Straits

ASX:SRQ

2014 ANNUAL REPORT

Straits Resources Limited

WWW.STRAITS.COM.AU

CORPORATE DIRECTORY

Directors

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

Joint Company Secretary

Robert Brainsbury

Dané van Heerden

Senior Management
Corporate

Robert Brainsbury	Chief Financial Officer
Ian Sheppard	Chief Operating Officer

Operations

John Miller	General Manager Tritton Mine

Registered and Head Office

Suite 1, Level 2

HQ South Tower

520 Wickham Street

Fortitude Valley

QLD, 4006

Tel: +61 7 3034 6200

Fax: +61 7 3034 6290

Email: info@straits.com.au

Share Registry
Link Market Services

Level 15

345 Queen Street

Brisbane

QLD, 4000

Tel: +61 7 3320 2200

Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Website

www.straits.com.au

Stock Exchange Listing
ASX Limited (ASX: SRQ)

Auditors

PricewaterhouseCoopers

Lawyers

HopgoodGanim

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Straits Resources Limited (ASX: SRQ) is an established copper producer with multiple mines and a 1.6 Mtpa copper concentrator at its Tritton Copper Operations in New South Wales, Australia.

In 2014 Straits' Tritton operations achieved record production, producing more than 26,400 tonnes of copper metal, exceeding guidance for the period.

The Company also has an exciting portfolio of highly prospective, advanced exploration projects creating a pipeline for future growth, including a number of identified priority projects at its Tritton Operations. Leveraging the Company's established infrastructure at Tritton remains a key growth strategy in the year ahead.

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

STRATEGIC FOCUS

FY14 HIGHLIGHTS

- Implemented asset rationalisation strategy and returned the company to positive operating cashflows
- Net Profit of $57.4 million compared to net loss of $240.7 million in FY13
- Achieved record copper production of 26,422 tonnes at Tritton, also setting new mining and processing records
- Increased the Tritton Ore Reserves by more than 45,000 tonnes of contained copper, net of mining depletion
- Significantly progressed restructuring of the company's debt position.

In the past year Straits' dual focus on operational excellence and corporate restructuring geared towards strengthening the company's balance sheet, have resulted in a return to profitability and effectively repositioned the company for a new period of sustainable growth. Finalising the Company's debt restructuring process is a key priority in the first half of the new financial year, as is finalising the exit from the Indonesian assets.

Tritton has just completed a year of record copper production (26,422 tonnes) and in the coming year is targeting production of 27,000 tonnes of copper as the successful operational reforms over the last 18 months are realised and further improvement initiatives are implemented. The Tritton Operations have excellent prospects for growth and mine life extension, as evidenced by the increase in JORC compliant Ore Reserves by more than 45,000 tonnes of contained copper in FY14.

The focus at Tritton for the coming year is to continue driving operational and cost performance in the current operations, update the life-of-mine plans to incorporate the increased Ore Reserves, and reinvigorate exploration activities on the tenement package around Tritton to further extend mine life and/or upgrade the quality of the resource base.

Tritton underground mine

In the longer term we aim to become a mid-sized, multi-mine company with a bias towards copper projects. Growth will be achieved both through exploration of a number of identified priority targets around Tritton to leverage off the Company's established infrastructure in this highly prospective region; and the consideration of appropriate merger and acquisition opportunities.

EXECUTIVE CHAIRMAN'S STATEMENT

The 2014 Financial Year was a period when many of the benefits of the turnaround strategy put in place during FY2013 delivered tangible outcomes for our shareholders and left the Company on a stronger footing to pursue meaningful and sustainable future growth.

A range of business-wide restructuring activities across the company were completed or progressed and resulted in many important achievements in FY2014 including:

- Record copper production from the Tritton Operations;
- Record tonnes processed through the Tritton mill;
- Record ore mined from the Tritton underground mine;
- Operations returning to cash flow positive;
- A near $300 million annual turnaround in Net Profit to $57.4 million;
- A reduction in debt (interest bearing liabilities and deferred revenue) by more than $20 million; and
- Cessation of operations at Mt Muro, and the commencement of voluntary bankruptcy proceedings by the Indonesian subsidiary to terminate Straits' involvement in the project.

In the last annual report I told shareholders I was confident Straits had turned the corner and I believe this view has been vindicated by our operational performance and the continued restructuring.

Most pleasingly, the Tritton Operations in NSW achieved record production of 26,422 tonnes of copper in FY2014, exceeding both the original and upgraded guidance for the period. This result reflected the close focus on productivity gains and cost reduction strategies that the team has been implementing at key operating asset.

In the early parts of FY2014, there was an emphasis on improving processing plant maintenance as throughput rates were increased. Record annual throughput was achieved and by the end of the year the processing plant was operating at a rate equivalent to 1.6 million tonnes on an annualised basis. Design work on the next phase of debottlenecking to lift annual mill capacity to 1.8 million tonnes per annum is now underway.

Both the Tritton and North East Mines performed well during the year with Tritton setting a new record for annual ore production. In the final quarter of FY2014 the Tritton Mine, in response to the changing geometry of the orebody, commenced transitioning of the mining method from transverse stopes to longitudinal retreat mining. This transition is expected to be completed by the middle of the new financial year. Operations at the North East mine in the coming year will focus on commencing production from the nearby Larsens deposit. The operation is targeting copper production of around 27,000 tonnes in FY2015, an increase on FY2014 and reflecting the ongoing improvement expected.

The strong operational performance translated into a vastly improved financial performance for the group. Gross profit rose to $13.5 million (FY2013: gross loss $23.9 million) and net profit rose to $57.4 million (FY2013: net loss $240.7 million).

A profit of $103.9 million was realised when our Indonesian subsidiary was de-recognised from the group accounts which also saw the Company's balance sheet reflect a net assets position of $5.7 million.

Strengthening the Company's balance sheet has been the second major area of focus in FY2014 and significant progress has been made on this front as well.

During August 2013 the Company negotiated a restructure of the silver prepayment facility with Credit Suisse (CS), including the release of a parent company guarantee provided by Straits.

In September 2013, the Company negotiated an interim restructure of the Copper Swap Facility with Standard Chartered Bank (SCB) which significantly reduced payments between August 2013 and April 2014. In June the Copper Swap Facility was replaced with a Bridging Loan with SCB. The intention on both sides is to work together to finalise a longer term restructure and significant progress has been achieved on this front as we edge closer to an outcome.

Overall Straits' debt decreased by more than $20.0 million to $135.7 million in the period and our cash position finished at a healthy $12.7 million.

Early in the financial year Straits acted decisively to place the Mt Muro gold operation in Indonesia on care and maintenance due to financial underperformance and a series of disruptions which prevented the implementation of a new mine plan.

In January Straits' Indonesian subsidiary, PT Indo Muro Kencana (PT IMK), the owner of the Mt Muro operation applied for voluntary bankruptcy, beginning a process which, subsequent to the period under review, has seen the asset entirely removed from the Straits group.

A hearing for PT IMK's Bankruptcy Application was effectively postponed until a Suspension of Payment application, lodged by one of the creditors, could be finally decided.

On the 10th October 2014, the Commercial Court at the Central Jakarta Court approved a Settlement Plan proposed by PT IMK to the Creditors of PT IMK. The Settlement Plan involves transferring the two Straits' subsidiaries that hold all the shares into PT IMK into a Special Purpose Vehicle and held in trust on behalf of the Creditors. In return the Creditors will provide appropriate releases to the Directors and Commissioners of PT IMK and also to Straits. Once completed, Straits and its subsidiaries will have no ongoing obligations to PT IMK and its Creditors. This is a significant event for Straits and enables the Company to now focus on its other key assets.

As we move into FY2015 Straits is in a far stronger position than it was 12 months ago. Operational improvements at Tritton are providing a strong foundation for future growth and will, in time, enable the Company to consider appropriate merger and acquisition opportunities to further enhance the business and build shareholder value.

None of the achievements of FY2014 would have been possible without the contribution of our employees at Tritton and across the entire business. I would like to personally thank all of our dedicated staff and acknowledge their important role in Straits' turnaround.

Finally I would also like to acknowledge the support of shareholders. While equity markets have remained challenging this year we believe important steps have been made to provide a platform for a sustainable business going forward.

Yours sincerely

André Labuschagne
Executive Chairman

REVIEW OF OPERATIONS AND ACTIVITIES

FINANCIAL RESULTS

The Group recorded a net profit after tax for the financial reporting period to 30 June 2014 of $57.4 million compared to a net loss of $240.7 million after tax for the period ended 30 June 2013. Included in the 2014 result was a profit of $103.9 million realised by de-recognising Straits' Indonesian subsidiary from the group accounts.

Cashflows from operations for FY2014 was $35.2 million, a turnaround of $60.0 million from the previous year and reflects the improved performance of the Tritton Operations and the impact of ceasing operations at Mt Muro.

CORPORATE

A number of changes were made to the Board and Executive during the period under review, as set out in the Directors' Report. In October 2013 the right-sizing of the corporate team was completed following the relocation of the corporate office to Brisbane. The corporate office now comprises a team of 8 staff, compared to 38 in July 2012.

Profit/(loss)	30 June 2014 ($M)	30 June 2013 ($M)
Revenue from Continuing Operations	202.9	166.8
Gross Profit	13.5	(23.9)
Loss from Continuing Operations	(46.6)	(68.4)
Profit/(loss) from Discontinued Operations	103.9	(172.2)
Profit/(loss) for the year	57.4	(240.7)

FINANCIAL POSITION

The net profit attributable to Straits for the year end 30 June 2014 was $57.4 million (30 June 2013 loss of $240.7 million) resulting in a positive net asset position of $5.7 million at 30 June 2014 (30 June 2013 net liability position of $32.6 million). The result was impacted by the de-consolidation of the Mt Muro operations.

At 30 June 2014, Straits' net asset position included cash and cash equivalents of $12.7 million, investments of $5.4 million and $14.4 million of restricted cash. The Group's net cash inflow from operating activities during the period was $35.2 million with net cash outflows from investing activities of $20.1 million and net cash outflows from financing activities of $20.5 million. Foreign exchange revaluations amounted to $0.1 million on cash and cash equivalents.

Non-Core Investments

The process of streamlining and monetising the company's non-core assets continued during the period. In July 2013 the sale of Straits' Stuart Shelf exploration project in South Australia to OZ Minerals Ltd (ASX: OZZ) was completed for a consideration of $2.2 million.

In November 2013 agreement was reached with Magontec Ltd (Magontec) (ASX: MGL) for the early repayment of a $2.1 million loan owed to Straits. The agreement with Magontec included conversion of Convertible Notes held by Straits in Magontec, with a face value of $5.9 million, into approximately 112 million Magontec shares.

Following the conversion Straits' holding in Magontec increased to 15.6% of that company's total issued capital and entitled Straits to appoint a non-executive director to Magontec's board. Straits Executive Chairman, André Labuschagne accepted this appointment in January this year.

Also in January this year, Straits realised the sale of its interest in certain subordinated debt and notes owing by Swiss company GFE-MIR for $US2.6 million.

Debt

As originally announced in August 2013, Straits finalised the settlement of the Mt Muro silver prepayment facility with Credit Suisse (A$34.9 million as at 30 June 2013). This resulted in a Straits parent company guarantee being extinguished, in return for an up-front payment of US$7.5 million and issue by Straits of US$7.0 million in Convertible Notes to Credit Suisse.

This was a significant development for the Company both in terms of reducing net debt exposure at Straits level and the removal of the corporate guarantee which enabled the subsequent strategies to be implemented at Mt Muro.

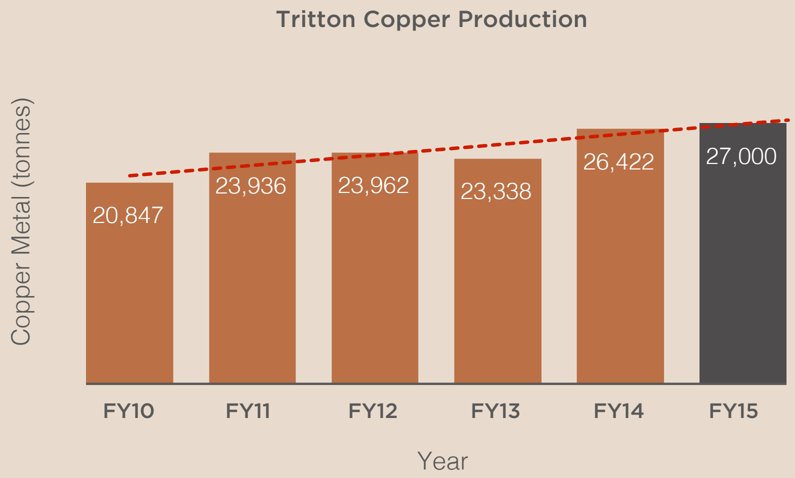
In September 2013 Straits reached agreement with Standard Chartered Bank (SCB) for an interim restructure of the existing Tritton Copper Swap Facility on more attractive repayment terms for the nine months from August 2013 to April 2014. Under the revised terms, the monthly repayments were reduced from 450 tonnes to 69.9 tonnes of copper. As a condition of this restructure, Straits undertook to increase Tritton's JORC compliant ore reserves by 50,000 tonnes of contained copper (which was achieved in June 2014) and hedged 8,114 tonnes of its copper production (or approximately 50% of production) during the period of the interim restructure.

In June 2014, a further restructuring of Tritton's debt facilities (Copper Swap Facility and Working Capital Facility) was agreed with SCB. This saw the close out of the Copper Swap Facility for US$99.9 million, funded by a Bridge Loan provided by SCB, and the Working Capital Facility capped at US$14.6 million. This restructuring effectively provided Straits with certainty around the Company's debt position, with net debt capped at US$114.5 million, whilst a longer term debt restructure (Refinancing Plan) is negotiated with SCB. Interest and Fees payable on the Bridge Loan and Working Capital Facility from the Agreement Date until the Refinancing Plan is completed will be capitalised.

At the time of this report, discussions with SCB with respect to a Refinancing Plan, as announced to the market on 16 June 2014, are progressing. The initial deadline for finalising the restructure of 13 August 2014 has subsequently been extended by mutual agreement to 13 November 2014. Finalisation and implementation of the Refinancing Plan is a key priority in FY2015.

BASE METALS

Tritton Copper Mine



The Tritton Operations set a new record in FY2014 for annual copper production with output of 26,422 tonnes, exceeding the initial guidance of 25,000 and also the upgraded guidance of 26,000 tonnes.

The strong operational result reflects the realisation of the various improvement strategies that have been implemented over the last 18 months with annual production records also being achieved from the Tritton Underground Mine (tonnes ore mined) and the processing plant (tonnes ore processed). A key factor in achieving this improved performance across the operation has been the support and commitment of the workforce.

Production for the period was:

PRODUCTION STATISTICS - TRITTON

	Units	FY2014	FY2013
Development	metres	6,727	6,103
Mined	tonnes	1,572,728	1,303,552
Grade Mined	% Cu	1.77%	1.88%
Milled	tonnes	1,568,755	1,267,683
Grade Milled	% Cu	1.77%	1.91%
Recovery	%	94.3%	94.1%
Cu Concentrate	**tonnes**	**109,232**	**94,520**
Cu Grade	**%**	**24%**	**24%**
Cu in Concentrate	**tonnes**	**26,185**	**22,803**
Cu Cement	**tonnes**	**237**	**535**
Total Cu Produced	**tonnes**	**26,422**	**23,338**

Mining

At the Tritton mine the focus in the last year has been on improving execution of operational plans to move from a "just-in-time" approach of ore extraction to having an inventory of blasted ore always available, which then puts pressure on improving the productivity of the ore load and haul processes. As the pressure points in the mining process changed, the focus has been on improving availability and utilisation of the haul truck fleet – to that end a number of operational initiatives were successfully implemented along with a significant capital investment in mid-life rebuilds of the haul truck fleet.

The geometry of the Tritton orebody is changing (decreasing in dip and increasing in width) which necessitates a change in mining method. The change in mining method involves transitioning from transverse stopes to a longitudinal retreat method. First stope production from this changed sequence commenced towards the end of the financial year. The new mining extraction method will realise cost savings from reducing the percentage of cement required in paste backfill and less foot-wall waste development. Conversion of the mine to fully longitudinal retreat stoping will be progressive until the middle of the new financial year.

At the North East mine the focus over the last year has been on ensuring sufficient decline and ore drive development to provide enough developed ore stocks, which in turn has facilitated productivity improvements. The annual output from this mine is significantly less than Tritton, so mine equipment utilisation is comparatively lower, matching the mining fleet to the size of the ore body and then sharing the same equipment with Tritton mine has improved productively and costs. Due to the narrow, steep dipping nature of the lenses being mined grade control drilling is generally only undertaken to cover the next 3-6 month window. During the final quarter of the year a grade control drilling programme identified higher grade resources than anticipated – stope designs were revised resulting in higher mined grades.

Processing

Record tonnes were milled for the financial year with tonnes milled in the June quarter equivalent to an annualised throughput rate of 1.6mtpa. The consistency in mill throughput reflects efforts made earlier in the financial year to improve plant maintenance and throughput rates. Design work on the next round of plant de-bottlenecking to achieve a targeted throughput rate of 1.8mtpa has commenced.

Productivity

Improving and sustaining the reliability of the mining equipment fleet remains a focus for the operation going forward. The operation has demonstrated that given sufficient equipment hours, the mines can deliver at a sustained rate that fills the processing plant to capacity.

Workforce commitment to improving productivity has contributed to the record performance in the last financial year. Haul truck utilisation has increased with focus on time on the job, shift start organisation and use of casual labour to "hot seat" trucks through meal breaks. As the mines have delivered more ore during the year the ore processing and maintenance teams have risen to the challenge, improving throughput and operating times in the processing plant.

Costs

C1 unit cash costs for the period averaged A$2.55/lb (FY2013 A$2.48/lb). The step up in output, compared to the previous year, from both the mines and the processing plant challenged the historical maintenance regimes in place and necessitated a significant investment in "catch-up" maintenance work. Treatment and refining charges increased in the second half of the financial year, in line with general market movements.

Optimisation of the site operations is ongoing, and work continues on negotiating improved contracts with suppliers of goods and services.

Outlook

The Tritton Operations is targeting production of 27,000 tonnes of copper in FY2015.

In the year ahead, the focus on cost management will continue. Refreshing the fleet with rebuilt or new equipment is underway to stabilise and then reduce operating costs in this area.

GOLD

Mt Muro Mine

Despite improvements in operational performance, as a result of a number of unforeseen challenges, including falling gold and silver prices and the impact of illegal miners, the Board of Straits considered that the Company was no longer in a position to continue to provide material funding support to the Mt Muro Mine and placed the operations on care and maintenance on 2 August 2013. No production has occurred since that date and only essential maintenance, security and administration staff remain at the mine, employed on rolling short term contracts.

Production for the period was:

PRODUCTION STATISTICS – MT MURO

	Units	FY2014	FY2013
Overburden movement	Bcm		7,544,731
Ore Milled	tonnes	74,845	1,084,243
Grade - Gold	g/t	1.09	1.21
Silver	g/t	26.34	34.82
Recovery - Gold	% Au	91.50%	93.31%
Silver	% Ag	82.00%	75.26%
Production - Gold	**oz Au**	**2,820**	**39,212**
Silver	**oz Ag**	**64,971**	**884,136**
Gold Sold	**oz Au**	**4,469**	**38,064**
Silver Sold	**oz Ag**	**314,170**	**1,231,001**

Since Mt Muro was placed on care and maintenance Straits has provided no further funding to its Indonesian subsidiary, PT Indo Muro Kencana (PT IMK). PT IMK received periodic VAT refunds during the period since 2 August 2013 and at the end of the financial year held funds of approximately US$1.7 million.

A sale process in the second half of 2013 failed to identify a buyer for Mt Muro, and in January 2014 PT IMK lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings. Subsequently a creditor of PT IMK, PT Multi Nitrotama Kimia (PT MNK) filed an application for Suspension of Payment (SOP) in respect of PT IMK.

REVIEW OF OPERATIONS AND ACTIVITIES (CONT'D)

An SOP is effectively a "stay" of the bankruptcy process with the aim of seeking to put forward some commercial settlement plan with creditors to avoid bankruptcy. As a result of the SOP application, at the 12th February hearing the Panel of Judges decided to postpone the hearing of the PT IMK petition for voluntary bankruptcy until a decision was made with respect to the SOP application. The application for the SOP was heard by the court on 25 February which ruled to approve the application and PT IMK was made subject to a Temporary Suspension of Payment (TSOP) for an initial period of 45 days (to 17 April 2014).

During the TSOP, PT IMK could not be declared bankrupt and recovery actions by creditors were placed on hold. A Supervising Judge and a sole Administrator, as nominated by the Applicant (PT MNK), were appointed by the court.

At a Court hearing on 17 April 2014, the Presiding Judges extended the TSOP until 13 June 2014 so as to give further time to develop a settlement plan that could be put to PT IMK's creditors with some prospect of being approved by the required percentages of creditors (Settlement Plan). A draft Settlement Plan was subsequently prepared and presented by the court appointed Administrator to the PT IMK creditors at a series of meetings in early June 2014. At these Creditor Meetings, more than two thirds of the acknowledged Creditors and more than half of the Creditors who attended the Creditors Meetings voted in favour of extending the TSOP in order to provide a further opportunity for the draft Settlement Plan to be finalised. On 13 June 2014, after taking into account the preference of the Creditors as reflected in the votes cast at the Creditor Meetings, the Presiding Judges agreed to an extension of the TSOP for a further 120 days until 10 October 2014.

On 10 October 2014, the Commercial Court at the Central Jakarta District Court approved a Settlement Plan proposed by Straits' wholly owned subsidiary, PT Indo Muro Kencana (PT IMK), owner of the Mt Muro gold mine, to the Creditors of PT IMK.

Key Points of the Settlement Plan are:

- Settlement Plan proposed by PT IMK accepted by Creditors and approved by Indonesian Commercial Court;
- Ownership of PT IMK will be transferred to the Creditors. The Straits' subsidiaries (Muro Offshore Pty Ltd and Indo Muro Pty Ltd) that hold all the PT IMK shares, will be transferred to a "Special Purpose Vehicle" and held in trust on behalf of the Creditors;
- PT IMK Creditors to provide appropriate releases to Directors and Commissioners of PT IMK and also to Straits;
- Upon implementation of the Settlement Plan, Straits and its subsidiaries have no ongoing obligations to either the Creditors of PT IMK or the entities that hold the shares in PT IMK;
- Settlement Plan to become effective upon confirmation of completion of transfer of Muro Offshore Pty Ltd and Indo Muro Pty Ltd to the Special Purpose Vehicle, which was expected to be completed within 10 days of the Commercial Court ruling; and
- Finalisation of the Settlement Plan overrides the Voluntary Bankruptcy application submitted by PT IMK in January 2014.

EXPLORATION

Overview

Straits Resources hold an exploration tenement package covering in excess of 1,800km^2 over the prospective Tritton Volcanogenic Massive Sulphide (VMS) field. This is made up of 6 granted exploration and 3 mining leases. Six major mafic complexes have been identified within a sequence of sedimentary and volcanogenic rocks with a combined strike length of greater than 100km. In addition Straits Resources hold a number of prospective regional exploration tenements within New South Wales (Temora, Blayney and Cheesemans Creek), Queensland (Tick Hill and Yandan) and South Australia (Torrens).

Tritton Regional Exploration Projects

The objective of exploration in the Tritton region is to sustain the current annual production rate at Tritton, (approximately 25kt to 27kt of copper metal), and if possible allow for increased production through the continued discovery of new high grade copper deposits.

In the year under review Tritton's JORC compliant Ore Reserves from known projects increased by more than 45kt of copper contained in ore, after record annual copper production of 26,422 tonnes. The Ore Reserve increase comprised updated Ore Reserve Estimates for the Tritton, North East, Larsens and Murrawombie deposits and a maiden Ore Reserve Estimate for the Avoca Tank deposit. The substantial addition to Tritton Operation's Ore Reserves demonstrates the strength of the operation's copper metal inventory.

The quality of the targets in the Tritton region and the potential for further discoveries in this large VMS copper district remains excellent. "Besshi" style VMS systems are characterised by repeats along strike, multiple horizons, lenses and significant depth potential, providing confidence for the discovery of additional deposits along the multiple prospective horizons within the Tritton region.

Straits Resources have been extremely effective in both identifying and testing for VMS sulphide systems as demonstrated by recent exploration success at Avoca, Kurrajong, Carters and Budgery. Importantly numerous anomalies have been identified and remain untested in the Tritton tenements (Figure 1), providing scope to increase the resource base within close proximity to current mine infrastructure.

