Results and Review of Operations

### Financial Results

The Group recorded a loss after tax for the 6 month period to 31 December 2012 of \$23.3 million.

The December 2012 financial result for the Group was impacted by a number of key factors, including:

- Poor operational performance at both the Tritton and Mt Muro Mines;
- Corporate restructuring and refinancing costs of \$2.5 million; and
- Mark-to market revaluation loss of \$1.5 million on the revaluation of held for trading investments.

The Directors have determined not to recognise the financial period movement in deferred tax assets for unused tax losses and the associated income tax benefit of \$8.7 million.

**Table 1**

Sales Revenue	6 months 31 December 2012 \$m	6 months 31 December 2011 \$m
Base metals – Tritton	87.9	112.2
Precious metals – Mt Muro	44.0	34.3
<b>Total sales revenue from operations</b>	<b>131.9</b>	<b>146.5</b>
Discontinued operations	-	-
<b>Total sales revenue</b>	<b>131.9</b>	<b>146.5</b>

Earnings before interest, tax, depreciation and amortisation (EBITDA) from mining activities amounted to \$19.2 million with total EBITDA of \$8.1 million made up of the following:

**Table 2**

EBITDA	6 months 31 December 2012 \$m	6 months 31 December 2011 \$m
Base metals - Tritton	20.8	6.1
Precious metals - Mt Muro	(1.6)	7.7
<b>EBITDA from mining activities</b>	<b>19.2</b>	<b>13.8</b>
FX (loss)/gain	(0.3)	2.4
Investments held for trading	(1.5)	(5.0)
Administration and support	(7.7)	(7.8)
Other items	(0.3)	0.0
<b>Total EBITDA from continuing operations</b>	<b>9.4</b>	<b>3.4</b>
Loss from discontinued operations	(1.3)	(1.7)
<b>Total EBITDA</b>	<b>8.1</b>	<b>1.7</b>

Net loss for the period from mining operations was \$7.1m with the net loss attributable to members of \$23.3 million made up of the following:

**Table 3**

<b>Net Profit/(loss) after Tax</b>	<b>6 months 31 December 2012 \$m</b>	<b>6 months 31 December 2011 \$m</b>
Base metals - Tritton	5.6	(98.9)
Precious metals - Mt Muro	(12.7)	6.0
<b>Net Loss After Tax from Mining Activities</b>	<b>(7.1)</b>	<b>(92.9)</b>
FX (loss)/gain	(0.3)	2.4
Investments held for trading	(1.5)	(5.0)
Administration and support	(7.7)	(7.8)
Taxation expense	(5.9)	(0.6)
Other items	(0.8)	0.2
<b>Net loss from operating activities</b>	<b>(23.3)</b>	<b>(103.7)</b>
Loss from discontinued operations	(0.0)	(1.3)
<b>Profit/(loss) after tax</b>	<b>(23.3)</b>	<b>(105.0)</b>
<b>Profit/(loss) is attributable to:</b>		
Owners of Straits Resources Limited	<b>(23.3)</b>	<b>(105.0)</b>
Non-controlling interest	-	-

The Group's net asset position at 31 December 2012 was \$154.3 million (net assets at 30 June 2012 were \$127.2 million) including net assets of \$10.6m 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 2012.

## Review of operations

### Base Metals

#### Tritton Copper Mine

Tritton had a disappointing six months, primarily driven by delays in production from key high grade stopes in the Tritton underground mine. Production from Tritton Mine in the six months to 31 December 2012 totalled 11,355 tonnes of copper (six months to 31 December 2011 was 12,375 tonnes of copper) – with 11,091 tonnes of contained copper in concentrate and 264 tonnes in copper cement and was below the guidance of 12,000 to 13,000 tonnes.

During the period a significant cost saving program was undertaken and included a reduction in personnel, the removal of non-essential contractors and a suspension of all non-critical works.

A new management team was recruited in the latter stages of the period, including a new General Manager and a new Mine Manager.

#### Hillgrove Mine – refer subsequent events

During the period production activities remained suspended at the Hillgrove Mine. Work continued on site to manage environmental and rehabilitation requirements (water treatment and stockpiles) and maintain operational equipment readiness.

As noted in the Subsequent Events information, Straits has entered into an agreement with Bracken for the sale of the Hillgrove Antimony/Gold Mine.

## **Precious Metals**

### **Mt Muro**

The Mt Muro Mine produced below guidance for the six months to 31 December 2012. Mt Muro produced 20,235 ounces of gold and 462,269 ounces of silver for the six month reporting period to 31 December 2012.

