Straits

24 February 2014 **ASX / MEDIA RELEASE**

STRAITS RESOURCES LIMITED
(ASX: SRQ)

Appendix 4D (Rule 4.2A.3)
Financial Report
For the half-year period ended 31 December 2013

Results for announcement to the market

(All comparisons are to the half-year ended 31 December 2012)

	$'000	Up/Down	% movement
Revenue	8,872	Up	10%
Gross Profit	6,079	Up	61%
Net loss after income tax (NPAT)	9,118	Down	(39%)

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 2013.

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 (0.06) cents for 31 December 2013 and (0.03) cents for 30 June 2013.

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:
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Straits Resources

STRAITS RESOURCES LIMITED

A.B.N. 30 147 131 977

HALF-YEAR REPORT

31 December 2013

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

This half-year financial information has been lodged with the ASX as required under the listing rule 4.2A of the ASX.

Directors' Report - for the Interim Reporting Period 31 December 2013

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 2013 and where required, the previous corresponding period for the half-year ended 31 December 2012.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

Current Directors at Date of Report	
Andre Labuschagne	Executive Chairman
Alastair Morrison	Non-executive Director
Michele Muscillo	Non-executive Director
Mike Menzies	Non-executive Director *(appointed 28 November 2013)*
Ravinder Singh Grewal	Alternate Non-executive Director to Alastair Morrison *(ceased as a Director on 10 January 2014)*
Ceased Directors During Period	
Dr Susan Vearncombe	Non-executive Director *(ceased as a Director on 31 July 2013)*

Principal Activities

The principal activities of the consolidated entity for the period ended 31 December 2013 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.

Dividends

The Directors do not recommend payment of a dividend for the period to 31 December 2013. No dividend was paid during the period.

Summary of Activities

Major events which occurred during the period were:

- Tritton operation hits new production records, achieves market guidance for the half-year and increases it's full year production guidance from 25,000 tonnes to 26,000 tonnes copper.
- Debt facilities restructured:
  > Mt Muro Silver Prepayment Facility closed out and an agreement reached to remove the parent guarantee.
  > Tritton Copper Swap Facility restructured, reducing payments until April 2014.
- Sale of Stuart Shelf tenements for $1.9 million is completed.
- Mt Muro operations being placed in care and maintenace on 2 August 2013.
- The relocation of the Corporate office from Perth to Brisbane.
- Mike Menzies joined the board as a non-executive director in November 2013.
- Agreement reached with Magontec Limited on the early repayment of a $2.1 million loan owed to Straits.

Review of Operations

Base Metals

Tritton Copper Mine

Tritton performance was on track with production guidance for the six months to 31 December 2013 totalling 13,561 tonnes of copper (six months to 31 December 2012 totalled 11,355 tonnes of copper). Tritton has increased full year guidance for copper production from 25,000 tonnes to 26,000 tonnes. The mining strategy is to apply careful sequencing and scheduling of stope production and development driving to achieve a sustainable performance, assisting in achieving production targets. Maintenance costs on the underground equipment fleet were higher in order to improve fleet reliability as production increases.

Processing and plant perfomance continues to improve steadily with the de-bottlenecking of the ore supply system and a focus on planned maintenance. With sufficient stocks of ore in front of the plant the operations team have been able to continue to push throughput and operational reliability without loss of recovery and concentrate quality.

Discontinued Operations

Mt Muro

Following a riot at site on 29 June 2013, the operations at Mt Muro were suspended until mid-July while the site was secured. Operations recommenced on a limited basis from mid July and continued to 2 August 2013 when a decision was made to place Mt Muro on care and maintenance. Only essential maintenance, security and administration staff remained at work.

All employees were subsequently notified that their positions were to be made redundant from 1 January 2014. A small number of essential staff have been retained on a short term contract basis.

No binding offers to purchase the operation have been received. On 31 January 2014 it was announced by Straits that its wholly owned subsidiary, PT Indo Muro Kencana (PTIMK), the owner of the Mt Muro gold operation, has lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings. The process of obtaining court approval for PTIMK to be declared bankrupt can take up to 60 days. Once approved by the Indonesian Commercial Court, PTIMK will move into administration and be managed by a court appointed Curator (Receiver).

Exploration

Tritton, NSW: Straits 100%

Straits currently holds 4 granted Exploration and 3 Mining Leases in the prospective Tritton VMS district. Six major mafic complexes have been identified within a sequence of sedimentary rocks with a combined strike length of greater than 100km.
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.

