

7 Contributed equity (continued)

(f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash.

The Group reviews the capital structure on a semi-annual basis, with consideration given to the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

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

	2013 \$'000	2012 \$'000
Total interest bearing liabilities	122,706	108,694
Less: cash and cash equivalents	<u>(18,256)</u>	<u>(12,892)</u>
Net debt	104,450	95,802
Total equity	<u>(32,600)</u>	127,244
Total capital	<u>71,850</u>	<u>223,046</u>
Gearing ratio	145.4%	43.0%

Note: The prior period has been restated.

8 Events occurring after the reporting period

(a) Mt Muro Care and Maintenance

On 5 August 2013 Straits announced that as a result of a number of unforeseen challenges, including falling precious metal prices and the impact of illegal miners, the Board of Straits determined that Straits was no longer in a position to continue providing material funding support to the Mt Muro mine and as a consequence the Mt Muro mine was placed on care and maintenance as of 2 August 2013. The Board of Straits also announced that it is actively seeking to dispose of the asset as soon as possible. As of the date of this report the Mt Muro mine remains on care and maintenance.

(b) Mt Muro Debt Restructure

On 5 August 2013, Straits Resources Limited (Straits) announced that it had agreed indicative terms, subject to formal documentation, to restructure the silver advance payment facility with Credit Suisse. Completion of the restructure will result in a close out of the facility and Straits' position as a guarantor of the silver advance payment facility being removed, in exchange for a payment of \$US7.5 million and the issue by Straits of \$7.0 million in convertible notes. On 20 August 2013 Straits announced that it its wholly owned subsidiary, PT Indo Muro Kencana, had entered into formal binding documentation with Credit Suisse in relation to the restructure of the facility. As a part of the debt restructure, the gold hedges were also closed out.

(c) Closure of Perth Office

As part of the ongoing restructure of the Straits Group, the corporate office will be relocated in September 2013 from Perth to Brisbane. The decision to relocate the corporate office was made by the Straits Board after the end of the reporting period and as such no provision for the costs of closing the Perth Office have been included in the accounts for the reporting period. The costs for closing the Perth office, including termination of employees, is estimated at \$1.3 million.

(d) Tritton Debt Restructure

Subsequent to the financial year end, the Company commenced negotiations with Standard Chartered Bank (SCB) to restructure the prepaid copper swap facility. Negotiations on the term sheet for the restructured facility are advanced and are expected to be concluded shortly, pending approval by SCB Credit and the Straits Board.

9 Reconciliation of loss before income tax to net cash outflow from operating activities

	2013 \$'000	2012 \$'000
Loss before income tax - continuing operations	(259,084)	(135,347)
Finance costs net of interest income	13,518	9,641
Loss on held-for-trading financial assets	705	12,337
Unrealised exchange and foreign exchange hedging (gains)/losses	13,888	(1,309)
Depreciation and amortisation	53,473	21,880
Employee share based payment	409	546
Profit on sale of fixed assets	(1,848)	(2,856)
Unrealised gain on time value of options	(504)	(1,383)
Exploration expenditure written off	822	1,462
Mineral rights written off	-	359
Impairment loss	159,791	2,839
Option fees received on sale of Hillgrove	(3,000)	-
Assets written off / damaged	607	-
Movements in commodity hedging	2,066	-
(Increase) / decrease in trade and other receivables	(1,074)	(9,796)
(Increase) / decrease in inventories	12,859	(2,998)
Increase / (decrease) in trade and other payables	351	27,826
Increase / (decrease) in provisions	2,949	2,317
Increase / (decrease) in deferred revenue	(12,209)	43,014
Interest received	2,159	1,345
Interest paid *	(8,285)	(9,164)
Net cash outflow from operating activities of discontinued operations	(2,397)	(3,113)
Net cash outflow from operating activities	(24,804)	(42,400)

* Interest paid in the prior period has been updated to include a reclassification of \$5,544,000 from repayments of borrowings in financing activities to repayment of interest in relation to the Standard Chartered pre-paid swap and collar structure