



**Straits**

ASX:SRQ

# 2015

## ANNUAL REPORT

Straits Resources Limited  
[WWW.STRAITS.COM.AU](http://WWW.STRAITS.COM.AU)

# CORPORATE DIRECTORY

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## 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

## Senior Management – Operations

John Miller General Manager Tritton Mine

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## Website

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## Stock Exchange Listing

Australian Securities Exchange (ASX: SRQ)

## Auditors

PricewaterhouseCoopers

## Lawyers

HopgoodGanim Lawyers

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**Straits Resources** Limited (Straits Resources) (ASX: SRQ) is an established copper mining and exploration company and currently Australia's fifth largest independent copper producer by volume.

The Company's core asset is its Tritton copper operations in New South Wales, Australia. In FY15 Straits' Tritton operations set a new record for copper production, producing 30,245 tonnes and exceeding guidance for the period.

The Company also has an exciting portfolio of highly prospective, advanced exploration projects creating a pipeline for future growth and a clear opportunity to leverage the Company's established infrastructure at the Tritton operations.

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

## FY15 HIGHLIGHTS

- ▶ Achieved record copper production at the Tritton operations of 30,245 tonnes, marking two consecutive years of new production records;
- ▶ Executed indicative non-binding term sheet to restructure the Company's debt with lender Standard Chartered Bank in June and subsequently entered into binding agreements in July;
- ▶ Introduced new strategic partner, Special Portfolio Opportunity V Limited, to provide US\$25 million Revolving Priority Debt Facility;
- ▶ Increased gross profit by 78 per cent year-on-year; and
- ▶ Exited Indonesian subsidiary (including the Mt Muro gold mine) with no ongoing liabilities.



Straits' Tritton operations

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In the past year, our strategic focus has centred on restructuring the Company's debt, which culminated in the execution of binding agreements with our primary lender, Standard Chartered Bank, and a new strategic partner, Special Portfolio Opportunity V Limited in July 2015. Subject to shareholder approval, this critical restructuring will substantially reduce Straits' debt and position the Company for future growth.

During the period our flagship asset, the Tritton operations in New South Wales, processed a record 1.64 million tonnes of ore, and delivered record copper production of 30,245 tonnes.

During the year we also successfully exited the Company's Indonesian subsidiary, PT Indo Muro Kencana (PT IMK), owner of the Mt Muro gold mine. Straits had previously placed the Mt Muro gold mine on care and maintenance in August 2013. A settlement plan was agreed with Creditors of PT IMK in October 2014 and in June 2015 the Creditors of PT IMK completed the sale of PT IMK to a third party. Straits did not receive any consideration in relation to the sale and has no interest in or ongoing liability in respect of PT IMK or the Mt Muro mine.

Looking ahead, the next year will see us continue our dual focus on cost management and operational excellence, to maintain high levels of mining and processing throughput and deliver target copper production of 28,000 tonnes.

We will also progress some of the priority targets in Tritton's extensive exploration landholding, a highly prospective and under-explored copper region.

Our near-term strategy includes pursuing extensions to the currently operating Tritton, Larsens and North East mines, as well as targeting repeats of the Avoca Tank deposit, which are quite typical for its particular style of mineralisation.

In the longer term, we aim to become a mid-sized, multi-mine company, delivering shareholder value through an unwavering focus on operational excellence. We will achieve this by leveraging our existing infrastructure to progress priority exploration targets around Tritton, and through appropriate merger and acquisition opportunities with a bias towards copper projects.

# EXECUTIVE CHAIRMAN'S STATEMENT



**André Labuschagne**  
Executive Chairman

The 2015 financial year was a period of many successes for Straits Resources, positioning us well to progress future growth opportunities, not least from our prospective exploration projects surrounding the existing operations at Tritton.

Our team achieved a new copper production record of 30,245 tonnes at our Tritton operations, exceeding the original guidance of 27,000 tonnes and upgraded guidance of 28,500 tonnes, and marking two consecutive years of record production.

This fantastic result was underpinned by a solid performance from the operations team and copper grades from the Larsens and North East mines being consistently higher than the reserve grade during the year as we mined a higher grade section of the orebody.

I am particularly pleased that while production was up, at the same time our C1 unit cash costs for the financial

year were down, averaging \$2.44/lb (FY14 \$2.55/lb) for the period. This reduction was net of a \$0.11/lb increase in treatment and refining charges and was realised from the optimisation of site operations, the negotiation of improved contracts with suppliers and record production figures.

Ensuring workforce safety remains our highest priority. While I am delighted that our incident rate is the lowest it has been in five years, this does not provide a sense of complacency and we remain committed to driving education and engagement programs to maintain the decline in the total recordable injury frequency rate.

Financially, Straits achieved a 78 per cent increase in gross profit as well as a seven per cent increase in revenue from continuing operations. Overall, the Company recorded a net loss after tax of \$31.5 million largely as a result of foreign exchange losses (\$27.3 million), and the impairment of some of the Company's non-Tritton associated exploration assets (\$6.8 million).

Repairing the balance sheet and providing a stable financial platform for the Company has been a major focus in recent years. A significant milestone in this process was reached in July 2015, when we executed binding agreements with Straits' lender, Standard Chartered Bank (SCB) and a new strategic partner, Special Portfolio Opportunity V Limited (PAG SPV).

PAG SPV is a subsidiary of a large Asian-based investment firm with more than US\$12 billion under management. I look forward to working with them in the coming years and welcome their partnership with Straits.

Subject to shareholder approval, the restructuring agreement will substantially reduce our debt level and remove the considerable financial uncertainty we have faced in recent years. It will also provide essential new working capital to realise the potential of some of our

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advanced exploration projects to grow Straits into a leading Australian copper producer.

In keeping with our strategy, drilling at Tritton will be a focus in the coming year, initially pursuing depth extensions to the Tritton orebody which remains open at depth. Drilling was underway at the close of the financial year to improve resource confidence and increase the Tritton mine life.

Other priority targets include the Larsens and North East mines, which currently provide ore which is processed at the Tritton mill. Drilling will target additional resources at these mines to extend the life of their respective operations. Repeats of the Avoca Tank mineralisation will also be targeted, given that these Volcanogenic Massive Sulphide, or VMS style deposits, typically occur in clusters.

The wider exploration tenement package surrounding the Tritton operations remains highly prospective, with encouraging early stage exploration activities at a number of prospects. With close access by road to Straits' existing processing plant at Tritton, this area has been and will continue to be the main focus of exploration for the Company due to the potential to realise operational efficiencies by leveraging the established infrastructure at the Tritton operations.

With this focus on exploration on the Tritton tenements in mind, the strategy to progress Straits' exploration projects outside of the Tritton region is to either divest or joint venture. During the year we sold the Tick Hill tenement package in Queensland, and entered into a farm-out joint venture agreement for the Blayney project in New South Wales.

In June 2015 another significant strategic objective, exiting the Company's former Indonesian assets, was achieved. This occurred when the Creditors of Straits' subsidiary PT Indo Muro Kencana (PT IMK), the owner

of the Mt Muro gold mine in Indonesia, completed the sale of PT IMK to a third party. The sale followed more than twelve months of consultation and co-operation between the parties involved, and allowed Creditors of PT IMK to crystallise value from its assets. Importantly, Straits no longer has any related interest in or ongoing liability in respect of PT IMK or the Mt Muro mine, and did not receive any consideration in relation to the sale.

Overall, the 2015 financial year marks a major turning point for Straits. Operationally, the Company's success is evident with record production and processing. Furthermore, with a debt restructuring solution in place, I am confident that today Straits is considerably better positioned to realise the clear opportunities presented by its extensive landholding and existing infrastructure in an under-explored and highly-endowed copper region.

Our operational success in the past year is a credit to all of our employees and contractors. Thank you for your daily effort, your commitment and hard work.

Likewise to our shareholders, I thank you for your continued support and look forward to keeping you up to date as we set out to create value from your restructured company in the year ahead.

Yours sincerely



**André Labuschagne**  
Executive Chairman



# REVIEW OF OPERATIONS AND ACTIVITIES

## FINANCIAL RESULTS

Straits Resources recorded a net loss after tax for the financial reporting period to 30 June 2015 of \$31.5 million, compared to a net profit after tax of \$57.4 million for the previous year. The financial result was impacted by a number of key factors, including foreign exchange losses of \$27.3 million and the impairment of exploration assets of \$6.8 million.

Net cash inflows from operating activities for the financial year was \$46.0 million, compared with \$35.2 million in the previous year.

## FINANCIAL POSITION

The net loss attributable to Straits for the period of \$31.5 million resulted in a negative net asset position of \$27.2 million. As at 30 June 2015, Straits' cash and investments included cash of \$24.0 million, investments of \$2.1 million and \$4.0 million of restricted cash.

The Company's net cash inflows from operating activities was \$46.0 million, net cash outflows from investing activities was \$31.4 million and net cash outflows from financing activities was \$3.9 million. Foreign exchange revaluations amounted to \$0.6 million on cash and cash equivalents, resulting in a net increase in cash and cash equivalents of \$11.3 million, compared to a decrease of \$5.5 million in the previous year.

| Profit/(loss)                      | 30 June<br>2015 (\$M) | 30 June<br>2014 (\$M) |
|------------------------------------|-----------------------|-----------------------|
| Revenue from continuing operations | 217.3                 | 202.9                 |
| Gross profit                       | 24.4                  | 13.7                  |
| Loss from continuing operations    | (31.5)                | (46.6)                |
| Profit/(loss) for the year         | (31.5)                | 57.4                  |

## NON-CORE INVESTMENTS

Straits announced the sale of the Tick Hill Project in Queensland, comprising exploration tenements EPM9083 and EPM11013, in December 2014 with the sale completed in June 2015.

In addition, the sale of PT Indo Muro Kencana (PT IMK), Straits' wholly owned Indonesian subsidiary, was finalised during the period under review. Its sale by the Creditors of PT IMK concluded Straits' exit from its former Indonesian assets. PT IMK owns the Mt Muro gold mine, which had been on care and maintenance since August 2013. The sale was achieved after more than twelve months of consultation and co-operation between relevant parties, and allowed Creditors of PT IMK to crystallise value from its assets. Straits no longer has any related interest in or ongoing liability in respect of PT IMK or the Mt Muro mine.

## DEBT

Repairing the balance sheet and providing a stable financial platform for the Company was a major focus during the year and significant progress was made towards achieving this important objective.

In June 2014 Straits announced that formal documentation had been executed for a restructuring of pre-existing debt facilities (Copper Swap Facility and Working Capital and Guarantee Facility) held by Straits' wholly owned subsidiary, Tritton Resources Pty Ltd, with Standard Chartered Bank (SCB).

The debt restructuring entailed the close out of the Copper Swap Facility for US\$99.9 million, funded by a Bridge Loan provided by SCB, and capped the Working Capital and Guarantee Facility at US\$14.6 million. Discussions between Straits and SCB were ongoing throughout the year, with respect to agreeing a longer term solution (Refinancing Plan).



The Refinancing Plan was initially to be agreed by 13 November 2014. On this date a formal amendment to the original Bridge Loan documentation was executed, with the only material changes to the Bridge Loan terms relating to a revised timeline for completion of the Refinancing Plan, and finalisation of the Debt Restructure.

Interest and fees payable on the Bridge Loan and Working Capital and Guarantee Facility, from the execution of the restructuring documentation in June 2014 and until the Refinancing Plan is completed, are being capitalised.

On 11 June 2015, Straits announced that it had signed an indicative non-binding Term Sheet with SCB, and a large Asian based investment firm to restructure the Company's existing debt and secure new capital.

A major milestone in the restructuring process was reached on 31 July 2015, when Straits executed binding agreements with SCB and a new strategic partner, Special Portfolio Opportunity V Limited (PAG SPV). PAG SPV is a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group), a large Asian based investment firm with more than US\$12 billion under management.

Subject to various conditions precedent, including shareholder approval, the restructuring agreement removes significant uncertainty and creates the opportunity to utilise new working capital to progress known growth projects and exploration at Tritton to grow Straits into a leading Australian copper producer.

The agreement restructures the current debt with SCB through:

- A Senior Debt of US\$50 million (55 per cent reduction) with a seven year term;
- The issue of Redeemable Convertible Preference Shares with a notional valuation of US\$40 million, subject to shareholder approval, equivalent to 60 per cent of Straits' post refinancing fully diluted equity; and
- A price participation structure whereby SCB will receive a small percentage of incremental revenue above a copper price of \$8,000 per tonne.

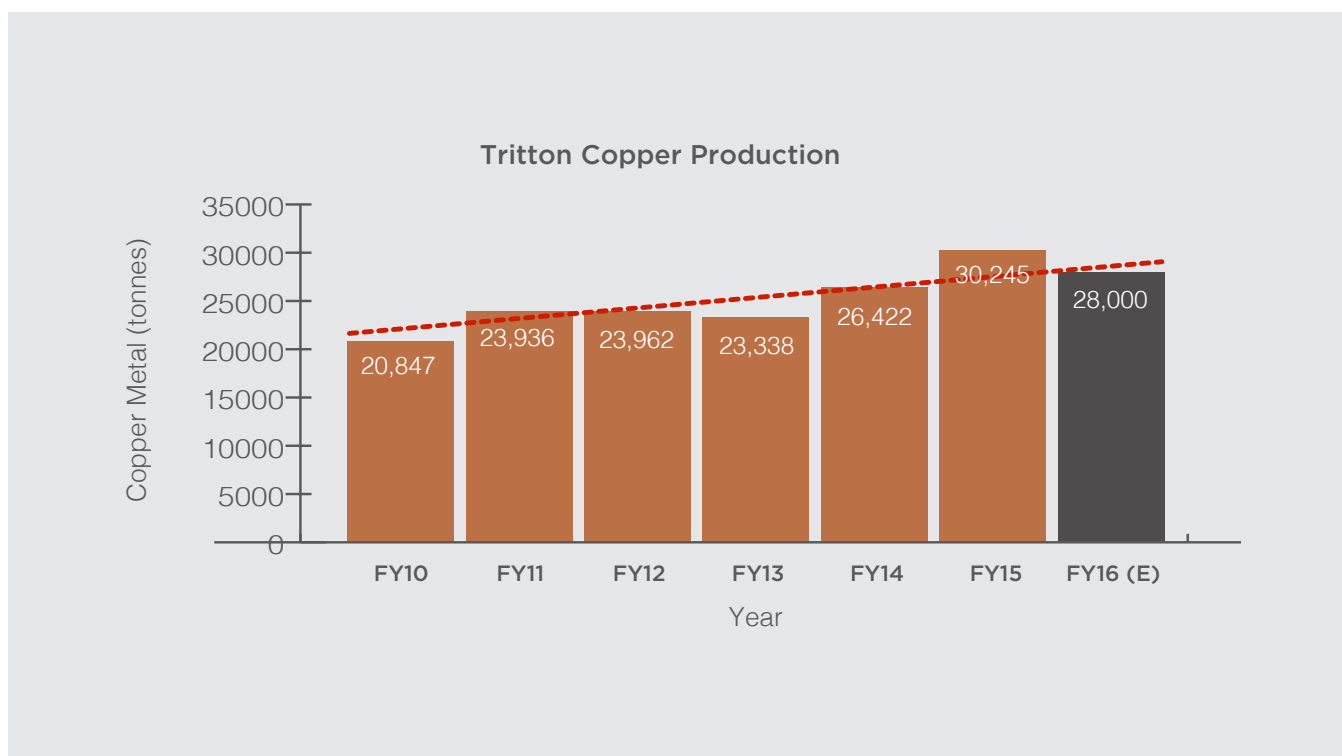
As part of the agreement, PAG SPV is to:

- Provide a three year US\$25 million Revolving Priority Debt Facility for working capital and growth projects at the Tritton operations; and
- Subject to shareholder approval, be issued with Non-Redeemable Convertible Preference Shares equivalent to 15 per cent of Straits' post refinancing fully diluted equity.

In addition, SCB and PAG SPV required the senior management team of Straits to commit to the business for the next five years in order to deliver on the operating plans which underpin the restructuring. Therefore four members of the management team have been offered options, subject to shareholder approval, which if all vesting conditions are met over the next five years, would allow them to earn up to 10 per cent of the post-restructuring equity of Straits. The existing equity incentive plan for senior management will be bought out by Straits and the shares cancelled.

# REVIEW OF OPERATIONS AND ACTIVITIES (CONT'D)

## TRITTON OPERATIONS



Straits' Tritton operations set a new record for annual copper production in FY15 of 30,245 tonnes, exceeding the original guidance of 27,000 tonnes and upgraded guidance of 28,500 tonnes.

This outstanding operational result was underpinned by consistent performances from the Tritton and North East mines and the processing plant, together with better than expected copper grades.

Copper grades from the Larsens deposit at the North East mine were consistently higher than the reserve grade during the year as a higher grade section of the orebody was mined.

Production for the year was:

|                          | Units         | FY15             | FY14      |
|--------------------------|---------------|------------------|-----------|
| Development              | Metres        | <b>7,375</b>     | 6,727     |
| Mined                    | Tonnes        | <b>1,622,829</b> | 1,572,728 |
| Grade Mined              | % Cu          | <b>1.94</b>      | 1.77      |
| Milled                   | Tonnes        | <b>1,641,483</b> | 1,568,755 |
| Grade Milled             | % Cu          | <b>1.93</b>      | 1.77      |
| Recovery                 | %             | <b>94.65</b>     | 94.29     |
| Cu Concentrate           | Tonnes        | <b>123,367</b>   | 109,232   |
| Cu Grade                 | %             | <b>24.37</b>     | 24.00     |
| Cu in Concentrate        | Tonnes        | <b>30,059</b>    | 26,185    |
| Cu Cement                | Tonnes        | <b>186</b>       | 237       |
| <b>Total Cu Produced</b> | <b>Tonnes</b> | <b>30,245</b>    | 26,422    |



Underground mining at the Tritton mine

## Mining

The geometry of the Tritton orebody has changed as it is mined deeper. Specifically, the orebody dip in the active mining areas has reduced whereas the width has increased. To suit these changes the stope design and extraction sequence were altered to improve the stability of the stope walls and cemented paste fill exposures.

The mining process was therefore modified from transverse stoping with access from a footwall drive, to a longitudinal retreat sequence and modified stope designs which avoid significant undercut of cemented paste fill. This transition to the modified stope sequence was completed during the December quarter and provided opportunities to lower the operating costs of the mine. Savings have been achieved as the new mining method requires less waste development and less cement in paste backfill.

Mining at the Larsens deposit commenced during the year. This deposit is accessed from the North East mine decline and production is coordinated with that from the North East deposit using the same crew and equipment. Production from the Larsens ore lenses has been very successful with higher grades achieved from stopes which were more stable than anticipated. The high grade ore mined from Larsens has encouraged local area exploration to look for extensions or similar small deposits.

North East deposit mining continued during the period, although at a slower rate due to the additional ore supply from Larsens. Results were good with lower dilution and good copper grades achieved.



# REVIEW OF OPERATIONS AND ACTIVITIES (CONT'D)



The processing plant at Straits' Tritton operations

## Processing

The Tritton operations' processing plant achieved record throughput during the financial year, processing more than 1.64 million tonnes of ore, an increase of more than 72,000 tonnes compared to the previous year.

Three de-bottlenecking modifications to the ore handling system undertaken during the year helped to improve plant throughput. These included installation of a self-cleaning tramp metal magnet on the crusher discharge conveyor; replacement of a complex transfer chute with a surge bin and apron feeder at the conveyor feeding the SAG mill; and a change in the crusher jaw profile to enable higher crushing rates. The combined impact was less frequent stoppages in ore flow, and higher instantaneous crushing rates, resulting in higher than average processing rates.

The improving plant performance has meant processing capacity continues to be higher than mine production rates. An ore processing rate of 1.8 million tonnes per annum is the target for the plant in order for it to stay ahead of expanding mine production, and further de-bottlenecking improvements are being investigated. The plant has demonstrated the target rate over monthly periods when sufficient ore has been available for treatment.

## Mine Equipment Fleet

The Company continues to actively manage the replacement of its mine equipment fleet and during the financial year both purchased and leased a combination of new and second hand equipment. The consistent investment approach in replacement equipment has improved the general condition of the fleet. The current underground haul truck fleet at the Tritton mine is nearing the end of their economic lives and a process has commenced to identify a replacement fleet of the latest 60 tonne capacity machines. The replacement program is scheduled for the 2016 financial year.

## Costs

C1 unit cash costs for the financial year averaged \$2.44/lb compared with \$2.55/lb in the previous year.

Rising smelter treatment and refining charges (TC/RC's) (in US\$ and A\$ terms) in the world copper concentrate market increased the copper realisation expense by \$0.11/lb during the period under review. The increase in TC/RC's was offset through the optimisation of site operations, the successful negotiation of improved contracts with suppliers and the record copper production achieved.

## Exploration

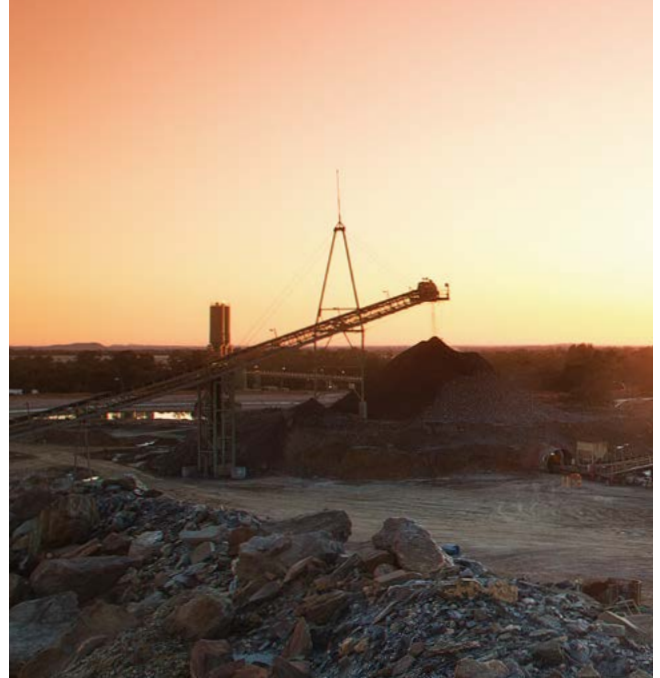
Diamond drilling to improve the quality of the Tritton Mineral Resource estimate at depth is a priority project which will continue into 2016. Drilling was underway at the close of the financial year targeting the ore body down to approximately 4,000mRL, from the exploration drill drive at 4,385mRL.

Other priority resource extension targets have been identified close to the Larsens and North East deposits.

Straits also intends to continue exploration across its highly prospective tenement package surrounding the Tritton operations.

## Outlook

Straits is targeting production of 28,000 tonnes of copper at its Tritton operations in the 2016 financial year.



Straits' Tritton operations



Underground mining at the Tritton mine



# EXPLORATION

## TRITTON REGIONAL EXPLORATION PROJECTS

Straits Resources has a number of prospective regional exploration tenements in New South Wales, Queensland and South Australia. Currently the exploration strategy remains focused on the Tritton operations, where Straits has an exploration tenement package covering in excess of 1,800km<sup>2</sup> over the prospective Tritton VMS (Volcanic Massive Sulphides) field, made up of six granted exploration leases and three mining leases.

Six major mafic complexes have been identified – Tritton, Girilambone, Budgery, Kurrajong, Miandetta and Exley – within a sequence of sedimentary and volcanogenic rocks with a combined strike length of more than 100 kilometres.

The *Girilambone Complex* is host to two operating mines, Larsens and North East, as well as the Avoca Tank and Murrawombie deposits. During the year Electromagnetic

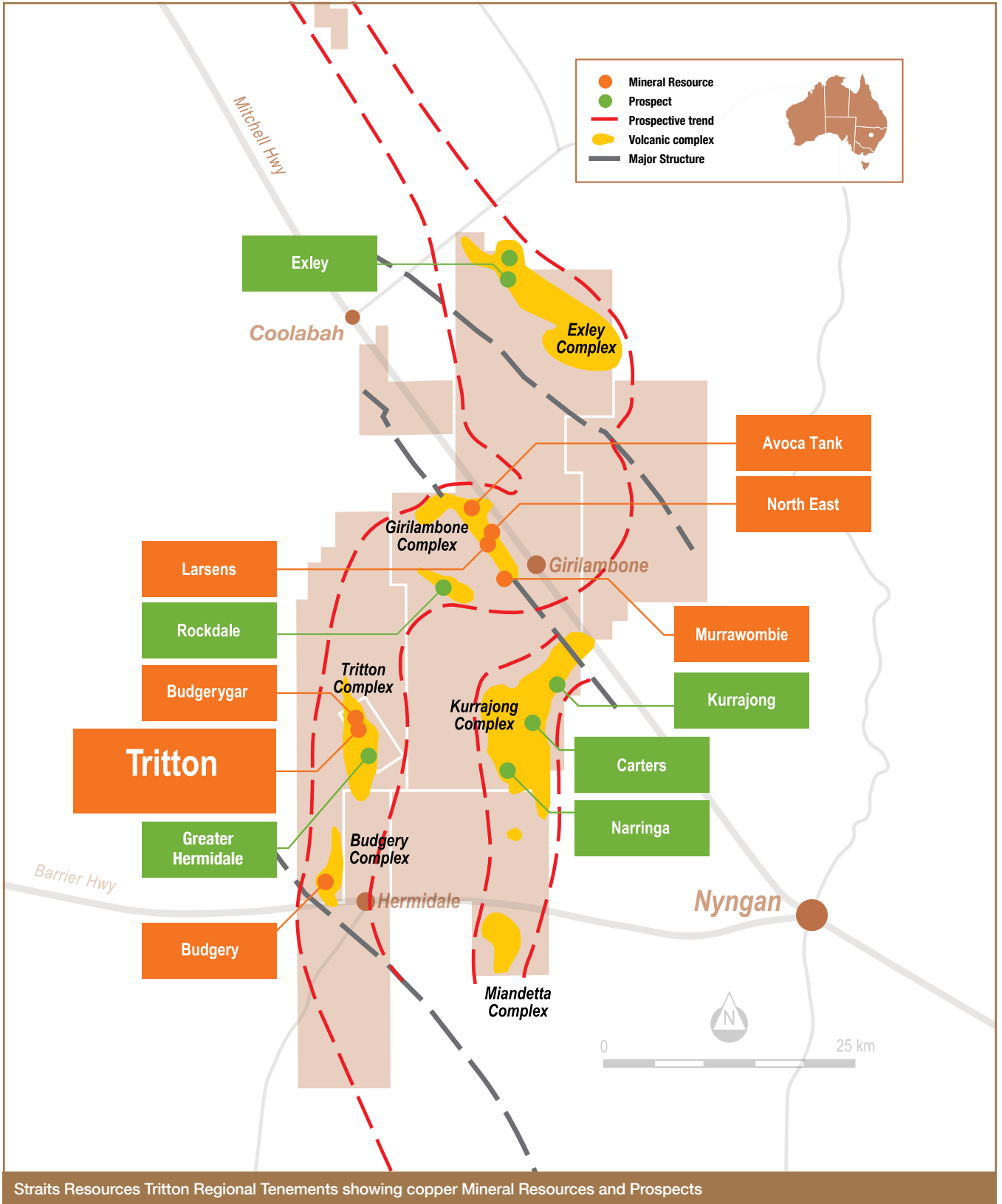
(EM) geophysical surveys were completed across this fertile complex looking for extensions to known mineralised systems and undiscovered conductive bodies east of the mine corridor.