Mining activities during the period initially focussed on the starter pit at the eastern end of the Serujan pit and from September 2012 waste stripping also commenced in the western end of the pit. During the period, mining performance was impacted by a shortage of key consumables, including fuel, at the minesite due to low river levels impacting barge shipment and also lower than required personnel numbers as recruitment and training of mining operators took longer than expected.

During the period reconciliations of grades and tonnes from the eastern end of the pit remained on plan, however the western end performed below expectation. This below expectation performance of grade and tonnes has continued and a technical review is currently underway.

## **Exploration**

### **Tritton, NSW: Straits 100%**

During the period exploration was focussed on a resource drilling program at Avoca Tank along with an initial phase of exploration drilling at the Carters and Kurrajong prospects. Significant copper mineralisation has been returned from drilling results from all three prospects.

#### ***Avoca Tank***

A Resource program of twenty diamond drill holes commenced at Avoca Tank in September with the aim of developing an initial mine plan and Reserve to progress the development of the project. The current round of drilling is expected to be completed in the third quarter of FY2013.

The Avoca Tank deposit remains open at depth below 450m vertical and along strike to the south.

#### ***Kurrajong***

During the period, further drilling was carried out which followed on from the initial discovery of massive sulphides at the Kurrajong prospect. Drilling continues to expand the zone of mineralisation which now has a strike length of over 750 metres and a vertical depth of 500m.

A total of 11 drill holes have been completed since the initial discovery in the third quarter of FY2012. The best assay result returned to date remains a 6m interval of massive sulphide in TKJD008 (6m at 3.92% Cu).

Additional drilling is planned to test the significant downhole EM anomalies identified inTKD010 and TKD011 which remain untested at depth.

#### ***Carters***

Drilling at the Carters prospect confirmed the interpretation of two parallel lenses dipping 50 degrees to the east. The mineralisation is open in all directions and is interpreted to be the northern edge of a southerly plunging zone of massive and banded sulphides within a sequence of matasediments and underlying mafic volcanics.

Further drilling is planned to the south of the current drill line which is currently scheduled to take place in the fourth quarter of FY2013.

## **Other Australian Exploration Assets**

During the period, Straits consolidated its South Australian exploration footprint by acquiring the minority interest in the Stuart Shelf tenements from its joint venture partner, UXA Resources Limited. The acquisition removed Straits earn in requirement under the joint venture arrangement and the commitment to spend an additional \$8.5 million to earn a 70% interest.

Straits entered into two Farm-in agreements with Gold Fields Australasia Pty Ltd (Gold Fields) on the Blayney and Cheesemans Creek tenements in NSW. Gold Fields has the right to earn up to 80% of the project by sole funding \$25 million in exploration expenditure over twelve years. Additional information can be found in the announcement to the ASX dated 15 August 2012.

## **Mt Muro, Indonesia: Straits 100%**

Exploration activities during the period were concentrated in and around the Serujan pit area. Further evaluation of the Bantian, Hulabai and Permata pits is underway in anticipation of an expanded exploration program.

## **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 8.





## Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the half year ended 31 December 2012, 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.

A handwritten signature in black ink that reads 'Douglas Craig'.

Douglas Craig  
Partner  
PricewaterhouseCoopers

Perth  
28 February 2013

# **Straits Resources Limited** ABN 30 147 131 977

## **Interim report - 31 December 2012**

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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. Its 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 7, which is not part of these interim financial statements.

The interim financial statements were authorised for issue by the directors on 28 February 2013. The directors have the power to amend and reissue the interim financial statements.

All press releases, financial reports and other information are available on our website: [www.straits.com.au](http://www.straits.com.au)

