Straits Resources

STRAITS RESOURCES LIMITED

A.B.N. 22 056 601 417

HALF-YEAR REPORT

31 December 2009

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Directors' Report – for the Interim Reporting Period 31 December 2009

Your directors present their report on the consolidated entity consisting of Straits Resources Limited and the entities it controlled at the end of or during the half-year ended 31 December 2009 and where required, the previous corresponding period for half-year ended 31 December 2008.

Directors

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

Alan Good	- Non-executive Chairman
Milan Jerkovic	- Chief Executive Officer
Michael Gibson	- Executive Director
Garry G Lowder	- Non-executive Director
Alastair Morrison	- Non-executive Director
Ravinder Singh Grewal	- Alternate Non-executive Director to Alastair Morrison

Results for Announcement to the Market

		31 December 2009 $'000	31 December 2008 $'000	Percentage Increase/(Decrease)
Total revenue from ordinary activities from continuing operations		221,869	280,965	(21.03%)
Total revenue from ordinary activities from discontinuing operations		10,433	482,961	n/a
Profit/(loss) from ordinary activities after tax		10,114	(106,734)	n/a
Net Profit/(loss) for the period attributable to members		10,215	(152,457)	n/a

Dividends

The directors have decided not to declare a dividend for this half-year period.

Net Tangible Asset Backing (NTA)

The NTA per ordinary share for the consolidated entity excluding minority interest as at 31 December 2009 was A$2.58 (31 December 2008: A$2.53).

Review of operations

Overview

On the general economic front, the worst of the financial crisis appears to be behind us, with risks of periods of weakness and volatility still in the background. The forecast for commodity markets in the medium to long term remains strong with prices for many products expected to remain above long term averages. Coal, copper and gold market fundamentals look particularly robust which bodes well for the future.

Straits today has an investment in a relatively mature though expanding thermal coal business and an emerging relatively immature base and precious metals business. In addition Straits has a sizable exploration portfolio, investments in a range of companies and the GfE and Magontec businesses, plus a strong balance sheet with cash resources of A$238 million, not including restricted cash of $22.0 million as security on performance bonds and the majority of debt an $80 million convertible note issue with Standard Chartered Private Equity Limited.

Straits purpose is to create long term value for shareholders through, discovery, development, acquisition and the efficient operation of natural resources. Ongoing investment to restructure and expand the Group's base metal and gold operations to improve production platforms and process efficiencies will continue through 2010. The intention is to grow the company's metal assets to match the size and profitability of Straits' equity interest in the PTT-APM coal business. In this regard Straits is also looking for investment opportunities by the acquisition of commissioned, or near commissioned, mines. Straits will focus its exploration efforts going forward around its mine sites and at the key development projects. This revised and concentrated focus will be directed primarily to exploration targets in South Australia and the Lachlan fold belt of NSW through its subsidiary Goldminco Corporation.

Straits is currently undertaking efforts to simplify its balance sheet, aimed at re-focussing Straits around fewer core opportunities which may involve divesting non-core assets to streamline the asset portfolio.

A detailed review of the financial and operations' results of the consolidated entity during the half-year ended 31 December 2009 and the likely developments in the operations of the consolidated entity for the remainder of the financial year are set out on pages 4 to 11.

Subsequent Event

On 1st February 2010, Straits Resources Limited finalised the sale of its Whim Creek project to VentureX Resources Limited (VentureX). Straits now holds 19.9% of the share capital of VentureX.

Rounding of Amounts to Nearest Thousand Dollars

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

Signed in accordance with a resolution of the directors.

M Jerkovic
Director

Perth
18 February 2010

Financial Results and Review of Operations

Summary of Activities

In April 2009 Straits announced the formation of 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 (SBI) for US$335m in cash. SBI has been renamed PTT Asia Pacific Mining Pty Ltd (PTT Asia) and its most significant holding is 45.6% in Singapore listed Straits Asia Resources. In October 2009 Straits received the second and final instalment of US$115 million for the PTT transaction. Straits maintains significant exposure to energy coal through its remaining 40% interest in PTT Asia.

Production from the Tritton mine in the 6 months to December 2009 was 11,845 tonnes of copper (in concentrate and as cement). Cash costs were A$1.55/lb for the 6 month period higher than expected due to reduced grade resulting in lower production. Good drill hole results were announced during the half year from the Budgery project, near Tritton and the potential to mine this by open pit methods bodes well for the long term future of the Tritton operation. Exploration activities during the half year focussed on testing of the down dip potential of the Tritton orebody below the currently defined resource/reserve and the Budgery project. The deep drilling at Tritton continues to confirm the depth continuity of the mineralised zone which at this stage appears to be getting wider with lower grade. A drilling programme at the Budgery prospect near Tritton was completed, extending the known mineralisation significantly. Mineralisation is still open both at depth and along strike in a westerly direction. Preliminary mine planning optimisation studies indicate that the Budgery project can be mined profitably by open pit methods. Budgery has now been elevated to project status and once this current drill programme is completed, a new resource will be calculated and a detailed study examining the potential development of an open pit operation will be undertaken.

In August 2009, Straits agreed to sell all the Whim Creek assets (excluding the SX-EW plant), including the Salt Creek and Balla Balla copper-zinc projects and associated tenements, to VentureX Resources Limited, for shares in that company. The consideration for this transaction was 106 million shares in VentureX plus A$3 million worth of shares in VentureX after the company formally commits to a decision to mine. This agreement was signed in October 2009. Settlement occurred on 1st February 2010 with Straits now holding 19.9% of VentureX.

In December 2009, the Whim Creek SX-EW plant was sold 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, give Straits a 10.06% interest in Finders. The Whim Creek SX-EW plant is capable of producing 18,000 tonnes of copper cathode per annum and will be used by Finders at its Wetar Copper Project in Indonesia.

The Mt Muro operation produced 18,600 ounces of gold and 98,592 ounces of silver, during the December 2009 half year. The operational performance was hampered by operating bottlenecks and a lack of available ore for mining. New equipment mobilised towards the end of 2009 has already showed improved production results in December with 4,883 ounces of gold produced. Cash costs were US$1,237 per ounce for the half year. A re-evaluation of Mt Muro has resulted in a commitment to a new production plan based around the development of the Serujan open pit, the Berinjin and Merindu elluvial mines and the Soan deposit. Work will commence on the new Soan decline in the first quarter of 2010. The new production plan is forecast to deliver 320,000 gold equivalent ounces over a minimum five year time frame at average cash costs of approximately US$600/oz. This plan requires investing US$20 million (including US$16 million mine development costs) in Mt Muro during the 12 month period to June 2010. Production in the March quarter 2010 is expected to be approximately 15,000 ounces.