The program combined an extensive surface survey and a downhole survey from a historical drill hole located at the southern margin of the Larsens mine. Straits is in the process of evaluating the targets identified through the EM surveys, through a phased drill program.

The *Kurrajong Complex* is located to the east of the Tritton processing plant, and contains three known prospects, with strong probability for the identification of other prospects along a significant strike length of prospective stratigraphy. Drilling has confirmed the presence of a large mineralised system at Kurrajong and additional drilling has been planned to test the significant downhole electromagnetic anomalies which remain untested at depth.



Straits employees at work at the Tritton operations

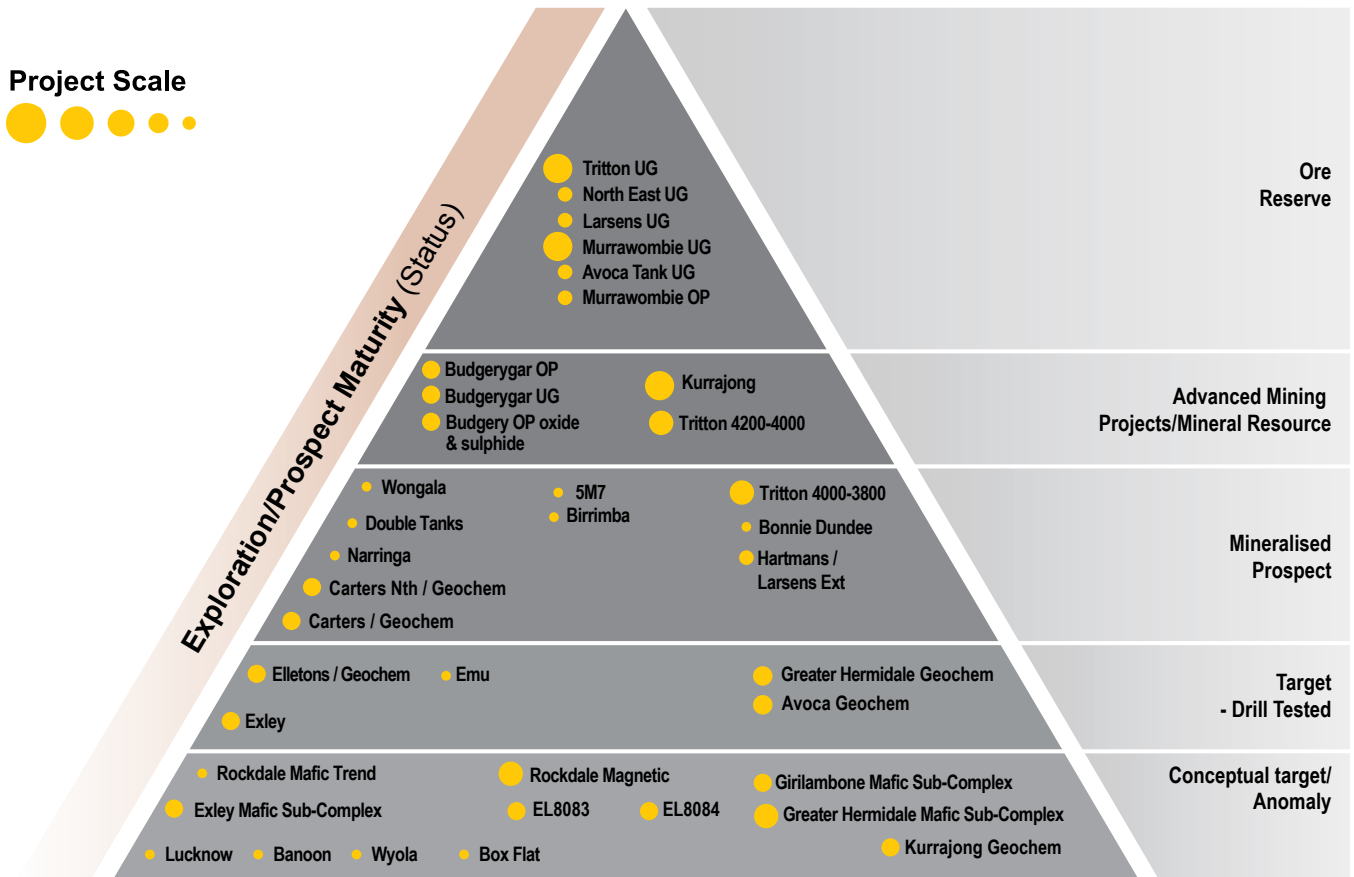


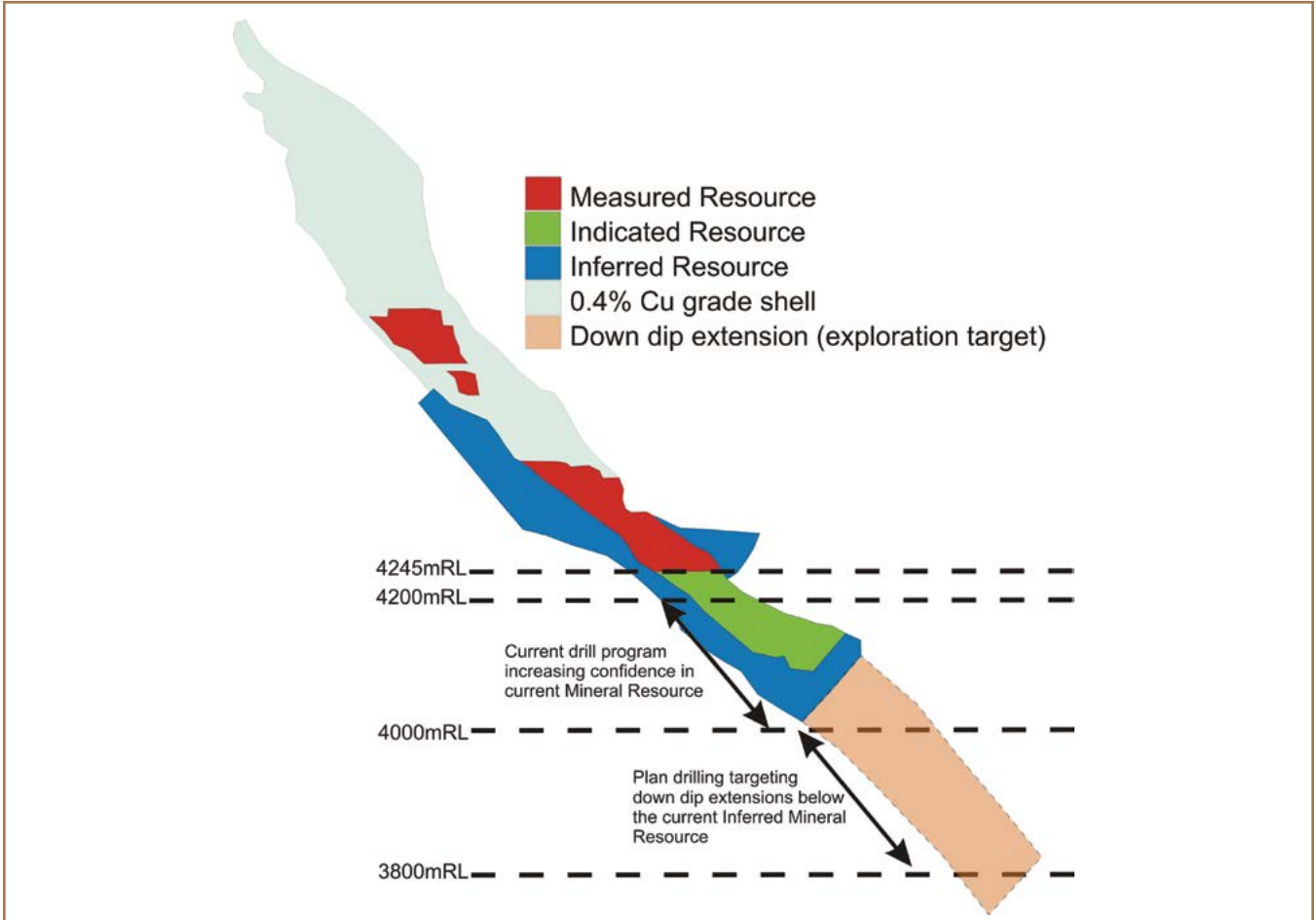
Straits Resources Tritton Regional Tenements showing copper Mineral Resources and Prospects



# EXPLORATION (CONT'D)

## Aim to Progress Projects & Prospects to Higher Levels of Quality





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

Straits has a number of advanced projects spanning its six major mafic complexes which currently represent the Company's priority projects with a view to sustaining the current annual production rate and potentially allowing for increased production through the discovery of new high grade copper deposits. These projects are all in close proximity to existing mines and infrastructure at the Tritton operations, with the resultant expectation that any such development would be comparatively fast and low-cost.

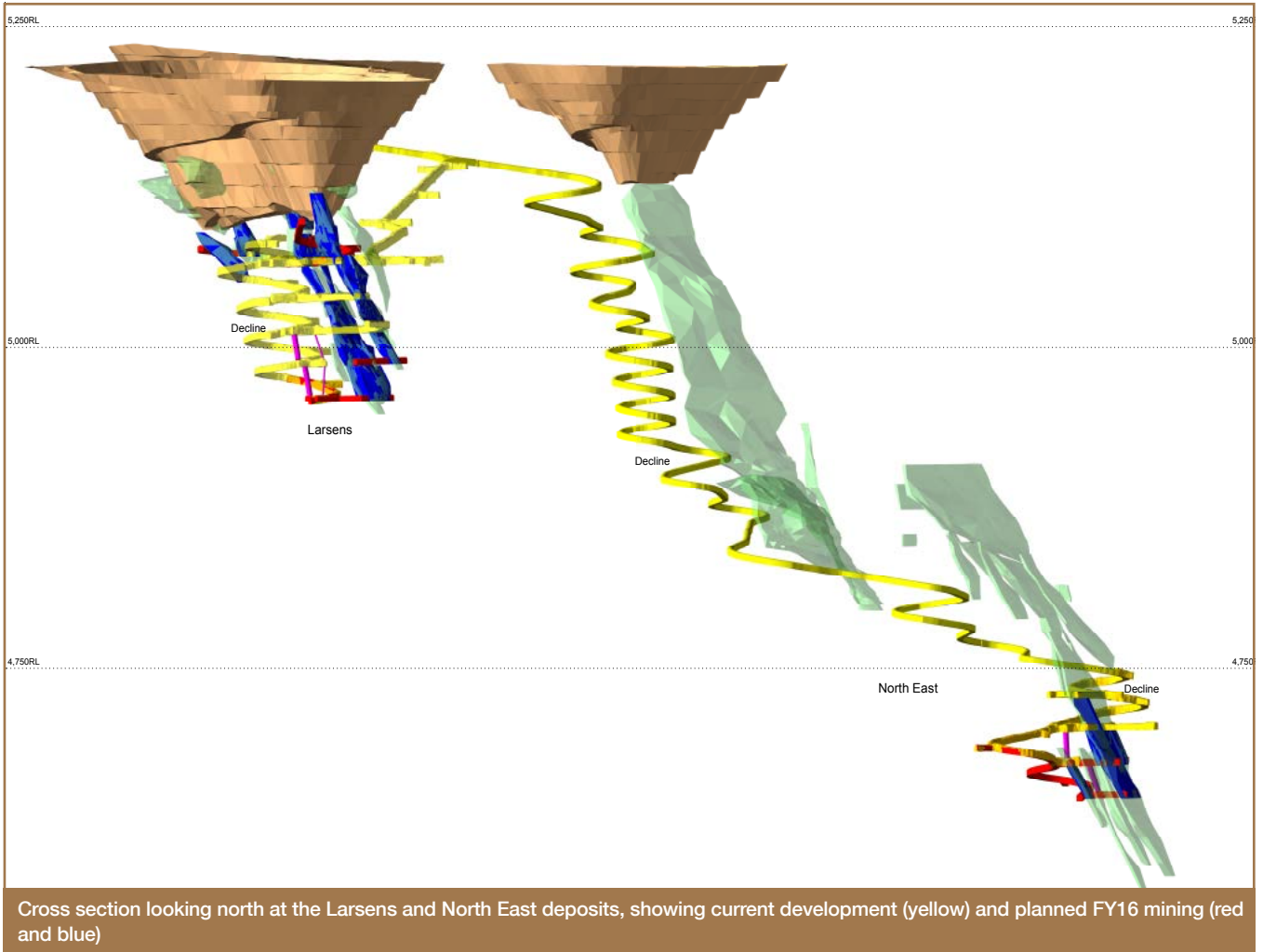
Priority projects include planned advances at the current Tritton, Larsens and North East mines, as well

as progressing the Avoca Tank, Murrawombie and Budgery deposits.

### Tritton mine

The Tritton mine is located approximately 45 kilometres north-west of Nyngan in central New South Wales and is one of the largest known mineralised VMS systems in the area. A deep drilling program at the mine commenced during the year to better define the orebody below 4,200mRL. Known as Tritton Deeps, the project is a multi-phase drill program designed to test mineralisation continuity below current drilling information and extend

# EXPLORATION (CONT'D)

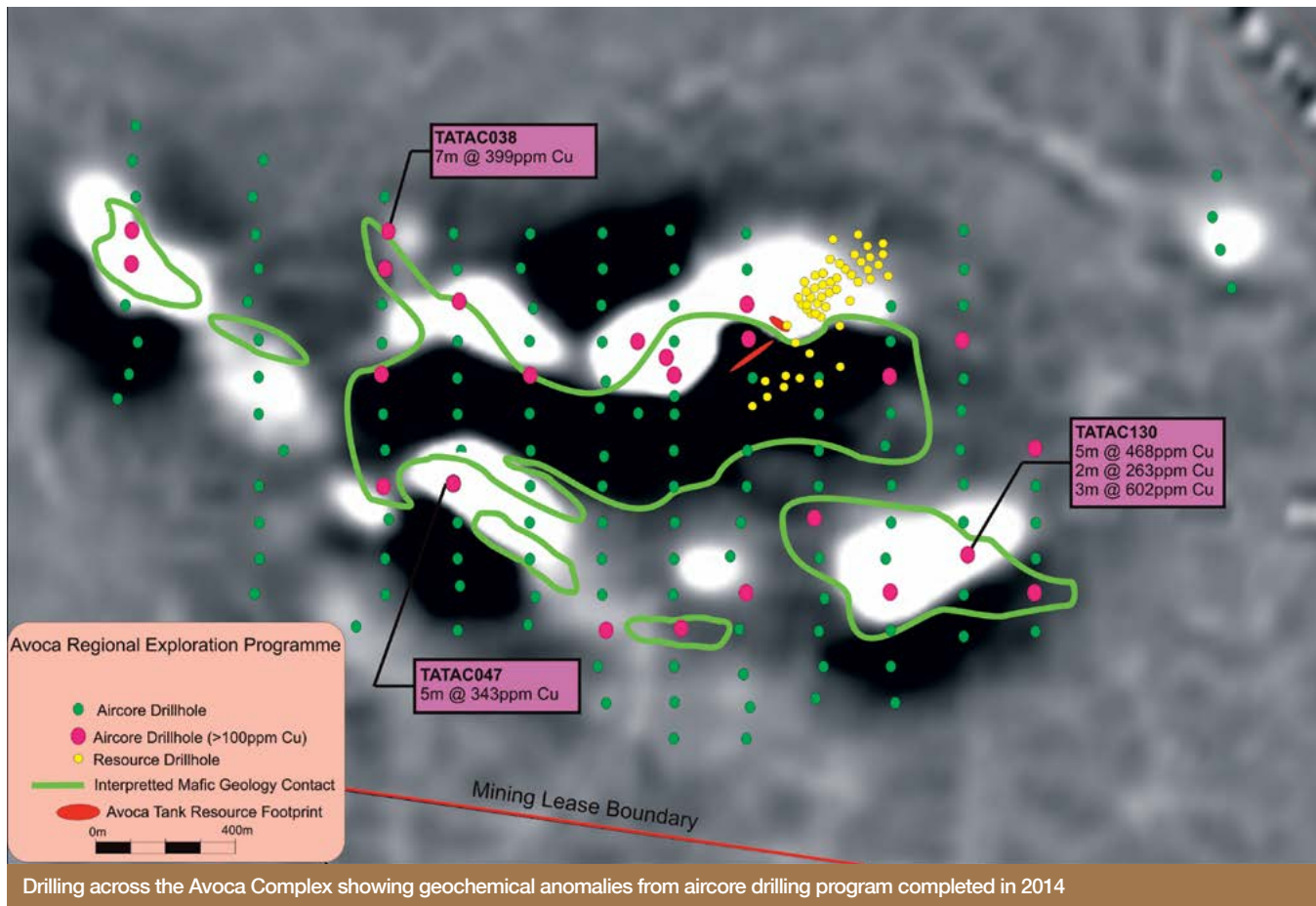


the Mineral Resource Inventory to the 3,800mRL level (1,480m below surface).

Phase 1 of the Tritton Deeps drill program (6,600m) commenced in the second half of the financial year and is targeting to increase the level of confidence in the Mineral Resource between 4,200mRL and 4,000mRL.

## Larsens and North East mines

The Larsens and North East mines are located in the north of the Girilambone Complex and currently feed ore to the Tritton processing plant. Near-mine resource definition drilling is planned at these mines, seeking to extend the deposits and their respective mine life. It is typical for such mines to have short ore reserve life, with exploration usually only preceding mining by a year or two as mining follows the lode down dip. Copper grades from Larsens have been excellent in recent production results and potential for further exploration success is considered to be high.



## Avoca Tank deposit

The Avoca Tank deposit is located just two kilometres north of the North East mine. The deposit was discovered in 2011 and is now a mining project awaiting development, with a defined Ore Reserve estimate and completed prefeasibility study in place.

Straits remains confident in the likelihood of Avoca Tank type repeat discoveries in the immediate vicinity, with aircore drilling completed in the Tritton tenement package in October 2014 intersecting anomalous copper mineralisation. The copper geochemistry anomalies occur adjacent to magnetic anomalies in close proximity to local scale mafic units, which are comparable to the mineralised setting at the Avoca Tank deposit. These anomalies have been ranked based on

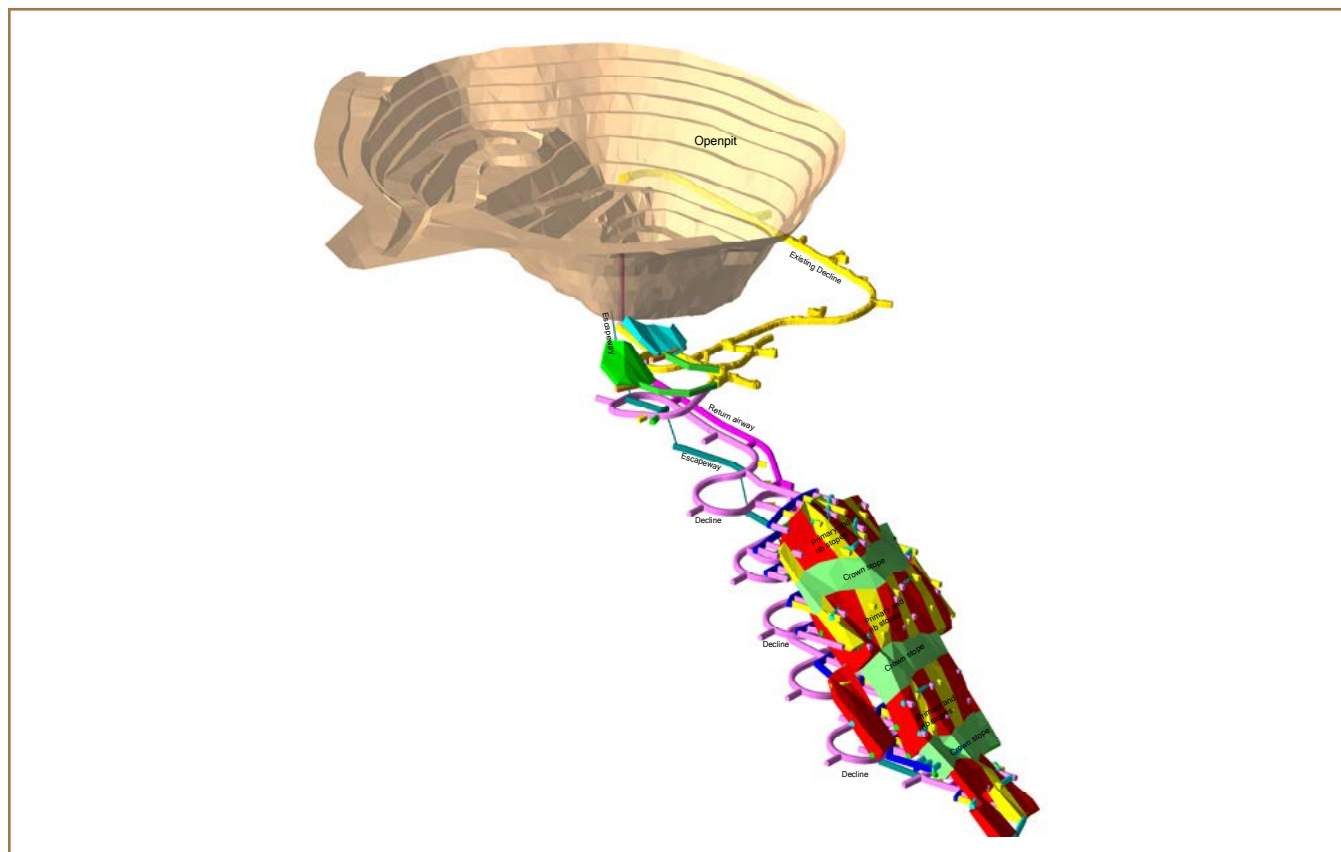
prospectivity, with the most prospective to be targeted through combined reverse circulation drilling and downhole electromagnetic surveys planned to be completed by the end of the 2015 calendar year.

## Murrawombie deposit

The Murrawombie deposit is located in the southern area of the Girilambone Complex. The deposit is the largest concentration of copper metal outside the Tritton deposit, with 110,000 tonnes of contained copper in the Mineral Resource.

Murrawombie was mined in the 1990s as an open pit to access the oxide portion of the deposit for heap leach processing. However the sulphide portion of the deposit was not mined due to its unsuitability for heap leaching.

## EXPLORATION (CONT'D)



Historical Murrawombie open pit with current and planned underground mining

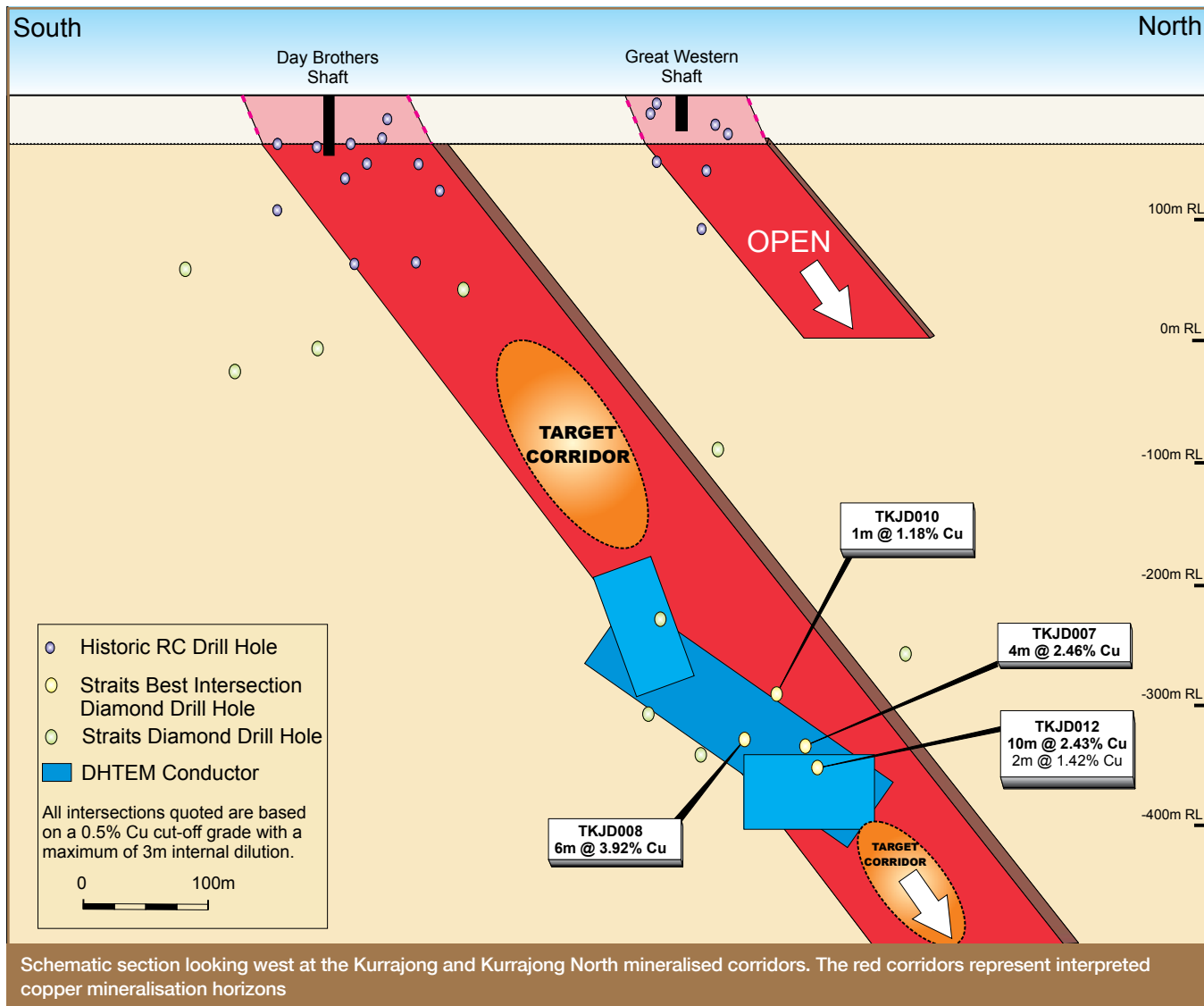
A prefeasibility study has been completed to design an underground mining method for extraction of the deeper sulphide ore.