**Straits Resources Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the period ended 31 December 2012**

	Notes	31 December 2012 \$'000	31 December 2011 \$'000
<b>Revenue from continuing operations</b>			
Sales revenue		131,944	146,476
Other revenue from ordinary activities		2,812	1,894
	2	134,756	148,370
<b>Other income</b>	3	1,043	6,443
<b>Expenses</b>			
Cost of goods sold	4	(136,591)	(142,699)
<b>Other expenses from ordinary activities</b>			
Exploration expense	4	(1,373)	(2,392)
Administration and support	4	(8,640)	(7,491)
Sempra offtake agreement buyout	4(a)	-	(96,855)
Other	4	(1,393)	(5,513)
Finance costs	4	(7,497)	(3,459)
Impairment loss		(600)	-
<b>Loss before income tax</b>		(20,295)	(103,596)
Income tax benefit/(expense)	5	(2,949)	(141)
<b>Loss from continuing operations</b>		(23,244)	(103,737)
Loss from discontinued operations	6	(20)	(1,270)
<b>Loss for the period</b>		(23,264)	(105,007)
Loss is attributable to:			
Owners of Straits Resources Limited		(23,264)	(105,027)
Non-controlling interests		-	20
		(23,264)	(105,007)
<b>Other comprehensive income</b>			
<b>Items that can be reclassified subsequently to the Income Statement</b>			
Changes in the fair value of cash flow hedges	14(a)	(5,776)	1,217
Exchange differences on translation of foreign operations		(1,426)	(152)
Exchange differences derecognised on disposal of foreign operations		-	931
<b>Other comprehensive income for the period, net of tax</b>		(7,202)	1,996
<b>Total comprehensive income for the period</b>		(30,466)	(103,011)
Total comprehensive income for the period is attributable to:			
Owners of Straits Resources Limited		(30,466)	(102,950)
Non-controlling interests		-	(61)
		(30,466)	(103,011)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	17	(3.0)	(31.9)
Diluted earnings per share	17	(3.0)	(31.9)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	17	(3.0)	(32.3)
Diluted earnings per share	17	(3.0)	(32.3)

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

**Straits Resources Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2012**

		31 December 2012 \$'000	30 June 2012 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		25,544	12,982
Trade and other receivables	7	17,077	32,202
Inventories		29,152	27,391
Other financial assets		9,734	15,159
Derivative financial instruments		15	178
Short term mine development		8,791	8,013
		<hr/>	<hr/>
		90,313	95,925
Assets classified as held for sale	6	15,507	15,894
<b>Total current assets</b>		<hr/> <b>105,820</b>	<hr/> <b>111,819</b>
<b>Non-current assets</b>			
Receivables	8	45,863	33,504
Other financial assets		359	359
Derivative financial instruments		343	3,431
Exploration and evaluation		30,364	27,172
Mine properties in use		150,456	144,766
Property, plant and equipment		45,993	45,151
Deferred tax assets		17,813	17,814
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>291,191</b>	<b>272,197</b>
<b>Total assets</b>		<hr/> <b>397,011</b>	<hr/> <b>384,016</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		50,328	68,436
Interest bearing liabilities	9	41,448	26,011
Deferred revenue	10	16,633	21,920
Derivative financial instruments		2,162	481
Provisions		4,311	4,262
		<hr/>	<hr/>
		114,882	121,110
Liabilities directly associated with assets classified as held for sale	6	4,061	4,307
<b>Total current liabilities</b>		<hr/> <b>118,943</b>	<hr/> <b>125,417</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	11	67,045	82,683
Deferred revenue	12	26,154	21,871
Derivative financial instruments		4,357	1,055
Provisions		26,171	25,746
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>123,727</b>	<b>131,355</b>
<b>Total liabilities</b>		<hr/> <b>242,670</b>	<hr/> <b>256,772</b>
<b>Net assets</b>		<hr/> <b>154,341</b>	<hr/> <b>127,244</b>
<b>EQUITY</b>			
Contributed equity	13	353,300	295,941
Reserves	14(a)	(17,462)	(10,464)
Accumulated losses	14(b)	(181,497)	(158,233)
Capital and reserves attributable to owners of Straits Resources Limited		<hr/> <b>154,341</b>	<hr/> <b>127,244</b>
<b>Total equity</b>		<hr/> <b>154,341</b>	<hr/> <b>127,244</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Straits Resources Limited**  
**Consolidated Statement of Changes in Equity**  
**For the period ended 31 December 2012**

	Notes	Attributable to owners of Straits Resources Limited			Total \$'000	Non-con- trolling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000			
<b>Balance at 1 July 2011</b>		219,921	(486)	(19,009)	200,426	3,983	204,409
Loss for the year		-	-	(105,027)	(105,027)	20	(105,007)
Other comprehensive income		-	2,077	-	2,077	(81)	1,996
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>2,077</b>	<b>(105,027)</b>	<b>(102,950)</b>	<b>(61)</b>	<b>(103,011)</b>
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	14	-	205	-	205	-	205
		<b>361</b>	<b>(9,231)</b>	<b>-</b>	<b>(8,870)</b>	<b>(3,922)</b>	<b>(12,792)</b>
<b>Balance at 31 December 2011</b>		<b>220,282</b>	<b>(7,640)</b>	<b>(124,036)</b>	<b>88,606</b>	<b>-</b>	<b>88,606</b>
<b>Balance at 1 July 2012</b>		295,941	(10,464)	(158,233)	127,244	-	127,244
Loss for the year		-	-	(23,264)	(23,264)	-	(23,264)
Other comprehensive income		-	(7,202)	-	(7,202)	-	(7,202)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(7,202)</b>	<b>(23,264)</b>	<b>(30,466)</b>	<b>-</b>	<b>(30,466)</b>
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	13	57,359	-	-	57,359	-	57,359
Employee share options - value of employee services	14	-	204	-	204	-	204
		<b>57,359</b>	<b>204</b>	<b>-</b>	<b>57,563</b>	<b>-</b>	<b>57,563</b>
<b>Balance at 31 December 2012</b>		<b>353,300</b>	<b>(17,462)</b>	<b>(181,497)</b>	<b>154,341</b>	<b>-</b>	<b>154,341</b>

