Strzelecki Metals Ltd

ABN 35 116 249 060

Financial Report

for the year ended 30 June 2011

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Corporate Information

This financial report covers both Strzelecki Metals Ltd (ABN 35 116 249 060) as the consolidated Group comprising Strzelecki Metals Ltd and its controlled entities. The Group's functional and presentation currency is Australian Dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report.

Directors
Mr Peter Hunt (Chairman)
Dr John Santich
Mr Stephen Evans
Mr Simon O'Loughlin

Company Secretary
Mr Donald Stephens

Registered Office
C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
DULWICH SA 5065

Principal Place of Business
169 Fullarton Road
DULWICH SA 5065

Share Registry
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Bankers
Westpac
52 Pirie Street
ADELAIDE SA 5000

Auditors
Grant Thornton South Australian Partnership
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Directors' report

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Hunt, FCA (Chairman, Non-Executive Director)
Appointed a Director on 9 November 2005, and Chairman on 23 July 2008

Peter Hunt is former partner of PKF Adelaide, Chartered Accountants, having retired on 30 June 2011. He is a member of the Audit Committee and a member of the Institute of Chartered Accountants in Australia. Peter is an experienced company Director, having been a Non-Executive Chairman of Intermin Resources Ltd for 20 years. Peter was appointed Director of Adelaide Energy Ltd in February 2007 and continues to act as a Non-Executive Director. Peter was also appointed as a Non-Executive Director of MUI Corporation Ltd on 6 June 2011.

Dr John Santich, BE M, Eng Sc, PhD, DipLaw, MSocSc (Executive Director)
Appointed a Director on 13 June 2008

John Santich is an engineer and lawyer with over four decades' experience in mining geoscience and industry. He has been founder and Director of a number of successful exploration companies including Marathon Resources Ltd. He has also established companies in other technological areas, including bottled water, machine vibration analysis and renewable energy. John was an Executive Director of ASX listed Marathon Resources until his resignation on 30 June 2008.

Stephen Evans, BA (Acc). FAICD (Non-Executive Director)
Appointed a Director on 2 September 2010

Stephen Evans is the Managing Director of a leading Adelaide based accounting firm (RJC Evans & Co) which was established in 1920. Stephen has over 25 years' experience in advising small, medium and large corporations in relation to tax, accounting, financial and business related matters. He is a member of the Taxation Institute of Australia, National Institute of Accountants and a fellow of the Institute of Company Directors. Stephen Evans is a Director and Non-Executive Chairman of Chesser Resources Ltd, a Director and Non-Executive Chairman of CRW Holdings Ltd, a Director of Panax Geothermal and Avenue Resources Ltd. Stephen is a former Director of WCP Resources Ltd, Innovance Ltd and Newport Mining Ltd, having resigned from these on 30 June 2009, 15 September 2010 and 22 June 2010 respectively.

Directors' report

Simon O'Loughlin, BA (Acc) (Non-Executive Director)
Appointed a Director on 2 September 2010

Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. For many years he has practised both in Sydney and Adelaide, in the corporate and commercial fields with, in more recent times, a particular focus on the resources sector. He also holds accounting qualifications. He is currently Chairman of Bondi Mining Ltd, Avenue Resources Ltd and Kibaran Nickel Ltd; a Director of Petratherm Ltd, Probiomics Ltd, WCP Resources Ltd, Aura Energy Ltd and Chesser Resources Ltd. He has extensive experience and involvement with companies in the small industrial and resource sectors. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Dr Wieslaw Bogacz, MSc.Eng, PhD Eng (Non-Executive Director)
Appointed a Director on 13 June 2008, and resigned as Director on 2 September 2010

Wieslaw Bogacz is a highly qualified geologist and engineer with more than 30 years' experience in successful ore body exploration and development in Australia and worldwide. He has an established reputation in the development of advanced interpretations of structural geological controls on mineralisation and in tectonic genesis of metalliferous deposits. He was co-founder and Director of exploration company Marathon Resources Ltd. Wieslaw was a Director of ASX listed Marathon Resources Ltd until his resignation on 30 June 2008.

Carl Dorsch, BSc, BEng, CEng, FIChemE (Non-Executive Director)
Appointed a Director on 9 March 2007, became a Non-Executive Director on 1 November 2008, and resigned as Director on 2 September 2010

Carl Dorsch is a Chartered Chemical Engineer with a career in oil, gas and other hardrock mining projects in Australia and internationally. During his time with Strzelecki, he secured the Australian hard rock interests in Strzelecki's exploration portfolio and helped in the acquisition of the Polish assets. Carl was appointed a Director of ASX listed Adelaide Energy Ltd in January 2006.

Andrew Zemek, MA (Hons) Ec (Executive Director)
Appointed a Director on 15 September 2009, resigned as Director on 2 September 2010

Andrew Zemek has over 30 years' experience in the metals and mining sector ranging from copper and silver trading and hedging to concentrate trading, running exploration programs, fundraising (debt and quity) and research. Andrew qualified with MA (Hons) in Economics, Warsaw, Poland. Andrew is fluent in Polish and is able to converse with Polish authorities and read Polish language historical reports without the need for translation. Andrew was a Director and COO of AIM-listed Angus & Ross PLC.

Directors' report

COMPANY SECRETARY

Donald Stephens, BAcc, FCA
Appointed 26 November 2010

Donald Stephens is a Chartered Accountant and corporate adviser with over 25 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. He is a Director of Papyrus Australia Ltd, CRW Holdings Ltd and Mithril Resources Ltd, and is Company Secretary to Toro Energy Ltd, Mithril Resources Ltd, Minotaur Exploration Ltd and Petratherm Ltd (all ASX-listed entities). He holds other public Company Secretarial positions and Directorships with private companies and provides corporate advisory services to a wide range of organisations.

Graham Seppelt
Appointed 9 November 2005, resigned 26 November 2010

Graham Seppelt is a Certified Practicing Accountant and has had extensive experience as a contract accountant and in corporate advisory roles. He is currently the Company Secretary for ASX listed BSA Ltd, Legend Corporation Ltd, Mesbon China Nylon Ltd, and UXA Resources Ltd.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of Strzelecki Metals Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Peter Hunt	273,846	-
John Santich	24,811,940	-
Stephen Evans	3,500,000	-
Simon O'Loughlin	3,000,000	-

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

PRINCIPAL ACTIVITIES

The principal activities of the Company and consolidated entities ('the Group') during the financial year consisted of the exploration for Molybdenum, Copper, Gold and other precious metals.

There have been no significant changes in the nature of those activities during the year.

Directors' report

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to $5,301,994 (2010: Loss $20,725,932).

OPERATIONS OVERVIEW

A full review of operations carried out by the Group is provided in the full Annual Report.

On 28 March 2011, the Company completed its agreement with Electrum Strategic Metals Eastern Europe SA ("Electrum") with the acquisition by Electrum of 55% of the Company's Polish subsidiary Slasko-Krakowska Kompania Gornictwa Metali Sp.z o.o ("SKKGM"). On completion, the Company received a payment of US$3.5m with Electrum committed to a mandatory exploration expenditure of US$1m by 28 March 2012 to earn a further 5% of SKKGM, following which it may elect to spend a further US$2m by 28 March 2013 and US$3m by 28 March 2014 to earn an additional 5% and 10%, respectively, of SKKGM.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.

- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group which occurred during the financial year.

Directors' report

SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred after the balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely future development of the Group during the next financial year will involve the ongoing principal activity of mineral exploration.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites.

The Group is committed to minimising environmental impacts during all phases of exploration, development and production through a best practice environmental approach. The Group shares responsibility for protecting the environment for the present and the future. It believes that carefully managed exploration programs should have little or no long-lasting impact on the environment. The Group properly monitors and adheres to this approach and there were no environmental incidents to report for the year under review. Furthermore, the Group is in compliance with the state and/or commonwealth environmental laws for the jurisdictions in which it operates.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Group has indemnified (fully insured) each Director and the Company Secretary of the Group for a premium of $23,450. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Group or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

Directors' report

SHARE OPTIONS

Unissued Shares

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2010	Net Issued/ (Exercised) during Year	Lapsed/ Cancelled/ Expired	Balance at 30 June 2011
Unlisted Options						
11/11/2005	11/11/2010	$0.20	6,250,000	-	(6,250,000)	-
20/07/2007	17/08/2010	$0.20	39,970,036	-	(39,970,036)	-
13/06/2008	27/02/2011	$0.275	46,720,036	-	(46,720,036)	-
16/01/2009	31/12/2010	$0.25	1,000,000	-	(1,000,000)	-
26/01/2009	16/01/2012	$0.25	1,000,000	-	-	1,000,000
31/07/2009	23/07/2012	$0.10	2,000,000	-	-	2,000,000
01/03/2010	17/02/2013	$0.10	2,250,000	-	-	2,250,000
			99,190,072	-	(93,940,072)	5,250,000

No ordinary shares of Strzelecki Metals Ltd were issued on the exercise of options during the reporting year. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Cancellation of Options

During the financial year 93,940,072 options lapsed due to not being exercised within the given exercise period.

Directors' report

Corporate Governance Statement

Introduction
The board of Directors is responsible for the corporate governance of Strzelecki Metals Ltd (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX Corporate Governance Council and required under ASX listing rules.

The Group details below the corporate governance practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX Corporate Governance Council unless otherwise stated. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, *www.strzeleckimetals.com.au*.

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity, remuneration, trading policies and briefings. The Group has addressed the amended principles within this statement.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Role of the board and management
The board are accountable to the Shareholders for the performance of the Group and have overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the board to the Executive Director.

The key functions reserved to the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the Executive Director against the objectives and performance indicators established by the board.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Group's expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required.

Directors' report

CORPORATE GOVERNANCE STATEMENT

The Group has formally established the functions reserved to the board and those delegated to senior executives in accordance with recommendations 1.1 and 1.3 of the ASX Corporate Governance Council. Full details of the matters reserved to the board and to senior management are available on the Company's website at *www.strzeleckimetals.com.au*.

Recommendation 1.2: Performance evaluation of senior management
The Managing Director participates in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the board. A performance evaluation for the Executive Director took place for the current reporting period in accordance with the Group's documented process. The performance of the Executive Director is reviewed by comparing performance against agreed measures, examining the effectiveness and results of his contribution and identifying areas for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Group has not disclosed a description of the performance evaluation process in addition to the disclosure above.

Principle 2: Structure the board to add value

Size and composition of the board
At the date of this statement the board consists of three Non-Executive Directors and one Executive. Directors are expected to bring independent views and judgement to the board's deliberations.

- Mr Peter Hunt — Non-Executive Chairman
- Dr John Santich — Executive Director
- Mr Stephen Evans — Non-Executive
- Mr Simon O'Loughlin — Non-Executive

The board considers this to be an appropriate composition given the size and development of the Group at the present time. A profile of each Director including their skills, qualifications and experience are set out in the Directors' report of this Annual Report.

Recommendation 2.1: Independence
The board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the board. Those Directors who have interests in specific transactions or potential transactions do not receive board papers related to those transactions or potential transactions, do not participate in any part of a Directors meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

Directors' report

CORPORATE GOVERNANCE STATEMENT

At the date of this statement the board consists of three Non-Executive Directors, Mr P Hunt, who is also Chairman of the board, Mr S Evans, and Mr S O'Loughlin, and an Executive Director, Dr J Santich.

The board consists of a majority of independent Directors and therefore the Group has complied with recommendation 2.1 of the Corporate Governance Council. The board defines 'independence' in accordance with ASX recommendations. The board considers the current structure to be an appropriate composition of the required skills and experience, given the experience of the individual Directors and the size and development of the Group at the present time.

Recommendations 2.2, 2.3: Role of the Chairman
The role of the Chairman is to provide leadership to the board and facilitate the efficient organisation and conduct of the boards functioning. Mr Peter Hunt, the Chairman of the Group is an independent Director and does not also perform the role of the Managing Director, in accordance with recommendations 2.2 and 2.3 of the Corporate Governance Council.

Recommendation 2.4: Nomination, retirement and appointment of Directors
The board has established a nomination committee and a remuneration committee in accordance with recommendation 2.4 of the Corporate Governance Council. The Group has established remuneration and nomination committee charters in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council. These are available at the Company's website *www.strzeleckimetals.com.au*.

Recommendation 2.5: Evaluation of board performance
The board continues to review performance against appropriate measures and identify ways to improve performance. A performance evaluation of the board, its Committees and individual Directors took place for the current reporting period in accordance with the Group's documented process. The board has not formally disclosed the process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Code of Conduct
The board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The board has adopted and disclosed a formal code of conduct applying to the board and all employees in accordance with recommendations 3.1 and 3.3 of the Corporate Governance Council.

Directors' report

CORPORATE GOVERNANCE STATEMENT

Securities Trading Policy

Effective from the 1 January 2011, the Group is required to adopt and disclose a securities trading policy under ASX Listing Rules. The Group has established a policy concerning trading in Group securities by Directors, senior executives and employees, and this is available on the ASX website *www.asx.com.au*. Therefore the Company complies with recommendation 3.2 of the second edition of the Corporate Governance Council principles.

Recommendations 3.2, 3.3, 3.4: Diversity

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity. The Group is committed to supporting diversity, including consideration of gender, age, ethnicity and cultural background. The board is ultimately responsible for reviewing the achievement of this policy. The Group recognises that through consideration of diversity and the best available talent, it will assist in promoting a working environment to maximise achievement of the corporate goals of the organisation.

The Group continues to strive towards achieving objectives established towards increasing gender diversity. At the end of the reporting period, the Group employed eleven staff, of which two were female and the board of Directors consisted of five male members.

The Group is highly aware of the positive impacts that diversity may bring to an organisation. The Group continues to assess all staff and board appointments on their merits with consideration to diversity a driver in decision making. The Group has not yet developed or disclosed a formal diversity and policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

Principle 4: Safeguard integrity in financial reporting

The Group has structured financial management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the audit committee;
- A process to ensure the independence and competence of the Group's external auditors.

