Appendix 4E – Straits Resources Limited

For the year ended 30 June 2010

Results for Announcement to the Market

				$'000
Revenue from ordinary activities continuing operations *(Appendix 4E item 2.1)*	up	14%	to	293,539
Loss from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	down	-%	to	69,181
Net loss for the period attributable to members *(Appendix 4E item 2.3)*	down	-%	to	69,181

Dividends / distributions *(Appendix 4E item 2.4)*	Unfranked amount per security (cents) 2010	Unfranked amount per security (cents) 2009
Final dividend (cents)	5	30
There were no interim dividends paid	-	-

Key Ratios	**12 months to June 2010**	12 months to June 2009
Basic earnings per share (cents)	**(27.6)**	(17.9)
Diluted earnings per share (cents)	**(27.6)**	(17.9)
Net tangible assets per share (dollars)	**2.62**	3.20

Since year end the directors have recommended the payment of an unfranked final dividend for the year ended 30 June 2010 of 5 (five) cents per fully paid ordinary share (2009: final dividend 30 cents). There was no interim dividend paid.

The record date for determining entitlements to dividends is the 27th September 2010, and it is anticipated payment will be made on the 8th October 2010.

The accounts are in the process of being audited.

REVIEW OF OPERATIONS AND ACTIVITIES

Results

The Group recorded a loss before minorities and after tax for the financial reporting period to June 2010 of $69.4 million compared with a profit before minorities and after tax of $38.0 million for the financial reporting period to June 2009.

The June 2010 financial result for the Group was impacted by a number of key factors, including:

- receipt of the performance payment of US$115.0 million in October 2009, for its 60% interest in Straits Bulk and Industrial Pty Ltd (since renamed PTT Asia Pacific Mining Pty Ltd). An additional net gain of $28.6 million on disposal recognised;
- recognising $20.1 million for Straits' share of profit from its investment in PTT APM;
- the sale of Straits Whim Creek Pty Ltd to Venturex Resources Limited which settled on 2 February 2010;
- production activities at Murrowombie Mine and North East Mine remaining suspended until the March quarter at which time decline development work at the North East Mine recommenced;
- suspension of processing activities at Hillgrove in August 2009 to fully investigate the technical issues, cost and time necessary to implement the required plant modifications to achieve commercially viable production levels. Whilst the technical investigations have been completed with positive outcomes, the commercial investigations continue. The directors have determined that in advance of any final decision regarding the future options for re-commencement of operations at Hillgrove, it is prudent to write down the carrying value of this asset. This has resulted in an impairment charge of $72.3 million, and
- An fx loss of $6.0 million for the period due to the Australian dollar strengthening from 0.8067 US cents to 0.8399 US cents at year-end.

Sales Revenue	Financial Year 2010 $m	Financial Year 2009 $m
Base metals - Tritton	138.6	93.9
- Hillgrove	1.8	3.6
Precious metals - Mt Muro	56.5	60.7
Sales revenue from mining activities	**196.9**	**158.2**
Magontec	96.6	100.3
Total sales revenue from continuing operations	**293.5**	**258.5**

Earnings before interest, tax, depreciation, amortisation (EBITDA) and non-cash costs for impairment and exploration write-downs amounted to $36.7 million, made up of the following:

EBITDA	Full Year 2010 $m	Full Year 2009 $m
Base metals – Tritton (including hedges)	8.3	(62.8)
- Hillgrove	(13.3)	(11.8)
Precious metals - Mt Muro	(5.8)	(14.4)
PTTAPM	20.1	8.0
Magontec	4.5	(1.8)
FX losses	(6.0)	(42.2)
Other	(13.4)	1.6
Total EBITDA continuing operations	**(5.6)**	**(123.4)**
Profit from discontinued operations	42.3	556.8
TOTAL EBITDA	**36.7**	**433.4**

The net loss for the period is inclusive of the following:

Profit/(loss)	Full Year 2010 $m	Full Year 2009 $m
Tritton	(1.7)	(59.5)
Mt Muro	(10.9)	(23.7)
PTTAPM	18.0	7.9
Magontec	1.3	(8.4)
Hillgrove	(8.5)	(14.6)
FX Losses	(6.0)	(42.2)
Other items	(10.7)	(3.5)
Loss from ongoing activities	**(18.5)**	**(144.0)**
Impairments	(75.4)	(123.8)
PTT APM Disposal	28.6	344.2
Discontinued operations	(4.1)	(38.4)
Total Profit/(loss)	**(69.4)**	**38.0**

Financial Position

The Group's net asset position at 30 June 2010 was $736.2 million. The remaining 40% investment in PTT APM held by Straits is carried at $260.2 million (at sale date $235.4 million).

Net tangible asset backing per ordinary share at 30 June 2010 is $2.62 (30 June 2009 $3.20).

The Group's net decrease in cash for the period was $38.5 million comprising operating cash outflows of $24.5 million, investing cash inflows of $57.0 million, and an outflow from financing activities of $71.0 million. Positive foreign exchange revaluations amounted to $7.7 million.

At 30 June 2010, Straits' cash and liquid assets included cash $192.1 million, investments $38.7 million and $22.4 million of restricted cash (30 June 2009: $223.0 million, $10.2 million and $22.1 million).

PTT APM STRATEGIC COAL ALLIANCE

Strategic alliance with PTT Group of companies

In April 2009 Straits completed the formation of a strategic alliance with Asian energy major, the PTT Group of companies (PTT) of Thailand, via the sale of a 60% interest in its wholly owned subsidiary, Straits Bulk and Industrial Pty Ltd (SBI).

SBI was the holding company for Straits Brunei coal exploration interests, Madagascar coal exploration interests and for Straits 45.6% shareholding in the SGX listed Indonesian coal company, Straits Asia Resources Limited (Straits Asia) (SGX: SAR). Straits transferred a team of coal executives headed by Martin Purvis to SBI as part of the transaction.

SBI was renamed PTT Asia Pacific Mining Pty Ltd (PTT APM) and Straits still maintains significant exposure to bulk commodities through its remaining 40% interest in PTT APM. Straits continues to be actively engaged in shaping and deciding the development goals and business plans of the PTT APM Joint Venture coal assets, including Straits Asia, by working with the PTT Group in accordance with terms of our PTT APM Joint Venture.

Straits Asia Resources

PTT Asia– 45.6%

Straits Asia produced 9.8 Mt of coal in the twelve months to June 2010 and achieved sales of 10.5 Mt of coal.

The strategy for Straits Asia is to pursue organic growth through the ongoing development of the Sebuku and Jembayan operations, and to assess opportunities for continued growth through the acquisition of existing operations and greenfields areas in coal.

Sebuku mine produced 1.49 Mt in the twelve months to June 2010. While the plant capacity of Sebuku is 8 Mtpa, production in 2011 and 2012 will be determined by the timing of mining approvals.

Jembayan performed in line with Straits Asia's expectations in the 12 months to June 2010 producing 8.3 Mt of coal. Jembayan currently has a capacity of 11 Mtpa and Straits Asia is targeting production of 4.7Mt in the 6 months to December 2010 and 12.8 Mt in calendar 2011 if relevant licences are issued.

Operating costs were again impacted by high diesel fuel prices, a higher strip ratio and general inflationary pressures throughout the industry.

The market outlook for the ensuing 12 months remains favourable with forecast continued strong demand growth combined with ongoing supply constraints expected to result in tight market conditions and above average prices.

At the end of June 2010 Straits indirect holding of 18.2% in Straits Asia Resources had a market value of A$348 million.

Madagascar Coal Project

PTT Asia– 33.5% Red Island Minerals

In January 2008, Straits finalised a sale and purchase agreement with Red Island Minerals (RIM) to acquire an interest in the coal tenements in the Sakoa coalfield in Madagascar. This agreement called for the determination of an indicated and measured coal resource to JORC standards and the drafting of a feasibility study to evaluate whether the coal resources within the lease areas could be commercially exploited.

An extensive exploration programme at the Sakoa coalfield was completed in May 2010 with subsequent analytical and laboratory work by RIM continuing into July 2010. Total metres drilled for the project were approximately 33,000 metres. The programme intersected coal in the vast majority of holes, although issues concerning coal quality data have delayed and made more difficult resource modelling. Resource modelling on the data and information generated by the exploration programme is still in progress. Upon completion of a JORC resource statement and other feasibility investigations, PTT APM holds an option to increase ownership in Red Island Minerals from 33.5% to 100% through the payment of $0.60 / JORC measured and indicated resource tonne for every tonne above 100 million tonnes. Recently, certain option grantors asserted that the option has expired by reason of delay. PTT APM have received legal advice that such assertion is wrong and that the option continues to be on foot.

Brunei Coal Project

PTT Asia – Joint Venture 35%

PTT APM is currently in a joint venture with Far East Energy Corporation Pty Ltd (FEE) to explore the coal potential of Brunei. FEE has secured a Memorandum of Understanding with the Brunei government to determine the coal potential of the region. The program is based on regional mapping and sampling of coal outcrops. PTT APM has earned 35% of the total project, and has the right to increase its joint venture interest to 70%.

During the year detailed mapping programs were conducted in the south and coastal regions of Brunei. An initial review of the available geophysical database was undertaken and it is expected that a more detailed analysis of this data will improve the ventures knowledge of the basin structure and stratigraphy in relation to the known coal horizons.

A drilling programme was planned but implementation has been delayed due to delays in the granting of prospecting licenses. Work is being undertaken on a number of commercial issues leading up to increased exploration activities in the second half of the year.

Yannarie Solar Project, Western Australia

PTT Asia – 100%

The independent peer review committee of environmental experts which was established to address the environmental concerns of the project, has recommended that the project be relocated further north (closer to Onslow Salt) to improve environmental outcomes. The current project was withdrawn from assessment to facilitate dialogue with stakeholders on a new project location.

The revised project location remains entirely within the Temporary Ministerial Reserve set aside for salt production. Numerous presentations have been held with key stakeholders detailing the new proposal and the improved environmental credentials.

Further discussions are scheduled with key Ministers to gauge the governments support for the new location.

BASE METALS

TRITTON COPPER

Production

The 12 months to June 2010 was a period of significant consolidation and preparation for the future at Tritton Mines.

With the suspension of production activities at the Murrawombie Mine and North East Mine in 2008 there was a significant shortfall of ore coming into the operation. In spite of these ore sources being eliminated the operation was able to process 906,347 tonnes, a small reduction on the 921,116 tonnes processed the previous year.

Whilst tonnage was slightly less in the previous 12 months the feed grade reduced by 14% which resulted in lower copper metal production. Feed grades were lower due to the significant increase in development ore delivered through the mill.

The primary objective of the last 12 months has been to prepare the operation to be processing at least 1.4 Mtpa of ore and to set the basis for the operation to be capable of producing a minimum 25,000 tonnes of copper metal in concentrate per annum on a long term sustainable basis.

This strategy has included:

- preparing the North East Mine to re-commence production in July 2010 at a sustainable 300,000 tpa. Mine development and capitalisation has been completed and the operation is on track to produce 25,000 tpm.

- a major change to the Tritton mining method to a “bottom-up” primary and secondary open stoping technique utilizing pastefill. This will increase mining efficiencies and capital utilisation by allowing removal of more of the ore body and increasing mine recoveries from 65% to 92%. A secondary benefit is that greater geotechnical stability will be achieved.

Production for the following periods was:

		Full Year 2010	Full Year 2009	6 months to June 2008
Development	Metres	6,986	7,372	3,821
Ore Mined (Tritton)	Tonnes Grade (%) Cu Tonnes	911,539 2.35 21,451	932,532 2.72 25,404	343,606 2.53 8,685
Ore Milled	Tonnes Grade (%) Cu Tonnes	906,347 2.37 21,464	921,116 2.74 25,187	406,672 2.21 8,971
Recovery	%	94.23	94.11	93.27
Concentrate	Tonnes Cu % Cu Tonnes	81,183 24.91 20,847	95,026 24.95 24,111	33,282 25.15 8,372

Outlook

Straits considers the region as having significant geological potential, and continues to be positive concerning the long term growth potential of Tritton.

There has been a strong focus on near-mine exploration to prove up additional copper resources. Utilising deep looking electromagnetic surveys and geophysical techniques, a number of significant new targets have been identified. An intensive drilling programme has been initiated to evaluate those targets. This exploration programme is on-going.

In addition to the near-mine exploration programme:

- at Tritton in-mine deep diamond drilling has confirmed the down dip extensions of the main Tritton ore body, clearly demonstrating potential to significantly increase the mine life.

- at Murrawombie mine a re-evaluation of the ore body has indicated increased tonnages and grades over what was previously known, and evaluation work is continuing.

- the North East ore body remains open at depth.

Tritton has the potential to achieve an annual production rate of over 30,000 tonnes of copper metal in concentrate. The increase in production at Tritton Mine is being implemented, production is recommencing at the North East Mine and a new mining method is expected to deliver production at the increased rate in the medium term.

WHIM CREEK COPPER

With the depletion of oxide ore reserves, mining and crushing operations at the Whim Creek copper mine were shut down by April 2009. During the remainder of 2009, residual copper was extracted from the heaps through the process plant and with declining leach solution grades, the SX-EW plant was shut down and decommissioned in December 2009.

As a result of the planned closure, Straits sought purchasers of the various assets and sold an option to purchase the SX-EW plant to Finders Resources Limited (**Finders**). The option was exercised by Finders in March 2010 and the plant was then dismantled and prepared for shipment to Finders' Wetar project in Indonesia.

Following the sale of the process plant to Finders, Straits negotiated the sale of Straits (Whim Creek) Pty Ltd to Venturex Resources Limited (Venturex) (ASX: VXR). This sale agreement was settled in February 2010.

The site remained on care and maintenance until the sale was concluded. Environmental remediation work was completed around the various mining areas, and site access was secured as required for the suspension of operations.

Production

Copper production through the SX-EW plant to December 2009 was 1,275 tonnes.

HILLGROVE ANTIMONY

While the metal production plant produced saleable antimony metal to LME specifications over a 12 month period, the quantities produced were significantly below design levels due to a number of issues in the processing plant. Whilst some rectifications to the plant were made, issues relating to effective waste water treatment, the flotation configuration and the interface between leaching and electro-winning continued.

As a result, in August 2009 it was decided to suspend operations to investigate the technical issues, the cost, and the time required to implement the required plant modifications to achieve commercially viable production levels.