During the period, exploration activities were limited and focused on extensions to the North East – Larsens mineralised system, regional air core drilling at Avoca, Greater Hermidale, Belmore and Thorndale prospects and soil sampling programs within the Kurrajong and Miandetta volcanic complexes.

Two diamond drill holes were completed at North East and Larsens, targeting mineralisation extensions between these deposits. Drill hole NENM013 showed encouraging results, intersecting a number of sulphide zones and a chlorite altered marker unit. Follow up drilling is planned to continue within this corridor.

The regional air core drill programs totalling 320 holes (14,740m) were designed to test paleo surface geochemical signatures at Avoca, Greater Hermidale, Belmore and Thorndale. The majority of holes were drilled at Avoca (Figure 2) and Greater Hermidale (Figure 3), targeting magnetic complexes in the vicinity of known Mineral Resource at Avoca and magnetic and geochemical anomalies immediately south of Tritton (Greater Hermidale). Anomalous copper mineralisation was intersected at both Avoca and Greater Hermidale. The anomalies occur adjacent to magnetic anomalies in close proximity to local scale

EXPLORATION (CONT'D)

Figure 1: Straits Resources Tritton Regional Tenements showing copper deposit distribution and resource size

mafic units which is analogous to the mineralised setting at the recently discovered Avoca Tank deposit. The results are very encouraging and further work is planned to unlock the potential for both projects.

Mr Bradley Cox is the competent person for reporting of exploration results. The details of the exploration results reported according to JORC Code 2012 can be found on the Straits Resources web site.

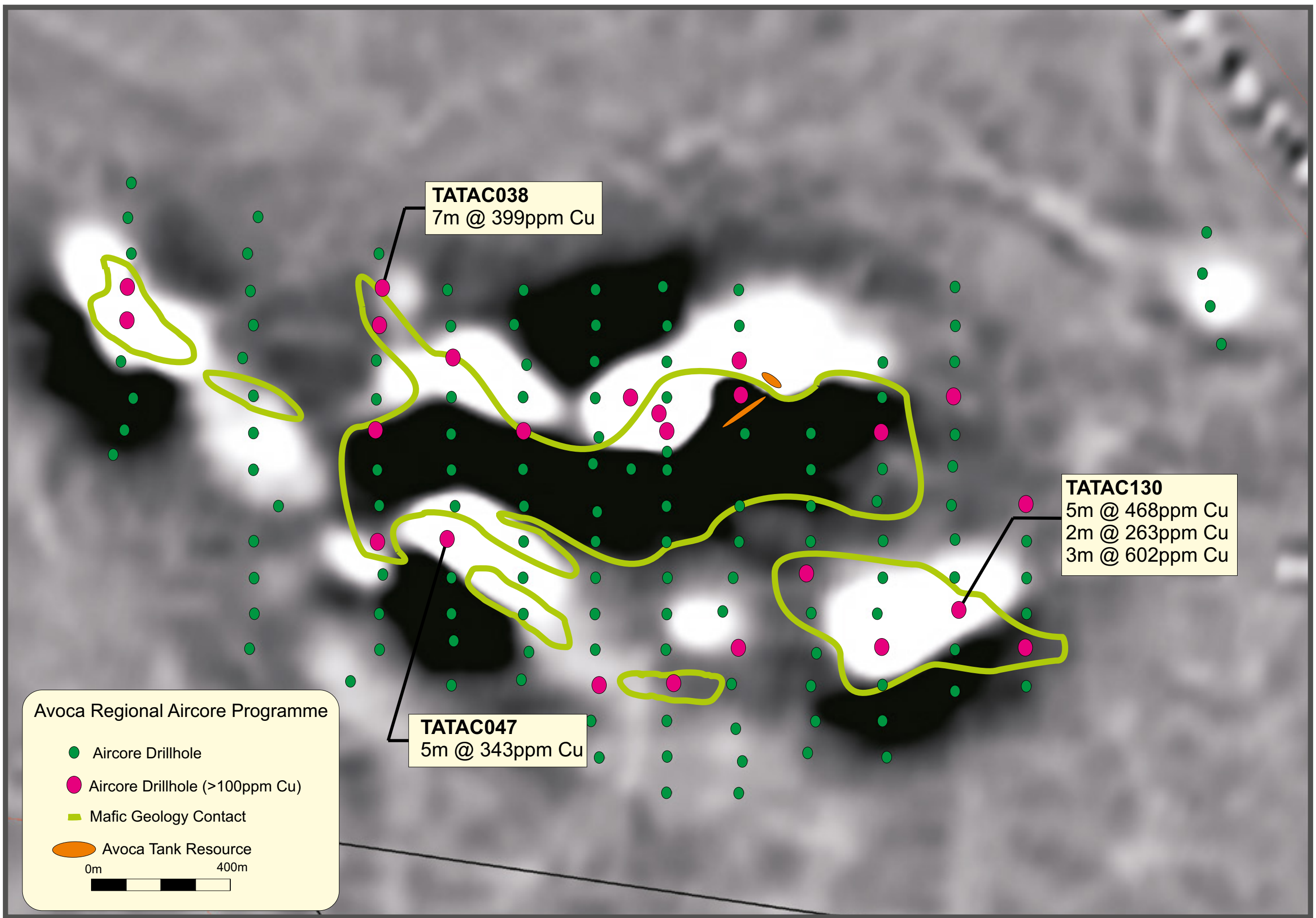


Figure 2: Aircore Drilling at Avoca

The results from the aircore program over the Avoca area are shown in Figure 2. A magnetic base map is overlain with the interpreted position of Mafic rock type sequences at surface. The aircore holes are defined by green (no anomalous copper mineralisation) and magenta dots (intersected anomalous copper mineralisation > 100ppm). The small orange oblong shapes show the location of the existing Avoca Tank deposit. The size of the existing Avoca Tank deposit compared to the broader magnetic complex is small leaving considerable room for repeats of mineralisation in the same prospective geology package.

The next stage of exploration at Avoca is being planned to follow up on these very encouraging results. This will involve reverse circulation (RC) drilling followed by down hole transient electromagnetic surveys to detect off hole conductors. Drill holes will target anomalous copper mineralisation overlying strong magnetic features at the margins of Mafic sequences. The high tenor of the recently discovered Avoca Tank deposit (2.6% copper) makes targeting a possible larger and similar grade deposit within the same stratigraphic complex a high priority.

EXPLORATION (CONT'D)

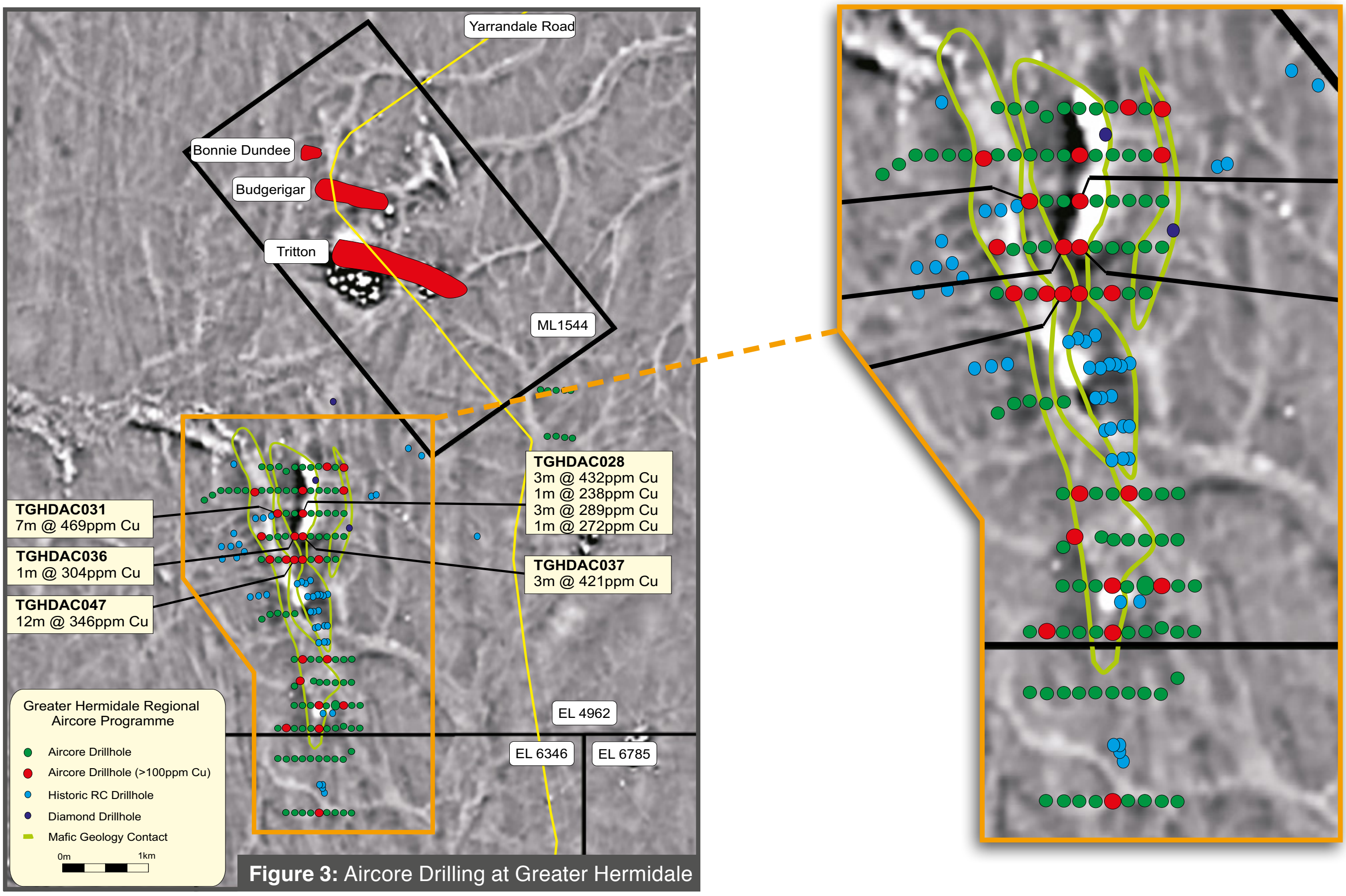


Figure 3: Aircore Drilling at Greater Hermidale

The above Figure 3 shows the results of the recent aircore drilling at Greater Hermidale overlain on a detailed magnetic image. The aircore holes are defined by green (no anomalous copper mineralisation) and magenta (intersected anomalous copper mineralisation > 100ppm) dots. Existing drill holes are denoted by blue (RC) and black (diamond) dots. The aircore program was designed to test basement geochemistry, identifying coincident copper mineralisation and strong magnetic features located at the margin of mafic units.

Previous exploration activities in the area focused on targeting shallow oxide mineralisation proximal to a low resolution magnetic high defined from a regional magnetics survey. A more detailed aeromagnetic survey, completed in 2011, identified an untested magnetic high lineament. Aircore holes from the recent program intersected anomalous copper mineralisation over the magnetic anomaly in the vicinity of Mafic sequences. The Greater Hermidale targets are proximal to the Tritton mine and occur within the same stratigraphic packages, which make them excellent exploration targets. A similar drilling/geophysical program described previously for Avoca is currently being designed to test these targets.

Soil sampling programs were focused within the Kurrajong and Miandetta volcanic complexes. The programs assisted with defining stratigraphic sequences, particularly mafic units which will be used to refine drill targets moving forward.

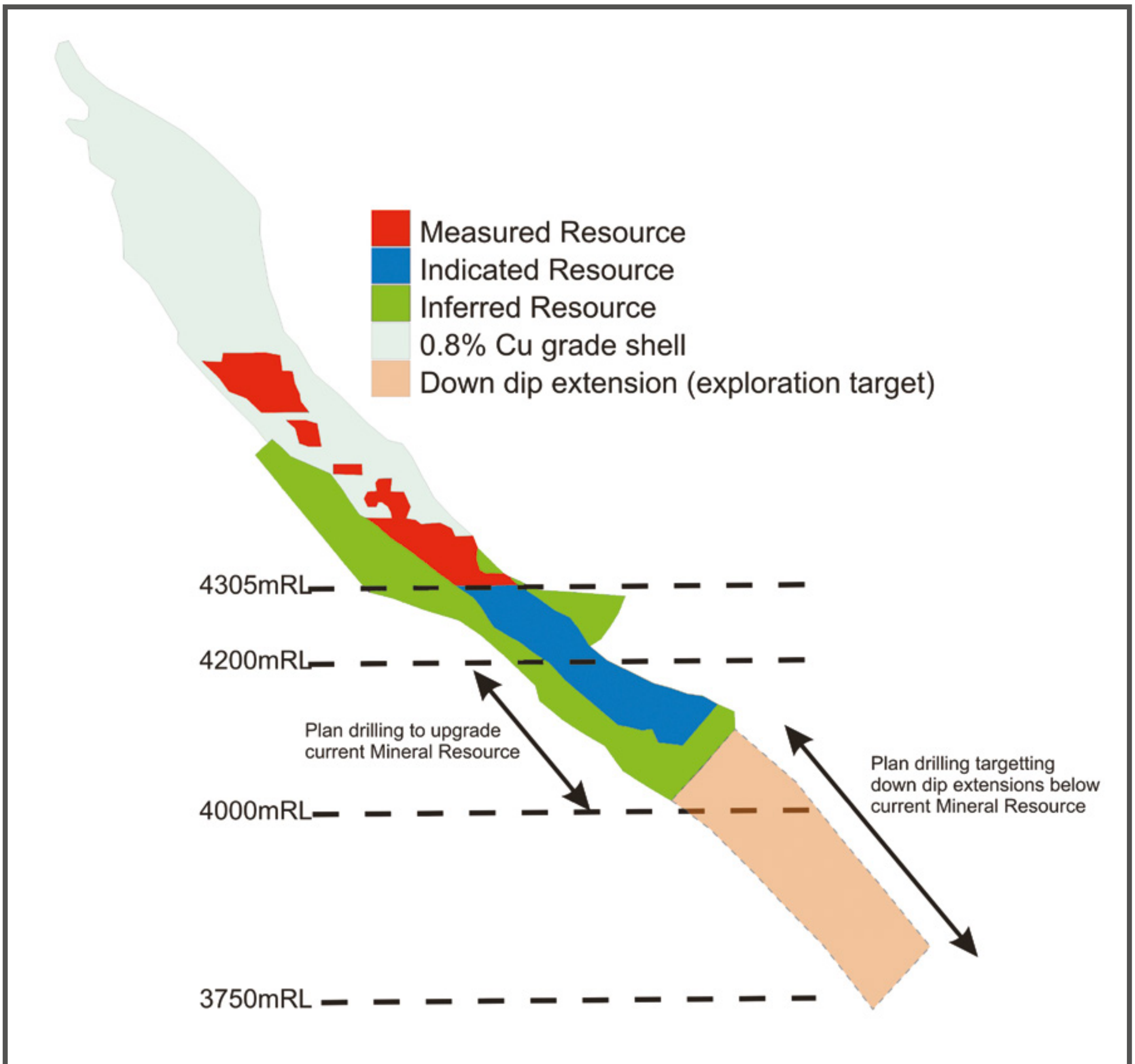


Figure 4: Oblique view looking northwest at the Tritton deposit highlighting the planned resource extension drilling within and below the current resource (red lines). Mineral Resource classified material is shown in red (Measured), blue (Indicated) and green (Inferred)

Tritton Mine

The Tritton mine is located approximately 45km northwest of Nyngan in central NSW. The deposit represents one of the largest mineralised VMS systems within the Tritton mineralised corridor. The next largest is the Murrawombie deposit. Importantly, mineralisation is still open at depth (known down dip extends currently 1.7km) and exploration activities will be focused on aggressively targeting down dip extensions to the Mineral Resource below the 4200mRL level (Figure 4). This will include upgrading the existing Mineral Resource Inventory (above 4000mRL) and defining new Mineral Resource below 4000mRL to 3750mRL.

EXPLORATION (CONT'D)

Avoca Tank Deposit

Avoca Tank is a high grade sulphide deposit with a defined Ore Reserve estimate and completed pre-feasibility study. Avoca Tank will provide higher grade supplementary feed for the Tritton Operations and Straits is confident repeat deposits can be found in the area.

Avoca Tank copper mineralisation is associated with three stacked lenses hosted at the contact between an upper sequence of interlayered metasediments and a lower sequence of mafic volcanics. The mineralised lenses vary in size from 15m to 60m (strike), 130m to 360m (down dip) and 2m to 30m (true thickness).

Avoca Tank is located approximately 2km north of the Girilambone North operations. The application and approvals process for a mining lease was suspended during the period while a review of all development projects was conducted. In the review process Avoca Tank was ranked as an attractive high grade development project, and the process leading to application of a Mining Lease has recommenced.

The deposit remains open at depth below 450m vertical. The company remains confident the Mineral Resource Inventory will increase from down dip extensions to known mineralisation, and/or from stratigraphic repeats in and around the Girilambone Mafic Complex.

Murrawombie Deposit

The Murrawombie deposit was mined in the 1990s however the sulphide portion of the deposit was not mined due to its unsuitability for heap leaching. The prospect is the largest concentration of copper metal outside the Tritton deposit with 110,000 tonnes of contained copper. A pre-feasibility study was completed to support a revised Ore Reserve estimate. The deposit is to be mined by a small extension of the open pit and underground mining of a portion of the deeper mineralisation.

Murrawombie Open Pit

The Murrawombie Open Pit extension is located below the historically mined oxide and supergene pit. The Mineral Resource that supports this project is already at a Measured and Indicated classification. There is opportunity via limited RC drilling to upgrade the current Inferred Mineral Resource contained within pit extensions to an Indicated Mineral Resource category to improve the Ore Reserve. The current resource base is located entirely within a granted mining lease footprint, and a straightforward addendum to the existing Mine Operation Plan would be required to commence mining operations.

Murrawombie Open Pit

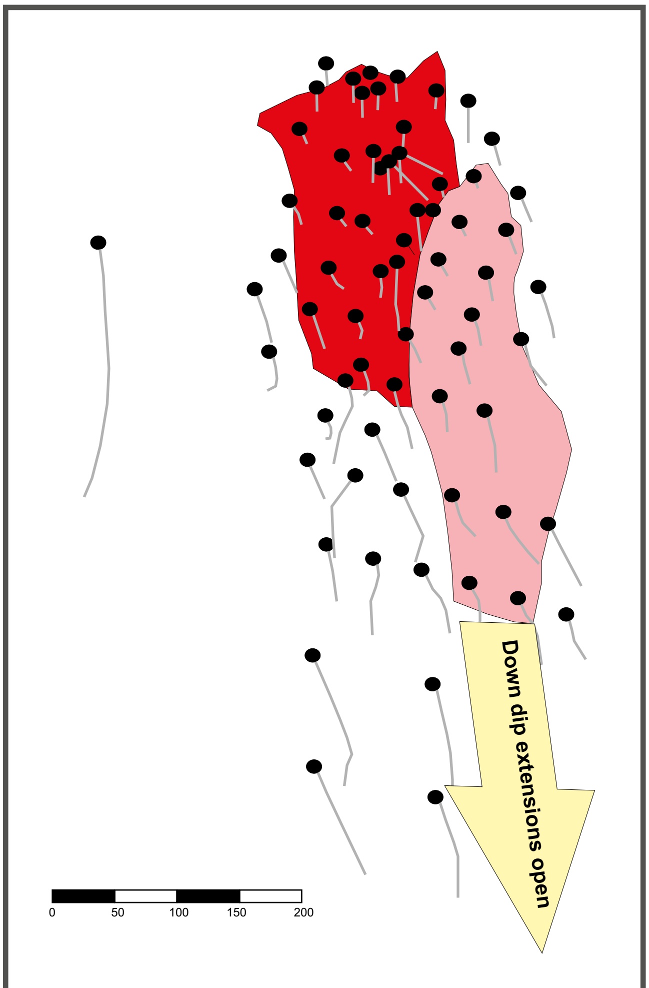


Figure 5: Schematic view looking north at the mineralised envelopes at Budgery (pink and red wireframes). Mineralisation is open at depth down dip from known mineralisation

Murrawombie Underground

Murrawombie underground extends below the Murrawombie Open Pit expansion project. An underground mine project and Ore Reserve has been completed in the period. The Mineral Resource is not closed off at depth and the planned underground mine stops at the end of Measured and Indicated classified resource. There is an opportunity to extend and upgrade the Mineral Resource below this depth with increased drilling.

Like the Murrawombie Open Pit extension, Murrawombie Underground is on an existing Mining Lease with mining operations approved. The Mine Operation Plan would need to be amended to reflect a change from care and maintenance to active mining.

Budgery Deposit

The Budgery Deposit is located approximately 20km south of the Tritton processing plant by a sealed road. Significant drilling has already been conducted, sufficient to support a concept mining study for an open pit. Work is being undertaken to quantify what oxide material is capable of being treated via heap leach to improve on already positive economics. A drill out of oxide material to a higher level of confidence would be required. An updated Mineral Resource based on 2010 drilling will be used to progress the mining studies.

The current mineralised system is large and known to continue at depth (Figure 5). There is limited drilling at depth and this presents an opportunity to increase the Mineral Resource down dip from the current reported Mineral Resource, which extends 250m vertical.

EXPLORATION (CONT'D)

Budgerygar Deposit

The Budgerygar Deposit is located approximately 500m north of the Tritton deposit. Mineralisation is characterised by a series of pyritic rich banded sulphides, including chalcopyrite, which occur within the same stratigraphic horizons which host the Tritton deposit.

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

Kurrajong Prospect

Drilling to date has confirmed the presence of a large mineralised system at Kurrajong and additional drilling has been planned to test the significant downhole electromagnetic anomalies identified in TKJD010 and TKJD011, which remain untested at depth.

Significant intersections returned to date include a 6m interval of massive sulphide in drill hole TKJD008 (6m @ 3.92% Cu) and drill hole TKJD012 returned a massive sulphide zone grading 10m @ 2.43% copper (Figure 6).

Kurrajong and Kurrajong North Mineralised Corridors

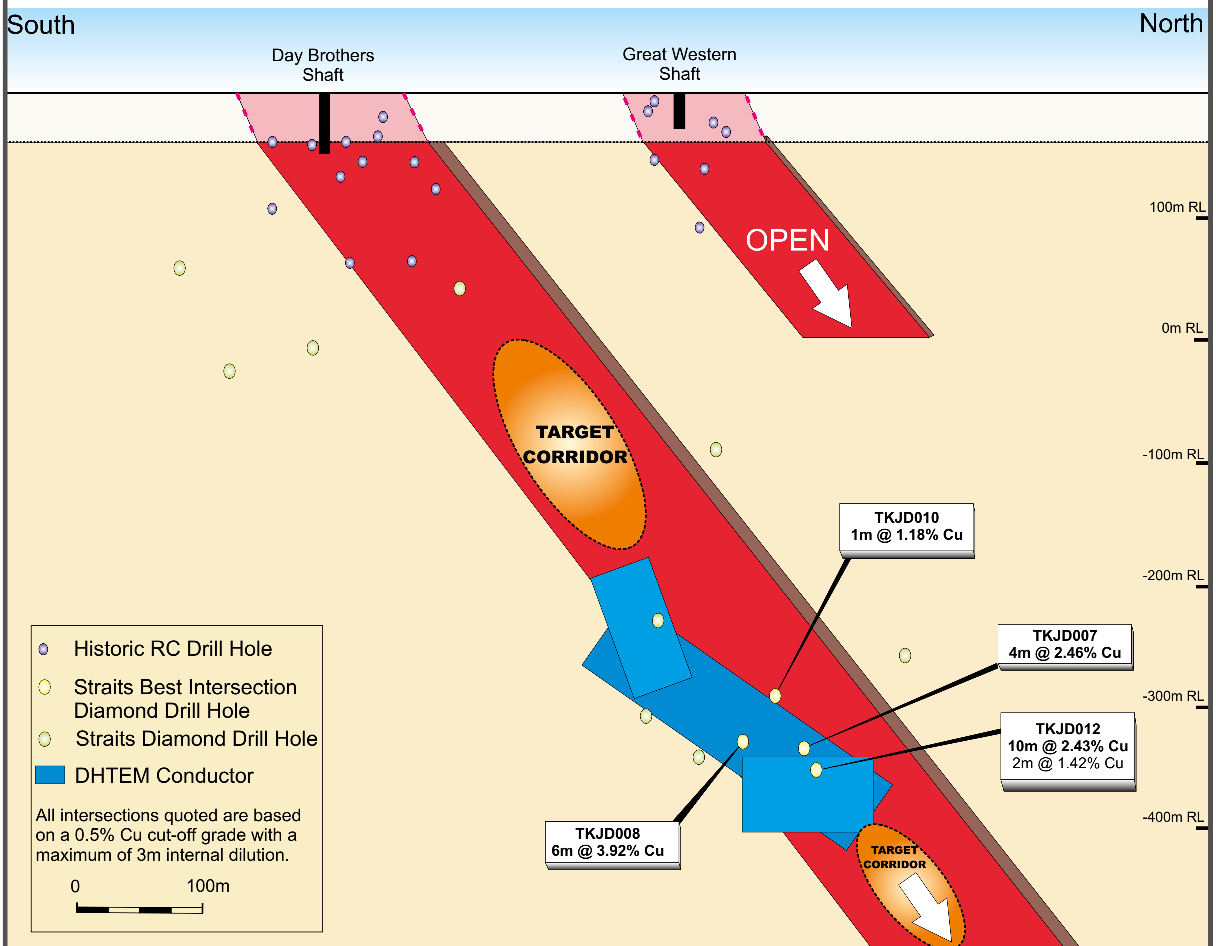


Figure 6: Schematic section looking west at the Kurrajong and Kurrajong North mineralised corridors. The red corridors represent interpreted copper mineralisation horizons

Other Australian Exploration Assets

Blayney (EL5922) – SRQ 40%

The Blayney project is located 35km south of Orange, New South Wales and covers the eastern margin of the Forest Reef Volcanics, which hosts the world class Cadia and Ridgeway Cu-Au porphyry deposits. The area is considered one of the most prospective geological environments for porphyry related gold-copper mineralisation in New South Wales. The project surrounds the decommissioned Browns Creek Mine which produced 516,000oz Au with substantial Ag and Cu credits.