A modest expansion cut back of the Murrawombie open pit has been designed to mine 700,000 tonnes of sulphide ore. The open pit project targets ore which is not suitable for underground mining, so is complementary to the Murrawombie underground project. Mining of the pit expansion will assist with the final closure of the heap leach pads, saving on mine rehabilitation costs. Timing of the Murrawombie open pit expansion project is currently scheduled for after the Murrawombie underground project.

### Budgery deposit

The Budgery deposit is located approximately 20 kilometres 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 through heap leaching to improve on already positive economics. A drill out of oxide material to a higher level of confidence has been planned.

The current mineralised system is large and known to continue at depth. 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 250 metres vertical.



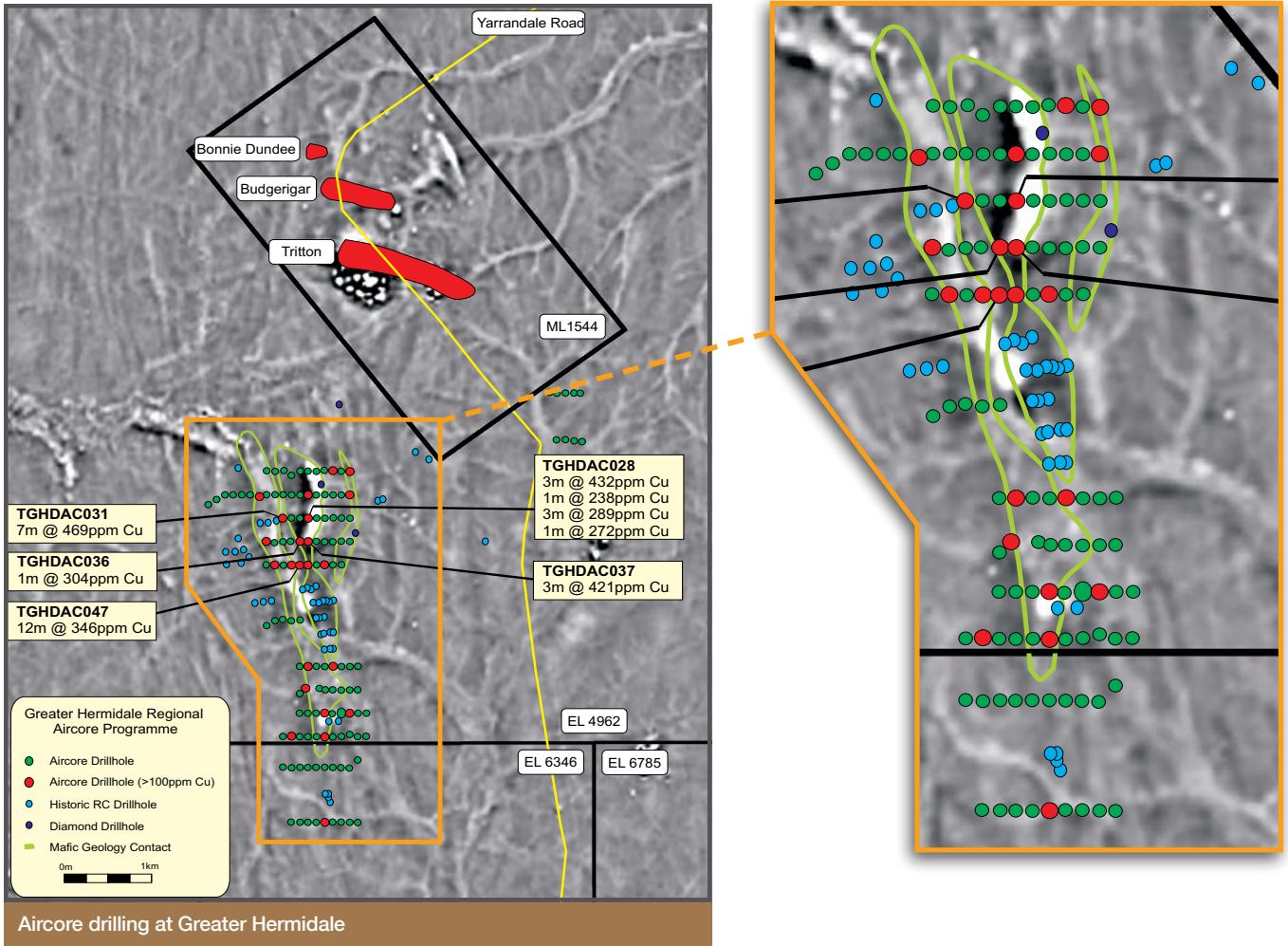
## Kurrajong prospect

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 TKJ0011, which remain untested at depth.

Intersections returning significant results in the Kurrajong Complex to date include 6m @ 3.92% copper in drill hole TKJD008 and 10m @ 2.43% copper from drill hole TKJD012.



# EXPLORATION (CONT'D)

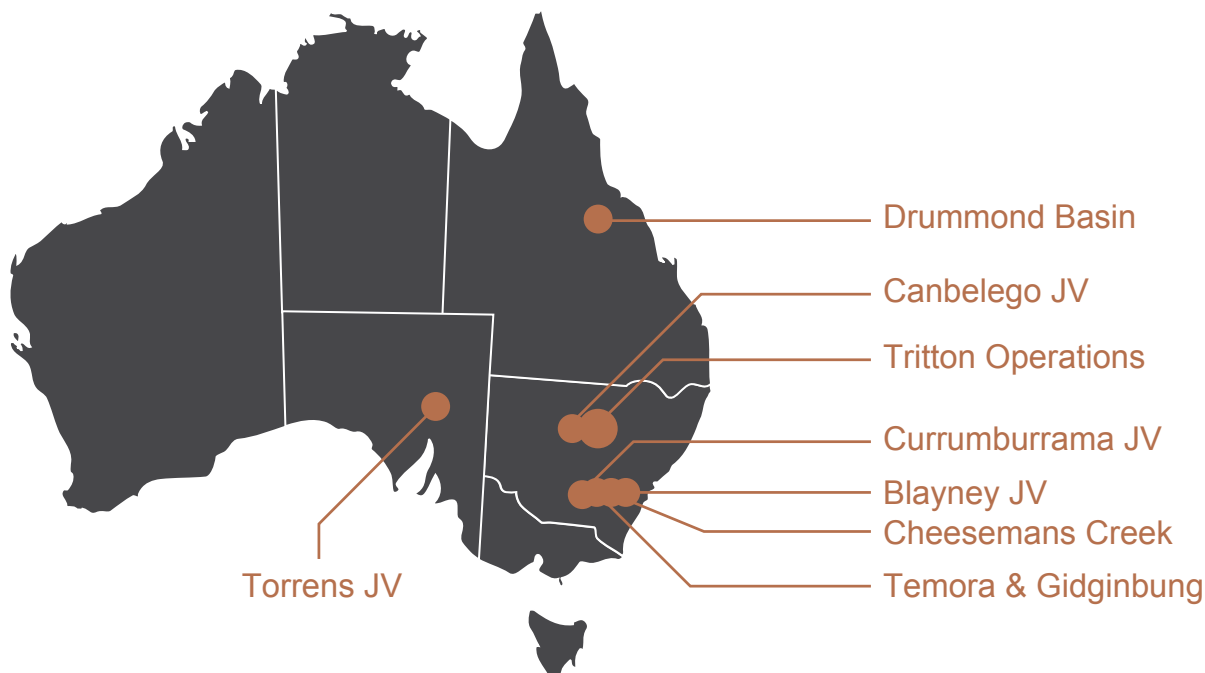


## Greater Hermidale prospect

The *Tritton Complex* includes the Tritton mine and the Greater Hermidale prospect which is located south of the Tritton mine. Aircore drilling targeting magnetic and geochemical anomalies have intersected anomalous copper mineralisation at the project. The anomalies occur

adjacent to magnetic anomalies in close proximity to local scale mafic units, which are comparable to the mineralised setting at the Avoca Tank deposit. The results are very encouraging and further work is planned to unlock the potential of the Greater Hermidale prospect.





## OTHER EXPLORATION PROJECTS

### Torrens, South Australia (SRQ 70%)

The Torrens project, a joint venture between Argonaut Resources NL and Straits (70 per cent interest), is exploring for iron-oxide copper-gold systems in the highly prospective Stuart Shelf region of South Australia. The project is located near the eastern margin of South Australia's Gawler Craton region (Stuart Shelf) and lies within 50 kilometres of Oz Minerals' Carrapateena copper-gold discovery and 75 kilometres from BHP Billiton's Olympic Dam mine.

Torrens contains strong magnetic and gravity anomalies with previous drilling intersecting intense magnetite and haematite alteration typical of Olympic Dam and Carrapateena style mineralised systems. The joint venture partners are in the process of gaining approval to access the ground to commence exploration activities.

### Blayney, New South Wales (SRQ 40%)

The Blayney project (EL5922) is located 35 kilometres south of Orange and covers the eastern margin of the Forest Reef Volcanics, which hosts the world class Cadia and Ridgeway copper-gold porphyry deposits. The area is considered one of the most prospective geological environments for porphyry related copper-gold mineralisation in New South Wales. The project surrounds the decommissioned Browns Creek Mine which produced 516,000 ounces of gold with substantial silver and copper credits.

A number of porphyry/skarn copper-gold and structurally controlled gold prospects are recognised in the project area. The most advanced prospects are the Ferndale, Discovery Ridge and Bald Hill prospects. The Indicated and Inferred Mineral Resource inventory at Discovery Ridge was reported at 14Mt @ 1.1 g/t gold for 501,000 ounces contained gold (0.5 g/t cut-off), while Bald Hill contains an Inferred Mineral Resource of 37Mt @ 0.5 g/t gold for 600,000 ounces contained gold (0.3 g/t cut-off).

## EXPLORATION (CONT'D)

During the financial year Straits entered into a joint venture with Macquarie Holdings No. 1 Pty Ltd (Macquarie) at the project based on Macquarie meeting expenditure requirements to earn an initial 60 per cent, with an option to increase its interest to 80 per cent.

### **Temora & Gidginbung, New South Wales (SRQ 100%)**

Through its wholly owned subsidiary, Templar Resources Pty Ltd, Straits owns the Temora (EL6845) and Gidginbung (EL5864) projects. Targeting copper-gold mineralisation, the tenements are located immediately north of the Temora township and extend north to West Wyalong, covering an area of approximately 373km<sup>2</sup>.

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

Exploration has focused at Gidginbung, a package of Late Ordovician to Early Silurian mafic to intermediate volcanics and intrusives. They are prospective for epithermal gold and porphyry copper-gold-molybdenum and host the Gidginbung gold mine, which historically produced over a 110 year period to April 1996.

The Company reported a 2004 JORC compliant Mineral Resource of 279Mt at 0.2 g/t gold and 0.3% copper at a cut-off of 0.3% copper equivalent for the Temora porphyry copper-gold projects to a maximum depth of 450m. Additionally a remnant 2004 JORC compliant Mineral Resource for the Gidginbung epithermal deposit was calculated to a depth of 300 metres below the pre-mining surface, for a total of 24Mt at 1.0 g/t gold and 0.1% copper for 748,000 ounces of contained gold.

Significant exploration potential exists within the tenement package and includes:

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

On 6 October 2015 Straits announced that it had signed a binding agreement with Sandfire Resources NL for the sale of the Temora and Gidginbung Projects (EL6845 and EL5864).

### **Currumburrama, New South Wales (SRQ 35%)**

Straits, through its wholly owned subsidiary Templar Resources Pty Ltd, holds a joint venture agreement with Sandfire Resources NL (Sandfire) at the Currumburrama project (EL5792). The agreement is based on Sandfire meeting expenditure requirements to earn an initial 65 per cent, increasing to 80 per cent with additional funding.

The tenement is located 50 kilometres north-east of Temora, another of Straits' key exploration assets. Exploration activities have been focused on defining copper-gold porphyry mineralised systems associated with the Currumburrama intrusive complex.

On 6 October 2015 Straits announced that it had signed a binding agreement with Sandfire Resources NL for the sale of the Currumburrama Project (EL5792).

## **Cheesemans Creek, New South Wales (SRQ 100%)**

The Cheesemans Creek project (EL5979 and EL7321) is located approximately 22 kilometres to the north-west of Orange. Exploration activities have been focused on defining porphyry, skarn and epithermal related copper-gold mineralisation within a tenement package of 35km<sup>2</sup>. Prospective copper-gold mineralisation within the tenement package includes the Printhie and Rowena prospects.

The Printhie prospect is the most advanced target, defined by low level soil geochemical anomalies over a large 800 metre diameter induced polarisation 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 copper mineralisation.

Straits owns the Cheesemans Creek project through its wholly owned subsidiary, Templar Resources Pty Ltd.

## **Canbelego, New South Wales (SRQ 30%)**

The Canbelego project (EL6105) covers approximately 40km<sup>2</sup> and is located 45 kilometres south-west of the Tritton operations. The tenement covers a 10 kilometre long, north-west trending magnetic complex, which is very prospective for base metal VMS deposits. Exploration activities have been focused on targeting mineralisation extensions below the historical Canbelego workings in addition to the regional geophysical and geochemical surveys to define additional mineralised systems within the tenement.

Significant intersections at Canbelego include 9m @ 2.5% copper from 36m in CANRC001, 10m @ 2.0% copper from 145m in CANRC002 and 15m @ 1.1% copper from 140m in CANRC004.

The Canbelego project is in joint venture with Oxley Exploration Pty Ltd (70 per cent interest), a subsidiary of Helix Resources.

## **Yandan, Queensland (SRQ 100%)**

The Yandan project (EPM8257) is located approximately 50 kilometres west of Mt Coolan and 155 kilometres south-east of Charters Towers in north Queensland. The tenement package includes one exploration permit and two granted mining leases. Exploration within the tenement is focused on discovering epithermal style gold mineralisation. Historically gold mineralisation was identified and mined at Yandan from 1992 to 1998 by Ross Mining NL.

During this period approximately 365,000 ounces of gold was recovered from the operation. Subsequent exploration by Drummond Gold around Yandan defined the East Hill prospect. Regional studies have defined other mineralised centres with significant potential to delineate economic gold systems. Two of these centres are host to the ILLAMAHTA deposit and the Northeast prospect. The mining lease has significant water dams and rights to harvest water from the adjacent Sutor River.

Straits Gold Pty Ltd (a wholly owned subsidiary of Straits Resources Limited) is the 100 per cent holder of the tenements comprising the Yandan project. The Company is considering future options for the asset.

# MINERAL RESOURCES AND ORE RESERVES

Straits Resources has updated its Mineral Resource and Ore Reserves estimates for its Tritton operations as at 30 June 2015. Total reported Mineral Resources, after mining depletions, are estimated at 24.0 million tonnes at 1.6% copper for 380,000 tonnes of contained copper metal.

This represents a one per cent net decrease in contained copper compared with the June 2014 inventory. Actual copper production was 30 thousand tonnes in concentrate. Drilling activity at the Tritton and North East mines replaced a portion of the depletion due to mining.

Total reported Ore Reserves, after mining depletions, are estimated at 9.5 million tonnes at 1.6% copper for 154,000 tonnes of contained copper metal. This represents a 10 per cent net decrease in contained copper compared with the June 2014 inventory.

Straits' Statement of Mineral Resources and Ore Reserves as at 30 June 2015 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's website.

The estimates for the Company's other projects which are not considered to be significant and where there was no change since last reporting 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' significant project Mineral Resource inventory is focused at the Tritton operations, located 45 kilometres north-west of Nyngan in central western New South Wales. The other projects, that are not considered significant at this time, are located on exploration tenements at Blayney and Temora in New South Wales and the Drummond Basin (Yandan gold project) in Queensland.

The Tritton operations area is host to a cluster of deposits. Mineralisation across the deposit at the Tritton operations are hosted within Ordovician turbidite sequences within the Lachlan fold belt. The deposits are classified as stratiform volcanogenic massive sulphide deposits, analogous to the "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 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 per cent 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 leases or exploration leases.

Native Title claims impact only upon the Budgery deposit. Resource modelling and grade interpolation 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, Larsens 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 Company's website.

### **Tritton Deposit Changes**

Since June 2014, the Tritton deposit Mineral Resource has been depleted by 33 thousand tonnes of contained copper metal. Additions and changes to the Mineral Resource inventory during the period are based on resource definition drilling and subsequent reinterpretation of the resource. Drilling has been carried out over a broad area. Grade control drilling ahead of stope production has been completed in the upper working levels. Deeper drilling from a hanging wall exploration drive at 4385mRL has commenced to improve the estimate for the resource below 4205mRL. Results of this drilling are not included in the June 2015 Mineral Resource estimate.

A separate block model has been used for the estimation of Inferred Mineral Resource located outside the main body of the ore body. These resources are generally thin and modest grade extensions of the main mineralised body. They have not been included in the mining plan up to this time due to their modest grade, thin erratic mineralisation and lack of drilling information. In the 2015 estimate these Inferred Mineral Resources continue to be estimated by the separate model. Future model revisions will bring this mineralisation within the same model used for estimation of the main or central portion of the deposit, although with independent domains to ensure this material can be isolated for mine planning purposes.

### **Tritton Pillars**

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 Mineral Resource did not change during the period under review. Mining of the pillars is planned to commence in the 2017 financial year.

### **North East Deposit Changes**

Since 30 June 2014, the Mineral Resource has been depleted by mining. Additions to the Mineral Resource inventory during the period are based on close space drilling from the 4,750 level (Measured Resource increase).

# MINERAL RESOURCES AND ORE RESERVES (CONT'D)

## Larsens Deposit Changes

Since 30 June 2014, the Larsens Mineral Resource has been depleted by mining. Resource drilling at close spacing for the purposes of stope design has resulted in changes to the Mineral Resource estimate due to reinterpretation of the continuity of copper mineralisation. In particular the close spaced drilling resulted in a significant upgrade of the estimated copper grade compared to the prior estimate, as well as lower tonnage. The Larsens deposit will be fully depleted in the 2016 financial year.

Mineral Resource estimates at the remaining Tritton operations area deposits are unchanged from the June 2014 estimate.

## 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 g/t gold grade envelope. Mineral Resource estimates

for Bald Hill (Blayney) and Temora were based on geological constraints. Gidginbung was modelled unconstrained due to diffuse boundaries.

The copper equivalent cut-off 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 copper equivalent cut-off reported. Representative preliminary recoveries at the Yiddah, Mandamah and Dam resources for copper range from 80 to 94 per cent and gold from 59 to 73 per cent.

The Gidginbung Resource has been estimated to 300m depth. The fresh component of the Gidginbung resource is described as a high sulphidation epithermal system. Mineral Resource estimates quoted do include oxide and transitional material. Metallurgical test work undertaken in 1994 show indicative CIP recoveries ranging from 25 to 50 per cent.

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.

## 2015 Mineral Resource - Tritton Mines Area

As at 30 June 2015

|                                      | June 2015     |            |            | June 2014     |            |            |
|--------------------------------------|---------------|------------|------------|---------------|------------|------------|
|                                      | Tonnes (kt)   | Cu (%)     | Cu (kt)    | Tonnes (kt)   | Cu (%)     | Cu (kt)    |
| <b>Tritton Underground</b>           |               |            |            |               |            |            |
| Measured                             | 2,750         | 2.1        | 59         | 2,340         | 2.3        | 54         |
| Indicated                            | 4,140         | 1.6        | 66         | 5,660         | 1.7        | 98         |
| Total M + I                          | 6,890         | 1.8        | 125        | 8,000         | 1.9        | 153        |
| Inferred                             | 3,140         | 1.4        | 45         | 3,400         | 1.5        | 51         |
| <b>TOTAL</b>                         | <b>10,030</b> | <b>1.7</b> | <b>170</b> | <b>11,400</b> | <b>1.8</b> | <b>203</b> |
| <b>Tritton Pillars (Recoverable)</b> |               |            |            |               |            |            |
| Measured                             | -             | -          | -          | -             | -          | -          |
| Indicated                            | 490           | 2.6        | 13         | 490           | 2.6        | 13         |
| Total M + I                          | 490           | 2.6        | 13         | 490           | 2.6        | 13         |
| Inferred                             | -             | -          | -          | -             | -          | -          |
| <b>TOTAL</b>                         | <b>490</b>    | <b>2.6</b> | <b>13</b>  | <b>490</b>    | <b>2.6</b> | <b>13</b>  |
| <b>Murrawombie</b>                   |               |            |            |               |            |            |
| 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         |
| <b>TOTAL</b>                         | <b>8,040</b>  | <b>1.4</b> | <b>110</b> | <b>8,040</b>  | <b>1.4</b> | <b>110</b> |
| <b>North East</b>                    |               |            |            |               |            |            |
| Measured                             | 340           | 1.4        | 5          | 200           | 2.2        | 4          |
| Indicated                            | -             | -          | -          | 150           | 1.8        | 3          |
| Total M + I                          | 340           | 1.5        | 5          | 350           | 2.0        | 7          |
| Inferred                             | -             | -          | -          | 100           | 1.2        | 1          |
| <b>TOTAL</b>                         | <b>340</b>    | <b>1.5</b> | <b>5</b>   | <b>450</b>    | <b>1.8</b> | <b>8</b>   |
| <b>Larsens</b>                       |               |            |            |               |            |            |
| Measured                             | 460           | 2.6        | 12         | -             | -          | -          |
| Indicated                            | -             | -          | -          | 810           | 1.8        | 15         |
| Total M + I                          | 460           | 2.6        | 12         | 810           | 1.8        | 15         |
| Inferred                             | -             | -          | -          | -             | -          | -          |
| <b>TOTAL</b>                         | <b>460</b>    | <b>2.6</b> | <b>12</b>  | <b>810</b>    | <b>1.8</b> | <b>15</b>  |
| <b>Avoca Tank</b>                    |               |            |            |               |            |            |
| Measured                             | -             | -          | -          | -             | -          | -          |
| Indicated                            | 770           | 2.9        | 22         | 770           | 2.9        | 22         |
| Total M + I                          | 770           | 2.9        | 22         | 770           | 2.9        | 22         |
| Inferred                             | 130           | 1.0        | 1          | 130           | 1.0        | 1          |
| <b>TOTAL</b>                         | <b>900</b>    | <b>2.6</b> | <b>24</b>  | <b>900</b>    | <b>2.6</b> | <b>24</b>  |



# MINERAL RESOURCES AND ORE RESERVES (CONT'D)

## 2015 Mineral Resource - Tritton Mines Area (cont'd)

As at 30 June 2015

|                   | June 2015     |            |            | June 2014     |            |            |
|-------------------|---------------|------------|------------|---------------|------------|------------|
|                   | Tonnes (kt)   | Cu (%)     | Cu (kt)    | Tonnes (kt)   | Cu (%)     | Cu (kt)    |
| <b>Budgerygar</b> |               |            |            |               |            |            |
| Measured          | -             | -          | -          | -             | -          | -          |
| Indicated         | -             | -          | -          | -             | -          | -          |
| Total M + I       | -             | -          | -          | -             | -          | -          |
| Inferred          | 1,610         | 1.5        | 24         | 1,610         | 1.5        | 24         |
| <b>TOTAL</b>      | <b>1,610</b>  | <b>1.5</b> | <b>24</b>  | <b>1,610</b>  | <b>1.5</b> | <b>24</b>  |
| <b>Budgery</b>    |               |            |            |               |            |            |
| 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          |
| <b>TOTAL</b>      | <b>2,020</b>  | <b>1.1</b> | <b>22</b>  | <b>2,020</b>  | <b>1.1</b> | <b>22</b>  |
| <b>Stockpiles</b> |               |            |            |               |            |            |
| Measured          | 33            | 2.0        | 0.7        | 51            | 1.6        | 0.8        |
| Indicated         | -             | -          | -          | -             | -          | -          |
| Total M + I       | 33            | 2.0        | 0.7        | 51            | 1.6        | 0.8        |
| Inferred          | -             | -          | -          | -             | -          | -          |
| <b>TOTAL</b>      | <b>33</b>     | <b>2.0</b> | <b>0.7</b> | <b>51</b>     | <b>1.6</b> | <b>0.8</b> |
| <b>Total</b>      |               |            |            |               |            |            |
| Measured          | 3,583         | 2.3        | 77         | 2,591         | 2.3        | 60         |
| Indicated         | 13,670        | 1.6        | 212        | 16,150        | 1.6        | 262        |
| Total M + I       | 17,253        | 1.7        | 289        | 18,741        | 1.7        | 321        |
| Inferred          | 6,930         | 1.4        | 97         | 7,030         | 1.4        | 99         |
| <b>TOTAL</b>      | <b>24,183</b> | <b>1.6</b> | <b>386</b> | <b>25,771</b> | <b>1.6</b> | <b>420</b> |

The Mineral Resource statement has been prepared by Mr Brad Cox.

Mr Cox confirms that he is the Competent Person for all the Mineral Resources estimates summarised in this Report and he 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 Cox is a Competent Person as defined by the JORC Code, 2012 Edition, having relevant experience to the style of mineralisation and type of deposit described in the Report and to the activity for which he is accepting responsibility. Mr Cox is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM No. 220544). Mr Cox has reviewed the Report to which this Consent Statement applies. Mr Cox is a full time employee of Straits Resources Limited.

With respect to the sections of this report for which Mr Cox is responsible – Mineral Resource estimates – Mr Cox consents to the release of the Mineral Resources Statements as at 30 June 2015 by the Directors of Straits Resources Limited.