Technical evaluations and preliminary engineering have now been completed to confirm an optimum processing route for Hillgrove operations going forward. This would see Hillgrove successfully treating on site water stores and producing antimony and gold concentrates (rather than metal) for sale. The antimony price is currently very strong and initial feedback from the market is very positive in terms of securing high payment terms for these concentrates.

Hillgrove operations is also registered with AusIndustry for the Research and Development Tax Concession. As such, the Straits Resources tax consolidated group benefits by receiving an uplift of between 25% - 75% on certain expenditure incurred in relation to the project.

Exploration has identified extensions of near mine antimony and gold resources, as well as generating many prospective targets throughout the field. This has been combined into a profitable mine plan for a restarted operation. Straits are discussing restart options with potential investors and offtake parties, as we consider the most favourable restart option and whether the size and nature of the project suits Straits future participation.

The directors have determined that in advance of any final decision regarding the future options for re-commencement of operations at Hillgrove, it is prudent to write down the carrying value of this asset.

PRECIOUS METALS

MT MURO

Background

The Mt Muro Gold mine is located in Central Kalimantan, Indonesia. Owned by PT Indo Muro Kencana, a 100% subsidiary of Straits Resources Limited, the mine lies 300km due west of Balikpapan.

The mine is operated under a third generation Contract of Work (CoW) which covers some 47,940ha of the central Kalimantan magmatic arc which hosts the Kelian, Mt Muro and Mirah gold deposits among, others.

Mining activities for the year comprised the extraction of vein and elluvial gold and silver ore from a range of regionally distributed open pits. Ore was trucked to the 1.7 Mtpa centrally located processing plant, where gold and silver bearing doré is produced.

During the reporting year, ore was sourced from the Tasat – Rabu complex, Serakau, Anak Dua 2, Jalan Bukit and Luit Bawa elluvial material. The roll on – roll off ferry transporting Tasat – Rabu ore across the Barito River performed well during the year.

Mt Muro produced 45,521 ounces of gold and 143,496 ounces of silver for the financial year, consistent with FY2009, treating 615,544 tonnes at 2.56 g/tonne Au and 12.41 g/tonne Ag.

Cash costs remained high at US $1,196/ounce Au for the reporting period, a function of the production constraints as a result of the general capitalisation level of the mine. As the re-capitalisation plan takes effect during FY2011 it is expected that unit costs will reduce significantly as production levels increase and start to stabilise at higher levels.

Outlook

Following strategic planning in 2009, Straits committed to a production and recapitalisation plan for Mt Muro. This was based around the cutback and mining of the Serujan open pit, development of the Soan underground mine and a targeted scale up of exploration activities.

This plan aims to place Mt Muro on a trajectory to achieve 80,000 ounces Au equivalent in 2013/14 and deliver a stable, capitalised operating platform capable of delivering 100,000 ounces Au equivalent thereafter.

As part of this plan, and to improve efficiencies, the open pit mining contractor was demobilised and the commencement of owner/operator surface mining was established early in the third quarter. In parallel, acquisition and mobilisation of the underground mobile fleet was completed at the same time.

While some delays were encountered due to equipment importation issues, surface infrastructure including workshops, power station and offices were completed by May 2010. Excavation of the decline boxcut was completed in February 2010 and development of the Soan decline commenced in April 2010. It is anticipated that first ore production will commence from Soan in the second quarter 2011.

Further underground development and mining will eventuate as plans are firmed up for the down plunge Sinter and Sinbar deposits and as other underground opportunities are identified.

Integral to this plan is the development of the Serujan open pit, and a second surface fleet which was mobilised upriver during the March quarter to commence cutback operations.

Mt Muro retains a strategic presence in one of the most prospective gold magmatic arcs in Asia, with a significant installed capital base. The exploration potential at Mt Muro is still being revealed and the current programs expanded to evaluate brownfields extensions below mined out open pits at Serujan, Permata and Batman.

Wider greenfields programs driven by geochemical data and re-evaluation of IP geophysical data are expected to provide the next generation of resources to support Mt Muro's future development.

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Production

Production for the following periods was:

		Full Year 2010	Full Year 2009	6 months to June 2008
Overburden movement	Bcm	2,131,050	2,666,907	1,343,161
Ore mined	Tonnes	602,563	622,100	277,428
Ore feed to plant	Tonnes	615,544	652,050	213,284
Gold grade	Tonnes	2.56	2.62	3.37
Silver grade	g/t	12.41	24.55	16.46
Gold recovery	g/t	89.67	88.70	92.30
Silver recovery	%	58.92	60.20	60.20
Gold production	Oz	45,521	48,846	21,728
Silver production	Oz	143,496	304,360	68,786

GfE-MIR Group

Background

GfE-MIR Group specialises in marketing and supplying alloys and related products for the steel, foundry and non-ferrous industries. With more than 90 years' experience servicing these industries with alloys and related products, GfE-MIR has maintained a reputation for its innovation, the quality of its products and level of service provided to its customers. Further information on GfE can be found at www.gfe-mir.de.

Overview

GfE's Group revenues for the year ended June 2010 were US$176.0 million (2009: US$182.1 million). The first half of the financial year 2010 was still very much affected by the global financial crisis and following economic volatility. The consumption in nearly all major relevant markets was very depressed. As a consequence the GfE Group implemented a cost savings programme aimed at reducing the overall cost by 15% on a year to year basis.

The second half of the financial year showed the group returning to historic average margins on the back of a recovering European, US and South African economy. GfE maintains a US$45.0 million borrowing base facility which at year end was drawn down to US$33.4 million. This facility is used to fund the business working capital and is backed by receivables and inventories within the GfE-MIR Group.

Outlook

GfE's performance is highly contingent on the performance of the steel, foundry and non-ferrous markets globally. This is a non-core business which Straits is looking to divest.

MAGONTEC

Background

Magontec is a leading global supplier of magnesium alloys offering a wide spectrum of Mg alloys for the automotive industry, including recycling with highly efficient plants in Europe and China. Magontec offers, as well, globally innovative cathodic corrosion protection solutions for the water heater industry with Mg- and impressed current anodes. In both areas Magontec helps customers to create safe, future oriented and competitive products and services.

Magontec was formed in 1953 with its head office in Bottrop, Germany. Magontec operates two plants, one in Bottrop, Germany and one in Xian, China with a total magnesium alloy annual capacity of 36,000 tonnes. As at 30 June 2010 Magontec employed 325 people in Germany and China.

Overview

The Mg alloy market started recovering in the second half of 2009 but is still 30-40% behind the volumes in 2007 and 2008. Efficiency improvements and cost cutting programs were implemented and have shown positive effects on the results. Magontec's metal sales volumes increased in 2009/2010 by 90% compared to the same period 2008/2009. The global recovery in the automotive industry is ongoing but with different speeds in the regions. Revenue for Magontec was US$79.9 million for the year ended June 2010 (2009: US$84.2 million).

Outlook

Magontec has set up a five year strategic plan with growth potential in all markets. The speed of future performance improvements will be highly contingent on general economic development globally, particularly from the automotive sector, but also from the stabilization of the Euro. At the date of this report there were signs of a better recovery of the automotive market in the US, whereas the development of the economy in Europe is somewhat uncertain. China is expected to see good growth.

EXPLORATION

Significant exploration activities are currently underway within the Straits Group. During 2010 exploration programmes recommenced at the Tritton operation. At the Mt Muro gold mine, work is well advanced to recommence geophysical and drill testing of identified fertile gold structures with the aim of increasing the resource inventory of the field. Straits' subsidiary, Goldminco Corporation, is exploring for large porphyry targets in the Lachlan Fold Belt of New South Wales. In South Australia, the Torrens project offers excellent potential to find an Olympic Dam style deposit.

Mt Muro, Kalimantan Indonesia

An aggressive exploration programme continues at Mt Muro which represents one of the most fertile gold exploration terrains in Indonesia, with significant potential even after 20 years of activity. Exploration on the Mt Muro Contract of Work (CoW) was accelerated in the second half of the year following a strategic review and target generation/ranking exercise.

Historical exploration at Mt Muro has focused on the upper 150 metres of the identified systems in the belief that within these epithermal systems gold mineralization trended into base metals, principally copper and lead with depth. While there is some evidence for this, the discovery of the Soan –Sinter-Sinbar system which extends in vertical shoots to below 500 metres depth has shown that this model cannot be universally applied across the field.

As a result, current exploration is consequently focussing on testing vein systems below the historical mining centres of Kerikil, Permata-Bantian-Hulabai, Batman and Serujan which are virtually undrilled below 150 metres. A major part of the current exploration plan at Mt Muro is to systematically drill test below these strike extensive systems for the plunge continuation of these shoots.

A review of data from the historical mining operations in the 1990's, combined with CoW wide geochemical and geophysical data sets has resulted in the development of a systematic exploration strategy to test for:

- Depth and strike extensions to historical open pit mineralization. High grade shoots and peripheral mineralization are attractive exploration targets for open pit and underground mining. Early success includes 22m @ 2.29g/t Au and 39.04 g/t Ag. Further work is required to assess the significance of the shoots below the Bantian pit.

- Targets defined by electrical geophysics and geochemistry. A programme of gradient array IP and geochemistry is planned on the Mt Muro block. This area has long been hypothesized as the potential fluid source for many of the major deposits, yet has not been systematically explored. In addition, dipole-dipole IP surveys are planned to target deep resistive vein "blow outs" below the historical pits, targeting bonanza zones.

Going forward, the strategy will be to test the open pit and underground potential of each of the historical pits. Regional exploration will utilize gradient array electrical geophysics and low level multi-element geochemistry combined with the significant geological database to generate targets, which will continuously be re-ranked and drill tested.

Tritton, New South Wales

Straits has invested a considerable amount of time and exploration funding at Tritton following the slowdown triggered by the global economic conditions during late 2008 and early 2009.

The Girilambone field collectively is a very well-endowed and extensively mineralised copper district. Straits believes that there is considerable upside through extensions of known, and the discovery of new, mineralised systems. The primary focus of our effort is to convert this geological potential into tangible value through the understanding of the Tritton Deeps discovery as well as targeting resource/reserve increases beneath historically mined systems like Murrawombie and Budgery.

Considerable effort is being applied at Tritton to scope out the potential of the depth extension of the deposit by the end of 2010. Straits current exploration target is an additional 10mt at 2% copper. If, following this preliminary work we have enough encouragement, thorough economic evaluation will commence.

Mineralisation under the Murrawombie and North East open pits rank as other key exploration targets. Murrawombie in particular has the potential to be a much larger system than first thought. Drilling over the next 12 months should result in a much better understanding of the system at depth.

Some very encouraging results have been returned to date from the Tritton Deeps, including TTDD005W which intersected;

- **100mtrs @ 1.46%Cu and 0.12 g/t Au,** including **44mtrs @ 2.41%Cu** & **0.23 g/t Au.**

New resource calculations were completed for the Murrawombie and Budgery Deposits early in 2010. The resource at Murrawombie increased by 39% to 93,000 tonnes of contained copper (from 67,000 tonnes). The majority of this new material is in the Indicated category. A maiden resource was announced for Budgery of 21,500 tonnes of contained copper. (Details for these calculations were reported in the March 2010 Straits Quarterly Activities Report).

As at 30 June 2010, a new resource has been announced for the Tritton operations. This resulted in a significant, 30% increase in resources to 466,000 tonnes of contained copper. The majority of this resource increase has resulted from drilling the Tritton underground ore body over the past 12 months.

Hillgrove, New South Wales

Exploration activities at Hillgrove have been limited to definition and near mine exploration drilling at the Metz mining centre, focused on the Syndicate, Black Lode and Cox's Lode deposits. This drilling increased the total resource by 412,000 tonnes or approximately 7% to 6.25Mt of ore.

Exploration has been put on hold while options regarding the future of the Hillgrove mine continue to be evaluated.

Torrens, South Australia

The Torrens Joint Venture (Torrens EL 4296) is between Argonaut Resources NL (ASX: ARE) and Straits Resources Limited (Straits earning a 70% interest).

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

In early July 2010 the Torrens Joint Venture announced that its application under Section 23 of the Aboriginal Heritage Act 1988 in South Australia in respect of the Torrens Project (EL4296) had been approved by the Minister for Aboriginal Affairs and Reconciliation. This paves the way for drilling at Torrens which is anticipated to commence in late 2010.

South Australian Regional

In March 2010, Straits made application for seven Exploration Licences in the Stuart Shelf and Mount Woods regions of South Australia. These applications are expected to take six months to grant. Straits is also actively pursuing other joint venture opportunities in these areas.

Goldminco Corporation

Goldminco (TSX: GCP) is a junior minerals exploration company registered in Canada with headquarters in West Perth. Goldminco holds over 2,000 km^2 of exploration tenements in the highly prospective Lachlan Fold Belt of New South Wales. The tenements are predominately 100 percent owned and operated by Goldminco and have a range of active projects for gold and porphyry copper-gold. At the date of reporting, Straits holds approximately 66 percent of the equity in Goldminco.

During the year Goldminco continued to aggressively explore the Temora and Blayney projects. Drilling has continued to extend the known mineralisation at the Temora project and geophysical and geochemical studies have highlighted a number of drill targets at the Blayney project.

Drilling at Yiddah (Temora Project) has confirmed the up dip continuity of mineralisation and extended the strike length of known mineralisation (exceeding 0.2% copper) to at least 1.7km. In late 2010 Goldminco will recalculate the resources at Temora, which will be used for a development scoping study and to assist in targeting next year's exploration focus.

At Goldminco's Blayney project area in NSW a strong IP chargeability anomaly has been identified in addition to two strong chargeability anomalies hosted within the Ordovician Blayney Volcanics close to the Newmont/Alkane McPhillamy's discovery. Planning is underway to drill test these anomalies later in 2010.

Goldminco identified a 2km x 300m copper-gold-cobalt soil geochemical anomaly at the Spring Creek Prospect which is a part of the Tick Hill Project. This Project is located within the southern portion of the Mt Isa inlier in NW Queensland, Australia. Goldminco is planning to drill test this anomaly during the 3rd quarter of 2010.

EMPLOYEE RELATIONS

Straits considers its employees to be its greatest asset and is committed to developing work environments in the corporate office and in the business units in which all employees can make a positive contribution to the success of the Company.