A number of porphyry/skarn Cu-Au and structurally controlled Au prospects are recognised in the project area (Figure 7). The most advanced prospects are the Ferndale porphyry Cu-Au, Discovery Ridge shear hosted Au and Bald Hill porphyry Au prospect. There are defined Mineral Resources at the Discovery Ridge and Bald Hill prospects. The Indicated and Inferred Mineral Resource inventory at Discovery Ridge was reported at 14Mt @ 1.1 g/t Au for 501koz contained Au metal (0.5 g/t Au cut-off), while Bald Hill contained an Inferred Mineral Resource at 37Mt @ 0.5 g/t Au for 600kozs contained Au metal (0.3 g/t Au cut-off).

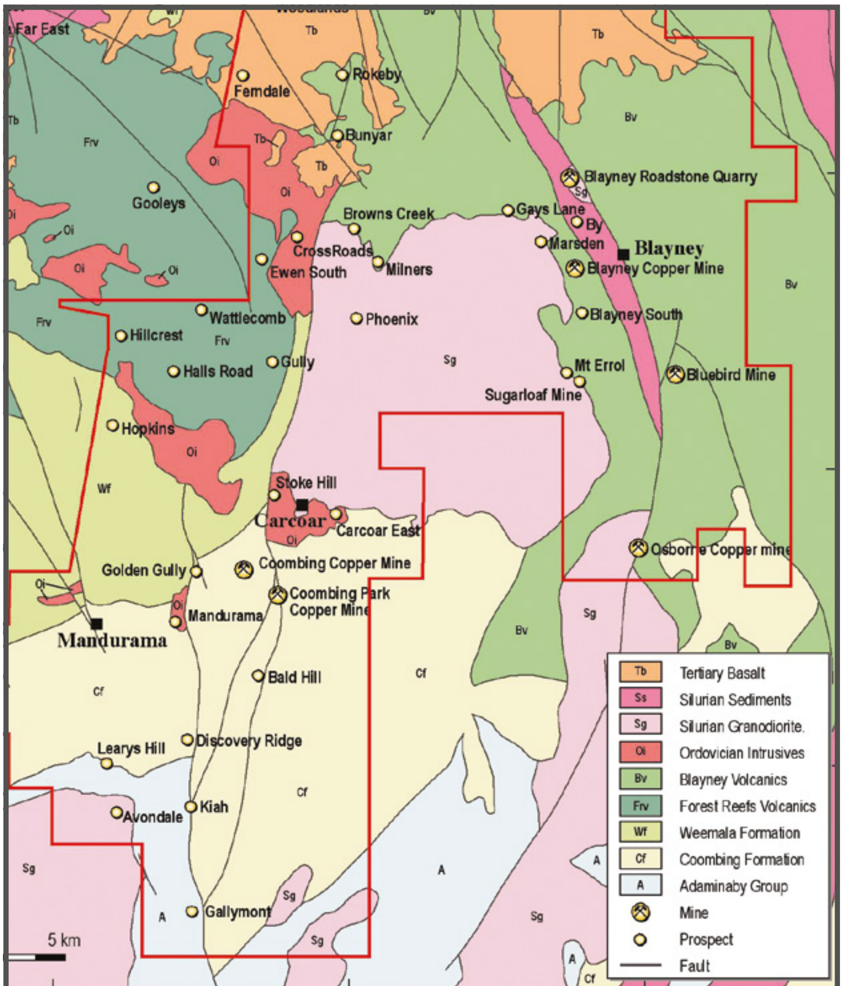


Figure 7: Plan view of the regional geology across the Blayney tenement

The Blayney Project is an excellent opportunity to gain exposure in a world class mineralised centre. There is significant exploration potential within the area of tenure and access to the Project is good, due to the proximity of well-established regional infrastructure.

After the year end, Straits entered into a Joint Venture agreement on the Blayney Projects with Macquarie Holdings No. 1 Pty Ltd (Macquarie). The farm-in is based on Macquarie meeting expenditure requirements for an initial 60%, with an option to rise to 80%.

EXPLORATION (CONT'D)

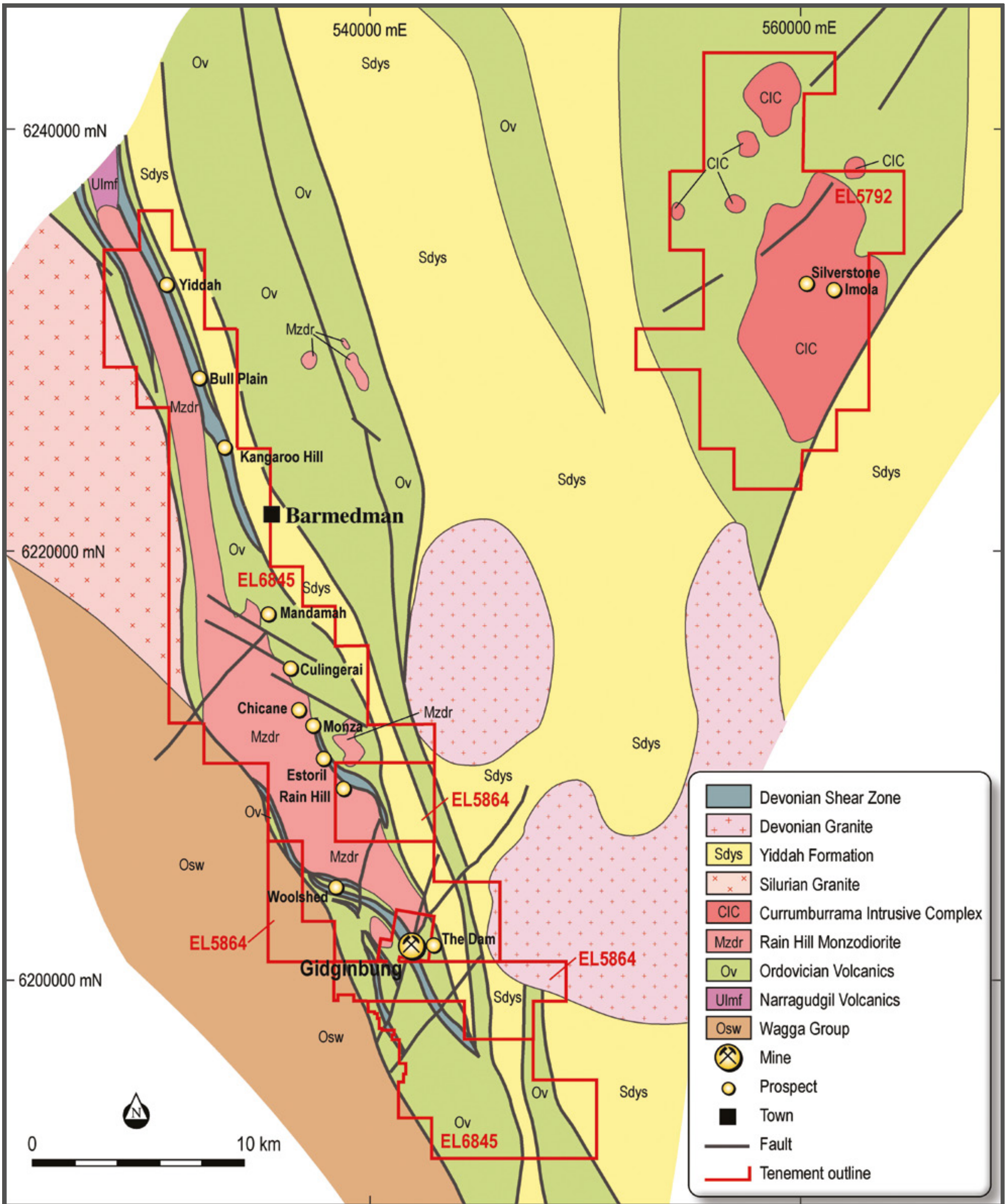


Figure 8: Plan view of regional geology at the Temora (EL6845) and Gidginbung (EL5864) tenements

Temora (EL6845) and Gidginbung (EL5864) – Templar (SRQ) 100%:

Through its wholly owned subsidiary, Templar Resources, Straits Resources owns the Temora Au-Cu Project. The project is located immediately north of the New South Wales township of Temora and extends north to West Wyalong. Tenure covers an area of approximately 373km^2 and comprises two mineral exploration licences (Figure 8).

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

Exploration has focused on the Gidginbung Volcanics, a package of Late Ordovician to Early Silurian mafic to intermediate volcanics and intrusives. They are prospective for epithermal Au and porphyry Cu-Au-Mo, and host the Gidginbung high sulphidation epithermal gold mine, which historically produced 677,572 ounces of gold at an average grade of 2.1 g/t Au to approximately 100m depth over a 110 year period to April 1996, as well as the Yiddah, Mandamah, Culingerai, Estoril, Monza and The Dam porphyry Cu-Au-Mo deposits.

The Company reported a global 2004 JORC compliant Mineral Resource of 279Mt at 0.2 g/t Au and 0.3% Cu at a cut-off of 0.3% CuEq for the Temora porphyry Au-Cu projects to a maximum depth of 450m. Additionally a remnant 2004 JORC compliant Mineral Resource for the Gidginbung epithermal deposit was calculated by Templar Resources to a depth of 300m below the pre-mining surface, for a total of 24Mt at 1.0 g/t Au and 0.1% Cu for 748koz contained Au metal.

Significant exploration potential exists within the tenement package and includes:

- Mineralisation within and adjacent to the contact of the Rain Hill monzodiorite, targeted by Induced Polarisation (IP) geophysical investigations and identified in drilling;
- Mineralisation at depth beneath the MagH1 prospect as a potential porphyry source for the Gidginbung epithermal system;
- Anomalies identified in detailed ground magnetic surveys along trend from known deposits at Yiddah, Mandamah and Culingerai.

Currumburrama (EL5972) Templar (SRQ) 35%:

Straits Resources entered into a farm in Joint Venture agreement with Sandfire Resouces NL. The farm in agreement is based on Sandfire Resources meeting expenditure requirements for an initial 65%, moving to 80% with additional funding. The tenement is located approximately 50km northeast of Temora. Exploration activities have been focused on defining Au-Cu porphyry mineralised systems associated with the Currumburrama intrusive complex.

EXPLORATION (CONT'D)

Cheeseman Creek (EL5979 and EL7321) – Templar (SRQ) 100%:

The Cheeseman Creek Project is located approximately 22km to the northwest of Orange (Figure 9). Exploration activities have been focused on defining porphyry/ skarn and epithermal related Cu-Au mineralisation within a tenement package of 35km^2. Prospective Cu-Au mineralisation within the tenement package includes the Printhie and Rowena prospects.

The Printhie project is the most advanced target, defined by low level soil geochemical anomalies (Cu, Au, Pb, Zn and As) over a large 800m diameter IP chargeability anomaly. Host rocks and alteration assemblages are consistent with porphyry and skarn mineralised systems and include feldspar porphyries and epidote/siderite skarns with primary sulphides and secondary Cu mineralisation.

Torrens JV – SRQ 70%, ARE 30%:

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

The Torrens Project gravity anomaly is internationally recognised as being the best untested anomaly on South Australia's Stuart Shelf, outside of Olympic Dam. The JV partners are in the process of gaining approval to access the ground to commence exploration activities.

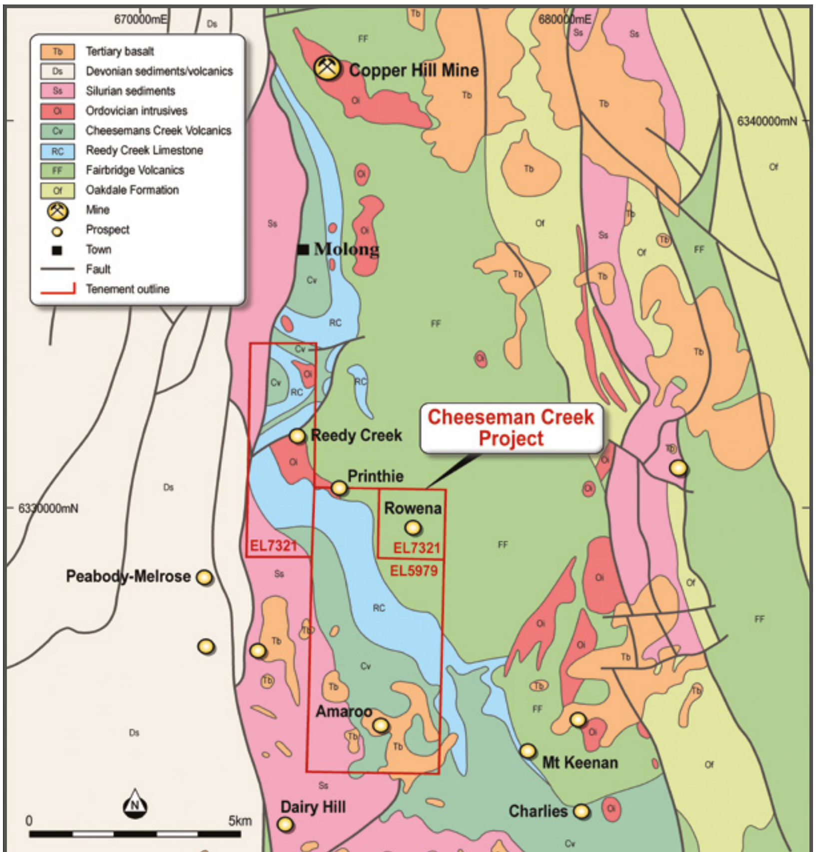


Figure 9: Plan view of the regional geology at the Cheeseman Creek tenements

Tick Hill (EPM9083 and EPM11013) – SRQ 100%:

The Tick Hill tenement package (~67km^2) is located approximately 105km to the south-southeast of Mount Isa, north-west Queensland. Geologically the projects are located along the eastern margin of the Kalkadoon-Leichhardt Belt within the Proterozoic Mount Isa Inlier. Prospective mineralisation styles include both Cloncurry style IOCG and Tick Hill style Au mineralisation. The project hosts historical mines including the Duchess Copper Mine which produced 205kt @ 12.5% Cu for 25.6kt contained Cu metal to 260m depth in the early 1900's and the Tick Hill Gold Mine which produced 706kt @ 22.5 g/t Au for 511koz contained Au metal from 1991 to 1994.

Significant exploration potential exists within the tenement package and includes:

- Electromagnetic anomalies identified from detailed aerial electromagnetic surveys in the vicinity of the Duchess deposit. Anomalies occur down plunge from the Duchess deposit and below the Ivanhoe lode (approximately 500m west from the Duchess deposit);
- Cu anomalism defined from soil surveys at:
  - Spring Creek defined a 2km x 50m
  - Cu anomaly (>500ppm Cu);
  - Duchess confirmed known anomalies (Duchess and Ivanhoe) and defined two additional anomalies (Pericles and Wild McGregor) at 200ppm Cu.

Yandan (EPM8257) – SRQ 100%:

The Yandan Project is located approximately 50km west of Mt Coolan and 155km southeast of Charters Towers, north Queensland. The tenement package includes 1 exploration permit and 2 granted mining leases. Exploration within the tenement is focused on discovering epithermal style Au mineralisation. Historically Au mineralisation was identified and mined at the Yandan deposit from 1992 to 1998 by Ross Mining NL.

During this period approximately 365koz of Au was recovered from the operation. Subsequent exploration by Drummond Gold around the Yandan deposit defined the East Hill prospect. The area remains very prospective, particularly southwest of Yandan at the Orchid Hill, Billabong and Illamahta prospects which require follow up work to test IP chargeability anomalies.

MINERAL RESOURCES AND ORE RESERVES

Straits Resources has updated its Mineral Resource and Ore Reserves estimates for its Tritton Operations as at 30th June 2014. Total reported Mineral Resources, after mining depletions, are estimated at 25.8 million tonnes at 1.6% copper for 420 thousand tonnes of contained copper metal.

This represents a 1% net decrease in contained copper compared with the June 2013 inventory. Actual copper production was 26 thousand tonnes in concentrate. Drilling activity at the Tritton and North East mines nearly replaced depletion due to mining.

Total reported Ore Reserves, after mining depletions, are estimated at 10.6 million tonnes at 1.6% copper for 171 thousand tonnes of contained copper metal. This represents a 36% net increase in contained copper compared with the June 2013 inventory.

Straits Resources Statement of Mineral Resources and Ore Reserves as at 30 June 2014 for the significant projects at the Tritton Operations have been reported in accordance with the guidelines in the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012). Full documentation of the estimates can be found at the company website.

The estimates for the company's other projects that are not considered to be significant and where there was no change since last reported are documented in accordance with the JORC Code 2004. These estimates were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The following projects continue to be reported in accordance with JORC Code 2004;

- Budgerygar Mineral Resource
- Budgery Mineral Resource
- Discovery Ridge Mineral Resource
- Bald Hill Mineral Resource
- Temora Porphyry Copper – Gold Projects Mineral Resource
- Gidginbung Mineral Resource
- Yandan Mineral Resource

Mineral Resource

Straits Resources significant project Mineral Resource inventory is focused at the Tritton Operations, located 45km northwest of Nyngan in central western NSW. The other projects, that are not considered significant at this time, are located on Exploration tenements at Blayney and Temora in NSW and the Drummond Basin (Yandan gold project) in Queensland.

The Tritton Operations area is host to a cluster of deposits. Mineralisation across the Tritton Operations deposits are hosted within Ordovician turbidite sequences within the Lachlan fold belt. The deposits are classified as stratiform volcanogenic massive sulphide deposits, referred to as "Besshi style" systems. Deposit geometries are characterised as tabular systems. Dimensions vary depending on the size of the system and range between 15m to 250m (strike), 90m to >1,700m (down dip) and 2m to 300m (width). Mineralised assemblages are dominated by pyrite with lesser chalcopyrite, gold and silver concentrations. Primary copper mineralisation occurs as banded and stringer chalcopyrite within pyritic rich units.

The Tritton Operations area deposits Mineral Resource estimates are defined by diamond drilling and some reverse circulation percussion drilling. Holes are geologically logged and assayed. Mineral Resource volumes are developed from geology interpretation of the drill hole data at nominal copper cut-off grades of 0.3% to 0.8% copper (varies with the deposit). Quality assurance and control procedures are in place for the assay information used in the resource estimation. The deposits are all located on granted Mining Lease or Exploration Lease. Native Title claims impact only upon the Budgery deposit. Resource modelling and grade interprolation within the interpreted mineralised volumes uses ordinary kriging with careful domaining control to limit the influence of high grade data. Reconciliation of Mineral Resource estimates against mined and processed ore for the Tritton and North East deposits mined during the year, shows a similar grade and slight increase in tonnes after allowance for dilution and ore loss. Details of the Mineral Resource estimates can be found in the reports on the Straits Resources web site.

Tritton Deposit Changes

Since June 2013, the Tritton deposit Mineral Resource has been depleted by 23 thousand tonnes of contained copper metal. Additions and changes to the Mineral Resource inventory during the period are based on resource definition drilling between the 4365mRL and 4305mRL levels. Measured and Indicated Mineral Resources were changed due to upgrade of Inferred Mineral Resource and Inferred Mineral Resource was changed due to geological reinterpretation.

Tritton Pillars Changes

The Tritton Pillars are contained within the Tritton deposit Mineral Resource estimate. They are the remnant blocks of mineralisation left between mined out stopes that have not been filled with stabilised backfill. Due to the higher risk nature of pillar mining these blocks of mineralisation are critically reviewed to ensure they have a reasonable likelihood of successful extraction to qualify for inclusion in the Mineral Resource estimate. The Tritton Pillars Indicated Resource inventory increased slightly during the reporting period. The increase was based on an internal review of existing information.

MINERAL RESOURCES AND ORE RESERVES (CONT'D)

North East Deposit Changes

Since June 30 2013, the Mineral Resource has been depleted by mining. Additions to the Mineral Resource inventory during the period are based on resource definition drilling between the 4760mRL to 4705mRL levels (Measured Resource increase) and reinterpretation of the peripheral mineralisation envelope (Inferred Resource increase).

Avoca Tank Changes

Total Indicated Mineral Resource has increased from 710 thousand tonnes at 2.8 percent copper for 20 thousand tonnes contained copper metal to 770 thousand tonnes at 2.9 percent copper for 22 thousand tonnes contained copper metal. The increase is attributed to a reinterpretation of the geological model based on an improved understanding of the geology framework at Avoca Tank.

Mineral Resource estimates at the remaining Tritton Operations area deposits remain unchanged from 2013.

Other Projects

There were no changes to the Mineral Resource estimates at projects outside the Tritton Operations area. These other deposits are not considered to be significant. There has been no additional drilling information nor any reinterpretation of these estimates and they are reported under JORC Code 2004.

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

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

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

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

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

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

2014 Mineral Resource Tritton Mines Area

As at 30 June 2014

	June 2014			June 2013		
	Tonnes (kt)	**Cu (%)**	**Cu (kt)**	**Tonnes (kt)**	**Cu (%)**	**Cu (kt)**
Tritton Underground						
Measured	2,340	2.3	54	2,050	2.0	41
Indicated	5,660	1.7	98	7,530	1.7	131
Total M + I	8,000	1.9	153	9,580	1.8	172
Inferred	3,400	1.5	51	1,900	2.2	42
TOTAL	**11,400**	**1.8**	**203**	**11,480**	**1.9**	**214**
Tritton Pillars (Recoverable)						
Measured	-	-	-	-	-	-
Indicated	490	2.6	13	380	2.6	10
Total M + I	490	2.6	13	380	2.6	10
Inferred	-	-	-	-	-	-
TOTAL	**490**	**2.6**	**13**	**380**	**2.6**	**10**
Murrawombie						
Measured	-	-	-	-	-	-
Indicated	6,530	1.4	91	6,530	1.4	91
Total M + I	6,530	1.4	91	6,530	1.4	91
Inferred	1,510	1.2	19	1,510	1.2	19
TOTAL	**8,040**	**1.4**	**110**	**8,040**	**1.4**	**110**
North East						
Measured	200	2.2	4	30	2.4	1
Indicated	150	1.8	3	250	1.9	5
Total M + I	350	2.0	7	280	1.9	5
Inferred	100	1.2	1	60	1.8	1
TOTAL	**450**	**1.8**	**8**	**340**	**1.9**	**7**
Larsens						
Measured	-	-	-	-	-	-
Indicated	810	1.8	15	810	1.8	15
Total M + I	810	1.8	15	810	1.8	15
Inferred	-	-	-	-	-	-
TOTAL	**810**	**1.8**	**15**	**810**	**1.8**	**15**
Avoca Tank						
Measured	-	-	-	-	-	-
Indicated	770	2.9	22	710	2.8	20
Total M + I	770	2.9	22	710	2.8	20
Inferred	130	1.0	1	140	1.0	1
TOTAL	**900**	**2.6**	**24**	**850**	**2.5**	**22**

2014 Mineral Resource Tritton Mines Area (cont'd)

As at 30 June 2014

	June 2014			June 2013		
	Tonnes (kt)	Cu (%)	Cu (kt)	Tonnes (kt)	Cu (%)	Cu (kt)
Budgerygar						
Measured	-	-	-	-	-	-
Indicated	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-
Inferred	1,610	1.5	24	1,610	1.5	24
TOTAL	**1,610**	**1.5**	**24**	**1,610**	**1.5**	**24**
Budgery						
Measured	-	-	-	-	-	-
Indicated	1,740	1.1	19	1,740	1.1	19
Total M + I	1,740	1.1	19	1,740	1.1	19
Inferred	280	0.9	3	280	0.9	3
TOTAL	**2,020**	**1.1**	**22**	**2,020**	**1.1**	**22**
Stockpiles						
Measured	51	1.6	0.8	50	1.5	0.7
Indicated	-	-	-	-	-	-
Total M + I	51	1.6	0.8	50	1.5	0.7
Inferred	-	-	-	-	-	-
TOTAL	**51**	**1.6**	**0.8**	**50**	**1.4**	**0.7**
Total						
Measured	2,591	2.3	60	2,130	2.0	43
Indicated	16,150	1.6	262	17,950	1.6	291
Total M + I	18,741	1.7	321	20,080	1.7	333
Inferred	7,030	1.4	99	5,500	1.6	89
TOTAL	**25,771**	**1.6**	**420**	**25,580**	**1.7**	**423**

1. Mineral Resource cut-off grade: 0.5% Cu for Budgery, 0.6% Cu for Murrawombie, Larsens and Avoca Tank and 0.8% Cu for North East, Budgerygar. Variable cut-off grades between 0.3% Cu to 0.8% Cu for Tritton and Tritton Pillars.
2. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
3. Discrepancy in summation may occur due to rounding.
4. The data in this report that relate to Tritton Underground, Tritton Pillars, Murrawombie, North East, Larsens, Avoca Tank, Budgery and Budgerygar Mineral Resources are based on information reviewed by Mr Byron Dumpleton who is a Member of the Australian Institute of Geologists (AIG).