## 2015 Mineral Resource - Other Projects Area

As at 30 June 2015

|   | June 2015      |            |            |            |              | June 2014      |            |            |            |              |
|---|----------------|------------|------------|------------|--------------|----------------|------------|------------|------------|--------------|
|   | Tonnes (kt)    | Cu (%)     | Au (g/t)   | Cu (kt)    | Au (koz)     | Tonnes (kt)    | Cu (%)     | Au (g/t)   | Cu (kt)    | Au (koz)     |
| <b>Drummond Basin - Yandan</b>                |                |            |            |            |              |                |            |            |            |              |
| Measured                                      | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Indicated                                     | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Total M + I                                   | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Inferred                                      | 4,100          | -          | 2.4        | -          | 316          | 4,100          | -          | 2.4        | -          | 316          |
| <b>TOTAL</b>                                  | <b>4,100</b>   | <b>-</b>   | <b>2.4</b> | <b>-</b>   | <b>316</b>   | <b>4,100</b>   | <b>-</b>   | <b>2.4</b> | <b>-</b>   | <b>316</b>   |
| <b>Blayney - Discovery Ridge</b>              |                |            |            |            |              |                |            |            |            |              |
| 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          |
| <b>TOTAL</b>                                  | <b>13,840</b>  | <b>-</b>   | <b>1.1</b> | <b>-</b>   | <b>501</b>   | <b>13,840</b>  | <b>-</b>   | <b>1.1</b> | <b>-</b>   | <b>501</b>   |
| <b>Blayney - Bald Hill</b>                    |                |            |            |            |              |                |            |            |            |              |
| Measured                                      | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Indicated                                     | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Total M + I                                   | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Inferred                                      | 37,040         | -          | 0.5        | -          | 595          | 37,040         | -          | 0.5        | -          | 595          |
| <b>TOTAL</b>                                  | <b>37,040</b>  | <b>-</b>   | <b>0.5</b> | <b>-</b>   | <b>595</b>   | <b>37,040</b>  | <b>-</b>   | <b>0.5</b> | <b>-</b>   | <b>595</b>   |
| <b>Temora - porphyry copper gold projects</b> |                |            |            |            |              |                |            |            |            |              |
| 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        |
| <b>TOTAL</b>                                  | <b>279,000</b> | <b>0.3</b> | <b>0.2</b> | <b>826</b> | <b>2,065</b> | <b>279,000</b> | <b>0.3</b> | <b>0.2</b> | <b>826</b> | <b>2,065</b> |
| <b>Temora - Gidginbung</b>                    |                |            |            |            |              |                |            |            |            |              |
| Measured                                      | -              | -          | -          | -          | -            | -              | -          | -          | -          | -            |
| Indicated                                     | 11,100         | 0.1        | 1.0        | 8          | 369          | 11,100         | 0.1        | 1.0        | 8          | 369          |
| Total M + I                                   | 11,100         | 0.1        | 1.0        | 8          | 369          | 11,100         | 0.1        | 1.0        | 8          | 369          |
| Inferred                                      | 12,700         | 0.1        | 0.9        | 8          | 379          | 12,700         | 0.1        | 0.9        | 8          | 379          |
| <b>TOTAL</b>                                  | <b>23,800</b>  | <b>0.1</b> | <b>1.0</b> | <b>16</b>  | <b>748</b>   | <b>23,800</b>  | <b>0.1</b> | <b>1.0</b> | <b>16</b>  | <b>748</b>   |

1. Mineral Resource cut-off grades: 0.5g/t Au Drummond Basin – Yandan, 0.5g/t Au, Blayney – Discovery Ridge 0.3g/t Au, Blayney – Bald Hill, 0.3% Cu Eq Temora porphyry copper gold projects and 0.5g/t Au Temora – Gidginbung.
2. Discrepancy in summation may occur due to rounding
3. Copper Eq values calculated using a copper price of \$US7900/tonne and gold price of \$US1765/Oz (spot prices Friday 4th November 2011),  
Cu Eq = (Cu\_ppm) + ((Au\_ppm x 56.7460)/0.0079).
4. Reported above 0.5 g/t Au cut-off grade

# MINERAL RESOURCES AND ORE RESERVES (CONT'D)

## ORE RESERVE

The June 2015 Ore Reserve estimate is a modest revision of the June 2014 estimate. Depletion due to mining has resulted in changes to the Tritton, Larsens and North East deposits' Ore Reserve. There are no changes to the other deposits.

Details of the Ore Reserve estimates can be found in the Mineral Resource and Ore Reserve reports on the Company's website. All estimates are reported according to the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012).

Ore Reserve estimates have been developed assuming long term copper price in the range \$7,500 to \$9,000 per tonne.

At the currently operating mines of Tritton and North East the cut-off grade is 1.2 per cent copper applied at a whole of stope average grade, with some variation allowed for stopes that can be mined at marginal cost. 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.

All Ore Reserves are for sulphide ore that will be treated in the Tritton ore processing plant by flotation techniques. At the cut-off grade an average recovery of copper to concentrate of 93 to 94 per cent is assumed, consistent with historical plant performance.

The mining method assumed in the Ore Reserve estimate varies with the deposit. At the Tritton mine the method is sublevel open stoping with cemented paste fill. At the Larsens and North East 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 per cent dilution and 14 per cent ore loss. The dilution from the hanging wall is assumed to carry copper grade of approximately 0.7 to 0.8 per cent, consistent with geology model estimates.

## 2015 Ore Reserves - Tritton Mines Area

As at 30 June 2015

|                                | June 2015    |            |            | June 2014     |            |            |
|--------------------------------|--------------|------------|------------|---------------|------------|------------|
|                                | Tonnes (kt)  | Cu (%)     | Cu (kt)    | Tonnes (kt)   | Cu (%)     | Cu (kt)    |
| <b>Tritton Underground</b>     |              |            |            |               |            |            |
| Proved                         | 2,359        | 1.8        | 43         | 2,255         | 1.9        | 42         |
| Probable                       | 2,040        | 1.7        | 34         | 2,711         | 1.7        | 45         |
| <b>TOTAL</b>                   | <b>4,399</b> | <b>1.7</b> | <b>77</b>  | <b>4,966</b>  | <b>1.8</b> | <b>88</b>  |
| <b>North East</b>              |              |            |            |               |            |            |
| Proved                         | 65           | 1.5        | 1          | 139           | 1.8        | 2          |
| Probable                       | -            | -          | -          | 92            | 1.6        | 1          |
| <b>TOTAL</b>                   | <b>65</b>    | <b>1.4</b> | <b>1</b>   | <b>231</b>    | <b>1.7</b> | <b>4</b>   |
| <b>Larsens</b>                 |              |            |            |               |            |            |
| Proved                         | -            | -          | -          | -             | -          | -          |
| Probable                       | 272          | 2.5        | 7          | 631           | 1.5        | 9          |
| <b>TOTAL</b>                   | <b>272</b>   | <b>2.5</b> | <b>7</b>   | <b>631</b>    | <b>1.5</b> | <b>9</b>   |
| <b>Murrawombie Underground</b> |              |            |            |               |            |            |
| Proved                         | -            | -          | -          | -             | -          | -          |
| Probable                       | 3,342        | 1.3        | 43         | 3,342         | 1.3        | 43         |
| <b>TOTAL</b>                   | <b>3,342</b> | <b>1.3</b> | <b>43</b>  | <b>3,342</b>  | <b>1.3</b> | <b>43</b>  |
| <b>Murrawombie Open Cut</b>    |              |            |            |               |            |            |
| Proved                         | -            | -          | -          | -             | -          | -          |
| Probable                       | 701          | 1.2        | 8          | 701           | 1.2        | 8          |
| <b>TOTAL</b>                   | <b>701</b>   | <b>1.2</b> | <b>8</b>   | <b>701</b>    | <b>1.2</b> | <b>8</b>   |
| <b>Avoca Tanks</b>             |              |            |            |               |            |            |
| Proved                         | -            | -          | -          | -             | -          | -          |
| Probable                       | 681          | 2.5        | 17         | 681           | 2.5        | 17         |
| <b>TOTAL</b>                   | <b>681</b>   | <b>2.5</b> | <b>17</b>  | <b>681</b>    | <b>2.5</b> | <b>17</b>  |
| <b>Stockpiles</b>              |              |            |            |               |            |            |
| Proven                         | 32           | 2.0        | 0.7        | 51            | 1.6        | 0.8        |
| Probable                       | -            | -          | -          | -             | -          | -          |
| <b>TOTAL</b>                   | <b>32</b>    | <b>2.2</b> | <b>0.7</b> | <b>51</b>     | <b>1.6</b> | <b>0.8</b> |
| <b>Total</b>                   |              |            |            |               |            |            |
| Proven                         | 2,456        | 1.8        | 45         | 2,446         | 1.9        | 46         |
| Probable                       | 7,036        | 1.5        | 109        | 8,159         | 1.5        | 125        |
| <b>TOTAL</b>                   | <b>9,492</b> | <b>1.6</b> | <b>154</b> | <b>10,604</b> | <b>1.6</b> | <b>171</b> |

Mr Ian Sheppard, confirms that he is the Competent Person for all the Ore Reserves estimates summarised in 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.

Mr Sheppard has disclosed to the reporting company 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 Sheppard has rights to 14,612,764 shares in Straits Resources Limited. Title to 9,741,842 shares has vested with the remainder to vest when a range of conditions have been satisfied as defined in an Employee Share Acquisition Plan - these conditions have not been met at this time. Mr Sheppard verifies that the Ore Reserve sections of this Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in his supporting documentation relating to Ore Reserves.

With respect to the sections of this report for which Mr Sheppard is responsible – Ore Reserve estimates – Mr Sheppard consents to the release of the Mineral Resources and Ore Reserves Statements as at 30 June 2015 by the Directors of Straits Resources Limited.

# HEALTH, SAFETY AND ENVIRONMENT

The safety of our people remains our highest priority and during the 2015 financial year we continued to focus on improving our performance in this area.

There were two lost time injuries in the period under review, compared to four in the previous year and the total recordable injury frequency rate fell by 30 per cent during the year, even while we encouraged more rigorous reporting from our employees. As a result, Straits' incident rate at Tritton is the lowest it has been in five years, and we aim to continue this by targeting a further 20 per cent reduction each year.

We believe that safety improvement will result from equal emphasis given to the three interrelated aspects of safety management: symbols, systems and behaviour. Symbols include the clear communication of the importance of safety, with systems being the technical controls and devices needed to manage any hazards. Employee behaviour is the final element which ultimately makes the system successful and ensures appropriate safety management in the workplace.

We have set ourselves the target of achieving an interdependent safety behaviour culture within the next few years. Supervision will focus on coaching and teaching the technical skills of hazard control. Employees will be the agents of change, by improving the safety system, owning the outcomes and setting safety expectations for their colleagues. The Tritton team has demonstrated the capacity to achieve this behaviour model.

Modification of the Tritton Safety Management System to match changes in the New South Wales' Government regulations commenced during the year and will continue over the coming year. The 17 elements of the Safety Management System are aligned with the AS4801:2001 standard and include minor changes to some hazard control plans.

During the year in review we partnered with a specialist provider to Australia's mining and resources sector to develop a psychology service for our employees. The free service supports employees who may be experiencing personal issues, with Straits also providing flexible arrangements for travel to the service.

In support of ongoing health and wellness outside of work hours, employees now also benefit from access to Ambulance Cover for emergency situations.



Employees at Straits' Tritton operations

There were no significant environmental incidents at any of Straits' sites during the year. Two minor spill incidents occurred in the March quarter at the Tritton operations, which were both quickly controlled and reported to the Environmental Protection Authority in compliance with mandatory reporting standards.

We continue to maintain our approach of entrenching environmental awareness throughout our operations, creating keen environmental awareness amongst our employees. We achieve this through regular toolbox talks and environmental induction programs, paired with established environmental management systems and processes.

We continue to engage with all relevant environmental authorities in the regions in which we operate.



# COMMUNITY

We have an active program of community participation which sees Straits contribute to various education support activities, charities, sporting groups, apprenticeships and community development programs.

The focus of our community involvement is to deliver initiatives which contribute to long term outcomes in the Nyngan, Hermidale and Girilambone communities which surround our Tritton operations.

Some of our community initiatives during the past financial year included:

- Training local apprentices to give them practical experience in a mining environment;
- Indigenous employment initiatives and improving cultural awareness at our operations in partnership with the local Land Council;

- Supporting social and physical health through a joint fundraising initiative with Straits employees to purchase new gym equipment at a local facility;
- Providing funding to a local school to allow students to attend an educational camp; and
- Supporting the local rugby union and rugby league teams through key sponsorship.

Wherever possible we give preference to employing locally and training people from our local communities with various skills required to join Straits' workforce. As a result, we continue to be a major employer in the region with 70 per cent of our workforce employed locally, compared to 55 per cent in the year prior.

The prioritisation of local employment in turn reinforces our community commitment, with workforce expenditure contributing to the local economy.



Straits employees providing a safety demonstration at a local school

# CORPORATE GOVERNANCE

The Directors of Straits Resources Limited (Straits or the Company) 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](http://www.straits.com.au). The corporate governance section includes details on the Company's governance arrangements and copies of relevant policies and charters.

## ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Australian Securities Exchange (ASX) Corporate Governance Council sets out best practice recommendations including corporate governance practices and suggested disclosures. ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX recommendations and to give reasons for not following them.

Unless otherwise indicated, the best practice recommendations of the ASX Corporate Governance Council (CGC), including corporate governance practices and suggested disclosures, have been adopted by the Company for the year ended 30 June 2015 as relevant to the size and complexity of the Company and its operations. Where the Company has not followed a

recommendation, reasons for non-compliance have been identified.

The Board currently consists of only three Directors, one of whom is the Executive Chairman and only one Director is independent. Consequently, it is presently not possible to comply with the following CGC recommendations: 2.1, 2.4, 2.5, 4.1 and 8.1. Once the Company has completed its debt restructure and the repositioning of its business, the structure and composition of the Board will be reviewed. Stabilising the Company's financial position will assist the Board in recruiting suitably qualified and experienced independent directors. The other recommendations that are not fully complied with are: 1.5 and 2.2.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVER SIGHT

### Recommendation 1.1: Companies should disclose:

- **the respective roles and responsibilities of the Board and management; and**
- **those matters expressly reserved to the Board and those delegated to management**

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.

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 statements;
- 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.

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.

#### **Recommendation 1.2: A Company should:**

- **undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a director; and**
- **provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director**

The nomination committee is responsible for:

- Reviewing and recommending to the Board the size and composition of the Board and potential director appointments;
- Making recommendations for the re-election of directors;

- Assisting the Board as required to identify individuals who are qualified to become Board members; and
- Undertaking appropriate checks before appointing a director or putting forward to shareholders a candidate for election as a director, including checks as to the person's character, experience, education, criminal record and bankruptcy history.

#### **Recommendation 1.3: Companies should have a written agreement with each director and senior executive setting out the terms of their appointment**

All directors and senior executives reporting to the Executive Chairman of the Company have been given formal letters of appointment outlining key terms and conditions of their appointment. Contract details of senior executives who are Key Management Persons are summarised on pages 56 and 57 of this Annual Report.

#### **Recommendation 1.4: The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board**

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. The Board Charter confirms that all directors have direct access to the Company Secretary. The Company Secretary is responsible for:

- Advising the Board on corporate governance matters;
- Managing the Company secretarial function;
- Attending all Board and Board committee meetings; and
- Taking minutes and communicating with the ASX.

**Recommendation 1.5: Companies should have a Diversity Policy which sets measurable objectives for achieving gender diversity; disclose the policy or a summary of that policy; and disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them, and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation**

The Board has adopted a formal Diversity Policy that is available from the Corporate Governance section of the Company's website. The Board values diversity and recognises the potential benefits it can bring to the Company's ability to achieve its goals. The policy provides for establishing measurable objectives for achieving gender diversity and on an annual basis reports on these outcomes. The Company's policy is to provide opportunities for women wherever possible through internal promotion and external recruitment across all levels.

The Board has not yet formulated measurable objectives regarding gender diversity however; the Board has endeavoured to maintain existing participation levels within the Company for female employees. Once the Board has completed its debt restructure and the repositioning of its business, it will consider the measurable objectives for gender diversity.

At 30 June 2015, female employees represented approximately 14.5% (2014: 13%) of the total workforce. There are currently no female senior executives or women on the Board of Straits.

**Recommendation 1.6: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process**

The Company currently has an informal process to evaluate the performance of the Board by the Nominations Committee on an ad hoc basis.

During the year ended 30 June 2015 the Board was focussed on finalising The Company's debt restructure and optimising its Tritton operations and has therefore not undertaken a formal process for evaluating the performance of the Board, its committees and individual directors during the year ended 30 June 2015.

**Recommendation 1.7: Companies should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process**

The members of the Remuneration Committee during the year were: Michele Muscillo (Chairman) and Alastair Morrison. The committee operates pursuant to a Remuneration Committee Charter. The Remuneration Committee is responsible for various aspects of remuneration, including the review of the remuneration of senior executives and Board members at least annually.

The Remuneration Committee did not meet during the year ended 30 June 2015. As the Board comprises of only three directors, the Board considered it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Remuneration Committee.



The Board sets a range of goals and specific, measurable targets at the start of the performance year for each senior executive including the Executive Chairman. The Board undertook a performance evaluation of each senior executive during the 2015 financial year and performance was assessed against the goals and targets that were set at the start of the performance year.

## **PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE**

### **Recommendation 2.1: The Board should establish a nomination committee which:**

- has at least three members;
- consists of a majority of independent directors; and
- is chaired by an independent director

### **and disclose:**

- the charter of the committee;
- the members of the committee; and
- as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings

The members of the Nomination Committee during the year were: Michele Muscillo (Chairman) and André Labuschagne. The committee does not comply with Recommendation 2.1 as it only has two members and not three, and it does not consist of a majority of independent directors. As there are currently only three directors, one of whom is the Executive Chairman, it is presently not possible to achieve compliance with this recommendation.

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

The committee did not meet during the year ended 30 June 2015.

During the year ended 30 June 2015 the Board was focussed on finalising The Company's debt restructure and optimising its Tritton operations and has therefore not undertaken a formal process for evaluating the performance of the Board, its committees and individual directors during the year ended 30 June 2015.

### **Recommendation 2.2: Companies should have and disclose a Board skills matrix setting out the skills and diversity that the Board has or is currently looking to achieve in its membership**

The release of the ASX CGC's 3rd Edition Recommendations included the introduction of a new Recommendation 2.2. The Board has still to formulate a skills matrix.

Details of Board members, their experience, expertise, qualifications, term in office and independence status are set-out at the commencement of the Directors' Report and pages 46 and 47.

Once the Company has completed its Debt Restructure and the repositioning of its business, the structure and composition of the Board will be reviewed and a formal skills matrix will be prepared.



**Recommendation 2.3: Companies should disclose the names of the directors considered by the Board to be independent directors; if a director has an interest, position, association or relationship described and the Board is of the opinion that it does not compromise the independence of the director, an explanation of why the Board is of that opinion; and the length of service of each director**

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 Michele Muscillo is considered independent. 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 (SCB PE), Straits largest shareholder and only ceased employment with SCB PE on 31 March 2014. In respect to Mr Muscillo, a partner with HopgoodGanim Lawyers (HG), lawyers for the Company, the Board considers that despite the business relationship between Straits and HG, Mr Muscillo is independent as Mr Muscillo’s annual billings to the Company do not represent more than 1% of the Company’s annual revenue or more than 5% of HG’s total annual billings.

The term in office of each Board member is set-out at the commencement of the Directors’ Report on page 46 and 47.

**Recommendation 2.4: A majority of the Board should be independent directors**

The current structure of the Board does not comply with ASX Recommendation 2.4 as the majority of the Directors are not independent.

The Company does not consider that compliance with the recommendation is required given the size of the Company, its operations and its financial position.

**Recommendation 2.5: The chair should be an independent director and in particular should not be the same person as the CEO of the Company**

André Labuschagne was appointed to the role of Managing Director on 20 December 2012 and subsequently as Executive Chairman on 19 April 2013. The Nomination Committee and the Board considered that the combined role is in the interests of shareholders in order to utilise the proven leadership qualities and significant experience of Mr Labuschagne through a challenging period for the Company and to ensure the on-going commercial success of the Company. Furthermore, Mr Labuschagne has been with the Company since 2012 and has therefore provided stability and continuity through his detailed understanding of the Group’s operations and the markets in which it operates.

Recognising, however, that an Executive Chairman is not able to provide independent review of the performance of management, Michele Muscillo, an independent director, fulfils the role of the ‘senior independent director’ whenever the Chairman is conflicted. In the role of ‘senior independent director’ Mr Muscillo:

- Works closely with the Executive Chairman, acting as a sounding Board and providing support;
- Being available to shareholders to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication;
- Meeting with the other Non Executive Director to review the Executive Chairman’s performance and carrying out succession planning for the Chairman’s role; and

- Attending sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns.

**Recommendation 2.6: Companies should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively**

The Nomination Committee is responsible for ensuring that new directors are provided with a comprehensive induction programme that includes business briefings by management and site visits.

The Board encourages directors to continue their education and maintain the skills required to discharge their duties by providing professional development opportunities. The Company meets all reasonable costs of continuing director education.

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.

**PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

**Recommendation 3.1: Companies should establish a code of conduct for its directors, senior executives and employees; and disclose the code or a summary of the code**

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 relevant legislation and principles of good business practice.

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*.

**PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

**Recommendation 4.1: The Board should establish an audit committee which:**

- **has at least three members all of whom are Non Executive Directors;**
- **consists of a majority of independent Directors; and**
- **is chaired by an independent Director, who is not chair of the Board**

and disclose:

- **the charter of the committee;**
- **the relevant qualifications and experience of the members of the committee; and**

# CORPORATE GOVERNANCE (CONT'D)

- **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings**

The Audit Committee members are: Michele Muscillo (Chairman) and Alastair Morrison. The committee does not comply with Recommendation 4.1 as it only has two members and not three, and it does not consist of a majority of independent directors. As there are currently only three directors, one of whom is the Executive Chairman, it is presently not possible to achieve compliance with this recommendation.

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.

**Recommendation 4.2: The Board should, before it approves the Company's financial statements for a financial period, receive from the chief executive officer and the chief financial officer a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the opinion is founded on a sound system of risk management and internal control that is operating effectively**

In accordance with section 295A of the Corporations Act, the Chief Executive Officer (who is the Executive Chairman) and Chief Financial Officer have provided a written statement to the Board in respect of each half and full year financial period that:

- The Company's financial records have been properly maintained;
- The financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company;
- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board acknowledges that the internal control assurances from the Chief Executive Officer and Chief Financial Officer are not absolute and can only be provided on a reasonable basis after having made due enquiries. This is due to such factors as the need

for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not, and cannot be, designed to detect all weaknesses in control procedures.

**Recommendation 4.3: Companies should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit**

PwC, the Company's external auditor, attends each Annual General Meeting and is available to respond to shareholder questions about the conduct of the audit and the preparation and content of the audit report.

**PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

**Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and disclose that policy or summary of it**

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**

**Recommendation 6.1: A Company should provide information about itself and its governance to investors via its website**

The Company keeps investors informed of its corporate governance, financial performance and prospects via its website. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports and financial statements, investor presentations and/or transcripts of those presentations via the 'Investor Centre' tab and can access general information regarding the Company and the structure of its business under the 'About Straits', 'Tritton', and 'Exploration' tabs.

**Recommendation 6.2: Companies should design and implement an investor relations program to facilitate effective two-way communication with investors**

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

# CORPORATE GOVERNANCE (CONT'D)

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.

## **Recommendation 6.3: Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders**

The Company communicates with shareholders through releases to the ASX, its website, information distributed direct to shareholders and the general meetings of shareholders. To ensure that shareholders have the opportunity to participate at meetings of members:

- At the Annual General Meeting, shareholders elect the directors and have the opportunity to express their views, ask questions about Company business and vote on items of business for resolution by shareholders; and
- The Company's external auditor attends each Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## **Recommendation 6.4: Companies should give shareholders the option to receive communications from, and send communications to, the Company and its share registry electronically**

Shareholders are also able to send and receive communications to/from the Company electronically, as provided for in the Shareholders Communication Guidelines and Policy. Transcripts of results presentations and major business presentations are placed on the website as soon as practicable after the conclusion of such events.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1: The Board should establish a committee or committees to oversee risk, each of which:**

- has at least three members;
- consists of a majority of independent directors; and
- is chaired by an independent director

#### **and disclose:**

- the charter of the committee;
- the members of the committee; and
- as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances at those meetings

The Board has not formed a committee to oversee risk. The full Board consists of only three directors and has formed the view that it is more efficient for the Board as a whole to deal with matters that would otherwise be dealt with by a risk committee.



**Recommendation 7.2: The Board or a committee of the Board should review the Company's risk management framework at least annually to satisfy itself that it continues to be sound; and disclose, in relation to each reporting period, whether such a review has taken place**

The Board is responsible for reviewing, ratifying and monitoring systems of risk management. The Board adopted a Risk Management Policy and Guidelines and 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.

**Recommendation 7.3: A Company should disclose, if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes**

The Company does not have an internal audit function. Given the Company's current size and nature of its operations, the Board considers it appropriate to engage external advisors (independent of the external auditor) as appropriate from time to time to undertake various tasks that an internal audit function would perform. No external advisors were engaged during the financial year ended 30 June 2015 to undertake internal audit activities.

The Executive Chairman and the Chief Financial Officer are primarily responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risks are being managed effectively by way of the Company's risk management and internal control systems.

**Recommendation 7.4: A Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks**

The Board identifies and manages material exposures to economic, environmental and social sustainability risks in accordance with its Risk Management Policy and Guidelines.

The Board has overall responsibility for Straits' internal control environment, and ensures that Straits has an integrated framework of control, based on formal

# CORPORATE GOVERNANCE (CONT'D)

procedures and appropriate delegation of authority and responsibility. There is a disciplined approach to identification and management of risk.

The following categories of risks have been identified as being specific risks that have the potential to have an adverse impact of the Company's business:

- Operational;
- Environmental;
- Insurance;
- Litigation;
- Financial;
- Treasury and finance; and
- Compliance.

For further discussion on some of the above risks please refer the Company's annual report.

The Company has established and implemented a system for identifying, assessing, monitoring and managing material risk through the organisation. This system includes Straits' internal compliance and control systems and which include the following:

- Straits' Health, Safety and Environment Management System Framework;
- Straits' Health, Safety and Environment Management Standards;
- Insurance risk engineers' operational risk reports;
- Insurance risk assessment reports;
- Insurance valuation of plant and equipment reports;
- Straits' Group Treasury Policy and Procedure;
- Risk Assessment Registers for all mine sites; and
- Board approved policies which are available from the Corporate Governance section of Straits' website.

## PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

### Recommendation 8.1: The Board should establish a remuneration committee which:

- **has at least three members;**
- **consists of a majority of independent directors; and**
- **is chaired by an independent chair**

#### and disclose:

- **the charter of the committee;**
- **the members of the committee; and**
- **as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings**

The Remuneration Committee members are: Michele Muscillo (Chairman) and Alastair Morrison. The committee does not comply with Recommendation 8.1 as it only has two members and not three, and it does not consist of a majority of independent directors. As there are currently only three directors, one of whom is the Executive Chairman, it is presently not possible to achieve compliance with this recommendation.