At the Hillgrove antimony/gold mine near Armidale in NSW commissioning commenced in 2008, however production was hampered by a number of technical issues including issues with process water treatment management and the interface between the leaching and electrowinning sections of the plant. 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. These investigations continue and are expected to be finalised during the beginning of the June 2010 quarter. While it is still too early to draw any firm conclusions, it is likely that any potential medium term re-start of operations at Hillgrove would be linked initially at least to the production of antimony concentrates. In this regard Hillgrove is currently in discussions with a number of potential off take partners. Upon finalisation of the technical and commercial investigations, the Board will review and assess the future options for the Hillgrove operations.

Financial Results

Straits has recorded a profit from ordinary activities after tax of $10.1 million for the six month reporting period to 31 December 2009 compared with a net loss of $106.7 million for the corresponding period to 31 December 2008. Included in the result for the period is:

- an additional net gain of $28.6 million upon receipt of the full deferred payment (US$115 million) in October 2009 for the sale of a 60% interest in Straits Bulk and Industrial Pty Ltd subsequently renamed PTT Asia Pacific Mining (PTT APM). Refer note 6 in the notes to the financial statements. A gain on sale after tax of $258.9 million was recognised in the financial year ended 30 June 2009 realising a total net gain of $287.5 million for Straits on this transaction;
- profit from associates of $14.6 million from the continuing investment in PTT APM; and
- foreign currency losses of $11.9 million upon the appreciating Australian Dollar against the United States Dollar, an increase of 11% during the period.

Comparative information has been reclassified and repositioned where appropriate to enhance comparability with current half-year disclosures.

Total sales revenue comprises mining sales, hedging and metals revenues excluding revenue from ordinary activities and other income.

Table 1

Sales Revenue	**6 mths 31 December 2009 $m**	**6 mths 31 December 2008 $m**
Base metals – Tritton	65.4	44.2
– Whim Creek	10.3	29.1
– Hillgrove	0.9	-
Precious metals – Mt Muro	22.0	34.4
Sales revenue from mining activities for the period	**98.6**	**107.7**
GfE and Magontec	129.1	231.7
Closed out hedge contracts offset against revenue	-	(32.6)
Total sales revenue from operations	**227.7**	**306.8**
Discontinued operations (PTT APM)	-	446.2
Total sales revenue	**227.7**	**753.0**

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to $36.2 million (December 2008[($69.2 million)] made up of the following:

Table 2

EBITDA	**6 mths 31 December 2009 $m**	**6 mths 31 December 2008 $m**
Base metals - Tritton (including hedges)	10.7	(55.1)
- Whim Creek	(0.8)	(21.5)
- Hillgrove	(8.6)	3.9
Precious metals - Mt Muro	(4.7)	(8.1)
EBITDA from mining activities for the period	**(3.4)**	**(80.8)**
GfE and Magontec	4.2	2.9
Straits share of PTT APM profits	14.6	-
Other	(17.0)	(7.3)
Total EBITDA from operations	**(1.6)**	**(85.2)**
Profit from discontinued operations - PTTAPM	40.8	149.5
Impairment and exploration write downs	(3.0)	(133.5)
TOTAL EBITDA	**36.2**	**(69.2)**

Table 3

Net Profit/(loss) after Tax	6 mths 31 December 2009 $m	6 mths 31 December 2008 $m
Base metals - Tritton	3.1	(44.4)
- Whim Creek	(1.5)	(21.6)
- Hillgrove	(7.0)	(0.2)
Precious metals - Mt Muro	(7.1)	(12.8)
GfE and Magontec	1.5	(2.2)
Straits share of PTT APM profits	14.6	-
FX losses	(11.9)	(4.1)
Other	(7.2)	(18.7)
Net loss from operating activities	**(15.5)**	**(104.0)**
Impairment and exploration write downs	(3.0)	(93.6)
Loss after tax from continuing operations	**(18.5)**	**(197.5)**
Profit from discontinued operations - PTT APM (including Impairment losses)	28.6	90.8
Profit/(loss) after tax	**10.1**	**(106.7)**
Profit/(loss) is attributable to:		
Owners of Straits Resources Limited	**10.2**	**(152.4)**
Non-controlling interest	**(0.1)**	**45.7**

The Directors have reviewed the carrying amount of assets across the Group. No impairment was identified for the assets for the half-year ended 31 December 2009 (December 2008: $133.0 million). The exploration asset carrying amount for Whim Creek has been written down by $3.0 million to reflect the recoupment of exploration costs via the sale of Whim Creek to VentureX.

Review of operations

Base Metals

Tritton Copper Mine

The Tritton Copper Mine is located approximately 65km West from Nyngan, NSW.

For the 6 month period to December 2009 the operation produced 11,845 tonnes of copper. This production level was generally in line with expectations.

Cash costs for the 6 month period to December 2009 was A$1.55/lb – which was higher than expected. The increase in costs was attributable to reduced grades adversely affecting production. Grades at Tritton are expected to increase in the next 6 month period.

With ore production at the Tritton Mine gradually increasing in depth, a pastefill plant has been approved. Introducing pastefill will increase ore recovery from stopes.

Design and testing on pastefill has been completed and the plant will be installed in 2010. The cost of installing the pastefill plant is $12.0 million which is offset by a saving of $6.4 million in tailings dam infrastructure.

Development activities at the North East decline recommenced in November 2009. It is anticipated that pre-production development working will take approximately 4 months and the North East should achieve its target ore production of 25,000 tpm by April 2010.

The exploration strategy continues to focus on the search for short and long term copper resources to supplement current mine requirements for the already installed placed capacity at the Tritton copper operation.

A study is currently being undertaken to determine the best strategy for bringing on line ore sources from North East, Murrawombie and Budgery which will optimise the financial and operational performance of Tritton Mines over the next 10 years.

Whim Creek

The Whim Creek copper mine is located between Karratha and Port Hedland and was commissioned in mid 2005 utilising a solvent extraction and electrowinning plant relocated from Girilambone in NSW.

Mining, crushing and stacking ceased prior to the reporting period, with the exhaustion of economic heap leach SX/EW ore reserves.

In anticipation of this, the solvent extraction plant was modified in the third quarter of 2009 and re-commissioned as a parallel extraction stage to better maintain copper production.

