

# **Strzelecki Metals Ltd**

**ABN 35 116 249 060**

## **Half Year Report**

**for the half year ended 31 December 2011**

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## Directors' Report

The directors of Strzelecki Metals Ltd ('Strzelecki') present their Report together with the financial statements of the consolidated entity, being Strzelecki Metals Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2011 and the Independent Review Report thereon.

### Director Details

The following persons were directors of Strzelecki during or since the end of the half year.

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

### Review of Operations

During the half year the company continued its assessment of mineral projects in which it may become involved. The industry is facing difficult financial conditions notwithstanding record commodity exports from some of the major international miners.

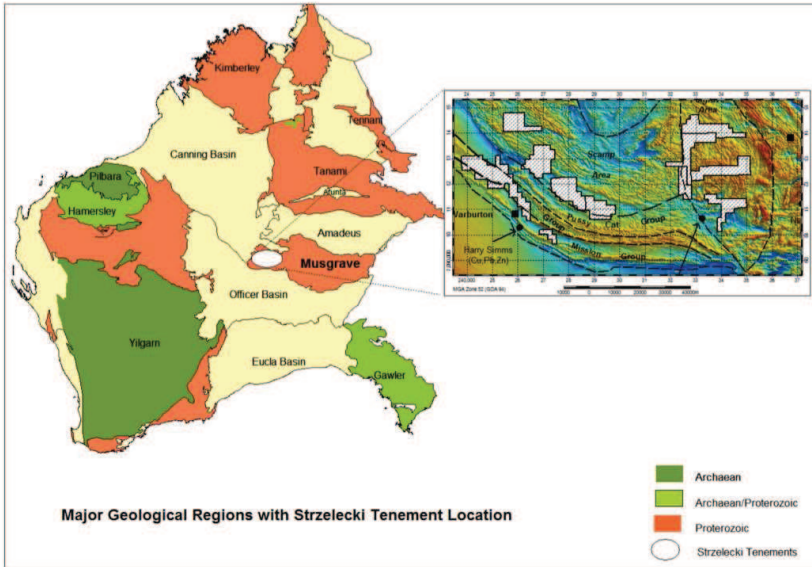
The company is well satisfied with the progress of exploration on the Myszkow and Kupferschiefer projects in Southern Poland and is looking at ways in which exploration over its West Musgrave project in Western Australia might be accelerated.

Strzelecki Metals has a 45% share in the Polish company Slasko-Krakowska Kompania Gornictwa Metali Sp. z.o.o. (SKKGM) which holds mineral concession 5/2006/p over the Myszkow project in southern Poland and mineral concessions 48/2010/p and 6/2011/p in the Kupferschiefer basin in south west Poland. SKKGM is the subject of an earn-in by Electrum Strategic Metals Eastern Europe SA which holds 55% and can earn up to 75% of the company.



Figure 1: Highway development in Poland with location of Myszkow and Kupferschiefer concessions

The West Musgrave joint venture between Strzelecki Metals and Tortuga Advisors Ltd covers over 600 sq km of the West Musgrave Province on Ngaanjatjarra traditional land in Western Australia, with another 300 sq km under application. Under the joint venture Tortuga (manager of the Joint Venture) can earn up to 80% interest in the tenements (15% already earned) by expenditure on exploration over the central Australian tenements within five years.



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Figure 2: Major geological units of Western Australia with location of West Musgrave tenements

### Polish Assets – SKKGM, Myszkow & Kupferschiefer

During the half year SKKGM continued its exploration program at Myszkow and in the Kupferschiefer basin in Poland. The principal objective remains as previously reported: to enhance the Myszkow project by confirming earlier results and to establish the mineralisation pattern in the Kupferschiefer concessions.

#### ***Myszkow Concession***

The current focus is on improved understanding of the distribution of mineralisation and metal grades at Myszkow. As reported on 25 November 2011, drilling commenced at Myszkow with hole MS-2 which has now been completed to the planned depth of 1,000m (see Figure 3). To date, all core from drill hole MS-2 has been logged, cut, and sent away for assays. First results are expected to be received shortly. Visually, the core's appearance is consistent with that of existing holes.

Since completing hole MS-2, the drilling program has continued with the start of drilling hole MS-3 some 100m away. MS-3 is being drilled at an inclination of -80 degrees and at present has penetrated the overburden to a depth of about 170m. The remaining four holes (MS-1, MS-4, MS-5, MS-6) will be drilled in succession one after the other. Permitting from the Mining Department for the remaining holes was finalised in January.