Avoca Tank

Feasibility study work has re-started on the mining plan for the Avoca Tank deposit which included a review of the Mineral Resource Estimate, metallurgical testing to confirm metal recoveries expected from the ore when treated in the Tritton concentrator, surface infrastructure engineering, review of mine capital development and stope design, geotechnical studies and completion of environmental impact study.

Murrawombie

The Murrawombie deposit was previously mined by open pit. The fresh sulphide portion of the deposit was not suited to leaching and it remains in place below the open pit as the largest known resource outside the Tritton deposit. A feasibilitiy study has been started to investigate how this resource can be mined and treated. The concept is for a shallow extension of the pit and underground mining of the best grade portion of the deeper resource. Concept level studies indicate that both the open pit project and the underground mine project would be commercially viable.

Exploration (continued)

Budgery

The Budgery deposit is the subject of a feasibility study to establish an open pit Ore Reserve Estimate.

Additional resource drilling will be required for geology, metallurgical test samples and geotechnical data collection. The drilling program has been designed and applications for the necessary environmental permits are being prepared.

Other Australian Exploration Assets

Torrens

Straits Resources owns a 70% interest in one South Australian exploration tenement (EL4296), held in Joint Venture (Torrens Joint Venture) with Argonaut Resources NL(ASX: ARE).

The Torrens Joint Venture is exploring for iron oxide-copper-gold (IOCG) systems in the highly prospective Stuart Shelf region of South Australia. The Torrens Project is located near the eastern margin of South Australia's Gawler Craton (Stuart Shelf), within 50 kilometres of Oz Mineral's Carrapateena copper-gold deposit and 75 kilometres from BHP Billiton's Olympic Dam complex.

No activity has been possible on the Torrens project while proceedings in the South Australian Supreme Court have been in progress. Overlapping native title claims affect the tenement and are the subject of separate Federal Court proceedings. This makes the situation complex with regards to gaining access to the tenement for exploration activity. We have been in discussions with our JV partners regarding options to proceed and are active in working on a plan to restart the exploration.

Other Projects

Other Projects include Temora, a copper-gold project in NSW and the Tick Hill prospect located in North West Queensland, south of Mt Isa. No exploration activity was undertaken on these projects during the period ending 31 December 2013.

Financial Results

The Group recorded a loss after tax for the 6 month period to 31 December 2013 of $14.1 million (Dec 2012: loss of $23.3 million). The result was impacted by a number of key factors including:

- Revenue from continuing operations amounted to $99.2 million compared to $90.3 million in the previous corresponding period. This was directly attributed to Tritton meeting production guidance for the half-year period of 13,561 tonnes (Dec 2012: 11,355 tonnes). The full year production guidance has been increased from 25,000 tonnes to 26,000 tonnes.
- Cost of good sold have increased from $80.3 million at December 2012 to $83.1 million, directly as a result of improved operational performance at Tritton and incurring increased maintenance cost to improve underground fleet and processing plant reliability, in line with increased production.
- Mt Muro being placed on care and maintenance from 2 August 2013 and subsequently applied for voluntary bankruptcy after the end of the reporting period.
- The Issue of Convertible notes to remove parent company guarantee had an impact on result of $7.8 million
- Interim restructure of the Tritton Copper Swap Facility.
- Hedge of 50% of Copper Production at A$7,800/t from September 2013 to May 2014.
- Relocation of corporate office from Perth to Brisbane.

The negative net asset position of the Group at 31 December 2013 was $73.3 million (negative net assets at 30 June 2013 were $32.6 million). This result includes liabilities associated with Mt Muro, which is classified as a discontinued operation, totalling $104.8 million. When the Mt Muro liabilities are excluded the Group has a positive net asset position of $31.4 million.

The Directors have reviewed the carrying amount of assets across the Group and as a result the company has impaired exploration assets to the value of $2.6 million, mining properties in use to the value of $1.1 million and short term mine capital to the value of $3.8 million. In addition we have also reversed an impairment recorded at 30 June 2013 in relation to the sale of the GFE Loan, as noted in the subsequent events, amounting to $2.6 million, has been reversed in current period.

Financial Results (continued)

GFE Loans

On 14 January 2014 Straits Resources Limited (Straits) announced that it has sold its interest in certain subordinated debt and notes owing by GFE-MIR Holdings (a Swiss Company) for US$2.6 million. The subordinated debt was provided by Straits in December 2010 to the amount of US$12 million, however Straits had previously written down the value of the subordinated debt in its accounts to nil, having regard to Straits' view on the likelihood of recovery of the amounts owing. The loan has been written back to its recoverable amount at 31 December 2013.