The SX/EW plant continued to operate normally through the reporting period, undergoing a number of modifications to reduce capacity and maintain efficiencies as the PLS grade declined; to a point where it was determined that the plant was uneconomic to run, and it was then shutdown on the 13th November 2009. The plant was sold to Finders in December 2009.

During the half year to December 2009, Whim Creek produced and sold 1,275 tonnes of copper cathode.

Precious Metals

Mt Muro

The Mt Muro mine is a gold and silver mine located in central Kalimantan, Indonesia. Straits has been operating the mine since 2003, which is located on a 48,000 ha Contract of Work concession on the central Borneo magmatic arc.

Mt Muro produced 18,600 ounces of gold and 98,592 ounces of silver for the six month reporting period to December 2009, the mill having treated 327,120 tonnes at 2.04 g/tonne. The low grade is a result of the reliance of lower grade elluvials during the reporting period

During the period, business plans were approved that set out new development activities and a recapitalisation of the mine to deliver 320,000 gold equivalent ounces at an average operating cost of approximately US$600/ounce over the period 2009/10 to 2013/14.

The execution of these plans commenced during the period, with:

a) the transition from contract mining with PT Bukit Makmur (BUMA) to owner operate mining using a dry hire fleet being completed in December;
b) the commencement of underground mining at Mt Muro at the Soan deposit with the initial engagement of the workforce and the mobilisation of underground equipment from Australia and Indonesia in November (decline commencing late February 2010), and
c) the commencement of works and the mobilisation of equipment to start the Serujan East cutback.

The combination of these changes and development programmes will deliver productivity and production increases, which will improve mine profitability by providing for higher treatment rates through the Mt Muro mill. The mill has a 1.5 mtpa capacity and is significantly underutilised at present, with current processing rates at 500,000 tpa.

Unit cash costs for the reporting period remained high at around US$1,237/ gold ounce (silver credits excluded) due to reduced gold production. These costs are reflective of the undercapitalisation of the mine and will improve as productivity and production is increased as a result of the Soan and Serujan capital investment programs.

GfE & Magontec

Despite the challenging economic conditions especially in the automotive industry, Magontec Group continued to perform profitably during the period.

Magontec has operations in Germany and China and is a world leader in the production of high quality magnesium alloy and anode, supplying around 10 percent of the world's magnesium market.

The group consisting of Magontec, Bottrop (MAB) and Magontec, Xian, China (MAX) serves the die casting industry with a complete range of magnesium alloys and the water heater industry with cathodic corrosion protection products. During the period the group delivered 11 kt Mg alloys for the automotive industry and 800 t of Mg anodes to the water heater industry with steadily increasing volumes in China.

MAB serves European automotive die-casters by recycling magnesium scrap into ingots of various alloys. MAX is primarily based on re-melting of pure magnesium from Chinese producers. MAX serves die-casters in Europe, Japan, China, Korea and Taiwan to cover these customers' net alloy ingot demand (on top of the customers' recycled metal). Customers served by MAX are die-casters for the automotive and the electronic equipment (3C) industry.

GfE is a high quality supplier of noble alloys and specialty metals to foundry and non-ferrous industries principally within the European market with a track record of over 90 years. Over this time GfE has established an outstanding reputation being able to provide technical insights and support to its customers and sources a broad range of specialty metals.

The first six months of the financial year proved to be very challenging, with the group achieving operational break even. The European steel and foundry industry recovered slowly and GfE was able to participate in this recovery with increased turnover. Margins remained tight but with the industries projected continued recovery GfE expects better margins in the second half of the fiscal year with a return to profitability.

GfE is a niche supplier concentrating on those products where it believes it is adding value to its end consumers**.**

GfE is a non-core business to Straits and the Group is looking at divesting this business.

PTT-APM Coal Alliance

Straits Asia Resources Ltd

Straits Asia was founded by Straits and still holds the distinction of being the first pure coal company to be listed on the Singapore Securities Exchange.

Straits Asia produced 4.7 Mt of coal in the 6 months to December 2009 and achieved sales of 5.5 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 additional coal related investments.

Recently, the Indonesian Government completed a process of rezoning land use across South Kalimantan. This clears the way for Straits Asia to apply for permits to proceed with its plans to develop coal resources located in its northern lease areas, adjacent to the Sebuku mine.

During the December 2009 quarter Straits Asia Resources Limited ("Straits Asia", SGX: SAR) announced that it had entered into a five year club financing facility for US$380m (Facility). The Facility is fully committed for five years and comprises a term loan facility of US$250m, a revolving working capital facility of US$50m and a Letter of Credit/bank guarantee facility of US$80m. The Facility will be used to refinance an existing US$255m facility, provide additional working capital and funds for Straits Asia's planned expansion of its coal production. The Facility was drawn down on 26 January 2010. The re-financing provides a strong financial foundation for Straits Asia to unlock significant value for its shareholders through the growth of its Sebuku and Jembayan coal operations,

The market outlook for 2010 remains favourable with forecast continuing strong demand growth, which is expected to result in continuing tight market conditions.

At the end of December 2009, Straits' indirect holding of 18.2% in Straits Asia had a market value of A$426 million.

As at 31 December 2008 Jembayan has a total JORC compliant measured and indicated resource of 171 Mt and an inferred resource of 83 Mt with a proved and probable reserve of 112 Mt. Sebuku as at 31 December 2008 had a JORC compliant measured and indicated resource of 87 Mt and an inferred resource of 294 Mt, with a proved and probable reserve of 11 Mt. This provides a total JORC compliant coal resource base of 636 Mt and a reserve base of 123 Mt from both the Jembayan and Sebuku operations. (Refer to Straits Asia Resources Annual Report 2008 for the Resource and Reserve JORC statements).

Madagascar Coal Project

PTT APM – 33.5% Red Island Minerals Limited

In January 2008 PTT APM acquired a 33.5% interest in Red Island Minerals Limited (**RIM**) and an option to acquire a 100% interest by exercise of that option. RIM has an interest in coal tenements in the Sakoa coalfield in Madagascar. This option exercise price is calculated by the determination of the ore 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.

Drilling has been completed in the Sakoa and Sakamena tenement areas and is now concentrated in the Andemby and Vohibory areas. Coal is being intersected in all holes drilled in these areas and this coal appears to be similar in quality to Sakoa. The drilling programme is scheduled to be completed by the end of March 2010. To date some 25,000 metres have been drilled, of which 20,000 metres were drilled in 2009. Independent laboratory analysis of the large volume of drill samples is ongoing.

Environmental approval was granted in November 2009. Ongoing discussions are being held with the Ministry of Transport and the Ports Authority regarding project infrastructure development.