Recommendations 4.1, 4.2, 4.3: Audit Committee

The audit and risk management committee comprises Dr John Santich (Chairman), Mr Peter Hunt and Mr Stephen Evans. Mr Peter Hunt and Mr Stephen Evans are both considered independent thereby representing a majority. The board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;

Directors' report

CORPORATE GOVERNANCE STATEMENT

- review the annual and half-year financial reports and recommend them for approval by the board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

The Group has not complied with recommendation 4.2 of the Corporate Governance Council because it does not consist of only Non-Executive Directors. Given the skills and experience of the audit committee, the board believes the structure and process to be adequate. The board continues to monitor the composition of the committee and the roles and responsibilities of the members.

The board has adopted and disclosed a formal committee charter in accordance with recommendations 4.3 and 4.4 of the Corporate Governance Council.

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the board through the Chair.

Recommendations 5.1: Disclosure policy

The Group has publicly disclosed a formal disclosure policy in accordance with recommendations 5.1 and 5.2 of the Corporate Governance Council.

Principle 6: Respect the rights of shareholders

The board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its Directors and to make well-informed investment decisions.

Recommendations 6.1: Communications policy

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Group's web site *www.strzeleckimetals.com.au*.

Directors' report

CORPORATE GOVERNANCE STATEMENT

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has publicly disclosed a communications policy in accordance with recommendations 6.1 and 6.2 of the Corporate Governance Council.

Principle 7: Recognise and manage risk

The board has identified the significant areas of potential business and legal risk of the Group. In addition the board has developed the culture, processes and structures of the Company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

Recommendations 7.1, 7.2: Risk management policy

The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Managing Director and the board. The board has also established the audit and risk management committee which addresses the risks of the Group.

The board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent board meetings. Budgets are prepared and compared against actual results.

Management and the board monitor the Group's material business risks and reports are considered at regular meetings.

The Group has publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council.

Recommendations 7.3: Declaration from Managing Director and Company Secretary

The Managing Director and the Company Secretary will be required to state in writing to the board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

Principle 8: Remunerate fairly and responsibly

The Chairman and the Non-Executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is $500,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within the Directors' report for details regarding the remuneration structure of the Managing Director and senior management.

Directors' report

CORPORATE GOVERNANCE STATEMENT

Recommendation 8.1: Remuneration Committee

The board has established a remuneration committee comprising the four Directors, Mr Peter Hunt, Dr John Santich, Mr Stephen Evans and Mr Simon O'Loughlin, and has disclosed a committee charter on the Company website. Therefore the Company has complied with recommendations 8.1 and 8.3 of the Corporate Governance Council.

Directors' report

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for Directors and other key management personnel of Strzelecki Metals Ltd.

Remuneration philosophy

The board is responsible for determining remuneration policies applicable to Directors and senior executives of the Group. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the board to the Group's financial performance.

Key management personnel remuneration and equity holdings

The board currently determines the nature and amount of remuneration for board members and senior executives of the Group. The policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The Non-Executive Directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Directors and executives is expensed as incurred. Executives are also entitled to participate in the Company share option scheme. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate Non-Executive Directors at market rates based on comparable companies for time, commitment and responsibilities. The board determines payments to Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The Chairman and the Non-Executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is $500,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within the Directors' report for details regarding the remuneration structure of the Managing Director and senior management.

Directors' report

REMUNERATION REPORT - AUDITED

Table 1: Directors remuneration for the year ended 30 June 2011 & 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total	Performance related (%)
	Salary & Fees	Superannuation	Value of options (*)		
Peter Hunt					
2011	60,000	-	-	**60,000**	**0%**
2010	60,000	-	-	**60,000**	**0%**
John Santich					
2011	60,000	50,000	-	**110,000**	**0%**
2010	-	50,000	-	**50,000**	**0%**
Stephen Evans					
2011	41,667	-	-	**41,667**	**0%**
2010	-	-	-	**-**	**0%**
Simon O'Loughlin					
2011	41,667	-		**41,667**	**0%**
2010	-	-	-	**-**	**0%**
Wieslaw Bogacz					
2011	37,500	-	-	**37,500**	**0%**
2010	50,000	-	-	**50,000**	**0%**
Carl Dorsch					
2011	35,833	-	-	**35,833**	**0%**
2010	50,000	-	-	**50,000**	**0%**
Andrew Zemek					
2011	53,632	-	-	**53,632**	**0%**
2010	173,333	-	528	**173,861**	**0.3%**
Total					
2011	330,299	50,000	-	**380,299**	**0%**
2010	333,333	50,000	528	**383,861**	**0%**

(*) Share-based payments remuneration relates to amortisation of the fair value of options granted. This aspect of remuneration is a non-cash benefit.

Directors' report

REMUNERATION REPORT - AUDITED

Table 2: Remuneration of other key management personnel for the year ended 30 June 2011 and 30 June 2010

	Short Term Benefits	Post Employment	Share-based payments	Total	Total
	Salary & Fees	Superannuation	Value of options		
Don Triggs (*)					
2011	49,100	-	-	**49,100**	**0%**
2010	129,838	-	-	**129,838**	**0%**
Donald Stephens (**)					
2011	-	-	-	**-**	**0%**
2010	-	-	-	**-**	**0%**
Graham Seppelt (***)					
2011	-	-	-	**-**	**0%**
2010	-	-	-	**-**	**0%**
Total					
2011	49,100	-	-	**49,100**	**0%**
2010	129,838	-	-	**129,838**	**0%**

(*) Don Triggs acts as a consultant and is not employed by the company.
(**) Donald Stephens was appointed Company Secretary on 26 November 2010. HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, and secretarial services provided during the year of $37,783 (2010: $nil). Donald Stephens is a consultant to HLB Mann Judd (SA) Pty Ltd.
(***) Graham Seppelt resigned as Company Secretary on 26 November 2010. Graham Seppelt was remunerated as part of a service agreement with GS Corporate Services. Service fees paid to 30 June 2011 were $18,240 (2010: $46,912).

Table 3: Options granted as part of remuneration

No options were granted to key management personnel during the financial year.