Figure 3: Myszkow Deposit drill hole locations (MS-1 to MS-6 in red)

### ***Kupferschiefer Concessions***

As reported previously, drilling in the Kupferschiefer concessions commenced with hole B-1 which was expected to assist in clarifying the mineralisation pattern in these concessions (see Figure 4). The planned depth of this hole, in concession 48/2010/p, was 400m with an expectation of encountering Kupferschiefer mineralisation at about 370m.

To a depth of 123m, the profile of drilled rock was consistent with the planned profile. However, at further depth, the drill hole was characterised by faults filled with hydrothermal clays. Despite encountering porphyry rocks at further depth, the decision was made to terminate the hole at 330m as the chance of encountering Zechstein rocks (copper bearing shale) at further depth was unlikely.

These results suggest that the fault zones encountered in this hole are those of the Border Sudetic Fault which based on historical geological and structural maps, such as seismic profiles, should have been located some 300m to 400m to the NW.

The company's conclusion is that historical geological maps from the 1970s and 1980s are inaccurate, and as a result SKKGM needs to revisit and better define its exploration programs for what remains a highly prospective and under explored region.

Results of this hole together with further reinterpretation of existing data will allow for more precision in selecting the locations of future and already planned holes. The company's view is that the new data does not alter the prospects for the region.

Drill hole N-1 on concession 6/2011/p has progressed to a depth of about 364m. Based on historical information, the planned depth of this hole is 685m. However, drilling has intersected Permian Zechstein dolomites, which form the immediate hanging wall to the target Kupferschiefer shales. The dolomites were intersected at a depth of 300m, some 300m shallower than had been expected from historical data. As a result, the target is

believed to be within 50 metres, and the drill has been converted to core. The observed profile of this hole is highly encouraging and suggests potential for the Kupferschiefer mineralisation to be located at a considerably shallower depth than initially suggested by historical data.

As with B-1, the inconsistencies between the planned hole construction and that observed in practice suggest a need to revisit the exploration plans for this region, begin reinterpretation of historical data, and begin further exploration work to better define drill hole locations.

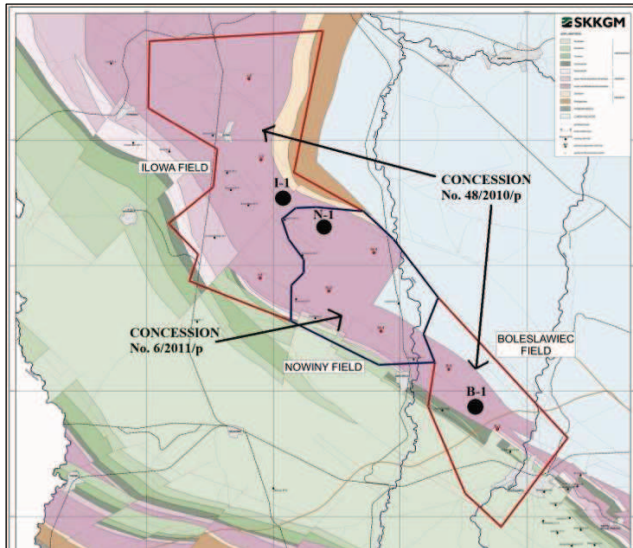


Figure 4: Concessions 48/2010/p and 6/2011/p



### Western Australia Asset, West Musgrave Joint Venture

The West Musgraves joint venture between Strzelecki Metals Ltd and Tortuga Advisors Ltd consists of eight current tenements and three further applications covering an area of 947 sq km. The tenement holding is summarised in the table. Tortuga has the right to earn up to 80% and is the manager of the joint venture.

The West Musgraves joint venture area is located in the western sequence of the Musgrave Proterozoic volcanics and sediments. This area has had no previous systematic exploration. Recent exploration activity in adjacent areas has shown that the sequence is prospective for stratabound base metal mineralisation, vein style copper mineralisation in the Warburton area, and epithermal style gold in the Handpump area, as well as the ultramafic-hosted nickel-copper mineralisation at Nebo-Babel to the east.