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

**Straits Resources Limited**  
**Consolidated Statement of Cash Flows**  
**For the period ended 31 December 2012**

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	136,487	139,824
Receipts from deferred revenue	-	48,501
Net cashflows from hedging	(772)	1,373
Payments to suppliers and employees	(142,276)	(225,838)
Interest received	784	989
Interest paid	(5,081)	(2,550)
Net cash inflow/(outflow) from operating activities of discontinued operations	445	(1,740)
<b>Net cash (outflow) from operating activities</b>	<b>(10,413)</b>	<b>(39,441)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and mine properties	(32,583)	(39,518)
Payments for held for trading financial assets	-	(50)
Proceeds from sale of property, plant and equipment	515	721
Proceeds from held for trading financial assets	3,964	3,346
Proceeds from sale of subsidiaries, net of cash disposed	-	640
Payments for exploration expenditure	(4,084)	(10,409)
Proceeds from loan receivable	469	-
Net cash outflow from investing activities of discontinued operations	(167)	(332)
<b>Net cash (outflow) from investing activities</b>	<b>(31,886)</b>	<b>(45,602)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	57,359	250
Proceeds from borrowings	8,178	94,531
Repayment of borrowings	(8,620)	(3,688)
Finance lease payments	(1,527)	(6,805)
Transactions with non-controlling interests	-	(13,358)
Net cash outflow from financing activities of discontinued operations	(278)	(71)
<b>Net cash inflow from financing activities</b>	<b>55,112</b>	<b>70,859</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,813</b>	<b>(14,184)</b>
Cash and cash equivalents at the beginning of the financial period	12,982	36,716
Effects of exchange rate changes on cash and cash equivalents	(251)	2,173
<b>Cash and cash equivalents at end of period</b>	<b>25,544</b>	<b>24,705</b>

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

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## **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 2012 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 2012 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) Going Concern*

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

During the period ended 31 December 2012, Straits incurred a loss of \$23.3 million and had a cash outflow from operating activities of \$10.4 million.

At 31 December 2012 the Group held cash of \$25.5 million and had net assets of \$154.3 million and a working capital deficiency of \$13.1 million. During the period ended 31 December 2012, the Group has been able to continue to meet working capital requirements principally as a result of capital raised and restructuring finance arrangements.

Production at Mt Muro was significantly below the Group's forecasts during the period. Mt Muro requires financial support until June 2013 to be cash flow positive at operating levels. As announced on 16th January 2013, mining in the Eastern end of the Serujan Pit is currently suspended. Subject to meeting this funding requirement and recommencing mining in the eastern end of the pit, the Directors expect Mount Muro to begin to generate positive cash flows by June 2013. Following recent measures to reduce the cash operating costs at the Tritton copper mine, the Directors expect the operations to generate positive cashflows. The company also continues to explore options for the divestment of non-core assets, for example the previously announced sale of the Hillgrove mine (further information in relation to the sale of the Hillgrove mine is included in Note 15 within this financial report).

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

- (a) a reduction of discretionary/contingent expenditures;
- (b) improving performance at the mining operations in order to generate positive cashflow; and
- (c) divestment of listed securities and non-core assets.

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



## 1 Basis of preparation of half-year report (continued)

The Directors believe that the Company has reasonable prospects of accessing sufficient funds to support its operations in the foreseeable future and as a consequence they have no intention to liquidate or cease trading.

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

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

### (ii) 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 2012.

### (iii) 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 2015 but is available for early adoption. When adopted, the standard will affect, in particular, the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit 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 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.