Straits has adopted the following values in managing our people:

- We create training, development and opportunities for individuals to realise their potential.
- We treat our people with fairness and dignity.
- We communicate frankly and openly with our employees.
- We recognise and reward individual performance.
- We proactively seek to maintain workplaces where employees are happy and want to contribute to the success of the Company.
- We act with integrity in all our dealings.

Our Manpower

As of June 2010 Straits employed 1,707 staff and full-time contractors in Australia, Indonesia, Germany and China.

The distribution of personnel is as follows:

Location	Staff	Full-time Contractors	Total
Corporate	47	1	48
Hillgrove	10	0	10
Tritton	139	172	311
Mt Muro	772	241	1,013
Magontec	211	114	325
Total	**1,179**	**528**	**1,707**

During the year there were redundancies at Hillgrove Mine from August 2009 through to May 2010 as activities were suspended, and redundancies at the Whim Creek Mine when operations closed in December 2009. There were also redundancies at Tritton Mines and in the Corporate Office as operations and activities were streamlined.

Whilst the restructure and loss of jobs was regrettable, the implementation of the restructure was well managed and all employees affected were paid their full entitlements.

Our Strategies

The resources sector is again being seriously affected by a critical shortage of professional, technical and skilled personnel; the Company has implemented strategies which have been effective in attracting and retaining staff and successfully reducing staff turnover.

Our strategies include:

- introduction of financial incentives to retain key operations staff;
- introducing workplace agreements which incorporate career paths and recognition of skills, performance and service in salary payments;
- becoming an “employer of choice” in the mining industry by maintaining competitive employment conditions and having the reputation as a “good company to work for”;
- making the effort to recruit personnel from the local areas in which Straits operates, and provide these personnel with development and training:
- development programmes range from awarding tertiary scholarships, traineeships and apprenticeships, through to conducting “on the job training” for individuals to gain nationally recognised accreditation and qualifications; and
- developing our management and supervisory staff to improve their overall management and leadership skills.

OCCUPATIONAL HEALTH & SAFETY

Excellent performance in Occupational Health and Safety (OHS) is vital to Straits' future. Straits is committed to provide a safe workplace for our employees, contractors, visitors and the community within which we live and operate.

To operate safely Straits has embarked on a strategy to further improve the OHS culture within its businesses. This strategy includes behavioural based safety programs and integrated Health Safety and Environmental Management Systems. This two pronged strategy supported by strong leadership will continue to drive safety improvement and performance by rewarding positive safety behaviour in the workplace and the ongoing development of risk based safety management systems.

Straits uses a mix of leading and lagging indicators to determine safety performance at its operations. The focus however is on the leading indicators to prevent serious incidents.

A Health, Safety and Environment audit programme based on Straits' Health, Safety and Environment Management Standards and the Safety Performance Standards has been developed. This determines how well our sites are implementing the risk based system to provide a safe workplace.

Other leading indicators of safe operation that Straits has been working on during the year include supervisors' task observations, the close out of corrective actions and ensuring workers are adequately trained.

The Total Recordable Injuries Frequency Rate (TRIFR) at Tritton has dropped by 32% since October 2009. Ongoing work is expected to see this trend continue in 2010/11. This improvement program aims to integrate safety into all aspects of the Tritton operations.

The TRIFR at Mt Muro remained very low during the entire reporting period. Mt Muro has embarked on an ambitious program to create a positive safety culture and increase the hazard awareness of it staff.

ENVIRONMENT

Straits is committed to realising the value of its assets by applying the principles of sustainable development. An integrated Health Safety and Environmental Management System enables continuous improvement and conforms to the International Standard of ISO 14001. This sets the framework to meet legislative requirements, regulatory commitments and corporate objectives.

The Tritton Copper Mine has continued work to improve water efficiency. This has resulted in improvements of approximately 4% in raw water use. In addition substantial upgrades to the water containment system at Tritton were completed to prevent possible contamination leaving site. Tritton continues to implement the opportunities to improve energy efficiencies, and work on these programmes will continue during the upcoming year.

Progressive rehabilitation has been undertaken on previous mined out areas at Mt Muro Gold Mine and environmental control systems upgraded.

All our operating mines have prepared Mine Closure Plans and these are submitted to government regulators and other stakeholders. These plans outline the post-mining land use and define the completion criteria used to determine successful rehabilitation.

Straits continues to support biodiversity around our operations. Tritton has conducted specific programs to determine the best survey methodology for threatened species such as the Kultar. Straits provides logistics and acclimatisation support for an orang-utan relocation programme at Mt Muro.

Straits is dedicated to ensure community values are not compromised and open and transparent relationships with all key stakeholders are maintained allowing coexistence with communities in the areas we operate.

Straits is committed to facilitating the preservation of local customs and protection of significant cultural heritage areas with strategies implemented to minimise risk of impact to these areas as a first principle. The Company aims for full engagement with local stakeholders and is governed by Straits Community and Heritage Policy and Community and External Relations guidelines.

The Company continues to seek and pursue ways to enhance and improve the core drivers of the local communities economic and social development in areas such as education, health, training and employment, cultural heritage, local commerce and environment.

Mt Muro Community

The social programmes provided by Straits for surrounding communities are continuing, with the main purpose of increasing community self-reliance through co-operative money saving schemes, alternative crop plantings, local business support, and building initiatives.

Ongoing support is given to students from local high schools by providing them with 3 months training which contributes to part of their work experience.

Other activities include:

- health programmes providing free medical treatment for local communities and anti-malaria fogging machines for three villages;
- education, being monthly donations for local teachers and schools, and English training for schools and regency governments;
- economic development for local contractors and “outsourcing” non-core activities to local industry, including the establishment of a government accredited environmental waste disposal company; and
- providing fish and agricultural seed stocks for local communities.

Straits continues to work with relevant authorities to educate local communities on safety and legal issues related to mine road usage, local access to mine areas and illegal mining and processing. These educational programmes are provided through publications, specialist visitation programmes and Straits’ staff. Straits also participated in a number of local and state government exhibitions promoting local industry, employment and investment.

Tritton Community

There is a sustained involvement by Straits with the community, creating a strong relationship in the towns of Nyngan, Hermidale and Girilambone.

Throughout 2009/2010 Tritton Mines was involved in a number of community fundraising and sponsorship events including:

- the Victorian Bushfire appeal;
- Agricultural Expo and Nyngan Show;
- junior sporting bodies;
- Nyngan High School students;
- Girilambone Progress committee;
- Nyngan Golf Club; and
- local emergency services.

Tritton Mines has been involved with the Local Aboriginal Lands Council and attend their meetings in Nyngan.

MINERAL RESOURCE STATEMENT

Copper

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Tritton[4]	Tritton Underground	Variable	Tonnes (kt) Cu (%)	1,700 3.0	6,000 2.2	8,900 1.3	**16,600** **1.8**
	Tritton Pillars (Recoverable)	Variable	Tonnes (kt) Cu (%)	300 3.8			**300** **3.8**
	Murrawombie	0.8% Cu	Tonnes (kt) Cu (%) Au g/t		5,100 1.6 0.3	800 1.2 0.2	**5,900** **1.6** **0.3**
	North East and Larsons	0.8% Cu	Tonnes (kt) Cu (%)	800 1.7	1,300 1.9	200 1.6	**2,300** **1.8**
	Budgery	0.5% Cu	Tonnes (kt) Cu (%)		1700 1.1	300 0.9	**2,000** **1.1**
Grand Total (Tritton Operations)		Variable	Tonnes (kt) Cu (%)	2,800 2.7	14,100 1.8	10,200 1.3	**27,100** **1.7**

Antimony/Gold

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Hillgrove[5,6]	Syndicate	Au Equivalent* 3.0 g/t	Tonnes (kt) Au (g/t) Sb (%)	240 3 3.7	390 2.3 2.2	40 1.8 1.7	**670** **2.5** **2.7**
	Stockpiles	Variable	Tonnes (kt) Au (g/t) Sb (%)	50 2.0 2.2			**50** **2.0** **2.2**
	Other	Variable	Tonnes (kt) Au (g/t) Sb (%)	720 6.2 1.3	3,120 4.3 1.4	1,690 4.4 1.6	**5,530** **4.6** **1.4**
Grand Total (Hillgrove Operations)		Variable	Tonnes (kt) Au (g/t) Sb (%)	1,010 5.2 1.9	3,510 4.1 1.5	1,730 4.4 1.6	**6,250** **4.3** **1.6**

*Au Equivalent based on AUD$: Au $1,000/toz, Sb$5,500/t,=(gold+(antimony*1.71))

Precious Metals

Region	Project	Cut-off	Commodity	Measured	Indicated	Inferred	Total
Mt Muro	In Situ	Variable	Tonnes (kt) Au (g/t) Ag (g/t)		5,500 3.0 60	1,900 2.4 14	**7,400** **2.9** **48**
	Tailings	Variable	Tonnes (kt) Au (g/t) Ag (g/t)		7,700 0.2 30	2,000 0.1 17	**9,700** **0.2** **27**
Grand Total (Mt Muro Operations)			Tonnes (kt) Au (g/t) Ag (g/t)		13,200 1.4 43	3,900 1.2 16	**17,100** **1.3** **36**

Precious Metals (cont)

Drummond Basin	Yandan	0.5 g/t Au	Tonnes (kt) Au (g/t)			4,100 2.4	**4,100** **2.4**

Goldminco[7] Corporation (Straits' share 66%)	Discovery Ridge	0.5 g/t Au	Tonnes (kt) Au (g/t)		4,900 1.3	9,100 1.1	**14,000** **1.2**
	Bald Hill	0.3 g/t Au	Tonnes (kt) Au (g/t)			37,000 0.5	**37,000** **0.5**
	Temora Projects	Cu Equivalent 0.25%	Tonnes (kt) Au (g/t) Cu (%)		21,000 0.5 0.4	121,000 0.2 0.3	**142,000** **0.3** **0.3**

Mineral Resource Notes:

1. The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Byron Dumpleton, who is a member of the Australian Institute of Geoscientists. Mr Dumpleton is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
2. Mineral Resources are Inclusive of Ore Reserves.
3. Discrepancies in summations will occur due to rounding.
4. Tritton Underground Resource, in the "Inferred Category" includes 1.6Mt @ 1.5% Cu mineralisation from the Budgerygar Resource located approximately 500m from the footwall of the Tritton ore body.
5. Hillgrove Project Au Equivalent calculations are based on a gold price of $AUD1000/oz and an antimony price of $AUD5,500/t.
6. Hillgrove, "Other" represents resources from the following mining centres Metz, Brackins Spur, Bakers Creek, Smiths-Freehold and Eleanora.
7. Temora porphyry copper-gold resources for copper equivalent are based on copper price $US3.67/lb and gold price $US874/oz.

ORE RESERVE STATEMENT

Copper

Region	Project	Cut-off	Commodity	Proved	Probable	Total
Tritton[4]	Tritton Underground	Variable	Tonnes (kt)	1,600	3,700	**5,300**
			Cu (%)	2.7	2.0	**2.2**
	Murrawombie Underground	Variable	Tonnes (kt)		300	**300**
			Cu (%)		1.7	**1.7**
	North East and Larsens Underground	Variable	Tonnes (kt)	500	730	**1,230**
			Cu (%)	1.6	1.7	**1.7**
Grand Total (Tritton Operations)			Tonnes (kt)	2,100	4,730	**6,830**
			Cu (%)	2.5	1.7	**2.1**
			Cu recovered (t)	48,400	85,600	**134,000**

Antimony/Gold

Region	Project	Cut-off	Commodity	Proved	Probable	Total
Hillgrove[5,6,7,8]	Syndicate Underground	5.0g/t AuEq	Tonnes (kt)	202	214	**416**
			Au (g/t)	2.5	2.3	**2.4**
			Sb (%)	3.2	2.7	**2.9**
	Surface Stockpiles	Variable	Tonnes (kt)	54		**54**
			Au (g/t)	2.0		**2.0**
			Sb (%)	2.2		**2.2**
	Other Mine Areas	Variable	Tonnes (kt)	130	1,595	**1,725**
			Au (g/t)	6.1	4.0	**4.2**
			Sb (%)	1.1	2.0	**1.9**
Grand Total (Hillgrove Operations)			Tonnes (kt)	386	1,809	**2,195**
			Au (g/t)	3.6	3.8	**3.8**
			Sb (%)	2.4	2.1	**2.1**
			Au recovered (oz)	37,500	183,300	**220,800**
			Sb recovered (t)	7,600	31,600	**39,200**

Precious Metals

Region	Project	Cut-off	Commodity	Proved	Probable	Total
Mt Muro[9]	Mt Muro Open Pit and Underground	Variable	Tonnes (kt)		1,900	**1,900**
			Au (g/t)		3.4	**3.4**
			Ag (g/t)		64	**64**
			Au recovered (oz)		190,500	**190,500**
			Ag recovered (oz)		2,700,000	**2,700,000**

Ore Reserve Notes

1. The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Byron Dumpleton, who is a member of the Australasian Institute of Geoscientists. Mr Dumpleton is a full-time employee of Straits Resources Limited and has sufficient experience relevant to the style of mineralisation, type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dumpleton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
2. Mineral Resources are Inclusive of Ore Reserves.
3. Discrepancies in summations will occur due to rounding.
4. Tritton Reserves calculated by creating mining shapes around a nominal 1% copper resource. Unplanned dilution has been estimated to be 5% and a metallurgical recovery of 93.5% has been used to calculate copper metal recovered. Metal pricing used for calculating reserves for the Tritton Operation are Cu: US$2.50/lb, Au: US$1,000/oz, Ag: US$15/oz.
5. Hillgrove Project: Syndicate reserves based on mining shapes with an external dilution estimate of 10% and a mining recovery of 98%.
6. Hillgrove Project Au Equivalent calculations are based on a gold price of $AUD1000/oz and an antimony price of $AUD5,500/t.
7. Hillgrove, "Other" Resources represents the Metz, Brackins Spur, Bakers Creek, Smiths-Freehold and Eleanora mining centres.
8. Metallurgical recoveries for Hillgrove operations are based on 84% for antimony, 83% for gold.
9. Mt Muro open pit reserves are based on Whittle Four-X optimised pit shells. Mining dilution and recoveries are proportional to vein widths and have been estimated from 10 to 50% and 85 to 95% respectively. Mt Muro underground reserves have been reported against mining shapes with an additional allowance of 5% mining dilution and 95% mining recovery. Metallurgical recoveries are based on 90 to 91% recovery for gold and 65 to70% recovery for silver. Metal pricing used for calculating reserves for the Mt Muro Operation are Cu: US$2.50/lb, Au: US$1,000/oz, Ag: US$15/oz.