PTT APM is expected to make a decision on the exercise of its option to acquire 100% of RIM around June 2010.

Brunei Coal Exploration

PTT APM – Joint Venture 35%

PTT APM is in a joint venture with Far East Energy (**FEE**) to explore the coal potential of Brunei. PTT APM has a right to earn a 70% interest. FEE has secured a Memorandum of Understanding with the Brunei Government to determine the coal potential of the region. The programme is based on regional mapping and sampling of coal outcrops.

The mapping programme continues including a regional coastal programme, detailed mapping in the south west and a joint structural geology field program with an oil and gas exploration company in the east. Results confirm our knowledge of the basin and its extensive coal potential. In addition, the on ground selection of drill sites continued in advance of the upcoming drilling programme.

Considerable additional geophysical and down-hole data was obtained and a full analysis of this data will be undertaken in the next quarter. This information will serve to consolidate the growing knowledge of the basin's structure and stratigraphy and assist in generating targets for drill spacing and optimised locations.

FEE is undertaking key activities to accelerate the preparations required to move towards a drilling programme later in the year including the employment of key personnel.

Yannarie Solar Salt Project, Western Australia

PTT APM – 100%

Following the Minister for Environment's decision to accept the recommendations of the Appeals Convenor and remit the project back to the EPA for further assessment, Yannarie Solar has established an independent Peer Review Committee of independent, environmental experts to gain a better understanding of how the project could proceed.

Preliminary advice from the independent Peer Review Committee is that there may be environmental benefits in moving the project further north. This would also result in closer proximity to the existing solar salt operation in Onslow and access to both existing and proposed industrial infrastructure.

To facilitate consultation with the Government over a potential new location the current project has been withdrawn from assessment. In addition there will also be consultation with a wide range of scientific experts and stakeholders regarding some of the key environmental matters for which more investigations are required.

PTT APM remains confident that the Yannarie Solar Salt Project represents a significant sustainable development with a range of social, environmental and economic benefits.

Outlook and Growth Strategy

The PTT transaction allowed Straits to realise some value from the coal assets it successfully developed to an internationally significant scale and profitability. At the same time, the creation of the strategic coal alliance with the PTT Group allows Straits to maintain significant growth exposure of these coal assets through its 40% ownership of PTT APM.

Straits Asia has the potential to expand production significantly above its current rate, both from organic growth at Sebuku and Jembayan and potentially from other acquisitions. The alliance with the PTT Group provides a more solid base from which Straits Asia can reach those targets.

With its growth profile, and with the positive outlook for coal markets, the cash generating capacity of Straits Asia is very substantive.

The Brunei and Madagascar interests held by PTT APM remain as strategic exposures to potentially large regional coal development opportunities. These opportunities are still under consideration, but their potential is significant and Straits' 40% interest is an exciting exposure to these growth assets.

Exploration

The Group continues to make a significant investment in exploration testing a number of projects in Indonesia and Australia. The Group continues to divest non core exploration assets whilst focussing on targets that have the potential to become significant development projects.

Base Metals

Three Rivers, Queensland

Straits have completed the sale of its 84.27% interest in Greenvale Project. Metallica Minerals Limited purchased a 100% interest in the Greenvale Mine site tenements for a consideration of $1.5million ($500,000 cash and 3.33 million Metallica ordinary shares at a deemed price of A$0.30 per share).

Tritton, New South Wales

The exploration strategy continues to focus on the search for short and long term copper resources to supplement current mine requirements for the already installed placed capacity at the Tritton copper operation.

Exploration activities have continued during the quarter with testing of the down dip potential of the Tritton orebody below the currently defined resource/reserve and at the Budgery Project.

By the end of the period, five drill holes had been completed to target the down-dip plunge component of the mineralised system. The drilling continues to confirm the depth continuity of the mineralised zone which at this stage appears to be getting wider and lower grade.

The 3 best moving loop LandTEM responses located south of the Tritton mine were tested during the half year. No significant mineralisation was intercepted and Down Hole EM was conducted on all drill holes in order to resolve the source of the conductors. This work is currently ongoing with final data and report pending.

A drilling programme at the Budgery prospect near Tritton was completed, extending the known mineralisation significantly, as reported to the ASX on 24 November 2009. Mineralisation is still open both at depth and along strike in a westerly direction. Preliminary mine planning optimisation studies indicate that the Budgery project can be mined profitably by open pit methods. Drilling was also undertaken during the quarter for metallurgical work and a new programme in the current quarter will test for strike extensions to the mineralisation.

Budgery has now been elevated to project status and once this current drill programme is completed, a new resource will be calculated and a detailed study examining the potential development of an open pit operation will be undertaken. Budgery therefore has the potential to add to the mine life and economic value of the Tritton operation.

Torrens, South Australia

The Torrens Joint Venture comprises Argonaut Resources NL (ASX:ARE) and Straits (earning 70% interest).

Straits 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 Carapateena copper-gold discovery and 75 kilometres from BHP Billiton’s Olympic Dam mine.

Straits is in negotiations with numerous stakeholders including the state government and Native Title claimants to resolve access issues and recommence drilling operations. A section 23 application in accordance with South Australian Governments Aboriginal Heritage Act 1988 has been lodged with the Aboriginal Affairs and Reconciliation Division of the Department of Premier and Cabinet.

Precious Metals

Mt Muro, Kalimantan Indonesia

Exploration activities at Mt Muro have continued with the evaluation of historical targets within the Indo Muro Kencana, Contract of Work (IMK CoW). The IMK CoW continues to offer excellent exposure to a range of geological settings with excellent potential for several styles of mineralization including: Low sulphidation Au-Ag epihermal systems, currently being exploited and explored for, Mesel style “Carlin” systems (ie. 2.1 Moz Au), Porphyry Cu-Au-Mo-Ag systems and High sulphidation Au-Cu-Ag style mineralisation.

Yandan

Drummond Gold Limited (ASX:DGO) has entered into an agreement with Straits to earn a 51% interest of the Yandan Project. DGO is preparing to recommence drilling activities in and around the East Hill Prospect during March.

Goldminco Corporation

Goldminco is a junior minerals exploration company listed on the TSX in Canada with headquarters in West Perth, Australia. At the date of reporting, Straits holds approximately 66% per cent of the equity in Goldminco. Goldminco holds over 2,000 Km2 of exploration tenements in the highly prospective Lachlan Fold Belt (LFB) of New South Wales, Australia. The tenements are predominately 100 percent owned and operated by Goldminco and have a range of active projects for gold and porphyry copper-gold.

