

STRAITS RESOURCES LIMITED

ASX BEST PRACTICE PRINCIPLES CHECKLIST As at 30 June 2011

This checklist summarises Straits compliance with the ASX Corporate Governance Council's 8 Principles of Good Governance and 27 Recommendations 2nd Edition, with the 2010 Amendments, for five months to 30 June 2011. It should be read in conjunction with the Corporate Governance Statement.

Under ASX Listing Rule 4.10.3 the Company is required to disclose in the annual report the extent to which it has complied the with the recommendations. Where a recommendation was followed for only part of the five month period to 30 June 2011, the period during which that recommendation was followed must be disclosed.

The board assesses its governance practices on an ongoing basis, and changes and improvements that are made will reflect the changing circumstances of the Company as it grows and evolves. The board believes good governance is a substance over form issue.

Recommendation	Comply	Explanation for Departure from Compliance
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	The Board has formal Board Charter which is available from the Corporate Governance section of Company's website.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	The Remuneration Committee has developed a process for assessing executive performance. The process of evaluation is disclosed in the Annual Report.
<p>1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.</p> <p>The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> • An explanation of any departure from Recommendation 1.1, 1.2 or 1.3 • Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed. <p>A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>See 1.1</p>

<p>2.1 A majority of the board should be independent directors.</p>	<p>No</p>	<p>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 Susan Vearncombe and Mr Alan Good, the Chairman, are considered independent within the ASX's definition. Dr Garry Lowder, considered an independent director, resigned on 1 July 2011. 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 holds 18.82% of the issued capital in Straits.</p>
<p>2.2 The chair should be an independent director.</p>	<p>Yes</p>	
<p>2.3 The roles of chair and chief executive officer should not be exercised by the same individual.</p>	<p>Yes</p>	
<p>2.4 The board should establish a nomination committee.</p>	<p>Yes</p>	<p>The Board established a Nomination Committee in June 2011 and in August 2011 adopted a formal Nomination Committee Charter which is available from the Corporate Governance section of the Company's website</p>
<p>2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.</p>	<p>Yes in part</p>	<p>Due to the short reporting period, a performance evaluation for the Board, its committees and directors has not taken place. The Board intends to develop a further performance evaluation process applicable for the Board, its committees and individual directors.</p>
<p>2.6 Companies should provide the information indicated in the Guide reporting on Principle 2. The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> • The skills, experience and expertise relevant to the position of director held by each director in office and the date of the annual report • The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds 	<p>Yes Yes Yes</p>	

<ul style="list-style-type: none"> • The existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships • A statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board <ul style="list-style-type: none"> • A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company • The period of office held by each director in office at the date of the annual report • The names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have nomination committee, how the functions of a nomination committee are carried out • Whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed • An explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5, or 2.6. <p>The following material should be made publicly available, ideally by posting it to the companies website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • Description of the procedure for the selection and appointment of new directors and the re- election of incumbent directors • The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee • The board's policy for the nomination and appointment of directors. 	<p>Yes</p> <p>Yes in part</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>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. The appropriate mix of skills is regularly considered.</p> <p>See 2.5</p> <p>See the Nomination Committee Charter</p> <p>See the Nomination Committee Charter</p>
<p>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the company's integrity 	<p>Yes</p> <p>Yes</p>	<p>The Code of Conduct is available from the Corporate Governance section of the Company's website</p>

<ul style="list-style-type: none"> • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>Yes</p> <p>Yes</p>	
<p>3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p>	<p>Yes</p>	<p>The Board adopted a formal Diversity Policy in May 2011 which is available from the Corporate Governance section of the Company's website.</p>
<p>3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</p>	<p>Yes</p>	<p>This is to be disclosed in the Annual Report.</p>
<p>3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p>	<p>Yes</p>	<p>This is to be disclosed in the Annual Report.</p>
<p>3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3. An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.</p> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • Any applicable code of conduct or a summary • Any diversity policy or a summary 	<p>Yes</p> <p>Yes</p> <p>Yes</p>	
<p>4.1 The board should establish an audit committee.</p>	<p>Yes</p>	