The Budgery and Budgerygar Mineral Resource are reported to the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' on the basis that there has been no material change in the estimate since the last public reporting. It is the intention of Straits Resources to report both Mineral Resources to the 2012 Code in the future, if there is a material change to the estimates. Mr Dumpleton is a full time employee of BKD Resources Pty Ltd (ABN 81 109 376 481) and acting as the Mineral Resource Manager for Straits Resources Limited at 30 June 2014. Byron Dumpleton has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dumpleton has disclosed to Straits Resources Limited the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Specifically Mr Dumpleton owns 61,349 shares in Straits Resources Ltd which were issued as part of the company share plan in 2010 when Mr Dumpleton was a staff member of Straits Resources Limited. Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

2014 Mineral Resource – Other Projects

As at 30 June 2014

	June 2014					June 2013				
	Tonnes (kt)	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)	Tonnes (kt)	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
Drummond Basin - Yandan										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-	-	-	-	-
Inferred	4,100	-	2.4	-	316	4,100	-	2.4	-	316
TOTAL	**4,100**	**-**	**2.4**	**-**	**316**	**4,100**	**-**	**2.4**	**-**	**316**
Blayney - Discovery Ridge										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	4,780	-	1.3	-	195	4,780	-	1.3	-	195
Total M + I	4,780	-	1.3	-	195	4,780	-	1.3	-	195
Inferred	9,060	-	1.1	-	306	9,060	-	1.1	-	306
TOTAL	**13,840**	**-**	**1.1**	**-**	**501**	**13,840**	**-**	**1.1**	**-**	**501**
Blayney - Bald Hill										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-
Total M + I	-	-	-	-	-	-	-	-	-	-
Inferred	37,040	-	0.5	-	595	37,040	-	0.5	-	595
TOTAL	**37,040**	**-**	**0.5**	**-**	**595**	**37,040**	**-**	**0.5**	**-**	**595**
Temora - porphyry copper gold projects										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	26,000	0.3	0.5	84	388	26,000	0.3	0.5	84	388
Total M + I	26,000	0.3	0.5	84	388	26,000	0.3	0.5	84	388
Inferred	253,000	0.3	0.2	742	1,677	253,000	0.3	0.2	742	1,677
TOTAL	**279,000**	**0.3**	**0.2**	**826**	**2,065**	**279,000**	**0.3**	**0.2**	**826**	**2,065**
Temora - Gidginbung										
Measured	-	-	-	-	-	-	-	-	-	-
Indicated	11,100	0.1	1.0	8	369	11,100	-	1.0	-	369
Total M + I	11,100	0.1	1.0	8	369	11,100	-	1.0	-	369
Inferred	12,700	0.1	0.9	8	379	12,700	-	0.9	-	379
TOTAL	**23,800**	**0.1**	**1.0**	**16**	**748**	**23,800**	**-**	**1.0**	**-**	**748**

1. Mineral Resource cut-off grades: 0.5git Au Drummond Basin – Yandan, 0.5git Au, Blayney – Discovery Ridge 0.3git Au, Blayney – Ball Hill, 0.3% Cu Eq Temora porphyry copper gold projects and 0.5git Au Temora – Gidginbung.
2. Discrepancy in summation may occur due to rounding.

The Yandan, Discovery, Bald Hills, Temora, porphyry projects and Gidginbung Mineral Resource are reported to the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' on the basis that there has been no material change in the estimate since the last public reporting. It is the intention of Straits Resources to report Mineral Resources to the 2012 Code in the future, if there is a material change to the estimates. The data in this report for Yandan, Discovery, Bald Hills, Temora porphyry projects and Gidginbung Mineral Resources are based on information reviewed by Mr Byron Dumpleton. Mr Dumpleton has sufficient experience that is relevant to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Dumpleton has disclosed to Straits Resources Limited the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. Specifically Mr Dumpleton owns 61,349 shares in Straits Resources Ltd which were issued as part of the company share plan in 2010 when Mr Dumpleton was a staff member of Straits Resources Limited. Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Ore Reserve

The June 2014 Ore Reserve estimate is a significant revision compared to the June 2013 estimate. The following items have contributed to the revised estimate;

- A first Ore Reserve estimate for the Avoca Tank deposit;
- A major revision of the mine plan for Murrawombie underground that has resulted in significant change in the Ore Reserve estimate for this deposit;
- A first Ore Reserve estimate for the Murrawombie open pit;
- A revision of the mine plan for the Larsens deposit to include mining of crown pillar stopes below the completed open pit as well as changes to stope design in response to the update of the Mineral Resource modelling;
- Revision of the Ore Reserve estimate for the North East deposit following additional drilling and update of the Mineral Resource estimate; and
- Revision of the Ore Reserve for the Tritton deposit following additional drilling and update of the Mineral Resource estimate.

All Ore Reserves estimates are for Tritton Operations area deposits.

Details of the Ore Reserve estimates can be found in the Mineral Resource and Ore Reserve reports on the Straits Resources web site. All estimates are reported according to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Ore Reserve estimates have been developed assuming copper price of AUD$7500 to AUD$8470 per tonne.

The cut-off grade criteria for all deposits is copper grade, Cu%. There are no significant deleterious elements in the ore and the by-product value of gold and silver varies in proportion with the copper grade so inclusion within the cut-off grade criteria is not considered necessary. At the currently operating mines of Tritton and North East the cut-off grade is 1.2% copper applied at a whole of stope average grade.

All Ore Reserves are for sulphide ore that will be treated in the Tritton ore processing plant by flotation techniques. An average recovery of copper to concentrate of 93% to 94% is assumed, consistent with historical plant performance.

The mining method assumed in the Ore Reserve estimate varies with the deposit. At Tritton mine the method is sublevel open stoping with cemented paste fill. At North East and Larsens mines the method is uphole benching with no backfill. The yet to be developed Murrawombie underground project has been designed to use a stoping under dry fill with mass blasting of rib and crown pillar stopes. The yet to be developed Avoca Tank project is planned to use uphole benching with dry rock fill.

Ore Reserves are estimated following the application of modifying factors that account for dilution and ore loss. The factors applied vary with the deposit, detailed design of the stopes, fill exposures and planned extraction sequence. At the largest mine Tritton, the most common factors applied are 15.5% dilution and 12% ore loss. The dilution from the hanging wall is assumed to carry copper grade of approximately 0.7% to 0.8%, consistent with geology model estimates.

Details of the Ore Reserve estimate can be found in reports published on the Straits website.

2014 Ore Reserve Tritton Mines Area

As at 30 June 2014

	June 2014			June 2013		
	Tonnes (kt)	Cu (%)	Cu (kt)	Tonnes (kt)	Cu (%)	Cu (kt)
Tritton Underground				Tritton Underground		
Proved	2,255	1.9	42	921	2.1	20
Probable	2,711	1.7	45	4,327	1.7	72
TOTAL	**4,966**	**1.8**	**88**	**5,248**	**1.7**	**91**
North East				North East		
Proved	139	1.8	2	-	-	-
Probable	92	1.6	1	182	1.6	3
TOTAL	**231**	**1.7**	**4**	**182**	**1.6**	**3**
Larsens				Larsens		
Proved	-	-	-	-	-	-
Probable	631	1.5	9	440	1.7	7
TOTAL	**631**	**1.5**	**9**	**440**	**1.7**	**7**
Murrawombie Underground				Murrawombie Total		
Proved	-	-	-	-	-	-
Probable	3,342	1.3	43	1,370	1.7	23
TOTAL	**3,342**	**1.3**	**43**	**1,370**	**1.7**	**23**
Murrawombie Open Cut						
Proved	-	-	-	-	-	-
Probable	701	1.2	8	-	-	-
TOTAL	**701**	**1.2**	**8**	-	-	-
Avoca Tanks				Avoca Tanks		
Proved	-	-	-	-	-	-
Probable	681	2.5	17	-	-	-
TOTAL	**681**	**2.5**	**17**	-	-	-
Stockpiles				Stockpiles		
Proven	51	1.6	0.8	50	1.5	0.8
Probable	-	-	-	-	-	-
TOTAL	**51**	**1.6**	**0.8**	**50**	**1.5**	**0.8**
Total				Total		
Proven	2,446	1.9	46	971	2.1	20
Probable	8,159	1.5	125	6,319	1.7	105
TOTAL	**10,604**	**1.6**	**171**	**7,290**	**1.7**	**126**

1. Discrepancy in summation may occur due to rounding

Mr Ian Sheppard, confirms that he is the Competent Person for the Straits Ore Reserves section of this Report and: Mr Sheppard has read and understood the requirements of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012 Edition). Mr Sheppard is a Competent Person as defined by the JORC Code, 2012 Edition, having five years' experience that is relevant to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Sheppard is a Member of The Australasian Institute of Mining and Metallurgy, No. 105998. Mr Sheppard has reviewed the Report to which this Consent Statement applies. Mr Sheppard is a full time employee of Straits Resources Limited.

HEALTH, SAFETY AND ENVIRONMENT

Underground safety refuge chamber

Straits is committed to ensuring a safe and healthy work environment for employees, contractors and visitors, and in the past year has continued to progress the entrenchment of safety as a core company value.

Four Lost Time Injuries (LTIs) were recorded during the period under review compared to three LTIs in the previous period.

There were no significant environmental incidents at the company's operations during the year. Two minor environmental incidents occurred at the Tritton operations. These were swiftly remedied on site in accordance with environmental management systems in place, and reported to the Environmental Protection Authority in compliance with mandatory reporting standards.

The company continues to focus on increasing environmental awareness in the workforce through toolbox

Native fauna at Tritton

talks, environmental induction programs and well entrenched environmental management systems and processes.

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

COMMUNITY

Straits has a long-standing and positive relationship with the local communities around its Tritton operations in New South Wales. The company's community involvement activities are focussed in the local communities of Nyngan, Hermidale and Girilambone.

As a major employer in the region, the company is an active participant in the economic and social wellbeing of its local communities through numerous programs and initiatives.

Straits is respectful of local customs and cultural heritage, and works closely with related local communities to preserve cultural heritage, and to avoid or minimise impact on significant cultural sites from the company's activities.

Straits proudly promotes residential based employment, with more than half of its Tritton workforce residing in local communities, and contributing to the local economy and social fabric.

Straits routinely provides financial or in-kind support to local community groups, schools and sports teams. Over the years, local beneficiaries have included:

- Community groups;
- Support for local schools;
- High school based apprenticeships; and
- Sporting groups and events.

Hermidale Public School students

CORPORATE GOVERNANCE

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

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

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Company has adopted the second edition, with the 2010 Amendments, of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). Straits' corporate governance practices for the year ended 30 June 2014, and at the date of this report, are outlined in this corporate governance statement. Where the Company has not followed a recommendation, reasons for non-compliance have been identified. All these practices, unless otherwise stated, were in place for the 12 month period. This disclosure is in accordance with ASX Listing Rule 4.10.3.

Principle 1 – Lay Solid Foundations for Management and Oversight

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

Role

Broadly, the key responsibilities of the Board are:

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

Delegation

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

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

Performance Evaluation Process of Senior Executives

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

Principle 2 – Structure the Board to Add Value

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

Board Members

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

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

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

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

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

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

Nomination Committee

The Nomination Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013; and
- Mr André Labuschagne, appointed 23 May 2013.

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

Board and Committee Meetings

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

Independent Advice

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

Board Performance Evaluation

The Board performance evaluation is intended to be conducted in the first quarter of the 2015 financial year.

Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

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

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

Whistle-blowers Protection

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

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

Securities Trading Policy

The Board has adopted a formal Securities Trading Policy which is available from the Corporate Governance section of the Company's website.

The policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. For example, Senior Management is prevented from trading in the Company's shares:

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

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

Diversity

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

Principle 4 – Safeguard Integrity in Financial Reporting

Audit Committee

The Audit Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013; and
- Mr Alastair Morrison.

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

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

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

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

CORPORATE GOVERNANCE (CONT'D)

Principle 5 – Make Timely and Balanced Disclosure

Continuous Disclosure

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

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

The purpose of the policy is to:

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

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

Principle 6 – Respect the Rights of Shareholders

Shareholder Communication Strategy

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

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

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

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

Principle 7 – Recognise and Manage Risk

Risk Assessment and Management

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

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

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

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

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

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

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

Financial Reporting

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

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

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

CORPORATE GOVERNANCE (CONT'D)

Principle 8 – Remunerate Fairly and Responsibly

Remuneration Committee

The Remuneration Committee members are:

- Mr Michele Muscillo, Chair, appointed 23 May 2013; and
- Mr Alastair Morrison.

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

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

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

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

Non-executive Director Remuneration

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

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

DIRECTORS REPORT

The Directors present their report together with the financial statements of Straits Resources Limited and its controlled entities ('the consolidated entity') for the 12 months to 30 June 2014.

Directors

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

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
André Willie Labuschagne	Mr Labuschagne is an experienced mining executive with a career spanning over 20 years across operations in Australia, Indonesia, South Africa, PNG and Fiji. Mr Labuschagne has held various corporate and operational roles in companies including Norton Gold Fields, Emperor Gold Mines, DRD Gold and AngloGold Ashanti. Mr Labuschagne holds a Bachelor of Commerce from Potchefstroom University in South Africa. Other current directorships (ASX listed entities): Magontec Limited Former directorships in the past 3 years (ASX listed entities): Norton Gold Fields Limited	Executive Chairman of the Company Member of Nomination Committee	Appointed 20-Dec-2012	Executive
William Edward Alastair Morrison	Mr Morrison is a highly experienced international banker. Mr Morrison has worked in private equity for over 25 years in the UK and Asia and has broad experience in growing companies across a range of industrial sectors. He was a founder Managing Director of Standard Chartered Private Equity and was with the group from April 2002 until March 2014. Prior to that he spent 20 years at 3i Group, the leading European private equity house, where he was Director for 3i Asia Pacific. He co-founded 3i's Asia Pacific operations in 1997, having previously run an investment team in London focusing on buy-outs and expansion financing. Mr Morrison has investment experience across a wide range of industries in Europe and Asia. He holds an M.A. degree in Politics, Philosophy and Economics and M.Phil degree in Management Studies from Oxford University. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): International Coal Holdings Limited (previously Straits Resources Limited) and Triangle Energy (Global) Limited	Non-executive Director Member of Audit Committee and Remuneration Committee	Appointed 10-Dec-2010	Not Independent

DIRECTORS REPORT (CONT'D)

Director	Experience	Special Responsibilities	Appointed / Resigned	Classification
Michele Muscillo	Mr Muscillo is a Partner specialising in corporate law with HopgoodGanim Lawyers. Mr Muscillo is an admitted Solicitor and has a practice focussed almost exclusively on mergers & acquisitions and capital raising. Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was a recipient of the QUT University Medal. Other current directorships (ASX listed entities): Orbis Gold Limited Former directorships in the past 3 years (ASX listed entities): none	Non-executive Director Chairman of the Audit Committee, Remuneration Committee and Nomination Committee	Appointed 2-May-2013	Independent
Michael George Menzies	Mr Menzies is a law graduate with over 35 years of experience in a variety of operations management roles in the mining industry in commodities including base metals, gold, mineral sands and coal. Mr Menzies has worked with CRA Limited, MIM Holdings and Glencore Plc and is a former Vice President of the Queensland Mining Council and a former director of the Australian Mines and Metals Association. Other current directorships (ASX listed entities): Aurelia Metals Limited Former directorships in the past 3 years (ASX listed entities): none	Former Non-executive Director	Appointed 28-Nov-2013 Resigned 09-April-2014	Independent
Dr Susan Vearncombe BSocSci, MSc (Hons), PhD, MAIG, RPGeo	Dr Vearncombe is an experienced geologist in the mining and exploration industry. Dr Vearncombe has worked internationally on a wide range of commodity styles, has developed key spatial analysis technology and is well published in international scientific journals in the areas of geochemistry, structural geology and mineralisation. Other current directorships (ASX listed entities): none Former directorships in the past 3 years (ASX listed entities): Caravel Minerals Limited (previously Silver Swan Group Limited)	Former Non-executive Director Former Member of the Audit Committee, Remuneration Committee and Nomination Committee	Appointed 23-May-2011 Resigned 31-July-2013	Independent

Company Secretary

Robert Brainsbury (Appointed Company Secretary – 22 October 2013)

Mr Brainsbury is an experienced financial executive and has held senior operational and finance roles with several blue chip industrial and resources companies including Norton Gold Fields, MIM, Xstrata, Rio Tinto and Brambles.

Dané van Heerden – CA (Appointed Co-Company Secretary – 28 November 2013)

Ms van Heerden is a qualified chartered accountant, with over 15 years' experience in both Australia and abroad.

Matthew Smith – B.Com (Curtin), C.A. (Resigned - 31 October 2013)

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

Principal Activities

The principal activities of the consolidated entity for the year ended 30 June 2014 were the production and sale of copper and the exploration for copper. Other than as referred to on pages 43 to 44, there were no significant changes in those activities during the financial period.

Operating and Financial Review

The 2013/14 financial year was a watershed period for Straits, including significant corporate and operational restructuring, repositioning the Company for sustainable growth.

Operations

During the period under review, the implementation of substantive operational reform continued at the Tritton Copper Mine in New South Wales. The focus on achieving consistency in both the mining operations and processing plant delivered record annual production of 26,422 tonnes of copper metal, exceeding production guidance for the year.

In the year under review a maiden Ore Reserve was reported for the Avoca Tank Deposit (17,200 tonnes of contained copper) and updated Ore Reserve Estimates were reported for the North-East (additional 3,300 tonnes of contained copper including depletion as at 31 December 2013), Larsens (additional 2,700 tonnes of contained copper) and Murrawombie (additional 28,200 tonnes of contained copper) deposits .

Minimal activities occurred at the Mt Muro Gold Mine (Mt Muro) in Indonesia as on 2 August 2013 the mine was placed on care and maintenance, effectively halting the negative impact of this operation on the group's cash flow (the assets of the Indonesian operations were written down in the 2013 financial year accounts).

A sale process undertaken in late 2013, after the operation was placed on care and maintenance, failed to identify a buyer and in January this year, Straits' Indonesian subsidiary, PT Indo Muro Kencana (PT IMK), the owner of Mt Muro, lodged a petition with the Indonesian Commercial Court thereby commencing voluntary bankruptcy proceedings. This application remains pending, subject to a Temporary Suspension of Payment (TSOP) application filed by a PT IMK creditor, which was approved by the Indonesian courts. The Suspension of Payment process is effectively a "stay" of the bankruptcy process with the aim of facilitating the putting forward, by PT IMK, of a commercial settlement plan to creditors, to avoid bankruptcy.

A draft structure for a Settlement Plan was presented to PT IMK creditors in early June 2014 and work continues to finalise the Settlement Plan. If the Settlement Plan is not approved by creditors within the TSOP period, it is expected that PT IMK's original application for voluntary bankruptcy will be determined by the Indonesian Courts. Neither PT IMK being placed in the TSOP process nor being subsequently declared bankrupt impacts on the legal status or solvency of Straits or the company's Tritton copper operations.

Corporate

A number of changes were made to the Board and Executive during the period under review, as set out in the Directors' Report. In October 2013 the rightsizing of the corporate team was completed following the relocation of the corporate office to Brisbane. The corporate office now comprises a team of 8 staff, compared to 38 in July 2012.

Finance

The process of streamlining and monetising the company's non-core assets continued during the period. In July 2013 the sale of Straits' Stuart Shelf exploration project in South Australia to OZ Minerals was completed for a consideration of $2.2 million.

In November 2013 agreement was reached with Magontec Ltd (Magontec) (ASX: MGL) for the early repayment of a $2.1 million loan owed to Straits. The agreement with Magontec included conversion of Convertible Notes held by Straits in Magontec, with a face value of $5.9 million, into approximately 112 million Magontec shares. Following the conversion Straits' holding in Magontec increased to 15.59% of that company's total issued capital and entitled Straits to appoint a non-executive director to Magontec's board. Straits Executive Chairman, André Labuschagne accepted this appointment in January this year.

Also in January this year, Straits realised the sale of its interest in certain subordinated debt and notes owing by Swiss company GFE-MIR for $US2.6 million.

Debt

As originally announced in August 2013, Straits finalised the settlement of the Mt Muro silver prepayment facility with Credit Suisse (A$34.9 million as at 30 June 2013). This resulted in a Straits parent company guarantee being extinguished, in return for an up-front payment of US$7.5 million and issue by Straits of US$7.0 million in Convertible Notes to Credit Suisse.

This was a significant development for the company both in terms of reducing net debt exposure at Straits level and as removal of the corporate guarantee enabled the subsequent strategies implemented at Mt Muro, as outlined in this report, to be undertaken.

In September 2013 Straits reached agreement with Standard Chartered Bank (SCB) for an interim restructure of the existing Tritton Copper Swap Facility on more attractive repayment terms for the nine months from August 2013 to April 2014. Under the revised terms, the monthly repayments were reduced from 450 tonnes to 69.9 tonnes of copper. As a condition of this restructure, Straits undertook to increase Tritton's JORC compliant ore reserves by 50,000 tonnes of contained copper (actual increase reported by 30 June 2014 was ca. 51,500 tonnes) and hedged 8,114 tonnes of its copper production (or approximately 50% of production) during the period of the interim restructure.

In June 2014, a further restructuring of Tritton's debt facilities (Copper Swap Facility and Working Capital Facility) was agreed with SCB. This saw the close out of the Copper Swap Facility for US$99.9 million, funded by a Bridge Loan provided by SCB, and the Working Capital Facility capped at US$14.6 million. This restructuring effectively provided Straits with certainty around the Company's debt position, with net debt capped at US$114.5 million, whilst a longer term debt restructure (Refinancing Plan) is negotiated with SCB. Interest and Fees payable on the Bridge Loan and Working Capital Facility from the Agreement Date until the Refinancing Plan is completed will be capitalised.

At the time of this report, discussions with SCB with respect to a Refinancing Plan, as announced to the market on 16 June 2014, are progressing. On 13 August 2014, Straits announced that the deadline to finalise the Refinancing Plan had been extended to 13 September.

Financial Results

The Group recorded a net profit for the year for the financial reporting period to 30 June 2014 of $57.4 million compared with a net loss for the year ended 30 June 2013 of $240.7 million.

The June 2014 financial result for the Group was impacted by a number of key factors, including:

- Loss on convertible note expense;
- Impairment of mining and exploration assets;
- Loss on close out of the SCB facility; and
- Profit from discontinued operations as a result of the de-consolidation of IMK

Financial Position

The net profit attributable to Straits for the year ended 30 June 2014 was $57.352 million (30 June 2013 loss of $240.675 million) resulting in a positive net asset position of $5.7 million at 30 June 2014 (30 June 2013 net liability position of $32.6 million). The result was impacted by the de-consolidation of the Mt Muro operations, please refer to note 14 for further detail.