| Tenement     | Area<br>sq km | Area<br>blocks | Status      |
|--------------|---------------|----------------|-------------|
| E69/2174     | 98            | 35             | current     |
| E69/2175     | 97            | 34             | current     |
| E69/2176     | 70            | 25             | current     |
| E69/2177     | 45            | 16             | current     |
| E69/2178     | 98            | 35             | current     |
| E69/2179     | 98            | 35             | current     |
| E69/2180     | 98            | 35             | current     |
| E69/2181     | 72            | 26             | current     |
| E69/2997     | 17            | 6              | application |
| E69/2998     | 66            | 24             | application |
| E69/2999     | 188           | 68             | application |
| <b>Total</b> | <b>947</b>    | <b>339</b>     |             |

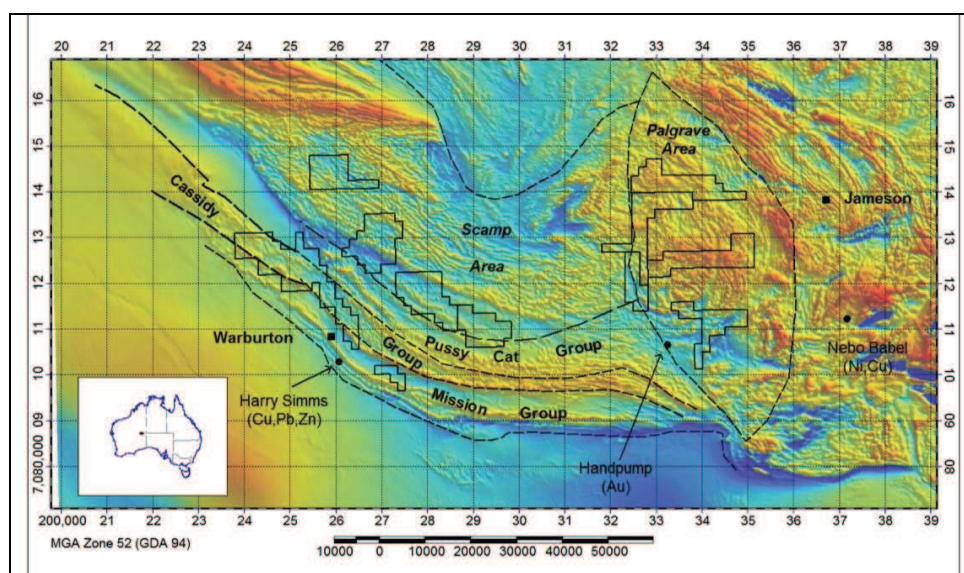


Figure 5: Concessions 48/2010/p and 6/2011/p

The joint venture partners have completed the initial exploration program over most of the tenement holdings, in an area of middle Proterozoic volcanics and sediments which has had no previous systematic exploration. The program has focussed on basic geological mapping, geochemical characterisation of the host lithologies and interpretation of available geophysical survey data.

The regional soil sampling program, in conjunction with previous exploration results has defined a number of mineralised areas in the variously outcropping sequence. A second program of follow-up sampling has been completed leading to further definition of target areas as shown in Figure 6.