During the six months to December 2009 Goldminco Corporation completed an IP survey to test for chargeability anomalies associated with either McPhillamys (366m @ 1.85g/t Au – Newmont/Alkane JV) or Lucknow (historical production of 700K Oz Au) style mineralisation concealed by the Tertiary aged rocks in the NE confines of the Blayney project area. The results have identified a large north-south trending, low level chargeability anomaly within the southern portion of the survey area which contains a series of stronger (>20mV/V) discrete chargeability zones that, for the majority, are concealed by a large alluvial plain. The anomalous responses remain open to the south. In addition to the southern anomaly, several other chargeability anomalies were identified in the central portions of the survey. The results are considered very promising and as such, drilling is planned to test the chargeability anomalies during 2010.

A new drill programme commenced in December 2009 at the Temora project to test for extensions to the Cu/Au porphyry mineralised systems already defined. Straits believes that there is considerable potential to further expand on the Temora resources with the majority of deposits remaining open along strike and at depth. All resources are within a 30 Km radius of each other and are close to the surface with existing road, rail, water and power infrastructure nearby.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the review of Straits Resources Limited for the period ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

David J Smith
Partner
PricewaterhouseCoopers

Perth
18 February 2010

Straits Resources Limited ABN 22 056 601 417
Interim report - 31 December 2009

Contents

This interim financial report covers the consolidated entity consisting of Straits Resources Limited and its subsidiaries. The financial report is presented in the Australian currency.

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

Straits Resources Limited
Level 1, 35 Ventnor Avenue
West Perth WA 6005

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 2 to 3 and in the review of operations and activities on pages 4 to 11, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 18 February 2010.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available on our website: www.straits.com.au.

Straits Resources Limited
Consolidated income statement
For the half-year ended 31 December 2009

	Notes	31 December 2009 $'000	31 December 2008 $'000
Revenue from continuing operations			
Sales revenue	2	**217,454**	277,701
Other revenue from ordinary activities	2	**4,415**	3,264
		221,869	280,965
Other income		**5,234**	(31)
Expenses			
Cost of goods sold	3	**(218,811)**	(348,679)
Other expenses from ordinary activities			
Marketing		**(4,217)**	(3,417)
Exploration expense		**(1,548)**	(1,426)
Administration and support expense	3	**(15,911)**	(13,125)
Other	3	**(16,422)**	(4,128)
Impairment loss	3	**-**	(133,000)
Finance costs		**(8,742)**	(7,652)
Share of profits from associates		**14,621**	-
Loss before income tax		**(23,927)**	(230,493)
Income tax benefit	4	**9,925**	54,508
Loss from continuing operations		**(14,002)**	(175,985)
Profit from discontinued operations after tax	6	**24,116**	69,251
Profit / (loss) for the half-year		**10,114**	(106,734)
Profit / (loss) is attributable to:			
Owners of Straits Resources Limited		**10,215**	(152,457)
Non-controlling interest		**(101)**	45,723
		10,114	(106,734)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**(5.6)**	(95.2)
Diluted earnings per share	10	**(5.6)**	(95.2)
		Cents	Cents
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the company:			
Basic earnings per share	10	**4.1**	(65.4)
Diluted earnings per share	10	**3.4**	(65.4)

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

Straits Resources Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

	31 December 2009 $'000	31 December 2008 $'000
Profit / (loss) for the half-year	**10,114**	(106,734)
Other comprehensive income		
Changes in fair value of available for sale financial assets	**1,207**	(10,409)
Changes in the fair value of cash flow hedges	**3,465**	48,209
Exchange differences on translation of foreign operations	**(8,440)**	25,973
Exchange differences on translation of discontinued operations	**-**	144,931
Share of other comprehensive income of associates	**3,859**	-
Income tax relating to components of other comprehensive income	**(2,234)**	(11,340)
Other comprehensive income for the year, net of tax	**(2,143)**	197,364
Total comprehensive income for the half-year	**7,971**	90,630
Total comprehensive income for the half-year is attributable to:		
Owners of Straits Resources Limited	**8,106**	(30,910)
Non-controlling interest	**(135)**	121,540
	7,971	90,630

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

Straits Resources Limited
Consolidated balance sheet
For the half-year ended 31 December 2009

	Notes	31 December 2009 $'000	30 June 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**238,290**	222,961
Receivables		**78,707**	95,989
Inventories		**114,032**	112,823
Other financial assets		**20,685**	8,128
Derivative financial instruments		**2,647**	226
		454,361	440,127
Non-current assets classified as held for sale	6	**22,526**	3,924
Total current assets		**476,887**	444,051
Non-current assets			
Receivables		**689**	711
Investments accounted for using the equity method		**259,142**	242,415
Other financial assets	6	**3,328**	99,012
Property, plant and equipment		**127,945**	135,098
Deferred tax assets		**1,951**	1,685
Intangible assets		**5,275**	5,876
Exploration and evaluation		**64,625**	71,935
Mine Properties in use		**137,580**	123,432
Total non-current assets		**600,535**	680,164
Total assets		**1,077,422**	1,124,215
LIABILITIES			
Current liabilities			
Payables		**60,506**	64,232
Interest bearing liabilities		**55,725**	59,281
Derivative financial instruments		**-**	94
Current tax liabilities		**4,104**	3,662
Provisions		**7,491**	9,508
Non Interest bearing liabilities		**125**	250
Non-current liabilities classified as held for sale	6	**10,274**	-
Total current liabilities		**138,225**	137,027
Non-current liabilities			
Interest bearing liabilities		**81,317**	75,373
Deferred tax liabilities		**22,201**	15,396
Provisions		**19,399**	22,117
Non interest bearing liabilities		**500**	500
Total non-current liabilities		**123,417**	113,386
Total liabilities		**261,642**	250,413
Net assets		**815,780**	873,802

Balance sheet (continued)

	Notes	**31 December 2009 $'000**	30 June 2009 $'000
EQUITY			
Contributed equity		**431,863**	430,718
Reserves		**38,644**	35,454
Retained profits	7	**337,890**	401,329
Capital and reserves attributable to the owners of Straits Resources Limited		**808,397**	867,501
Non-controlling interest		**7,383**	6,301
Total equity		**815,780**	873,802