At 30 June 2014, Straits' asset position included cash and cash equivalents of $12.679 million, investments $5.406 million and $14.360 million of restricted cash.

The Group's net cash inflow from operating activities during the period was $35.196 million with net cash outflows from investing activities of $20.147 million and net cash outflows from financing activities of $20.516 million. Foreign exchange revaluations amounted to $0.1 million on cash and cash equivalents.

Events Subsequent to Balance Date

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

Outlook

Substantial progress has been made towards achieving a sustainable, long term financial structure for the company, and finalising this process is a key priority in the first half of the new financial year.

At a corporate level we will also be targeting finalising the exit from the Indonesian subsidiary and continuing to extract value from the non-core assets. Achieving these goals will provide a platform from which to pursue growth through a combination of extending mine life at Tritton and M&A.

Tritton has just completed a year of record copper production (26,422 tonnes) and in the coming year is targeting production of 27,000 tonnes of copper as the successful operational reforms over the last 18 months are realised and further improvement initiatives are implemented. The Tritton Operations have excellent prospects for growth and mine life extension, as evidenced by the increases in JORC compliant ore reserves announced in FY2014.

The focus at Tritton for the coming year will be to continue to drive operational and cost performance in the current operations, update the life-of-mine plans to incorporate the increased Ore Reserves and reinvigorate exploration activities on the tenement package around Tritton to extend mine life and/or upgrade the quality of the resource base.

Dividend

The Directors do not recommend payment of a dividend for the period to 30 June 2014. No dividend was paid during the current year.

Environmental Regulations

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

Shares Under Option

There are no unissued ordinary shares of Straits under option.

Shares Issued on the Exercise of Options

There were no ordinary shares of the Company issued during the twelve months to 30 June 2014 on the exercise of options. The Company currently does not have an Employee Share Option Plan.

Meetings of Directors

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

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

Director	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
André Labuschagne	14	14	4	4
Alastair Morrison	14	13	4	4
Michele Muscillo	14	13	4	4
Michael Menzies	4	4	1	1
Susan Vearncombe	2	2	-	-

Directors' and Officers' Insurance and Indemnity

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

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

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

Loans to Directors

No loans have been provided by the Company to Directors.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001 during the year ended 30 June 2014 or at the date of this report.

Indemnity of Auditors

The company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit Services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out in Note 21 to the accounts

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out in Note 21 to the accounts, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 60.

Modification of Opinion

The 30 June 2014 financial report contains an independent auditor's report which includes an emphasis of matter paragraph in regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Additional disclosure has been included in Note 1 to the consolidated financial statements.

Rounding of Amounts to Nearest Thousand Dollars

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

REMUNERATION REPORT

The Directors are pleased to present your company's 2014 remuneration report which sets out remuneration information for Straits Resources Limited's Non-executive Directors, executive Directors and other key management personnel.

REMUNERATION PRINCIPLES AND OVERVIEW

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

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

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

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

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

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

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

USE OF REMUNERATION CONSULTANTS

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

KEY MANAGEMENT PERSONNEL

Directors of the Company during the period, including experience, qualification and special responsibilities are set out on pages 41 and 42.

The key management personnel of the Company during the year ended 30 June 2014 are set out on page 52 to 55.

EXECUTIVE REMUNERATION

Remuneration packages are based around a combination of the following:

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

Fixed Remuneration

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

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

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

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

Variable Remuneration – Short Term Incentive (STI) Payments

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

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

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

Aims of STI Plan

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

- Incentivising superior executive performance in areas of specific challenge;
- Ensuring total target rewards for performance are competitive and appropriate for the results delivered;
- Providing balance to total reward packages sufficient to ensure the Company attracts

REMUNERATION REPORT (CONT'D)

and retains executives of high caliber and who demonstrate the capacity to manage our operations successfully; and

- To drive successful execution of business plans and achievement of strategic aims directly aligned with enhanced shareholder value.

Establishment of Goals

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

Determination of STI Outcomes

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

Timing

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

Variable Remuneration – Long Term Incentives (LTI)

Employee Share Acquisition Plan (ESAP)

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

Management and senior employees of the Company may be invited to participate in the ESAP – with the Board exercising its discretion when deciding on the allocation of shares under the Plan. The ESAP provides for long term incentives to create shareholder value, with rights being vested to shares when service and performance hurdles are met. 53,580,134 shares were issued under the ESAP during the year ended 30 June 2014.

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

- the shares were issued at market price and funded by way of an interest free non-recourse loan;
- the number of the shares issued varies according to the executives' role and responsibilities; and
- other than in limited circumstances (such as a takeover), the executive shares would vest over a three year service condition period, with shares vesting equally on each anniversary

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

As at the date of this report, all shares previously issued under the ESAP to prior executives have been forfeited as a result of their service condition not being met.

Performance Rights Plan (PRP)

Following a review of its remuneration policy the company has amended its long term incentive structure offered to employees by introducing a Performance Rights Plan. The PRP is in line with current market practice and will allow the company to grant different types of appropriately structured performance-based awards to eligible employees, depending upon the prevailing circumstances and having regard to market practices generally.

The PRP is designed to provide incentives to selected employees of the Company and to recognise their contribution to achievement of the Company's strategic goal. In the Company's current circumstances as a developing mining company with identified long-term performance milestones, the Directors consider that Performance Rights provide an appropriate, cost effective and efficient form of performance incentive for senior employees and talent retention for the Company. The inclusion of Performance Rights means that the Company's remuneration framework is aligned with a pay-for-performance remuneration model, as opposed to relying solely on alternative forms of incentives such as the issue of options, cash bonuses or increased remuneration.

The PRP provides for the issue of Performance Rights which, upon a determination by the Board that performance conditions attached to the Performance Rights have been met, will result in the issue of one ordinary share in the Company for each Performance Right.

At the date of this report no performance conditions have been established and as a result no performance rights have been issued under the PRP for the 30 June 2014 financial year.

No Hedging on LTI Grants

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

Directors and Non-executive Directors

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

The Board does not pay additional fees to Directors or Non-executive Directors appointed to Committees nor are fees paid to executives who are appointed to the Board of subsidiary or associated companies.

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is currently $700,000 per annum.

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

DIRECTORS REPORT (CONT'D)

REMUNERATION REPORT (CONT'D)

EMPLOYMENT AGREEMENTS

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

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

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

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

The major provisions of the contracts are set out below.

Curent Directors and Key Management Personnel

André Labuschagne, Executive Chairman

Mr André Labuschagne entered into an employment arrangement with the Company which commenced on 20 December 2012. Mr Labuschagne's package consists of a base salary of $500,000, superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP/PRP.

During the 2014 financial year Mr Labuschagne was issued with shares under ESAP. Summarised below are the details:

- Number of Shares issued 24,354,606
- The Issue Price of the Plan Shares will be funded by way of an interest-free limited recourse loan provided to Mr Labuschagne by the Company on the terms set out in the ESAP Rules.
- Provided Mr Labuschagne remains employed by the Company, the Plan Shares will vest as follows:
    - 8,118,202 Plan Shares on 20 December 2013;
    - 8,118,202 Plan Shares on 20 December 2014;
    - 8,118,202 Plan Shares on 20 December 2015; and
    - to the extent the Plan Shares have not previously vested – immediately upon a Change of Control of the Company occurring.

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

Alastair Morrison, Non-executive Director

Mr Alastair Morrison entered into a service agreement upon ceasing employment with Standard Chartered Private Equity in March 2014. Prior to March 2014 he did not have a service agreement and was not paid a Director's fee up to 31 March 2014. As Mr Morrison was appointed to the Board as a nominee of the Company's current largest shareholder, Standard Chartered Private Equity, and as such was not paid a directors fee. Mr Morrison ceased employment with Standard Chartered Private Equity on 31 March 2014 and entered into a service agreement with the company as a non-executive director effective 1 April 2014. The service agreement does not contemplate a fixed term for Mr Morrison's appointment as a director.

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

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

Michele Muscillo, Non-executive Director

Mr Michele Muscillo was appointed to the Board effective 2 May 2013. The appointment does not contemplate a fixed term for Mr Muscillo's appointment as a Director.

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

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

Robert Brainsbury, Chief Financial Officer

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

During the 2014 financial year Mr Brainsbury was issued with shares under ESAP. Summarised below are the details:

- Number of Shares issued 14,612,764
- The Issue Price of the Plan Shares will be funded by way of an interest-free limited recourse loan provided to Mr Brainsbury by the Company on the terms set out in the ESAP Rules.
- Provided Mr Brainsbury remains employed by the Company, the Plan Shares will vest as follows:
  - 4,870,921 Plan Shares on 20 December 2013;
  - 4,870,921 Plan Shares on 20 December 2014;
  - 4,870,922 Plan Shares on 20 December 2015; and
  - to the extent the Plan Shares have not previously vested – immediately upon a Change of Control of the Company occurring.

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

Ian Sheppard, Chief Operating Officer

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

During the 2014 financial year Mr Sheppard was issued with shares under ESAP, summarised below are the details:

- Number of Shares issued 14,612,764
- The Issue Price of the Plan Shares will be funded by way of an interest-free limited recourse loan provided to Mr Sheppard by the Company on the terms set out in the ESAP Rules.
- Provided Mr Sheppard remains employed by the Company, the Plan Shares will vest as follows:
  - 4,870,921 Plan Shares on 15 March 2014;
  - 4,870,921 Plan Shares on 15 March 2015;
  - 4,870,922 Plan Shares on 15 March 2016; and

REMUNERATION REPORT (CONT'D)

- to the extent the Plan Shares have not previously vested – immediately upon a Change of Control of the Company occurring.

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

John Miller, General Manager Tritton Operations

Mr Miller entered into an employment arrangement with the Company which commenced on 10 December 2012. Mr Miller became a KMP of the group following the restructure of the group with effect from 1 July 2013. Mr Miller's package consists of a base salary of $320,000 superannuation of 10% of base salary, participation in a Short Term Incentive plan and eligibility to be allocated shares under ESAP/PRP. Mr Miller is also covered by the Company's Group Life Plan and Salary Continuance Plan.

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

Former Directors and Key Management Personnel

Michael Menzies, Non-executive Director (Appointed 28 November 2013 and resigned effective 9 April 2014)

As Non-executive Director, Mr Menzies was paid a fee of $60,000 per annum

Susan Vearncombe, Non-executive Director (Resigned effective 31 July 2013)

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

Matthew Smith, Deputy Chief Financial Officer and Company Secretary (resigned 31 October 2013)

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

Ivan Jerkovic, General Manager Exploration (resigned – 30 September 2013)

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

Scott Huffadine, Deputy Chief Executive Officer (resigned – 30 August 2013)

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

DETAILS OF REMUNERATION

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

DIRECTORS REPORT (CONT'D)

REMUNERATION REPORT (CONT'D)

Remuneration of Key Management Personnel ('KMP') of the Group – 30 June 2014

	Short-term benefits							
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Super-annuation	Sub-total	Termi-nation payments	Share based payments	TOTAL
	(A)	(B)	(C)	(D)				
DIRECTORS Non-executive	$	$	$	$	$	$	$	$
Michele Muscillo	60,000	-	-	-	60,000	-	-	**60,000**
Alastair Morrison	15,000	-	-	-	15,000	-	-	**15,000**
Michael Menzies	18,181	-	-	1,819	20,000	-	-	**20,000**
Susan Vearncombe	8,333	-	-	833	9,166	-	-	**9,166**
	101,514	**-**	**-**	**2,652**	**104,166**	**-**	**-**	**104,166**
Executive								
André Labuschagne^	526,972	-	-	23,028	550,054	-	165,834	**715,834**
	628,486	**-**	**-**	**25,680**	**654,220**	**-**	**165,834**	**820,054**
OTHER KMP								
Robert Brainsbury^	364,610	-	-	24,000	388,610	-	99,501	**488,111**
Ian Sheppard^	366,459	-	-	22,151	388,610	-	91,062	**479,672**
John Miller^	332,290	-	-	23,000	355,290	-	-	**355,290**
Matthew Smith^	99,633	-	-	10,051	109,684	323,577	-	**433,261**
Ivan Jerkovic	72,984	-	-	7,846	80,830	214,306	(36,531)	**258,605**
Scott Huffadine	79,167	-	-	4,167	83,334	238,710	-	**322,044**
	1,315,143	**-**	**-**	**91,215**	**1,406,358**	**776,593**	**154,032**	**2,336,983**
	1,943,629	**-**	**-**	**116,895**	**2,060,578**	**776,593**	**319,866**	**3,156,184**

Notes to tables:

^ Denotes one of the five highest paid executives of the group and the company during the year ended 30 June 2014.

(A) Includes cash salary and Directors' fees.

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

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

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

The total value of employee incentive shares included in remuneration is calculated in accordance with Accounting Standard AASB 2. The remuneration amount as calculated will be recognised over the vesting period for each relevant period. Negative share-based payments relate to share-based payments forfeited during the financial year ending 30 June 2014.

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

	Short-term benefits							
	Cash salary & fees	Short-term incentive	Non-cash benefits	Post-employment Super-annuation	Sub-total	Termi-nation payments	Share based payments	TOTAL
DIRECTORS	$	$	$	$	$	$	$	$
Non-executive								
Alan Good	62,500	-	-	6,250	68,750	-	-	**68,750**
Susan Vearncombe	100,000	-	-	10,000	110,000	-	-	**110,000**
Colin Wise	14,855	-	-	1,485	16,340	-	-	**16,340**
Adrian Redlich	50,000	-	-	-	50,000	-	-	**50,000**
Michele Muscillo	10,000	-	-	-	10,000	-	-	**10,000**
Alastair Morrison	-	-	-	-	-	-	-	**-**
	237,355	**-**	**-**	**17,735**	**255,090**	**-**	**-**	**255,090**
Executive								
Milan Jerkovic	488,861	-	73,146	44,625	606,632	588,424	(94,765)	**1,100,291**
André Labuschagne	276,390	-	-	16,071	292,461	-	-	**292,461**
	765,251	**-**	**73,146**	**60,696**	**899,093**	**588,424**	**(94,765)**	**1,392,752**
	1,002,606	**-**	**73,146**	**78,431**	**1,154,183**	**588,424**	**(94,765)**	**1,781,641**
OTHER KMP								
Matthew Smith	305,222	-	-	25,367	330,589	-	-	**330,589**
Ivan Jerkovic	262,997	-	21,122	23,175	307,294	-	15,687	**322,981**
Nic Earner	236,479	-	-	22,797	259,276	-	(110,466)	**148,810**
David Greenwood	73,625	-	21,700	9,526	104,851	70,256	(31,871)	**143,236**
Peter Storey	77,368	-	23,524	9,526	110,418	70,263	(31,871)	**148,810**
Robert Brainsbury	190,178	-	-	14,544	204,722	-	-	**204,722**
Ian Sheppard	103,694	-	-	9,361	113,055	-	-	**113,055**
Scott Huffadine	81,250	-	-	2,083	83,333	-	-	**83,333**
	1,330,813	**-**	**66,346**	**116,379**	**1,513,538**	**140,519**	**(158,721)**	**1,495,536**
	2,472,911	**-**	**139,492**	**194,810**	**2,667,721**	**728,943**	**(253,286))**	**3,143,378**

Share based payments have been adjusted from the June 2013 financial accounts, to reflect the forfeiture of share based payments.

DIRECTORS REPORT (CONT'D)

REMUNERATION REPORT (CONT'D)

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

Name	Fixed Remuneration 2014	Fixed Remuneration 2013	At Risk – Short Term Incentive 2014	At Risk – Short Term Incentive 2013	At Risk – Equity 2014	At Risk – Equity 2013
DIRECTORS						
Michele Muscillo	**100%**	100%	-	-	**-**	**-**
Alastair Morrison	**100%**	-	-	-	**-**	**-**
André Labuschagne	**77%**	100%	-	-	**23%**	**-**
Key Management Personnel						
Rob Brainsbury	**80%**	100%	-	-	**20%**	-
Ian Sheppard	**81%**	100%	-	-	**19%**	-
John Miller	**100%**	-	-	-	**-**	-
Matthew Smith	**100%**	100%	-	-	**-**	-
Ivan Jerkovic	**100%**	95%	-	-	**-**	5%
Scott Huffadine	**100%**	100%	-	-	**-**	-

SHARE-BASED COMPENSATION

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

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was approved by shareholders at the Annual General Meeting on 27 November 2013. The purpose of the plan is to attract, retain, motivate and reward key executive employees.

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

Details of ordinary shares allocated to key management personnel of the group under the ESAP plan is set out below:

Name	Financial Year Granted	Value at Grant Date $	Vested %	Forfeited %	Maximum total value of grant yet to vest $
André Labuschagne	2014	219,191	33.3%	-	146,128
Robert Brainsbury	2014	131,515	33.3%	-	87,677
Ian Sheppard	2014	131,515	33.3%	-	87,677

Shares issued under equity granted are all restricted shares.

a. The grant date for each share based payment during the period was 19 December 2013.
b. The value of ESAP shares granted during the period reflects the value of a share determined in accordance with AASB 2.
c. No restricted shares were exercised or lapsed during the period.
d. Total value of shares vested during the financial year ending 30 June 2014, but yet to be exercised was $160,740
e. The shares will vest equally over 3 years from commencement of employment

Shares held by key management personnel

Name	Opening balance 1 July 2013	Issued and Acquired*	Disposed**	Balance 30 June 2014
DIRECTORS				
Non-executive				
Michele Muscillo	-	-	-	-
Alastair Morrison	-	-	-	-
Executive				
André Labuschagne	-	1,400,000	-	1,400,000
OTHER KEY MANAGEMENT Personnel				
Rob Brainsbury	-	3,166,666	-	3,166,666
Ian Sheppard	-	-	-	-
John Miller	-	332,336	-	332,336
Matthew Smith	330,589	-	330,589	-
Ivan Jerkovic	322,981	-	322,981	-
Scott Huffadine	83,333	-	83,333	-

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

** Includes the shares held by Directors or key management personnel who left the Company during the 2014 financial year as at leaving date.

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

Signed in accordance with a resolution of the Directors.

André Labuschagne
Executive Chairman
Brisbane
28 August 2014

Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

D.G. Smith

Debbie Smith

Partner
PricewaterhouseCoopers

Brisbane
28 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Straits
ASX:SRQ

FINANCIAL STATEMENTS

Straits Resources Limited ABN 30 147 131 977
Annual Financial Report - 30 June 2014

Contents

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

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

Straits Resources Limited
HQ South Tower Suite 21 Level 2
520-540 Wickham Street
FORTITUDE VALLEY QLD 4006

The financial statements were authorised for issue by the Directors on 28 August 2014. The Directors have the power to amend and reissue the financial statements in accordance with Australian Accounting Standards.

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

Straits Resources Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014

	Notes	**2014 $'000**	2013 $'000
Revenue from continuing operations	3	**202,865**	166,752
Cost of goods sold	5	**(189,323)**	(190,659)
Gross profit		**13,542**	(23,907)
Other income	4	**717**	7,298
Exploration expense	5	**(3,398)**	(3,205)
Administration and support	5	**(9,376)**	(16,305)
Impairment loss	5	**(8,204)**	(17,015)
Other expenses	5	**(107)**	(11,385)
Profit/(loss) before net finance costs		**(6,826)**	(64,519)
Finance income		**480**	2,722
Finance expenses		**(15,689)**	(15,429)
Loss on close out of SCB facility		**(16,678)**	-
Convertible note expense		**(7,854)**	-
Loss before income tax from continuing operations		**(46,567)**	(77,226)
Income tax benefit/(expense)	6	**-**	8,777
Loss from continuing operations		**(46,567)**	(68,449)
Profit/(loss) from discontinued operations	14	**103,919**	(172,226)
Profit/(loss) for the year		**57,352**	(240,675)
Other comprehensive income			
Changes in the fair value of cash flow hedges	9(b)	**(21,147)**	25,432
Exchange differences on translation of foreign operations	9(b)	**(343)**	2,115
Income tax relating to components of other comprehensive income	6(d)	**3,051**	(4,485)
Other comprehensive (loss)/income for the year, net of tax		**(18,439)**	23,062
Total comprehensive income/(loss) for the year		**38,913**	(217,613)
Profit/(loss) is attributable to:			
Owners of Straits Resources Limited		**57,352**	(240,675)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Straits Resources Limited		**38,913**	(217,613)
Total comprehensive income/(loss) for the year attributable to owners of Straits Resources Limited arises from			
Continuing operations		**(65,006)**	(45,387)
Discontinued operations		**103,919**	(172,226)
		38,913	(217,613)

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

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	22	**(3.9)**	(7.1)
Diluted earnings per share	22	**(3.9)**	(7.1)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**4.8**	(24.9)
Diluted earnings per share		**4.8**	(24.9)

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

Consolidated Balance Sheet

	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**12,679**	18,256
Trade and other receivables	7(b)	**10,684**	10,031
Inventories	8(a)	**14,715**	15,399
Other financial assets	7(c)	**5,406**	1,397
Derivative financial instruments	12(a)	**-**	9,034
Short term mine development		**1,449**	8,848
		44,933	62,965
Assets classified as held for sale	8(c)	**-**	1,889
Total current assets		**44,933**	64,854
Non-current assets			
Receivables	7(b)	**14,360**	21,010
Derivative financial instruments	12(a)	**-**	13,123
Property, plant and equipment	8(d)	**33,723**	35,699
Exploration and evaluation	8(e)	**24,353**	26,154
Mine properties in use	8(e)	**42,850**	49,948
Deferred tax assets	8(f)	**20,865**	17,814
Total non-current assets		**136,151**	163,748
Total assets		**181,084**	228,602
LIABILITIES			
Current liabilities			
Trade and other payables	7(d)	**24,458**	68,653
Interest bearing liabilities	7(e)	**131,429**	65,079
Deferred revenue	7(f)	**-**	16,658
Provisions	8(g)	**4,296**	5,919
Total current liabilities		**160,183**	156,309
Non-current liabilities			
Interest bearing liabilities	7(e)	**4,255**	57,627
Deferred revenue	7(f)	**-**	18,205
Provisions	8(g)	**10,926**	29,061
Total non-current liabilities		**15,181**	104,893
Total liabilities		**175,364**	261,202
Net assets		**5,720**	(32,600)
EQUITY			
Contributed equity	9(a)	**353,300**	353,300
Reserves	9(b)	**(6,025)**	13,007
Retained earnings	9(c)	**(341,555)**	(398,907)
Total equity		**5,720**	(32,600)

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

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Total equity $'000
		Attributable to owners of Straits Resources Limited				
Balance at 1 July 2012		295,941	(10,464)	(158,232)	127,245	127,245
Profit/(loss) for the year		-	-	(240,675)	(240,675)	(240,675)
Other comprehensive income		-	23,062	-	23,062	23,062
Total comprehensive income for the year		**-**	**23,062**	**(240,675)**	**(217,613)**	**(217,613)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	9(a)	57,359	-	-	57,359	57,359
Employee share schemes - value of employee services		-	409	-	409	409
		57,359	409	-	57,768	57,768
Balance at 30 June 2013		**353,300**	**13,007**	**(398,907)**	**(32,600)**	**(32,600)**
Balance at 1 July 2013		353,300	13,007	(398,907)	(32,600)	(32,600)
Profit/(loss) for the year		-	-	57,352	57,352	57,352
Other comprehensive income		-	(18,439)	-	(18,439)	(18,439)
Total comprehensive income for the year		**-**	**(18,439)**	**57,352**	**38,913**	**38,913**
Transactions with owners in their capacity as owners:						
Employee share schemes - value of employee services		-	(593)	-	(593)	(593)
Balance at 30 June 2014		**353,300**	**(6,025)**	**(341,555)**	**5,720**	**5,720**

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

Straits Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		**187,132**	167,839
Net cashflows from hedging		**1,391**	1,511
Payments to suppliers and employees		**(162,805)**	(228,062)
Interest received		**495**	2,153
Interest paid		**(1,992)**	(8,129)
Net cash inflow from operating activities of discontinued operations	14	**10,975**	39,885
Net cash inflow / (outflow) from operating activities	10(a)	**35,196**	(24,803)
Cash flows from investing activities			
Payments for property, plant and equipment and mine properties		**(24,607)**	(23,889)
Proceeds from sale of property, plant and equipment		**2,025**	4,122
Proceeds from held for trading financial assets		**-**	9,191
Payments for exploration expenditure		**(2,582)**	(6,875)
Proceeds from loan receivable		**5,017**	2,469
Net proceeds from sale of Hillgrove		**-**	26,757
Option fees received on sale of Hillgrove		**-**	3,000
Net cash outflow from investing activities of discontinued operations		**-**	(40,993)
Net cash outflow from investing activities		**(20,147)**	(26,218)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	57,359
Proceeds from borrowings		**-**	8,014
Repayment of borrowings		**(6,721)**	(9,025)
Finance lease payments		**(3,685)**	(3,034)
Release from restricted cash		**2,357**	3,719
Net cash inflow outflow from financing activities of discontinued operations		**(12,467)**	(808)
Net cash (outflow) / inflow from financing activities		**(20,516)**	56,225
Net (decrease) / increase in cash and cash equivalents		**(5,467)**	5,204
Cash and cash equivalents at the beginning of the financial period		**18,256**	12,982
Effects of exchange rate changes on cash and cash equivalents		**(110)**	70
Cash and cash equivalents at end of year	7(a)	**12,679**	18,256

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

Contents of the notes to the consolidated financial statements

1 Significant changes in the current reporting period

(a) Going concern

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

During the year ended 30 June 2014, Straits recognised a consolidated profit of $57.352 million (2013: loss for the year $240.675 million) including a loss from continuing operations of $46.567 million (2013: $68.449 million), and had a cash inflow from operating activities of $35.196 million (2013: outflow of $24.803 million).

