

---

**STRAITS RESOURCES LIMITED**  
**(ASX: SRQ)****Appendix 4D (Rule 4.2A.3)**  
**Financial Report**  
**For the half-year period ended 31 December 2014****Results for announcement to the market**

(All comparisons are to the half-year ended 31 December 2013)

	\$'000	Up/Down	% movement
Revenue	88,611	Down	11%
Gross Profit	9,127	Down	43%
Net loss after income tax (NPAT)	21,254	Down	50%

**Audit**

This report is based on the consolidated half-year financial report which has been reviewed.

**Acquisitions and disposals**

There were no acquisitions or disposals in the period.

**Commentary on results for the period**

Please refer to the review of operations and financial result sections detailed in the director's report included in the attached half-year report for the period ending 31 December 2014.

**Dividends**

The Directors do not recommend payment of a dividend. No dividend was paid during the half year or the corresponding period. Consequently there is no record date.

**Net tangible assets per share (fully diluted)**

The net tangible assets per share were (0.01) cents for 31 December 2014 and 0.01 cents for 30 June 2014.

**Additional 4D disclosures**

Additional disclosure requirements can be found in the Directors' Report and consolidated financial report attached to this report.

**For further information, please contact:**

Mr. Andre Labuschagne  
Executive Chairman  
Tel: +61 7 3034 6200, or visit our website at [www.straits.com.au](http://www.straits.com.au)

**Media:**

Annette Ellis/Michael Vaughan  
Cannings Purple  
Tel: +61 8 6314 6300 +61 422 602 720

# **Straits Resources Limited**

ABN 30 147 131 977

## **Interim report**

**for the period ended**

**31 December 2014**

## Directors' Report

Your Directors present their report on the consolidated entity consisting of Straits Resources Limited (Straits) and the entities it controlled at the end of, or during the half-year ended 31 December 2014 and where required, the previous corresponding period for the half-year ended 31 December 2013.

### Directors

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

#### Current Directors at date of the report

Willie André Labuschagne

---

William Edward Alastair Morrison

---

Michele Muscillo

---

### Principal Activities

The principal activities of the consolidated entity for the period ended 31 December 2014 were the production and sale of copper, gold and silver and the exploration for copper and gold. Other than as referred to in the review of operations, there were no significant changes in those activities during the financial period.

### Dividend

The Directors do not recommend payment of a dividend for the period to 31 December 2014. No dividend was paid during the period.

### Operating and Financial Review

#### Operations

During the period under review, the focus on improving operational performance at the Tritton Copper Mine (Tritton) in New South Wales continued. Both the mining operations and processing plant performed strongly including setting a new record quarterly production of 7,904 tonnes of Copper in the December quarter. This follows the record annual production achieved at 30 June 2014 of 26,422 tonnes of copper metal. Tritton is currently on target to reach its production guidance for the year of 27,000 tonnes of Copper.

The conversion of the stope extraction sequence at the Tritton mine from transverse stopes to a longitudinal retreat was completed in the period. The change in mining method was a response to the ore body decreasing in dip and increasing in width. The longitudinal extraction method is realising cost savings from reduced cement required in paste backfill and less footwall waste development.

Copper grades at the Tritton mine improved during the period as the mine stope sequence moved into higher grade areas of the ore body. The North East Mine also delivered higher grades in the period as mining continues to progress into the naturally higher grade Larsens orebody.

Cost control remains a key focus and during the period a number of new supplier contracts were negotiated at improved terms to the company.

### **Exploration**

Straits currently hold 184,600 hectares in the prospective Tritton VMS district. This is made up of four granted exploration and three mining leases. Six major mafic complexes have been identified within a sequence of sedimentary rocks with a combined strike length of greater than 100km. Numerous anomalies have been identified and remain untested in the Tritton region.

An exploration strategy has been steadily evolving for the region and has been extremely effective in both identifying and testing for VMS sulphide systems as demonstrated by Straits' exploration success at Avoca Tank, Kurrajong, Carters and Budgery.