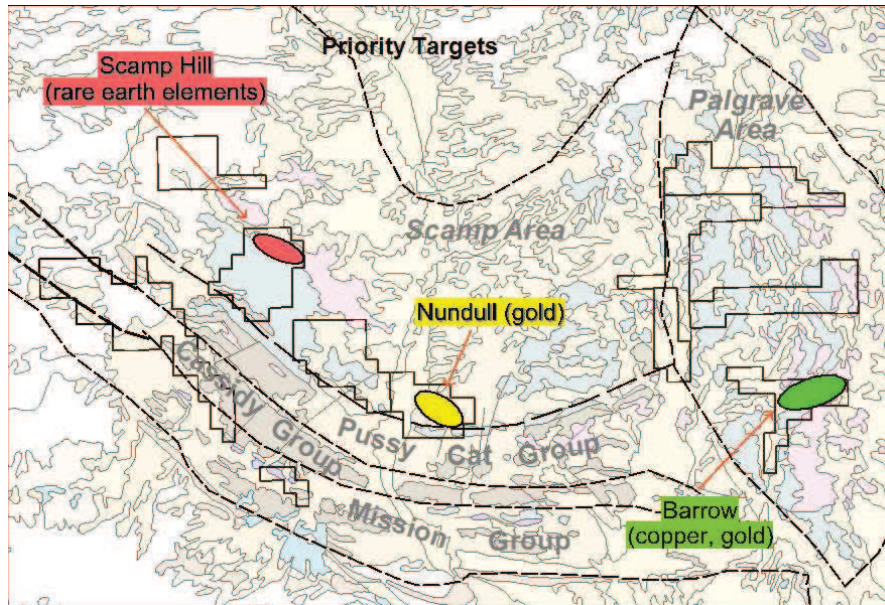


Figure 6: Priority targets identified by the joint venture

**Nundull Base Metal – Gold Prospect**

At the Nundull prospect, soil sampling has identified anomalous base metals within a mixed volcanic-sediment package of the Lower Bentley group, and also epithermal style veins and alteration associated with later faulting. In this area, the basement is only poorly exposed or is covered by shallow surficial deposits and wind-blown sand. Anomalous Cu-Pb-Zn occurs stratabound within the volcano-sedimentary sequence over a strike of up to 5km. A number of parallel zones appear to be defined by the broad based soil survey and occur consistently in the same position with the interpreted stratigraphy. Further soil and rock chip sampling in this general area confirms the presence of anomalous Cu-Pb-Zn and associated minor elements.

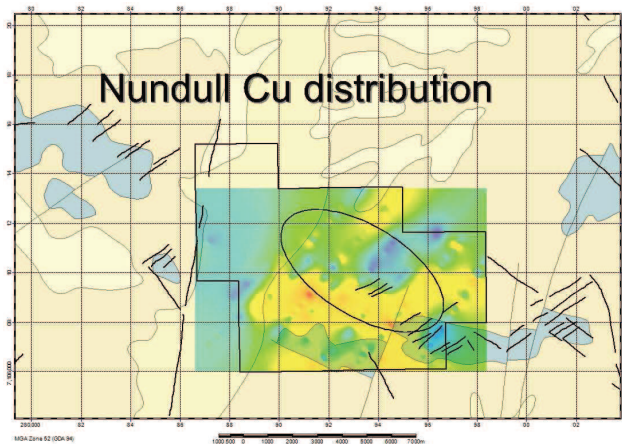


Figure 7: Copper distribution in soil samples, Nundull prospect

Major fault structures cross-cutting the sequence host epithermal-textured quartz veins and associated minor alteration. Individual veins are up to 2m in width and display classic acicular and comb textures with associated carbonate and possibly barite. Areas containing several large veins and abundant micro-veins can be up to 50m in total width.



### Barrow Range Cu-Au Prospect

In the Barrow Range area, anomalous gold and copper mineralisation extends over 5-7km within a zone of shearing and alteration along a major north-east trending fault within the Palgrave Group volcanics. This structure, termed the Barrow Fault, extends south-west

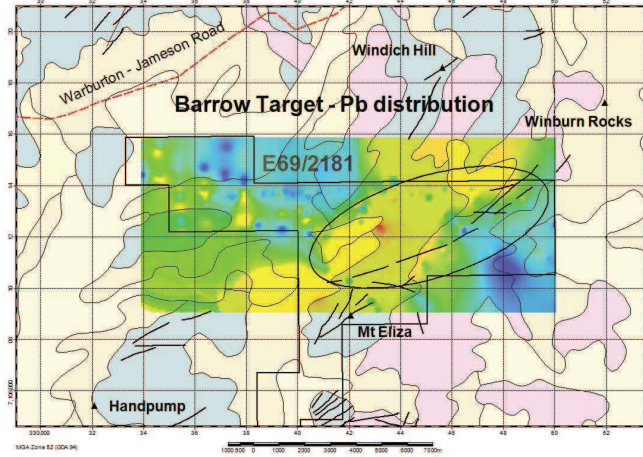


Figure 8: Lead distribution in soil samples, Barrow prospect

towards the Handpump gold deposit of Beadell Resources. The fault zone is eroded into flat plains up to 0.5km wide and is covered by younger deposits with only infrequent bedrock outcrop. Anomalous copper and gold along with associated minor elements occur in soils along the structure, and rare outcrops of altered rocks contain anomalous levels of copper, gold and associated metals. Further detailed sampling including shallow aircore drilling across the fault zone is warranted to locate areas of higher grade mineralisation.

### Scamp Hill REE Prospect

At the Scamp Hill prospect north of Warburton, significant grades of rare-earth elements (REE) have been recovered in 200m spaced soil sampling. The anomalous samples occur in two areas over a strike length of approximately two km in each case. The prospect is located within the relatively unknown basal rocks of the Scamp sequence which may be significantly older than the Pussy Cat Group to the south. The anomalous zones occur in associated with the basal Scamp contact with interpreted granitic rocks to the north.