Magontec Loans

On 20 January 2014 Straits announced that it had received the $2.1 million owed from Magontec Limited, as part of an agreement reached for the early repayment of a $2.1 million loan from Straits. As part of the agreement Straits has converted their convertible notes (CLN's) in Magontec with a face value of $6.869 million into Magontec shares. The equivalent of $5.908 million of CLN's were converted into Magontec shares at 31 December 2013 and the remaining $0.961 million in January 2014. The amounts were reflected at the market value of 2.5 cents per Magontec shares at 31 December 2013.

Mt Muro Applies For Bankruptcy

On 31 January 2014 Straits announced that it's wholly owned Indonesian subsidiary, PT Indo Muro Kencana (PTIMK), the owner of the Mt Muro gold operation, had lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings. As of the date of this report the Mt Muro mine remains on care and maintenance.

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.

Independent Auditors Review Report

The half-year financial report for the period ended 31 December 2013 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 6.

Rounding of Amounts to Nearest Thousand Dollars

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

Signed in accordance with a resolution of the Directors.

Andre Labuschagne
Executive Chairman
24 February 2014

Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the half-year ended 31 December 2013, 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.

Brisbane

Debbie Smith
Partner
PricewaterhouseCoopers

24 February 2014

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Straits Resources Limited ABN 30 147 131 977
Interim Report - 31 December 2013

Contents

	Page
Financial Statements	
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	13
Directors' Declaration	23
Independent Review Report	24

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

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

Straits Resources Limited
Level 2, HQ Tower South
520 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 2 to 5, which is not part of these interim financial statements.

The interim financial statements were authorised for issue by the Directors on 24 February 2014. 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

Straits Resources Limited
Consolidated Statement of Comprehensive Income
For the period ended 31 December 2013

	Notes	**31 December 2013 A$'000**	31 December 2012 A$'000
Revenue from continuing operations	2	**99,192**	90,320
Cost of goods sold	3	**(83,097)**	(80,304)
Gross profit		**16,095**	10,016
Other income	4	**12**	2,068
Exploration expense	3	**(3,024)**	(1,373)
Administration and support	3	**(8,404)**	(8,640)
Convertible note expense		**(7,854)**	-
Hedge loss		**(2,477)**	(1,025)
Impairment	3	**(2,309)**	(216)
Other expenses	3	**(130)**	(1,393)
Profit/(Loss) before net finance costs		**(8,091)**	(563)
Finance costs	3	**(7,863)**	(7,496)
Finance income		**405**	369
Loss before income tax		**(15,549)**	(7,690)
Income tax expense		**-**	(2,949)
Loss from continuing operations		**(15,549)**	(10,639)
Profit/(Loss) from discontinued operations	5	**1,403**	(12,625)
Profit/(Loss) for the period		**(14,146)**	(23,264)
Profit/(Loss) is attributable to:			
Owners of Straits Resources Limited		**(14,146)**	(23,264)
		(14,146)	(23,264)
Other comprehensive income			
Items that can be reclassified subsequently to the Income Statement			
Changes in the fair value of cash flow hedges		**(24,462)**	(5,776)
Exchange differences in translation of foreign operations		**(2,690)**	(1,426)
Other comprehensive income for the period, net of tax		**(27,152)**	(7,202)
Total comprehensive income for the period		**(41,298)**	(30,466)
Total comprehensive income for the period is attributable to:			
Owners of Straits Resources Limited		**(41,298)**	(30,466)
		(41,298)	(30,466)
		Cents	Cents
Earnings per share for the loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	**(1.0)**	(1.0)
Diluted earnings per share	10	**(1.0)**	(1.0)
Earnings per share for the loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	**(1.0)**	(3.0)
Diluted earnings per share	10	**(1.0)**	(3.0)

