Strzelecki Metals Ltd

ABN 35 116 249 060

Half Year Report

for the half year ended 31 December 2010

Contents to Half Year Report

Directors' Report

The directors of Strzelecki Metals Ltd (Strzelecki) submit their report for the half-year ended 31 December 2010.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Peter Hunt	Chairman	
Mr John Santich	Non-Executive Director	
Mr Simon O'Loughlin	Non-Executive Director	*(Appointed 2 September 2010)*
Mr Stephen Evans	Non-Executive Director	*(Appointed 2 September 2010)*
Dr Wieslaw Bogacz	Non-Executive Director	*(Retired 2 September 2010)*
Mr Carl Dorsch	Non-Executive Director	*(Retired 2 September 2010)*
Mr Andrew Zemek	Executive Director	*(Retired 19 July 2010)*

Review of Operations

SUMMARY

During the half year the Company reviewed it operations in both Australia and Poland. In Australia, after a capital raising in July of 2010, the Company set about rationalising its tenement holdings in Australia, with the result that it relinquished or set in train the relinquishment of non core assets whilst retaining its important West Musgrave Ni-Cu-Au tenements in Western Australia. In respect of the Polish assets, the Company set about finding a financially and technically strong partner that could carry on the exploration and potential development of the Myszkow Mo-Cu project and give continued support for kupferschieffer copper concession applications.

By the end of the year the Company had achieved these objectives. On completion of the Polish transaction the Company will have a good cash position and hold a substantial share of two major projects which are or will be funded for the next few years, the West Musgrave exploration project in Western Australia and the Polish project (comprising both Myszkow and kupferschieffer copper) in Poland.

OPERATIONS HIGHLIGHTS

Myszkow Project, Poland

During the half year the Company initiated discussions with potential partners to assist in funding the advance of its Myszków molybdenum-copper project in Southern Poland. In November 2010 the Company announced the conclusion and signing of a memorandum of understanding (MOU) with a United States company for a joint venture over its Polish assets.

Earlier this month the Company announced the signing of an SKKGM share subscription and joint venture agreement with Electrum Strategic Metals III LLC (Electrum), with Electrum assuming rights and obligations under the earlier MOU providing for the acquisition of up to 75% of SKKGM through an up front cash payment and a staged earn in as follows:

- payment of $US3.5 million by way of partial reimbursement of past expenses, plus agreed interim expenses, on signing to earn 55% of the capital of SKKGM ("commencement"); and

- exploration expenditure of $US1 million (mandatory), $US2 million and $US3 million (for a total of $US6 million) by the first, second and third anniversaries of commencement to earn an additional 5%, 5% and 10% respectively of the capital of SKKGM.

As noted in the 2 March 2011 announcement, the Company anticipates completion by the end of March 2011.

Kupferschieffer Project, Poland

During the half year the Company continued its applications for concessions in the copper rich kupferschieffer basin and as announced in January 2011, was granted one of two concessions applied for by the Company. The concession granted, and another still under application, is in the vicinity of the copper deposits of mining giant KGHM Polska Miedz SA.

The kupferschieffer basin has very high exploration potential for copper, and the Company's concession is valid for six years. It is made up of two separate areas totalling 309 km2, with the area between the subject of the second application, still in process.

West Musgrave Project, Western Australia

During the half year the Company's joint venture partner Tortuga Advisors Ltd managed the West Musgrave project and most recently completed a third soil sampling program of 773 samples for 155 line kms over the West Musgrave tenements (refer announcement of 20 January 2011). The program was designed to extend previous survey coverage and to follow up anomalous results from earlier programs. Results from the program have been received and are the subject of continued analysis.

As previously indicated, the exploration program has been expanded, as little systematic exploration has been conducted in the area and geological knowledge of the underlying stratigraphy is limited. Exploration within the tenements has been focussed recently on Babel-Nebo style Ni-Cu mineralisation and Handpump-style gold mineralisation known to occur in the immediate area.

In accordance with the Western Australian Mining Act, and taking account of the results of exploration to date, tenements E69/2174 to 2181 were reduced in area by 50% during second quarter of the half year. Within the retained areas, several Cu-Ni-PGE anomalies will be further defined by follow up soil sampling, with geochemical drilling expected to delineate the geochemical anomalies and confirm the underlying host stratigraphy.

Auditor's independence declaration

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2010.