At 30 June 2014 the Group held cash of $12.679 million and had net assets of $5.720 million and a working capital deficiency of $115.250 million.

Included in current liabilities is a Bridge Loan and Working Capital Facility of $122.386 million from Standard Chartered Bank (SCB) that matures on 13 November 2014. The Bridge Loan was executed on 13 June 2014 and has been provided by SCB to fund the closing out of the previous Copper Swap Facility with SCB. The Bridge Loan term is for 5 months (maturing on 13 November 2014) and during this period SCB and Straits have undertaken to develop and implement a longer term debt structure. During the year ended 30 June 2014, the Group has been able to continue to meet working capital requirements principally as a result of operating cashflows and restructuring finance arrangements.

Significant progress has been made to improve cashflow since 30 June 2013. Some of these include:

- Tritton's full year copper production of 26,422 of contained copper has exceeded the intial forecast of 25,000 tonnes and updated forecast of 26,000 tonnes;
- The Group has generated positive cash flows from operating activities and met its commitments during the period;
- Funding from Straits to Mt Muro has ceased and Mt Muro placed on care and maintenance. A petition has been lodged for voluntary bankruptcy by PT IMK with the Indonesian Commercial Court;
- Negotiation of the early repayment of Magontec Limited receivable of $2.100 million, received in January 2014; and
- Sale of subordinated debt held with GFE-MIR Holdings for US$2.600 million, received in January 2014.

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:

- continuing to achieve operational and costs targets at Tritton; and
- finalising and implementing the longer term debt restructure with SCB by 13 November 2014.

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.

The Directors believe that the Company has reasonable prospects of generating sufficient funds and restructuring the debt facilities and obtaining other sources of capital 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.

1 Significant changes in the current reporting period (continued)

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

(b) Standard Chartered Bank loan facility

On 31 May 2014 the Company executed a term sheet closing out the existing Tritton Copper Swap Facility with Standard Chartered Bank (SCB) and replaced the facility with a Bridging Loan with SCB. The close out resulted in a loss in the consolidated statement of comprehensive income of $16.678 million. The loan currently has a tenor of 5 months after finalization date (13 June 2014) and bears interest at LIBOR +6% PIK (payment in kind), capitalised on each interest payment date.

(c) Mt Muro - Discontinued operations

On 5 August 2013, Straits Resources Limited announced that despite the progress that had been made in driving a turn-around strategy for Mt Muro, a number of unforeseen challenges, including falling gold and silver prices and the impact of illegal miners, has adversely affected the timing of Mt Muro reaching a positive cash flow position. The Board considered that Straits Resources Limited was no longer in a position to provide material funding support to the Mt Muro operations and, consequently, placed the Mt Muro mine on care and maintenance from 2 August 2013.

Despite actively seeking buyers for the assets, no formal offers were received and so on 31 January 2014 Straits Resources Limited announced that it's wholly owned subsidiary, PT Indo Muro Kencana (PT IMK), the owner of the Mt Muro gold operations, had lodged a petition with the Indonesian Commercial Court thereby commencing voluntary bankruptcy proceedings.

As a result of the voluntary bankruptcy petition lodged by PT IMK, a creditor of PT IMK, PT Multi Nitrotama Kimia (MNK), filed an application on 11 February 2014 for Suspension of Payment (SOP) in respect of PT IMK. An SOP process is effectively a “stay” of the bankruptcy process with the aim of facilitating the putting forward, by PT IMK, of a commercial settlement plan to creditors to avoid bankruptcy.

At a Commercial Court hearing on 3 March 2014, the following rulings were made:

- the SOP application filed by MNK was approved;
- PT IMK was made the subject of a Temporary SOP (TSOP) from 3 March 2014 until 17 April 2014; and
- Appointment of the Supervising Judge and of a sole Administrator (as nominated by the Applicant (MNK).

PT IMK cannot be declared bankrupt and most recovery actions by creditors are on hold whilst the SOP/TSOP remains current. An SOP/TSOP cannot be in place for longer than 270 days.

At a Commercial Court hearing on 17 April 2014, the Presiding Judges agreed to extend the TSOP until 13 June 2014.

A draft structure for a Settlement Plan was presented by the Administrator to PT IMK Creditors (Creditors) at a series of meetings (Creditor Meetings) in early June 2014. At these meetings the Creditors (more than 2/3 of the acknowledged creditors and more than 1/2 of the creditors who attended the Creditors Meetings) voted in favour of extending the TSOP in order for the draft Settlement Plan to be progressed.

On 13 June 2014, after taking into account the preference of the Creditors to extend the TSOP, as evidenced by the votes of the Creditors at the Creditor Meetings, the Presiding Judges agreed to a second extension of the TSOP for a further 120 days until 10 October 2014.

As a consequence of the appointment by the Commercial Court of an Administrator of PT IMK on 3 March 2014, Straits Resources Limited is assumed to no longer have control, as defined in the Australian Accounting Standards, over its subsidiary (PT IMK) and has therefore de-consolidated the results of PT IMK from the Group.

1 Significant changes in the current reporting period (continued)

(d) Convertible Note expense

Following completion of the restructure of the Mt Muro silver prepayment facility with Credit Suisse International (CS), including the release by CS of a parent company guarantee held by CS on Straits Resources Limited (Straits), Straits issued USD$3,750,000 Class A convertible notes and USD$3,250,000 Class B convertible notes (with each convertible note having a face value of US$1) to CS on the terms approved by Shareholders at the Extraordinary General Meeting held on 21 October 2013.

The Convertible Notes have been taken up as part of Interest Bearing Liabilities in the balance sheet of Straits and accounted for at face value. The liability incurred by the issue of the convertible notes was not able to accounted for against the intercompany loan with PT IMK due to the bankruptcy proceedings underway and as a result the offsetting entry therefore had to be taken to the Straits Statement of Comprehensive Income, which was negatively impacted by $7,854,000.

(e) GFE Loans

On 14 January 2014, Straits announced that it had sold its interest in certain subordinated debt and notes owing by GFE-MIR Holdings (a Swiss Company) for US$2.6 million. The subordinated debt was provided by Straits in December 2010 to the amount of US$12 million, however Straits had previously written down the value of the subordinated debt in its accounts to nil, having regard to Straits' view on the likelihood of recovery of the amounts owing. This amount has been recognised as reversal of an impairment in current period (refer note 5).

(f) Magontec Loans

On 20 January 2014 Straits announced that it had received the $2.1 million owed from Magontec Limited, as part of an agreement reached for the early repayment of a $2.1 million loan from Straits. As part of the agreement Straits has converted their convertible notes (CLN's) in Magontec with a face value of $6.869 million into Magontec shares. The shareholding in Magontec is reflected in the Straits Balance Sheet at the market value of 2.8 cents per Magontec share at 30 June 2014.

How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

2 Segment information

(a) Description of segments

Business segments

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and chief operating officer examines the Group's performance and determined that there are two reportable segments of its business, Tritton operations and Other representing corporate activities and non-core exploration assets. In the prior year the reportable segments consisted of base metals (Tritton operations and exploration assets owned by Templar Resources Pty Ltd and Goldminco Resources Pty Ltd), precious metals (Mt Muro gold operations) and other. The prior year segment disclosures have been restated to be inline with the current reportable segment structure for comparability purposes.

Discontinued operations
Mt Muro, a gold and silver mine previously disclosed within the precious metals segment, was operated by PT IMK, a wholly owned subsidiary of Straits Resources Limited, in Indonesia. On 5 August 2013, Straits Resources Limited announced that despite the progress that had been made in driving a turn-around strategy for Mt Muro, a number of unforeseen challenges, including falling gold and silver prices and the impact of illegal miners, had adversely affected the timing of Mt Muro reaching a positive cash flow position. The Board considered that Straits Resources Limited was no longer in a position to provide material funding support to the Mt Muro operations and consequently placed the Mt Muro mine on care and maintenance from 2 August 2013.

On 31 January 2014, Straits Resources Limited announced that it's wholly owned subsidiary, PT IMK, the owner of Mt Muro gold operations, had lodged a petition with the Indonesian Commercial Court thereby commencing voluntary bankruptcy proceedings. As a result of these bankruptcy proceedings, PT IMK has been de-consolidated from the group results effective 3 March 2014. Please refer to note 1, Significant changes in the current reporting period, for further details.

Geographical segments

The Consolidated Entity only operates in Australia as at 30 June 2014. At 30 June 2013, the Company operated in Australia (Tritton copper mine) and Indonesia (Mt Muro gold/silver mine).

2 Segment information (continued)

(a) Description of segments (continued)

Segment results

Included in the segment results is the the discontinued operations segment relating to the Mt Muro operations as noted above. The June 2013 results also included that of the Hillgrove Antimony/Gold Mine which was sold on 11 March 2013.

(b) Segment information provided to the board of directors

2014	Tritton Operations $'000	Other $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Consolidated $'000
Segment Revenue					
Sales to external customers	201,196	-	201,196	22,317	223,513
Total sales revenue	201,196	-	201,196	22,317	223,513
Other revenue	1,669	-	1,669	539	2,208
Total segment revenue	202,865	-	202,865	22,856	225,721
Adjusted EBITDA	41,045	(2,897)	38,148	(11,057)	27,091
Segment assets and liabilities					
Segment assets	195,151	95,159	290,310	-	290,310
Intersegment elimination	(58,997)	(71,094)	(130,091)	-	(130,091)
Unallocated assets	-	-	20,865	-	20,865
Total assets	136,154	24,065	181,084	-	181,084
Segment liabilities	273,794	31,661	305,455	-	305,455
Intersegment elimination	(107,564)	(22,527)	(130,091)	-	(130,091)
Unallocated liabilities	-	-	-	-	-
Total liabilities	166,230	9,134	175,364	-	175,364
Other segment information					
Acquisition of property, plant and equipment, intangibles and other segment assets	27,064	125	27,189	-	27,189
Depreciation and amortisation	31,143	449	31,592	-	31,592
Impairment loss	10,890	-	10,890	-	10,890

2 Segment information (continued)

(b) Segment information provided to the board of directors (continued)

2013	Tritton Operations $'000	Other $'000	Total Continuing Operations $'000	Discontinued Operations $'000	Consolidated $'000
Segment Revenue					
Sales to external customers	166,203	-	166,203	91,979	258,182
Total sales revenue	166,203	-	166,203	91,979	258,182
Other revenue	549	-	549	16,780	17,329
Total segment revenue	166,752	-	166,752	108,759	275,511
Adjusted EBITDA	35,171	(44,719)	(9,548)	(28,613)	(38,161)
Segment assets and liabilities					
Segment assets	**253,323**	**72,295**	**325,618**	**-**	**325,618**
Intersegment elimination	-	-	(114,829)	-	(114,829)
Unallocated assets	-	-	17,814	-	17,814
Total assets	253,323	72,295	228,603	-	228,603
Segment liabilities	**249,129**	**126,903**	**376,032**	**-**	**376,032**
Intersegment liabilities	-	-	(114,829)	-	(114,829)
Total liabilities	249,129	126,903	261,203	-	261,203
Other segment information					
Acquisition of property, plant and equipment, intangibles and other segment assets	29,603	41,987	71,590	-	71,590
Depreciation and amortisation	25,643	277	25,920	27,553	53,473
Impairment loss	2,555	14,460	17,015	-	17,015

Templar Resources Pty Ltd and Goldminco Resources Pty Ltd segment information in the prior period have been transferred to the Other segment as they are no longer considered by management to be part of the core operations. Mt Muro operations has been re-classified to discontinued operations for segment revenue and adjusted EBITDA. The segment assets and liabilities transfer to Other.

(c) Other segment information

(i) Adjusted EBITDA

The strategic steering committee 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 losses recognised on refinancing.

2 Segment information (continued)

(c) Other segment information (continued)

(i) Adjusted EBITDA (continued)

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

	2014 $'000	2013 $'000
Adjusted EBITDA (continuing operations)	**38,148**	(9,548)
Finance costs	**(15,689)**	(14,654)
Depreciation	**(31,592)**	(25,920)
Convertible note expense	**(7,854)**	-
Loss on close out of SCB facility	**(16,678)**	-
Impairment and exploration write off	**(10,998)**	(17,015)
Mark to market valuation of option collars	**(1,904)**	504
Unrealised financial instrument losses	**-**	(10,593)
Loss before income tax from continuing operations	**(46,567)**	(77,226)

3 Revenue

	2014 $'000	2013 $'000
From continuing operations		
Sales revenue		
Mining activities	**201,196**	166,203
Other revenue		
Other revenue from ordinary activities	**1,669**	549
	202,865	166,752

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

	2014 $'000	2013 $'000
Forward currency contracts - cash flow hedged	**-**	172
Forward commodity contracts - cash flow hedged	**3,150**	1,337
	3,150	1,509

4 Other income

	2014 $'000	2013 $'000
Net gain on disposal of property, plant and equipment and investments	**215**	1,848
Gain on fair value of listed securities held for trading	**502**	-
Net gain on commodity derivatives - ineffective hedges (note 12)	**-**	1,946
Option fee revenue	**-**	3,000
Net gain on time value of option contracts	**-**	504
	717	7,298

5 Expenses

	2014 $'000	2013 $'000
Loss before income tax includes the following specific expenses:		
Cost of goods sold:		
Cost of production		
Mining activities	**158,180**	165,020
	158,180	165,020
Depreciation		
Plant and equipment	**6,324**	3,134
Plant and equipment under finance leases	**4,646**	2,262
	10,970	5,396
Amortisation		
Mine properties	**20,173**	20,243
Total Cost of goods sold	**189,323**	190,659
Exploration expense:		
Exploration expenditure	**604**	2,383
Exploration written off	**2,794**	822
	3,398	3,205
Administration and support:		
Australia	**9,376**	16,305
Other expenses:		
Net foreign exchange (gain)/losses	**(1,797)**	10,044
Marketing	**-**	29
Loss on time value of option contracts	**1,904**	-
Loss on fair value of listed securities held for trading	**-**	1,312
	107	11,385

5 Expenses (continued)

	2014 $'000	2013 $'000
Impairment loss:		
Write back on sale of debt (GFE Loan)	**(2,686)**	-
Short term mine capital	**3,851**	659
Mine properties in use	**7,039**	16,356
	8,204	17,015
Finance costs - net:		
Interest and finance charges paid / payable	**15,210**	14,248
Unwinding of discounts on provisions	**479**	1,181
	15,689	15,429
Included within the above functions are the following:		
Employee benefit expense	**39,874**	46,104
Superannuation expense	**3,076**	632
	42,950	46,736

6 Income tax (benefit) / expense

(a) Income tax (benefit) / expense

	2014 $'000	2013 $'000
Current tax expense	**-**	-
Deferred tax	**-**	(4,485)
	-	(4,485)
Income tax (benefit) / expense is attributable to:		
Profit / (loss) from continuing operations	**-**	(8,777)
Profit / (loss) from discontinued operations	**-**	4,292
Aggregate income tax (benefit) / expense	**-**	(4,485)
Deferred income tax (benefit) / expense included in income tax comprises:		
(Increase) / decrease in deferred tax assets (note 8(f)(i))	**(2,516)**	(8,042)
Increase / (decrease) in deferred tax liabilities (note 8(f)(ii))	**2,516**	3,557
	-	(4,485)

(b) Income taxes

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

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

6 Income tax (benefit) / expense (continued)

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

	2014 $'000	2013 $'000
Loss from continuing operations before income tax expense	**(46,567)**	(77,226)
Profit / (loss) from discontinued operations before income tax expense	**103,919**	(167,935)
	57,352	(245,161)
Tax at the Australian tax rate of 30.0%	**17,206**	(73,548)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses - continuing operations	**(1,405)**	6
Tax losses not recognised	**24,738**	17,182
Temporary differences not recognised - continuing operations	**(7,941)**	32,334
Temporary differences not recognised - discontinued operations	**-**	67
Gain on de-consolidation/sale of subsidiary	**(31,169)**	946
Share-based payments	**(178)**	123
Losses of foreign operations not recognised	**685**	17,709
Sundry items	**-**	(288)
Convertible note expense	**2,537**	-
Non-deductible expenses - discontinued operations	**-**	48
Refinance of SCB facility	**(4,473)**	-
	-	(5,421)
Under provision in prior periods	**-**	936
Income tax (benefit) / expense	**-**	(4,485)

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

	2014 $'000	2013 $'000
Cash flow hedges (note 9(b))	**3,051**	(4,485)

(e) Tax losses

	2014 $'000	2013 $'000
Unused tax losses	**233,708**	151,247
Potential tax benefit @ 30.0%	**70,112**	45,374

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

7 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2014 $'000	2013 $'000
Bank balances	**12,679**	18,256
	12,679	18,256

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

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

	2014 $'000	2013 $'000
Cash and cash equivalents	**12,679**	18,256
Balance per statement of cash flows	**12,679**	18,256

(ii) Cash at bank and on hand

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

(iii) Fair value

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

(b) Trade and other receivables

	2014			2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**7,572**	**-**	**7,572**	2,402	-	2,402
Other debtors*	**1,676**	**-**	**1,676**	1,584	-	1,584
Other receivables	**-**	**-**	**-**	-	5,375	5,375
Restricted cash**	**-**	**14,360**	**14,360**	5,191	15,635	20,826
Prepayments	**1,436**	**-**	**1,436**	854	-	854
	10,684	**14,360**	**25,044**	10,031	21,010	31,041

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

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

(i) Provision for impairment of receivables

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

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

7 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(ii) Fair value risk

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

(iii) Fair values

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

	2014		2013	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Loan Receivable	**-**	**-**	5,375	5,375
Restricted cash	**14,360**	**14,360**	15,635	15,635
	14,360	**14,360**	21,010	21,010

(iv) Foreign currency risk

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

	2014 $'000	2013 $'000
Australian Dollar	**17,828**	11,577
US Dollar	**7,216**	19,464
	25,044	31,041
Current receivables	**10,684**	10,031
Non-current receivables	**14,360**	21,010
	25,044	31,041

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 12.

(v) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 12 for more information on the risk management policy of the Group.

(vi) Interest rate risk

The Group has various variable interest rate receivables including restricted cash and other loan receivables. For an analysis of the sensitivity of trade and other receivables to interest rate risk, refer to note 12.

7 Financial assets and financial liabilities (continued)

(c) Other financial assets

	2014 $'000	2013 $'000
Current assets		
Listed equity securities (ASX & TSX listed companies)	**5,406**	1,397
	5,406	1,397

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

All other financial assets at fair value through the income statement are denominated in the Australian currency. For an analysis of the sensitivity to equity price risk, refer to note 12.

(i) Financial assets Classification

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

	2014 $'000	2013 $'000
Held for trading	**5,406**	1,397
	5,406	1,397

(ii) Risk exposure and fair value measurements

Information about the Group exposure to equity price risk is provided in note12(e).

(d) Trade and other payables

	2014 $'000	2013 $'000
Current liabilities		
Trade payables	**24,303**	67,660
Other payables	**155**	993
	24,458	68,653

(i) Foreign currency risk

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

	2014 $'000	2013 $'000
Australian Dollar	**23,772**	16,026
US Dollar	**653**	32,030
Indonesian Rupiah	**-**	20,566
Other currencies	**33**	31
	24,458	68,653

7 Financial assets and financial liabilities (continued)

(d) Trade and other payables (continued)

(ii) Risk exposure

Information about the Group exposure to foreign exchange risk is provided in note 12.

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

(e) Interest bearing liabilities

	2014			2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**122,462**	**660**	**123,122**	58,962	52,350	111,312
Lease liabilities	**4,940**	**105**	**5,045**	3,486	5,277	8,763
Other loans	**-**	**-**	**-**	2,631	-	2,631
Total secured borrowings	**127,402**	**765**	**128,167**	65,079	57,627	122,706
Unsecured						
Convertible notes	**4,027**	**3,490**	**7,517**	-	-	-
Total unsecured borrowings	**4,027**	**3,490**	**7,517**	-	-	-
Total borrowings	**131,429**	**4,255**	**135,684**	65,079	57,627	122,706

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

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

	2014 $'000	2013 $'000
Bank overdrafts and bank loans	**123,122**	111,312
Lease liabilities	**5,045**	8,763
Other loans	**-**	2,631
Total secured liabilities	**128,167**	122,706

On 13 June 2014, the Group executed the close out of the Tritton Copper Swap Facility with Standard Chartered Bank (SCB) and the replacement of that facility with a Bridging Loan with SCB.

The tenor of the loan is five months from agreement date (13 June 2014) with the repayment being a bullet repayment on maturity. The interest rate is LIBOR plus 6% PIK (payment in kind), which is capitalised into the loan value.

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

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

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(ii) Lease liabilities

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

(iii) Convertible notes

Following completion of the restructure of the Mt Muro Silver Prepayment Facility with Credit Suisse International (CS), the Company issued 3,750,000 Class A convertible notes and 3,250,000 Class B convertible notes (with each convertible note having a face value of US$1) to CS on the terms approved by Shareholders at the Extraordinary General Meeting held on 21 October 2013.

Class A Notes are convertible at CS election into fully paid ordinary shares in Straits at a conversion price of 3 cents within 12 months of the date of issue.

Class B Notes are convertible at a conversion price of 3 cents per share as follows:
- 50% of the Class B Notes must mandatorily convert into fully paid ordinary shares 3 years after the date of issue; and
- The balance (50%) of the Class B Notes (Non-Mandatory Conversion Class B Notes) are able to be converted into fully paid ordinary shares at CS election within 3 years after the date of issue.

Both the Class A Notes and the Class B Notes bear interest at 12.5% per annum (of which 2.5% is capitalised) and if not converted, the Class A Notes will be redeemed by Straits 12 months after the date of issue and the Non Mandatory Conversion Class B Notes will be redeemed 3 years after the date of issue.

The Class A Notes must be redeemed early in the event that Straits undertakes a capital raising or similar liquidity event during the currency of those notes.

(iv) Financing arrangements

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

	2014 **$'000**	2013 $'000
Floating rate		
Bank finance loan facilities and residential housing loans	**123,122**	111,312
Used at balance date		
Bank finance loan facilities and residential housing loans	**123,122**	111,312
Unused at balance date		
Bank finance loan facilities and residential housing loans	**-**	-

Credit stand-by arrangements

The Group has a $14,360,077 (2013: $20,566,273) bank guarantee facility primarily in respect of its rehabilitation obligations. These guarantees are secured by $14,360,077 (2013: $20,566,273) in restricted cash.

Bank residential housing loans

The residential housing loans totalling $736,568 (2013: $793,000) (original principal $900,000) are repayable over 25 years at a current interest rate of 5.88%. (2013: 7.93%).