## 2 Revenue

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Mining activities	<b>131,944</b>	146,476
<i>Other revenue</i>		
Management fees	-	3
Interest	<b>371</b>	1,122
Other revenue from ordinary activities	<b>2,441</b>	769
	<b>134,756</b>	148,370

## 2 Revenue (continued)

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 activities includes the effective amount of the derivatives that were used to hedge foreign currency and commodity revenues. The amount included in revenue is:

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Forward currency in the money contracts - cash flow hedged	172	1,391
Forward commodity out of the money contracts - cash flow hedged	<u>(1,171)</u>	-
	<u>(999)</u>	<u>1,391</u>

## 3 Other income

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Net gain on disposal of property, plant and equipment	404	2,215
Foreign exchange gains (net)	1,664	2,054
Net gain/(loss) on time value of option contracts	<u>(1,025)</u>	2,174
	<u>1,043</u>	<u>6,443</u>

## 4 Expenses

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Profit before income tax includes the following specific expenses:		
Cost of production		
Mining and Processing activities	113,924	134,523
Depreciation		
Plant and equipment	2,368	1,101
Plant and equipment under finance leases	1,131	1,515
Total Depreciation	3,499	2,616
Amortisation		
Mine properties	19,168	5,560
Total Cost of goods sold	136,591	142,699
Exploration		
Exploration expenditure	766	2,033
Exploration written off	607	359
Total Exploration	1,373	2,392
Finance costs - net		
Interest and finance charges paid/payable	6,906	3,084
Unwinding of discounts on provisions	591	375
Total Finance costs - net	7,497	3,459
Other		
Marketing	2	74
Loss on fair value of listed securities held for trading	1,391	5,383
Loss on disposal of Fixed Assets	-	56
Total Other	1,393	5,513
Administration and support		
Australia	7,892	7,054
Asia	748	437
Total Administration and support	8,640	7,491
Included within the above functions are the following:		
Employee benefits expense (includes employee benefit accruals)	27,870	24,598
Superannuation expense	331	370
<i>Impairment of other assets</i>		
Impairment loss	600	-

#### 4 Expenses (continued)

##### (a) Sempra buyout

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

A new offtake agreement was 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. Tritton had an option to terminate the new offtake agreement with J.P. Morgan for shipments scheduled from 1 July 2012. Tritton exercised this option during the prior year and an amount of \$8,671,000 was paid to J.P. Morgan for exercising the option.

##### (b) Impairment Loss

The Group has reviewed the carrying amount of assets of the Group and have written down the plant and equipment held for sale at the Mt Muro mine by \$384,000 (2011: Nil) and the Corporate Entities by \$216,000 (2011: Nil). The recoverable amount of the assets are the fair value less costs to sell.

#### 5 Income tax benefit

##### (a) Income tax benefit

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Current tax expense	-	263
Deferred tax benefit	<u>1,420</u>	<u>(667)</u>
	<u>1,420</u>	<u>(404)</u>
Income tax (benefit)/expense is attributable to:		
Loss from continuing operations	<u>2,949</u>	141
Loss from discontinued operations	<u>(1,529)</u>	<u>(545)</u>
Aggregate income tax benefit	<u>1,420</u>	<u>(404)</u>
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Increase in deferred tax assets	<u>(2,443)</u>	(69)
Increase (decrease) in deferred tax liabilities	<u>3,863</u>	<u>(598)</u>
	<u>1,420</u>	<u>(667)</u>

## 5 Income tax benefit (continued)

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

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Loss from continuing operations before income tax expense	<b>(20,295)</b>	(103,596)
Loss from discontinued operations before income tax expense	<b>(1,549)</b>	(1,815)
	<b>(21,844)</b>	(105,411)
Tax at the Australian tax rate of 30.0%	<b>(6,553)</b>	(31,623)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Temporary differences not recognised	-	(4,111)
Non assessable gain on sale of subsidiary	-	2
Share-based payments	<b>61</b>	94
Losses of foreign operations not recognised	<b>3,567</b>	-
Sundry items	<b>1</b>	(351)
Non deductible expenses	<b>69</b>	70
Non deductible items discontinued operations	<b>41</b>	-
Tax losses not recognised	<b>8,658</b>	35,252
Recognition of previously unrecognised temporary differences - continuing operations	<b>(3,319)</b>	263
Recognition of previously unrecognised temporary differences - discontinuing operations	<b>(1,105)</b>	-
Income tax benefit	<b>1,420</b>	(404)

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

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Cash flow hedges	14(a) <b>(1,420)</b>	404

## 6 Current assets - Assets classified as held for sale

### (a) Discontinued operation (Hillgrove)

The Hillgrove Mine remains, in terms of classification, a non-core asset held for sale. Please refer to note 15(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 2012 were \$14,649,000 and \$4,061,000 respectively. During the period Hillgrove mine incurred a loss after tax of \$20,000.