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

	Notes	**31 December 2013 A$'000**	30 June 2013 A$'000
ASSETS			
Current assets			
Cash and cash equivalents		**11,668**	18,256
Trade and other receivables		**15,184**	10,032
Inventories		**24,432**	15,399
Other financial assets		**4,099**	1,397
Derivative financial instruments		**-**	9,034
Short term mine development		**4,445**	8,848
		59,828	62,966
Assets classified as held for sale	5	**72**	1,889
Total current assets		**59,900**	64,855
Non-current assets			
Receivables		**16,251**	21,010
Derivative financial instruments		**-**	13,123
Exploration and evaluation		**22,754**	26,154
Mine properties in use		**46,964**	49,948
Property, plant and equipment		**37,177**	35,699
Deferred tax assets		**24,235**	17,814
Total non-current assets		**147,381**	163,748
Total assets		**207,281**	228,603
LIABILITIES			
Current liabilities			
Trade and other payables		**25,843**	68,654
Interest bearing liabilities	6	**46,641**	65,079
Deferred revenue		**-**	16,658
Derivative financial instruments		**3,031**	-
Provisions		**4,764**	5,919
		80,279	156,310
Liabilities directly associated with assets classified as held for sale	5	**104,760**	-
Total current liabilities		**185,039**	156,310
Non-current liabilities			
Interest bearing liabilities	6	**82,663**	57,627
Deferred revenue		**-**	18,205
Derivative financial instruments		**2,278**	-
Provisions		**10,642**	29,061
Total non-current liabilities		**95,583**	104,893
Total liabilities		**280,622**	261,203
Net assets		**(73,341)**	(32,600)
EQUITY			
Contributed equity	7	**353,300**	353,300
Reserves	8	**(13,588)**	13,007
Accumulated losses		**(413,053)**	(398,907)
Capital and reserves attributable to owners of Straits Resources Limited		**(73,341)**	(32,600)
Total Equity		**(73,341)**	(32,600)

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

	Notes	Contributed equity A$'000	Other reserves A$'000	Retained earnings A$'000	Total equity A$'000
		Attributable to owners of Straits Resources Limited			
Balance at 1 July 2012		295,941	(10,464)	(158,233)	127,244
Loss for the year		-	-	(23,264)	(23,264)
Other comprehensive income		-	(7,202)	-	(7,202)
Total comprehensive income for the period		**-**	**(7,202)**	**(23,264)**	**(30,466)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7	57,359	-	-	57,359
Employee share options - value of employee services	8	-	204	-	204
		57,359	204	-	57,563
Balance at 31 December 2012		**353,300**	**(17,462)**	**(181,497)**	**154,341**
Balance at 1 July 2013		353,300	13,007	(398,907)	(32,600)
Loss for the year		-	-	(14,146)	(14,146)
Other comprehensive income		-	(27,152)	-	(27,152)
Total comprehensive income for the period		**-**	**(27,152)**	**(14,146)**	**(41,298)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7	-	-	-	-
Employee share options - value of employee services	8	-	557	-	557
		-	557	-	557
Balance at 31 December 2013		**353,300**	**(13,588)**	**(413,053)**	**(73,341)**

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

	31 December 2013 A$'000	31 December 2012 A$'000
Cash flows from operating activities		
Receipts from customers	**91,566**	90,813
Net cashflows from hedging	**3,467**	(772)
Payments to suppliers and employees	**(78,375)**	(85,121)
Interest received	**420**	782
Interest paid	**(634)**	(4,793)
Net cash outflow from operating activities of discontinued operations	**(7,925)**	(11,322)
Net cash inflow/(outflow) from operating activities	**8,519**	(10,413)
Cash flows from investing activities		
Payments for property, plant and equipment and mine properties	**(10,288)**	(14,835)
Proceeds from sale of property, plant and equipment	**1,900**	515
Proceeds from held for trading financial assets	**-**	3,964
Payments for exploration expenditure	**(581)**	(2,425)
Proceeds from loan receiveable	**-**	469
Cash backed security deposits	**2,361**	-
Net cash outflow from investing activities of discontinued operations	**(127)**	(19,574)
Net cash (outflow) from investing activities	**(6,735)**	(31,886)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**-**	57,359
Proceeds from borrowings	**-**	8,178
Repayment of borrowings	**(6,653)**	(8,202)
Finance lease payments	**(1,694)**	(1,527)
(Loans to)/received from related entities	**(6,631)**	(40,419)
Net cash inflow from investing activities of discontinued operations	**6,631**	39,723
Net cash inflow from financing activities	**(8,347)**	55,112
Net increase/(decrease) in cash and cash equivalents	**(6,563)**	12,813
Cash and cash equivalents at the beginning of the financial period	**18,256**	12,982
Effects of exhange rate changes on cash and cash equivalents	**47**	(251)
Cash and cash equivalents at end of period	**11,740**	25,544

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	13
2	Revenue	14
3	Expenses	15
4	Other income	15
5	Assets and liabilities classified as discontinued operations	16
6	Interest bearing liabilities	17
7	Contributed equity	18
8	Reserves and retained earnings	18
9	Events occuring after the balance sheet date	19
10	Earnings per share	19
11	Segment information	20
12	Fair value measurements	22

1 Basis of preparation of half-year report

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

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with the Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These condensed consolidated interim financial statements do not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2013 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted, as well as critical accounting estimates and judgements are consistent with those of the previous financial period.