<p>4.2 The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • Consists only of non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair who is not chair of the board • Have at least three members. 	<p>Yes Yes Yes Yes</p>	
<p>4.3 The audit committee should have a formal charter.</p>	<p>Yes</p>	<p>The Board adopted a formal Audit Committee Charter.</p>
<p>4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4. The following material should be included in the corporate governance statement in the annual report;</p> <ul style="list-style-type: none"> • The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee or, where a company does not have an audit committee, how the functions of an audit committee are carried out • The number of meetings of the audit committee • Explanation of any departures from best practice recommendations 4.1, 4.2, 4.3 or 4.4. <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • The audit committee charter • Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners. 	<p>Yes Yes Yes Yes Yes Yes</p>	<p>A copy of the Audit Committee Charter is available from the Corporate Governance section of the Company's website.</p>
<p>5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</p>	<p>Yes</p>	<p>The Board adopted a formal Disclosure Policy outlining procedures for compliance with ASX continuous disclosure requirements.</p>
<p>5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.</p>	<p>Yes</p>	<p>A copy of the Disclosure Policy is available from the Corporate Governance Section of the Company's website.</p>

<p>An explanation of any departure from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report. The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.</p>	<p>Yes</p>	
<p>6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</p>	<p>Yes</p>	<p>The Board has adopted a formal Shareholder Communication Guidelines and Policy.</p>
<p>6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6. An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.</p> <p>The company should describe how it will communicate with its shareholders publicly, ideally by posting the information of the company's website in a clearly marked corporate governance section.</p>	<p>Yes</p> <p>Yes</p>	<p>A copy of the Communication Guidelines and Policy is available from the Corporate Governance section of the Company's website.</p>
<p>7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies</p>	<p>Yes</p>	<p>In August 2011 the Board adopted a Risk Management Policy and Guidelines replacing the Risk Management Statement. This Policy is available from the Corporate Governance section of the Company's website.</p>
<p>7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.</p>	<p>Yes</p>	<p>Financial and operating risks are addressed through approved policies and procedures covering treasury, financial, contract management, health, safety and environmental activities of the Company, and a financial certification questionnaire is completed by all operating subsidiaries. The Company's Audit Committee covers compliance, monitoring and assessing key financial risk areas which include that Straits has:</p> <ul style="list-style-type: none"> • 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. <p>The Audit Committee assesses these systems.</p>

		Key controls have been identified for each business, and accounting processes with an internal controls framework developed. The internal audit function is outsourced to an audit firm with implementation of ongoing programmes. A Treasury Committee is established. In addition to external 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 as part of the Company's annual assessment of the coverage for insured assets and risks. The results of all the various audits and insurance assessments are reported to Board.
7.3	The board should disclose whether is has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	<p>Companies should provide the information indicated in the Guide to reporting on Principle 7.</p> <p>The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> • Explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4. • Whether the board has received the report from management under Recommendation 7.2 • Whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3. <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <p>A summary of the company's policies on risk oversight and management of material business risks.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>
8.1	The board should establish a remuneration committee.	Yes

<p>8.2 The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent director • has at least three members. 	<p>Yes Yes Yes</p>	
<p>8.3 Companies should clearly distinguish the structure of non-executive remuneration from that of executive directors and senior executives.</p>	<p>Yes</p>	<p>This is addressed in the Company's Annual Report and distinguishes between the various parties.</p>
<p>8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8. The following material or a clear cross reference to the location of the material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> • The names of the members of the remuneration committee and their attendance at meetings of the committee or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out • The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors • An explanation of any departures from Recommendations 8.1, 8.2 or 8.3 <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> • The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee • A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. 	<p>Yes Yes Yes Yes Yes</p>	<p>The Company's equity based-share plans prohibit such transactions and the Employee Share Acquisition Plan is available from the corporate governance section on the Company's website.</p>