CORPORATE GOVERNANCE

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

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

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

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

Principle 1 – Lay Solid Foundations for Management and Oversight

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

Role
Broadly, the key responsibilities of the Board are:

- setting the strategic direction of the Company with management, and monitoring management's implementation of that strategy;
- evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions;
- approving the annual operating budget, annual shareholders' report and annual financial accounts;
- appointing, monitoring, managing the performance of, and if necessary terminating, the employment of the Chief Executive Officer;
- approving and monitoring the Company's risk management framework; and
- ensuring compliance with the Corporations Act 2001, ASX listing rules and other relevant regulations.

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

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

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

Principle 2 – Structure the Board to Add Value

Board Members

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

The structure of the Board does not comply with ASX Recommendation 2.1 as a majority of the directors are not independent. In determining the independence of directors the Board has regard to the independence criteria as set out in the ASX Principles. Currently, the Board consists of five directors of which Dr Garry Lowder and Mr Alan Good are considered independent within the ASX's definition. Mr Alastair Morrison is a non-executive director but does not fall within the ASX definition of "independent" as he is appointed by Standard Chartered Private Equity which is the holder of a note convertible into equity in Straits. The Board has determined to appoint an additional independent non-executive director and is currently seeking a suitably qualified person.

To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the threshold for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website. The Board assesses independence at the time of appointment of directors and monitors the independence of directors as and when appropriate.

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

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

Nomination Committee

The Company does not comply with ASX Recommendation 2.4 as there is no separate Nomination Committee. Given the Board comprises five directors, it has been decided that there are no efficiencies to be gained from forming a permanent Nomination Committee. The current Board members carry out the roles that would otherwise be undertaken by a Nomination Committee and each director excludes himself from matters in which he has a personal interest.

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

Independent Advice

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

Board Performance Evaluation

The Board has implemented an overall Board appraisal process through the completion of a detailed questionnaire where each director separately reviews the Board's performance, and where applicable the Audit Committee's and Remuneration Committee's performances. Directors are in the process of reviewing these performances for the year ended 30 June 2010. If the individual performance of a director comes into question, the Chairman will address the matter with the director.

Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

The Board has previously adopted a formal Corporate Code of Conduct. A copy of the code is made available to all employees of the Company.

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

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

A copy of the Corporate Code of Conduct can be found at the Company's website under the Corporate Governance section.

Securities Trading Policy
A formal Securities Trading Policy has been in place since May 2004. The policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading, as certain key executives ("restricted persons") are prevented from trading in the Company's shares two weeks prior to the announcement of the quarterly, half-yearly and the full-year reports. This is a restriction over and above the requirement to not trade in the Company's securities when in possession of inside information.

The Company's Securities Trading Policy is consistent with ASX Principle 3. A copy of the Securities Trading Policy is available from the Corporate Governance section of the Company's website.

Principle 4 – Safeguard Integrity in Financial Reporting

Audit Committee
The Audit Committee members are Dr Lowder and Mr Good who are independent non-executive directors, and Mr Morrison, a non-executive director.

All members of the Audit Committee are financially literate and have an appropriate understanding of the industries in which the Company operates. One member, Mr Good, has relevant qualifications and experience by virtue of being a former partner of a major accounting firm. All other details of the members' qualifications and number of meetings held can be found in the Directors' Report.

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

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

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

Principle 5 – Make Timely and Balanced Disclosure

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

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

The purpose of the policy is to:

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

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

Principle 6 – Respect the Rights of Shareholders

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

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

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

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

Principle 7 – Recognise and Manage Risk

Risk Assessment and Management
The Company does not have a Risk Management Committee. Given the current size of the Company and Board, the directors believe there are no efficiencies in forming a separate committee and the Board as a whole, performs this role.

The Company does not have a single specific risk management policy, but rather, financial and operating risks are addressed through approved policies and procedures covering treasury, financial, contract management, safety and environmental activities of the Company. Further, the Company's Audit Committee covers compliance, monitoring and assessing key financial risk areas which include that Straits has:

- an effective financial risk management system in place, including for macro risks;
- an effective internal control system in place; and
- a system in place for unusual and/or high risk transactions.

The Audit Committee assesses these systems.

Key controls have been identified for each business, and accounting processes with an internal controls framework developed. In addition a financial certification questionnaire has been implemented for all operating subsidiaries. During the year an internal audit function was implemented (this function is outsourced to an external audit firm). A Treasury and Hedging Committee was established. In addition to external and internal financial audits, all the Company's operations in Australia and overseas are also subjected to annual external safety and environmental audits to Australian standards. The Company engages an insurance brokering firm and an independent insurance advisor as part of the Company's annual assessment of the coverage for insured assets and risks. Over the next 12 months the Company will continue to work on improving and enhancing its risk management framework (such as holding workshops throughout the organisation to improve identification, reporting and follow-up on identifiable issues). The results of all the various audits and insurances assessments are reported to the Board at least annually.

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

- the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial position and operational results of the Company and Group, and are in accordance with relevant accounting standards and the Corporations Act 2001;

- that the above statements are founded on a sound system of financial risk management and internal compliance and control systems and which implements the policies adopted by the Board; and

- the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The Board believes that it has a good understanding of the Company's key risks and that they are being managed appropriately. A copy of the Company's Risk Management Statement is available from the Corporate Governance section of the Company's website.

Principle 8 – Remunerate Fairly and Responsibly

Remuneration Committee

The Company has an established Remuneration Committee which comprises of Dr Lowder and Mr Good. The Remuneration Committee met twice during the year to discuss the Company's annual performance and remuneration review process. Given the Company's size, the Board believes a two-member committee is sufficient to satisfactorily and effectively perform the functions of a Remuneration Committee. The Company considers it appropriate that only independent directors are members of the Remuneration Committee, and in this regard, both independent directors are members of the Remuneration Committee. On balance, the preferred composition of the Remuneration Committee is for it to be solely comprised of independent directors.

The Board has previously adopted a formal Remuneration Committee Charter. A full copy of the charter is available from the Corporate Governance section of the Company's website.

Non-Executive Director Remuneration

Non-executive directors are remunerated by way of director's fees. Apart from compulsory superannuation entitlements, non-executive directors are not eligible to receive resignation, termination, retirement, or any staff benefits.

Contents

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Revenue from continuing operations			
Sales revenue	2	**293,539**	258,531
Other revenue from ordinary activities	2	**7,472**	5,234
		301,011	263,765
Other income	3	**6,715**	1,402
Expenses			
Cost of goods sold	4	**(311,329)**	(366,073)
Other expenses from ordinary activities			
Marketing		**(1,102)**	(1,153)
Exploration expense	4	**(4,140)**	(5,594)
Administration and support expense	4	**(25,787)**	(23,989)
Other	4	**(18,800)**	(47,089)
Impairment loss	4	**(72,316)**	(161,727)
Finance costs	4	**(12,306)**	(12,922)
Share of net profit of associates accounted for using the equity method	15	**20,139**	7,915
Loss before income tax		**(117,915)**	(345,465)
Income tax (expense) / benefit	5	**27,055**	86,559
Loss from continuing operations		**(90,860)**	(258,906)
Profit from discontinued operations	7	**21,471**	296,949
Profit / (loss) for the year		**(69,389)**	38,043
Profit / (loss) is attributable to:			
Owners of Straits Resources Limited		**(69,181)**	(42,107)
Non-controlling interest		**(208)**	80,150
		(69,389)	38,043
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic earnings per share	18	**(27.6)**	(17.9)
Diluted earnings per share	18	**(27.6)**	(17.9)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	18	**(36.1)**	(144.0)
Diluted earnings per share	18	**(36.1)**	(144.0)

The above consolidated preliminary income statement should be read in conjunction with the accompanying notes.

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
(Loss)/profit for the year		**(69,389)**	38,043
Other comprehensive income			
Changes in fair value of available for sale financial assets	11	**(73)**	(10,273)
Changes in the fair value of cash flow hedges	11	**(2,661)**	51,540
Exchange differences on translation of foreign operations		**(2,039)**	14,806
Exchange differences on translation of discontinued operations	11	**-**	115,999
Actuarial loss on retirement benefit obligation	11	**(1,171)**	(9)
Share of other comprehensive income of associates	11	**10,739**	-
Changes in fair value of asset revaluation reserve	11	**(10)**	-
Income tax relating to components of other comprehensive income	5(d)	**(2,402)**	(12,380)
Other comprehensive income for the year, net of tax		**2,383**	159,683
Total comprehensive income for the year		**(67,006)**	197,726
Total comprehensive income for the year is attributable to:			
Owners of Straits Resources Limited		**(67,128)**	58,205
Non-controlling interest		**122**	139,521
		(67,006)	197,726

The above consolidated preliminary statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**192,146**	222,961
Receivables		**56,957**	95,990
Inventories		**65,445**	112,823
Other financial assets		**36,618**	8,128
Derivative financial instruments		**-**	226
		351,166	440,128
Assets classified as held for sale	7	**78,221**	3,924
Total current assets		**429,387**	444,052
Non-current assets			
Receivables		**547**	711
Investments accounted for using the equity method		**260,159**	242,415
Other financial assets		**3,784**	99,012
Property, plant and equipment		**101,438**	135,098
Deferred tax assets	8	**1,379**	1,685
Intangible assets		**5,630**	5,876
Exploration and evaluation		**73,690**	71,935
Mine Properties in use		**110,474**	123,432
Total non-current assets		**557,101**	680,164
Total assets		**986,488**	1,124,216
LIABILITIES			
Current liabilities			
Payables		**49,101**	64,229
Interest bearing liabilities		**27,490**	59,281
Derivative financial instruments		**3,291**	94
Current tax liabilities		**431**	3,666
Provisions		**5,742**	9,508
Non Interest bearing liabilities		**250**	250
		86,305	137,028
Liabilities classified as held for sale	7	**56,119**	-
Total current liabilities		**142,424**	137,028
Non-current liabilities			
Interest bearing liabilities		**82,004**	75,373
Deferred tax liabilities	9	**1,919**	15,396
Provisions		**23,662**	22,117
Non interest bearing liabilities		**250**	500
Total non-current liabilities		**107,835**	113,386
Total liabilities		**250,259**	250,414
Net assets		**736,229**	873,802

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
EQUITY			
Contributed equity	10	**432,139**	430,718
Reserves	11(a)	**39,536**	35,454
Retained earnings	11(b)	**255,992**	401,329
Capital and reserves attributable to owners of Straits Resources Limited		**727,667**	867,501
Non-controlling interests		**8,562**	6,301
Total equity		**736,229**	873,802

The above consolidated preliminary balance sheets should be read in conjunction with the accompanying notes.

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of Straits Resources Limited					
Balance at 1 July 2008		429,501	368,536	47,063	845,100	198,590	1,043,690
Total comprehensive income for the year as reported in the 2009 financial statements		-	100,327	(42,122)	58,205	139,521	197,726
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	10	1,217	(6)	-	1,211	701	1,912
Convertible note issue	11	-	5,350	-	5,350	-	5,350
Employee share options - value of employee services	11	-	1,456	-	1,456	477	1,933
Warrant option issue		-	-	-	-	455	455
Transfer of capital reserve amount to retained earnings on disposal of discontinued operation	11	-	(376,768)	376,768	-	-	-
Derecognition on sale of SBI group		-	(38,568)	-	(38,568)	(338,702)	(377,270)
Transfer to retained earnings on impairment		-	(24,891)	24,891	-	-	-
Transfer to retained earnings from foreign operations		-	18	(18)	-	-	-
Reclassification of prior year non-controlling interest		-	-	(5,259)	(5,259)	5,259	-
Other	11	-	-	6	6	-	6
		1,217	(433,409)	396,388	(35,804)	(331,810)	(367,614)
Balance at 30 June 2009		430,718	35,454	401,329	867,501	6,301	873,802

		Attributable to owners of Straits Resources Limited					
Consolidated	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 July 2009		430,718	35,454	401,329	867,501	6,301	873,802
Total comprehensive income for the year		-	3,224	(70,352)	(67,128)	122	(67,006)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	10	1,421	-	-	1,421	1,601	3,022
Dividends provided for or paid	11	-	-	(73,663)	(73,663)	-	(73,663)
Employee share options - value of employee services		-	74	-	74	-	74
Transfer from capital reserve to retained profits	11	-	394	(394)	-	-	-
Reclassification of non-controlling interest	11	-	390	(928)	(538)	538	-
		1,421	858	(74,985)	(72,706)	2,139	(70,567)
Balance at 30 June 2010		**432,139**	**39,536**	**255,992**	**727,667**	**8,562**	**736,229**

The above preliminary statements of changes in equity should be read in conjunction with the accompanying notes.

