

**STRZELECKI METALS LTD (STZ)**  
**ASX RELEASE**
**Monday, 30 January 2012**
**The Manager**  
**Companies Announcements Office**  
**Australian Securities Exchange**  
**Electronic Lodgement**
**QUARTERLY ACTIVITY REPORT (3 MONTHS TO 31/12/2012)**
**REVIEW OF OPERATIONS**

During the quarter 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 in Western Australia might be accelerated.



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

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.

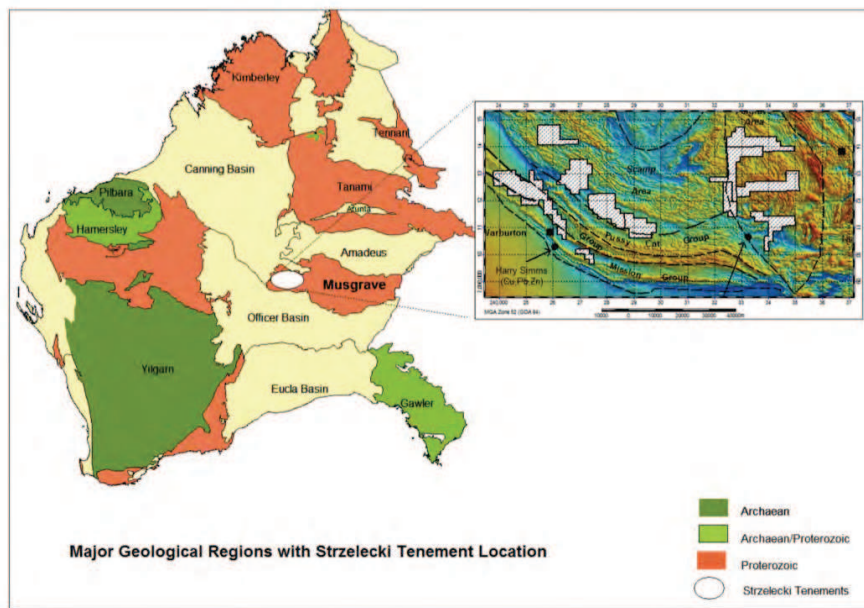


Figure 2: Major geological units of Western Australia with location of West Musgrave tenements

The West Musgrave joint venture between Strzelecki Metals and Tortuga Advisors Ltd covers over 600 sq km of the West Musgrave Province on Ngaanjyajarra 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.

### **POLISH ASSETS – SKKGM, MYSZKOW & KUPFERSCHIEFER**

During the quarter SKKGM continued 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 in February. 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 has been finalised in January.



Figure 3: Myszów 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 perspective 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.

At this stage it is unclear if the hole will hit the expected copper shale structure prior to the end of January when the permitted drilling season will end. If the copper shale mineralisation is not reached by that time drilling will be suspended and the hole will be completed in September.

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.

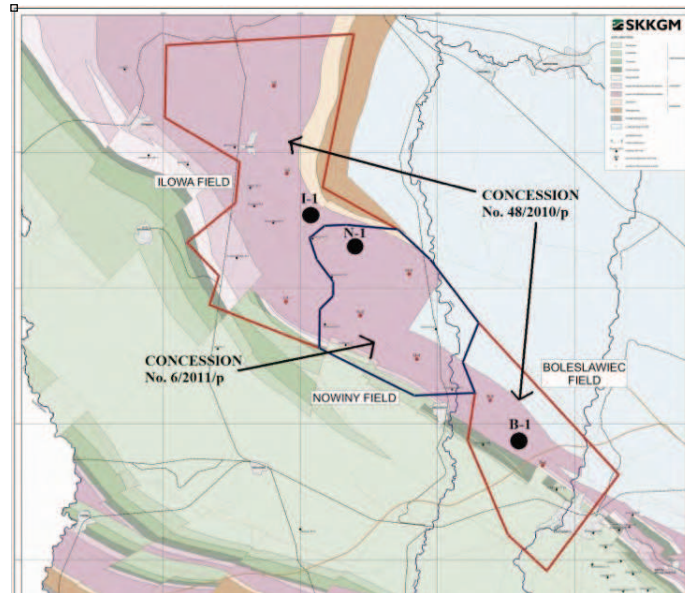


Figure 4: Concessions 48/2010/p and 6/2011/p

#### WESTERN AUSTRALIA ASSET, WEST MUSGRAVE JV,

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 below. Tortuga has the right to earn up to 80% and is the manager of the joint venture.

Tenement	Area sq km	Area 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>	

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.