The quality of the remaining targets in the Tritton region and the potential for further discoveries in this large VMS copper district is excellent. Straits previous success and the knowledge that Besshi VMS systems like Tritton are characterised by repeats along strike, multiple horizons and lenses and significant depth potential gives the company great confidence for the discovery of additional deposits along the multiple prospective horizons within the Tritton region.

A regional aeromagnetic survey was commenced to extend coverage of geophysical data over all tenements. A review of the tenements is progressing to rank the multitude of targets as part of future planning for exploration. There were no other significant exploration activities or results during the period at any of the exploration tenements held by Straits Group.

### **Financial Results**

The Group recorded a loss after tax for the 6 month period to 31 December 2014 of \$21.3 million (Dec 2013: loss of \$14.1 million). The result was impacted by a number of key factors including:

- Revenue from continuing operations amounted to \$88.6 million compared to \$99.2 million in the previous corresponding period. This was directly due to timing impacts of concentrate sale recognition trigger points not being met at the end of December resulting in the December 2014 sale of copper concentrate being recognised in the first week of January 2015 (ca. 11,003 wmt of Copper with an invoice value of approximately \$13.6 million);
- Foreign exchange impacts on the US denominated Bridge Loan and Working Capital Facility with Standard Chartered Bank (SCB) as well as Convertible Notes with Credit Suisse amounted to an increase in the Australian dollar value of these debts by \$20.5 million; and
- Cost of goods sold have decreased from \$83.1 million at December 2013 to \$79.5 million, due to decreased treatment and refining costs as a result of timing of copper shipments and as a result of introducing cost saving strategies and improved operational performance

Tritton is on track to achieve their full year production guidance of 27,000 tonnes of contained copper.

### **Financial Position**

The negative net asset position of the Group at 31 December 2014 was \$16.2 million (positive net assets at 30 June 2014 were \$5.7 million), mainly due to the impact of foreign exchange movements on the SCB Bridge Loan and Working Capital Facility.

### Debt

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

At the time of this report, discussions with SCB with respect to a Refinancing Plan, as announced to the market on 16 June 2014, are progressing. During the period the maturity date for finalisation of the debt restructure was extended to 13 April 2015.

In November 2014 an in-principle agreement was reached with Credit Suisse International (CS) to extend the redemption period of its Class A Notes for 12 Months to 5 November 2015, it was also agreed that the PIK component of the interest up to 5 November 2014 on the Class A Notes will be paid in cash and not capitalised.

### **Events Subsequent to Balance Date**

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

### **Outlook**

Substantial progress has been made towards achieving a sustainable, long term financial structure for the company, and finalising this process is a key priority in 2015.

Tritton achieved a record quarterly Copper production of 7,904 tonnes of Copper in the December quarter, with 14,916 tonnes achieved for the period and for the full year is targeting production of 27,000 tonnes of copper. The Tritton operations have excellent prospects for growth and mine life extension, as evidenced by the increase in JORC compliant ore reserves in FY14 of more than 50,000 tonnes of contained copper.

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

### **Independent Auditors Review Report**

The half-year financial report for the period ended 31 December 2014 contains an independent auditors' review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. Additional disclosure has been included in Note 1 for the half-year report. The Emphasis of Matter however has not resulted in the independent auditor qualifying the review report.

### **Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

### **Rounding of Amounts to Nearest Thousand Dollars**

Straits Resources Limited is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance to the class order.

Signed in accordance with a resolution of the Directors.



Andre Labuschagne  
Executive Chairman  
25 February 2015



## Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'D. G. Smith', is written over the printed name of Debbie Smith.

Debbie Smith  
Partner  
PricewaterhouseCoopers

Brisbane  
25 February 2015

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

## **Interim report - 31 December 2014**

<b>Contents</b>	<b>Page</b>
Financial statements	
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' declaration	23

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the director's report inclusive of the review of operations and activities on pages 1 to 4, which is not part of these interim financial statements.

The interim financial statements were authorised for issue by the Directors on 25 February 2015. The Directors have the power to amend and reissue the interim financial statements.