	Note	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Cash flows from operating activities			
Loss before tax - continuing operations		**(117,915)**	(345,465)
Finance costs		**4,778**	10,690
Share of profit from associates	15	**(20,139)**	(7,915)
Gain on held for trading financial assets		**(6,672)**	(1,716)
Unrealised exchange (gains) / losses		**(7,080)**	46,594
Exchange loss on settlement of deferred payment		**12,186**	-
Depreciation and amortisation		**27,568**	44,014
Employee share based payment		**644**	1,530
(Profit) / loss on sale of fixed assets		**(892)**	558
Impairment loss	4	**72,316**	161,727
Exploration expenditure written off		**95**	3,382
Derivative losses on hedges settled in previous years		**-**	48,908
Changes in operating assets and liabilities excluding discontinued operations			
Decrease/(increase) in inventories		**(10,619)**	24,669
Decrease/(increase) in trade and other receivables		**8,730**	9,410
Increase/(decrease) in trade and other payables		**1,354**	(12,895)
Increase/(decrease) in provisions		**7,365**	5,662
Tax (paid) / received		**(295)**	772
Interest received		**5,713**	2,772
Interest paid		**(4,730)**	(11,332)
Net cash inflow from operating activities of discontinued operation		**3,107**	207,428
Net cash (outflow) / inflow from operating activities		**(24,486)**	188,793
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**666**	-
Payments for property, plant and equipment		**(50,165)**	(89,816)
Proceeds from sale of investment in subsidiary		**-**	307,881
Payments for assets held for sale		**(126)**	-
Payments for investments in shares and other securities		**(10,847)**	(7,187)
Payments for exploration expenditure		**(11,618)**	(10,648)
Proceeds from sale of investment in shares and other securities net of transaction costs		**1,421**	1,176
Cash outflow on sale of subsidiary		**(183)**	(101,723)
Dividends received		**13,134**	31,623
Cash of discontinued operations transferred to held for sale		**(5,961)**	-
Net cash inflow / (outflow) from investing activities of discontinued operations		**120,703**	(136,657)
Net cash inflow / (outflow) from investing activities		**57,024**	(5,351)

Cash flow statements

	Notes	Consolidated 30 June 2010 $'000	30 June 2009 $'000
Cash flows from financing activities			
Proceeds from borrowings		**3,690**	24,429
Proceeds from issue of convertible note net of transaction costs		**-**	77,781
Repayment of borrowings		**(271)**	(109,270)
Proceeds from issues of shares		**858**	25
Proceeds from issues of shares - minority interest		**1,157**	867
Lease payments		**(1,110)**	(857)
Restricted cash		**(385)**	(21,441)
Dividends paid to company's shareholders	12	**(73,663)**	-
Net cash outflow from financing activities of discontinued operations		**(1,325)**	(93,118)
Net cash outflow from financing activities		**(71,049)**	(121,584)
Net (decrease) / increase in cash and cash equivalents		**(38,511)**	61,858
Cash and cash equivalents at the beginning of the financial period		**222,961**	161,999
Effects of exchange rate changes on cash and cash equivalents		**7,110**	(24,482)
Effects of exchange rate changes on cash and cash equivalents discontinued operation		**586**	23,586
Cash and cash equivalents at end of year		**192,146**	222,961

Non-cash financing and investing activities

The above consolidated preliminary cash flow statements should be read in conjunction with the accompanying notes.

Contents of the notes to the preliminary consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Comparative information has been reclassified and repositioned where appropriate to enhance comparability with current year disclosures. The financial statements are for the consolidated entity consisting of Straits Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

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

Compliance with IFRS
The consolidated financial statements of the Straits Resources Limited Company comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards
The Company has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* There was no impact on the current or prior year financial statements.

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

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6.

Financial statement presentation
The Company has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Straits Resources Limited ("parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Straits Resources Limited and its subsidiaries together are referred to in this financial report as the Company or the consolidated entity.

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity (refer to note 1(i)).

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates
Associates are all entities over which the consolidated entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost (refer to note 15).

The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements as a reduction of the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(iii) Joint ventures
Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 16.

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

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

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

(c) Foreign currency translation

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

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

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

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

(iii) Foreign operations
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

Exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

(d) Revenue recognition

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

Sales revenue comprises of revenue earned from the provision of products to entities outside the company. Sales revenue is recognised when the product is suitable for delivery and:

(i) risk has been passed to the customer;

(ii) the quantity of the product can be determined with reasonable accuracy;

(iii) the product has been dispatched to the customer and is no longer under the physical control of the company;

(iv) the selling price can be determined with reasonable accuracy.

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

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

(ii) Dividend
Dividends are recognised as revenue when the right to receive payments is established.

1 Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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

(f) Trade receivables

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

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

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

(g) Income tax

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

(i) Investment allowances
Companies within the consolidated entity may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The consolidated entity accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(h) Leases

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

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

(i) Business combinations

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

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

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

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

(j) Impairment of assets

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

Non financial assets other than goodwill that have previously been impaired, are reviewed for possible reversal of impairment each reporting date.

1 Summary of significant accounting policies (continued)

(k) Inventories

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

Metals trading or distribution inventories are recorded at their mark-to-market value when such a value is observable. If no market price is available inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The changes in the market value, where applicable, are accounted for in the income statement.

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

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

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

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

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

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

(m) Investments and other financial assets

Classification

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

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. The equity investments classified as held for trading are managed as part of an investment portfolio in accordance with an investment strategy. The performance of the portfolio is evaluated on a fair value basis and information is provided on that basis for assessment by the directors. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(iii) Available-for-sale investments
Available-for-sale investments, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve and in other comprehensive income.

Reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Movements in the hedging reserve in shareholders' equity are shown in note 11.

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where financial instruments are used to hedge economically the movements in the fair values of inventories that are stated at market values, hedge accounting is applied and any gain or loss on the instruments is set against any loss or gain from the movement in the fair value of such inventories. The net effect is presented in the statement of comprehensive income.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit and loss over the period to maturity.

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'.

(iii) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

(iv) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(o) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange and commodity contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1 Summary of significant accounting policies (continued)

(p) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an item of property, plant and equipment also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on mine property, plant and equipment (excluding land) is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the proved and probable mineral reserves, or on a straight line basis over the estimated useful life of the asset if the assets useful life is less than the life of mine.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated on a straight line basis to write off the net cost over its expected useful life to the consolidated entity. The expected useful lives are as follows:

- Buildings	20 years
- Plant and equipment	6 - 20 years
- Computer equipment	3 - 5 years
- Furniture and fittings	5 years
- Leased motor vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(q) Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and while active and significant operations in, or in relation to, the area are continuing.

Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satisfies the policy stated above is written off in the period in which that decision is made.

Upon commencement of mining activities, deferred exploration and development expenditure is reclassified to mine properties and then amortised in accordance with the accounting policy for mine properties as detailed in note (r) below.

The net carrying value of each area of interest is reviewed regularly and, to the extent to which this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

1 Summary of significant accounting policies (continued)

(r) Pre-development properties

Pre-development properties represent the acquisition costs and/or accumulation of exploration and evaluation expenditure in respect of areas of interest in which economically recoverable reserves have been identified but for which mine development has not commenced.

No amortisation is provided in respect of pre-development properties until they are reclassified as "Mine Properties" following a decision to develop the mine.

(s) Mine properties

Mine properties represent the acquisition costs and/or accumulation of exploration, evaluation and development expenditure in respect of areas of interest in which mining has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis so as to write off the cost in proportion to the depletion of the proved and probable mineral reserves.

(t) Deferred mining expenditure

(i) Open cut operations

Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable ore to be mined, have been capitalised and included in the balance sheet as deferred mining. These costs are deferred or taken to the cost of production as the case may be, so that each tonne of ore mined bears the average costs of waste removal per tonne of ore, as determined by the waste to ore ratio derived from the current pit design and incurs the associated variable contract mining costs specific to the production area from which that ore is mined. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Directors and senior management to ensure the carrying value and rate of deferral is appropriate.

(ii) Underground operations

Certain mining costs, principally those that relate to levels of development which are expected to be used for shorter periods than the mine life have been capitalised and included in the balance sheet. These costs are deferred based on the percentage of level development metres unmined and taken to the cost of production as level development metres are mined.

(u) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies (continued)

(w) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other income or finance costs.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(x) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. Under AASB 116 *Property, Plant and Equipment*, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period.

AASB 137 *Provisions, Contingent Liabilities, and Contingent Assets* requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted.

(y) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(y) Employee benefits (continued)

(iii) Retirement benefit obligations
Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of a defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is determined by reference to the market yields at the balance sheet date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Straits Resources Limited Employee Option Plan (ESOP) and Employee Share Acquisition Plan (ESAP). Information relating to these schemes is set out in note .

The fair value of options granted under the Straits Resources Limited Employee Option Plan (ESOP) is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yeild and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Share based compensation under the Employee Share Acquisition Plan (ESAP) is measured as the value of the option inherent within shares issued under this plan and is expensed over the vesting period of the shares with a corresponding credit to the Share-based Payments Reserve. As the employee becomes entitled to the shares the Share-based Payment Reserve is decreased with a corresponding increase in equity.

(v) Termination Benefits
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

1 Summary of significant accounting policies (continued)

(z) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(aa) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ab) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(ac) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ad) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of Straits Resources Limited.

Change in accounting policy
The Company has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no impact on the reportable segments presented for the Group. In addition, there has been no impact on the measurement of the Group's assets and liabilities.

(ae) Intangible assets

An intangible asset is only recognised if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and (b) the cost of the asset can be measured reliably.

1 Summary of significant accounting policies (continued)

(ae) Intangible assets (continued)

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and is stated at cost less impairment losses. Goodwill is considered to have an indefinite useful life and is tested for impairment annually, or more frequently if events of changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Where the fair value of the net identifiable assets acquired exceed the cost of acquisition, the excess is recognised as an immediate gain in the income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(ii) Metals distribution relationships

Customer relationships, in relation to the metals distribution business, acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on a straight line basis over their estimated useful lives, which is currently 10 years.

(iii) Other intangible assets

Other intangible assets that are acquired are stated at cost, less accumulated amortisation and impairment losses. If they arise from a business combination they are stated at fair value at the date of the acquisition. They have a finite useful economic life and amortisation is calculated on the straight line basis over the shorter of estimated useful lives and period of contractual right.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB2]* (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. However, as the amendments only affect the accounting in the individual entities there will be no impact on the financial statements of the Group.

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)
In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The Company will apply the amended standard from 1 July 2010. As the Company has not made any such rights issues, the amendment will not have any effect on the Company's financial statements.

(iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospecitvely. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other goverment-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. It is not expected to have any effect on the Group's related party disclosures.

1 Summary of significant accounting policies (continued)

(af) New accounting standards and interpretations (continued)

(iv) AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments and* AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(v) AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* (effective 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The Group intends to apply the amendment from 1 July 2010.

(vi) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)
AASB 9 addresses the classification and measurement of financials assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 and the group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group has not yet decided when to adopt AASB 9.

(vii) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 July 2010/1 January 2011)
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(viii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Straits Resources Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Company.

(ag) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheets.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ah) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Revenue

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
From continuing operations		
Sales revenue		
Mining activities	**196,973**	158,217
Metals distribution	**96,566**	100,314
	293,539	258,531
Other revenue		
Management fees	**49**	1,819
Interest	**5,575**	2,664
Other revenue from ordinary activities	**1,848**	751
	301,011	263,765

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

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Forward currency and copper contracts - cash flow hedged	**7,861**	13,709
Closed out copper hedge contracts expensed over the delivery period of the original hedges *	**-**	(44,942)
	7,861	(31,233)

* During December 2007, the Group closed out the hedge contracts for its Tritton minesite operations, totalling a loss of $61.4 million. These were recognised against revenue over the delivery period of the original hedges (from February 2008 to January 2009).

3 Other income

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Net gain on disposal of property, plant and equipment	**498**	-
Fair value gains on other financial assets held for trading	**6,217**	1,402
	6,715	1,402

4 Expenses

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Profit / (loss) before income tax includes the following specific expenses:		
Cost of production		
Mining activities	**199,502**	223,370
Metals distribution	**85,601**	99,663
Total cost of production	**285,103**	323,033
Depreciation		
Plant and equipment	**8,760**	12,017
Amortisation		
Mine properties	**17,466**	30,233
Intangibles - customer relations	**-**	790
Total amortisation	**17,466**	31,023
Total cost of goods sold	**311,329**	366,073
Exploration costs		
Exploration expenditure incurred	**4,045**	2,213
Exploration expenditure written off	**95**	3,381
	4,140	5,594
Finance costs - net		
Interest and finance charges paid/payable	**11,329**	12,395
Unwinding of discounts on provisions	**977**	527
	12,306	12,922
Other		
Net foreign exchange losses/(gains)	**7,287**	47,089
Non-production operating expenses (Hillgrove)	**11,513**	-
	18,800	47,089
Rental expense relating to operating leases		
Minimum lease payments	**1,194**	3,017
	1,194	3,017
Administration and support		
Asia	**2,428**	3,728
Australia	**16,405**	12,665
Europe/China	**6,954**	7,596
	25,787	23,989
Employee benefits expense	**36,910**	47,280
Defined contribution superannuation expense	**2,199**	3,015

4 Expenses (continued)

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Impairment loss		
Tritton mine	**-**	133,000
Hillgrove mine	**72,316**	22,144
GfE Germany	**-**	6,583
	72,316	161,727

The Directors have reviewed the carrying amount of assets across the Group and have written down the plant and equipment and mine properties in the carrying value of assets for Hillgrove mine by $72.3 million (2009: 161.7 million). Included in the review of the carrying value of assets, the Directors have considered currency risk, commodity price risk and discount rate assumptions. The recoverable amount of the asset is its fair value less costs to sell.

Hillgrove

As announced on 18 August 2009, processing operations at Hillgrove were suspended for up to 6 months whilst a number of future options were reviewed. The investigations have continued in regard to technical and commercial investigations for any potential medium term re-start of operations at Hillgrove. Whilst the technical investigations have been completed with positive outcomes, the commercial investigations continue. The directors have determined that in advance of any final decision regarding the future options for re-commencement of operations at Hillgrove, it is prudent to write down the carrying value of this asset.

GfE

The write down of goodwill and intangibles for customer relationships for the GfE business in the prior period was as a consequence of the downturn in the German steel industry during the prior period as a result of the global financial crisis.

Tritton

The impairment write downs in the prior period for the Tritton mine arose as a consequence of the fall in metal prices during the prior period of expected long term metal prices. This resulted in a $133 million impairment.

Administration and support expenses

For consolidation purposes, a total of $10,088,530 (2009: $19,240,157) in administration costs were reallocated to the following cost categories - cost of goods sold $4,554,587 (2009: $16,825,985), marketing costs $949,031 (2009: $689,763), exploration costs $3,615,771 (2009: $1,724,408) and other costs $969,142 (2009: nil).

Administration and support expenses include personnel costs, property expenses, share based payments, investor relations, professional services fees including legal fees, audit costs, tax, consulting and due diligence fees. Personnel at the corporate offices in Australia, Indonesia and Europe provide technical, financial, treasury and commercial services to the Group's operations.