30 June 2010	Grant date	Grant number	Vesting date	Value per option at grant date	Exercise Price	Total fair value	% of Remun-eration
Andrew Zemek	31/07/09	2,000,000	31/07/09	0.00026	0.10	528	0.30%

Directors' report

REMUNERATION REPORT - AUDITED

Table 4: Option holdings of Key Management Personnel

30 June 2011	Balance at beginning of period	Balance at end of period	Exercise Price	First exercise date	Last exercise date
Directors					
Andrew Zemek	2,000,000	2,000,000	0.10	31/07/2009	23/07/2012
	2,000,000	2,000,000			

30 June 2010	Balance at beginning of period	Granted as remuner-ation	Options lapsed/ cancelled	Balance at end of period	Exercise Price	First exercise date	Last exercise date
Directors							
John Santich	5,000,000	-	(5,000,000)	-	0.40	1/03/2010	27/02/2013
Wieslaw Bogacz	5,000,000	-	(5,000,000)	-	0.40	1/03/2010	27/02/2013
Andrew Zemek	-	2,000,000	-	2,000,000	0.10	31/07/2009	23/07/2012
	10,000,000	2,000,000	(10,000,000)	2,000,000			

Table 5: Shareholdings of Key Management Personnel

30 June 2011	Balance at 1 July 10	Other (*)	Balance 30 June 11
Directors			
Peter Hunt	136,923	136,923	273,846
John Santich	19,811,940	5,000,000	24,811,940
Stephen Evans	-	3,500,000	3,500,000
Simon O'Loughlin	-	3,000,000	3,000,000
Carl Dorsch (**)	11,116,590	(11,116,590)	-
Wieslaw Bogacz (**)	19,811,941	(19,811,941)	-
Andrew Zemek	-	-	-
	50,877,394	(19,291,608)	31,585,786
Executives			
Don Triggs	200,000	200,000	400,000
Graham Seppelt	-	-	-
Donald Stephens	-	-	-
	200,000	200,000	400,000

Directors' report

REMUNERATION REPORT - AUDITED

30 June 2010	Balance at 01 July 09	Other (*)	Balance 30 June 10
Directors			
Peter Hunt	60,000	76,923	136,923
John Santich	19,735,017	76,923	19,811,940
Carl Dorsch	10,462,744	653,846	11,116,590
Wieslaw Bogacz	19,735,018	76,923	19,811,941
Andrew Zemek	-	-	-
	49,992,779	884,615	50,877,394
Executives			
Don Triggs	200,000	-	200,000
Graham Seppelt	-	-	-
	200,000	-	200,000

(*) Other refers to shares purchased or sold during the financial year.
(**) Carl Dorsch and Wieslaw Bogacz resigned during the financial year.
(***) Don Triggs is a consultant to the company.

DIRECTORS MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings		Audit Committee	
Number of meetings held	10		1	
Number of meetings attended:	Eligible	Attended	Eligible	Attended
Peter Hunt	10	10	1	1
John Santich	10	10	1	1
Stephen Evans	8	6	1	1
Simon O'Loughlin	8	7	-	-
Wieslaw Bogacz	2	1	-	-
Carl Dorsch	2	2	-	-
Andrew Zemek	1	1	-	-

Members acting on the audit committee of the board are:

Peter Hunt	Non-Executive Director
John Santich	Managing Director
Stephen Evans	Non-Executive Director

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton South Australian Partnership, in its capacity as auditor for Strzelecki Metals Ltd, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2011 as required under section 307C of the Corporations Act 2001 has been received and can be found on the following page.

Signed in accordance with a resolution of the board of Directors.

Mr Peter Hunt
Chairman

John Santich
Director

Dated this 27th day of September 2011

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF STRZELECKI METALS LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Strzelecki Metals Limited for the year ended 30 June 2011, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 27 September 2011

Statement of Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011 $	2010 $
Revenue	4 (a)	109,692	33,031
Impairment of non-current assets	4 (b)	(1,396,889)	(744,326)
Employee benefits expense	4 (c)	(408,075)	(422,197)
Depreciation expense	4 (b)	(26,864)	(89,772)
Borrowing costs		(10,839)	(63,133)
Loss on sale of tenement		-	(123,733)
Share of losses of associates accounted for using the equity method	10	(101,816)	-
Other expenses	4 (d)	(759,598)	(1,600,815)
(Loss) before income tax		(2,594,389)	(3,010,945)
Income tax (expense)/benefit	5	(48,482)	350,043
(Loss) from continuing operations		(2,642,871)	(2,660,902)
Loss for the year from discontinued operations	11	(2,659,123)	(18,065,030)
Total (loss) for the year		(5,301,994)	(20,725,932)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(176,485)	145,590
Total comprehensive (loss) for the year		(5,478,479)	(20,580,342)
Earnings per share:			
Continuing and discontinued operations:		*Cents*	*Cents*
Basic earnings per share	*6*	(1.54)	(13.58)
Diluted earnings per share	*6*	(1.54)	(13.58)
Continuing operations:			
Basic earnings per share	*6*	(0.77)	(1.74)
Diluted earnings per share	*6*	(0.77)	(1.74)

The accompanying notes form part of these financial statements.

Statement of Financial Position
AS AT 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	7	4,556,316	600,670
Trade and other receivables	8	16,181	442,086
Other current assets	9	62,412	24,223
TOTAL CURRENT ASSETS		4,634,909	1,066,979
NON-CURRENT ASSETS			
Investment in associate	10	1,070,118	-
Property, plant and equipment	12	8,014	671,741
Exploration and evaluation assets	13	2,179,545	9,601,793
TOTAL NON-CURRENT ASSETS		3,257,677	10,273,534
TOTAL ASSETS		7,892,586	11,340,513
CURRENT LIABILITIES			
Trade and other payables	15	84,270	182,964
Short term borrowings	16	-	510,460
Short term provisions	17	-	24,676
TOTAL CURRENT LIABILITIES		84,270	718,100
NON-CURRENT LIABILITIES			
Long term borrowings	16	-	22,642
Long term provisions	17	-	312
TOTAL NON-CURRENT LIABILITIES		-	22,954
TOTAL LIABILITIES		84,270	741,054
NET ASSETS		7,808,316	10,599,459
EQUITY			
Issued capital	19	36,699,679	34,789,939
Reserves	20	2,527,413	2,669,422
Retained earnings	21	(31,418,776)	(26,859,902)
TOTAL EQUITY		7,808,316	10,599,459

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated					
	Issued Capital Ordinary $	Retained Earnings $	Share-based Payments Reserve	Share Option Reserve	Currency Translation Reserve $	Total $
Balance at 1 July 2009	**33,677,455**	**(6,133,970)**	**2,508,316**	**743,120**	**(746,702)**	**30,048,219**
Total (Loss) for the year	-	(20,725,932)	-	-	-	(20,725,932)
Recognition of bonus element of options	-		19,097	-	-	19,097
Share Issue	1,154,000	-	-	-	-	1,154,000
Foreign currency translation	-	-	-	-	145,591	145,591
Transaction costs	(41,516)	-	-	-	-	(41,516)
Balance at 30 June 2010	**34,789,939**	**(26,859,902)**	**2,527,413**	**743,120**	**(601,111)**	**10,599,459**
Balance at 1 July 2010	**34,789,939**	**(26,859,902)**	**2,527,413**	**743,120**	**(601,111)**	**10,599,459**
Total (Loss) for the year	-	(5,301,994)	-	-	(176,485)	(5,478,479)
Issue of shares via placement	222,865	-	-	-	-	222,865
Issue of shares via rights isse	1,800,000	-	-	-		1,800,000
Transaction costs	(113,125)	-	-	-	-	(113,125)
Derecognition of foreign currency translation reserve	-	-	-	-	777,596	777,596
Transfer of share option reserve	-	743,120	-	(743,120)	-	-
Balance at 30 June 2011	**36,699,679**	**(31,418,776)**	**2,527,413**	**-**	**-**	**7,808,316**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	41,941
Payments to suppliers and employees		(1,282,780)	(1,665,475)
Borrowing costs		(10,839)	(63,133)
Interest received		52,280	69,391
Receipt from R&D tax concession		350,043	-
NET CASH (USED IN) OPERATING ACTIVITIES	7	(891,296)	(1,617,276)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	199,837
Purchase of property, plant and equipment		-	(17,410)
Proceeds from disposal of subsidiary		3,542,926	-
Payments for exploration activities		(24,142)	(489,154)
NET CASH (USED IN) INVESTING ACTIVITIES		3,518,784	(306,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,022,865	1,154,000
Transaction costs on issue of shares		(161,605)	(41,516)
Repayment of borrowings		(533,102)	(93,235)
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,328,158	1,019,249
Net increase/(decrease) in cash and cash equivalents		3,955,646	(904,754)
Cash and cash equivalents at the beginning of the year		600,670	1,505,424
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	4,556,316	600,670