The highest soil samples contain 0.36% REO (rare earth oxide), with only three REE analysed (La, Ce and Y). Yttrium oxide (Y<sub>2</sub>O<sub>3</sub>) contents of up to 0.13% in soils are comparable with ore resource grades reported for REE development properties Nolans Bore and Mt Weld. Further detailed mapping and sampling is planned.

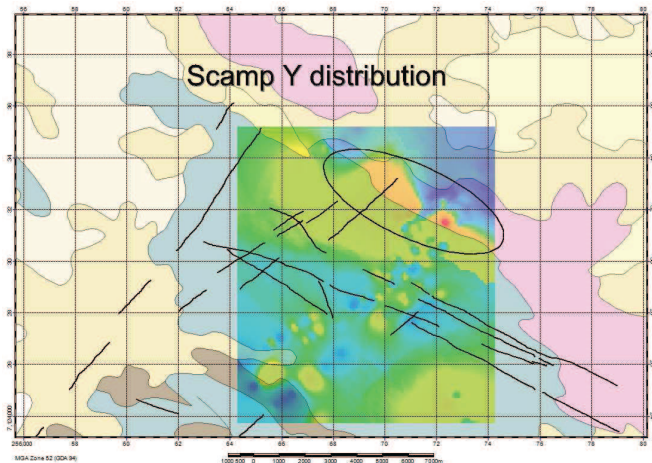


Figure 9: Yttrium distribution in soil samples, Scamp prospect

### New Projects

During the half year the company reviewed several new project opportunities. The company completed its review of one such project, as announced on 25 October 2011, and is currently looking at other opportunities with the potential to enhance investor value.

### Impairment of exploration and evaluation assets

During the period the directors reviewed the carrying value of exploration assets held by the Group. As a result of this review, the exploration expenditure which is deemed to be non-recoverable has been written off, resulting in an impairment expense of \$1,565,933.



**Auditor's independence declaration**

The auditor's independence declaration is set out on page 10 and forms part of the directors' report for the half year ended 31 December 2011.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Peter Hunt', written in a cursive style.

Mr Peter Hunt  
Chairman

9 March 2012



Grant Thornton

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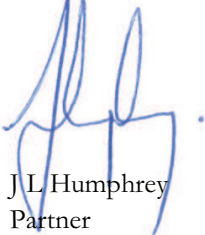
**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF STRZELECKI METALS LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Strzelecki Metals Ltd for the half-year ended 31 December 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 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, 9 March 2012

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## Interim Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2011

|   | Consolidated Group |                    |
|---|--------------------|--------------------|
|   | Half-year ended    |                    |
|   | 31 Dec 2011        | 31 Dec 2010        |
|   | \$                 | \$                 |
| Revenue   | 155,287            | 28,704             |
| Impairment of exploration and evaluation assets                     | (1,565,933)        | (117,053)          |
| Employee benefits expense   | (308,716)          | (219,080)          |
| Depreciation expense  | (8,103)            | (17,489)           |
| Finance costs   | -                  | (10,355)           |
| Loss on sale of non current asset                                   | -                  | (8,575)            |
| Project generation expenses   | (75,252)           | -                  |
| Share of losses of associates accounted for using the equity method | (131,804)          | -                  |
| Other expenses  | (217,209)          | (419,348)          |
| <b>Loss before income tax expense</b>                               | <b>(2,151,730)</b> | <b>(763,196)</b>   |
| Income tax benefit/(expense)  | -                  | (48,482)           |
| <b>Loss from continuing operations</b>                              | <b>(2,151,730)</b> | <b>(811,678)</b>   |
| Loss from discontinued operations                                   | -                  | (639,683)          |
| <b>Loss attributable to members of the parent entity</b>            | <b>(2,151,730)</b> | <b>(1,451,361)</b> |
| <b>Other comprehensive income</b>                                   |                    |                    |
| Exchange differences arising on translation of foreign operations   | -                  | (176,485)          |
| <b>Total comprehensive loss for the period</b>                      | <b>(2,151,730)</b> | <b>(1,627,846)</b> |
| <b>Earnings per share:</b>  | <i>Cents</i>       | <i>Cents</i>       |
| Basic earnings per share  | (0.60)             | (0.17)             |
| Diluted earnings per share  | (0.60)             | (0.17)             |