5 Income tax expense

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
(a) Income tax expense		
Current tax	**(3,636)**	134,954
Deferred tax	**2,730**	5,811
(Over)/under provided in prior periods	**(13,608)**	28
	(14,514)	140,793
Income tax expense / (benefit) is attributable to:		
Loss from continuing operations	**(27,055)**	(86,559)
Profit from discontinued operations	**12,541**	227,352
	(14,514)	140,793
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 8)	**10,790**	(18,188)
Increase/(decrease) in deferred tax liabilities (note 9)	**(8,060)**	23,999
	2,730	5,811
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	**(117,915)**	(345,465)
Profit/(loss) from discontinuing operations before income tax expense	**34,014**	524,302
	(83,901)	178,837
Tax at the Australian tax rate of 30% (2009 - 30%)	**(25,170)**	53,651
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	**-**	493
Non deductible expenses	**587**	7,229
Non deductible interest on convertible note amortisation	**2,053**	-
Foreign tax losses not recognised	**3,290**	7,375
Temporary differences not recognised	**19,277**	-
Fair value adjustments relating to disposal of discontinued operations	**-**	59,942
Non assessable dividend received from associate	**(3,940)**	-
Share-based payments	**62**	437
Non deductible loss on disposal of subsidiary	**704**	-
Elimination of tax benefit on pre-acquisition minority interest in Tritton Resources Pty Ltd	**-**	(898)
Sundry items	**293**	5
Non deductible items from discontinued operations $1,938 (June 2009: $12,727) made up of:		
- non deductible expenses	**1,938**	16,969
- tax incentive of overseas subsidiary	**-**	(7,531)
- withholding tax - dividend from subsidiaries	**-**	23,065
- changes in tax rates	**-**	(19,776)
	(906)	140,961
Difference in overseas tax rates	**-**	(196)
(Over)/under provision in prior periods	**(13,608)**	28
	(13,608)	(168)
Income tax (benefit) / expense	**(14,514)**	140,793

5 Income tax expense (continued)

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited (credited) directly to equity (notes 8 and 9)	**-**	-

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
(d) Tax expense (income) relating to items of other comprehensive income		
Available-for-sale financial assets (note 11(a))	**22**	3,082
Cash flow hedges (note 11(a))	**798**	(15,462)
Share of other comprehensive income of associates (note 11(a))	**(3,222)**	-
	(2,402)	(12,380)

6 Critical accounting estimates and judgements

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

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

(i) Reserve estimates
Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors. Estimating the quality and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data. The Group is required to determine and report ore reserves in Australia under the principles incorporated in the Australasian Code for Reporting of Mineral Resources and Ore Reserves December 2004, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves.

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

- determination of ore reserves

- recognition of deferred tax on mineral rights and exploration recognised in acquisitions

- deferred mining expenditure and capitalisation of underground development costs

- units of production method of depreciation and amortisation

6 Critical accounting estimates and judgements (continued)

(ii) Exploration and evaluation expenditure
Expenditure which does not form part of the Cash Generating Units assessed for impairment has been carried forward in accordance with Note 1 (q) on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. Exploration expenditure incurred that does not satisfy the policy stated above is expensed in the period in which it is incurred. Exploration expenditure that has been capitalised which no longer satifies the policy stated above is written off in the period in which the decision is made.

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

(iv) Impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties
The Group reviews for impairment of property, plant and equipment, deferred exploration and development expenditure and mine properties in accordance with the accounting policy stated in note 1(p) to 1(s). With the exception of deferred exploration, the recoverable amount of these assets has been determined based on higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgements.

(v) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(ae). Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment, refer note 19.

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

(vii) Valuation of assets and liabilities in business combinations
Management has applied estimates and judgements in order to determine the value of assets, liabilities and contingent liabilities acquired by way of business combinations. The value of assets, liabilities and contingent liabilities recognised at acquisition date are disclosed at fair value on acquisition. In determining the fair value management has utilised valuation methodologies including discounted cash flow analysis and adjusted market value analysis. The assumptions made in performing the valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, timing of development of mine properties, capital costs and future operating cost.

(viii) Available for sale financial assets

Management has applied estimates and judgements in order to determine the fair value of the deferred performance consideration. In determining the fair value management has made assumptions as to discount rates, estimated probability of achieving the performance criteria, foreign exchange rates and risk.

7 Non-current assets classified as held for sale and discontinued operation

(a) Non-current assets classified as held for sale

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Plant and equipment	**424**	3,924
Disposal group held for sale (discontinued operation - see (c) below)	**77,797**	-
	78,221	3,924

The plant and equipment held for sale at 30 June 2009 was the Whim Creek SX-EW plant that was sold in December 2009 to Finders Resources Limited ("Finders") by a subsidiary of Straits Resources Limited ("Straits") for a price of A$5 million payable in Finders' shares. Finders issued to Straits 12,696,801 fully paid ordinary shares at 39.38 cents per share, and paid a A$250,000 option fee to Straits by the issue of a further 724,638 shares at 34.5 cents per share. These new shares, when added to Straits' existing shareholding, gave Straits a 10.06% interest in Finders.

(b) Liabilities directly associated with non-current assets classified as held for sale

Disposal group held for sale (discontinued operation - see (c) below)	**56,119**	-
	56,119	-

7 Non-current assets classified as held for sale and discontinued operation (continued)

(c) Discontinued operation

Discontinued Operation No. 1

(i) Description

On 23 March 2009, Straits announced it had agreed to enter into a strategic alliance with Asian energy major, the PTT Group of Companies (PTT) via the sale of a 60% interest in its wholly owned subsidiary, Straits Bulk and Industrial Pty Ltd (discontinued operation) for up to US$335 million in cash to a wholly owned subsidiary of PTT Public Company Limited. Straits Bulk and Industrial Pty Ltd subsequently changed its name to PTT Asia Pacific Mining Pty Ltd (PTT APM). The financial close of its strategic co-investment alliance with PTT via the sale of a 60% interest in the disposal group was completed on 28 April 2009. The disposal group is reported in this financial report as a discontinued operation.

The total cash consideration included a deferred performance payment of up to US$115 million. At the time of the sale the fair value of the performance consideration was determined to be $110.7 million (US$78.2 million) and was recognised as a non-current other financial asset.

Straits received the performance payment of $125.4 million (US$115 million) in October 2009 following the Indonesian government formally approving the re-zoning of land at Sebuku as production forest.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 19 - segment information.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the twelve months to 30 June 2010 and ten months ended 28 April 2009 (2009 column).

	Consolidated	
	30 June 2010 $'000	28 April 2009 $'000
Revenue	-	687,384
Expenses	-	(466,632)
Profit before income tax	-	220,752
Income tax expense	-	(75,434)
Profit after income tax of discontinued operation	-	145,318
Gain on settlement of deferred performance payment *	**40,847**	-
Impairment loss on Straits Salt Pty Ltd prior to disposal	-	(12,312)
Gain on sale of the discontinued operations before income tax	-	384,030
Income tax expense **	**(12,254)**	(172,742)
Profit from discontinued operation	**28,593**	344,294

* Gain on settlement represents the Australian dollar equivalent of US$36.8 million at the date of recognition of the final amount due.
** Income tax expense for the prior period includes a deferred tax liability component of $60 million on the uplift in the fair value of the remaining 40% investment in PTT Asia.

Net cash inflow from operating activities	-	192,166
Net cash inflow from investing activities (2009 includes an inflow of $307.9 million from the sale of the discontinued operation)	**123,819**	174,948
Net cash outflow from financing activities	-	(69,891)
Effects of exchange rate changes on cash and cash equivalents	-	29,481
Net increase in cash generated by the division	**123,819**	326,704

7 Non-current assets classified as held for sale and discontinued operation (continued)

(iii) Details of the sale of the discontinued operation

	Consolidated	
	30 June 2010 $'000	28 April 2009 $'000
Consideration received or receivable:		
Cash	-	311,426
Fair value of performance payment on disposal of 60% of PTT Asia	-	110,711
Total disposal consideration	-	422,137
Fair value of retained 40% investment in associate includes a goodwill component of $122 million	-	234,500
Carrying amount of the Group's net assets sold*	-	(280,000)
Transaction costs	-	(4,919)
Gain on sale before income tax	-	371,718
Income tax expense	-	(112,800)
Gain on sale after income tax	-	258,918

* The $280 million represents the Group's share of the carrying amounts of assets and liabilities deconsolidated as at 28 April 2009. This represents the 47.1% holding in SAR and the 100% holding in Straits Bulk and Industrial and Straits Salt Pty Ltd.

7 Non-current assets classified as held for sale and discontinued operation (continued)

The carrying amounts of assets and liabilities for the deconsolidated Group as at the date of sale (28 April 2009) were:

	Consolidated	
	30 June 2010 $'000	28 April 2009 $'000
Current assets		
Cash and cash equivalents	-	101,723
Receivables	-	148,941
Inventories	-	13,899
Non current assets		
Receivables	-	29
Investments in associates	-	50,923
Available for sale investments	-	4,676
Mine properties	-	609,301
Exploration	-	28,118
Property plant and equipment	-	183,893
Deferred tax assets	-	3,183
Intangible assets	-	69,885
Total assets	-	1,214,571
Current liabilities		
Trade payables	-	122,378
Interest bearing liabilities	-	171,807
Income tax payable	-	16,499
Provisions	-	4,000
Non current liabilities		
Interest bearing liabilities	-	172,676
Deferred tax liabilities	-	97,615
Provisions	-	2,697
Total liabilities	-	587,672
Net assets	-	626,899

Discontinued Operation No. 2

(i) Description

On 20 August 2009, Straits announced its intention to sell its Whim Creek project to VentureX Resources Limited ("VentureX"). On 1 February 2010, Straits finalised the sale of its Whim Creek project to VentureX. The consideration for this transaction was 106.7 million shares in VentureX at a deemed value of 7.5 cps (taken up at 6.0 cps, being the share price at the actual transaction date) plus A$3 million worth of shares in VentureX after the company formally commits to a decision to mine. Straits now holds 16.8% of the share capital of VentureX. The division disposed is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 19 - segment information.

7 Non-current assets classified as held for sale and discontinued operation (continued)

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the seven months ended 1 February 2010 (2010 column) and the year ended 30 June 2009.

	Consolidated	
	1 February 2010 $'000	30 June 2009 $'000
Revenue	**10,620**	57,387
Expenses	**(12,935)**	(110,557)
Exploration write down	**(3,000)**	(9,025)
Loss before income tax	**(5,315)**	(62,195)
Income tax benefit	**1,390**	18,517
Loss after income tax of discontinued operation	**(3,925)**	(43,678)
Loss on sale of the division before income tax	**(3,632)**	-
Income tax benefit	**388**	-
Loss on sale of the division after income tax	**(3,244)**	-
Loss from discontinued operation	**(7,169)**	(43,678)
Net cash inflow from operating activities	**2,809**	3,717
Net cash outflow from investing activities	**(2,809)**	(3,717)
Net cash generated by the division	**-**	-

(iii) Details of the sale of the division

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Consideration received or receivable:		
Shares in VentureX	**6,402**	-
Fair value of contingent consideration	**1,736**	-
Total disposal consideration	**8,138**	-
Carrying amount of net assets sold	**(12,043)**	-
Transaction costs and working capital adjustments	**273**	-
Loss on sale before income tax	**(3,632)**	-
Income tax benefit	**1,089**	-
Loss on sale after income tax	**(2,543)**	-

The total consideration comprises 106.7 million shares in VentureX at 6.0 cps plus A$3 million worth of shares in VentureX after the company formally commits to a decision to mine. At the time of the sale the fair value of the contingent consideration was determined to be $1,735,537 and was recognised as a non-current asset.

7 Non-current assets classified as held for sale and discontinued operation (continued)

The carrying amounts of assets and liabilities as at the date of sale (1 February 2010) were:

	Consolidated	
	1 February 2010 $'000	30 June 2009 $'000
Current Assets		
Cash and cash equivalents	**-**	1
Receivables	**333**	2,815
Inventories	**48**	2,433
Non-current assets		
Non current assets classified as held for sale	**-**	3,924
Property, plant and equipment	**5,464**	5,582
Exploration properties	**10,325**	13,187
Mine properties in use	**-**	608
Deferred tax assets	**1,417**	1,389
Total assets	**17,587**	29,939
Current liabilities		
Payables	**156**	5,471
Provisions	**5**	1,258
Non-current liabilities		
Deferred tax liabilities	**667**	1,886
Non-current provisions	**4,716**	3,282
Total liabilities	**5,544**	11,897
Net assets	**12,043**	18,042

Discontinued Operation No. 3

(i) Description

The GfE business is a non core asset within Straits and Straits has been looking to divest this business. As such, Straits has initiated an active program to locate a buyer and complete the sale. The division is reported in this financial report as a discontinued operation in the consolidated income statement and reported as a disposal group held for sale in the consolidated balance sheet.

Financial information relating to the discontinued operation is set out below. Further information is set out in note 19 - segment information.

7 Non-current assets classified as held for sale and discontinued operation (continued)

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2010 and the year ended 30 June 2009.

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Revenue	**192,519**	252,517
Expenses	**(190,406)**	(258,490)
Profit / (loss) before income tax	**2,113**	(5,973)
Income tax (expense) / benefit	**(2,065)**	2,306
Profit / (loss) from discontinued operation	**48**	(3,667)
Net cash inflow from operating activities	**298**	11,545
Net cash outflow from investing activities	**(307)**	(7)
Net cash outflow from financing activities	**(1,325)**	(23,227)
Effects of exchange rate changes on cash and cash equivalents	**586**	(5,895)
Net decrease in cash generated by the division	**(748)**	(17,584)

The carrying amounts of assets and liabilities as at 30 June were:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Current assets		
Cash and cash equivalents	**5,961**	7,436
Trade receivables	**21,321**	18,462
Inventories	**48,510**	41,613
Non-current assets		
Property, plant and equipment	**1,919**	2,099
Deferred tax assets	**86**	918
Total assets	**77,797**	70,528
Current liabilities		
Trade creditors	**12,245**	6,913
Provisions	**383**	362
Interest bearing liabilities *	**39,765**	35,827
Current tax liabilities	**2,185**	2,495
Non-current liabilities		
Provisions	**1,133**	994
Deferred tax liabilities	**408**	72
Total liabilities	**56,119**	46,663
Net assets	**21,678**	23,865

* Trade finance facilities provided to certain companies in the metals distribution group, are secured by a floating charge over trade receivables, inventories and certain cash deposits. These facilities have no recourse to Straits Resources Ltd or other members of the Straits Group outside the metals distribution group of companies.