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Attributable to owners of Straits Resources Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2008	429,501	368,536	47,065	845,102	198,590	1,043,692
Total comprehensive income for the half-year	**-**	**121,547**	**(152,457)**	**(30,910)**	**121,540**	**90,630**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	506	-	-	506	5,057	5,563
Dividends provided for or paid	-	-	-	-	(34,930)	(34,930)
Employee share options - value of employee services	-	223	-	223	-	223
Reclassification of prior year non-controlling interest	-	-	(5,394)	(5,394)	5,394	-
Transfer of asset revaluation reserve to retained profits	-	(24,891)	24,891	-	-	-
	506	(24,668)	19,497	(4,665)	(24,479)	(29,144)
Balance at 31 December 2008	**430,007**	**465,415**	**(85,895)**	**809,527**	**295,651**	**1,105,178**

Consolidated	Attributable to owners of Straits Resources Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'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 half-year	**-**	**(2,109)**	**10,215**	**8,106**	**(135)**	**7,971**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,145	-	-	1,145	1,620	2,765
Dividends provided for or paid	-	-	(73,663)	(73,663)	-	(73,663)
Employee share options - value of employee services	-	164	-	164	-	164
Transfer from capital reserve to retained profits	-	394	(394)	-	-	-
Reclassification of prior year non-controlling interest	-	-	403	403	(403)	-
Share of associates movement in reserves	-	4,741	-	4,741	-	4,741
	1,145	5,299	(73,654)	(67,210)	1,217	(65,993)
Balance at 31 December 2009	431,863	38,644	337,890	808,397	7,383	815,780

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

	Notes	**31 December 2009 $'000**	31 December 2008 $'000
Cash flows from operating activities			
Loss from continuing operations before tax		**(23,927)**	(230,493)
Share of profit from associates		**(14,621)**	-
Finance costs		**5,957**	11,963
Gain on held for trading financial assets and available for sale investments		**(5,057)**	31
Warrant expense		**-**	(749)
Royalty Expense		**726**	-
Unrealised exchange losses		**1,958**	3,213
Exchange loss on settlement of deferred payment		**12,186**	-
Depreciation and amortisation		**14,334**	25,150
Employee share based payment		**599**	3,188
Loss on sale of subsidiary		**-**	4,370
Impairment loss		**-**	133,000
Exploration expenditure written off		**-**	469
Profit on sale of fixed assets		**(1,139)**	-
Derivative losses on hedges settled		**-**	41,976
NRV adjustment		**2,289**	-
(Increase) / decrease in inventories		**(27,917)**	1,655
Decrease / (increase) in trade and other receivables		**4,825**	(26,553)
Increase in trade and other payables		**5,387**	49,219
Increase in provisions		**6,263**	7,979
Increase in current tax liabilities		**8,727**	35,343
(Increase)/decrease in deferred tax assets		**(52,230)**	(25,904)
Increase/(decrease) in deferred tax liabilities		**43,503**	13,338
Taxation received		**99**	6,672
Interest received		**2,481**	2,297
Interest paid		**(2,370)**	(13,788)
Net cash inflow from operating activities of discontinued operations	6	**3,380**	140,035
Net cash (outflow) / inflow from operating activities		**(14,547)**	182,411
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**877**	(495)
Payments for property, plant and equipment		**(8,773)**	(19,912)
Proceeds from sale of available-for-sale investments		**1,083**	159
Payments for available-for-sale investments		**(1,400)**	(209)
Payments for exploration expenditure		**(3,329)**	(8,941)
Payments for mine development expenditure		**(13,951)**	-
Payments for sale of subsidiary		**-**	(1,903)
Dividends received		**7,444**	-
Net cash inflow / (outflow) from investing activities of discontinued operations	6	**120,439**	(64,331)
Net cash inflow / (outflow) from investing activities		**102,390**	(95,632)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	853
Proceeds from issues of shares - minority interest		**708**	-
Proceeds from borrowings		**9,420**	61,552
Repayment of borrowings		**(7,699)**	(82,864)
Restricted cash		**(184)**	(413)
Lease payments		**(662)**	(593)
Dividends paid to company's shareholders		**(73,663)**	-
Dividends received from discontinued operations		**-**	31,623
Net cash (outflow) / inflow from financing activities of discontinued operations	6	**-**	35,974
Net cash (outflow) / inflow from financing activities		**(72,080)**	46,132

Cash flow statement

	Notes	**31 December 2009 $'000**	31 December 2008 $'000
Net increase in cash and cash equivalents		**15,763**	132,911
Cash and cash equivalents at the beginning of the half-year		**222,961**	161,999
Effects of exchange rate changes on cash and cash equivalents		**(434)**	(45,812)
Effects of exchange rate changes on cash and cash equivalents on discontinued operations	6	**-**	43,801
Cash and cash equivalents at end of the half-year		**238,290**	292,899

Non-cash financing and investing activities

The above cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Straits Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Changes in accounting policies

Straits Resources Limited has changed its accounting policy on Segment Reporting as a result of the revised accounting standard - AASB 8 Operating Segments which became operative for the annual reporting period commencing on 1 July 2009.

Segment reporting

The Group has applied AASB Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is prepared on the same basis as that used for internal reporting purposes. The application of AASB 8 has had no impact on the reportable segments presented for the Group.

Critical accounting estimates

Estimates and judgments 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.

Changes in critical accounting estimates since the 12 month financial period 30 June 2009

Hillgrove antimony/gold mine

Commissioning of the Hillgrove antimony/gold mine commenced in 2008, however, production was hampered by a number of technical issues including issues with process water treatment management and the interface between the leaching and electrowinning sections of the plant. As announced on 18 August 2009, processing operations at Hillgrove were suspended for up to six months whilst a number of future options were reviewed. These investigations continue and are expected to be finalised during the beginning of the June 2010 quarter. Upon finalisation of the technical and commercial investigations, the Board will review and assess the future options for the Hillgrove operations.