The Remuneration Committee did not meet during the year ended 30 June 2015. As the Board comprises of only three directors, the Board considered it more effective to set aside time at Board meetings to specifically address the matters that would have been ordinarily attended to by the Remuneration Committee.

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.

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**Recommendation 8.2: Companies should separately disclose its policies and practices regarding the remuneration of Non Executive Directors and the remuneration of Executive Directors and other senior executives**

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'.

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. There is no scheme for retirement benefits, other than statutory superannuation. Executive Directors are paid a salary and provided with shares and/or options (subject to shareholder approval) and bonuses as part of their remuneration and incentive package. They do not receive a separate payment for participation on Board committees.

Further details regarding the remuneration of Non Executive and Executive Directors are set out in the Remuneration Report on pages 56 to 60 of this Annual Report.

# DIRECTORS' REPORT

The Directors present their report together with the financial statements of Straits Resources Limited ('Straits') and its controlled entities ('the consolidated entity') for the 12 months to 30 June 2015.

## Directors

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

| Director          | Experience  | Special Responsibilities  | Appointed/ Resigned      | Classification  |
|-------------------|---|---|--------------------------|-----------------|
| André Labuschagne | <p>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.</p> <p>Other current directorships (ASX listed entities): Magontec Limited</p> <p>Former directorships in the past 3 years (ASX listed entities): Norton Gold Fields Limited</p>   | <p>Executive Chairman of the Company</p> <p>Member of Nomination Committee</p>            | Appointed<br>20-Dec-2012 | Executive       |
| Alastair Morrison | <p>Mr Morrison is a highly experienced international banker. Mr Morrison has worked in private equity for over 30 years in the UK and Asia and has broad experience in growing companies across a range of industrial sectors. He was a founding Managing Director of Standard Chartered Private Equity. He was with Standard Chartered Bank from April 2002 until March 2014. Prior to joining Standard Chartered Bank 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.</p> <p>Other current directorships (ASX listed entities): none</p> <p>Former directorships in the past 3 years (ASX listed entities): International Coal Holdings Limited (previously Straits Resources Limited) and Triangle Energy (Global) Limited</p> | <p>Non Executive Director</p> <p>Member of Audit Committee and Remuneration Committee</p> | Appointed<br>10-Dec-2010 | Not Independent |

| Director         | Experience   | Special Responsibilities  | Appointed/<br>Resigned | Classification |
|------------------|--|---|------------------------|----------------|
| Michele Muscillo | <p>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 &amp; 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.</p> <p>Other current directorships (ASX listed entities): None</p> <p>Former directorships in the past 3 years (ASX listed entities): Orbis Gold Limited</p> | <p>Non Executive Director</p> <p>Chairman of the Audit Committee, Remuneration Committee and Nomination Committee</p> | Appointed 2-May-2013   | Independent    |

## Company Secretary

### Robert Brainsbury – CPA

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 BIS Industrial Logistics.

### Dane van Heerden – CA

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

## Principal Activities

The principal activities of the consolidated entity for the year ended 30 June 2015 were the production and sale of copper and the exploration for copper. Other than as referred to on pages 47 and 49, there were no significant changes in those activities during the financial period.

## Operating and Financial Review

### Operations

Straits' Tritton operations set a new record for annual copper production during the financial year ended 30 June 2015, with output of 30,245 tonnes, exceeding the original guidance of 27,000 tonnes and upgraded guidance of 28,500 tonnes.

The outstanding operational result was underpinned by consistent performances from both the Tritton and North East mines and the processing plant along with better than expected copper grades. Copper grades from the Larsens deposit at the North East mine were consistently higher than the reserve grade during the year as a higher grade section of the orebody was mined.

The Mill achieved record ore processing during the financial year, reaching a throughput of greater than 1.6 million tonnes. In the December quarter a new self-cleaning magnet was installed on the crusher discharge conveyer to speed up the removal of tramp metal from the ore, resulting in fewer ore conveyor blockages in the processing plant. The continued plant de-bottlenecking during the financial year has allowed the processing plant



# DIRECTORS' REPORT (CONT'D)

capacity to stay ahead of mining output, targeting an eventual throughput rate of 1.8 million tonnes per annum.

A change in mining method from transverse stopes to a longitudinal retreat method at Tritton was a focus in the last year, with the transition being completed during the December quarter. The change in method was in response to the ore decreasing in dip and increasing in width as mining moved to deeper areas of the orebody. This has provided opportunities to lower operating costs from reducing the percentage of cement required in paste backfill and the need for less footwall waste development.

On 17 September 2014, the Company announced updated Mineral Resource and Ore Reserve estimates for the Tritton operations representing a 36 per cent increase in Ore Reserves net of mining depletion compared to 30 June 2014.

The Company holds a number of exploration projects outside of the Tritton region and the strategy is to either divest or joint venture these tenements. During the year Straits sold the Tick Hill tenement package in Queensland and entered into a farm-out joint venture on the Blayney project in New South Wales.

## Debt

On 16 June 2014 Straits announced that formal documentation had been executed for a restructuring of pre-existing debt facilities (Copper Swap Facility and Working Capital Facility) held by Straits' wholly owned subsidiary, Tritton Resources Pty Ltd with Standard Chartered Bank (SCB).

The debt restructuring closed out the Copper Swap Facility for US\$99.9 million, to be funded by a Bridge Loan provided by SCB, and capped the Working Capital and Guarantee Facility at US\$14.6 million.

Straits and SCB continued discussions with respect to a longer term debt restructure (Refinancing Plan).

The Refinancing Plan was initially to be agreed by 13 November 2014.

On 13 November 2014, a formal amendment (Amendment Agreement) to the original Bridge Loan documentation was executed, with the only material changes to the Bridge Loan terms relating to the new date for the completion of the Refinancing Plan (13 February 2015) and finalisation of the Debt Restructure (13 April 2015).

Interest and Fees payable on the Bridge Loan and Working Capital Facility from the Agreement Date until the Refinancing Plan was completed were capitalised.

On 11 June 2015, Straits announced that it had signed an indicative non-binding Term Sheet with its lender, Standard Chartered Bank (SCB), and a large Asian based investment firm. The Term Sheet was negotiated in connection with a proposed restructuring of the Company's existing debt and the provision of new money.

On 31 July 2015, Straits executed binding agreements (Debt Restructure) with SCB and Special Portfolio Opportunity V Limited (PAG SPV) that, subject to satisfaction of various conditions precedent provides for the following:

- A Restructure of the current debt with SCB as follows:
  - A Senior Debt of US\$50.000 million with a seven year term;
  - Redeemable Convertible Preference Shares with a notional valuation of US\$40.000 million being issued to SCB, subject to shareholder approval, equivalent to 60 per cent of Straits' post-refinancing fully diluted equity; and
  - A price participation structure whereby SCB will receive a small percentage of incremental revenue above a copper price of \$8,000 per tonne.

- PAG SPV to:
  - Provide a three year US\$25 million Revolving Priority Debt Facility for growth projects and exploration at the Tritton Operations; and
  - Be issued with, Non-Redeemable Convertible Preference Shares equivalent to 15 per cent of Straits' post-refinancing fully diluted equity.

PAG SPV, a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group), a large Asian based investment firm with over US\$12 billion under management, is a new strategic partner for Straits.

The Debt Restructure remains conditional on a variety of matters including Straits shareholder approval.

## Financial Results

The Group recorded a loss after tax for the financial reporting period to 30 June 2015 of \$31.466 million compared with a profit after tax for the year ended 30 June 2014 of \$57.352 million.

The June 2015 financial result for the Group was impacted by a number of key factors, including:

- Impairment of exploration assets of \$6.836 million; and
- Foreign exchange losses of \$27.340 million.

## Financial Position

The net loss attributable to Straits for the financial year ended 30 June 2015 of \$31.466 million resulted in a negative net asset position of \$27.180 million.

At 30 June 2015, Straits' cash and investments included cash of \$24.022 million, investments of \$2.126 million and \$3.996 million of restricted cash. The Group's net cash inflow from operating activities during the financial year was \$46.039 million with net cash outflows from investing activities of \$31.424 million and net cash outflows from financing activities of \$3.920 million. Foreign exchange revaluations amounted to \$0.648 million on cash and cash equivalents.

## Events Subsequent to Balance Date

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

## Outlook

Straits is targeting production of 28,000 tonnes of copper at its Tritton operations in FY16.

In the year ahead, the focus on maintaining a high level of mining and processing throughput and cost management will continue.

Pending shareholder approval of the Debt Restructuring announced on 3 August 2015, Straits intends to progress its growth and exploration projects at the Tritton operations and surrounding tenement package. Priority targets include:

- The Tritton Deeps extension: targeting depth extensions to the Tritton orebody which remains open at depth. Drilling was underway at the close of FY15 on this program which is targeting the Tritton orebody between 4,200mRL and 4,000mRL. The drilling programs are seeking to improve the confidence of the resource that has previously been identified with the aim of being able to incorporate it into the Life of Mine Plan as Ore Reserve;
- Targeting additional Resources at the North East/Larsens mine to extend mine life; and
- Repeats of the Avoca Tank mineralisation, given that VMS style deposits typically occur in clusters.

# DIRECTORS' REPORT (CONT'D)

## Dividend

The Directors do not recommend payment of a dividend for the period to 30 June 2015. 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 emissions 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 2015 on the exercise of options. The Company currently does not have an Employee Share Option Plan.

## Meetings of Directors

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

| Director          | Directors' Meetings |    | Audit Committee Meetings |   |
|-------------------|---------------------|----|--------------------------|---|
|                   | A                   | B  | A                        | B |
| André Labuschagne | 17                  | 17 | 2                        | 2 |
| Alastair Morrison | 17                  | 13 | 2                        | 2 |
| Michele Muscillo  | 17                  | 17 | 2                        | 2 |

A = Number of meetings held during the time the Director was a member of the Board and/or Committee

B = Number of meetings attended during the time the Director was a member of the Board and/or Committee

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

## 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 and Officers 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 2015 or at the date of this report.

## Indemnity of Auditors

Straits Resources Limited has agreed to indemnify their auditors, PricewaterhouseCoopers, to the extent permitted by law, against any claim by a third party arising from Straits' breach of their agreement. The indemnity stipulates that Straits Resources Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

## 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 external auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the financial year 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 63.

## Modification of Opinion

The 30 June 2015 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.

# DIRECTORS' REPORT (CONT'D)

## REMUNERATION REPORT

The Directors are pleased to present your Company's 2015 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 during the year ended 30 June 2015, to provide recommendations as defined in section 9B of the *Corporations Act 2001*.



## KEY MANAGEMENT PERSONNEL

Directors of the Company during the financial year, including experience, qualification and special responsibilities are set out on pages 56 and 57.

The key management personnel of the Company during the year ended 30 June 2015 are set out on pages 56 and 57.

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

The fixed remuneration will be reviewed annually and any adjustments are approved by the Board after recommendation by the Remuneration Committee.

External remuneration data is obtained prior to recommendations being made to ensure that fixed remuneration is in line with general industry and community standards.

The Board considers that executive remuneration must be at levels to attract and retain a talented and capable Senior Executive Team.

### Variable Remuneration – Short Term Incentive (STI) Payments

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

The Company's STI Plan is an "at risk" cash award program administered by the Remuneration Committee. The Plan offers executives an opportunity to earn a lump sum cash payment of up to 30 per cent of their base salary in the case of Executive Directors, and a maximum of 15 to 30 per cent of base salary for other executives – the maximum target varies by particular individual role.

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

# DIRECTORS' REPORT (CONT'D)

## REMUNERATION REPORT (CONT'D)

### Aims of STI Plan

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

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

### Establishment of Goals

For each STI Plan cycle the Remuneration Committee oversees the identification of appropriate performance measures, setting of goals, and endorsement of specific targets for each member of 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

Awards for performance under the STI Plan will be determined and paid only after the end of the financial

year (generally in the first quarter after the end of the reporting period), once the relevant actual performance results (for example – production, operating costs and safety benchmarks) are finalised and compared to the respective STI targets allocated to each eligible Senior Executive Team member.

### 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 aligned with the creation of 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. No shares have been issued during the year ended 30 June 2015.

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.

### **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, the Long term Incentive Plan has moved away from the use of options and has lead the Company to adopt a Performance Rights Plan, which 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.

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 financial year ended 30 June 2015.

### **No Hedging on LTI Grants**

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

### **Directors and Non Executive Directors**

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

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

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

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

## **EMPLOYMENT AGREEMENTS**

Non Executive Directors are retained by way of letter of appointment.

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

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

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

The major provisions of the contracts of the Directors and Key Management are set out below.

# DIRECTORS' REPORT (CONT'D)

## REMUNERATION REPORT (CONT'D)

### Current Directors and Key Management Personnel

#### André Labuschagne, Executive Chairman

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 \$526,972, superannuation of 10 per cent of base salary or maximum cap, participation in a Short Term Incentive Plan and eligibility to be allocated shares under ESAP/PRP. Mr Labuschagne is also covered by the Company's Group Life Plan and Salary Continuance Plan.

No shares have been issued in the 2015 financial year. In 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

Alastair Morrison was originally 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 Bank 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

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

As Non Executive Director, Mr Muscillo is paid a fee of \$60,000 per annum. There are no additional fees paid for Committee responsibilities and participation.

#### Robert Brainsbury, Chief Financial Officer and Co-Company Secretary

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 \$355,000, superannuation of 10 per cent of base salary or maximum cap, participation in a Short Term Incentive Plan and eligibility to be allocated shares under ESAP/PRP.

No shares have been issued in the 2015 financial year. In 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**

Ian Sheppard entered into an employment arrangement with the Company which commenced on 15 March 2013. Mr Sheppard's package consists of a base salary of \$353,100, superannuation of 10% of base salary or maximum cap, participation in a Short Term Incentive Plan and eligibility to be allocated shares under ESAP/PRP. Mr Sheppard is also covered by the Company's Group Life Plan and Salary Continuance Plan.

No shares have been issued in the 2015 financial year. In 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
  - 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**

John Miller entered into an employment arrangement with the Company which commenced on 10 December 2012. Mr Miller's package consists of a base salary of \$329,000, 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.



# DIRECTORS' REPORT (CONT'D)

## REMUNERATION REPORT (CONT'D)

### DETAILS OF REMUNERATION

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

### Remuneration of Key Management Personnel ('KMP') of the Group - 30 June 2015

|                                | Short-term benefits       |                             |                          | Post-employment Super-annuation<br>(D) | Sub-total        | Termination payments | Share based payments (amortised over 3 years)<br>(E) | TOTAL            |
|--------------------------------|---------------------------|-----------------------------|--------------------------|--|------------------|----------------------|--|------------------|
|                                | Cash salary & fees<br>(A) | Short-term incentive<br>(B) | Non-cash benefits<br>(C) |  |                  |                      |  |                  |
|                                | \$                        | \$                          | \$                       |  |                  |                      |  |                  |
|                                | \$                        | \$                          | \$                       |  |                  |                      |  |                  |
| <b>DIRECTORS</b>               |                           |                             |                          |  |                  |                      |  |                  |
| <b>Non Executive</b>           |                           |                             |                          |  |                  |                      |  |                  |
| Michele Muscillo               | 60,000                    | –                           | –                        | –                                      | 60,000           | –                    | –  | 60,000           |
| Alastair Morrison              | 60,000                    | –                           | –                        | –                                      | 60,000           | –                    | –  | 60,000           |
|                                | <b>120,000</b>            | <b>–</b>                    | <b>–</b>                 | <b>–</b>                               | <b>120,000</b>   | <b>–</b>             | <b>–</b>   | <b>120,000</b>   |
| <b>Executive</b>               |                           |                             |                          |  |                  |                      |  |                  |
| André Labuschagne <sup>^</sup> | 526,972                   | 84,316                      | 2,625                    | 23,028                                 | 636,941          | –                    | 41,702   | 676,642          |
|                                | <b>646,972</b>            | <b>84,316</b>               | <b>2,625</b>             | <b>23,028</b>                          | <b>756,941</b>   | <b>–</b>             | <b>41,702</b>  | <b>798,643</b>   |
| <b>OTHER KMP</b>               |                           |                             |                          |  |                  |                      |  |                  |
| Robert Brainsbury <sup>^</sup> | 355,500                   | 56,800                      | –                        | 29,500                                 | 441,800          | –                    | 25,021   | 466,821          |
| Ian Sheppard <sup>^</sup>      | 353,100                   | 56,496                      | 3,037                    | 31,900                                 | 444,533          | –                    | 30,093   | 474,626          |
| John Miller <sup>^</sup>       | 329,000                   | 23,030                      | 3,249                    | 23,000                                 | 378,279          | –                    | –  | 378,279          |
|                                | <b>1,037,600</b>          | <b>136,326</b>              | <b>6,286</b>             | <b>84,400</b>                          | <b>1,264,612</b> | <b>–</b>             | <b>55,114</b>  | <b>1,319,726</b> |
|                                | <b>1,684,572</b>          | <b>220,642</b>              | <b>8,911</b>             | <b>107,428</b>                         | <b>2,021,553</b> | <b>–</b>             | <b>96,816</b>  | <b>2,118,369</b> |

#### Notes to tables:

<sup>^</sup> Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2015.

(A) Includes cash salary and Directors' fees.

(B) Short-term incentives paid during the 2015 financial year related to the 30 June 2014 financial year and has been reflected on a cash basis.

(C) Includes life insurance premiums paid by the Company on behalf of the key management personnel.

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

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

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

|                                | Short-term benefits       |                             |                          | Post-employment Super-annuation<br>(D) | Sub-total        | Termination payments | Share based payments (amortised over 3 years)<br>(E) | TOTAL            |
|--------------------------------|---------------------------|-----------------------------|--------------------------|--|------------------|----------------------|--|------------------|
|                                | Cash salary & fees<br>(A) | Short-term incentive<br>(B) | Non-cash benefits<br>(C) |  |                  |                      |  |                  |
|                                | \$                        | \$                          | \$                       | \$                                     | \$               | \$                   | \$   | \$               |
| <b>DIRECTORS</b>               |                           |                             |                          |  |                  |                      |  |                  |
| <b>Non Executive</b>           |                           |                             |                          |  |                  |                      |  |                  |
| Michele Muscillo               | 60,000                    | -                           | -                        | -                                      | 60,000           | -                    | -  | 60,000           |
| Alastair Morrison              | 15,000                    | -                           | -                        | -                                      | 15,000           | -                    | -  | 15,000           |
| Mike Menzies                   | 18,181                    | -                           | -                        | 1,819                                  | 20,000           | -                    | -  | 20,000           |
| Susan Vearncombe               | 8,333                     | -                           | -                        | 833                                    | 9,166            | -                    | -  | 9,166            |
|                                | <b>101,514</b>            | <b>-</b>                    | <b>-</b>                 | <b>2,652</b>                           | <b>104,166</b>   | <b>-</b>             | <b>-</b>   | <b>104,166</b>   |
| <b>Executive</b>               |                           |                             |                          |  |                  |                      |  |                  |
| André Labuschagne <sup>^</sup> | 526,972                   | -                           | 2,631                    | 23,028                                 | 552,631          | -                    | 165,834  | 718,465          |
|                                | <b>628,486</b>            | <b>-</b>                    | <b>2,631</b>             | <b>25,680</b>                          | <b>656,797</b>   | <b>-</b>             | <b>165,834</b>                                       | <b>822,631</b>   |
| <b>OTHER KMP</b>               |                           |                             |                          |  |                  |                      |  |                  |
| Robert Brainsbury <sup>^</sup> | 364,610                   | -                           | -                        | 24,000                                 | 388,610          | -                    | 99,501   | 488,111          |
| Ian Sheppard <sup>^</sup>      | 366,459                   | -                           | 2,109                    | 22,151                                 | 390,719          | -                    | 91,062   | 481,781          |
| John Miller <sup>^</sup>       | 332,290                   | -                           | 3,249                    | 23,000                                 | 358,539          | -                    | -  | 358,539          |
| Matthew Smith <sup>^</sup>     | 99,633                    | -                           | -                        | 10,051                                 | 109,684          | 323,577              | -  | 433,261          |
| Ivan Jerkovic                  | 72,984                    | -                           | -                        | 7,846                                  | 80,830           | 214,306              | -  | 295,136          |
| Scott Huffadine                | 79,167                    | -                           | -                        | 4,167                                  | 83,334           | 238,710              | -  | 322,044          |
|                                | <b>1,315,143</b>          | <b>-</b>                    | <b>5,358</b>             | <b>91,215</b>                          | <b>1,411,716</b> | <b>776,593</b>       | <b>190,563</b>                                       | <b>2,378,872</b> |
|                                | <b>1,943,630</b>          | <b>-</b>                    | <b>7,989</b>             | <b>116,895</b>                         | <b>2,068,514</b> | <b>776,593</b>       | <b>356,397</b>                                       | <b>3,201,503</b> |

### Notes to tables:

<sup>^</sup> Denotes one of the highest paid executives of the Group and the Company during the year ended 30 June 2014.

(A) Includes cash salary and Directors' fees.

(B) No Short-term incentives were paid during the 2014 financial year.

(C) Includes life insurance premiums paid by the Company on behalf of the key management personnel.

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

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

# 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 |      | At Risk – Short Term Incentive |      | At Risk – Equity |      |
|---------------------------------|--------------------|------|--------------------------------|------|------------------|------|
|                                 | 2015               | 2014 | 2015                           | 2014 | 2015             | 2014 |
| <b>Directors</b>                |                    |      |                                |      |                  |      |
| Michele Muscillo                | 100%               | 100% | –                              | –    | –                | –    |
| Alastair Morrison               | 100%               | 100% | –                              | –    | –                | –    |
| André Labuschagne               | 82%                | 77%  | 12%                            | –    | 6%               | 23%  |
| <b>Key Management Personnel</b> |                    |      |                                |      |                  |      |
| Robert Brainsbury               | 82%                | 80%  | 12%                            | –    | 6%               | 20%  |
| Ian Sheppard                    | 82%                | 81%  | 12%                            | –    | 6%               | 19%  |
| John Miller                     | 94%                | 100% | 6%                             | –    | –                | –    |

## SHARE-BASED COMPENSATION

### Share-based compensation – Employee Exempt Plan

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

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

No shares have been issued under the scheme for the financial year ending 30 June 2015.

### Share-based compensation – Employee Share Acquisition Plan (“ESAP”)

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

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

No shares have been issued under the employee share acquisition plan for the financial year ending 30 June 2015.

## ADDITIONAL INFORMATION

Equity instrument disclosures relating to present key management personnel:

| Name              | Year<br>Granted | Number<br>of shares<br>issued | Value at<br>Grant<br>Date<br>\$ | Number<br>of shares<br>vested | Vested<br>%<br>% | Forfeit<br>% | Financial<br>year in<br>which equity<br>may vest | Maximum<br>total value<br>of grant<br>yet to vest<br>\$ |
|-------------------|-----------------|-------------------------------|---------------------------------|-------------------------------|------------------|--------------|--|---|
| André Labuschagne | 2013            | 24,354,606                    | 219,191                         | 16,236,404                    | 66.7%            | –            | 2016   | 145,932   |
| Robert Brainsbury | 2013            | 14,612,764                    | 131,515                         | 9,741,842                     | 66.7%            | –            | 2016   | 87,558  |
| Ian Sheppard      | 2013            | 14,612,764                    | 131,515                         | 9,741,842                     | 66.7%            | –            | 2016   | 87,558  |

- (a) Shares issued under equity granted are all restricted shares.
- (b) The grant date for the share based payments was 19 December 2013. The vesting dates coincide with that of the employee's commencement date.
- (c) The value of ESAP shares granted during the period reflects the value of a share determined in accordance with AASB 2.

|                                     |                  |
|-------------------------------------|------------------|
| Underlying Security spot price      | \$0.009          |
| Exercise price                      | \$0.009          |
| Grant date                          | 19 Dec 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          |
| Total value of the incentive shares | \$481,573        |

- (d) No restricted shares were exercised or lapsed during the period.

# DIRECTORS' REPORT (CONT'D)

## REMUNERATION REPORT (CONT'D)

### Shares held by key management personnel

| Name  | Opening balance<br>1 July 2014 | Issued and<br>Acquired* | Disposed /<br>Forfeited | Balance<br>30 June 2015 |
|---|--------------------------------|-------------------------|-------------------------|-------------------------|
| <b>DIRECTORS</b>                              |                                |                         |                         |                         |
| <b>Non Executive</b>                          |                                |                         |                         |                         |
| Michele Muscillo                              | –                              | –                       | –                       | –                       |
| Alastair Morrison                             | –                              | –                       | –                       | –                       |
| <b>Executive</b>                              |                                |                         |                         |                         |
| André Labuschagne                             | 1,400,000                      | –                       | –                       | 1,400,000               |
| <b>OTHER KEY<br/>MANAGEMENT<br/>PERSONNEL</b> |                                |                         |                         |                         |
| Robert Brainsbury                             | 3,166,666                      | –                       | –                       | 3,166,666               |
| Ian Sheppard                                  | –                              | –                       | –                       | –                       |
| John Miller                                   | 332,336                        | –                       | –                       | 332,336                 |

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

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

Signed in accordance with a resolution of the Directors.



**André Labuschagne**

Executive Chairman

Brisbane

31 August 2015



# AUDITOR'S INDEPENDENCE DECLARATION

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## Auditor's Independence Declaration

As lead auditor for the audit of Straits Resources Limited for the year ended 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'D. G. Smith'.