7 Non-current assets classified as held for sale and discontinued operation (continued)

(d) Aggregated Profit attributable to owners of the parent entity

Aggregated Profit / (loss) attributable to owners of the parent entity relates to:		
Aggregate loss from continuing operations	**(90,652)**	(339,056)
Aggregate profit from discontinued operations	**21,471**	296,949
	(69,181)	(42,107)

8 Non-current assets - Deferred tax assets

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Fixed assets	**9,809**	-
Provisions	**4,166**	5,330
Foreign exchange	**7,648**	9,247
Mine properties	**12,453**	14,588
Sundry	**62**	62
Tax losses	**41,114**	24,363
	75,252	53,590
Other		
Cash flow hedges	**731**	-
Available-for-sale investments	**467**	445
Transaction costs	**2,339**	2,339
Sub-total other	**3,537**	2,784
Total deferred tax assets	**78,789**	56,374
Set-off of deferred tax liabilities pursuant to set-off provisions	**(77,410)**	(54,689)
Net deferred tax assets	**1,379**	1,685
Deferred tax assets expected to be recovered within 12 months	**-**	-
Deferred tax assets expected to be recovered after more than 12 months	**1,379**	1,685
	1,379	1,685

8 Non-current assets - Deferred tax assets (continued)

Movements - Consolidated	**Tax losses $'000**	**Employee benefits $'000**	**Cash flow hedges $'000**	**DTA / DTL net off $'000**	**Other $'000**	**Total $'000**
At 1 July 2008	85,016	5,137	16,292	(49,687)	10,338	67,096
(Debited)/credited						
- to profit or loss	(60,653)	193	(13,500)	-	19,036	(54,924)
- to other comprehensive income	-	-	(2,792)	-	445	(2,347)
Adjustment on adoption of DTA/DTL net off for the Australian Group	-	-	-	(5,002)	-	(5,002)
Disposal of subsidiary	-	-	-	-	(3,138)	(3,138)
At 30 June 2009	24,363	5,330	-	(54,689)	26,681	1,685

Movements - Consolidated	**Tax losses $'000**	**Employee benefits $'000**	**Cash flow hedges $'000**	**DTA / DTL net off $'000**	**Other $'000**	**Total $'000**
At 30 June 2009	24,363	5,330	-	(54,689)	26,681	1,685
(Debited)/credited						
- to profit or loss	5,443	(1,165)	-	-	6,512	10,790
- to other comprehensive income	-	-	731	-	22	753
Adjustment on adoption of DTA/DTL net off for the Australian Group	-	-	-	(22,721)	-	(22,721)
Disposal of subsidiary	-	-	-	-	(1,417)	(1,417)
Over provision of tax expense in prior years	11,308	-	-	-	981	12,289
At 30 June 2010	41,114	4,165	731	(77,410)	32,779	1,379

Deductible temporary differences amounting to $64.5 million (2009: nil) which would give rise to a deferred tax asset of $19.3 million ($2009: nil) have not been recognised in the balance sheet.

9 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
The balance comprises temporary differences attributable to:		
Fixed assets	**505**	(4,398)
Inventories	**388**	1,425
Mineral rights	**9,422**	11,172
Investment in associate	**63,134**	61,380
Listed securities	**2,019**	155
Foreign exchange	**44**	-
Sundry	**595**	283
	76,107	70,017
Other		
Associates share of other comprehensive income (note 8)	**3,222**	68
Sub-total other	**3,222**	68
Total deferred tax liabilities	**79,329**	70,085
Set-off deferred tax liabilities pursuant to set-off provisions	**(77,410)**	(54,689)
Net deferred tax liabilities	**1,919**	15,396
Deferred tax liabilities expected to be settled within 12 months	**1,919**	2,349
Deferred tax liabilities expected to be settled after more than 12 months	**-**	13,047
	1,919	15,396

9 Non-current liabilities - Deferred tax liabilities (continued)

Movements - Consolidated	**Property, plant and equipment $'000**	**Invest-ments in associates $'000**	**DTA / DTL net off $'000**	**Other $'000**	**Total $'000**
At 1 July 2008	10,142	-	(49,687)	113,859	74,314
Adjustment on adoption of DTA/DTL net off for the Australian group	-	-	(5,002)	-	(5,002)
Debit/(credited)					
- to profit or loss	(14,540)	61,380	-	(21,441)	25,399
- to other comprehensive income	-	-	-	(2,568)	(2,568)
Disposal of subsidiary	-	-	-	(76,775)	(76,775)
Over provision in prior years	-	-	-	28	28
At 30 June 2009	(4,398)	61,380	(54,689)	13,103	15,396

Movements - Consolidated	**Property, plant and equipment $'000**	**Invest-ments in associates $'000**	**DTA / DTL net off $'000**	**Other $'000**	**Total $'000**
At 30 June 2009	(4,398)	61,380	(54,689)	13,103	15,396
Adjustment on adoption of DTA/DTL net off for the Australian group	-	-	(22,721)	-	(22,721)
Debited/(credited)					
- to profit or loss	4,903	1,754	-	1,403	8,060
- to other comprehensive income	-	3,222	-	(68)	3,154
Disposal of subsidiary	-	-	-	(667)	(667)
Over provision of tax expense in prior years	-	-	-	(1,303)	(1,303)
At 30 June 2010	505	66,356	(77,410)	12,468	1,919

10 Contributed equity

		Consolidated		**Consolidated**	
		30 June 2010 Shares	30 June 2009 Shares	**30 June 2010 $'000**	30 June 2009 $'000
(a) Share capital					
Ordinary shares	(b),(c)				
Issued and paid up capital		**219,539,606**	218,710,310	**432,139**	430,718
ExSAP loans - contributed equity		**35,664,007**	26,834,115	**-**	-
		255,203,613	245,544,425	**432,139**	430,718
Total contributed equity - consolidated				**432,139**	430,718

10 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	$'000
01/07/09	Opening balance		232,889,310		429,501
11/07/08	Options exercised		5,000	$3.98	20
03/09/08	Options exercised		1,250	$3.98	5
03/12/08	Shares issued to Alliance Contracting for consideration of payment for the mining contract at Whim Creek	(c)	363,701	$1.30	473
13/01/09	Shares issued to Alliance Contracting for consideration of payment for the mining contract at Whim Creek	(c)	489,923	$1.02	500
27/02/09	Shares issued to Alliance Contracting for consideration of payment for the mining contract at Whim Creek	(c)	236,126	$0.90	213
28/04/09	ESAP issue	(d)	1,509,399	$-	-
30/04/09	ESAP issue	(d)	10,049,716	$-	-
30/06/09	ESAP shares option value of employee loans transferred from share-based payments reserve for the 2009 financial year.		-	$-	6
30/06/09	Balance				430,718
03/12/09	ESAP issue		8,449,710	$1.63	-
03/12/09	ESAP issue	(d)	98,157	$1.63	-
15/01/10	ESAP issue	(d)	832,571	$1.63	-
18/02/10	Employee Exempt Plan	(e)	78,750	$1.60	126
26/05/10	ESAP Issue		200,000	$1.23	-
30/06/09	ESAP share loans repaid and forgiven during the 2010 financial year	(d)	-	$	1,295
30/06/10	Balance		255,203,613		432,139

(c) Ordinary shares

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

(d) Employee Share Acquisition Plan (ESAP)

The Straits Resources Limited Employee Share Acquisition Plan (ESAP) was reapproved, with amendments, at the company's Annual General Meeting in November 2009. The purpose of the plan is to attract, retain, motivate and reward key executive employees.

(e) Employee Exempt Plan

Under the Employee exempt plan, eligble employees may be offered fully-paid ordinary shares in Straits Resources Limited for no cash consideration. The purpose of the plan is to attract, retain, motivate and reward employees.

10 Contributed equity (continued)

(f) Capital risk management

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

The Group reviews the capital structure on a semi-annual basis. As part of this review the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations from the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

The Group also reviews its gearing level. The Group's gearing ratio is calculated as net debt to net debt plus equity. Net debt is total interest bearing liabilities less cash and cash equivalents (excluding any restricted cash). Equity is equity as shown in the balance sheet (including minority interests). The gearing ratios at 30 June, 2010 and 30 June, 2009 were as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Total interest bearing liabilities	**109,494**	134,654
Less: cash and cash equivalents	**(192,146)**	(222,961)
Net debt	**(82,652)**	(88,307)
Total equity	**736,229**	873,802
Total capital	**653,577**	785,495
Gearing ratio	**N/A %**	N/A %

The Group's overall strategy remains unchanged from 2009.

11 Reserves and retained profits

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
(a) Reserves		
Available-for-sale investments revaluation reserve	**(439)**	(1,039)
Hedging reserve - cash flow hedges	**(1,705)**	158
Share-based payments reserve	**11,834**	11,443
Foreign currency translation reserve	**4,122**	4,498
Asset revaluation reserve	**275**	285
Warrant option reserve	**723**	651
Convertible notes option reserve	**5,350**	5,350
Capital reserve	**19,376**	14,108
	39,536	35,454

11 Reserves and retained profits (continued)

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Movements:		
Available-for-sale investments revaluation reserve		
Balance at the beginning of the period	**(1,039)**	6,152
Revaluation - gross	**(73)**	(4,659)
Share of associates available for sale reserve - gross	**930**	-
Sale of shares transfer to net loss - gross	**-**	(5,614)
Deferred tax	**(257)**	3,082
Balance 30 June	**(439)**	(1,039)

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Movements:		
Hedging reserve - cash flow hedges		
Balance at the beginning of the period	**158**	(35,920)
Revaluation - gross	**5,200**	20,307
Transfer to net (profit)/loss - gross	**(7,861)**	31,233
Deferred tax	**798**	(15,462)
Balance 30 June	**(1,705)**	158

	Consolidated 30 June 2010 $'000	Consolidated 30 June 2009 $'000
Movements:		
Share-based payments reserve		
Balance at the beginning of the period	**11,443**	9,993
Reclassification of prior year non-controlling interest	**318**	-
Option expense	**73**	1,456
Transfer to share capital (options exercised)	**-**	(6)
Balance 30 June	**11,834**	11,443

11 Reserves and retained profits (continued)

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Movements:		
Foreign currency translation reserve		
Balance at the beginning of the period	**4,498**	(28,392)
Currency translation differences arising during the year	**(2,368)**	14,806
Exchange differences on translation discontinued operation	**-**	56,634
Derecognition on sale of SBI group	**-**	(38,568)
Transfer to retained earnings from foreign operations	**-**	18
Share of associates foreign currency transation reserve	**2,846**	-
Deferred tax	**(854)**	-
Balance 30 June	**4,122**	4,498

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Movements:		
Asset revaluation reserve		
Balance at the beginning of the period	**285**	25,176
Transfer to retained earnings on impairment writedown	**-**	(24,891)
Revaluation on dimunition of asset, gross	**(10)**	-
Balance 30 June	**275**	285

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Movements:		
Warrant option reserve		
Balance at the beginning of the period	**651**	651
Reclassification of prior year non-controlling interest	**72**	-
Balance 30 June	**723**	651

11 Reserves and retained profits (continued)

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Movements:		
Convertible note option reserve		
Balance at the beginning of the period	**5,350**	-
Convertible note issue	**-**	5,350
Balance 30 June	**5,350**	5,350

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Movements:		
Capital reserve		
Balance at the beginning of the period	**14,108**	390,876
Share of associates reserves - gross	**6,963**	-
Transfer of capital reserve amount to retained earnings on disposal of discontinued operation	**-**	(376,768)
Transfer from retained earnings	**394**	-
Deferred tax	**(2,089)**	-
Balance 30 June	**19,376**	14,108

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Balance at the beginning of the period	**401,329**	47,063
Net loss for the year	**(69,181)**	(42,107)
Dividends	**(73,663)**	-
Actuarial gains(losses) on retirement benefit obligation	**(1,171)**	(9)
Prior dilution gains recognised upon disposal of 60% of SBI	**-**	376,768
Asset revaluation reserve transferred on impairment writedown	**-**	24,891
Transfer to other reserves	**(394)**	(18)
Reclassification of non-controlling interest	**(928)**	(5,259)
Balance at the end of the period	**255,992**	401,329

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

11 Reserves and retained profits (continued)

(ii) Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

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

(iv) Foreign currency translation reserve
Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

(v) Asset revaluation reserve
The asset revaluation reserve is used to record increments on the revaluation of non current assets which arise from increases in ownership interests in controlled entities.

(vi) Warrant option reserve
The warrant option reserve is used to record warrants issued through a subsidiary company.

(vii) Convertible note option reserve
The convertible note option reserve is used to record the convertible equity feature of the notes which is separated from the liability component.

(viii) Capital reserve
The capital reserve is used to record differences arising between the amounts paid or received on acquisition or divestment transactions with non-controlling interests as such transactions are accounted for by the company as equity transactions between shareholders. Based on the economic entity approach to these transactions, the consolidated group before and after these transactions remains unchanged and no gain or loss is recognised in the income statement.

As part of the disposal of discontinued operations, the amount from prior periods relating to divestment transactions with non-controlling interests was transferred to retained earnings for the Group.

12 Dividends

	30 June 2010 $'000	30 June 2009 $'000
(a) Ordinary shares		
Unfranked final dividend for the year ended 30 June 2009 of 30 cents (2009 - nil) per fully paid share paid on 21 September 2009	**73,663**	-

	30 June 2010 $'000	30 June 2009 $'000
(b) Dividends not recognised at year end		
Since year end the directors have recommended the payment of an unfranked dividend for the year ended 30 June 2010 of 5 cents per fully paid ordinary share (2009: 30 cents). The aggregate amount of the proposed dividend expected to be paid on 8 October 2010 out of retained profits at 30 June 2010 but not recognised as a liability at year end, is:	**12,760**	73,663

12 Dividends (continued)

	Consolidated	
	30 June 2010 **$**	30 June 2009 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**2,606,818**	2,606,818

The above amounts represent the balance of the franking account as at the end of the 2009 and 2010 financial periods.

13 Contingencies

The Group has contingent liabilities at 30 June 2010 in respect of:

Contingent liabilities

a) A controlled entity PT IMK currently has a number of tax disputes outstanding with the Indonesian Tax Office ("ITO") arising from tax audits in respect of corporate income tax, withholding tax and VAT covering a number of years. The assessed amounts, net of cash paid and outstanding refunds that remain in dispute total $2,125,253 (US$1,785,000).