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

## Interim Consolidated Statement of Financial Position

As at 31 December 2011

|                                   | Consolidated Group        |                       |
|-----------------------------------|---------------------------|-----------------------|
|                                   | 31 December<br>2011<br>\$ | 30 June<br>2011<br>\$ |
| <b>Note</b>                       |                           |                       |
| <b>CURRENT ASSETS</b>             |                           |                       |
| Cash and cash equivalents         | 4,174,045                 | 4,556,316             |
| Trade and other receivables       | 50,519                    | 16,181                |
| Other current assets              | 38,275                    | 62,412                |
| <b>TOTAL CURRENT ASSETS</b>       | <b>4,262,839</b>          | <b>4,634,909</b>      |
| <b>NON-CURRENT ASSETS</b>         |                           |                       |
| Investment in associate           | 938,314                   | 1,070,118             |
| Property, plant and equipment     | 1,851                     | 8,014                 |
| Exploration and evaluation assets | 613,612                   | 2,179,545             |
| <b>TOTAL NON-CURRENT ASSETS</b>   | <b>1,553,777</b>          | <b>3,257,677</b>      |
| <b>TOTAL ASSETS</b>               | <b>5,816,616</b>          | <b>7,892,586</b>      |
| <b>CURRENT LIABILITIES</b>        |                           |                       |
| Trade and other payables          | 21,030                    | 84,270                |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>21,030</b>             | <b>84,270</b>         |
| <b>TOTAL LIABILITIES</b>          | <b>21,030</b>             | <b>84,270</b>         |
| <b>NET ASSETS</b>                 | <b>5,795,586</b>          | <b>7,808,316</b>      |
| <b>EQUITY</b>                     |                           |                       |
| Issued capital                    | 36,699,679                | 36,699,679            |
| Reserves                          | 2,666,413                 | 2,527,413             |
| Retained earnings                 | (33,570,506)              | (31,418,776)          |
| <b>TOTAL EQUITY</b>               | <b>5,795,586</b>          | <b>7,808,316</b>      |

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



## Interim Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2011

|  | Consolidated Group                  |                            |  |                                  |  |                       |
|--|-------------------------------------|----------------------------|--|----------------------------------|--|-----------------------|
|  | Issued<br>Capital<br>Ordinary<br>\$ | Retained<br>Earnings<br>\$ | Share-based<br>Payments<br>Reserve<br>\$ | Share<br>Option<br>Reserve<br>\$ | Currency<br>Translation<br>Reserve<br>\$ | Total<br>Equity<br>\$ |
| <b>Balance at 1 July 2010</b>          | 34,789,939                          | (26,859,902)               | 2,527,413                                | 743,120                          | (601,112)                                | 10,599,458            |
| Profit/(Loss) for the period           | -                                   | (1,451,361)                | -  | -                                | (176,485)                                | (1,627,846)           |
| Issue of shares by way of placement    | 222,865                             | -                          | -  | -                                | -  | 222,865               |
| Issue of shares by way of rights issue | 1,800,000                           | -                          | -  | -                                | -  | 1,800,000             |
| Transaction costs (net of tax)         | (113,125)                           | -                          | -  | -                                | -  | (113,125)             |
| <b>Balance at 31 December 2010</b>     | <b>36,699,679</b>                   | <b>(28,311,263)</b>        | <b>2,527,413</b>                         | <b>743,120</b>                   | <b>(777,597)</b>                         | <b>10,881,352</b>     |
| <b>Balance at 1 July 2011</b>          | 36,699,679                          | (31,418,776)               | 2,527,413                                | -                                | -  | 7,808,316             |
| Profit/(Loss) for the period           | -                                   | (2,151,730)                | -  | -                                | -  | (2,151,730)           |
| Issue of options                       | -                                   | -                          | 139,000                                  | -                                | -  | 139,000               |
| <b>Balance at 31 December 2011</b>     | <b>36,699,679</b>                   | <b>(33,570,506)</b>        | <b>2,666,413</b>                         | <b>-</b>                         | <b>-</b>                                 | <b>5,795,586</b>      |