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

**Straits Resources Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the period ended 31 December 2014**

	Notes	31 December 2014 \$'000	31 December 2013 \$'000
<b>Revenue from continuing operations</b>	2	<b>88,611</b>	99,192
Cost of goods sold	4	<u>(79,484)</u>	<u>(83,097)</u>
<b>Gross profit</b>		<b>9,127</b>	16,095
Other income	3	-	12
Exploration expense	4	<b>(340)</b>	(3,024)
Administration and support	4	<b>(3,415)</b>	(8,404)
Convertible note expense		-	(7,854)
Impairment loss	4	-	(2,309)
Other expenses	4	<b>(21,053)</b>	<u>(2,607)</u>
<b>Profit/(loss) before net finance costs</b>		<b>(15,681)</b>	<u>(8,091)</u>
Finance income		<b>2</b>	405
Finance expenses	4	<b>(5,575)</b>	<u>(7,863)</u>
<b>Loss from continuing operations</b>		<b>(21,254)</b>	<u>(15,549)</u>
Profit/(loss) from discontinued operations		-	<u>1,403</u>
<b>Profit/(loss) for the period</b>		<b>(21,254)</b>	<u>(14,146)</u>
<b>Other comprehensive income</b>			
Changes in the fair value of cash flow hedges	8(a)	<b>(766)</b>	(24,462)
Exchange differences on translation of foreign operations	8(a)	-	(2,690)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(766)</b>	<u>(27,152)</u>
<b>Total comprehensive income/(loss) for the period</b>		<b>(22,020)</b>	<u>(41,298)</u>
Profit/(loss) is attributable to:			
Owners of Straits Resources Limited		<b>(21,254)</b>	<u>(14,146)</u>
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Straits Resources Limited		<b>(22,020)</b>	<u>(41,298)</u>
Total comprehensive income/(loss) for the period attributable to owners of Straits Resources Limited arises from			
Continuing operations		<b>(22,020)</b>	(42,701)
Discontinued operations		-	1,403
		<b>(22,020)</b>	<u>(41,298)</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 period ended 31 December 2014**  
(continued)

		<b>31 December 2014 Cents</b>	31 December 2013 Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	10	<b>(1.7)</b>	(1.0)
Diluted earnings per share	10	<b>(1.7)</b>	(1.0)
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	10	<b>(1.7)</b>	(1.0)
Diluted earnings per share	10	<b>(1.7)</b>	(1.0)

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

**Straits Resources Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2014**

	31 December 2014	30 June 2014
Notes	\$'000	\$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,429	12,679
Trade and other receivables	6,605	10,684
Inventories	24,964	14,715
Other financial assets	3,541	5,406
Short term mine development	-	1,449
<b>Total current assets</b>	<b>40,539</b>	<b>44,933</b>
<b>Non-current assets</b>		
Receivables	14,324	14,360
Exploration and evaluation	25,037	24,353
Mine properties in use	45,422	42,850
Property, plant and equipment	40,731	33,723
Deferred tax assets	21,193	20,865
<b>Total non-current assets</b>	<b>146,707</b>	<b>136,151</b>
<b>Total assets</b>	<b>187,246</b>	<b>181,084</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	25,330	24,458
Interest bearing liabilities	154,947	131,429
Provisions	4,674	4,296
<b>Total current liabilities</b>	<b>184,951</b>	<b>160,183</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	7,215	4,255
Provisions	11,314	10,926
<b>Total non-current liabilities</b>	<b>18,529</b>	<b>15,181</b>
<b>Total liabilities</b>	<b>203,480</b>	<b>175,364</b>
<b>Net assets / (liabilities)</b>	<b>(16,234)</b>	<b>5,720</b>
<b>EQUITY</b>		
Contributed equity	7 353,300	353,300
Reserves	8(a) (6,725)	(6,025)
Accumulated losses	8(b) (362,809)	(341,555)
<b>Total equity</b>	<b>(16,234)</b>	<b>5,720</b>

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

**Straits Resources Limited**  
**Consolidated Statement of Changes in Equity**  
**For the period ended 31 December 2014**