Debbie Smith  
Partner  
PricewaterhouseCoopers

Brisbane  
31 August 2015

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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**Straits**

ASX:SRQ

# FINANCIAL STATEMENTS

# **Straits Resources Limited** ABN 30 147 131 977 **Annual Financial Report - 30 June 2015**

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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 31 August 2015. 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](http://www.straits.com.au)

**Straits Resources Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2015**

|  | Notes | 2015<br>\$'000         | 2014<br>\$'000 |
|--|-------|------------------------|----------------|
| <b>Revenue from continuing operations</b>  | 3     | <b>217,284</b>         | 202,865        |
| Cost of goods sold   | 5     | <u>(192,923)</u>       | (189,198)      |
| <b>Gross profit</b>  |       | <b>24,361</b>          | 13,667         |
| Other income   | 4     | -                      | 717            |
| Exploration expense  | 5     | (7,225)                | (3,398)        |
| Administration and support   | 5     | (6,901)                | (9,376)        |
| Impairment of mining assets  |       | -                      | (8,204)        |
| Net foreign exchange gains/(losses)  |       | (27,340)               | 1,797          |
| Other expenses   |       | <u>(2,811)</u>         | (1,904)        |
| <b>Loss before net finance costs</b>   |       | <b>(19,916)</b>        | (6,701)        |
| Finance income   |       | 5                      | 355            |
| Finance expenses   |       | (11,555)               | (15,689)       |
| Loss on close out of SCB facility  |       | -                      | (16,678)       |
| Convertible note expense   |       | -                      | (7,854)        |
| <b>Loss before income tax from continuing operations</b>   |       | <b>(31,466)</b>        | (46,567)       |
| Income tax benefit/(expense)   | 6     | -                      | -              |
| <b>Loss from continuing operations</b>   |       | <b>(31,466)</b>        | (46,567)       |
| Profit from discontinued operations  | 14    | -                      | 103,919        |
| <b>(Loss)/profit for the year</b>  |       | <b>(31,466)</b>        | 57,352         |
| <b>Other comprehensive income</b>  |       |                        |                |
| <b>Items that may be reclassified to profit and loss</b>   |       |                        |                |
| Changes in the fair value of cash flow hedges  | 9(b)  | -                      | (21,147)       |
| Exchange differences on translation of foreign operations  | 9(b)  | -                      | (343)          |
| Income tax relating to components of other comprehensive income  | 9(b)  | 656                    | 3,051          |
| Reclassification to net income of net gains on cashflow hedges   |       | <u>(2,187)</u>         | -              |
| <b>Other comprehensive (loss)/income for the year, net of tax</b>  |       | <b>(1,531)</b>         | (18,439)       |
| <b>Total comprehensive income/(loss) for the year</b>  |       | <b>(32,997)</b>        | 38,913         |
| Total comprehensive income/(loss) for the year attributable to owners of Straits Resources Limited arises from |       |                        |                |
| Continuing operations  |       | <b>(32,997)</b>        | (65,006)       |
| Discontinued operations  |       | -                      | 103,919        |
|  |       | <u><b>(32,997)</b></u> | <u>38,913</u>  |

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

**Straits Resources Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2015**  
(continued)

|   |    | Cents | Cents |
|---|----|-------|-------|
| <b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b> |    |       |       |
| Basic earnings per share  | 22 | (2.6) | (3.9) |
| Diluted earnings per share  | 22 | (2.6) | (3.9) |
| <br>  |    |       |       |
| Earnings per share for profit attributable to the ordinary equity holders of the Company:                                   |    |       |       |
| Basic earnings per share  |    | (2.6) | 4.8   |
| Diluted earnings per share  |    | (2.6) | 4.8   |

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

**Straits Resources Limited**  
**Consolidated Balance Sheet**  
**As at 30 June 2015**

|                                      | Notes | 2015<br>\$'000  | 2014<br>\$'000 |
|--------------------------------------|-------|-----------------|----------------|
| <b>ASSETS</b>                        |       |                 |                |
| <b>Current assets</b>                |       |                 |                |
| Cash and cash equivalents            | 7(a)  | 24,022          | 12,679         |
| Trade and other receivables          | 7(b)  | 9,475           | 10,684         |
| Inventories                          | 8(a)  | 13,073          | 14,715         |
| Other financial assets               | 7(c)  | 2,126           | 5,406          |
| Short term mine development          |       | -               | 1,449          |
|                                      |       | <u>48,696</u>   | <u>44,933</u>  |
| <b>Total current assets</b>          |       | <u>48,696</u>   | <u>44,933</u>  |
| <b>Non-current assets</b>            |       |                 |                |
| Receivables                          | 7(b)  | 3,996           | 4,032          |
| Mine properties in use               | 8(d)  | 43,286          | 42,850         |
| Property, plant and equipment        | 8(c)  | 41,053          | 33,723         |
| Deferred tax assets                  | 8(e)  | 21,521          | 20,865         |
| Exploration and evaluation           |       | 19,521          | 24,353         |
| <b>Total non-current assets</b>      |       | <u>129,377</u>  | <u>125,823</u> |
| <b>Total assets</b>                  |       | <u>178,073</u>  | <u>170,756</u> |
| <b>LIABILITIES</b>                   |       |                 |                |
| <b>Current liabilities</b>           |       |                 |                |
| Trade and other payables             | 7(d)  | 26,676          | 24,458         |
| Interest bearing liabilities         | 7(e)  | 159,340         | 121,101        |
| Provisions                           | 8(f)  | 4,905           | 4,296          |
|                                      |       | <u>190,921</u>  | <u>149,855</u> |
| <b>Total current liabilities</b>     |       | <u>190,921</u>  | <u>149,855</u> |
| <b>Non-current liabilities</b>       |       |                 |                |
| Interest bearing liabilities         | 7(e)  | 2,717           | 4,255          |
| Provisions                           | 8(f)  | 11,615          | 10,926         |
| <b>Total non-current liabilities</b> |       | <u>14,332</u>   | <u>15,181</u>  |
| <b>Total liabilities</b>             |       | <u>205,253</u>  | <u>165,036</u> |
| <b>Net (liabilities)/assets</b>      |       | <u>(27,180)</u> | <u>5,720</u>   |
| <b>EQUITY</b>                        |       |                 |                |
| Contributed equity                   | 9(a)  | 353,300         | 353,300        |
| Reserves                             | 9(b)  | (7,459)         | (6,025)        |
| Retained earnings                    | 9(c)  | (373,021)       | (341,555)      |
| <b>Total equity</b>                  |       | <u>(27,180)</u> | <u>5,720</u>   |

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



**Straits Resources Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2015**

|  | <b>Attributable to owners of<br/>Straits Resources Limited</b> |                                      |   |                         | <b>Total<br/>equity<br/>\$'000</b> |
|--|--|--------------------------------------|---|-------------------------|------------------------------------|
|  | <b>Contributed<br/>equity<br/>\$'000</b>                       | <b>Other<br/>reserves<br/>\$'000</b> | <b>Retained<br/>earnings<br/>\$'000</b> | <b>Total<br/>\$'000</b> |                                    |
| <b>Balance at 1 July 2013</b>                                | 353,300  | 13,007                               | (398,907)                               | (32,600)                | (32,600)                           |
| Profit/(loss) for the period                                 | -  | -                                    | 57,352                                  | 57,352                  | 57,352                             |
| Other comprehensive income                                   | -  | (18,439)                             | -                                       | (18,439)                | (18,439)                           |
| <b>Total comprehensive income for the year</b>               | <b>-</b>   | <b>(18,439)</b>                      | <b>57,352</b>                           | <b>38,913</b>           | <b>38,913</b>                      |
| <b>Transactions with owners in their capacity as owners:</b> |  |                                      |   |                         |                                    |
| Share based payments   | -  | (593)                                | -                                       | (593)                   | (593)                              |
| <b>Balance at 30 June 2014</b>                               | <b>353,300</b>   | <b>(6,025)</b>                       | <b>(341,555)</b>                        | <b>5,720</b>            | <b>5,720</b>                       |
| <b>Balance at 1 July 2014</b>                                | 353,300  | (6,025)                              | (341,555)                               | 5,720                   | 5,720                              |
| Profit/(loss) for the period                                 | -  | -                                    | (31,466)                                | (31,466)                | (31,466)                           |
| Other comprehensive income                                   | -  | (1,531)                              | -                                       | (1,531)                 | (1,531)                            |
| <b>Total comprehensive income for the year</b>               | <b>-</b>   | <b>(1,531)</b>                       | <b>(31,466)</b>                         | <b>(32,997)</b>         | <b>(32,997)</b>                    |
| <b>Transactions with owners in their capacity as owners:</b> |  |                                      |   |                         |                                    |
| Share based payments   | -  | 97                                   | -                                       | 97                      | 97                                 |
| <b>Balance at 30 June 2015</b>                               | <b>353,300</b>   | <b>(7,459)</b>                       | <b>(373,021)</b>                        | <b>(27,180)</b>         | <b>(27,180)</b>                    |

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

**Straits Resources Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2015**

|   | Notes | 2015<br>\$'000  | 2014<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                             |       |                 |                 |
| Receipts from customers   |       | 216,623         | 187,132         |
| Net cash flows from hedging   |       | -               | 1,391           |
| Payments to suppliers and employees                                     |       | (168,896)       | (162,805)       |
| Interest received   |       | -               | 495             |
| Interest paid   |       | (1,688)         | (1,992)         |
| Net cash inflow from operating activities of discontinued operations    |       | -               | 10,975          |
| <b>Net cash inflow from operating activities</b>                        | 10(a) | <b>46,039</b>   | <b>35,196</b>   |
| <b>Cash flows from investing activities</b>                             |       |                 |                 |
| Proceeds from sale of property, plant and equipment and mine properties |       | 128             | 2,025           |
| Payments for property, plant and equipment and mine properties          |       | (30,088)        | (24,607)        |
| Payments for exploration expenditure                                    |       | (2,004)         | (2,582)         |
| Proceeds from held for trading financial assets                         |       | 540             | -               |
| Cash backed security deposits   |       | -               | 5,017           |
| <b>Net cash outflow from investing activities</b>                       |       | <b>(31,424)</b> | <b>(20,147)</b> |
| <b>Cash flows from financing activities</b>                             |       |                 |                 |
| Repayment of borrowings   |       | -               | (6,721)         |
| Finance lease payments  |       | (3,920)         | (3,685)         |
| Release from restricted cash  |       | -               | 2,357           |
| Net cash outflow from financing activities of discontinued operations   |       | -               | (12,467)        |
| <b>Net cash outflow from financing activities</b>                       |       | <b>(3,920)</b>  | <b>(20,516)</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b>           |       | <b>10,695</b>   | <b>(5,467)</b>  |
| Cash and cash equivalents at the beginning of the financial period      |       | 12,679          | 18,256          |
| Effects of exchange rate changes on cash and cash equivalents           |       | 648             | (110)           |
| <b>Cash and cash equivalents at end of year</b>                         | 7(a)  | <b>24,022</b>   | <b>12,679</b>   |

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

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## 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 2015, Straits recognised a consolidated loss of \$31.466 million (2014: profit for the year \$57.352 million) and had a cash inflow from operating activities of \$46.039 million (2014: inflow of \$35.196 million).

At 30 June 2015 the Group held cash of \$24.022 million, had a net liability position of \$27.180 million and a working capital deficiency of \$142.225 million.

Included in current liabilities is a Bridge Loan and Working Capital Facility of \$146.320 million from Standard Chartered Bank (SCB). 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.

On 11 June 2015, Straits announced that it had signed an indicative non-binding Term Sheet with its lender, SCB, and a large Asian based investment firm. The Term Sheet was negotiated in connection with a proposed restructuring of the Company's existing debt and the provision of new funding. On 31 July 2015, Straits executed binding agreements with SCB, and Special Portfolio Opportunity V Limited (PAG SPV), a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group), who will be providing a US\$25.000 million Revolving Priority Debt Facility for growth projects and exploration at the Tritton operations. The restructure includes the issue of Redeemable Convertible Preference Shares to be issued to both SCB and PAG SPV, which are subject to shareholder approvals. On successful execution of the restructure, Straits will have the financial capacity to fund growth. The restructure will likely place the company in both a net current asset and net asset position and provide the funding to enable the company to continue as a going concern. Please refer to the subsequent events note 18 for further information.

During the year ended 30 June 2015, the Group has been able to continue to meet working capital requirements principally as a result of operating cash flows and restructuring finance arrangements.

Significant progress has been made to improve cash flow since 30 June 2014, including:

- Tritton's full year copper production of 30,245 tonnes has exceeded the initial forecast of 27,000 tonnes and updated forecast of 28,500 tonnes;
- The Group has continued to generate positive cash flows from operating activities and met its commitments during the period;
- The capitalisation of all interest accruing in respect of the Bridge Loan and Working Capital Facility

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 the Tritton operations;
- obtaining shareholder approval to finalise the restructure of the SCB debt facility and associated arrangements with PAG SPV.

## **1 Significant changes in the current reporting period (continued)**

### **(a) Going concern (continued)**

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, 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.

## 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, 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.

##### *Discontinued operations*

Mt Muro, a gold and silver mine disclosed as discontinued operations and was consolidated in the prior year. Mt Muro was operated by PT IMK, a wholly owned subsidiary of Straits Resources Limited, in Indonesia. On 19 June 2015, the sale of Straits' Indonesian subsidiary (PT IMK), including the Mt Muro gold mine, was completed by the creditors of PT IMK. Straits received no consideration in relation to the sale and no longer has any interest in or an ongoing liability in respect of PT IMK or the Mt Muro Mine.

##### **Geographical segments**

The Consolidated Entity only operated in Australia as at 30 June 2015 and 30 June 2014.



## 2 Segment information (continued)

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

#### Segment results

Included in the segment results for the prior year is the discontinued operations segment relating to the Mt Muro gold mine as noted above.

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

| 2015  | Tritton<br>Operations<br>\$'000 | Other<br>\$'000 | Total<br>Continuing<br>Operations<br>\$'000 | Discontinued<br>Operations<br>\$'000 | Consolidated<br>\$'000 |
|---|---------------------------------|-----------------|---|--------------------------------------|------------------------|
| <b>Segment Revenue</b>  |                                 |                 |   |                                      |                        |
| Sales to external customers   | 216,852                         | -               | 216,852                                     | -                                    | 216,852                |
| <b>Total sales revenue</b>  | <b>216,852</b>                  | <b>-</b>        | <b>216,852</b>                              | <b>-</b>                             | <b>216,852</b>         |
| Other revenue   | 253                             | 179             | 432   | -                                    | 432                    |
| <b>Total segment revenue</b>  | <b>217,105</b>                  | <b>179</b>      | <b>217,284</b>                              | <b>-</b>                             | <b>217,284</b>         |
| <b>Adjusted EBITDA</b>  | <b>52,032</b>                   | <b>(10,822)</b> | <b>41,210</b>                               | <b>-</b>                             | <b>41,210</b>          |
| <b>Segment assets and liabilities</b>   |                                 |                 |   |                                      |                        |
| <b>Segment assets</b>   |                                 |                 |   |                                      |                        |
| Intersegment elimination  | (58,997)                        | (141,809)       | (200,806)                                   | -                                    | (200,806)              |
| Unallocated assets  | -                               | -               | 21,521                                      | -                                    | 21,521                 |
| <b>Total assets</b>   | <b>143,062</b>                  | <b>13,490</b>   | <b>178,073</b>                              | <b>-</b>                             | <b>178,073</b>         |
| <b>Segment liabilities</b>  |                                 |                 |   |                                      |                        |
| Intersegment elimination  | (111,564)                       | (89,242)        | (200,806)                                   | -                                    | (200,806)              |
| Unallocated liabilities   | -                               | -               | -   | -                                    | -                      |
| <b>Total liabilities</b>  | <b>193,420</b>                  | <b>11,833</b>   | <b>205,253</b>                              | <b>-</b>                             | <b>205,253</b>         |
| <b>Other segment information</b>  |                                 |                 |   |                                      |                        |
| Acquisition of property, plant and equipment,<br>intangibles and other segment assets | 35,592                          | -               | 35,592                                      | -                                    | 35,592                 |
| Depreciation and amortisation   | 26,804                          | 146             | 26,950                                      | -                                    | 26,950                 |
| Exploration written off   | -                               | 6,836           | 6,836                                       | -                                    | 6,836                  |

## 2 Segment information (continued)

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

2014

|  | Tritton<br>Operations<br>\$'000 | Other<br>\$'000 | Total<br>Continuing<br>Operations<br>\$'000 | Discontinued<br>Operations<br>\$'000 | Consolidated<br>\$'000 |
|--|---------------------------------|-----------------|---|--------------------------------------|------------------------|
| <b>Segment Revenue</b>   |                                 |                 |   |                                      |                        |
| Sales to external customers  | 201,196                         | -               | 201,196                                     | 22,317                               | 223,513                |
| <b>Total sales revenue</b>   | <b>201,196</b>                  | <b>-</b>        | <b>201,196</b>                              | <b>22,317</b>                        | <b>223,513</b>         |
| Other revenue  | 1,669                           | -               | 1,669                                       | 539                                  | 2,208                  |
| <b>Total segment revenue</b>   | <b>202,865</b>                  | <b>-</b>        | <b>202,865</b>                              | <b>22,856</b>                        | <b>225,721</b>         |
| <b>Adjusted EBITDA</b>   | <b>39,248</b>                   | <b>(2,897)</b>  | <b>36,351</b>                               | <b>(11,057)</b>                      | <b>25,294</b>          |
| <b>Segment assets and liabilities</b>  |                                 |                 |   |                                      |                        |
| <b>Segment assets</b>  | <b>195,151</b>                  | <b>95,159</b>   | <b>290,310</b>                              | -                                    | <b>290,310</b>         |
| Intersegment elimination   | (58,997)                        | (71,094)        | (130,091)                                   | -                                    | (130,091)              |
| Unallocated assets   | -                               | -               | 20,865                                      | -                                    | 20,865                 |
| <b>Total assets</b>  | <b>136,154</b>                  | <b>24,065</b>   | <b>181,084</b>                              | <b>-</b>                             | <b>181,084</b>         |
| <b>Segment liabilities</b>   | <b>273,794</b>                  | <b>31,661</b>   | <b>305,455</b>                              | -                                    | <b>305,455</b>         |
| Intersegment liabilities   | (107,564)                       | (22,527)        | (130,091)                                   | -                                    | (130,091)              |
| <b>Total liabilities</b>   | <b>166,230</b>                  | <b>9,134</b>    | <b>175,364</b>                              | <b>-</b>                             | <b>175,364</b>         |
| <b>Other segment information</b>   |                                 |                 |   |                                      |                        |
| 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 of mining assets and exploration written off                            | 10,890                          | -               | 10,890                                      | -                                    | 10,890                 |

#### (iii) Adjusted EBITDA

The Group's strategic steering committee 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, losses recognised on refinancing and the effects of foreign exchange which primarily reflects gains/losses on the translation of the USD borrowings.

## 2 Segment information (continued)

### (iii) Adjusted EBITDA (continued)

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

|  | 2015<br>\$'000  | 2014<br>\$'000  |
|--|-----------------|-----------------|
| Adjusted EBITDA (continuing operations)                  | 41,210          | 36,351          |
| Finance costs  | (11,550)        | (15,689)        |
| Foreign exchange (losses)/gains                          | (27,340)        | 1,797           |
| Convertible note expense                                 | -               | (7,854)         |
| Loss on close out of SCB facility                        | -               | (16,678)        |
| Impairment and exploration write off                     | (6,836)         | (10,998)        |
| Mark to market valuation of option collars               | -               | (1,904)         |
| Depreciation and amortisation                            | (26,950)        | (31,592)        |
| <b>Loss before income tax from continuing operations</b> | <b>(31,466)</b> | <b>(46,567)</b> |

## 3 Revenue

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| <b>From continuing operations</b>      |                |                |
| <i>Sales revenue</i>                   |                |                |
| Mining activities                      | 216,852        | 201,196        |
| <i>Other revenue</i>                   |                |                |
| Other revenue from ordinary activities | 432            | 1,669          |
|  | <b>217,284</b> | <b>202,865</b> |

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

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Forward commodity contracts - cash flow hedged | 2,187          | 3,150          |
|  | <b>2,187</b>   | <b>3,150</b>   |

## 4 Other income

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Net gain on disposal of property, plant and equipment and investments | -              | 215            |
| Gain on fair value of listed securities held for trading              | -              | 502            |
|   | <b>-</b>       | <b>717</b>     |

## 5 Expenses

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>Loss before income tax includes the following specific expenses:</b> |                |                |
| <b>Cost of goods sold:</b>  |                |                |
| <b>Cost of production</b>   |                |                |
| Mining activities   | 166,120        | 158,055        |
|   | 166,120        | 158,055        |
| <b>Depreciation</b>   |                |                |
| Plant and equipment   | 6,342          | 5,993          |
| Plant and equipment under finance leases                                | 2,502          | 4,646          |
|   | 8,844          | 10,639         |
| <b>Amortisation</b>   |                |                |
| Mine properties   | 17,959         | 20,504         |
| <b>Total Cost of goods sold</b>   | <b>192,923</b> | <b>189,198</b> |
| <b>Exploration expense:</b>   |                |                |
| Exploration expenditure   | 389            | 619            |
| Exploration written off   | 6,836          | 2,779          |
|   | 7,225          | 3,398          |
| <b>Administration and support:</b>                                      |                |                |
| Corporate   | 6,755          | 8,927          |
| Corporate depreciation  | 146            | 449            |
|   | 6,901          | 9,376          |
| <b>Other expenses:</b>  |                |                |
| Loss on time value of option contracts                                  | -              | 1,904          |
| Loss on fair value of listed securities held for trading                | 2,739          | -              |
| Loss on sale of tenement  | 72             | -              |
|   | 2,811          | 1,904          |
| <b>Impairment loss:</b>   |                |                |
| Write back on sale of debt (GFE Loan)                                   | -              | (2,686)        |
| Short term mine capital   | -              | 3,851          |
| Mine properties in use  | -              | 7,039          |
|   | -              | 8,204          |
| <b>Finance costs - net:</b>   |                |                |
| Interest and finance charges paid / payable                             | 11,102         | 15,210         |
| Unwinding of discounts on provisions                                    | 453            | 479            |
|   | <b>11,555</b>  | <b>15,689</b>  |

## 5 Expenses (continued)

|   | 2015   | 2014   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| <i>Included within the above functions are the following:</i> |        |        |
| Employee benefit expense                                      | 39,884 | 39,874 |
| Superannuation expense  | 3,077  | 3,076  |
|   | 42,961 | 42,950 |

## 6 Income tax (benefit) / expense

### (a) Income tax (benefit) / expense

|   | 2015    | 2014    |
|---|---------|---------|
|   | \$'000  | \$'000  |
| Current tax expense   | -       | -       |
|   | -       | -       |
| Deferred income tax (benefit) / expense included in income tax comprises: |         |         |
| (Increase) / decrease in deferred tax assets (note 8(e)(i))               | 3,803   | (2,516) |
| Increase / (decrease) in deferred tax liabilities (note 8(e)(ii))         | (3,803) | 2,516   |
|   | -       | -       |

## 6 Income tax (benefit) / expense (continued)

### (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.

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

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Loss from continuing operations before income tax expense                               | (31,466)       | (46,567)       |
| Profit / (loss) from discontinued operations before income tax expense                  | -              | 103,919        |
|   | (31,466)       | 57,352         |
| <br>  |                |                |
| Tax at the Australian tax rate of 30.0%   | (9,440)        | 17,206         |
| <br>  |                |                |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                |                |
| Non-deductible expenses - continuing operations   | (288)          | (1,405)        |
| Current tax losses not recognised   | 7,973          | 24,738         |
| Current temporary differences not recognised - continuing operations                    | (365)          | (7,941)        |
| Gain on de-consolidation/sale of subsidiary   | -              | (31,169)       |
| Share-based payments  | 29             | (178)          |
| Losses of foreign operations not recognised   | 2,091          | 685            |
| Convertible note expense  | -              | 2,537          |
| Refinance of SCB facility   | -              | (4,473)        |
| Income tax (benefit) / expense  | -              | -              |

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

|                              | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------|----------------|----------------|
| Cash flow hedges (note 9(b)) | 656            | 3,051          |

### (e) Tax losses

|                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------|----------------|----------------|
| Unused tax losses             | 256,148        | 229,570        |
| Potential tax benefit @ 30.0% | 76,844         | 68,871         |

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

|               | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------|----------------|----------------|
| Bank balances | <u>24,022</u>  | 12,679         |
|               | <b>24,022</b>  | <b>12,679</b>  |

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

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Cash and cash equivalents           | <u>24,022</u>  | 12,679         |
| Balance per statement of cash flows | <u>24,022</u>  | 12,679         |

#### (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 their fair value.

### (b) Trade and other receivables

|                   | 2015              |                           |                 | 2014              |                           |                 |
|-------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                   | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| Trade receivables | 5,852             | -                         | 5,852           | 7,576             | -                         | 7,576           |
| Other debtors*    | 2,119             | -                         | 2,119           | 1,672             | -                         | 1,672           |
| Restricted cash** | -                 | 3,996                     | 3,996           | -                 | 4,032                     | 4,032           |
| Prepayments       | 1,504             | -                         | 1,504           | 1,436             | -                         | 1,436           |
|                   | <u>9,475</u>      | <u>3,996</u>              | <u>13,471</u>   | <u>10,684</u>     | <u>4,032</u>              | <u>14,716</u>   |

\* Other debtors is primarily composed of receivables in relation to Australian GST refund claims and security deposits held.

\*\* Restricted cash relates to cash held on deposit for security against bank guarantees. The comparative restricted cash figure has been restated to remove \$10.383 million in guarantees provided to the NSW Department under a contingent facility provided by Standard Chartered Bank. The reduction is offset by an equal reduction in the current borrowings provided by Standard Chartered Bank. The guarantees have been disclosed as a contingent liability in note 16.

#### (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.

## 7 Financial assets and financial liabilities (continued)

### (b) Trade and other receivables (continued)

#### (i) Provision for impairment of receivables (continued)

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

#### (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:

|                 | 2015                      |                      | 2014                      |                      |
|-----------------|---------------------------|----------------------|---------------------------|----------------------|
|                 | Carrying amount<br>\$'000 | Fair value<br>\$'000 | Carrying amount<br>\$'000 | Fair value<br>\$'000 |
| Restricted cash | <b>3,996</b>              | <b>3,996</b>         | 4,032                     | 4,032                |

#### (iv) Foreign currency risk

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

|                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------|----------------|----------------|
| Australian Dollar       | <b>8,027</b>   | 7,500          |
| US Dollar               | <b>5,444</b>   | 7,216          |
|                         | <b>13,471</b>  | 14,716         |
| Current receivables     | <b>9,475</b>   | 10,684         |
| Non-current receivables | <b>3,996</b>   | 4,032          |
|                         | <b>13,471</b>  | 14,716         |

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. 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

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>Current assets</b>                                 |                |                |
| Listed equity securities (ASX & TSX listed companies) | 2,126          | 5,406          |
|   | 2,126          | 5,406          |

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:

|                  | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------|----------------|----------------|
| Held for trading | 2,126          | 5,406          |
|                  | 2,126          | 5,406          |

#### (ii) Risk exposure and fair value measurements

Information about the Group exposure to equity price risk is provided in note 12(d).