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

Mr Peter H Hunt
Chairman

16 March 2011

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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 review of Strzelecki Metals Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 16 March 2011

Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Half-year ended 31 Dec 2010 $	31 Dec 2009 $
Revenue from continuing operations		28,704	26,580
Impairment of exploration assets		(117,053)	(19,742)
Employee benefits expense		(219,080)	(410,846)
Depreciation expense		(17,489)	(26,070)
Finance costs		(10,355)	(22,561)
Loss on sale of non current asset		(8,575)	(123,773)
Other expenses		(419,348)	(387,289)
Loss before income tax expense		(763,196)	(963,701)
Income tax expense		(48,482)	-
Loss from continuing operations		(811,678)	(963,701)
Loss for the period from discontinued operations	4	(639,683)	(68,849)
Loss for the period		(1,451,361)	(1,032,550)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(176,485)	(61,772)
Total comprehensive income for the period		(1,627,846)	(1,094,322)
Total comprehensive income attributable to the members of the parent entity		(1,627,846)	(1,094,322)
		(1,627,846)	(1,094,322)
Earnings/(loss) per share:		*Cents*	*Cents*
From continuing and discontinued operations:			
Basic earnings per share		(0.50)	(0.70)
From continuing operations:			
Basic earnings per share		(0.28)	(0.04)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Financial Position
AS AT 31 DECEMBER 2010

	Note	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents		1,610,231	564,458
Trade and other receivables		27,643	442,528
Other current assets		-	20,181
		1,637,874	1,027,167
Non current assets classified as held for sale	4	5,966,206	6,613,451
TOTAL CURRENT ASSETS		7,604,080	7,640,618
NON-CURRENT ASSETS			
Property, plant and equipment		55,663	98,620
Exploration and evaluation assets		3,434,143	3,601,275
TOTAL NON-CURRENT ASSETS		3,489,806	3,699,895
TOTAL ASSETS		11,093,886	11,340,513
CURRENT LIABILITIES			
Trade and other payables		28,562	170,452
Deferred income		155,817	-
Short-term borrowings		-	510,460
Short-term provisions		1,037	21,074
		185,416	701,986
Liabilities associated with assets classified as held for sale	4	26,037	16,114
TOTAL CURRENT LIABILITIES		211,453	718,100
NON-CURRENT LIABILITIES			
Long-term borrowings		-	22,642
Long-term provisions		1,081	312
TOTAL NON-CURRENT LIABILITIES		1,081	22,954
TOTAL LIABILITIES		212,534	741,054
NET ASSETS		10,881,352	10,599,459
EQUITY			
Issued capital	3	36,699,679	34,789,939
Reserves		2,492,936	2,669,422
Retained earnings		(28,311,263)	(26,859,902)
TOTAL EQUITY		10,881,352	10,599,459

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Changes in Equity
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

		Consolidated				
	Note	Issued Capital Ordinary $	Retained Earnings $	Share Option Reserve $	Foreign Currency translation Reserve $	Total $
Balance at 1 July 2009		33,677,455	(6,133,970)	3,251,436	(746,701)	30,048,220
Total comprehensive income for the period		-	(1,032,550)	-	(61,772)	(1,094,322)
Option reserve on recognition of the bonus element of options		-	-	128,331	-	128,331
Issue of share capital		1,112,483	-	-	-	1,112,483
Balance at 31 December 2009		34,789,938	(7,166,520)	3,379,767	(808,473)	30,194,712
Balance at 1 July 2010		34,789,939	(26,859,902)	3,270,533	(601,112)	10,599,459
Total comprehensive income for the period		-	(1,451,361)	-	(176,485)	(1,627,846)
Issue of shares via placement	3	222,865	-	-	-	222,865
Issue of shares via rights issue	3	1,800,000	-	-	-	1,800,000
Transaction costs (net of tax)	3	(113,125)	-	-	-	(113,125)
Balance at 31 December 2010		36,699,679	(28,311,263)	3,270,533	(777,597)	10,881,352

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Statement of Cash Flows
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Half year ended 31 Dec 2010 $	Consolidated Half year ended 31 Dec 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	2,110
Payments to suppliers and employees		(780,502)	(651,323)
Interest received		28,703	70,287
Receipt of Research & Development tax concession		350,043	-
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		(401,756)	(578,926)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,499)	(43,318)
Joint venture receipts		16,353	-
Reciepts from disposal of subsidiaries		155,817	-
Payments for exploration activities		(16,819)	(800,812)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		153,852	(844,130)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,022,865	1,154,000
Transaction costs of issue of shares		(161,607)	(41,517)
Repayment of borrowings		(509,711)	(56,421)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		1,351,547	1,056,062
Net increase/(decrease) in cash and cash equivalents		1,103,643	(366,994)
Net foreign exchange differences		(10,385)	-
Cash at the beginning of the period		600,670	1,505,424
CASH AT THE END OF THE PERIOD*		1,693,928	1,138,430
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash from continuing operations		1,610,231	1,138,430
Cash from discontinued operations (Note 4)		83,697	-
		1,693,928	1,138,430