(i) Going Concern

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

During the period ended 31 December 2013, Straits incurred a loss after tax of $14.1 million (Dec 2012: loss of $23.3 million), and had a cash inflow from operating activities of $8.5 million (Dec 2012: outflow from operating activities of $10.4 million).

At 31 December 2013 the Group held cash of $11.7 million (Dec 2012: $25.5 million) and had negative net assets of $73.3 million and a working capital deficiency of $125.1 million. Included in current liabilities is a bank loan of $38.9 million (current portion of Standard Chartered Bank (SCB) Copper Swap Facility) and liabilities relating to Mt Muro of $104.8 million. On 31 January 2014 it was announced by Straits that its wholly owned subsidiary, PT Indo Muro Kencana (PTIMK), the owner of the Mt Muro gold operation, has lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings. Once approved by the Indonesian Commercial Court, PTIMK will move into administration and be managed by a court appointed Curator (Receiver).

During the period ending 31 December 2013, the Group has been able to continue to meet working capital requirements principally as a result of restructuring finance arrangements and positive operating cashflows generated by Tritton.

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

- Tritton's production has met forecast and the full year production forecast has been increased from 25,000 tonnes to 26,000 tonnes.
- The Group has generated positive cash flows from operating activities and met its commitments during the period.
- Funding from Straits to Mt Muro has ceased and Mt Muro placed on care and maintenance. A petition has been lodged for voluntary bankruptcy by PTIMK subsequent to 31 December 2013.
- Successful interim renegotiation of SCB Prepaid Copper Swap Facility with reduced payments until April 2014.
- Negotiation of the early repayment of Magontec Limited receivable of $2.1 milion, received in January 2014.
- Sale of subordinated debt held with GFE-MIR Holdings for US$2.6 million, received in January 2014.

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

- continuing to achieve operational and costs targets at Tritton; and
- re-negotiating the payment profile and amounts due in relation to the SCB Prepaid Copper Swap Facility. In September 2013, Straits entered into an agreement with SCB to restructure finance arrangements on an interim basis, with an agreement that a formal restructuring plan would be agreed between both parties by mid April 2014. The process to agree the formal restructuring plan is underway.

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 to support its operations in the foreseeable future and as a consequence they have no intention to liquidate or cease trading.

Accordingly the half-year report 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) New and amended standards adopted by the Group

The Group has adopted *Accounting Standard AASB 13 Fair Value Measurements* as a result of the new accounting standard becoming mandatory for reporting periods beginning 1 July 2013. Application of the new standard has introduced new disclosures for the interim report and changed the Group's valuation methodology adopted in valuing derivative financial assets and liabilities used to hedge the Group's risk exposures.

No other new standards and amendments to standards that are mandatory for first time adoption for reporting periods beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Historical cost convention

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

2 Revenue

	31 December 2013 A$'000	31 December 2012 A$'000
From continuing operations		
Sales revenue		
Mining activities	**98,311**	87,879
Other revenue from ordinary activities	**881**	2,441
	99,192	90,320

3 Expenses

	31 December 2013 A$'000	31 December 2012 A$'000
Profit/(Loss) before income tax includes the following specific expenses:		
Cost of production		
Mining and processing activities	**69,964**	67,157
Depreciation		
Plant and equipment	**2,194**	1,462
Plant and equipment under finance leases	**1,270**	1,131
Total depreciation	**3,464**	2,593
Amortisation		
Mine properties	**9,669**	10,552
Total cost of goods sold	**83,097**	80,303
Explorations		
Exploration expenditure	**383**	766
Exploration written off	**2,641**	607
Total exploration	**3,024**	1,373
Finance costs - net		
Interest and finance charges paid/payable	**7,643**	6,906
Unwinding of discounts on provisions	**220**	591
Total Finance costs - net	**7,863**	7,497
Other		
Loss on fair value of listed securities held for trading	**99**	1,391
Other	**31**	2
Total other	**130**	1,393
Administration and support		
Australia	**8,404**	7,892
Asia	**-**	748
Total administration and support	**8,404**	8,640
Included within the above functions are the following:		
Employee benefits expense (includes employee benefit accruals)	**22,709**	23,932
Superannuation expense	**1,186**	331
Impairment		
Impairment write back on sale of debt (GFE Loan)	**(2,642)**	-
Impairment of short term mine capital	**3,851**	216
Impairment of mine properties in use	**1,100**	-
Total impairment	**2,309**	216