**Straits Resources Limited**  
**Notes to the Consolidated Financial Statements**  
**31 December 2012**  
(continued)

**7 Current assets - Trade and other receivables**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
Net trade receivables	3,642	6,697
Other receivables	8,559	22,171
Prepayments	4,876	3,334
	<b>17,077</b>	<b>32,202</b>

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

**(a) Other receivables**

Other receivables is primarily 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 the GfE and Magontec businesses.

**8 Non-current assets - Receivables**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
Restricted cash #	21,218	21,547
Other receivables	24,645	11,957
	<b>45,863</b>	<b>33,504</b>

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

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

**9 Current liabilities - Interest bearing liabilities**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Secured</b>		
Bank loans	35,660	22,321
Lease liabilities	3,127	3,041
Other loans	2,661	649
Total interest bearing liabilities	<b>41,448</b>	<b>26,011</b>

The Group has not entered into any new significant financial arrangements during the period.

**10 Current liabilities - Deferred revenue**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
Deferred revenue	<b>16,633</b>	21,920

The Group has agreed revised terms for its US\$50 million silver advance facility with Credit Suisse. The key change to the facility is the deferral of silver deliveries from PT Indo Muro Kencana (a subsidiary of the Group), to Credit Suisse until March 2013. Under the revised delivery schedule, 1,955,053 ounces of silver are to be delivered into the facility from March 2013 to June 2015.

The receipt of funds in the prior year 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**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Secured</b>		
Bank loans	59,037	72,490
Lease liabilities	6,209	8,091
Other loans	1,799	2,102
Total interest bearing liabilities	<b>67,045</b>	82,683

**12 Non-current liabilities - Deferred revenue**

	<b>31 December 2012 \$'000</b>	<b>30 June 2012 \$'000</b>
Deferred revenue	<b>26,154</b>	21,871

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

### 13 Contributed equity

#### Movements in ordinary share capital

	31 December 2012 Shares	Issue price	31 December 2012 \$'000
<b>Issues of ordinary shares during the period</b>			
Shares issues for consideration:			
Ordinary shares - fully paid	707,620,685	\$0.09	60,148
Less Transaction costs arising from share issue			(2,789)
	<u>707,620,685</u>		<u>57,359</u>
	31 December 2011 Shares	Issue price	31 December 2011 \$'000
<b>Issues of ordinary shares during the period</b>			
Shares issues for consideration:			
Employee exempt plan issue	140,392	\$0.78	109
ESAP loans repaid			252
	<u>140,392</u>		<u>361</u>

### 14 Reserves and retained earnings

#### (a) Reserves

	31 December 2012 \$'000	30 June 2012 \$'000
Cash flow hedges	(5,565)	211
Share-based payments	744	540
Transactions with non-controlling interests	(9,443)	(9,443)
Foreign currency translation	(3,198)	(1,772)
	<u>(17,462)</u>	<u>(10,464)</u>



## 14 Reserves and retained earnings (continued)

### (a) Reserves (continued)

	31 December 2012 \$'000	30 June 2012 \$'000
<b>Movements:</b>		
<i>Cash flow hedges</i>		
Opening Balance	211	2,353
Revaluation - gross	(5,989)	(2,697)
Deferred tax	1,420	149
Transfer to net profit or loss - gross	(1,207)	196
Deferred tax	-	210
Closing Balance	(5,565)	211
 <i>Share-based payments</i>		
Opening Balance	540	130
Option expense	204	410
Closing Balance	744	540
 <i>Transactions with non-controlling interests</i>		
Opening Balance	(9,443)	-
Acquisition of additional ownership in entity	-	(9,443)
Closing Balance	(9,443)	(9,443)
 <i>Foreign currency translation</i>		
Opening Balance	(1,772)	(2,969)
Currency translation differences arising during the year	(1,426)	266
Exchange differences on translation discontinued operation	-	931
Closing Balance	(3,198)	(1,772)

### (b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2012 \$'000	30 June 2012 \$'000
Opening Balance	(158,233)	(19,009)
Net loss for the period	(23,264)	(139,224)
Closing Balance	(181,497)	(158,233)

## 15 Events occurring after the balance sheet date

### (a) Hillgrove mine

On 4 February 2013, Straits Resources Limited (Straits) announced that Bracken Resources Pty Ltd (Bracken), the holder of the Option to purchase from Straits the Hillgrove Antimony/Gold Mine, exercised the Option and paid to Straits the final option exercise payment of \$1.0 million. Exercise of the Option means that Straits and Bracken are now party to a binding Sale and Purchase Agreement for the sale of Hillgrove Mines Pty Ltd. Completion of the sale is conditional only on Bracken obtaining required FIRB approval.