2 Revenue

	31 December 2009 $'000	31 December 2008 $'000
Mining activities	**88,393**	45,968
Metals distribution	**129,061**	231,733
	217,454	277,701
Other revenue		
Management fees	**24**	1,485
Interest received from non related parties	**2,785**	1,500
Other	**1,606**	279
	4,415	3,264
	221,869	280,965

Effective amount of derivatives - hedges

Forward currency and copper contracts - cash flow hedged	**5,218**	1,917
Closed out hedge contracts expensed over the delivery period of the original hedges	**-**	(32,600)
	5,218	(30,683)

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

3 Expenses

	31 December 2009 $'000	31 December 2008 $'000
Profit / (loss) before income tax includes the following specific expenses:		
Cost of production		
Mining activities	**88,478**	101,360
Metals distribution	**117,104**	222,912
Total cost of production	**205,582**	324,272
Depreciation		
Plant and equipment	**4,763**	5,728
Total depreciation	**4,763**	5,728
Amortisation		
Plant and equipment under finance leases	**74**	34
Mine properties	**8,392**	18,251
Customer relations intangible	**-**	395
Total amortisation	**8,466**	18,680
Total cost of sales	**218,811**	348,679
	218,811	348,679

3 Expenses (continued)

	31 December 2009 $'000	31 December 2008 $'000
Other		
Net foreign exchange losses	**11,885**	4,128
Non-production operating expenses (Hillgrove)	**4,537**	-
	16,422	4,128
Administration and support		
Asia	**1,398**	631
Australia	**8,902**	6,240
Europe	**5,611**	6,254
	15,911	13,125
Impairment write-down Tritton Resources Pty Ltd	**-**	133,000
	-	133,000

The Directors of Straits have reviewed the carrying value of all its assets. Included in the review of the carrying value of assets, the Directors have considered currency risk, commodity price risk and discount rate assumptions. No impairment was identified for the assets for the 6 months to 31 December 2009 (six months to 31 December 2008: $133.0 million).

Administration and support expenses include personnel costs, property expenses, share based payments, investor relations, exchange losses, professional services fees including legal fees, audit costs, tax 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.

4 Income tax expense / (income)

	31 December 2009 $'000	31 December 2008 $'000
(a) Income tax expense / (benefit)		
Current tax	**3,475**	(16,515)
Deferred tax	**(240)**	(13,507)
Under/(over) provided in prior years	**(1,539)**	5,279
	1,696	(24,743)

	31 December 2009 $'000	31 December 2008 $'000
Income tax expense is attributable to:		
Loss from continuing operations	**(9,925)**	(54,508)
Profit from discontinued operations	**11,621**	29,765
Aggregate income tax expense / (benefit)	**1,696**	(24,743)
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**(48,424)**	(34,899)
Increase/(decrease) in deferred tax liabilities	**48,184**	21,392
	(240)	(13,507)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(23,927)**	(230,493)
Profit from discontinuing operations before income tax expense	**35,738**	99,016
Profit before income tax expense	**11,811**	(131,477)
Tax at the Australian tax rate of 30% 2009	**3,543**	(39,443)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	**534**	1,215
Convertible note amortisation	**1,874**	-
Non deductible expense	**30**	4,590
Non assessable foreign dividend	**(2,233)**	-
Share-based payments	**180**	68
Elimination of tax benefit on pre-acquisition minority interest in Tritton Resources Pty Ltd	**-**	662
Tax incentive of overseas subsidiary	**-**	(4,862)
Exploration write-down	**900**	-
Sundry items	**(1,593)**	5,051
	3,235	(32,719)
Difference in overseas tax rates	**-**	2,697
Under/(over) provision in prior years	**(1,539)**	5,279
	(1,539)	7,976
Income tax expense / (benefit)	**1,696**	(24,743)
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited directly to equity	**2,234**	11,340

5 Equity securities issued

	31 December 2009 Shares	31 December 2008 Shares	**31 December 2009 $'000**	31 December 2008 $'000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Straits Resources Limited Employee Option Plan	**-**	1,250	**-**	5
Shares issued for consideration:				
ExSAP issue	**8,547,867**	-	**-**	-
ExSAP share loans repaid	**-**	5,000	**708**	20
ExSAP share loans forgiven	**-**	-	**437**	-
Shares issued for mining services provided at Whim Creek	**-**	363,701	**-**	473
ExSAP and ESOP shares option value from share-based payments reserve for the half year on options exercised.	**-**	-	**-**	8
	8,547,867	369,951	**1,145**	506

6 Discontinued operations

Discontinued Operation No. 1

(a) Description

The mining operations at Whim Creek project has ceased. On 20 August 2009, Straits announced its intention to sell its Whim Creek project to VentureX Resources Limited. 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 for the period is set out below. Further information is set out in note 11 - events occuring after the balance sheet date.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the six months ended 31 December 2008 and 31 December 2009.

	31 December 2009 $'000	31 December 2008 $'000
Results of discontinued operation		
Revenue	**10,433**	29,511
Expenses	**(12,543)**	(60,475)
Exploration write down	**(3,000)**	-
Loss before income tax	**(5,110)**	(30,964)
Income tax (expense) / benefit	**633**	9,407
Loss from discontinued operation	**(4,477)**	(21,557)
Cash flows from discontinued operation		
Net cash inflow from operating activities	**3,380**	3,359
Net cash outflow from investing activities	**(3,380)**	(3,359)
Net cash generated by the discontinued operation	**-**	-

6 Discontinued operations (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities were:

	31 December 2009 $'000	30 June 2009 $'000
Assets		
Cash and cash equivalents	**1**	1
Receivables	**733**	2,815
Inventories	**62**	2,433
Non current assets classified as held for sale	**-**	3,924
Property, plant and equipment	**5,461**	6,043
Exploration properties	**10,325**	13,187
Mine properties in use	**-**	608
Deferred tax assets	**5,787**	1,389
Total assets	**22,369**	30,400
Liabilities		
Payables	**(927)**	(5,471)
Provisions	**(58)**	(1,258)
Deferred tax liabilities	**(4,607)**	(1,886)
Non-current provisions	**(4,682)**	(3,282)
Total liabilities	**(10,274)**	(11,897)
Net assets	**12,095**	18,503

6 Discontinued operations (continued)

Discontinued Operation No. 2

(a) 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 gain on sale of the discontinued operation was reported in the June 2009 Annual Report. 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 payment consideration was determined to be $96.9 million (US$78.2) and was recognised as non current other financial asset.

Straits Resources 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.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the six months ended 31 December 2008 and 31 December 2009.