	Notes	Attributable to owners of Straits Resources Limited			Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2013</b>		353,300	13,007	(398,907)	(32,600)
Profit/(loss) for the period		-	-	(14,146)	(14,146)
Other comprehensive income		-	(27,152)	-	(27,152)
<b>Total comprehensive income for the period</b>		-	<b>(27,152)</b>	<b>(14,146)</b>	<b>(41,298)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Employee share schemes - value of employee services	8	-	557	-	557
<b>Balance at 31 December 2013</b>		<b>353,300</b>	<b>(13,588)</b>	<b>(413,053)</b>	<b>(73,341)</b>
<b>Balance at 1 July 2014</b>		353,300	(6,025)	(341,555)	5,720
Profit/(loss) for the period		-	-	(21,254)	(21,254)
Other comprehensive income		-	(766)	-	(766)
<b>Total comprehensive income for the period</b>		-	<b>(766)</b>	<b>(21,254)</b>	<b>(22,020)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Employee share schemes - value of employee services	8	-	66	-	66
<b>Balance at 31 December 2014</b>		<b>353,300</b>	<b>(6,725)</b>	<b>(362,809)</b>	<b>(16,234)</b>

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

**Straits Resources Limited**  
**Consolidated Statement of Cash Flows**  
**For the period ended 31 December 2014**

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	95,523	91,566
Net cashflows from hedging	-	3,467
Payments to suppliers and employees	(83,691)	(78,375)
Interest received	-	420
Interest paid	(767)	(634)
Net cash inflow from operating activities of discontinued operations	-	(7,925)
<b>Net cash inflow from operating activities</b>	<b>11,065</b>	<b>8,519</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and mine properties	(16,217)	(10,288)
Proceeds from sale of property, plant and equipment	-	1,900
Payments for exploration expenditure	(684)	(581)
Cash backed security deposits	36	2,361
Net cash outflow from investing activities of discontinued operations	-	(127)
<b>Net cash (outflow) from investing activities</b>	<b>(16,865)</b>	<b>(6,735)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	-	(6,653)
Finance lease payments	(1,938)	(1,694)
Net cash inflow from financing activities of discontinued operations (Loans to)/received from related entities	-	6,631
	-	(6,631)
<b>Net cash (outflow) from financing activities</b>	<b>(1,938)</b>	<b>(8,347)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(7,738)</b>	<b>(6,563)</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	488	47
<b>Cash and cash equivalents at end of period</b>	<b>5,429</b>	<b>11,740</b>

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

**Contents of the notes to the consolidated financial statements**

	Page
1	Basis of preparation of half-year report 12
2	Revenue 13
3	Other income 13
4	Expenses 14
5	Discontinued operations 15
6	Interest bearing liabilities 16
7	Contributed equity 17
8	Reserves and retained earnings 17
9	Events occurring after the balance sheet date 18
10	Earnings per share 18
11	Segment information 18
12	Fair value measurements 21

## 1 Basis of preparation of half-year report

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

These general purpose interim financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Straits Resources Limited is a for-profit entity for the purpose of preparing the interim financial statements.

### (i) *Going Concern*

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

During the period ended 31 December 2014, Straits recognised a consolidated loss of \$21.254 million (2013: loss of \$14.146 million) and had cash inflow from operating activities of \$11.065 million (2013: inflow of \$8.519 million). The consolidated loss was impacted significantly by exchange rate movements on the group's debt facilities.

At 31 December 2014 the Group held cash of \$5.429 million and had negative net assets of \$16.234 million and a working capital deficiency of \$144.412 million.

Included in current liabilities is a US denominated Bridge Loan and Working Capital Facility of \$122.386 million from Standard Chartered Bank (SCB) that matures on 13 April 2015. 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. SCB and Straits have undertaken to develop and implement a longer term debt structure. During the period ended 31 December 2014, the Group has been able to continue to meet working capital requirements principally as a result of operating cashflows and restructuring finance arrangements.

Significant progress has been made to improve cashflows. Some of these include:

- Tritton's 2014 Financial year copper production of 26,422 of contained copper has exceeded the initial forecast of 25,000 tonnes and updated forecast of 26,000 tonnes;
- Tritton is on track to achieve its 2015 forecasted production of 27,000 tonnes, achieving a record quarterly production of 7,904 tonnes in the December 2014 quarter; and
- The Group has continued to generate positive cash flows from operating activities and met its commitments during the period;

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

- continuing to achieve operational and costs targets at Tritton; and
- finalising and implementing the longer term debt restructure with SCB by 13 April 2015.