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

## Interim Consolidated Statement of Cash Flows

For the half-year ended 31 December 2011

|  | Consolidated Group                      |   |
|--|---|---|
|  | Half year<br>ended<br>31 Dec 2011<br>\$ | Half year<br>ended<br>31 Dec 2010<br>\$ |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |   |   |
| Receipts from customers  | -                                       | -                                       |
| Payments to suppliers and employees                            | (522,533)                               | (780,502)                               |
| Interest received  | 142,202                                 | 28,703                                  |
| Receipt of R&D Tax Concession                                  | -                                       | 350,043                                 |
| <b>NET CASH PROVIDED BY/(USED IN)<br/>OPERATING ACTIVITIES</b> | <b>(380,331)</b>                        | <b>(401,756)</b>                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |   |   |
| Payments for property, plant and equipment                     | (1,940)                                 | (1,499)                                 |
| Joint venture receipts   | -                                       | 16,353                                  |
| Receipts from disposal of subsidiaries                         | -                                       | 155,817                                 |
| Payments for exploration activities                            | -                                       | (16,819)                                |
| <b>NET CASH PROVIDED BY/(USED IN) INVESTING<br/>ACTIVITIES</b> | <b>(1,940)</b>                          | <b>153,852</b>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |   |   |
| Proceeds from issue of shares                                  | -                                       | 2,022,865                               |
| Payment of transaction costs for issue of shares               | -                                       | (161,607)                               |
| Repayment of borrowings  | -                                       | (509,711)                               |
| <b>NET CASH PROVIDED BY/(USED IN) FINANCING<br/>ACTIVITIES</b> | <b>-</b>                                | <b>1,351,547</b>                        |
| Net increase/(decrease) in cash and cash<br>equivalents        | (382,271)                               | 1,103,643                               |
| Net foreign exchange differences                               | -                                       | (10,385)                                |
| Cash at the beginning of the period                            | 4,556,316                               | 600,670                                 |
| <b>CASH AT THE END OF THE PERIOD</b>                           | <b>4,174,045</b>                        | <b>1,693,928</b>                        |

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

## Notes to the Interim Consolidated Financial Statements

For the half year ended 31 December 2011

### 1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 9 March 2012.

Strzelecki Metals Ltd is a limited company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol STZ. The principal activities of the company and its subsidiaries (the Group) consisted of the exploration for Molybdenum, Copper, Gold and other precious metals.

### 2. Basis of preparation and change to the Group's accounting policies

#### Basis of preparation

The interim consolidated financial statements for the six months ended 31 December 2011 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2011.

#### New standards, interpretations and amendments adopted by the Group

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2011, except for the adoption of *Improvements to AASBs 2010* (2010 Improvements) as of 1 January 2011. The 2010 Improvements made several minor amendments to AASBs. The relevant amendments and their effects on the current period or prior periods are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

#### Amendment to AASB 101 Presentation of Financial Statements

The amendment provides a choice of presenting the reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group will continue to present such reconciliations in the Consolidated Statement of Changes in Equity.

#### Amendments to AASB 134 Interim Financial Reporting

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2011 reflect these amended disclosure requirements, where applicable.

## Notes to the Interim Consolidated Financial Statements

For the half year ended 31 December 2011

### 3. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2011.

### 4. Significant events and transactions

#### *Impairment of exploration and evaluation assets*

During the period the directors reviewed the carrying value of exploration assets held by the Group. As a result of this review, the exploration expenditure which is deemed to be non-recoverable has been written off, resulting in an impairment expense of \$1,565,933.

#### *Share of losses of associates accounted for using the equity method*

Strzelecki Metals has a 45% share in the Polish company Slasko-Krakowska Kompania Gornictwa Metali Sp. z.o.o. (SKKGM) which holds mineral concession 5/2006/p over the Myszkow project in southern Poland and mineral concessions 48/2010/p and 6/2011/p in the Kupferschiefer basin in south west Poland. At each reporting date, the Group reviews its investment in SKKGM and adjusts its value accordingly. For the period ended 31 December 2011, the Group has recognised its share of the loss incurred by SKKGM, being \$131,804.

#### *Issue of options*

At the Company's Annual General Meeting on 28 November 2011, the Shareholders approved the issue of a total of 10,000,000 unquoted options to the directors and Company Secretary. These options had a total fair value of \$139,000 and are reflected in the Income Statement and Statement of Changes in Equity.