### (d) Trade and other payables

|                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>Current liabilities</b> |                |                |
| Trade payables             | 26,601         | 24,303         |
| Other payables             | 75             | 155            |
|                            | 26,676         | 24,458         |

#### (i) Foreign currency risk

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

|                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------|----------------|----------------|
| Australian Dollar | 26,044         | 23,772         |
| US Dollar         | 591            | 653            |
| Other currencies  | 41             | 33             |
|                   | 26,676         | 24,458         |

## 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

|                            | 2015              |                           |                 | 2014              |                           |                 |
|----------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                            | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| <b>Secured</b>             |                   |                           |                 |                   |                           |                 |
| Bank loans                 | 146,320           | 660                       | 146,980         | 112,134           | 660                       | 112,794         |
| Lease liabilities          | 3,553             | 2,057                     | 5,610           | 4,940             | 105                       | 5,045           |
| Total secured borrowings   | 149,873           | 2,717                     | 152,590         | 117,074           | 765                       | 117,839         |
| <b>Unsecured</b>           |                   |                           |                 |                   |                           |                 |
| Convertible notes          | 9,467             | -                         | 9,467           | 4,027             | 3,490                     | 7,517           |
| Total unsecured borrowings | 9,467             | -                         | 9,467           | 4,027             | 3,490                     | 7,517           |
| <b>Total borrowings</b>    | <b>159,340</b>    | <b>2,717</b>              | <b>162,057</b>  | <b>121,101</b>    | <b>4,255</b>              | <b>125,356</b>  |

Interest bearing liabilities in denominated currency

|                           | 2015           |               | 2014           |               |
|---------------------------|----------------|---------------|----------------|---------------|
|                           | USD<br>\$'000  | AUD<br>\$'000 | USD<br>\$'000  | AUD<br>\$'000 |
| <b>Secured</b>            |                |               |                |               |
| Bank loans                | 112,318        | 695           | 105,670        | 737           |
| Lease liabilities         | 3,223          | 1,411         | 4,582          | 186           |
| Total secured borrowing   | 115,541        | 2,106         | 110,252        | 923           |
| <b>Unsecured</b>          |                |               |                |               |
| Convertible notes         | 7,269          | -             | 7,088          | -             |
| Total unsecured borrowing | 7,269          | -             | 7,088          | -             |
| <b>Total borrowings</b>   | <b>122,810</b> | <b>2,106</b>  | <b>117,340</b> | <b>923</b>    |

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

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

## 7 Financial assets and financial liabilities (continued)

### (e) Interest bearing liabilities (continued)

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

|                                | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------|----------------|----------------|
| Bank overdrafts and bank loans | 146,980        | 112,794        |
| Lease liabilities              | 5,610          | 5,045          |
| Total secured liabilities      | 152,590        | 117,839        |

On 16 June 2014 Straits announced that formal documentation had been executed for a restructuring of pre-existing debt facilities (Copper Swap Facility and Working Capital Facility) held by Straits' wholly owned subsidiary (Tritton Resources Pty Ltd) with Standard Chartered Bank (SCB).

The debt restructuring closed out the Copper Swap Facility for US\$99.900 million, to be funded by a Bridge Loan provided by SCB, and capped the Working Capital and Guarantee Facility at US\$14.600 million.

Straits and SCB continued discussions with respect to a longer term debt restructure (Refinancing Plan). The Refinancing Plan was initially to be agreed by 13 November 2014.

On 13 November 2014, a formal amendment (Amendment Agreement) to the original Bridge Loan documentation was executed, with the only material changes to the Bridge Loan terms relating to the new dates for the completion of the Refinancing Plan (13 February 2015) and finalisation of the Debt Restructure (13 April 2015). The date for completion of the Refinancing Plan and finalisation of the Debt Restructure were subsequently further extended.

Interest and Fees payable on the Bridge Loan and Working Capital Facility from the Agreement Date until the Refinancing Plan was completed have been capitalised.

On 11 June 2015, Straits announced that it had signed an indicative non-binding Term Sheet with its lender, Standard Chartered Bank (SCB), and a large Asian based investment firm. The Term Sheet was negotiated in connection with a proposed restructuring of the Company's existing debt and the provision of new money. Subsequently binding agreements have been executed, please refer to the subsequent events note 18 for further information.

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

#### (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.

Lease liabilities are effectively secured as the rights to the leased assets are 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)

#### (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. Both Class A and Class B Notes were issued to CS on 5 November 2013.

Class A Notes were 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. On 5 November 2014, Straits announced that it had reached agreement with CS to extend the maturity date of the Class A Notes to 5 November 2015.

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 on 5 November 2015 and the Non Mandatory Conversion Class B Notes will be redeemed 3 years after the date of issue.

As part of the Debt Restructure arrangements as announced on 3 August 2015, it is assumed that the Class B notes will be redeemed within 12 months and accordingly have now been classified as current.

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:

|  | <b>2015</b>    | 2014    |
|--|----------------|---------|
|  | <b>\$'000</b>  | \$'000  |
| Floating rate  |                |         |
| Bank finance loan facilities and residential housing loans | <b>146,980</b> | 112,794 |
| Used at balance date                                       |                |         |
| Bank finance loan facilities and residential housing loans | <b>146,980</b> | 112,794 |
| Unused at balance date                                     |                |         |
| Bank finance loan facilities and residential housing loans | -              | -       |

#### Credit stand-by arrangements

The Group has a \$3,995,859 (2014: \$4,032,077) bank guarantee facility primarily in respect of its rehabilitation obligations. These guarantees are secured by \$3,995,859 (2014: \$4,032,077) in restricted cash. Restricted cash has been adjusted with some guarantees previously classified in restricted cash now included in contingent liabilities.

#### Bank residential housing loans

The residential housing loans totalling \$694,503 (2014: \$736,568) (original principal \$900,000) are repayable over 25 years at a current interest rate of 4.58 % (2014: 5.88%).



## 7 Financial assets and financial liabilities (continued)

### (e) Interest bearing liabilities (continued)

#### (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.

| 2015                                | Fixed interest rate    |                |                   | Non interest bearing | Total          |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|----------------|
|                                     | Floating interest rate | 1 year or less | Over 1 to 5 years |                      |                |
| Bank overdrafts and loans           | 146,980                | -              | -                 | -                    | 146,980        |
| Trade and other creditors           | -                      | -              | -                 | 26,676               | 26,676         |
| Lease and hire purchase liabilities | -                      | 3,553          | 2,057             | -                    | 5,610          |
| Convertible Notes                   | -                      | 9,467          | -                 | -                    | 9,467          |
|                                     | <b>146,980</b>         | <b>13,020</b>  | <b>2,057</b>      | <b>26,676</b>        | <b>188,733</b> |

| 2014                                | Fixed interest rate    |                |                   | Non interest bearing | Total          |
|-------------------------------------|------------------------|----------------|-------------------|----------------------|----------------|
|                                     | Floating interest rate | 1 year or less | Over 1 to 5 years |                      |                |
| Bank overdrafts and loans           | 112,794                | -              | -                 | -                    | 112,794        |
| 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          |
|                                     | <b>112,794</b>         | <b>8,967</b>   | <b>3,595</b>      | <b>24,458</b>        | <b>149,814</b> |

#### (vi) Fair value

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

|   | 2015                      |                      | 2014                      |                      |
|---|---------------------------|----------------------|---------------------------|----------------------|
|   | Carrying amount<br>\$'000 | Fair value<br>\$'000 | Carrying amount<br>\$'000 | Fair value<br>\$'000 |
| <b>On-balance sheet</b>                 |                           |                      |                           |                      |
| <i>Non-traded financial liabilities</i> |                           |                      |                           |                      |
| Bank loans                              | 146,980                   | 146,980              | 112,794                   | 112,794              |
| Lease and hire purchase liabilities     | 5,610                     | 5,610                | 5,045                     | 5,045                |
| Convertible notes                       | 9,467                     | 9,467                | 7,517                     | 7,517                |
|   | <b>162,057</b>            | <b>162,057</b>       | <b>125,356</b>            | <b>125,356</b>       |

#### *On-balance sheet*

The fair value of interest bearing liabilities is determined by discounting the expected future cash flows by the current interest rates or liabilities with similar risk profiles.

## 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 in Australian dollars are denominated in the following currencies:

|                                     | 2015                               |   |   | 2014                               |   |   |
|-------------------------------------|------------------------------------|---|---|------------------------------------|---|---|
|                                     | US Dollar<br>denominated<br>\$'000 | Australian<br>Dollar<br>denominated<br>\$'000 | Total<br>interest<br>bearing<br>liabilities<br>\$'000 | US Dollar<br>Denominated<br>\$'000 | Australian<br>Dollar<br>denominated<br>\$'000 | Total<br>interest<br>bearing<br>liabilities<br>\$'000 |
| Bank overdrafts and loans           | 146,285                            | 695   | 146,980   | 112,057                            | 737   | 112,794   |
| Lease and hire purchase liabilities | 4,199                              | 1,411   | 5,610   | 4,859                              | 186   | 5,045   |
| Convertible Notes                   | 9,467                              | -   | 9,467   | 7,517                              | -   | 7,517   |
| <b>Total</b>                        | <b>159,951</b>                     | <b>2,106</b>                                  | <b>162,057</b>  | <b>124,433</b>                     | <b>923</b>                                    | <b>125,356</b>  |

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

### (f) Fair value measurements

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- 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 2015 and 30 June 2014:

| 30 June 2015  | Notes | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>                               |       |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss |       |                   |                   |                   |                 |
| Australian listed equity securities                   |       |                   |                   |                   |                 |
|   |       | 2,126             | -                 | -                 | 2,126           |
| <b>Total financial assets</b>                         |       | <b>2,126</b>      | <b>-</b>          | <b>-</b>          | <b>2,126</b>    |

## 7 Financial assets and financial liabilities (continued)

### (f) Fair value measurements (continued)

| 30 June 2014  | Notes | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>                               |       |                   |                   |                   |                 |
| Financial assets at fair value through profit or loss |       |                   |                   |                   |                 |
| Australian listed equity securities                   |       |                   |                   |                   |                 |
|   |       | 5,406             | -                 | -                 | 5,406           |
| <b>Total financial assets</b>                         |       | 5,406             | -                 | -                 | 5,406           |

### Valuation Methodology

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

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

|                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------|----------------|----------------|
| <b>Current assets</b>         |                |                |
| <b>Mining inventories</b>     |                |                |
| Production supplies - at cost | 6,484          | 6,091          |
| Work in progress - at cost    | 6,589          | 8,624          |
|                               | <b>13,073</b>  | 14,715         |

#### (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.

## 8 Non-financial assets and liabilities (continued)

### (b) Short term mine development

|   | 30 June<br>2015<br>\$'000 | 30 June<br>2014<br>\$'000 |
|---|---------------------------|---------------------------|
| Opening net book amount                     | 1,449                     | 8,848                     |
| Impairment loss                             | -                         | (3,851)                   |
| Expenditure incurred during the year        | -                         | 5,000                     |
| Transfer from / (to) mine properties in use | (540)                     | (905)                     |
| Amortisation for the year                   | (909)                     | (7,643)                   |
| Closing balance                             | -                         | 1,449                     |
| <b>Balance at reporting date</b>            |                           |                           |
| Short term mine development - at cost       | -                         | 18,946                    |
| Accumulated amortisation                    | -                         | (17,497)                  |
| Net book value                              | -                         | 1,449                     |

In the prior year, the Directors reviewed the carrying amount of short term mine development at the North East mine and as a result the company recognised an impairment to the value of \$3,851,000.

### (c) Property, plant and equipment

|  | Freehold land<br>\$'000 | Freehold<br>buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Leased plant<br>and<br>equipment<br>\$'000 | Total<br>\$'000 |
|--|-------------------------|---------------------------------|----------------------------------|--|-----------------|
| <b>At 1 July 2013</b>                          |                         |                                 |                                  |  |                 |
| 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          |
| <b>Year ended 30 June 2014</b>                 |                         |                                 |                                  |  |                 |
| Opening net book amount                        | 1,324                   | 6,181                           | 19,786                           | 8,408                                      | 35,699          |
| Additions                                      | -                       | -                               | 8,523                            | 1,003                                      | 9,526           |
| Depreciation charge                            | -                       | (319)                           | (5,899)                          | (4,869)                                    | (11,087)        |
| Transfer from / (to) mine<br>properties in use | -                       | -                               | (227)                            | -  | (227)           |
| Disposals                                      | -                       | -                               | (60)                             | (128)                                      | (188)           |
| Transfer                                       | -                       | 399                             | (1,008)                          | 609  | -               |
| Closing net book amount                        | 1,324                   | 6,261                           | 21,115                           | 5,023                                      | 33,723          |
| <b>At 30 June 2014</b>                         |                         |                                 |                                  |  |                 |
| Cost or fair value                             | 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          |

## 8 Non-financial assets and liabilities (continued)

### (c) Property, plant and equipment (continued)

|                                | Freehold land<br>\$'000 | Freehold<br>buildings<br>\$'000 | Plant and<br>equipment<br>\$'000 | Leased plant<br>and<br>equipment<br>\$'000 | Total<br>\$'000 |
|--------------------------------|-------------------------|---------------------------------|----------------------------------|--|-----------------|
| <b>Year ended 30 June 2015</b> |                         |                                 |                                  |  |                 |
| Opening net book amount        | 1,324                   | 6,261                           | 21,115                           | 5,023                                      | 33,723          |
| Additions                      | -                       | -                               | 14,730                           | 1,711                                      | 16,441          |
| Depreciation charge            | -                       | (340)                           | (6,034)                          | (2,616)                                    | (8,990)         |
| Disposals                      | -                       | -                               | (121)                            | -  | (121)           |
| Closing net book amount        | <u>1,324</u>            | <u>5,921</u>                    | <u>29,690</u>                    | <u>4,118</u>                               | <u>41,053</u>   |
| <b>At 30 June 2015</b>         |                         |                                 |                                  |  |                 |
| Cost                           | 1,324                   | 7,077                           | 45,690                           | 17,674                                     | 71,765          |
| Accumulated depreciation       | -                       | (1,156)                         | (16,000)                         | (13,556)                                   | (30,712)        |
| Net book amount                | <u>1,324</u>            | <u>5,921</u>                    | <u>29,690</u>                    | <u>4,118</u>                               | <u>41,053</u>   |

#### (i) Assets in the course of construction

The carrying amounts of the assets disclosed above include assets that were in the course of construction as at the end of the reporting period. The relevant amounts are as follows:

|                     | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------|----------------|----------------|
| Plant and equipment | <u>4,896</u>   | 2,351          |

#### (ii) 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)

### (d) Exploration and evaluation, Mining properties in use

#### (i) Exploration and evaluation

|   | 30 June<br>2015<br>\$'000 | 30 June<br>2014<br>\$'000 |
|---|---------------------------|---------------------------|
| Opening net book amount                     | 24,353                    | 26,154                    |
| Expenditure incurred during the year        | 2,004                     | 2,582                     |
| Transfer from / (to) mine properties in use | -                         | (1,589)                   |
| Expenditure written off                     | <b>(6,836)</b>            | (2,794)                   |
| Closing balance                             | <b>19,521</b>             | 24,353                    |

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 costs of \$6,836,000 (2014: \$2,794,000) relating to non-core assets of the Group.

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

#### (ii) Mine properties in use

|   | 30 June<br>2015<br>\$'000 | 30 June<br>2014<br>\$'000 |
|---|---------------------------|---------------------------|
| Opening net book amount                   | 42,850                    | 49,948                    |
| Impairment loss                           | -                         | (7,039)                   |
| Expenditure incurred during the year      | 17,147                    | 10,081                    |
| Transfer from exploration                 | -                         | 1,589                     |
| Disposals                                 | (200)                     | -                         |
| Amortisation for the year                 | <b>(17,051)</b>           | (12,861)                  |
| Transfer from PPE                         | -                         | 227                       |
| Transfer from short term mine development | 540                       | 905                       |
| Closing balance                           | <b>43,286</b>             | 42,850                    |
| <b>Balance at reporting date</b>          |                           |                           |
| Cost                                      | <b>93,687</b>             | 76,200                    |
| Accumulated amortisation                  | <b>(50,401)</b>           | (33,350)                  |
| Net book value                            | <b>43,286</b>             | 42,850                    |

In the prior year, the Directors have reviewed the carrying amount of Mine properties in use and as a result the company recognised an impairment to the value of \$7,039,000, mainly relating to the North East mine.

## 8 Non-financial assets and liabilities (continued)

### (e) Deferred tax balances

#### (i) Deferred tax assets

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>The balance comprises temporary differences attributable to:</b> |                |                |
| Fixed assets, exploration and mine properties                       | 18,135         | 17,367         |
| Transaction/issuance costs  | 4,862          | 9,368          |
| Provisions and accruals   | 5,140          | 5,205          |
| Total deferred tax assets   | 28,137         | 31,940         |
| Set-off of deferred tax liabilities pursuant to set-off provisions  | (6,616)        | (11,075)       |
| Net deferred tax assets   | 21,521         | 20,865         |
| Deferred tax assets expected to be recovered within 12 months       | -              | 918            |
| Deferred tax assets expected to be recovered after 12 months        | 21,521         | 19,947         |
|   | 21,521         | 20,865         |

| Movements - Consolidated                        | Tax losses<br>\$'000 | Investments<br>\$'000 | Fixed assets,<br>exploration<br>and mine<br>properties<br>\$'000 | Transaction/<br>issuance<br>Cost<br>\$'000 | Provision<br>and accruals<br>\$'000 | DTA/DTL<br>net off<br>\$'000 | Total<br>\$'000 |
|---|----------------------|-----------------------|--|--|-------------------------------------|------------------------------|-----------------|
| <b>At 1 July 2013</b>                           | -                    | 631                   | 12,503   | -  | 17,010                              | (11,610)                     | 18,534          |
| Debited/(credited) -<br>to the income statement | -                    | (631)                 | 4,865  | 9,368                                      | (11,806)                            | (2,516)                      | (720)           |
| Charged/(credited) -<br>directly to equity      | -                    | -                     | -  | -  | -                                   | 3,051                        | 3,051           |
| Tax losses current losses                       | 24,738               | -                     | -  | -  | -                                   | -                            | 24,738          |
| Tax losses not recognised                       | (24,738)             | -                     | -  | -  | -                                   | -                            | (24,738)        |
| <b>At 30 June 2014</b>                          | -                    | -                     | 17,368   | 9,368                                      | 5,204                               | (11,075)                     | 20,865          |
| Debited/(credited)<br>- to the income statement | -                    | -                     | 767  | (4,506)                                    | (64)                                | 3,803                        | -               |
| Charged/(credited)<br>- directly to equity      | -                    | -                     | -  | -  | -                                   | 656                          | 656             |
| Tax losses current losses                       | 7,973                | -                     | -  | -  | -                                   | -                            | 7,973           |
| Tax losses not recognised                       | (7,973)              | -                     | -  | -  | -                                   | -                            | (7,973)         |
| <b>At 30 June 2015</b>                          | -                    | -                     | 18,135   | 4,862                                      | 5,140                               | (6,616)                      | 21,521          |

Net deferred tax assets amounting to \$21,521,000 (2014: \$20,865,000) have been recognised, recovery of this amount is based on the Group's probable future taxable income.



## 8 Non-financial assets and liabilities (continued)

### (e) Deferred tax balances (continued)

#### (i) Deferred tax assets (continued)

##### Tax losses

|                               | 2015           | 2014    |
|-------------------------------|----------------|---------|
|                               | \$'000         | \$'000  |
| Unused tax losses             | <b>256,148</b> | 229,570 |
| Potential tax benefit @ 30.0% | <b>76,844</b>  | 68,871  |

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

#### Unrecognised Temporary Differences

Temporary differences of \$11.793 million (2014: \$12.813 million) have not been recognised.

#### (ii) Deferred tax liabilities

|  | 2015   | 2014   |
|--|--------|--------|
|  | \$'000 | \$'000 |
|  |        |        |

#### The balance comprises temporary differences attributable to:

##### Amounts recognised in the profit and loss

|                  |              |        |
|------------------|--------------|--------|
| Inventories      | 1,945        | 1,702  |
| Exploration      | 4,015        | 4,012  |
| Other            | -            | 4,443  |
|                  | <b>5,960</b> | 10,157 |
| <i>Other</i>     |              |        |
| Cash flow hedges | <b>656</b>   | 918    |

## 8 Non-financial assets and liabilities (continued)

### (e) Deferred tax balances (continued)

#### (ii) Deferred tax liabilities (continued)

|  | 2015<br>\$'000 | 2014<br>\$'000  |
|--|----------------|-----------------|
| Total deferred tax liabilities                                     | 6,616          | 11,075          |
| Set-off of deferred tax liabilities pursuant to set-off provisions | <u>(6,616)</u> | <u>(11,075)</u> |
| Net deferred tax liabilities                                       | <u>-</u>       | <u>-</u>        |

| Movements - Consolidated                        | Inventories<br>\$'000 | Exploration<br>\$'000 | Cash<br>flow<br>hedges<br>\$'000 | Other<br>\$'000 | DTA<br>net off<br>\$'000 | Total<br>\$'000 |
|---|-----------------------|-----------------------|----------------------------------|-----------------|--------------------------|-----------------|
| <b>At 1 July 2013</b>                           | 1,605                 | 446                   | 3,969                            | 5,590           | (11,610)                 | -               |
| Charged/(credited) -<br>to the income statement | 97                    | 3,567                 | -                                | (1,148)         | (2,516)                  | -               |
| Charged/(credited) -<br>directly to equity      | -                     | -                     | (3,051)                          | -               | 3,051                    | -               |
| <b>At 30 June 2014</b>                          | <u>1,702</u>          | <u>4,013</u>          | <u>918</u>                       | <u>4,442</u>    | <u>(11,075)</u>          | <u>-</u>        |
| Charged/(credited) -<br>to the income statement | 243                   | 2                     | 394                              | (4,442)         | 3,803                    | -               |
| Charged/(credited) -<br>directly to equity      | -                     | -                     | (656)                            | -               | 656                      | -               |
| <b>At 30 June 2015</b>                          | <u>1,945</u>          | <u>4,015</u>          | <u>656</u>                       | <u>-</u>        | <u>(6,616)</u>           | <u>-</u>        |

## 8 Non-financial assets and liabilities (continued)

### (f) Provisions

|  | 2015              |                           |                 | 2014              |                           |                 |
|--|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|  | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| Employee benefits                            | 4,743             | 1,001                     | 5,744           | 4,106             | 723                       | 4,829           |
| Provision for rehabilitation and dismantling | -                 | 10,614                    | 10,614          | -                 | 10,203                    | 10,203          |
| Other provisions                             | 162               | -                         | 162             | 190               | -                         | 190             |
|  | <b>4,905</b>      | <b>11,615</b>             | <b>16,520</b>   | <b>4,296</b>      | <b>10,926</b>             | <b>15,222</b>   |

#### (i) Information about individual provisions and significant estimates

##### 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 risk free 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:

|  | Provision for<br>rehabilitation<br>and dismantling<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|--|--|-----------------|-----------------|
| Carrying amount at start of year                 | 10,203   | 190             | 10,393          |
| Additional provisions recognised during the year | 510  | 189             | 699             |
| Amounts used during the year                     | (99)   | (217)           | (316)           |
| Carrying amount at end of year                   | <b>10,614</b>  | <b>162</b>      | <b>10,776</b>   |

## 9 Equity

### (a) Contributed equity

#### (i) Share capital

|                                 | 2015<br>Shares       | 2014<br>Shares       | 2015<br>\$'000 | 2014<br>\$'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           | 61,571,160           | -              | -              |
|                                 | <b>1,217,730,293</b> | <b>1,217,730,293</b> | <b>353,300</b> | <b>353,300</b> |

## 9 Equity (continued)

### (a) Contributed equity (continued)

#### (ii) Movements in ordinary share capital

| Details                           | Notes | Number of shares | \$'000  |
|-----------------------------------|-------|------------------|---------|
| Opening balance 1 July 2013       |       | 1,164,150,159    | 353,300 |
| Treasury shares issued under ESAP |       | 53,580,134       | -       |
| Balance 30 June 2014              |       | 1,217,730,293    | 353,300 |
| Treasury shares issued under ESAP |       | -                | -       |
| Balance 30 June 2015              |       | 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. No Treasury shares were issued under the ESAP during the financial year (2014: 53,580,134).

## 9 Equity (continued)

### (b) Reserves

|   | 2015<br>\$'000 | 2014<br>\$'000  |
|---|----------------|-----------------|
| Cash flow hedges  | 1,531          | 3,062           |
| Share-based payments  | 453            | 356             |
| Acquisition Revaluation Reserve                                     | <u>(9,443)</u> | <u>(9,443)</u>  |
|   | <u>(7,459)</u> | <u>(6,025)</u>  |
| <b>Movements:</b>   |                |                 |
| Cash flow hedges  |                |                 |
| Balance 1 July  | 3,062          | 21,158          |
| Revaluation - gross   | -              | (9,240)         |
| Transfer to net profit or loss from continuing operations - gross   | <u>(2,187)</u> | <u>(3,332)</u>  |
| Transfer to net profit or loss from discontinued operations - gross | -              | (8,575)         |
| Movement in cashflow hedges   | <u>(2,187)</u> | <u>(21,147)</u> |
| Deferred tax  | 656            | 3,051           |
| Balance 30 June   | <u>1,531</u>   | <u>3,062</u>    |
| Share-based payments  |                |                 |
| Balance 1 July  | 356            | 949             |
| Employee share based payment expense                                | <u>97</u>      | <u>(593)</u>    |
| Balance 30 June   | <u>453</u>     | <u>356</u>      |
| Acquisition Revaluation Reserve                                     |                |                 |
| Balance 1 July  | <u>(9,443)</u> | <u>(9,443)</u>  |
| Balance 30 June   | <u>(9,443)</u> | <u>(9,443)</u>  |
| Foreign currency translation  |                |                 |
| Balance 1 July  | -              | 343             |
| Currency translation differences arising during the year            | -              | (2,222)         |
| Discontinued operations   | -              | 1,879           |
| Balance 30 June   | <u>-</u>       | <u>-</u>        |

#### (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(m). 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.

##### *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 was recognised in profit and loss when the net investment in Mt. Muro was de-consolidated in 2014.