The transaction is based on the terms previously negotiated with Bracken as announced to the market on 9 November 2012. As previously advised, the purchase price is \$27.0 million, which is in addition to the \$3.0 million option payments already paid by Bracken to Straits. Bracken will also replace \$3.9 million in environmental bonds currently provided by Straits in respect of the Hillgrove Mine.

### (b) Demerger

On 30 January 2013, Straits Resources Limited advised that the Board of Straits has approved a proposal to give effect to a demerger of Straits' gold assets, with the aim of creating independent, ASX-Listed gold and copper entities. The Board's approval follows a strategic review of Straits' assets with the Board favouring the Demerger as an effective means to unlock value in both Straits' copper and gold producing assets. The separation of the gold and copper assets will be subject to a number of external and internal approvals, including Straits shareholder approval.

It is currently proposed that shares in the newly created gold entity would be returned to shareholders as an in specie capital return, as part of the Demerger.

Full details of the Demerger, including the value of gold assets to be returned to shareholders, will be determined over the coming weeks.

## 16 Non-cash investing and financing activities

	<b>31 December 2012 \$'000</b>	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
	<hr/>	<hr/>
	-	14,175

There were no non-cash investing and financing activities for the current period.

## 17 Earnings per share

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

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
<i>Basic and diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(23,244)	(103,757)
From discontinued operation	(20)	(1,270)
	<b>(23,264)</b>	<b>(105,027)</b>

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

	<b>31 December 2012 Number</b>	31 December 2011 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>		
	<b>771,882,171</b>	<b>324,796,141</b>

## 18 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 prior 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 prior period.

## 18 Segment information (continued)

### (a) Description of segments (continued)

#### Segment results

Included in both current and prior period segment results is the discontinued operations segment relating to the Hillgrove mine as the disposal group is held for sale.

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

<b>31 December 2012</b>	Base Metals \$'000	Precious Metals \$'000	Other \$'000	Total continuing operations \$'000	Discontinued operations \$'000	Consolidated \$'000
<b>Segment Revenue</b>						
Sales to external customers	87,885	44,059	-	131,944	-	131,944
Total sales revenue	87,885	44,059	-	131,944	-	131,944
Other revenue	1,599	142	1,743	3,484	54	3,538
<b>Total segment revenue</b>	<b>89,484</b>	<b>44,201</b>	<b>1,743</b>	<b>135,428</b>	<b>54</b>	<b>135,482</b>
Unallocated revenue				371	-	371
<b>Consolidated revenue</b>				<b>135,799</b>	<b>54</b>	<b>135,853</b>
<b>Adjusted EBITDA</b>	<b>20,787</b>	<b>(1,595)</b>	<b>(9,762)</b>	<b>9,430</b>	<b>(1,317)</b>	<b>8,113</b>
<b>Segment assets and liabilities</b>						
<b>Segment assets</b>	<b>205,139</b>	<b>187,482</b>	<b>159,040</b>	<b>551,661</b>	<b>14,649</b>	<b>566,310</b>
Intersegment elimination				(187,112)	-	(187,112)
Unallocated assets				17,813	-	17,813
<b>Total assets</b>				<b>382,362</b>	<b>14,649</b>	<b>397,011</b>
<b>Segment liabilities</b>	<b>(218,872)</b>	<b>(184,769)</b>	<b>(7,506)</b>	(411,147)	(4,061)	(415,208)
Intersegment elimination				187,112	-	187,112
Unallocated liabilities				(14,574)	-	(14,574)
<b>Total liabilities</b>				<b>(238,609)</b>	<b>(4,061)</b>	<b>(242,670)</b>
<b>Other segment information</b>						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	15,724	19,665	834	36,223	-	36,223
Depreciation and amortisation expense	12,458	10,210	145	22,813	-	22,813