## Notes to the Interim Consolidated Financial Statements

For the half year ended 31 December 2011

### 5. Segment reporting

Management identifies its operating segments based on the types of business segments encountered by the Group. The Group's two main operating segments are:

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

During the six month period to 31 December 2011, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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  |                |
|---------------------------------|-----------------|----------------|-----------------|----------------|
|                                 | Half Year ended |                | Half Year ended |                |
|                                 | 31 Dec<br>2011  | 31 Dec<br>2010 | 31 Dec<br>2011  | 31 Dec<br>2010 |
|                                 | \$              | \$             | \$              | \$             |
| <b>Continuing Operations</b>    |                 |                |                 |                |
| Mineral Exploration - Australia | 155,287         | 246,912        | (2,019,926)     | (544,988)      |
| Mineral Exploration - Poland    | -               | -              | (131,804)       | (857,891)      |
|                                 | 155,287         | 246,912        | (2,151,730)     | (1,402,879)    |
| Inter-segment elimination       | -               | (218,208)      | -               | -              |
| Consolidated revenue            | 155,287         | 28,704         |                 |                |
| (Loss) before income tax        |                 |                | (2,151,730)     | (1,402,879)    |
| Income tax benefit              |                 |                | -               | (48,482)       |
| (Loss) for period               |                 |                | (2,151,730)     | (1,451,361)    |

The revenue reported above represents revenue generated from financial institutions and investments revenues. There were no intersegment sales during the period.

#### Segment Assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. The following is an analysis of the Group's assets by reportable operating segment.

|                                 | Opening<br>Balance<br>1 Jul 2011 | Capital<br>Expenditure/<br>Investment | Other       | Closing<br>Balance<br>31 Dec 2011 |
|---------------------------------|----------------------------------|---------------------------------------|-------------|-----------------------------------|
|                                 | \$                               | \$                                    |             | \$                                |
| <b>Continuing Operations</b>    |                                  |                                       |             |                                   |
| Mineral Exploration - Australia | 6,822,468                        | 1,851                                 | (1,946,017) | 4,878,302                         |
| Mineral Exploration - Poland    | 1,070,118                        | -                                     | (131,804)   | 938,314                           |
|                                 | 7,892,586                        | 1,851                                 | (2,077,821) | 5,816,616                         |

## Notes to the Interim Consolidated Financial Statements

For the half year ended 31 December 2011

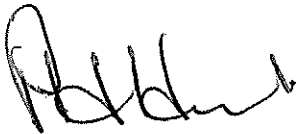
|  | Consolidated Group   |                      |
|--|----------------------|----------------------|
|  | 31 Dec<br>2011<br>\$ | 30 Jun<br>2011<br>\$ |
| <b>6. Exploration and evaluation assets</b>  |                      |                      |
| Exploration, evaluation and development costs carried forward in respect of mining areas of interest |                      |                      |
| Exploration and evaluation phases - Joint Ventures   | 613,612              | 2,179,545            |
|  | 613,612              | 2,179,545            |
| Capitalised tenement expenditure movement reconciliation   |                      |                      |
| Balance at beginning of year   | 2,179,545            | 9,601,793            |
| Additions - net of joint venture   | -                    | 24,141               |
| Disposals  | -                    | (6,049,500)          |
| Impairment   | (1,565,933)          | (1,396,889)          |
| Balance at end of year   | 613,612              | 2,179,545            |
| <b>7. Issued capital</b>   |                      |                      |
| Fully paid ordinary shares   | 36,699,679           | 36,699,679           |
|  | 36,699,679           | 36,699,679           |
|  | <b>Number</b>        | <b>\$</b>            |
| <b>Ordinary shares</b>   |                      |                      |
| Balance at beginning of financial period   | 360,000,000          | 36,699,679           |
| Balance at end of the financial period   | 360,000,000          | 36,699,679           |
| <b>8. Subsequent events</b>  |                      |                      |
| There are no significant subsequent events requiring disclosure in the interim financial report.     |                      |                      |
| <b>9. Contingent liabilities</b>   |                      |                      |
| There are no known contingent liabilities requiring disclosure in the interim financial report.      |                      |                      |

## Directors' Declaration

In the opinion of the directors of Strzelecki Metals Ltd:

- (a) the consolidated financial statements and notes of Strzelecki Metals Ltd are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of its financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting; 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.

On behalf of the Board



Peter Hunt  
Chairman

9 March 2012

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF STRZELECKI METALS LTD**

We have reviewed the accompanying half-year financial report of Strzelecki Metals Ltd (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description 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 Strzelecki Metals Ltd are responsible for the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **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 2011 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 Ltd, 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.

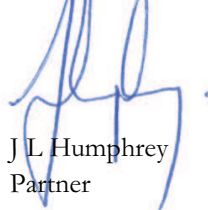
**Conclusion**

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 Ltd 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 2011 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 SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



J.L. Humphrey  
Partner

Adelaide, 9 March 2012