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of Strzelecki Metals Ltd (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 27 September 2011. Strzelecki Metals Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Strzelecki Metals Ltd and its controlled entities ('Group').

Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected Non-current assets, financial assets and financial liabilities.

a. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Strzelecki Metals Ltd at the end of the reporting period. A controlled entity is any entity over which Strzelecki Metals Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Non-controlling interests, being the equity in a controlled entity not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date. The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

c. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

d. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, and other short-term highly liquid investments with original maturities of three months or less.

f. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(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 and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

i. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property
Freehold land and buildings are recorded at cost.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Plant and equipment
Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Plant and equipment	2-33%

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.

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

j. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

k. Exploration expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

m. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

n. Share-based payment transactions

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

o. Investment in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

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When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised. Details of the Group's investments in associates are provided in Note 10.

p. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

q. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

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AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:
- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).
AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

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Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):
- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:
- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;

Notes to the Financial Statements
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- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).
This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

Notes to the Financial Statements
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The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

This Standard is not expected to impact the Group.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

r. Impact of the Carbon Tax Legislation

On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both Houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices.

s. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Judgements — Exploration and evaluation

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

3. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographical locations as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Information reported to the Company's Managing Director for the purposes of resources allocation and assessment of performance is more specifically focused on the areas in which the Group is exploring. The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration activities conducted in Australia; and
- Exploration activities conducted in Poland.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted
Unless stated otherwise, all amounts reported to the board of Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Intersegment transactions
Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- current tax liabilities; and
- other financial liabilities.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review.

	Segment Revenue		Segment Result	
	Year ended		Year ended	
	2011	2010	2011	2010
	$	$	$	$
Continuing Operations				
Mineral Exploration - Australia	109,692	471,058	(2,492,573)	(1,185,071)
Mineral Exploration - Poland	-	75,747	(101,816)	(1,825,874)
Inter-segment elimination	-	(438,027)	-	-
	109,692	108,778	(2,594,389)	(3,010,945)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
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The revenue reported above represents revenue generated from various sources detailed in note 4(a).

	Opening Balance 1/07/2010 $	Net Capital Expenditure $	Impairment $	Other $	Closing Balance 30/06/2011 $
Continuing Operations					
Mineral Exploration - Australia	26,984,043	24,142	(1,188,233)	(18,997,484)	6,822,468
Mineral Exploration - Poland	2,684,472	-	(400,450)	(1,213,904)	1,070,118
Inter-segment elimination	(18,328,002)			18,328,002	-
Total segment assets	11,340,513	24,142	(1,588,683)	(1,883,386)	7,892,586

	Opening Balance 1/07/2009 $	Net Capital Expenditure $	Impairment $	Other $	Closing Balance 30/06/2010 $
Continuing Operations					
Mineral Exploration - Australia	7,454,168	404,806	19,125,069	-	26,984,043
Mineral Exploration - Poland	23,609,689	225,113	(21,150,330)	-	2,684,472
Inter-segment elimination	-	-	(18,328,002)	-	(18,328,002)
Total segment assets	31,063,857	629,920	(20,353,263)	-	11,340,513

4. REVENUE AND EXPENSES

	Consolidated 2011 $	2010 $
(a) Revenue		
Bank interest received or receivable	109,692	33,031
	109,692	33,031
(b) Expenses		
Impairment of non-current assets		
Capitalised tenement costs written off	1,396,889	744,326
Total impairment of non-current assets	1,396,889	744,326
Depreciation of non-current assets		
Plant and equipment	26,864	89,772
Total depreciation	26,864	89,772

Notes to the Financial Statements
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	Consolidated	
	2011	2010
	$	$
(c) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	352,998	422,197
Superannuation	55,077	-
	408,075	422,197
(d) Other expenses from ordinary activities		
Administration	96,677	268,990
Occupancy costs	34,247	64,706
Accounting, audit & secretarial	141,526	195,796
Insurance costs	41,923	16,109
Consultancy	185,727	78,794
Legal fees	102,727	32,976
Listing and compliance fees	50,341	65,561
Materials and energy	-	34,703
Travel expenses	8,320	130,179
Provision for doubtful debts	32,077	-
Other expenses	66,033	713,001
	759,598	1,600,815

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

5. INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before income tax	(5,253,512)	(3,010,945)
At the Group's statutory income tax rate of 30% (2010: 30%)	(1,576,054)	(903,284)
Expenditure not allowable for income tax purposes	467,217	112,120
Other deductible items		
Deferred tax asset not realised as recognition criteria of AASB 112 not met	316,866	613,106
Capital raising costs deductible	(62,472)	(80,787)
Immediate write off of capital expenditure	(7,243)	(174,047)
Impairment expense	420,566	5,702,651
Other temporary differences	441,120	34,304
Difference in foreign corporate tax	-	115,446
Subtotal	-	5,419,509
Tax portion of capital raising costs written off	48,482	-
Research and development tax concession	-	(350,043)
	48,482	5,069,466

The Group has tax losses arising in Australia of $2,852,376 (2010: $2,846,745) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

	2011 $	2010 $
Deferred Tax Asset (DTA) arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as probable:		
Timing Difference at 30%	(395,393)	(992,782)
Tax losses at 30%	2,852,376	2,846,745
	2,456,983	1,853,963

This DTA will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2011	**2010**
	$	**$**
Continuing and discontinued operations:		
Net loss attributable to ordinary equity holders of the parent	(5,301,994)	(20,725,932)
Continuing operations:		
Net loss attributable to ordinary equity holders of the parent	(2,642,871)	(2,660,902)
	2011	**2010**
Weighted average number of ordinary shares for basic earnings per share	344,604,252	152,611,497
Effect of dilution	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	344,604,252	152,611,497

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2010 or 2011.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	4,441,559	35,017
Short-term deposits	114,757	565,653
	4,556,316	600,670

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Minister for Mineral Resources holds two bank guarantees totalling $60,000.