## 9 Equity (continued)

### (c) Accumulated losses

Movements in accumulated losses were as follows:

|  | 2015<br>\$'000   | 2014<br>\$'000   |
|--|------------------|------------------|
| Balance at the beginning of the period | (341,555)        | (398,907)        |
| Net profit / (loss) for the year       | (31,466)         | 57,352           |
| <b>Balance 30 June</b>                 | <b>(373,021)</b> | <b>(341,555)</b> |

## 10 Cash flow information

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

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Loss before income tax - continuing operations                        | (31,466)       | (46,567)       |
| Accrued finance costs   | 9,586          | 14,712         |
| Unrealised exchange and foreign exchange hedging (gains)/losses       | 27,043         | (7,427)        |
| Depreciation and amortisation   | 26,950         | 31,355         |
| Employee share based payment  | 97             | (592)          |
| Loss/(profit) on sale of fixed assets                                 | 72             | (215)          |
| Unrealised gain on time value of options                              | -              | 1,904          |
| Loss on convertible notes   | -              | 7,854          |
| Impairment and exploration written off                                | 6,836          | 10,999         |
| Loss on refinance of SCB  | -              | 16,678         |
| Movements in commodity hedging  | (1,531)        | 7,550          |
| (Increase) / decrease in trade and other receivables                  | 1,209          | (11,853)       |
| (Increase) / decrease in inventories                                  | 1,642          | 1,100          |
| Increase / (decrease) in trade and other payables                     | 2,220          | 6,192          |
| (Increase) / decrease in other financial assets                       | 2,739          | (4,510)        |
| Increase / (decrease) in provisions                                   | 1,298          | 92             |
| (Increase) / decrease in deferred tax assets                          | (656)          | (3,051)        |
| Net cash outflow from operating activities of discontinued operations | -              | 10,975         |
| <b>Net cash outflow from operating activities</b>                     | <b>46,039</b>  | <b>35,196</b>  |

### (b) Non-cash investing and financing activities

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Acquisition of plant and equipment by means of finance leases | 3,378          | -              |

There were no non-cash investing and financing activities in the period ended 30 June 2014.

## 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:

- recognition of deferred tax on mineral rights and exploration recognised on acquisitions;
- recoverable amount of 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(i). 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 of disposal 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).

No impairment to operating mines occurred during 2015.



## **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 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 financial year ending 30 June 2015, the Group has not undertaken any hedging activities and as such remains exposed to fluctuations in the above mentioned risks.

### **(a) Market risk**

#### *(i) Foreign exchange risk*

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

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 interest bearing liabilities denominated in US dollars, 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 2015, 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 \$10,637,000 lower/higher (2014: loss would have been \$7,479,000 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. There would have been no impact on equity.

## 12 Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk

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

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

- interest rates (current and forward) and the currencies that the 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 measured using market and cash flow forecasting.

#### Group sensitivity

At 30 June 2015, 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 \$469,000 higher/lower (2014: \$380,000 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:

|               | <b>June 2015</b> | June 2014 |
|---------------|------------------|-----------|
|               | <b>\$'000</b>    | \$'000    |
| 0 - 12 months | <b>159,340</b>   | 121,101   |
| 1 - 5 years   | <b>2,717</b>     | 4,255     |
|               | <b>162,057</b>   | 125,356   |

#### (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 and silver.

Copper price risk has historically at times been managed by fixing a portion of future forecast sales. There are no commodity price derivatives as at 30 June 2015.

#### (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    |                  |
|                     | Profit<br>\$'000      | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 | Profit<br>\$'000   | Equity<br>\$'000 | Profit<br>\$'000 | Equity<br>\$'000 |
| <b>Consolidated</b> |                       |                  |                  |                  |                    |                  |                  |                  |
| <b>2015</b>         | (10,637)              | -                | 10,637           | -                | 469                | -                | (469)            | -                |
| 2014                | (7,479)               | -                | 7,479            | -                | 380                | -                | (380)            | -                |

## 12 Financial risk management (continued)

### (b) Credit risk

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

The Group 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.

### (c) Liquidity risk

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

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.

|                                     | Less than<br>1 year<br>\$'000 | Between<br>1 and 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |
|-------------------------------------|-------------------------------|---------------------------------------|---------------------------|
| <b>Group at 30 June 2015</b>        |                               |                                       |                           |
| <b>Non-derivatives</b>              |                               |                                       |                           |
| Non-interest bearing                | 26,678                        | -                                     | -                         |
| Variable interest rate instruments  | 148,057                       | 318                                   | 870                       |
| Lease and hire purchase liabilities | 3,786                         | 2,085                                 | -                         |
| Convertible Notes                   | 10,406                        | -                                     | -                         |
| Total Non-derivatives               | <b>188,927</b>                | <b>2,403</b>                          | <b>870</b>                |
| <b>Group at 30 June 2014</b>        |                               |                                       |                           |
| <b>Non-derivatives</b>              |                               |                                       |                           |
| Non-interest bearing                | 24,458                        | -                                     | -                         |
| Variable interest rate instruments  | 115,005                       | 242                                   | 1,005                     |
| Lease and hire purchase liabilities | 5,068                         | 113                                   | -                         |
| Convertible Notes                   | 4,319                         | 3,580                                 | -                         |
| Total Non-derivatives               | <b>148,850</b>                | <b>3,935</b>                          | <b>1,005</b>              |

### (d) 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(l)(i).

## 12 Financial risk management (continued)

### (d) Equity price risk (continued)

#### *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 \$149,000 (2014: \$378,000 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 shown in the balance sheet (including minority interests). The gearing ratio at reporting date was as follows:

| Notes                              | 2015<br>\$'000  | 2014<br>\$'000  |
|------------------------------------|-----------------|-----------------|
| Total interest bearing liabilities | 162,057         | 125,356         |
| Less: cash and cash equivalents    | <u>(24,022)</u> | <u>(12,679)</u> |
| <b>Net debt</b>                    | <b>138,035</b>  | <b>112,677</b>  |
| <br>                               |                 |                 |
| Total equity                       | <u>(27,180)</u> | 5,720           |
| <b>Total capital</b>               | <b>110,855</b>  | <b>118,397</b>  |
| <br>                               |                 |                 |
| Gearing ratio                      | <b>124.5%</b>   | 95.2%           |

### (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 2015 and 30 June 2014.

## 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

In the prior year the company accounted for Mt Muro as a discontinued operation after the operations were placed on care and maintenance from Friday 2 August 2013 and the subsequent lodging of a voluntary bankruptcy petition. On 19 June 2015, the sale of Straits' Indonesian subsidiary (PT IMK), including the Mt Muro gold mine, by the creditors of PT IMK was completed. Straits received no consideration in relation to the sale and no longer has any interest in or ongoing liability in respect of PT IMK or the Mt Muro Mine.

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

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Revenue  | -              | 22,317         |
| Expenses   | -              | (33,478)       |
| Other  | -              | 13,885         |
| <b>Profit before income tax</b>                                  | <b>-</b>       | <b>2,724</b>   |
| Income tax expense   | -              | -              |
| <b>Profit after income tax of discontinued operation</b>         | <b>-</b>       | <b>2,724</b>   |
| Net cash inflow (outflow) from operating activities              | -              | 10,975         |
| Net cash (outflow) inflow from financing activities              | -              | (12,467)       |
| <b>Net (decrease)/increase in cash generated by the division</b> | <b>-</b>       | <b>(1,492)</b> |
| <b>Details of the de-consolidation of the subsidiary</b>         |                |                |
| Net liabilities  | -              | 103,074        |
| Less release of the foreign currency translation reserve         | -              | (1,879)        |
| <b>Profit on de-recognition of net assets of IMK</b>             | <b>-</b>       | <b>101,195</b> |

## 14 Discontinued operations (continued)

### (a) PT Indo Muro Kencana (continued)

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

|                              | <b>2015</b>   | <b>2014</b>   |
|------------------------------|---------------|---------------|
|                              | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current assets</b>        |               |               |
| Cash and cash equivalents    | -             | 324           |
| <b>Total assets</b>          | -             | 324           |
| <b>Current liabilities</b>   |               |               |
| Payables                     | -             | 58,902        |
| Interest bearing liabilities | -             | 24,783        |
| Provisions                   | -             | 19,713        |
| <b>Total liabilities</b>     | -             | 103,398       |
| <b>Net liabilities</b>       | -             | 103,074       |

## 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 ** |           |
|--|--------------------------|-----------------|-------------------|-----------|
|  |                          |                 | 2015<br>%         | 2014<br>% |
| 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       |
| Kalteng Emas Pte Ltd*                                | Singapore                | Ordinary        | 100               | 100       |
| Kalteng Minerals Pte Ltd*                            | Singapore                | 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       |
| PT Indo Muro Kencana                                 | Indonesia                | Ordinary        | -                 | 99        |
| PT Borneo Emas Perkasa                               | Indonesia                | Ordinary        | -                 | 100       |
| PT Bumi Bahari Nusantara Persada                     | Indonesia                | Ordinary        | -                 | 99        |
| Indo Muro Pty Ltd                                    | Australia                | Ordinary        | -                 | 100       |
| PT Indo Muro Kencana                                 | Indonesia                | Ordinary        | -                 | 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       |

## 15 Interest in other entities (continued)

### (a) Significant investments in subsidiaries (continued)

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, Muro Offshore Pty Ltd and Indo Muro Pty Ltd were treated as a discontinued operation during the prior 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 (2014: 4.14%, 28.67% and 67.19% respectively) of the ordinary share capital of Goldminco Corporation Limited.

\* *These entities were transferred to Straits Gold Pty Ltd from Muro Offshore Pty Ltd during the year ending 30 June 2015, as a result of the sale of PTIMK.*

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

### (b) Interests in jointly controlled assets

#### (i) Jointly controlled assets

|  | <b>% interest<br/>Held during<br/>the year 2015</b> | <b>% interest<br/>Held during<br/>the year 2014</b> |
|--|---|---|
| <b>Name and principal activity</b>   |   |   |
| Torrens located in South Australia:<br>Principal activity copper and gold exploration. | <b>70</b>   | 70  |
| Canbelago located in NSW:<br>Principal activity copper and gold exploration            | <b>30</b>   | 30  |

## 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 Company has a contingent instrument facility with Standard Chartered Bank who provides guarantees in the amount of \$10.383 million in favour of the NSW government for rehabilitation obligations on the Tritton tenements. The Group has no other contingencies at 30 June 2015.

## 17 Commitments

### (a) Lease commitments

#### *Exploration and mining leases*

|   | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|---|------------------------|------------------------|
| Within one year                                   | <b>5,118</b>           | 4,045                  |
| Later than one year but not later than five years | <b>14,315</b>          | 12,283                 |
| Later than five years                             | <b>17,989</b>          | 20,489                 |
|   | <b>37,422</b>          | 36,817                 |



## 17 Commitments (continued)

### (a) Lease commitments (continued)

*Exploration and mining leases (continued)*

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

*Operating leases*

|  | <b>2015</b>   | 2014   |
|--|---------------|--------|
|  | <b>\$'000</b> | \$'000 |
| Within one year                                  | <b>116</b>    | 112    |
| Later than one year but no later than five years | <b>60</b>     | 177    |
|  | <b>176</b>    | 289    |

## 18 Events occurring after the reporting period

### (a) Tritton Debt Restructure

On 31 July 2015, Straits executed binding agreement Debt Restructure with Standard Chartered Bank (SCB) and Special Portfolio Opportunity V Limited (PAG SPV) that, subject to satisfaction of various conditions precedent, provides the following:

Restructure of the current debt with SCB as follows:

- A Senior Debt of US\$50 million (55% reduction) with 7 year term;
- Redeemable Convertible Preference Shares being issued to SCB, with a notional value of US\$40 million, subject to shareholder approval, equivalent to 60% of Straits' post-refinancing fully diluted equity; and
- A price participation structure whereby SCB will receive a small percentage of incremental revenue above a copper price of A\$8,000 per tonne.

PAG SPV to:

- Provide a three year US\$25 million Revolving Priority Debt Facility for growth projects and exploration at the Tritton Copper Operations; and
- Be issued with Non-Redeemable Convertible Preference Shares equivalent to 15% of Straits' post-restructuring fully diluted equity.

PAG SPV, a subsidiary of a fund managed by PAG (formerly Pacific Alliance Group), a large Asian based investment firm with over USD\$12 billion under management, is a new strategic partner for Straits.

On successful execution of the restructure, the new debt facilities will be classified as non-current liabilities, a financial liability will be recognised for the fair value of the price participation structure and the preference shares being classified as equity.

The restructure will provide Straits with the financial capacity to fund growth. The restructure will likely place the company in both a net current asset and net asset position and provide the funding to enable the company to continue as a going concern.

The Debt Restructure remains conditional on a variety of matters including Straits shareholder approval.

Other than that noted above no other 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 previously employed by Standard Chartered Private Equity until March 2014, which holds 18.4% of the issued capital in Straits.

To finance the Tritton offtake "buyout", 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) HopgoodGanim Lawyers (HG)

Mr Michele Muscillo, an independent non-executive director is a partner of HG. Invoices totalling \$638,255 (2014: \$570,328) were received from HG on normal commercial terms during the year.

#### (e) Loans to key management personnel

No loans were made to key management personnel of the Group during the period.

## 19 Related party transactions (continued)

### (f) Key management personnel compensation

|                              | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 1,914          | 1,952          |
| Share-based payments         | 97             | 356            |
| Post-employee benefits       | 107            | 117            |
| Termination benefits         | -              | 777            |
|                              | <u>2,118</u>   | <u>3,202</u>   |

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:

|                                 | 2015<br>\$    | 2014<br>\$     |
|---------------------------------|---------------|----------------|
| Employee Share Acquisition Plan | <u>96,816</u> | <u>356,397</u> |

## 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*

|  | <b>2015</b>    | <b>2014</b> |
|--|----------------|-------------|
|  | <b>\$</b>      | <b>\$</b>   |
| <i>Audit and other assurance services</i>                  |                |             |
| Audit and review of financial reports and other audit work | <b>269,500</b> | 269,500     |
| Other assurance services                                   | -              | 6,960       |
| Total remuneration for audit and other assurance services  | <b>269,500</b> | 276,460     |

#### *Other services*

|                                      |                |         |
|--------------------------------------|----------------|---------|
| Tax compliance and advisory services | <b>156,583</b> | 125,623 |
| Total remuneration of PwC Australia  | <b>426,083</b> | 402,083 |

## 21 Remuneration of auditors (continued)

|  | 2015               | 2014               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <i>(b) Network firms of PwC Australia</i>                  |                    |                    |
| <i>Audit and other assurance services</i>                  |                    |                    |
| <br><i>Audit and other assurance services</i>              |                    |                    |
| Audit and review of financial reports and other audit work | 527                | 25,143             |
| Total remuneration for audit and other assurance services  | 527                | 25,143             |
| <br>Total remuneration of network firms of PwC Australia   | <br>527            | <br>25,143         |
| <br><b>Total auditors' remuneration</b>                    | <br><b>426,610</b> | <br><b>427,226</b> |

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

|   | 2015  | 2014  |
|---|-------|-------|
|   | Cents | Cents |
| From continuing operations attributable to the ordinary equity holders of the Company     | (2.6) | (3.9) |
| From discontinued operations  | -     | 8.7   |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | (2.6) | 4.8   |

### (b) Diluted earnings per share

|   | 2015  | 2014  |
|---|-------|-------|
|   | Cents | Cents |
| From continuing operations attributable to the ordinary equity holders of the Company       | (2.6) | (3.9) |
| From discontinued operations  | -     | 8.7   |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company | (2.6) | 4.8   |

## 22 Earnings per share (continued)

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

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <i>Basic earnings per share</i>   |                |                |
| Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share: |                |                |
| From continuing operations  | (31,466)       | (46,567)       |
| From discontinued operations  | -              | 103,919        |
| Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share  | (31,466)       | 57,352         |

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

|   | 2015<br>Number | 2014<br>Number |
|---|----------------|----------------|
| <i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i> | 1,217,730,293  | 1,192,041,188  |

## 23 Carrying amounts of assets pledged as security

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

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| <b>Non-current</b>                           |                |                |
| <i>First mortgage</i>                        |                |                |
| Freehold land and buildings                  | 1,324          | 1,324          |
| Investments                                  | -              | 13,381         |
| Plant and equipment                          | 24,714         | 23,542         |
| Mine properties                              | 43,286         | 42,650         |
| Exploration assets                           | 13,513         | 11,751         |
|  | 82,837         | 92,648         |
| <i>Finance lease</i>                         |                |                |
| Plant and equipment                          | 4,088          | 4,880          |
| <i>Fixed charge</i>                          | -              | -              |
|  | 86,925         | 97,528         |
| Total non-current assets pledged as security | 86,925         | 97,528         |
| Total assets pledged as security             | 86,925         | 97,528         |

## 24 Parent entity financial information

### (a) Summary financial information

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

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Balance sheet</b>              |                |                |
| Current assets                    | 27,565         | 32,725         |
| Non-current assets                | 82,502         | 82,700         |
| Total assets                      | 110,067        | 145,530        |
| <br>                              |                |                |
| Current liabilities               | 11,580         | 5,363          |
| Non-current liabilities           | -              | 3,595          |
| Total liabilities                 | 11,580         | 8,958          |
| <br>                              |                |                |
| <i>Shareholders' equity</i>       |                |                |
| Contributed equity                | 353,300        | 353,300        |
| Reserves                          |                |                |
| Reserves - Share-based payments   | 453            | 356            |
| Retained earnings                 | (255,266)      | (246,189)      |
|                                   | 98,487         | 107,467        |
| <br>                              |                |                |
| <b>Loss for the year</b>          | (9,077)        | (37,054)       |
| <br>                              |                |                |
| <b>Total comprehensive income</b> | (9,077)        | (37,054)       |

### (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 \$3,818,620 with other cash backed financial guarantees of \$84,719, which totalled \$3,903,339. Total guarantees for the prior period were \$3,932,107.

In addition the parent entity also provided a parent company guarantee in relation to the Standard Chartered Bank debt facilities to Tritton Resources Pty Ltd.

### (c) Contingent liabilities of the parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014. 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 2015 or 30 June 2014.



## **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.

Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

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

## 25 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (i) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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<br><i>Financial Instruments</i> | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. | <p>Following the changes approved by the AASB in December 2014, the Group no longer expects any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. There will also 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.</p> <p>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 as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.</p> <p>The Group has not yet assessed how its arrangements and impairment provisions would be affected by the new rules.</p> | <p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.</p> |

## 25 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

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

| Title of standard                                       | Nature of change   | Impact   | Mandatory application date/ Date of adoption by Group   |
|---|--|--|---|
| AASB 15<br><i>Revenue from Contracts with Customers</i> | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. | At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. | Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the Group: 1 July 2017. |

There are no other standards that are not yet effective and that would be 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 2014:

AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014)

#### (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).

## **25 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

#### *(iv) Historical cost convention*

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

#### *(e) 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.

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 2015 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 of 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.

## **25 Summary of significant accounting policies (continued)**

### **(b) Principles of consolidation (continued)**

#### *(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.

#### *(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. 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.

## **25 Summary of significant accounting policies (continued)**

### **(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.

### **(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of 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(l).

### **(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.

## **25 Summary of significant accounting policies (continued)**

### **(g) Income tax**

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

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

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

Deferred tax assets are recognised 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) Impairment of assets**

Mining properties 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 of disposal 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **(j) 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.

### **(k) 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.

### **(l) 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.

## **25 Summary of significant accounting policies (continued)**

### **(I) Investments and other financial assets (continued)**

#### *Classification (continued)*

##### *(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.

#### *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.

#### *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.

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.

##### *(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. 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.

## **25 Summary of significant accounting policies (continued)**

### **(l) Investments and other financial assets (continued)**

#### *Impairment (continued)*

##### *(i) Assets carried at amortised cost (continued)*

Impairment testing of trade receivables is described in note 7 (b).

### **(m) 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.

#### *(i) Cash flow hedge*

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

Amounts accumulated in equity are reclassified to 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'.

#### *(ii) 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.

### **(n) 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)**

### **(n) 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.

### **(o) 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.

### **(p) 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)**

### **(q) 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.

### **(r) Deferred mining expenditure**

#### *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.

### **(s) 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.

### **(t) 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.

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.

### **(u) Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

## **25 Summary of significant accounting policies (continued)**

### **(v) 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 can be 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 risk free 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.

### **(w) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### *(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 high quality corporate 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.



## **25 Summary of significant accounting policies (continued)**

### **(x) 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 expensed.

### **(y) 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.

### **(z) 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.

### **(aa) 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.



## **25 Summary of significant accounting policies (continued)**

### **(aa) Parent entity financial information (continued)**

#### *(ii) Tax consolidation legislation (continued)*

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

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

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

### **(ab) 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.

### **(ac) 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 26 to 91 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 2015 and of its performance for the year ended on that date.
- (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.



André Labuschagne  
Director

Brisbane  
31 August 2015

# INDEPENDENT AUDITOR'S REPORT



## **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 2015, the 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 Straits Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# INDEPENDENT AUDITOR'S REPORT (CONT'D)



## *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 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 25.

## ***Material Uncertainty Regarding Continuation as a Going Concern***

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss from continuing operations of \$31.5 million and has a net liability position of \$27.2 million and a working capital deficiency of \$142.2 million. As outlined in Note 1, the ability of the consolidated entity to continue as a going concern is dependent upon the successful restructuring of the Standard Chartered Bank debt facility and continuing to achieve operational cost targets at the Tritton Operations. These conditions, along with other matters as set in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

## ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 7 to 14 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Debbie Smith  
Partner

Brisbane  
31 August 2015

# SHAREHOLDER INFORMATION

The shareholder information as set out below was applicable at 6 October 2015.

## 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    | 937           | 350,306       | 0.03   |
| 1,001   | - | 5,000    | 940           | 2,472,927     | 0.20   |
| 5,001   | - | 10,000   | 329           | 2,437,185     | 0.20   |
| 10,001  | - | 50,000   | 449           | 11,320,533    | 0.93   |
| 50,001  | - | 100,000  | 178           | 13,900,158    | 1.14   |
| 100,001   |   | and over | 443           | 1,187,108,792 | 97.50  |
|   |   |          | 3,276         | 1,217,589,901 | 100.00 |
| UNMARKETABLE PARCELS:   |   |          |               |               |        |
| Shareholders holding less than a marketable parcel<br>(Minimum \$500 parcel at \$0.006 per share) |   |          | 2,761         |               |        |

## SUBSTANTIAL SHAREHOLDERS:

| Shareholder                               | Units       | %     |
|---|-------------|-------|
| STANDARD CHARTERED PRIVATE EQUITY LIMITED | 214,663,735 | 17.63 |
| GLENCORE FINANCE (BERMUDA) LTD            | 131,513,135 | 10.80 |
| CF RUFFER GOLD FUND                       | 64,724,395  | 5.32  |

## 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.

# SHAREHOLDER INFORMATION

## TOP TWENTY SHAREHOLDERS:

|  | Name   | Number      | %     |
|--|--|-------------|-------|
| 1  | CITICORP NOMINEES PTY LIMITED                    | 248,356,170 | 20.40 |
| 2  | GLENCORE FINANCE (BERMUDA) LTD                   | 131,513,135 | 10.80 |
| 3  | NATIONAL NOMINEES LIMITED                        | 65,523,072  | 5.38  |
| 4  | PACIFIC CUSTODIANS PTY LIMITED                   | 61,571,160  | 5.06  |
| 5  | ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD        | 52,805,649  | 4.34  |
| 6  | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED        | 47,577,384  | 3.91  |
| 7  | NING LAURENSEN HOLDINGS PTY LTD                  | 28,786,795  | 2.36  |
| 8  | SAM INVESTORS PTY LTD                            | 27,191,465  | 2.23  |
| 9  | MR MARK ANDREW BEHNE                             | 24,000,000  | 1.97  |
| 10   | MR MILAN JERKOVIC                                | 16,491,544  | 1.35  |
| 11   | MASFEN SECURITIES LIMITED                        | 14,626,362  | 1.20  |
| 12   | MR PANAYIOTIS PAPACHARALAMBOUS                   | 13,044,314  | 1.07  |
| 13   | PERSHING AUSTRALIA NOMINEES PTY LTD              | 12,805,737  | 1.05  |
| 14   | MR GLENN RUSSELL STEDMAN & MRS NUTCHARAT STEDMAN | 12,000,000  | 0.99  |
| 15   | ZERO NOMINEES PTY LTD                            | 11,349,995  | 0.93  |
| 16   | M & C COGHLAN PTY LTD                            | 10,000,000  | 0.82  |
| 16   | INNER SOUNDS PTY LIMITED                         | 10,000,000  | 0.82  |
| 16   | FEOH PTY LTD                                     | 10,000,000  | 0.82  |
| 17   | DR DAVID HSIEN TA YONG                           | 9,947,800   | 0.82  |
| 18   | MR ANTHONY KENNETH CROSS                         | 8,500,000   | 0.70  |
| 19   | MR PAUL GOLDING                                  | 8,476,559   | 0.70  |
| 20   | MR GLENN RUSSELL STEDMAN                         | 8,000,000   | 0.66  |
| Top 20 holders of fully paid ordinary shares |  | 832,467,141 | 68.37 |
| Total Remaining Holders Balance              |  | 385,122,760 | 31.63 |

# GLOSSARY

|                           |  |
|---------------------------|--|
| <b>\$ or A\$</b>          | Australian dollar  |
| <b>Ag</b>                 | Silver   |
| <b>ASX</b>                | Australian Securities Exchange   |
| <b>Au</b>                 | Gold   |
| <b>AuEq</b>               | Gold equivalent – gold plus silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices  |
| <b>Bcm</b>                | Bank cubic metres  |
| <b>Board</b>              | Board of Directors of Straits Resources Limited  |
| <b>Company or company</b> | Straits  |
| <b>Cu</b>                 | Copper   |
| <b>Cu%</b>                | Copper percentage  |
| <b>for the year</b>       | 12 months to 30 June 2015  |
| <b>FY</b>                 | Financial year   |
| <b>g</b>                  | Gram   |
| <b>Group</b>              | Straits and its subsidiaries   |
| <b>Injury Statistics</b>  | <p>Lost Time Injury (LTI) - An injury (including a fatality or permanent disability) that results in a minimum of one full shift absence from work.</p> <p>Restricted Work Injury (RWI) - An injury resulting in a person not returning to his/her complete range of normal duties.</p> <p>Medical Treatment Injury (MTI) - An injury requiring external/professional medical treatment (not first aid treatment only).</p> <p>Total Recordable Injury (TRI) = LTI + RWI + MTI.</p> <p>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:</p> <p>Number of injuries (LTI or TRI) x 1,000,000/number of hours worked</p> |
| <b>kt</b>                 | Thousands of metric tonnes   |
| <b>M</b>                  | Million  |
| <b>Mo</b>                 | Molybdenum   |
| <b>Bcm</b>                | Bank cubic metres  |
| <b>oz</b>                 | Ounces   |
| <b>RL</b>                 | Relative Level (height above mine datun)   |
| <b>Straits</b>            | Straits Resources Limited, ABN 30 147 131 977  |
| <b>tpa</b>                | Tonnes per annum   |
| <b>t</b>                  | Metric tonne   |
| <b>US\$</b>               | United States dollar   |



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