In addition, management have provided $2,096,678 (US$1,761,000) for non recoverability against other receivables to reflect current legal and taxation advice. Appeals in respect of all disputed assessments have been lodged with the Tax Court and these are being vigorously pursued. Given the current differences of opinion with the ITO in respect of these matters, it is not possible to predict at this time the ultimate outcome of these matters.

14 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2010 %	Equity holding 2009 %
Straits Mining Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Girilambone Copper Company Pty Ltd	Australia	Ordinary	**100**	100
Tritton Resources Pty Ltd	Australia	Ordinary	**100**	100
Straits Exploration (Australia) Pty Ltd	Australia	Ordinary	**100**	100
Straits (Whim Creek) Pty Ltd *	Australia	Ordinary	**-**	100
Straits Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Straits (Hillgrove) Gold Pty Ltd	Australia	Ordinary	**100**	100
Straits Indo Gold Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
Muro Offshore Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**99**	99
Kalteng Emas Pte Ltd	Singapore	Ordinary	**100**	100
PT Borneo Emas Perkasa	Indonesia	Ordinary	**100**	100
PT Bumi Bahari Nusantara Persada	Indonesia	Ordinary	**99**	99
Kalteng Minerals Pte Ltd	Singapore	Ordinary	**100**	100
Indo Muro Pty Ltd	Australia	Ordinary	**100**	100
PT Indo Muro Kencana	Indonesia	Ordinary	**1**	1
Straits Mine Management Pty Ltd and its subsidiaries	Australia	Ordinary	**100**	100
GfE-MIR Holdings AG	Switzerland	Ordinary	**100**	100
Magontec Holdings AG	Switzerland	Ordinary	**100**	100
Varomet Holdings Limited	Cyprus	Ordinary	**100**	100
Magontec Gmbh	Germany	Ordinary	**100**	100
Magontec Xi'an Co. Ltd	China	Ordinary	**100**	100
GFE-MIR AG and its subsidiary	Switzerland	Ordinary	**100**	100
Metalchimica SrL	Italy	Ordinary	**100**	100
GFE-MIR GmbH and its subsidiary	Germany	Ordinary	**100**	100
GfE-MIR Poland (SPZOO)	Poland	Ordinary	**100**	100
GfE-MIR Alloys and Minerals SA (Pty) Ltd	South Africa	Ordinary	**100**	100
GfE-MIR SPRL	Africa	Ordinary	**100**	100
GfE-MIR Zambia Limited	Africa	Ordinary	**100**	100
Varomet Trading (Shanghai) Ltd	China	Ordinary	**100**	100
Neural Mining Solutions Pty Ltd	Australia	Ordinary	**100**	100
Goldminco Corporation Limited **	Canada	Ordinary	**67**	59
Straits Mineral Investments Pty Ltd	Australia	Ordinary	**100**	100

Straits Mining Pty Ltd and Straits Resources Limited hold 25% and 75% respectively of the ordinary share capital of Tritton Resources Pty Ltd.

Straits Exploration (Australia) Pty Ltd and Straits Gold Pty Ltd hold 8.5% and 58.1% respectively of the ordinary share capital of Golminco Corporation Limited.

* Straits (Whim Creek) Pty Ltd was sold to VentureX Resources Limited on 1 February 2010.

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

Straits Mining Pty Ltd, Straits Exploration (Australia) Pty Ltd, Straits Gold Pty Ltd, Straits Indo Gold Pty Ltd, and Straits (Hillgrove) Gold Pty Ltd have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

15 Investments in associates

(a) Carrying amounts

Upon disposal of 60% of the shareholding in Straits Bulk and Industrial Pty Ltd, Straits Resources Limited retains a 40% investment in this company.

Straits Bulk and Industrial Pty Ltd has since changed its name to PTT Asia Pacific Mining Pty Ltd.

Name of company	Principal activity	Ownership interest		Carrying value	
		30 June 2010 %	30 June 2009 %	**30 June 2010 $'000**	30 June 2009 $'000
PTT Asia Pacific Mining Pty Ltd	Mining	**40**	40	**260,159**	242,415
				260,159	242,415

The above associate is incorporated in Australia.

The reporting period for the associate is a calendar year to better align with its peer group of coal mining companies for the associate's major investment in its subsidiary Straits Asia Resources Limited.

(b) Movements in carrying amounts

	Consolidated **30 June 2010 $'000**	30 June 2009 $'000
Carrying amount at the beginning of the financial year	**242,415**	51,017
Fair value of remaining 40% investment	**-**	234,500
Share of profit after income tax	**20,139**	7,915
Disposal of associate in discontinued operation	**-**	(51,017)
Dividends received	**(13,134)**	-
Share of associate movement in reserves	**10,739**	-
Carrying amount at the end of the financial year	**260,159**	242,415

(c) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows:

	Ownership Interest %	Company's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2010					
PTT Asia Pacific Mining Pty Ltd	40	508,548	247,530	336,803	20,139
		508,548	247,530	336,803	20,139
2009					
PTT Asia Pacific Mining Pty Ltd	40	456,570	233,695	72,083	7,915
		456,570	233,695	72,083	7,915

2009 reporting revenue is for the period May to June 2009.

16 Interests in jointly controlled assets

Name and principal activity	**% Interest Held during the year 2010**	% Interest Held during the year 2009
Kokomo scandium (earn in 20%) located in Queensland. Principal activity scandium exploration.	**-**	-
Torrens (earn in 70%) located in South Australia. Principal activity copper and gold exploration.	**-**	-

The expenditure incurred on the above interests is included in capitalised exploration expenditure and summarised below:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Capitalised exploration expenditure		
Kokomo scandium	**28**	83
Torrens project	**409**	384
	437	467

17 Events occurring after the balance sheet date

Since year end the directors have recommended the payment of an unfranked final dividend for the year ended 30 June 2010 of 5 (five) cents per fully paid ordinary share (2009: final dividend 30 cents). There was no interim dividend paid.

18 Earnings per share

(a) Reconciliation of earnings used in calculating basic and diluted earnings per share

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Basic and diluted earnings per share		
Loss from continuing operations	**(90,860)**	(258,906)
(Profit) / loss attributable to non-controlling interests	**208**	(80,150)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(90,652)**	(339,056)
Profit from discontinued operation	**21,471**	296,949
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(69,181)**	(42,107)

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

	Consolidated	
	30 June 2010 Number	30 June 2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**250,900,494**	235,383,252
Adjustments for calculation of diluted earnings per share:		
Options	**514,500**	612,000
Convertible notes	**55,000,000**	55,000,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**306,414,994**	290,995,252

(i) Options
Options granted to employees under the Straits Resources Limited Employee Option Plan (ESOP) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

(ii) Convertible notes
Convertible notes issued are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share.

19 Segment information

(a) Description of segments

Business segments
Management has determined the operating segments based on the reports reviewed by the directors of Straits Resources Ltd that are used to make strategic decisions. There has been no impact on the reportable segments presented for the consolidated entity. The consolidated entity is organised on a global basis into the following divisions by product and service type.

Base Metals

Consists of the Hillgrove mine and the Tritton copper mine.

Precious Metals

Consists of the Mt Muro gold and silver mine operated by PT Indo Muro Kencana in Indonesia.

Metals Distribution

Consists of the Varomet Holdings Limited group of companies, a non-ferrous metal and noble alloy products distribution business.

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

Discontinued operations
The discontinued operations segment consists of the Whim Creek division which previously belonged to the Base Metals segment, the GfE division which previously formed part of the Metals distribution segment and the PTT group of companies which formed part of the Base Metals segment.

Geographical segments
The Group operates in a number of geographical areas:

Australia
The home country of the parent entity. Activities are principally copper mining, project development and exploration activities.

South East Asia
Principal activities in this region comprise the Mt Muro gold operation.

Europe/China
Metals distribution.

Segment results

Included in the June 2010 segment results is the discontinued operations segment relating to the disposal of Whim Creek and GfE division as the disposal group held for sale. The comparative segment result has also been reclassified to reflect the disposal and disposal group held for sale.

19 Segment information (continued)

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

The segment information provided to the directors of Straits Resources Ltd for the reportable segments for the year ended 30 June 2010 is as follows:

30 June 2010	Base Metals $'000	Precious metals $'000	Metals Distribution $'000	Other $'000	Total continuing operations $'000	Discontinued operation (note 7) $'000	Consolidated $'000
Segment revenue							
Sales to external customers	140,490	56,483	96,566	-	293,539	202,451	495,990
Total sales revenue	140,490	56,483	96,566	-	293,539	202,451	495,990
Share of net profit of associates	-	-	-	20,139	20,139	-	20,139
Other revenue	716	-	918	6,978	8,612	583	9,195
Total segment revenue	**141,206**	**56,483**	**97,484**	**27,117**	**322,290**	**203,034**	**525,324**
Unallocated revenue					5,575	105	5,680
Consolidated revenue					**327,865**	**203,139**	**531,004**
Adjusted EBITDA	**(5,002)**	**(5,790)**	**4,451**	**711**	**(5,630)**	**42,353**	**36,723**
Segment assets and liabilities							
Segment assets	**208,013**	**78,160**	**69,685**	**991,416**	**1,347,274**	**77,797**	**1,425,071**
Intersegment elimination					(439,962)	-	(439,962)
Unallocated assets					1,379	-	1,379
Total assets					**908,691**	**77,797**	**986,488**
Segment liabilities	**348,427**	**126,175**	**41,587**	**6,069**	**522,258**	**56,119**	**578,377**
Intersegment elimination					(439,962)	-	(439,962)
Unallocated liabilities					111,844	-	111,844
Total liabilities					**194,140**	**56,119**	**250,259**
Other segment information							
Investments in associates	-	-	-	260,159	260,159	-	260,159
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	41,889	22,930	788	1,231	66,838	-	66,838
Depreciation and amortisation expense	18,585	5,702	2,011	1,270	27,568	1,585	29,153
Total depreciation and amortisation							
Impairment of assets (note 4)	72,316	-	-	-	72,316	-	72,316

19 Segment information (continued)

30 June 2009	Base Metals $'000	Precious metals $'000	Metals distribution $'000	Other $'000	Total continuing operations $'000	Discontinued operations (note 7) $'000	Consolidated $'000
Segment revenue							
Sales to external customers	97,543	60,674	100,314	-	258,531	996,282	1,254,813
Total sales revenue	97,543	60,674	100,314	-	258,531	996,282	1,254,813
Share of net profit of associates	-	-	-	7,915	7,915	94	8,009
Other revenue	10	-	339	1,804	2,153	912	3,065
Total segment revenue	**97,553**	**60,674**	**100,653**	**9,719**	**268,599**	**997,288**	**1,265,887**
Unallocated revenue					4,483	-	4,483
Consolidated revenue					**273,082**	**997,288**	**1,270,370**
Adjusted EBITDA	**(74,541)**	**(14,392)**	**(1,828)**	**(32,659)**	**(123,420)**	**556,771**	**433,351**
Segment assets and liabilities							
Segment assets	**265,777**	**50,624**	**69,542**	**1,076,223**	**1,462,166**	**100,467**	**1,562,633**
Intersegment elimination					(440,102)	-	(440,102)
Unallocated assets					1,685	-	1,685
Total assets					**1,023,749**	**100,467**	**1,124,216**
Segment liabilities	**368,432**	**98,261**	**5,292**	**6,255**	**478,240**	**58,560**	**536,800**
Intersegment elimination					(440,102)	-	(440,102)
Unallocated liabilities					153,716	-	153,716
Total liabilities					**191,854**	**58,560**	**250,414**
Other segment information							
Investments in associates	-	-	-	242,415	242,415	-	242,415
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	84,931	8,657	1,997	4,835	100,420	3,767	104,187
Depreciation and amortisation expense	31,500	7,943	3,370	1,201	44,014	20,611	64,625
Impairment of assets (note 4)	155,144	-	6,583	-	161,727	-	161,727

19 Segment information (continued)

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment and other non-current segment assets	
	30 June 2010 $'000	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000	**30 June 2010 $'000**	30 June 2009 $'000
Australia	**150,943**	160,230	**482,756**	677,160	**43,120**	93,533
South East Asia	**56,483**	742,100	**338,319**	293,039	**20,081**	6,455
Europe/China	**288,564**	352,483	**164,034**	152,332	**3,637**	4,199
	495,990	1,254,813	**985,109**	1,122,531	**66,838**	104,187
Unallocated assets			**1,379**	1,685		
Total assets			**986,488**	1,124,216		

Segment revenues are allocated based on the country in which the assets are located. Segment assets and capital expenditure are allocated based on where the assets are located.

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the directors is measured in a manner consistent with that in the income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Total revenue to external customers	**293,539**	258,531
Management fees	**49**	1,819
Interest revenue	**5,575**	2,664
Other revenue	**1,848**	751
Total revenue from continuing operations note(2)	**301,011**	263,765

19 Segment information (continued)

((c)) Other segment information (continued)
(ii) *Adjusted EBITDA*
The directors 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 exploration write-downs.

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Adjusted EBITDA for continuing operations	**(5,630)**	(123,420)
Finance costs	**(12,306)**	(12,922)
Depreciation and amortisation expenses	**(27,568)**	(44,014)
Impairment loss	**(72,316)**	(161,727)
Exploration write-down	**(95)**	(3,382)
Profit before income tax from continuing operations	**(117,915)**	(345,465)

(iii) *Segment assets*
The amounts provided to the directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Segment assets	**1,347,274**	1,462,166
Intersegment eliminations	**(439,962)**	(440,102)
Discontinued operation (see note 7)	**77,797**	100,467
Unallocated:		
Deferred tax assets	**1,379**	1,685
Total assets as per the balance sheets	**986,488**	1,124,216

(iv) *Segment liabilities*
The amounts provided to the directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Company's borrowings are not considered to be segment liabilities but rather managed by the treasury function.

19 Segment information (continued)

((c)) Other segment information (continued)
Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	30 June 2010 $'000	30 June 2009 $'000
Segment liabilities	**522,258**	478,240
Intersegment eliminations	**(439,962)**	(440,102)
Discontinued operation (see note 7)	**56,119**	58,560
Unallocated:		
Deferred tax liabilities	**1,919**	15,396
Current tax liabilities	**431**	3,666
Current borrowings	**24,300**	59,281
Non-current borrowings	**85,194**	75,373
Total liabilities as per the balance sheets	**250,259**	250,414