Reconciliation to Statement of Cash Flows

	2011 $	2010 $
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	4,441,559	35,017
Short-term deposits	114,757	565,653
	4,556,316	600,670
Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(5,301,994)	(20,725,932)
Adjustments for non-cash items:		
Depreciation	26,864	89,772
Loss on disposal of assets	41,849	11,731
Loss on sale of tenements	-	123,733
Impairment of non-current assets	3,459,810	744,326
Share of associates' net (profits) and losses	101,816	-
Share based payments	-	19,097
Changes in assets and liabilities net of loss in control of subsidiary		
(Increase)/Decrease in trade and other receivables	425,905	(352,597)
Decrease/(Increase) in other assets	(38,189)	204,174
(Decrease)/Increase in trade and other payables	(98,694)	(160,377)
(Decrease) in provisions	(24,988)	(20,971)
Net amounts included in financing and investing activities	516,325	308,991
Net cash (used in) operating activities	(891,296)	(19,758,053)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $

8. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Trade receivables	-	442,086
Goods & Services Tax receivable	16,181	-
	16,181	442,086

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. No impairment was recognised in 2010 or 2011 and no receivables are outside trading terms at balance date.

9. OTHER CURRENT ASSETS

	2011 $	2010 $
Prepayments	5,000	3,530
Other receivables	57,412	20,693
	62,412	24,223

10. INVESTMENTS

	2011 $	2010 $
NON-CURRENT		
Investment in associate:		
Investment in SKKGM	1,070,118	-
	1,070,118	-

The Group holds an investment in Slasko Krakowska Kompania Gornictwa Metali Spz o.o (SKKGM), and as such, the carrying amount of the investment is accounted for under the equity method. The Group has a 45% interest in SKKGM Ltd at 30 June 2011 (2010: 100%).

	2011 $	2010 $
Share of associate statement of financial position		
Current assets	72,559	-
Non-current assets	1,165,855	-
	1,238,414	-
Current liabilities	13,666	-
Non-current liabilities	154,630	-
	168,296	-
Net Assets	1,070,118	-
Share of associate statement of comprehensive income		
Comprehensive loss for the period	(101,816)	-
	(101,816)	-
Reconciliation of movement in carrying amount of investment in associate		
Balance at the beginning of period	-	-
Acquisitions of investments in associate	2,770,815	-
Impairment of investment in associate	(1,598,881)	
Share of comprehensive loss for the period	(101,816)	
Carrying amount of investment in associate	1,070,118	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
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11. DISCONTINUED OPERATIONS

On 28 March 2011, the Company completed its agreement with Electrum Strategic Metals Eastern Europe SA ("Electrum") with the acquisition by Electrum of 55% of the Company's Polish subsidiary Slasko-Krakowska Kompania Gornictwa Metali Sp.z o.o ("SKKGM"). On completion, the Company received a payment of US$3.5m with Electrum committed to a mandatory exploration expenditure of US$1m to earn a further 5% of SKKGM, following which it may elect to spend a further US$2m and US$3m to earn an additional 5% and 10%, respectively, of SKKGM.

The financial performance presented is for the period ended 28 March 2011 and the year ended 30 June 2010.

	2011 $	2010 $
Revenue	-	75,747
Expenses	(639,683)	(18,140,777)
Profit before income tax	(639,683)	(18,065,030)
Income tax expense	-	-
Loss after income tax of discontinued operation	(639,683)	(18,065,030)
Loss on sale before income tax	(2,019,440)	-
Loss from discontinued operation	(2,659,123)	(18,065,030)
Loss attributable to owners of the parent entity relates to:		
Loss from continuing operations	(2,642,871)	(2,660,902)
Loss from discontinued operations	(2,659,123)	(18,065,030)
	(5,301,994)	(20,725,932)
Details of the sale of the subsidiary:		
Consideration received	3,542,926	-
Carrying amount of net assets sold	(5,562,366)	-
Loss on sale before income tax	(2,019,440)	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated					
	Year ended 30 June 2011			Year ended 30 June 2010		
	Land & buildings $	Plant & equipment	Total $	Land & buildings $	Plant & equipment	Total $
Opening balance, net of accumulated depreciation	523,836	147,905	671,741	595,734	459,149	1,054,883
Currency translation differences	-	-	-	(58,541)	(8,593)	(67,134)
Additions	-	-	-	-	17,410	17,410
Disposals	(515,722)	(121,141)	(636,863)	-	(243,645)	(243,645)
Depreciation	(8,114)	(18,750)	(26,864)	(13,357)	(76,416)	(89,773)
Closing balance, net of accumulated depreciation	-	8,014	8,014	523,836	147,905	671,741
Opening balance						
Cost	604,875	742,536	1,347,411	604,875	1,451,514	2,056,389
Currency translation differences	(58,541)	(8,593)	(67,134)	-	-	-
Provision for impairment	-	-	-	-	(371,839)	(371,839)
Accumulated depreciation	(22,498)	(586,038)	(608,536)	(9,141)	(620,526)	(629,667)
Net carrying amount	523,836	147,905	671,741	595,734	459,149	1,054,883
Closing balance						
Cost	-	75,000	75,000	604,875	742,536	1,347,411
Currency translation differences	-	-	-	(58,541)	(8,593)	(67,134)
Accumulated depreciation	-	(66,986)	(66,986)	(22,498)	(586,038)	(608,536)
Net carrying amount	-	8,014	8,014	523,836	147,905	671,741

Impairment of property, plant and equipment

No impairment loss was recognised or reversed for the year ended 30 June 2010 and 2011 with respect to plant and equipment.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	$	$

13. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs carried forward in respect of areas of interest:		
NON-CURRENT		
Exploration and evaluation phases - Joint Ventures	2,179,545	9,601,793
	2,179,545	9,601,793

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Consolidated entity

Capitalised tenement expenditure movement reconciliation		
Balance at the beginning of the year	9,601,793	28,208,020
Additions - net of joint venture	24,141	612,509
Disposals	(6,049,500)	(123,354)
Translation differences	-	(210,279)
Impairment	(1,396,889)	(18,885,103)
Balance at end of year	2,179,545	9,601,793

14. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2011:

- On 26 January 2009, 1,000,000 options were granted to Mr Gerard Kaczmarek at an exercise price on $0.25. The options are exercisable until 15 October 2010. The fair value of the options issued was $568.
- On 31 July 2009, 2,000,000 options were granted to Mr Andrew Zemek at an exercise price of $0.10. The options are exercisable until 23 July 2012. The fair value of the options issued was $528.
- On 1 March 2010, 2,250,000 options were granted to employees at an exercise price of $0.10. The options are exercisable until 1 March 2013. The fair value of the options issued was $18,000.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	99,190,072	0.2324	105,440,072	0.2532
Granted during the year	-	-	4,750,000	0.1158
Expired during the year	(93,940,072)	0.2324	(11,000,000)	0.1158
Outstanding at the end of the year	5,250,000	0.1286	99,190,072	0.2324
Exercisable at the end of the year	5,250,000	0.1286	99,190,072	0.2324

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.21 years (2010: 0.78 years).