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

The Directors believe that the Company has reasonable prospects of generating sufficient funds and restructuring the debt facilities and obtaining other sources of capital to support its operations in the foreseeable future and as a consequence they have no intention to liquidate or cease trading.

The Directors believe they have reasonable grounds to expect that they will have sufficient funds to settle the Group's liabilities and meet its debts as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis, which assumes continuity of operations and realisation of assets and settlement of liabilities in the normal course of business for the foreseeable future.

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

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect, in particular, the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised no such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

## 2 Revenue

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Mining activities	87,428	98,311
<i>Other revenue</i>		
Other revenue from ordinary activities	1,183	881
	<b>88,611</b>	99,192

A portion of the Group's revenue from mining activities in the 2014 Financial year was cash flow hedged with respect to foreign currencies and copper and gold prices. The amount disclosed above for revenue from mining activities includes the effective amount of the derivatives that were used to hedge foreign currency and commodity revenues. The amount included in revenue is:

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
Forward commodity contracts - cash flow hedged	-	2,601

## 3 Other income

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
Net gain on disposal of property, plant and equipment and investments	-	52
Foreign exchange gains (net)	-	(40)
	-	12

## 4 Expenses

	31 December 2014 \$'000	31 December 2013 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Cost of production</b>		
Mining and Processing activities	68,085	69,964
<b>Depreciation</b>		
Plant and equipment	2,444	2,194
Plant and equipment under finance leases	1,170	1,270
Total Depreciation	3,614	3,464
<b>Amortisation</b>		
Mine properties	7,785	9,669
Total Cost of goods sold	79,484	83,097
<b>Exploration expense</b>		
Exploration expenditure	340	383
Exploration written off	-	2,641
Total Exploration	340	3,024
<b>Finance costs - net</b>		
Interest and finance charges paid / payable	5,348	7,643
Unwinding of discounts on provisions	227	220
Total Finance costs - net	5,575	7,863
<b>Other expenses</b>		
Net foreign exchange (gain)/losses	19,505	2,413
Loss on fair value of listed securities held for trading	1,548	194
Total Other	21,053	2,607
<b>Administration and support</b>		
Australia	3,415	8,404
<b>Included within the above functions are the following:</b>		
<i>Impairment of other assets</i>		
Impairment loss	-	2,309

## 5 Discontinued operations

### (a) PT Indo Muro Kencana

#### (i) Description

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

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

On 10 October 2014, the Commercial court at the Central Jakarta District Court approved a Settlement Plan proposed by Straits' wholly owned subsidiary PT IMK to the Creditors of PT IMK.

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

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

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
Revenue	-	23,250
Expenses	-	(21,847)
<b>Profit before income tax</b>	-	1,403
Income tax expense	-	-
<b>Profit after income tax of discontinued operation</b>	-	1,403
Net cash inflow (outflow) from operating activities	-	(7,925)
Net cash inflow (outflow) from investing activities	-	(127)
Net cash (outflow) inflow from financing activities	-	6,631
<b>Net (decrease)/increase in cash generated by the division</b>	-	(1,421)

## 6 Interest bearing liabilities

### Current

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Secured</b>		
Bank loans	145,529	122,462
Lease liabilities	4,727	4,940
Total secured borrowings	150,256	127,402
<b>Unsecured</b>		
Convertible notes	4,691	4,027
Total unsecured borrowings	4,691	4,027
<b>Total current interest bearing liabilities</b>	<b>154,947</b>	<b>131,429</b>

### Non Current

	31 December 2014 \$'000	30 June 2014 \$'000
<b>Secured</b>		
Bank loans	660	660
Lease liabilities	2,489	105
Total secured borrowings	3,149	765
<b>Unsecured</b>		
Convertible notes	4,066	3,490
Total unsecured borrowings	4,066	3,490
<b>Total non-current interest bearing liabilities</b>	<b>7,215</b>	<b>4,255</b>

Exchange rate differences amounting to \$20,483,175 increased interest bearing liabilities in the current period.