4 Other income

	31 December 2013 A$'000	31 December 2012 A$'000
Net gain/(loss) on disposal of property, plant and equipment	**12**	404
Foreign exchange gains (net)	**-**	1,664
	12	2,068

5 Assets and liabilities classified as discontinued operations

(a) PT Indo Muro Kencana

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

The Board had put an active plan in place seeking to dispose of the assets but no formal offer to purchase the assets has been received. On 31 January 2014 Straits Resources Limited announced that it's wholly owned subsidiary, PT Indo Muro Kencana (PTIMK), the owner of Mt Muro gold operations, lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings.

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

Financial performance and cash flow information	**31 December 2013** **A$'000**	31 December 2012 A$'000
Revenue	**23,250**	44,065
Expenses	**(21,847)**	(56,671)
Other	**-**	1
Loss before income tax	**1,403**	(12,605)
Income tax benefit	**-**	-
Profit after income tax from discontinued operation	**1,403**	(12,605)
Net cash outflow from operating activities	**(7,925)**	(11,767)
Net cash outflow from investing activities	**(127)**	(19,407)
Net cash increase from financing acitivities	**6,631**	40,001
Net increase/(decrease) in cash generated by the division	**(1,421)**	8,827

The carrying amounts of assets and liabilities

	31 December 2013 **A$'000**
Current assets	
Cash and cash equivalents	**72**
Total assets	**72**
Current liabilities	
Trade and other payables	**60,401**
Interest bearing liabilities	**24,611**
Provisions	**310**
Non-current liabilities	
Provisions	**19,438**
Total liabilities	**104,760**
Net liabilities	**104,688**

(b) Hillgrove Gold

At 31 December 2012 the Hillgrove Mine was classified as held for sale. The assets and liabilities held for sale in relation to the Hilgrove mine at 31 December 2012 were $14,649,000 and $4,061,000 respectively. During the period Hillgrove Mine incurred a loss after tax of $20,000. Included in the cash flow at 31 December 2012 in relation to Hillgrove mine is the following cash positions as part of discontinued operations, net cash inflow from operating activities of $445,000, net cash outflow from investing activies $167,000 and net cash outflow from financing activities $278,000.

6 Interest bearing liabilities

Current

	31 December 2013 A$'000	30 June 2013 A$'000
Secured		
Bank loans	**38,905**	58,962
Lease liabilities	**3,529**	3,486
Other loans	**-**	2,631
Convertible notes	**4,207**	-
Total interest bearing liabilities	**46,641**	65,079

Non-Current

	31 December 2013 A$'000	30 June 2013 A$'000
Secured		
Bank loans	**75,445**	52,350
Lease liabilities	**3,572**	5,277
Convertible notes	**3,646**	-
Total interest bearing liabilities	**82,663**	57,627

Convertible Notes:

Following completion of the restructure of the Mt Muro Silver Prepayment Facility with Credit Suisse International, 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 Credit Suisse International on the terms approved by Shareholders at the Extraordinary General Meeting held on 21 October 2013.

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

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

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

The Class A Notes must be redeemed early in the event that Straits undertakes a capital raising or similar liquidity event during the currency of those notes. In addition, in the event that Straits is able to find a buyer for the Mt Muro Gold Project, the net sales proceeds will be shared 75% to the Senior Lender and 25% to Straits.

7 Contributed equity

Movements in ordinary share capital

	31 December 2013 Shares	Issue Price	31 December 2013 A$'000
Opening Balance	**1,164,150,159**		**353,000**
Issues of ordinary shares during the period			
Shares issues for consideration:			
Employee exempt plan issue	**53,580,134**	$0.00	-
Closing Balance	**1,217,730,293**		**353,300**

	31 December 2012 Shares	Issue Price	31 December 2012 A$'000
Issues of ordinary shares during the period			
Shares issues for consideration:			
Ordinary shares - fully paid	707,620,685	$0.09	60,148
Less Transactions costs arising from share issue	-		(2,789)
	707,620,685		57,359

8 Reserves and retained earnings

(a) Reserves

	31 December 2013 A$'000	30 June 2013 A$'000
Cash flow hedges	**(3,304)**	21,158
Share based payments	**1,506**	949
Transactions with non controlling interest	**(9,443)**	(9,443)
Foreign Currency Translation	**(2,347)**	343
	(13,588)	13,007