The range of exercise prices for options outstanding at the end of the year was $0.10-$0.25 (2010: $0.10-$0.25).

There were no employee options granted during the year.

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model:

Dividend yield (%)	0%
Expected volatility (%)	80% - 119%
Risk-free interest rate (%)	6%
Expected life of option (years)	1 - 3
Weighted average share price at grant date	$0.03 - $0.07

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Volatility is calculated as the average historical volatility of the Company share price for the period of the option life. No other features of options granted were incorporated into the measurement of fair value.

	Consolidated	
	2011	2010
	$	$
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	37,570	41,961
Other payables	46,700	141,003
	84,270	182,964

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $
16. BORROWINGS		
Current		
Hire purchase contracts	-	10,460
Bank loan	-	500,000
	-	510,460
Non-current		
Hire purchase contracts	-	22,642
	-	22,642

The bank loan was secured by a term deposit included in cash assets.

	Consolidated 2011 $	Consolidated 2010 $
17. PROVISIONS		
Current		
Annual leave provision		
Opening Balance	24,676	44,002
Transfer to provision	-	28,351
Utilised	(1,882)	(47,677)
Unused amounts reversed	(22,794)	-
Closing Balance	-	24,676
Non-current		
Long Service leave Provision		
Opening Balance	312	1,957
Transfer to provision	-	447
Utilised	-	(2,092)
Unused amounts reversed	(312)	-
Closing Balance	-	312
	-	24,988

	Consolidated 2011 $	Consolidated 2010 $
18. AUDITOR'S REMUNERATION		
Audit or review of financial report	28,500	28,000
Audit or review services provided by related practice of auditor	650	6,000
	29,150	34,000

No other services have been provided.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	Consolidated 2010 $
19. ISSUED CAPITAL		
360,000,000 fully paid ordinary shares (2010: 157,713,535)	36,699,679	34,789,939
	36,699,679	34,789,939

	2011 Number	2011 $	2010 Number	2010 $
Balance at beginning of financial year	157,713,535	34,789,939	136,175,090	33,677,455
Share Issue	202,286,465	2,022,865	21,538,445	1,154,000
Transaction costs on share issue (net of tax)	-	(113,125)	-	(41,516)
Balance at end of financial year	360,000,000	36,699,679	157,713,535	34,789,939

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure the group continues as a going concern.

The group's debt and capital includes ordinary share capital and share options.

There are no externally imposed capital requirements. Management effectively manages the group's capital by assessing the financial risks and adjusting the capital structure in response to those risks. These responses include share issues.

	Consolidated 2011 $	Consolidated 2010 $
20. RESERVES		
Reserves		
Share-based payments reserve (i)	2,527,413	2,527,413
Share option reserve (ii)	-	743,120
Foreign currency translation reserve (iii)	-	(601,111)
	2,527,413	2,669,422
Share-based payments reserve (i)		
Balance at beginning of financial year	2,527,413	2,508,316
Recognition of bonus element of options	-	19,097
Balance at end of financial year	2,527,413	2,527,413

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 $	2010 $
Share option reserve (ii)		
Balance at beginning of financial year	743,120	743,120
Transfer of share option reserve to retained earnings	(743,120)	-
Balance at end of financial year	-	743,120
Foreign currency translation reserve (iii)		
Balance at beginning of financial year	(601,111)	(746,702)
Foreign currency translation	(176,485)	145,591
Derecognition of foreign currency translation reserve	777,596	-
Balance at end of financial year	-	(601,111)

(i) The share-based payment reserve represents the fair value of share options issued in return for goods and services.
(ii) The share option reserve represents the proceeds paid by option holders to acquire options over ordinary shares.
(iii) The foreign currency translation reserve reflects differences on the translation of foreign controlled entities to the reporting currency.

21. RETAINED EARNINGS

	2011	2010
Balance at beginning of financial year	(26,859,902)	(6,133,970)
Net loss attributable to members of the parent entity	(5,301,994)	(20,725,932)
Transfer from share option reserve	743,120	-
Balance at end of financial year	(31,418,776)	(26,859,902)

22. COMMITMENTS FOR EXPENDITURE

	2011	2010
Operating leases		
Not longer than 1 year	-	13,312
Longer than 1 year and not longer than 5 years	-	-
	-	13,312
Hire purchase commitments		
Not longer than 1 year	-	12,869
Longer than 1 year and not longer than 5 years	-	23,480
	-	36,349

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	$	$

23. CAPITAL COMMITMENTS RELATING TO JOINT VENTURES AND TENEMENTS

The company is required to meet minimum expenditure and requirements of various Government bodies.

These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

	2011 $	2010 $
Payables		
- due within one year	369,000	20,000

All minimum expenditure is to be borne by the joint venture partners.

24. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2011 %	2010 %
Parent entity			
Strzelecki Metals Limited	Australia		
Controlled Entities			
Urex Limited	Australia	100	100
Strzelecki Mining Pty Ltd	Australia	100	100
The Colonial Copper Company Pty Ltd	Australia	100	50
Slasko Krakowska Kompania Gornictwa Metali Spz o.o (SKKGM)*	Poland	-	100

* 55% disposed during the year

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

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.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 19, 20 and 21 respectively.

Proceeds from share issues are used to maintain and expand the Groups exploration activities and fund operating costs.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

Categories of financial instruments

	Consolidated 2011 $	Consolidated 2010 $
FINANCIAL ASSETS		
Cash and cash equivalents	4,556,315	600,670
Trade and other receivables	16,181	442,086
Investment in associate	1,070,118	-
	5,642,614	1,042,756
FINANCIAL LIABILITIES		
Bank loans	-	500,000
Trade and other payables	84,270	182,964
Hire purchase contracts	-	33,102
	84,270	716,066

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate sensitivity analysis
At reporting date, if interest rates had been 0.5% higher or lower and all other variables were held constant, the Group's:

- Net loss would increase or decrease by $12,892 which is attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables
The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Non-interest bearing financial liabilities are normally settled on 60-day terms.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED							
	Year ended 30 June 2011				Year ended 30 June 2010			
	< 1year	> 1 -< 5 years	Non-Interest Bearing	Total	< 1year	> 1 -< 5 years	Non-Interest Bearing	Total
	$	$	$	$	$	$	$	$
FINANCIAL LIABILITIES								
Floating rate	-	-	84,270	84,270	510,460	22,642	182,964	716,066
rate	-	-	-	-	7.53%	8.00%	-	-
TOTAL	**-**	**-**	**84,270**	**84,270**	**510,460**	**22,642**	**182,964**	**716,066**

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company/Group anticipates that the cash flow will occur in a different period. Non-interest bearing financial assets are generally issued on 30-90 day terms.