	31 December 2009 $'000	31 December 2008 $'000
Results of discontinued operation		
Revenue	-	453,450
Expenses	-	(323,470)
Profit before income tax	-	129,980
Income tax expense	-	(39,172)
Profit after income tax of discontinued operations	-	90,808
Gain on settlement of deferred consideration payment	**40,848**	-
Income tax expense	**(12,254)**	-
Gain on sale of the discontinued operation after income tax	**28,594**	-
Profit from discontinued operation	**28,594**	90,808
Cash flows from discontinued operation		
Net cash inflow from operating activities	-	136,676
Net cash inflow / (outflow) from investing activities	**123,819**	(60,972)
Net cash inflow from financing activities	-	35,974
Effect of exchange rate changes on cash and cash equivalents	-	43,801
Net increase in cash generated by the discontinued operation	**123,819**	155,479

6 Discontinued operations (continued)

(c) Carrying amounts of assets and liabilities

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

	31 December 2009 $'000	28 April 2009 $'000
Assets		
Cash and cash equivalents	**-**	101,723
Receivables	**-**	148,941
Inventories	**-**	13,899
Non current 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
Liabilities		
Trade payables	**-**	(122,378)
Current Interest bearing liabilities	**-**	(171,807)
Income tax payable	**-**	(16,499)
Current provisions	**-**	(4,000)
Non current interest bearing liabilities	**-**	(172,676)
Deferred tax liabilities	**-**	(97,615)
Non current provisions	**-**	(2,697)
Total liabilities	**-**	(587,672)
Net assets	**-**	626,899

7 Retained profits

Retained profits

Movements in retained profits were as follows:

	31 December 2009 $'000	30 June 2009 $'000
Balance at the beginning of the period	**401,329**	47,063
Net profit / (loss) for the period / year	**10,215**	(42,107)
Dividends	**(73,663)**	-
Other	**-**	(27)
Prior dilution gains recognised upon disposal of 60% of SBI	**-**	376,768
Asset revaluation reserve transferred on impairment writedown	**-**	24,891
Transfer from capital reserves to retained profits	**(394)**	-
Reclassification of prior year non-controlling interest	**403**	(5,259)
Balance at the end of the period	**337,890**	401,329

8 Dividends

	31 December 2009 $'000	31 December 2008 $'000
Ordinary shares		
Unfranked final dividend for the year ended 30 June 2009 of 30 cents (2008 - nil) per fully paid ordinary share. The dividend was paid on 21 September 2009.	73,663	-
	73,663	-

9 Contingencies

Changes in contingent liabilities and contingent assets since the 12 month financial period 30 June 2009

Contingent liabilities

(a) A controlled entity PT IMK currently has a number of tax disputes outstanding with the Indonesian Tax Office ("ITO") arising from the tax audit 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 $1,886,982 (US$1,693,000).

In addition, management have provided $5,969,758 (US$5,361,247) 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.

(b) PT IMK was served with a civil suit in September 2009 in relation to land compensation. The claim is made for material loss of conducting mining activities on land located in Gunung Mas Upstream of Jihi River and other broad claims totalling US$3.9 million (IDR 37,167 billion). The case is currently in the process of claims in Muara Teweh District Court. Management believe that no provision was required due to the fact that the case is still in early process.

No material losses are anticipated in respect of any of the above contingent liabilities.

10 Earnings per share

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

	31 December 2009 $'000	31 December 2008 $'000
Basic earnings per share		
Loss from continuing operations	**(14,002)**	(175,985)
Loss attributable to minority interests	**101**	(45,723)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(13,901)**	(221,708)
Profit from discontinued operations	**24,116**	69,251
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**10,215**	(152,457)
Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(14,002)**	(175,985)
Loss attributable to minority interests	**101**	(45,723)
Loss from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(13,901)**	(221,708)
Profit from discontinued operations	**24,116**	69,251
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**10,215**	(152,457)

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

	31 December 2009 Number	31 December 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**246,891,643**	232,950,834
Adjustments for calculation of diluted earnings per share:		
Options	**514,500**	60,810
Convertible notes	**55,000,000**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**302,406,143**	233,011,644

(c) Information concerning the classification of securities

(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.

11 Events occurring after the balance sheet date

(a) Dividends

The directors have decided not to declare a dividend for this period (6 months to 31 December 2008 - nil).

(b) Whim Creek Mine

On 1 February 2010, Straits Resources Limited finalised the sale of its Whim Creek project to VentureX Resources Limited ("VentureX"). The consideration for this transaction was 106 million shares in VentureX at a deemed value of 7.5 cps (A$8 million) plus A$3 million worth of shares in VentureX after the company formally commits to a decision to mine. Straits now holds 19.9% of the share capital of VentureX.

12 Segment information

(a) Primary reporting format - business segments

31 December 2009	Base Metals $'000	Precious Metals $'000	Metals Distribution $'000	Other $'000	Total continuing operations $'000	Discontinued operations (note 6) $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Sales to external customers	66,295	22,098	129,060	-	217,453	10,276	-	227,729
Total segment revenue	66,295	22,098	129,060	-	217,453	10,276	-	227,729
Shares of net profit of associates	-	-	-	14,621	14,621	-	-	14,621
Other revenue/income	521	-	1,085	5,259	6,865	157	-	7,022
Unallocated revenue	-	-	-	-	-	-	2,785	2,785
Total revenue and other income	66,816	22,098	130,145	19,880	238,939	10,433	2,785	252,157
Adjusted EBITDA	2,151	(4,735)	4,236	(2,412)	(760)	40,047	-	39,287

31 December 2008	Base Metals $'000	Precious Metals $'000	Metals Distribution $'000	Other $'000	Total continuing operations $'000	Discontinued operations (note 6) $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Sales to external customers	11,581	34,387	231,733	-	277,701	475,282	-	752,983
Total segment revenue	11,581	34,387	231,733	-	277,701	475,282	-	752,983
Shares of net losses of associates	-	-	-	-	-	30	-	30
Other revenue/income	-	-	-	1,563	1,563	-	-	1,563
Unallocated revenue	-	-	-	-	-	7,679	1,640	9,319
Total revenue and other income	11,581	34,387	231,733	1,563	279,264	482,991	1,640	763,895
Adjusted EBITDA	(51,175)	(8,108)	2,893	(7,303)	(63,693)	127,948	-	64,255

The directors of Straits Resources Limited assess the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment and exploration write-downs.

12 Segment information (continued)

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

	31 December 2009 $'000	31 December 2008 $'000
Adjusted EBITDA for continuing operations	**(760)**	(63,693)
Finance costs	**(8,742)**	(7,652)
Depreciation and amortisation expense	**(14,334)**	(25,150)
Impairment loss	**-**	(133,000)
Exploration write-down	**-**	(469)
Other	**(91)**	(529)
Loss before income tax from continuing operations	**(23,927)**	(230,493)

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 33 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Straits Resources Limited will be able to pay its debts as and when they become due and payable.

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

M Jerkovic

Director

Perth
18 February 2010

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Independent auditor's review report to the members of hStraits Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Straits Resources Limited, which comprise the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Straits Resources Limited (the consolidated entity). The consolidated entity comprises both Straits Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of Straits Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Independent auditor's review report to the members of hStraits Resources Limited (continued)

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

David J Smith
Partner

Perth
18 February 2010