#### SCB Bridge Loan and Working Capital Facility

A refinance plan on the SCB facilities is currently being negotiated with SCB and is expected to be finalised by 13 April 2015.

#### CS Convertible Notes

The redemption period of Class A Notes has been extended for 12 months to 5 November 2015, with the Class B notes to be redeemed on 5 November 2016.

## 7 Contributed equity

### Movements in ordinary share capital

	31 December 2014 Shares	Issue price	31 December 2014 A\$'000
<b>Opening Balance</b>	1,217,730,293		353,300
Issues of ordinary shares during the period			
Shares issues for consideration:			
Ordinary shares - fully paid	-		-
Less Transaction costs arising from share issue	-		-
	<u>1,217,730,293</u>		<u>353,300</u>
	31 December 2013 Shares	Issue price	31 December 2013 A\$'000
<b>Opening Balance</b>	1,164,150,159		353,300
<b>Issues of ordinary shares during the period</b>			
Shares issues for consideration:			
Employee exempt plan issue	53,580,134	\$0.00	-
	<u>1,217,730,293</u>		<u>353,300</u>

## 8 Reserves and retained earnings

### (a) Reserves

	31 December 2014 \$'000	30 June 2014 \$'000
Cash flow hedges	2,296	3,062
Share-based payments	422	356
Transactions with non-controlling interests	(9,443)	(9,443)
	<u>(6,725)</u>	<u>(6,025)</u>

### (b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Balance 1 July	(341,555)	(398,907)
Net profit/(loss) for the period	(21,254)	57,352
Balance 30 June	<u>(362,809)</u>	<u>(341,555)</u>

## 9 Events occurring after the balance sheet date

Apart from the matters disclosed in this report, there has not been any other matter or circumstance that has significantly affected the operations of the consolidated entity between the date of this report and the end of financial period.

## 10 Earnings per share

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

	<b>31 December 2014 \$'000</b>	31 December 2013 \$'000
<i>Basic and diluted earnings per share</i>		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(21,254)	(15,549)
From discontinued operations	-	1,403
	<b>(21,254)</b>	<b>(14,146)</b>

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

	<b>31 December 2014 Number</b>	31 December 2013 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<b>1,217,730,293</b>	<b>1,166,492,460</b>

## 11 Segment information

### (a) Description of segments

#### Business segments

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and chief operating officer examined 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).

## 11 Segment information (continued)

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

#### *Discontinued operations (Prior Period)*

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

Despite actively seeking buyers for the assets, no formal offers were received and so on 31 January 2014, Straits Resources Limited announced that its wholly owned subsidiary, PT IMK had lodged a petition with the Indonesian Commercial Court thereby commencing voluntary bankruptcy proceedings.

On 10 October 2014, the Commercial court at the Central Jakarta District Court approved a Settlement Plan proposed by Straits's wholly owned subsidiary PT IMK to the Creditors of PT IMK.

As a consequence of the above, Straits Resources Limited is assumed to no longer have control, as defined in the Australian Accounting Standards, and has therefore de-consolidated the results of PT IMK from the Group. Please refer to note 5 for further details.

### Geographical segments

The Consolidated Entity only operates in Australia as at 31 December 2014 and 31 December 2013.

### Segment results

Included in the 31 December 2013 segment results is the the discontinued operations segment relating to the Mt Muro operations as noted above.

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

2014	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Discontinued Operations \$'000	Consolidated \$'000
<b>Segment Revenue</b>					
Sales to external customers	87,428	-	87,428	-	87,428
<b>Total sales revenue</b>	<b>87,428</b>	<b>-</b>	<b>87,428</b>	<b>-</b>	<b>87,428</b>
Other revenue	1,183	-	1,183	-	1,183
<b>Total segment revenue</b>	<b>88,611</b>	<b>-</b>	<b>88,611</b>	<b>-</b>	<b>88,611</b>
<b>Adjusted EBITDA</b>	<b>(2,048)</b>	<b>(3,220)</b>	<b>(5,268)</b>	<b>-</b>	<b>(5,268)</b>
<b>Segment assets and liabilities</b>					
<b>Segment assets</b>	<b>202,100</b>	<b>159,925</b>	<b>362,025</b>	<b>-</b>	<b>362,025</b>
Intersegment elimination	(58,997)	(136,975)	(195,972)	-	(195,972)
Unallocated assets	-	-	21,193	-	21,193
<b>Total assets</b>	<b>143,103</b>	<b>22,950</b>	<b>187,246</b>	<b>-</b>	<b>187,246</b>
<b>Segment liabilities</b>	<b>301,438</b>	<b>98,014</b>	<b>399,452</b>	<b>-</b>	<b>399,452</b>
Intersegment elimination	(108,120)	(87,852)	(195,972)	-	(195,972)
Unallocated liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>193,318</b>	<b>10,162</b>	<b>203,480</b>	<b>-</b>	<b>203,480</b>