(v) Interest rate risk exposure

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

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(v) Interest rate risk exposure (continued)

		Fixed interest rate			
2014	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**Non interest bearing**	**Total**
Bank overdrafts and loans	**123,122**	**-**	**-**	**-**	**123,122**
Trade and other creditors	**-**	**-**	**-**	**24,458**	**24,458**
Lease and hire purchase liabilities	**-**	**4,940**	**105**	**-**	**5,045**
Convertible Notes		**4,027**	**3,490**		**7,517**
	123,122	**8,967**	**3,595**	**24,458**	**160,142**

		Fixed interest rate			
2013	Floating interest rate	1 year or less	Over 1 to 5 years	Non interest bearing	Total
Bank overdrafts and loans	94,811	-	-	-	94,811
Trade and other creditors	-	-	-	68,436	68,436
Lease and hire purchase liabilities	-	3,041	8,091	-	11,132
Other loans	-	649	2,102	-	2,751
Discontinued operations	-	288	3	-	291
	94,811	3,978	10,196	68,436	177,421

(vi) Fair value

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

	2014		2013	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**123,122**	**123,122**	111,312	111,312
Lease and hire purchase liabilities	**5,045**	**5,045**	8,763	8,763
Other loans	**-**	**-**	2,631	2,631
Convertible notes	**7,517**	**7,517**	-	-
	135,684	**135,684**	122,706	122,706

On-balance sheet

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

Off-balance sheet

No material losses are anticipated as the Group has no contingent liabilities.

7 Financial assets and financial liabilities (continued)

(e) Interest bearing liabilities (continued)

(vii) Foreign exchange risk exposures

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

	2014			2013		
	US Dollar denominated $'000	**Australian Dollar denominated $'000**	**Total interest bearing liabilities $'000**	US Dollar Denominated $'000	Australian Dollar denominated $'000	Total interest bearing liabilities $'000
Bank overdrafts and loans	**122,385**	**737**	**123,122**	110,547	765	111,312
Lease and hire purchase liabilities	**4,859**	**186**	**5,045**	8,236	527	8,763
Other loans	**-**	**-**	**-**	2,631	-	2,631
Convertible Notes	**7,517**	**-**	**7,517**	-	-	-
Total	**134,761**	**923**	**135,684**	121,414	1,292	122,706

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 12.

(f) Deferred revenue

	2014			2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Deferred revenue	**-**	**-**	**-**	16,658	18,205	34,863
	-	**-**	**-**	16,658	18,205	34,863

2013
The Group entered into a US$50 million silver advance payment facility (facility) with Credit Suisse International (CS) in October 2011. Under the original agreement PT Indo Muro Kencana (PT IMK, a subsidiary of the Group) contracted to deliver a total of 1,958,053 ounces of silver to CS over the period from January 2012 until December 2014. In return, CS paid to PT IMK US$50 million in advance. The receipt of the funds was recognised as deferred revenue and the Group recognises sales revenue in relation to the delivery of silver ounces and when delivery is made, in accordance with the contract.

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

7 Financial assets and financial liabilities (continued)

(f) Deferred revenue (continued)

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

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

(g) Fair value measurements

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

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

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

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

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013:

30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets at fair value through profit or loss				
Trading securities	**5,406**	**-**	**-**	**5,406**
Total financial assets	**5,406**	**-**	**-**	**5,406**

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at fair value through profit or loss				
Trading securities	1,397	-	-	1,397
Derivatives for hedging	-	22,157	-	22,157
Total financial assets	1,397	22,157	-	23,554

Valuation Methodology

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

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

7 Financial assets and financial liabilities (continued)

(g) Fair value measurements (continued)

Refer to note 7(e)(vi) for the carrying amounts and fair values of borrowings at balance date.

8 Non-financial assets and liabilities

(a) Inventories

	2014 $'000	2013 $'000
Current assets		
Mining inventories		
Production supplies - at cost	**6,091**	5,285
Work in progress - at cost	**8,624**	10,114
	14,715	15,399

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 was nil (2013: $40,200,000). The expense has been included in 'cost of sales' in the income statement.

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 25(j) for the group's accounting policies for inventories.

(b) Short term mine development

	30 June 2014 $'000	30 June 2013 $'000
Opening net book amount	**8,848**	8,013
Expenditure incurred during the year	**5,000**	9,236
Transfer from / (to) mine properties in use	**(905)**	1,514
Impairment loss	**(3,851)**	(659)
Amortisation for the year	**(7,643)**	(9,256)
Closing balance	**1,449**	8,848
Balance at reporting date		
Short term mine development - at cost	**18,946**	21,421
Accumulated amortisation	**(17,497)**	(12,573)
Net book value	**1,449**	8,848

The Directors have reviewed the carrying amount of short term mine development at North East mine and as a result the company has an impairment to the value of $3,851,000 (2013: $659,000).

8 Non-financial assets and liabilities (continued)

(c) Assets classified as held for sale

	2014 $'000	2013 $'000
Current assets held for sale		
Exploration tenements	-	1,889

(d) Property, plant and equipment

	Freehold land $'000	**Freehold buildings $'000**	**Plant and equipment $'000**	**Leased plant and equipment $'000**	**Total $'000**
At 1 July 2012					
Cost or fair value	1,168	4,565	33,516	14,931	54,180
Accumulated depreciation	-	(249)	(4,937)	(3,843)	(9,029)
Net book amount	1,168	4,316	28,579	11,088	45,151
Year ended 30 June 2013					
Opening net book amount	1,168	4,316	28,579	11,088	45,151
Additions	156	50	6,892	-	7,098
Assets included in a disposal group classified as held for sale and other disposals	-	-	739	-	739
Depreciation charge	-	(351)	(5,363)	(2,471)	(8,185)
Impairment loss	-	(331)	(9,116)	-	(9,447)
Disposals	-	-	(179)	(155)	(334)
Exchange differences	-	22	655	-	677
Transfer	-	2,475	(2,421)	(54)	-
Closing net book amount	1,324	6,181	19,786	8,408	35,699
At 30 June 2013					
Cost or fair value	1,324	6,656	27,066	14,567	49,613
Accumulated depreciation	-	(475)	(7,280)	(6,159)	(13,914)
Net book amount	1,324	6,181	19,786	8,408	35,699

8 Non-financial assets and liabilities (continued)

(d) Property, plant and equipment (continued)

Year ended 30 June 2014					
Opening net book amount	1,324	6,181	19,786	8,408	35,699
Additions	-	-	8,523	1,003	9,526
Depreciation charge	-	(319)	(6,230)	(4,869)	(11,418)
Transfer from / (to) mine properties in use	-	-	(227)	-	(227)
Disposals	-	-	(60)	(128)	(188)
Amortisation for the year	-	-	331	-	331
Transfer	-	399	(1,008)	609	-
Closing net book amount	1,324	6,261	21,115	5,023	33,723
At 30 June 2014					
Cost	1,324	7,077	33,002	15,963	57,366
Accumulated depreciation	-	(816)	(11,887)	(10,940)	(23,643)
Net book amount	1,324	6,261	21,115	5,023	33,723

(i) Assets in the course of construction

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

	2014 $'000	2013 $'000
Plant and equipment	**2,351**	4,606

(ii) Leased assets

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

	2014 $'000	2013 $'000
Leased equipment		
Cost	**15,963**	14,567
Accumulation depreciation	**(10,940)**	(6,159)
Net book amount	**5,023**	8,408

(iii) Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

8 Non-financial assets and liabilities (continued)

(e) Exploration and evaluation, Mining properties in use

(i) Exploration and evaluation

	30 June 2014 $'000	30 June 2013 $'000
Opening net book amount	**26,154**	27,172
Assets included in a disposal group classified as held for sale and other disposals	**-**	(1,889)
Expenditure incurred during the year	**2,582**	7,583
Transfer from / (to) mine properties in use	**(1,589)**	(295)
Impairment loss	**-**	(5,969)
Expenditure written off	**(2,794)**	(822)
Exchange differences	**-**	374
Closing balance	**24,353**	26,154

The Directors have reviewed the carrying amount of exploration and evaluation assets across the Group and as a result the company has written off exploration cost of $2,794,000 (2013: $822,000).

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

(ii) Mine properties in use

	30 June 2014 $'000	30 June 2013 $'000
Opening net book amount	**49,948**	144,766
Expenditure incurred during the year	**10,081**	47,673
Impairment loss	**(7,039)**	(108,937)
Transfer from exploration	**1,589**	295
Adjustments to rehabilitation asset	**-**	536
Expenditure written off	**-**	(332)
Amortisation for the year	**(12,861)**	(36,032)
Transfer from PPE	**227**	-
Exchange differences	**-**	3,493
Transfers from / (to) short term mine capital	**905**	(1,514)
Closing balance	**42,850**	49,948
Balance at reporting date		
Cost	**76,200**	70,526
Accumulated amortisation	**(33,350)**	(20,578)
Net book value	**42,850**	49,948

The Directors have reviewed the carrying amount of Mine properties in use and as a result the company has an impariment to the value of $7,039,000 mainly relating to North East (2013: $108,937,000 mainly relating to Mt Muro operations).

8 Non-financial assets and liabilities (continued)

(f) Deferred tax balances

(i) Deferred tax assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Fixed assets, exploration and mine properties	**17,367**	12,503
Investments	**-**	631
Transaction/issuance costs	**9,368**	-
Other	**5,205**	16,290
Total deferred tax assets	**31,940**	29,424
Set-off of deferred tax liabilities pursuant to set-off provisions	**(11,075)**	(11,610)
Net deferred tax assets	**20,865**	17,814
Deferred tax assets expected to be recovered within 12 months	**918**	-
Deferred tax assets expected to be recovered after 12 months	**19,947**	17,814
	20,865	17,814

Movements - Consolidated	Tax losses $'000	Investments $'000	Fixed assets, exploration and mine properties $'000	Other $'000	DTA/DTL net off $'000	Total $'000
At 1 July 2012	**-**	**2,308**	**4,927**	**14,147**	**(3,568)**	**17,814**
Debited/(credited) - to the income statement	**-**	**(1,677)**	**7,576**	**2,143**	**(3,557)**	**4,485**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**-**	**(4,485)**	**(4,485)**
Tax losses current losses	**17,182**	**-**	**-**	**-**	**-**	**17,182**
Tax losses not recognised	**(17,182)**	**-**	**-**	**-**	**-**	**(17,182)**
At 30 June 2013	**-**	**631**	**12,503**	**16,290**	**(11,610)**	**17,814**
Debited/(credited) - to the income statement	**-**	**(631)**	**4,865**	**(1,718)**	**(2,516)**	**-**
Charged/(credited) - directly to equity	**-**	**-**	**-**	**-**	**3,051**	**3,051**
Tax losses current losses	**24,738**	**-**	**-**	**-**	**-**	**24,738**
Tax losses not recognised	**(24,738)**	**-**	**-**	**-**	**-**	**(24,738)**
At 30 June 2014	**-**	**-**	**17,368**	**14,572**	**(11,075)**	**20,865**

Net deferred tax assets amounting to $20,865,000 (2013: $17,814,000) have been recognised, recovery of this amount is based on the Group's probable future taxable income.

8 Non-financial assets and liabilities (continued)

(f) Deferred tax balances (continued)

(i) Deferred tax assets (continued)

Tax losses

	2014 $'000	2013 $'000
Unused tax losses	**233,708**	151,247
Potential tax benefit @ 30.0%	**70,112**	45,374

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

(ii) Deferred tax liabilities

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in the profit and loss		
Inventories	**1,702**	1,605
Mineral rights	**4,012**	446
Other	**4,443**	5,590
	10,157	7,641
Other		
Cash flow hedges	**918**	3,969
Total deferred tax liabilities	**11,075**	11,610
Set-off of deferred tax liabilities pursuant to set-off provisions	**-**	(11,610)
Net deferred tax liabilities	**11,075**	-

Movements - Consolidated	**Inventories $'000**	**Mineral rights $'000**	**Cash flow hedges $'000**	**Other $'000**	**DTA net off $'000**	**Total $'000**
At 1 July 2012	**1,851**	**605**	**(101)**	**1,213**	**(3,568)**	**-**
Charged/(credited) - to the income statement	**(246)**	**(159)**	**(415)**	**4,377**	**(3,557)**	**-**
Charged/(credited) - directly to equity	**-**	**-**	**4,485**	**-**	**(4,485)**	**-**
At 30 June 2013	**1,605**	**446**	**3,969**	**5,590**	**(11,610)**	**-**
Charged/(credited) - to the income statement	**97**	**3,567**	**-**	**(1,148)**	**(2,516)**	**-**
Charged/(credited) - directly to equity	**-**	**-**	**(3,051)**	**-**	**3,051**	**-**
At 30 June 2014	**1,702**	**4,013**	**918**	**4,442**	**(11,075)**	**-**

8 Non-financial assets and liabilities (continued)

(g) Provisions

	2014			2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**4,106**	**723**	**4,829**	5,221	2,538	7,759
Provision for rehabilitation and dismantling	**-**	**10,203**	**10,203**	-	26,523	26,523
Other provisions	**190**	**-**	**190**	698	-	698
	4,296	**10,926**	**15,222**	5,919	29,061	34,980

(i) Information about individual provisions and significant estimates

Employee benefits

The provision for employee benefits relates to the group's liability for long service leave and annual leave.

Rehabilitation and dismantling

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

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

Other

Provision is made for the estimated cost of some obligations where there is a likelihood that an outflow will be required for settlement.

(ii) Movements in provisions

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

2014	**Provision for rehabilitation and dismantling $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	26,523	698	27,221
Additional provisions recognised during the year	903	198	1,101
Transfer to discontinued operations	(17,211)	-	(17,211)
Amounts used during the year	(12)	(706)	(718)
Carrying amount at end of year	10,203	190	10,393

(iii) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $4,013,325 (2013 - $3,436,453) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

9 Equity

(a) Contributed equity

(i) Share capital

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares				
Ordinary shares - fully paid	**1,156,159,133**	1,156,159,133	**353,300**	353,300
ESAP loans - contributed equity	**61,571,160**	7,991,026	**-**	-
	1,217,730,293	1,164,150,159	**353,300**	353,300

(ii) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2012	Opening balance	456,529,474	-	295,941
11 October 2012	Share issue	707,620,685	$0.085	60,148
11 October 2012	Less: Transaction costs arising on share issue	-	-	(2,789)
30 June 2013	Closing balance	1,164,150,159		353,300
22 December 2013	Treasury shares issued under ESAP	53,580,134	-	-
30 June 2014	Closing balance	1,217,730,293		353,300

(iii) Ordinary shares

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

(iv) Employee Share Acquisition Plan (ESAP)

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was approved by the shareholders at the annual general meeting held on 27 November 2013. The purpose of the plan is to attract, retain, motivate and reward key executive employees. Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 20. Treasury shares issued under the ESAP during the financial year that are held by the trust totalled 53,580,134 (2013: 7,991,026)

9 Equity (continued)

(b) Reserves

	2014 $'000	2013 $'000
Cash flow hedges	**3,062**	21,158
Share-based payments	**356**	949
Transactions with non-controlling interests	**(9,443)**	(9,443)
Foreign currency translation	**-**	343
	(6,025)	13,007
Movements:		
Cash flow hedges		
Balance 1 July	**21,158**	211
Revaluation - gross	**(9,240)**	28,887
Transfer to net profit or loss from continuing operations - gross	**(3,332)**	(3,455)
Transfer to net profit or loss from discontinued operations - gross	**(8,575)**	-
Changes in the fair value of cash flow hedges	**(21,147)**	25,432
Deferred tax	**3,051**	(4,485)
Balance 30 June	**3,062**	21,158
Share-based payments		
Balance 1 July	**949**	540
Employee share based payment expense	**(593)**	409
Balance 30 June	**356**	949
Acquisition Revaluation Reserve		
Balance 1 July	**(9,443)**	-
Acquisition of additional ownership in entity	**-**	(9,443)
Balance 30 June	**(9,443)**	(9,443)
Foreign currency translation		
Balance 1 July	**343**	(1,772)
Currency translation differences arising during the year	**(2,222)**	2,115
Discontinued operations	**1,879**	-
Balance 30 June	**-**	343

(i) Nature and purpose of other reserves

Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in equity, as described in note 25(n). Amounts are recognised in the income statement when the associated hedged transaction affects the income statement.

Share-based payments

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

Acquisition Revaluation Reserve

This reserve is used to record the differences described in note 25(b)(ii) which may arise as a result of ownership interest changes.

9 Equity (continued)

(b) Reserves (continued)

(i) Nature and purpose of other reserves (continued)

Foreign currency translation

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 25(c). The reserve is recognised in profit and loss when the net investment is disposed of or de-consolidated.

(c) Accumulated losses

Movements in accumulated losses were as follows:

	2014 $'000	2013 $'000
Balance at the beginning of the period	**(398,907)**	(158,232)
Net profit / (loss) for the year	**57,352**	(240,675)
Balance 30 June	**(341,555)**	(398,907)

10 Cash flow information

(a) Reconciliation of loss before income tax to net cash outflow from operating activities

	2014 $'000	2013 $'000
Loss before income tax - continuing operations	**(46,567)**	(77,226)
Finance costs net of interest income	**14,712**	6,731
Loss on held-for-trading financial assets	**(502)**	705
Unrealised exchange and foreign exchange hedging (gains)/losses	**(7,427)**	10,038
Depreciation and amortisation	**31,355**	25,921
Employee share based payment	**(592)**	409
Profit on sale of fixed assets	**(215)**	(1,848)
Unrealised gain on time value of options	**1,904**	(504)
Exploration expenditure	**-**	504
Loss on convertible notes	**7,854**	-
Impairment and exploration written off	**10,999**	32,428
Loss on refinance of SCB	**16,678**	-
Option fees received on sale of Hillgrove	**-**	(3,000)
Movements in commodity hedging	**7,550**	(274)
(Increase) / decrease in trade and other receivables	**(11,853)**	512
(Increase) / decrease in inventories	**1,100**	15,917
Increase / (decrease) in trade and other payables	**6,192**	(76,579)
(Increase) / decrease in other financial assets	**(4,008)**	-
Increase / (decrease) in provisions	**92**	1,578
(Increase) / decrease in deferred tax assets	**(3,051)**	-
Net cash outflow from operating activities of discontinued operations	**10,975**	39,885
Net cash outflow from operating activities	**35,196**	(24,803)

Risk

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

11 Critical accounting estimates and judgements

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

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

(i) Ore reserve estimates

Ore reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate ore reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of the ore reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The Group is required to determine and report ore reserves in Australia under the principles incorporated in the 2012 Edition of the Australasian Code, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

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

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

(ii) Estimation for the provision for rehabilitation and dismantling

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

(iii) Impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties

The Group reviews for impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties in accordance with the accounting policy stated in note 25(j). With the exception of deferred exploration, the recoverable amount of these assets has been determined based on the higher of the assets' fair value less costs to sell and value in use. Recoverable amount assessments are principally based on discounted cashflow analysis. This requires the use of estimates and judgements in relation to a range of inputs including:

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

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

11 Critical accounting estimates and judgements (continued)

(iv) Recoverability of deferred tax assets

In determining the recoverability of the recognised deferred tax assets, management prepared and reviewed an analysis of estimated future results which support the future realisation of the deferred tax assets. The estimated future results have been derived from estimates also used for impairment assessments referred to in the notes to the consolidated financial statements. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets reported at the reporting date could be impacted.

12 Financial risk management

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

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

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

During the year, the group refinanced its existing debt facilities and closed out all outstanding derivatives.

The Group holds the following financial instruments:

(a) Derivative financial instruments

	2014 $'000	2013 $'000
Current assets		
Forward commodity contracts - cash flow hedges	-	9,034
Total current derivative financial instrument assets	-	9,034
Non-current assets		
Forward commodity contracts - cash flow hedges	-	13,123
Total non-current derivative financial instruments	-	13,123
Total derivative financial instruments	-	22,157

(i) Instruments used by the group

In the prior year, the Group has been party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and to movements in the prices of Copper and Gold in accordance with the Group's financial risk management policies.

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

12 Financial risk management (continued)

(a) Derivative financial instruments (continued)

(i) Instruments used by the group (continued)

The potential risk of counterparties to meet their obligations under the respective contracts of maturity exposes the Group to credit risk.

Forward gold contracts - cash flow hedges

The Group had exposure to gold commodity prices. To manage any adverse impact of movements in commodity prices, management determined it was appropriate to protect the predicted financial outcomes by hedging the price of gold of Mt Muro's gold bullion sales.

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

Mt Muro Operation

	Quantity hedged ounces		**Average price US$/ounce**	
Maturity	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Less than one year	**-**	6,400	**-**	1,586
More than one year but less than five years	**-**	8,615	**-**	1,586

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the profit and loss when the hedged item is recognised. Any ineffective portion is recognised in the profit and loss immediately. During the year ended 30 June 2014 the ineffective portion of hedges that was transferred to the profit and loss was nil (2013: $1,945,509).

Forward copper contracts - cash flow hedges

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

In accordance with accounting standards, the Group has recognised an embedded derivative in relation to the 16,202 tonnes of copper. The embedded derivative has been designated as a cash flow hedge of the highly probable forecast copper concentrate sales. On 13 June 2014, the SCB copper swap was extinguished and the associated derivatives closed out.

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

Tritton Copper Operation

	Quantity hedged tonnes		**Average price US$/tonne**	
Maturity	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Less than one year	**-**	5,400	**-**	7,857
More than one year but less than 5 years	**-**	8,522	**-**	7,759

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the profit and loss when the hedged item is recognised. Any ineffective portion is recognised in the profit and loss immediately. During the year ended 30 June 2014 the ineffective portion of hedges that was transferred to the profit and loss was nil (2013: nil).

12 Financial risk management (continued)

(a) Derivative financial instruments (continued)

(i) Instruments used by the group (continued)

Forward copper contracts - options

The Group has exposure to copper commodity prices. To manage any adverse impact of movements in commodity prices, management determined it may be appropriate to protect the predicted financial outcomes by hedging the price of copper from Tritton's sales by way of zero cost collar options. Anticipated copper sales are forecast after considering reserve calculations, mine production schedules and contractual commitments. On 13 June 2014, the SCB copper swap was extinguished and the associated derivatives closed out.

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

Tritton Copper Operation

	Quantity hedged tonnes		**Average price US$/tonne**			
Maturity	**30 June 2014**	30 June 2013	**30 June 2014 Put option**	**30 June 2014 Call option**	30 June 2013 Put option	30 June 2013 Call option
Less than one year	-	5,400	-	-	5,000	15,000
More than one year but less than 5 years	-	8,522	-	-	5,000	15,000

The gain or loss from re-measuring the time value of the options at fair value is recognised in the the profit and loss immediately. In the period ended 30 June 2014 the time value portion of the options that was transferred to the profit and loss was a loss of $1,904,000 (2013: gain of $504,000).

(b) Market risk

(i) Foreign exchange risk

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

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

The Group operates internationally and is exposed to foreign exchange arising from various foreign currency exposures, primarily with respect to the US dollar.

For an analysis of the exposure to foreign exchange risk on trade receivables and trade payables refer to note 7.

Group sensitivity

Based on the financial instruments held at 30 June 2014, had the Australian dollar weakened/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's loss from continuing operations for the period would have been $7,479,000 lower/higher (2013: loss would have been $6,693,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of cash and cash equivalents, interest bearing loans, receivables and payables denominated in foreign currencies. Equity would have had a nil impact (2013: $8,317,000 lower/higher) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from foreign currency contracts.

12 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk

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

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

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

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

The risk is measured using market and cash flow forecasting.

Group sensitivity

At 30 June 2014, if interest rates had changed by -/+ 50 basis points from the weighted average period end rates with all other variables held constant, loss from continuing operations for the period would have been $380,000 higher/lower (2013: $253,000 higher/lower), mainly as a result of higher/lower interest from loans, cash and cash equivalents and restricted cash.

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

	June 2014 $'000	June 2013 $'000
0 - 12 months	**131,429**	65,079
1 - 5 years	**4,255**	57,627
	135,684	122,706

(iii) Commodity Price risk

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

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

Historically Copper and Gold price risk have been managed by fixing a portion of future forecast sales. There are no commodity price derivatives as at 30 June 2014.

(iv) Summarised sensitivity analysis

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

	Foreign exchange risk				**Interest rate risk**			
	-10%		**+10%**		**-50 basis pts**		**+50 basis pts**	
Consolidated	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
2014	**(7,479)**	**-**	**7,479**	**-**	**380**	**-**	**(380)**	**-**
2013	(6,693)	8,317	6,693	(8,317)	253	-	(253)	-

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

12 Financial risk management (continued)

(c) Credit risk

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

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and where necessary is effectively eliminated or substantially reduced by using bank and insurance instruments to secure payment for materials supplied and sold. The Group is exposed to one large customer, Glencore International Ag, who has the offtake agreement for 100% of the Tritton copper concentrate. The credit risk is considered low as Glencore International Ag is perceived as reliable and currently all payments are received within the contractual payment terms. Derivative counterparties and cash transactions are limited to high credit quality financial institutions with external credit ratings. The Group has policies that limit the amount of credit exposure to any one financial institution.

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

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, liquid investments and committed credit facilities to meet the Group's commitments as they arise.