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

Strzelecki Metals Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including AASB 134: Interim Financial Reporting and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2010 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

c. Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

Carrying value of exploration expenditure
The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 'Exploration for and Evaluation of Mineral Resources' or written off to the statement of comprehensive income. As a result of this review, management has determined that $639,713 be written off as a result of relinquishments of title or as a consequence of the estimated recoverable amount being lower than the relevant area of interests carrying amount. The remaining exploration assets continue to satisfy the recognition criteria.

d. Non-current assets held for sale and discontinued operation

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

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

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

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

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

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

2. SEGMENT INFORMATION

Segment Performance

	Segment Revenue		Segment Result	
	Half Year ended		Half Year ended	
	31-Dec 2010 $	31-Dec 2009 $	31-Dec 2010 $	31-Dec 2009 $
Continuing Operations				
Australia	246,912	224,817	(544,988)	(274,432)
Poland	-	82,492	(857,891)	(758,118)
	246,912	307,309	(1,402,879)	(1,032,550)
Inter-segment elimination	(218,208)	(198,237)	-	-
Consolidated revenue	28,704	109,072		
Profit/(Loss) before income tax			(1,402,879)	(1,032,550)
Income tax benefit			(48,482)	-
Profit/(Loss) for period			(1,451,361)	(1,032,550)

Segment Assets

	31-Dec 2010 $	30-Jun 2010 $
Continuing Operations		
Australia	23,839,853	23,127,063
Poland	5,966,206	6,541,452
Inter segment elimations	(18,712,173)	(18,328,002)
Total group assets	11,093,886	11,340,513

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

3. ISSUED CAPITAL

	Consolidated As at 31-Dec-10 $	Consolidated As at 30-Jun-10 $
Issued capital		
Fully paid ordinary shares	36,699,679	34,789,939
	36,699,679	34,789,939

	2010 Number	2010 $
Balance at beginning of period	157,713,535	34,789,939
Issue of shares via placement	22,286,465	222,865
Issue of shares via rights issue	180,000,000	1,800,000
Transaction costs on share issue	-	(113,125)
Balance at end of financial year	360,000,000	36,699,679

4. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As announced on the 2nd March 2011 the Company signed a Slasko Krakowska Kompania Gornictwa Metali Sp. Z o.o. (SKKGM) share subscription and joint venture agreement with Electrum Strategic Metals III LLC providing for the acquisition of up to 75% of SKKGM through an up front cash payment and a staged earn-in. As a consequence of this, the Company has re-classified its assets and liabilities relating to its Polish subsidiary as held for sale. The reconciliation below details the breakdown of the assets and liabilities held for sale, as well as the results for the period ended 31 December 2010.

	Consolidated As at 31-Dec-10 $	Consolidated As at 30-Jun-10 $
Disposal group held for sale		
Assets		
Cash and cash equivalents	83,697	36,212
Trade and other receivables	8,265	3,600
Property, plant and equipment	520,637	573,121
Exploration and evaluation assets	5,353,607	6,000,518
(a) Total assets	5,966,206	6,613,451
Liabilities		
Trade and other payables	19,461	12,512
Short-term provisions	6,576	3,602
(b) Total liabilities	26,037	16,114

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Half year ended 31 Dec 2010 $	Half year ended 31 Dec 2009 $
Revenue	-	82,492
Impairment of exploration assets	(522,660)	-
Employee benefits expense	(67,890)	(68,102)
Depreciation expense	(17,938)	(26,123)
Finance costs	-	(10,610)
Other expenses	(31,195)	(46,506)
Loss before income tax	(639,683)	(68,849)
Income tax expense	-	-
Loss for the period	(639,683)	(68,849)

5. SUBSEQUENT EVENTS

On the 20th January 2011 the Company announced the completion of a third soil sampling program of 773 samples for 155 line kms.

On the 2nd March 2011 the Company announced a joint venture agreement with Electrum Group. The details of the agreement are highlighted below:

- The joint venture agreement provides for the acquisition of up to a 75% interest in SKKGM by the purchaser, nominated as Electrum Strategic Metals Eastern Europe SA, through:

- The payment of $US3.5 million by way of partial reimbursement of past expenses, plus agreed interim expenses, on signing and commencement of the joint venture agreement to earn 55% of SKKGM (“commencement”); and

- Exploration expenditure of $US1 million (mandatory), $US2 million and $US3 million (for a total of $US6 million) by the first, second and third anniversaries of commencement to earn an additional 5%, 5% and 10% respectively of SKKGM.

6. CONTINGENT LIABILITIES
There has been no change in contingent liabilities since the last reporting date.

Directors' Declaration

In accordance with a resolution of the directors of Strzelecki Metals Ltd, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
   (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
   (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

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

Peter Hunt
Chairman

16 March 2011

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

We have reviewed the accompanying half-year financial report of Strzelecki Metals Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Strzelecki Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 16 March 2011