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance at the beginning of the period	**(398,907)**	(158,232)
Net profit/(loss) for the period	**(14,146)**	(240,675)
Balance at 30 June	**(413,053)**	(398,907)

9 Events occuring after the balance sheet date

GFE loans

On 14 January 2014 Straits Resources Limited (Straits) announced that it has sold its interest in certain subordinated debt and notes owing by GFE-MIR Holdings (a Swiss Company) for US$2.6 million. The subordinated debt was provided by Straits in December 2010 to the amount of US$12 million, however Straits had previously written down the value of the subordinated debt in its accounts to nil, having regard to Straits' view on the likelihood of recovery of the amounts owing. The loan has been written back to its recoverable amount at 31 December 2013.

Magontec loans

On 20 January 2014 Straits announced that it had received $2.1 million owed from Magontec Limited, as part of an agreement reached for the early repayment of a $2.1 million loan owed to Straits. As part of the agreement Straits has converted their convertible notes (CLN's) in Magontec with a face value of $6.869 million into Magontec shares. The equivalent of $5.908 million of CLN's were converted into Magontec shares at 31 December 2013 and the remaining $0.961 million in January 2014. The amounts were reflected at the market value of 2.5 cents per Magontec shares at 31 December 2013.

Mt Muro applies for bankruptcy

On 31 January 2014 Straits announced that it's wholly owned Indonesian subsidiary, PT Indo Muro Kencana (PTIMK), the owner of the Mt Muro gold operation, had lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings. As of the date of this report the Mt Muro mine remains on care and maintenance.

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

	31 December 2013 A$'000	31 December 2012 A$'000
Basic and diluted earnings per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluting earnings per share:		
From continuing operations	**(15,549)**	(10,639)
From discontinued operations	**1,403**	(12,625)
	(14,146)	(23,264)

(b) Weighted average number of shares used as denominator

	31 December 2013 Number	31 December 2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**1,166,492,460**	771,882,171

11 Segment information

(a) Description of segments

Management had determined the operating segments based on the reports reviewed by the Directors of Straits Resources Limited that are used to make strategic decisions. The consolidated entity is organised on a global basis into the following divisions:

Base Metals

Consists of the Tritton Resources Pty Ltd copper mine and exploration assets owned by Templar Resources Pty Ltd and Goldminco Resources Pty Ltd.

The Group's business segments are Base Metals and Other (not material to be classified as a separate segment). Other includes greenfield exploration not specifically attributable to an operating mine, or not specifically stated in a segment above.

Discontinued operations

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

On 31 January 2014 Straits Resources Limited announced that it's wholly owned subsidiary, PTIMK, the owner of Mt Muro gold operations, lodged a petition with the Indonesian Commercial Court to commence voluntary bankruptcy proceedings.

Geograhical segments

The consolidated entity currently only operates in Australia at 31 December 2013. At 31 December 2012 the company operated in Australia - Tritton copper mine and South East Asia - Principal activities of Mt Muro operations.

Segment results

Included in the segment results is the the discontinued operations segment relating to the Mt Muro operations as noted above, the December 2012 results also included that of Hillgrove Gold.

(b) Segment information provided to the board of Directors

31 December 2013	**Base metals**	**Precious metals**	**Other**	**Total continuing operations**	**Discontinued operations**	**Consolidated**
	A$'000	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Segment Revenue						
Sales to external customers	98,311	-	-	98,311	23,250	121,561
Total sales revenue	98,311	-	-	98,311	23,250	121,561
Other revenue	881	-	-	881	539	1,420
Total segment revenue	**99,192**	**-**	**-**	**99,192**	**23,789**	**122,981**
Unallocated revenue	-	-	-	-	-	-
Consolidated revenue	**99,192**	**-**	**-**	**99,192**	**23,789**	**122,981**
Adjusted EBITDA	**26,701**	**-**	**(8,626)**	**18,075**	**(5,072)**	**13,003**
Segment assets and liabilities						
Segment assets	**298,897**	**-**	**93,914**	**392,811**	**72**	**392,883**
Intersegment elimination	-	-	-	(209,838)	-	(209,838)
Unallocated assets	-	-	-	24,236	-	24,236
Total assets	**298,897**	**-**	**93,914**	**207,209**	**72**	**207,281**
Segment liabilities	**330,422**	**-**	**4,787**	**335,209**	**123,179**	**458,388**
Intersegment elimination	-	-	-	(191,419)	(18,419)	(209,838)
Unallocated liabilities	-	-	-	32,072	-	32,072
Total liabilities	**330,422**	**-**	**4,787**	**175,862**	**104,760**	**280,622**
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	10,199	-	89	10,288	127	10,415
Depreciation and amortisation expense	13,017	-	116	13,133	-	13,133