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

Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities.. The amounts presented represent the future undiscounted principal and interest cash flows.

Group at 30 June 2014	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**
Non-derivatives			
Non-interest bearing	**24,458**	**-**	**-**
Variable interest rate instruments	**125,333**	**242**	**1,005**
Lease and hire purchase liabilities	**5,068**	**113**	**-**
Convertible Notes	**4,319**	**3,580**	**-**
Total Non-derivatives	**159,178**	**3,935**	**1,005**

Group at 30 June 2013			
Non-derivatives			
Non-interest bearing	68,654	-	-
Variable interest rate instruments	72,522	63,225	1,035
Lease and hire purchase liabilities	3,486	5,277	-
Other fixed interest loans	2,827	161	-
Total Non-derivatives	147,489	68,663	1,035

12 Financial risk management (continued)

(e) Equity price risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held both for strategic and trading purposes. Refer to note 25(m)(i).

Equity price sensitivity

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

At reporting date, if the pricing inputs had been 10% higher/lower while all other variables were held constant the net loss for the Group would decrease/increase by $378,000 (2013: $98,000 decrease/increase) as a result of the changes in fair value of other financial assets held for trading.

13 Capital management

(a) Risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash. The capital structure is reviewed on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

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

	Notes	**2014 $'000**	2013 $'000
Total interest bearing liabilities		**135,684**	122,706
Less: cash and cash equivalents	7(a)	**(12,679)**	(18,256)
Net debt		**123,005**	104,450
Total equity		**5,720**	(32,600)
Total capital		**128,725**	71,850
Gearing ratio		**95.6%**	145.4%

(b) Dividends

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

The Directors did not declare a dividend in either of the periods ending 30 June 2014 and 30 June 2013.

Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

14 Discontinued operations

(a) PT Indo Muro Kencana

(i) Description

On 5 August 2013, Straits Resources Limited announced that despite the progress that had been made in driving a turn-around strategy for Mt Muro, a number of unforeseen challenges, including falling gold and silver prices and the impact of illegal miners, had adversely affected the timing of Mt Muro reaching a positive cash flow position. The Board considered that Straits Resources Limited was no longer in a position to provide material funding support to the Mt Muro operations and, consequently, placed the Mt Muro mine on care and maintenance from Friday 2 August 2013.

Despite actively seeking buyers for the assets, no formal offers were received and so on 31 January 2014 Straits Resources Limited announced that it's wholly owned subsidiary, PT Indo Muro Kencana (PT IMK), the owner of Mt Muro gold operations, had lodged a petition with the Indonesian Commercial Court thereby commencing voluntary bankruptcy proceedings.

As a result of the voluntary bankruptcy petition lodged by PT IMK, a creditor of PT IMK, PT Multi Nitrotama Kimia (MNK), filed an application on 11 February 2014 for Suspension of Payment (SOP) in respect of PT IMK. An SOP process is effectively a “stay” of the bankruptcy process with the aim of facilitating the putting forward, by PT IMK, of a commercial settlement plan to creditors to avoid bankruptcy.

At a Commercial Court hearing on 3 March 2014, the following rulings were made:

- The SOP application filed by MNK was approved;
- PT IMK was made the subject of a Temporary SOP (TSOP) from 3 March 2014 until 17 April 2014; and
- Appointment of the Supervising Judge and of a sole Administrator (as nominated by the Applicant (MNK).

PT IMK cannot be declared bankrupt and most recovery actions by creditors are on hold whilst the SOP/TSOP remains current. A SOP/TSOP cannot be in place for longer than 270 days.

At a Commercial Court hearing on 17 April 2014, the Presiding Judges agreed to extend the TSOP until 13 June 2014.

A draft structure for a Settlement Plan was presented by the Administrator to PT IMK Creditors (Creditors) at a series of meetings (Creditor Meetings) in early June 2014. At these meetings, the Creditors (more than 2/3 of the acknowledged creditors and more than 1/2 of the creditors who attended the Creditors Meetings) voted in favour of extending the TSOP in order for the draft Settlement Plan to be progressed.

On 13 June 2014, after taking into account the preference of the Creditors to extend the TSOP, as evidenced by the votes of the Creditors at the Creditor Meetings, the Presiding Judges agreed to a second extension of the TSOP for a further 120 days until 10 October 2014.

As a consequence of the appointment of an Administrator on 3 March 2014, Straits Resources Limited is assumed to no longer have control, as defined in the Australian Accounting Standards, and has therefore de-consolidated the results of PT IMK from the Group. Financial information relating to PT IMK at the date of the loss of control is set out below.

14 Discontinued operations (continued)

(a) PT Indo Muro Kencana (continued)

(ii) Financial performance and cash flow information

	2014 $'000	2013 $'000
Revenue	**22,317**	93,925
Expenses	**(33,478)**	(132,196)
Other	**13,885**	(142,776)
Profit before income tax	**2,724**	(181,047)
Income tax expense	**-**	-
Profit after income tax of discontinued operation	**2,724**	(181,047)
Net cash inflow (outflow) from operating activities	**10,975**	42,282
Net cash inflow (outflow) from investing activities	**-**	(40,826)
Net cash (outflow) inflow from financing activities	**(12,467)**	(526)
Net (decrease)/increase in cash generated by the division	**(1,492)**	930
Details of the de-consolidation of the subsidiary		
Net liabilities	**103,074**	
Less release of the foreign currency translation reserve	**(1,879)**	
Profit on de-recognition net assets of IMK	**101,195**	

(iii) The carrying amounts of assets and liabilities at date of de-recognition (3 March 2014) were:

	2014 $'000
Current assets	
Cash and cash equivalent	**324**
Total assets	**324**
Current liabilities	
Trade and other payables	**58,902**
Interest bearing liabilities	**24,783**
Provisions	**19,713**
Total liabilities	**103,398**
Net liabilities	**103,074**

14 Discontinued operations (continued)

(b) Hillgrove Antimony/Gold Mine

(i) Description

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

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

Further information is set out in note 2 - Segment information.

(ii) Financial performance and cash flow information

	2014 $'000	2013 $'000
Revenue	-	57
Expenses	-	(2,828)
Loss before income tax	-	(2,771)
Income tax benefit	-	717
Loss after income tax of discontinued operation	-	(2,054)
Gain on sale of the division before income tax	-	16,695
Income tax expense	-	(5,009)
Gain on sale of the division after income tax	-	11,686
Profit / (loss) from discontinued operations	-	9,632
Net cash outflow from operating activities	-	(2,397)
Net cash outflow from investing activities	-	(167)
Net cash outflow from financing activities	-	(282)
Net decrease in cash generated by the division	-	(2,846)

(iii) Details of the sale of the division

	2014 $'000	2013 $'000
Consideration received or receivable:		
Cash	-	27,000
Carrying amount of net assets sold	-	(10,305)
Gain on sale before income tax	-	16,695
Income tax expense	-	(5,009)
Gain on sale after income tax	-	11,686

15 Interest in other entities

(a) Significant investments in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 25(b):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ** 2014 %**	**2013 %**
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**	100
Tritton Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Straits Indo Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Muro Offshore Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**99**	99
Kalteng Emas Pte Ltd	Singapore	Ordinary	**100**	100
PT Borneo Emas Perkasa	Indonesia	Ordinary	**100**	100
PT Bumi Bahari Nusantara Persada	Indonesia	Ordinary	**99**	99
Kalteng Minerals Pte Ltd	Singapore	Ordinary	**100**	100
Indo Muro Pty Ltd	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**1**	1
Straits Mine Management Pty Ltd	Australia	Ordinary	**100**	100
7874987 Canada Inc.	Canada	Ordinary	**100**	100
Goldminco Corporation Limited and its subsidiaries**	Canada	Ordinary	**100**	100
Goldminco Resources Pty Ltd	Australia	Ordinary	**100**	100
Templar Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**100**	100

Straits Mining Pty Ltd and Straits Resources Limited hold 25.68% and 74.32% respectively of the ordinary share capital of Tritton Resources Pty Ltd.

PT Indo Muro Kencana was deconsolidated from the Group during the year. Refer to note 14 for further details.

Straits Exploration (Australia) Pty Ltd, 7874987 Canada Inc. and Straits Gold Pty Ltd hold 4.14%, 28.67% and 67.19% respectively (2013: 4.14%, 28.67% and 67.19% respectively) of the ordinary share capital of Goldminco Corporation Limited.

* *Straits (Hillgrove) Gold Pty Ltd changed its name to Hillgrove Mines Pty Ltd during 2013. Hillgrove Mines Pty Ltd was sold on 11th March 2013 and has been reported within the Group's accounts as a discontinued operation.*

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

15 Interest in other entities (continued)

(b) Interests in jointly controlled assets

(i) Jointly controlled assets

	% interest Held during the year 2014	% interest Held during the year 2013
Name and principal activity		
Torrens located in South Australia:		
Principal activity copper and gold exploration.	**70**	70
Canbelago located in NSW:		
Principal activity copper and gold exploration	**30**	49

There was no expenditure incurred on the above interests included in capitalised exploration expenditure for the year (2013: Nil).

Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

16 Contingencies

The Group has no contingencies at 30 June 2014.

17 Commitments

(a) Capital commitments - property, plant and equipment

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2014 $'000	2013 $'000
Within one year	**-**	115
	-	115

(b) Lease commitments

Exploration and mining leases

	2014 $'000	2013 $'000
Within one year	**4,045**	4,563
Later than one year but not later than five years	**12,283**	7,355
Later than five years	**20,489**	9,482
	36,817	21,400

The items disclosed in the table above represent the minimum lease expenditure requirements of the Group.

Operating leases

	2014 $'000	2013 $'000
Within one year	**112**	4,006
Later than one year but no later than five years	**177**	-
	289	4,006

The prior year operating lease commitments include that of the Mt Muro operations.

18 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Other information

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

19 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 15.

(c) Standard Chartered Bank

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

To finance the Tritton offtake "buyout" in the Company's subsidiary Tritton Resources Pty Ltd and Standard Chartered Bank entered into a US$85 million prepaid copper swap in 2011. The swap covered a notional volume of 16,202 tonnes of copper over 4.5 years.

Tritton Resources Pty Ltd and Standard Chartered Bank also entered into a US$15 million Performance Bond and Working Capital Facility. On 13 June 2014 the Copper Swap Facility was closed out and Bridging Loan Facility executed. For further details, refer to note 1.

(d) Hopgood Ganim

Mr Michele Muscillo, an independent non-executive director is a partner of HopgoodGanim. Invoices totalling $570,328 (2013: $309,061) were received from HopgoodGanim during the year.

(e) Loans to key management personnel

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

	2014 $'000	2013 $'000
Loans to key management personnel		
Beginning of the year	**-**	2,078
Loans advanced	**466**	-
Loans forgiven on forfeiture	**-**	(2,078)
End of year	**466**	-

Loans to key management personnel resulted from shares issued under the ESAP. The shares were issued at market price and funded by way of an interest free non-recourse loan.

19 Related party transactions (continued)

(f) Key management personnel compensation

	2014 $'000	2013 $'000
Short-term employee benefits	**1,944**	2,473
Post-employee benefits	**117**	195
Share-based payments	**319**	(253)
Termination benefits	**777**	729
	3,157	3,144

Detailed remuneration disclosures are provided in the remuneration report

20 Share-based payments

(a) Employee Share Acquisition Plan (ESAP)

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was approved by Straits' shareholders at the Annual General Meeting on 27 November 2013. The purpose of the plan is to attract, retain, motivate and reward key executive employees.

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

(b) Performance Rights

The Performance Rights Plan was approved by Straits' shareholders at the Company's Annual General Meeting on 27 November 2013. The purpose of the plan is to attract, retain, motivate and reward senior employees. In the Company's current circumstances as a developing mining company with identified long term performance milestones, it is considered that the Performance Rights provide an appropriate, cost effective and efficient form of performance incentive for senior employees of the Company.

The Performance Rights Plan provides for the issue of Performance Rights (at no cost to the employees) which, upon determination by the Board of Straits that performance conditions, which will be stipulated by the Board at the time the Performance Rights are granted, attached to the Performance Rights have been met, will result in the issue of one ordinary share in the Company for each Performance Right.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2014 $	2013 $
Employee Share Acquisition Plan	**356,397**	433,202

20 Share-based payments (continued)

(c) Expenses arising from share-based payment transactions (continued)

The implied valuation of the shares issues under the ESAP Plan has been determined using a binomial option pricing model and Black-Scholes for the option value.

Underlying Security spot price	$0.009
Exercise price	$0.009
Grant date	19 December 2013
Total number of options	53,580,134
Expiration date	23 December 2028
Life of options (years)	15.02 years
Volatility	160.564%
Risk free rate	4.27%
Valuation per option	$0.009

21 Remuneration of auditors

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

(a) PwC Australia

Audit and other assurance services

	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**269,500**	559,553
Other assurance services	**6,960**	14,700
Total remuneration for audit and other assurance services	**276,460**	574,253
Other services		
Tax compliance and advisory services	**125,623**	-
Total remuneration of PwC Australia	**402,083**	574,253

21 Remuneration of auditors (continued)

(b) Network firms of PwC Australia

Audit and other assurance services

	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**25,143**	181,055
Total remuneration for audit and other assurance services	**25,143**	181,055
Other services		
Tax compliance and advisory services	**-**	149,578
Total remuneration for other services	**-**	149,578
Total remuneration of network firms of PwC Australia	**25,143**	330,633

(c) Non-PwC Australia related audit firms

	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial reports and other audit work	**-**	3,889
Other advisory services	**-**	3,269
Total remuneration for audit and other assurance services	**-**	7,158
Total auditors' remuneration	**427,226**	912,044

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

22 Earnings per share

(a) Basic earnings per share

	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(3.9)**	(7.1)
From discontinued operations	**8.7**	(17.8)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**4.8**	(24.9)

22 Earnings per share (continued)

(b) Diluted earnings per share

	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(3.9)**	(7.1)
From discontinued operations	**8.7**	(17.8)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**4.8**	(24.9)

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

	2014 $'000	2013 $'000
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(46,567)**	(68,449)
From discontinued operations	**103,919**	(172,226)
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**57,352**	(240,675)

(d) Weighted average number of shares used as denominator

	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,192,041,188**	966,404,105

23 Carrying amounts of assets pledged as security

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

	2014 $'000	2013 $'000
Non-current		
Floating charge		
Receivables	**10,328**	11,602
Non-current		
First mortgage		
Freehold land and buildings	**1,324**	1,324
Plant and equipment	**23,542**	22,964
Mine properties	**42,650**	48,209
Exploration assets	**11,751**	13,005
Investments	**13,381**	-
	92,648	85,502

23 Carrying amounts of assets pledged as security (continued)

	2014 $'000	2013 $'000
Finance lease		
Plant and equipment	**4,880**	8,408
Fixed charge		
Plant and equipment	**-**	-
Total non-current assets pledged as security	**97,528**	93,910
Total assets pledged as security	**107,856**	105,512

24 Parent entity financial information

(a) Summary financial information

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**62,830**	64,514
Non-current assets	**82,700**	87,628
Total assets	**145,530**	152,142
Current liabilities	**5,363**	2,324
Non-current liabilities	**3,595**	4,707
Total liabilities	**8,958**	7,031
Shareholders' equity		
Contributed equity	**353,300**	353,300
Reserves		
Reserves - Share-based payments	**356**	949
Retained earnings	**(217,084)**	(209,138)
	136,572	145,111
Loss for the year	**(7,946)**	(142,695)
Total comprehensive income	**(7,946)**	(142,695)

(b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of performance bonds for work commitments on mining and mineral exploration tenements, for the parent entity and its subsidiaries secured by cash deposits amounting to $3,811,120. Other cash backed financial guarantees total $120,987. Total guarantees for the prior period were $4,138,168.

In additon the parent entity also provided a parent company guarantee in relation to the Standard Chartered Bank debt facility to Tritton Resouces Pty Ltd.

24 Parent entity financial information (continued)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2014 or 30 June 2013.

25 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by group**
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	When adopted, the standard will affect 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. 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 new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2017 *. The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the Group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

* The mandatory application of this standard may be further deferred once the IASB has agreed on a mandatory date for the equivalent international standard.

25 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) New standards and interpretations not yet adopted (continued)

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

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;*
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13;*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011);*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle;* and
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities.*

The adoption of AASB 11, AASB 13 and AASB 119 did not have an impact on the Group's financial statements for the year ended 30 June 2014. The other standards only affected the disclosures in the notes to the financial statements.

(iii) Compliance with IFRS

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

(iv) Historical cost convention

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

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 11.

(b) Principles of consolidation

(i) Subsidiaries

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

25 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Straits Resources Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Straits Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

(ii) Changes in ownership interests

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

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

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

(iii) Joint ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Foreign currency translation

(i) Functional and presentation currency

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

25 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances

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

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

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

(iii) Foreign operations

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

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

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

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

(d) Cash and cash equivalents

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

25 Summary of significant accounting policies (continued)

(e) Revenue recognition

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

Sales revenue comprises of revenue earned from the provision of products to entities outside the company.

Sales revenue is recognised when the product is suitable for delivery and:
• risk has been passed to the customer;
• the quantity of the product can be determined with reasonable accuracy;
• the product has been dispatched to the customer and is no longer under the physical control of the company; and
• the selling price can be determined with reasonable accuracy.

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

(i) Interest income

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

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 25(m).

(f) Trade receivables

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

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

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

(g) Income tax

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

25 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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

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

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

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

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

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

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

(h) Leases

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

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

25 Summary of significant accounting policies (continued)

(i) Business combinations

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

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

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

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

(j) Impairment of assets

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

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

(k) Inventories

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

25 Summary of significant accounting policies (continued)

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

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

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

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

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

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

(m) Investments and other financial assets

Classification

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

(i) Financial assets at fair value through the income statement

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

(ii) Loans and receivables

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

(iii) Available-for-sale investments

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

25 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Recognition and derecognition

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

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

Measurement

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

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

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

Details on how the fair value of financial instruments is determined are disclosed in note 12.

Impairment

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

(i) Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in note 7 (b).

(ii) Assets classified as available-for-sale

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

25 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Impairment (continued)

(ii) Assets classified as available-for-sale (continued)

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

(n) Derivatives and hedging activities

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

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

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

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

(i) Fair value hedge

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

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

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

(ii) Cash flow hedge

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

25 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(ii) Cash flow hedge (continued)

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

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

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

(iv) Derivatives that do not qualify for hedge accounting

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

(o) Fair value estimation

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

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

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

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

(p) Property, plant and equipment

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

25 Summary of significant accounting policies (continued)

(p) Property, plant and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(q) Exploration and evaluation expenditure

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

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

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

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

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties.

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

(r) Pre-development properties

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

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

25 Summary of significant accounting policies (continued)

(s) Mine properties

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

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

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

(t) Deferred mining expenditure

(i) Open cut operations

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

(ii) Underground operations

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

(u) Financial guarantee contracts

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

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

(v) Trade and other payables

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

25 Summary of significant accounting policies (continued)

(w) Borrowings

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

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

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

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

(x) Borrowing costs

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

(y) Provisions

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

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

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

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

25 Summary of significant accounting policies (continued)

(z) Employee benefits

(i) Short-term obligations

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

(ii) Share-based payments

Share based compensation benefits are provided to employees via the Straits Resources Limited Employee Share Acquisition Plan (ESAP). Information relating to these schemes is set out in note 20.

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

(iii) Termination benefits

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

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

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

(aa) Contributed equity

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

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

25 Summary of significant accounting policies (continued)

(ac) Segment reporting

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

(ad) Parent entity financial information

The financial information for the parent entity, Straits Resources Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

(ae) Goods and Services Tax (GST)

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

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

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

25 Summary of significant accounting policies (continued)

(af) Rounding of amounts

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

In the Directors' opinion:

(a) the financial statements and notes set out on pages 27 to 97 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 25(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Andre Labuschagne
Director

Brisbane
28 August 2014

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

Report on the financial report

We have audited the accompanying financial report of Straits Resources Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Straits Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Straits Resources Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 25.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the consolidated entity incurred a net loss from continuing operations of $46.6 million and has a working capital deficiency of $115.3 million. The ability of the consolidated entity to continue as a going concern is dependent upon the successful restructuring of the debt facility as outlined in Note 1. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 19 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Straits Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Brisbane

Debbie Smith
Partner

28 August 2014

SHAREHOLDER INFORMATION - 30 JUNE 2014

ISSUED CAPITAL:

Fully paid ordinary shares	1,217,589,901
Employee options	Nil
Total Issued Capital	1,217,589,901

DISTRIBUTION OF HOLDERS:

Range			Total Holders	Units	%
1	-	1,000	954	362,120	0.03
1,001	-	5,000	982	2,594,300	0.21
5,001	-	10,000	363	2,716,490	0.22
10,001	-	100,000	712	28,061,510	2.30
100,001		and over	483	1,183,855,481	97.23
			3,494	1,217,589,901	100.00
UNMARKETABLE PARCELS:					
Shareholders holding less than a marketable parcel (Minimum $500 parcel at $0.004 per share)				3,048	

SUBSTANTIAL SHAREHOLDERS:

Shareholder	Units	%
Standard Chartered Private Equity Limited	214,663,735	17.63
Glencore Finance (Bermuda) Ltd	131,513,135	10.80
Baker Steel Capital Managers	80,760,495	6.63
Merricks Capital Pty Ltd	66,939,890	5.50

VOTING RIGHTS:

At a general meeting:

1. On a show of hands, every member present has one vote; and
2. On a poll, every member present has one vote for each share held by the member and in respect of which the member is entitled to vote except in respect of partly paid shares, each of which will confer on a poll only a fraction of one vote which the amount paid up on the share bears to the total issue price of the share.

TOP TWENTY SHAREHOLDERS:

	Name	Number	%
1.	Citicorp Nominees Pty Limited	250,509,851	20.57
2.	Glencore Finance (Bermuda) Ltd	131,513,135	10.80
3.	National Nominees Limited	69,674,597	5.72
4.	CPU Share Plans Pty Ltd	58,664,760	4.82
5.	Merricks Capital Pty Ltd	44,553,463	3.66
6.	HSBC Custody Nominees (Australia) Limited	33,500,832	2.75
7.	ABN Amro Clearing Sydney Nominees Pty Ltd	28,690,379	2.36
8.	Sam Investors Pty Ltd	27,191,465	2.23
9.	Merricks Capital Pty Ltd	22,386,427	1.84
10.	Mr Mark Andréw Behne	20,000,000	1.64
11.	Zero Nominees Pty Ltd	18,822,495	1.55
12.	Mr Milan Jerkovic	18,606,929	1.53
13.	Mr Panayiotis Papacharalambous	13,500,000	1.11
14.	Pershing Australia Nominees Pty Ltd (Argonaut A/C)	12,805,737	1.05
15.	Mrs Demet Kayali	11,680,000	0.96
16.	Mr Campbell Douglas Welch	10,771,155	0.88
17.	Madora View Pty Ltd	10,133,373	0.83
18.	Inner Sounds Pty Limited	10,000,000	0.82
19.	Dr David Hsien Ta Yong	9,800,000	0.80
20.	M&C Coghlan Pty Ltd	9,000,000	0.74
Top 20 holders of fully paid ordinary shares		811,804,598	66.67
Total Remaining Holders Balance		405,785,303	33.33

GLOSSARY

$ or A$	Australian dollar
Ag	silver
ASX	Australian Securities Exchange
Au	gold
AuEq	gold equivalent – gold plus silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices
Board	Board of Directors of Straits Resources Limited
Company or company	Straits
Cu	copper
CuEq	copper equivalent – copper plus gold expressed in % copper using a conversion ratio dependent on prevailing copper and gold prices
for the year	12 months to 30 June 2014
FY	Financial year
g	gram
Group	Straits and its subsidiaries
Injury Statistics	Lost Time Injury (LTI) - An injury (including a fatality or permanent disability) that results in a minimum of one full shift absence from work. Restricted Work Injury (RWI) - An injury resulting in a person not returning to his/her complete range of normal duties. Medical Treatment Injury (MTI) - An injury requiring external/professional medical treatment (not first aid treatment only). Total Recordable Injury (TRI) = LTI + RWI + MTI. Frequency Rate (for LTIFR and TRIFR) - The number of occupational injuries expressed as a rate per million man hours worked. Usually calculated as a rolling 12 month average. Calculated as: Number of injuries (LTI or TRI) x 1,000,000/number of hours worked
kt	thousands of metric tonnes
M	million
Mo	Molybdenum
Bcm	bank cubic metres
oz	ounces
Straits	Straits Resources Limited, ABN 30 147 131 977
tpa	tonnes per annum
t	metric tonnes
US$	United States dollar

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Straits