## 18 Segment information (continued)

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

31 December 2011	Base Metals \$'000	Precious Metals \$'000	Other \$'000	Total continuing operations \$'000	Discontinued operations \$'000	Consolidated \$'000
<b>Segment Revenue</b>						
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
<b>Total segment revenue</b>	<b>114,521</b>	<b>34,256</b>	<b>2,857</b>	<b>151,634</b>	<b>1</b>	<b>151,635</b>
Unallocated revenue				1,125	-	1,125
<b>Consolidated revenue</b>				<b>152,759</b>	<b>1</b>	<b>152,760</b>
<b>Adjusted EBITDA</b>	<b>6,115</b>	<b>7,657</b>	<b>(10,384)</b>	<b>3,388</b>	<b>(1,717)</b>	<b>1,671</b>
<b>Segment assets and liabilities</b>						
<b>Segment assets</b>	<b>131,751</b>	<b>119,568</b>	<b>141,396</b>	<b>392,715</b>	<b>14,609</b>	<b>407,324</b>
Intersegment elimination				(90,487)	-	(90,487)
Unallocated assets				17,814	-	17,814
<b>Total assets</b>				<b>320,042</b>	<b>14,609</b>	<b>334,651</b>
<b>Segment liabilities</b>	<b>(182,208)</b>	<b>(88,804)</b>	<b>(34,225)</b>	(305,237)	(4,295)	(309,532)
Intersegment elimination				90,487	-	90,487
Unallocated liabilities				(27,000)	-	(27,000)
<b>Total liabilities</b>				<b>(241,750)</b>	<b>(4,295)</b>	<b>(246,045)</b>
<b>Other segment information</b>						
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 <b>31 December 2012 \$'000</b>	Segment assets <b>31 December 2012 \$'000</b>	Acquisitions of property, plant and equipment, intangibles and other non-current segment assets <b>31 December 2012 \$'000</b>
Australia	87,885	191,716	16,558
South East Asia	44,059	187,482	19,665
	<u>131,944</u>	<u>379,198</u>	<u>36,223</u>
Unallocated assets		17,813	
<b>Total assets</b>		<u><b>397,011</b></u>	

## 18 Segment information (continued)

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

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

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

The revenue from external parties reported to the directors of Straits Resources Limited is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

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

	<b>31 December</b> <b>2012</b> <b>\$'000</b>	31 December 2011 \$'000
Total segment revenue	<b>131,944</b>	146,476
Intersegment eliminations	-	3
Interest revenue	<b>371</b>	1,122
Other revenue	<b>2,441</b>	769
<b>Total revenue from continuing operations (note 2)</b>	<b><u>134,756</u></b>	<u>148,370</u>

#### (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 from continuing operations is provided as follows:

## 18 Segment information (continued)

### (c) Other segment information (continued)

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Adjusted EBITDA	<b>9,430</b>	3,388
Finance costs	<b>(7,497)</b>	(3,459)
Depreciation	<b>(3,646)</b>	(2,753)
Amortisation	<b>(19,170)</b>	(5,561)
Time value of options	<b>(1,025)</b>	2,174
Unrealised foreign exchange gain/(loss) on foreign currency loans	<b>2,213</b>	(530)
Sempra contract buyout expense	-	(96,855)
Impairment	<b>(600)</b>	-
<b>Loss before income tax from continuing operations</b>	<b>(20,295)</b>	(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 Consolidated Statement of Financial Position. 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:

	<b>31 December 2012 \$'000</b>	30 June 2012 \$'000
<b>Segment assets</b>	<b>551,661</b>	495,026
Intersegment eliminations	<b>(187,112)</b>	(143,117)
Discontinued operation	<b>14,649</b>	14,293
Unallocated:		
Deferred tax assets	<b>17,813</b>	17,813
<b>Total assets as per the Consolidated Statement of Financial Position</b>	<b>397,011</b>	384,015

#### *(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 Consolidated Statement of Financial Position. These liabilities are allocated based on the operations of the segment.

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

**18 Segment information (continued)**

**(c) Other segment information (continued)**

	<b>31 December 2012 \$'000</b>	30 June 2012 \$'000
<b>Segment liabilities</b>	<b>411,147</b>	380,902
Intersegment eliminations	<b>(187,112)</b>	(143,117)
Discontinued operation	<b>4,061</b>	4,307
Unallocated:		
Current borrowings	<b>8,720</b>	10,985
Non-current borrowings	<b>5,854</b>	3,695
<b>Total liabilities as per the Consolidated Statement of Financial Position</b>	<b>242,670</b>	<u>256,772</u>



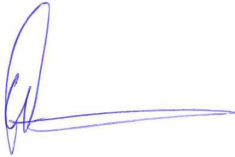
**Straits Resources Limited  
Directors' declaration  
31 December 2012**

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 10 to 31 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 2012 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.



Andre Labuschagne  
Director

Perth  
28 February 2013



## **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 statement of financial position as at 31 December 2012, and 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 2012 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 2012 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*.

### *Emphasis of matter*

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$23.3 million during the half year ended 31 December 2012 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$13.1 million. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Douglas Craig*

Douglas Craig  
Partner

Perth  
28 February 2013