## 11 Segment information (continued)

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

2014	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Discontinued Operations \$'000	Consolidated \$'000
<b>Other segment information</b>					
Acquisition of property, plant and equipment, intangibles and other segment assets	16,901	-	16,901	-	16,901
Depreciation and amortisation	11,398	83	11,481	-	11,481
<b>2013</b>					
2013	Tritton Operations \$'000	Other \$'000	Total Continuing Operations \$'000	Discontinued Operations \$'000	Consolidated \$'000
<b>Segment Revenue</b>					
Sales to external customers	98,311	-	98,311	23,250	121,561
<b>Total sales revenue</b>	98,311	-	98,311	23,250	121,561
Other revenue	881	-	881	539	1,420
<b>Total segment revenue</b>	99,192	-	99,192	23,789	122,981
<b>Adjusted EBITDA</b>	26,701	(8,626)	18,075	(5,072)	13,003
<b>Segment assets and liabilities</b>					
<b>Segment assets</b>					
Intersegment elimination	-	-	(209,838)	-	(209,838)
Unallocated assets	-	-	24,236	-	24,236
<b>Total assets</b>	298,897	93,914	207,209	72	207,281
<b>Segment liabilities</b>					
Intersegment liabilities	-	-	(191,419)	(18,419)	(209,838)
Unallocated liabilities	-	-	32,072	-	32,072
<b>Total liabilities</b>	330,422	4,787	175,862	104,760	280,622
<b>Other segment information</b>					
Acquisition of property, plant and equipment, intangibles and other segment assets	10,199	89	10,288	127	10,415
Depreciation and amortisation	13,017	116	13,133	-	13,133

### (c) Other segment information

#### (i) Adjusted EBITDA

The strategic steering committee of Straits Resources Limited assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment and losses recognised on refinancing.

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

## 11 Segment information (continued)

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

	31 December 2014 \$'000	31 December 2013 \$'000
Adjusted EBITDA (continuing operations)	(5,268)	18,075
Finance costs	(5,575)	(7,863)
Convertible note expense	-	(7,854)
Hedge loss	1,093	(2,477)
Impairment	-	(2,309)
Other	(23)	12
Depreciation and amortisation	(11,481)	(13,133)
<b>Loss before income tax from continuing operations</b>	<b>(21,254)</b>	<b>(15,549)</b>

## 12 Fair value measurements

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

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014:

At 31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Trading securities	3,541	-	-	3,541
<b>Total financial assets</b>	<b>3,541</b>	<b>-</b>	<b>-</b>	<b>3,541</b>
At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Trading securities	5,406	-	-	5,406
<b>Total financial assets</b>	<b>5,406</b>	<b>-</b>	<b>-</b>	<b>5,406</b>

## **12 Fair value measurements (continued)**

### **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 for the carrying amounts and fair values of borrowings at balance date.

**Straits Resources Limited  
Directors' declaration  
31 December 2014**

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 12 to 22 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the period ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Andre Labuschagne  
Director

Brisbane  
25 February 2015



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Straits Resources Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Straits Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Straits Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

---

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

Liability limited by a scheme approved under Professional Standards Legislation.



### *Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$21.254 million and has a working capital deficiency of \$144.412 million. The ability of the consolidated entity to continue as a going concern is dependent upon the successful restructuring of the debt facility as outlined in Note 1. These conditions, along with other matters as set forth in Note 1, 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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*D.G. Smith*

Debbie Smith  
Partner

Brisbane  
25 February 2015