	CONSOLIDATED							
	Year ended 30 June 2011				Year ended 30 June 2010			
	< 1year	> 1 -< 5 years	Non-Interest Bearing	Total	< 1year	> 1 -< 5 years	Non-Interest Bearing	Total
	$	$	$	$	$	$	$	$
FINANCIAL ASSETS								
Floating rate	602,100	-	16,181	618,281	600,670	-	442,086	1,042,756
Term Deposits	3,954,215	-	-	3,954,215	-	-	-	-
Investment in associate	-	-	1,070,118	1,070,118	-	-	-	-
rate	5.81%	-	-	-	4.60%	-	-	-
	4,556,315	**-**	**1,086,299**	**5,642,614**	**600,670**	**-**	**442,086**	**1,042,756**

26. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

Payments to related parties

During the year, the Company used the services of PKF Chartered Accountants for taxation services at a cost of $34,210 (2010: $26,267). Peter Hunt was a partner of PKF Chartered Accountants until his retirement on 30 June 2011. All transactions were conducted on commercial terms and were arms length transactions.

During the year, the Company leased office space from Dorsch Engineering Pty Ltd at a cost of $5,295 (2010: $36,258) at normal commercial rates. Carl Dorsch is a Director of Dorsch Engineering Pty Ltd.

During the year, the Company used the services of Archon Pty Ltd at a cost of $37,200 (2010: $50,400). John Santich is a Director of Archon Pty Ltd. All transactions were conducted on commercial terms and were arms length transactions.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

During the year, the Company used the services of Santich LM Lawyers at a cost of $53,245 (2010: $3,040). John Santich is the proprietor of Santich LM Lawyers. All transactions were conducted on commercial terms and were arms length transactions.

During the year, the Company used the services of Archon Resource Technologies Pty Ltd at a cost of $30,600 (2010: $21,045). Wieslaw Bogacz is a Director of Archon Resource Technologies Pty Ltd. All transactions were conducted on commercial terms and were arms length transactions.

In the prior year, following the approval of shareholders, the Company sold its interest in the Yandeyarra tenement, alluvial plant and associated assets to Farno-McMahon Pty Ltd for $225,000. An amount of $32,500 remains outstanding from this transaction and has been provided for as a doubtful debt. Carl Dorsch is a Director of Farno-McMahon Pty Ltd.

RJC Evans & Co has received professional fees for accounting services provided during the year of $68,409 (2010: $nil). Stephen Evans is the managing partner of RJC Evans & Co. All transactions were conducted on commercial terms and were arms length transactions.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting and secretarial services provided during the year of $37,783 (2010:$nil). Donald Stephens, the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd. All transactions were conducted on commercial terms and were arms length transactions. At 30 June 2011, the Group owed $nil (2010: $nil) to HLB Mann Judd (SA) Pty Ltd.

Wholly owned group transactions
All transactions within the group are eliminated in full. Interest is charged at commercial rates on intercompany loans.

Interests of Key Management Personnel (KMP)
Refer to the remuneration report contained in the Director's report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

Remuneration
The totals of remuneration paid to KMP of the Group during the year are as follows:

	2011	2010
Consolidated entity	**$**	**$**
Short-term employee benefits	379,399	463,171
Post-employment benefits	50,000	50,000
Share-based payments	-	528
	429,399	513,699

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

Options

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2011	Balance at beginning of period	Balance at end of period	Exercise Price	First exercise date	Last exercise date
Directors					
Andrew Zemek	2,000,000	2,000,000	0.10	31/07/2009	23/07/2012
	2,000,000	2,000,000			

30 June 2010	Balance at beginning of period	Granted as remuner-ation	Options lapsed/ cancelled	Balance at end of period	Exercise Price	First exercise date	Last exercise date
Directors							
John Santich	5,000,000	-	(5,000,000)	-	0.40	1/03/2010	27/02/2013
Wieslaw Bogacz	5,000,000	-	(5,000,000)	-	0.40	1/03/2010	27/02/2013
Andrew Zemek	-	2,000,000	-	2,000,000	0.10	31/07/2009	23/07/2012
	10,000,000	2,000,000	(10,000,000)	2,000,000			

Shareholdings

The number of ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2011	Balance at 1 July 10	Other (*)	Balance 30 June 11
Directors			
Peter Hunt	136,923	136,923	273,846
John Santich	19,811,940	5,000,000	24,811,940
Stephen Evans	-	3,500,000	3,500,000
Simon O'Loughlin	-	3,000,000	3,000,000
Carl Dorsch (**)	11,116,590	(11,116,590)	-
Wieslaw Bogacz (**)	19,811,941	(19,811,941)	-
Andrew Zemek	-	-	-
	50,877,394	(19,291,608)	31,585,786
Executives			
Don Triggs (***)	200,000	200,000	400,000
Graham Seppelt	-	-	-
Donald Stephens	-	-	-
	200,000	200,000	400,000

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

30 June 2010	Balance at 01 July 09	Other (*)	Balance 30 June 10
Directors			
Peter Hunt	60,000	76,923	136,923
John Santich	19,735,017	76,923	19,811,940
Carl Dorsch	10,462,744	653,846	11,116,590
Wieslaw Bogacz	19,735,018	76,923	19,811,941
Andrew Zemek	-	-	-
	49,992,779	884,615	50,877,394
Executives			
Don Triggs	200,000	-	200,000
Graham Seppelt	-	-	-
	200,000	-	200,000

(*) Other refers to shares purchased or sold during the financial year.
(**) Resigned 2 September 2010.

27. PARENT ENTITY INFORMATION

	2011 $	2010 $
Financial Position		
Assets		
Current Assets	4,608,737	1,089,153
Non-current Assets	5,233,817	11,211,335
	9,842,554	12,300,488
Liabilities		
Current liabilities	84,278	201,988
Non-current Liabilities	-	522,952
	84,278	724,940
Equity		
Issued Capital	36,699,679	34,789,938
Reserves	2,527,413	3,270,533
Retained Earnings	(29,468,816)	(26,484,923)
	9,758,276	11,575,548
Comprehensive Income		
(Loss) for the year	(3,727,012)	(19,604,253)
	(3,727,012)	(19,604,253)

Contingent Liabilities
Contingent liabilities of the parent entity have been incorporated into the Group information in note 29. The contingent liabilities of the parent are consistent with that of the Group.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2011

Contractual Commitments

Contractual Commitments of the parent entity have been incorporated into the Group information in note 22. The contractual commitments of the parent are consistent with that of the Group.

28. SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred after the balance date.

29. CONTINGENT LIABILITIES

There are no known contingent liabilities requiring disclosure in the annual report.

Directors Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 1 to 63, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated group;

2. the Managing Director and Company Secretary have each declared that:

    a. the financial records of the group for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
    b. the financial statements and notes for the financial year comply with the Accounting Standards;
    c. the financial statements and notes for the financial year give a true and fair view;

3. in the Directors' opinion there are reasonable grounds to believe that the Company 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 board of Directors.

On behalf of the board

Mr Peter Hunt Chairman	Mr John Santich Director

Dated this 27th day of September 2011

The accompanying notes form part of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STRZELECKI METALS LIMITED

Report on the financial report

We have audited the accompanying financial report of Strzelecki Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Strzlecki Metals Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Strzlecki Metals Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 27 September 2011