11 Segment information (continued)

31 December 2012	**Base metals**	**Precious metals**	**Other**	**Total continuing operations**	**Discontinued operations**	**Consolidated**
	A$'000	**A$'000**	**A$'000**	**A$'000**	**A$'000**	**A$'000**
Segment Revenue						
Sales to external customers	87,879	-	-	87,879	44,059	131,938
Other revenue	1,067	-	1,374	2,441	196	2,637
Total segment revenue	**88,946**	**-**	**1,374**	**90,320**	**44,255**	**134,575**
Unallocated revenue	-	-	-	371	-	371
Consolidated revenue	**88,946**	**-**	**1,374**	**90,691**	**44,255**	**134,946**
Adjusted EBITDA	**21,181**	**-**	**(9,056)**	**12,125**	**(2,912)**	**9,213**
Segment assets and liabilities						
Segment assets	**205,139**	**187,482**	**159,040**	**551,661**	**14,649**	**566,310**
Intersegment elimination	-	-	-	(187,112)	-	(187,112)
Unallocated assets	-	-	-	17,813	-	17,813
Total assets	**205,139**	**187,482**	**159,040**	**382,362**	**14,649**	**397,011**
Segment liabilities	**(218,872)**	**(184,769)**	**(7,506)**	**(411,147)**	**(4,061)**	**(415,208)**
Intersegment elimination	-	-	-	187,112	-	187,112
Unallocated liabilities	-	-	-	(14,574)	-	(14,574)
Total liabilities	**(218,872)**	**(184,769)**	**(7,506)**	**(238,609)**	**(4,061)**	**(242,670)**
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	15,724	19,665	834	36,223	-	36,223
Depreciation and amortisation expense	12,458	10,210	145	22,813	-	22,813

	Segment revenues from sales to external customers	Segment assets	Acquisition of property, plant and equipment, intangbles and other non current segment assets
	31 December 2012	**31 December 2012**	**31 December 2012**
	A$'000	**A$'000**	**A$'000**
Australia	87,885	191,716	16,558
South East Asia	44,059	187,482	19,665
	131,944	379,198	36,223
Unallocated assets		17,813	
Total assets		397,011	

11 Segment information (continued)

(c) Other segment information

Adjusted EBITDA

The Directors of Straits Resources Limited assess 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

A reconciliation of adjusted EBITDA to loss before income tax

	31 December 2013 A$'000	31 December 2012 A$'000
Adjusted EBITDA (continuing operations)	**18,075**	12,125
Finance costs	**(7,863)**	(7,496)
Impairment	**(2,309)**	(216)
Hedge loss	**(2,477)**	(1,025)
Convertible note expense	**(7,854)**	-
Depreciation and amortisation	**(13,133)**	(13,146)
Other	**12**	2,068
Loss before income tax	**(15,549)**	(7,690)

12 Fair value measurements

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

Accounting Standards AASB7 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 liablity, 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 on 31 December 2013 and 30 June 2013

	Level 1 A$'000	**Level 2 A$'000**	**Level 3 A$'000**	**Total A$'000**
31 December 2013				
Assets				
Financial assets				
Trading securities	4,099	-	-	4,099
Derivatives for hedging	-	-	-	-
Total Assets	**4,099**	**-**	**-**	**4,099**
Liabilities				
Derivatives for hedging	-	5,309	-	5,309
Total Liabilities	**-**	**5,309**	**-**	**5,309**
30 June 2013				
Assets				
Financial Assets				
Trading Securities	1,397	-	-	1,397
Derivatives for hedging	-	22,157	-	22,157
Total Assets	**1,397**	**22,157**	**-**	**23,554**
Liabilities				
Derivatives for hedging	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**

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

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

Straits Resources Limited
Directors' Declaration
31 December 2013

In the Director's opinion:

a. the financial statements and notes set out on pages 7 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 2013 and of its performance for the half-year ended on that date, and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Andre Labuschagne
Director
24 February 2014

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 balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Straits Resources Limited Group (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 2013 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*.

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 entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material 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 $14.1 million and has a net current liability position of $125.1million. We note that the ability of the company 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 company's ability to continue as a going concern and therefore, the company 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

Brisbane

D.G. Smith

Debbie Smith
Partner

24 February 2014