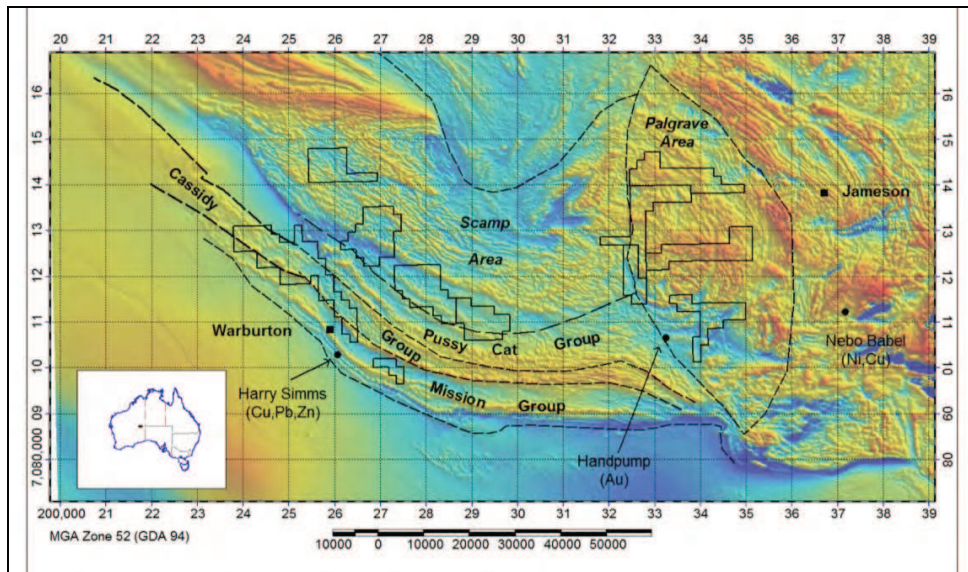


Figure 5: Concessions 48/2010/p and 6/2011/p

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.

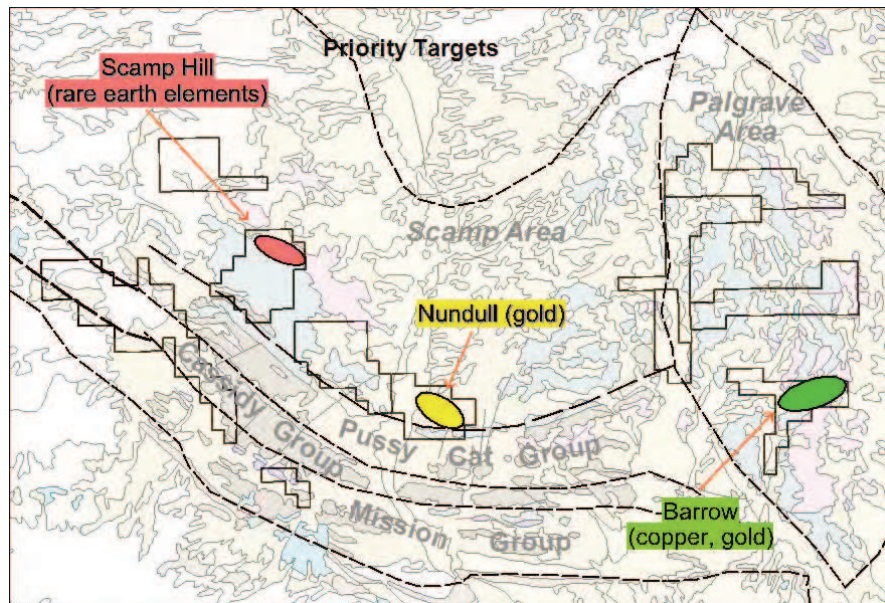


Figure 6: Priority targets identified by the joint venture

### ***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.

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.

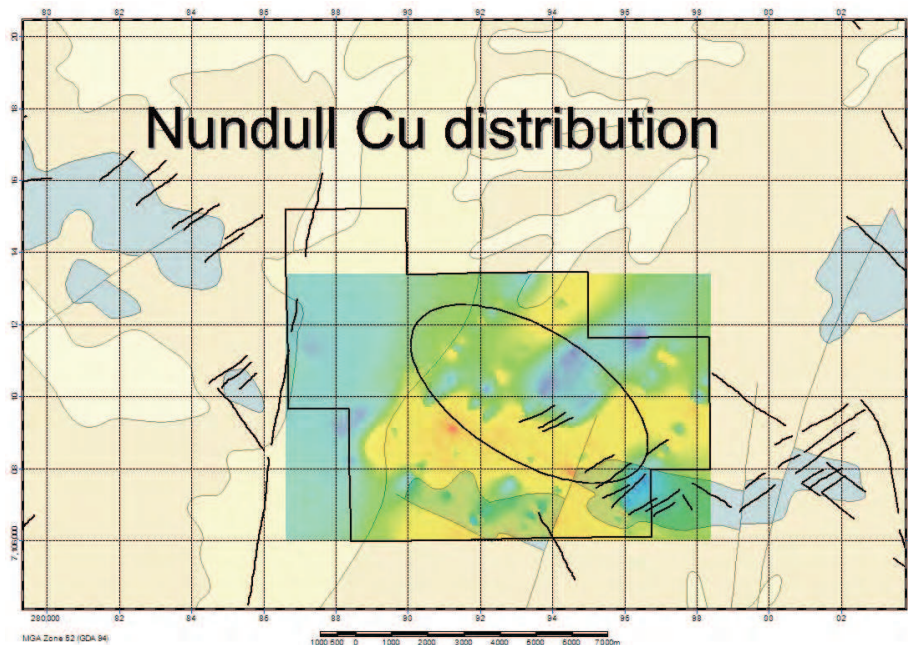


Figure 7: Copper distribution in soil samples, Nundull prospect

### ***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 Palgrave Group volcanics. This structure, termed the Barrow Fault, extends south-west 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.

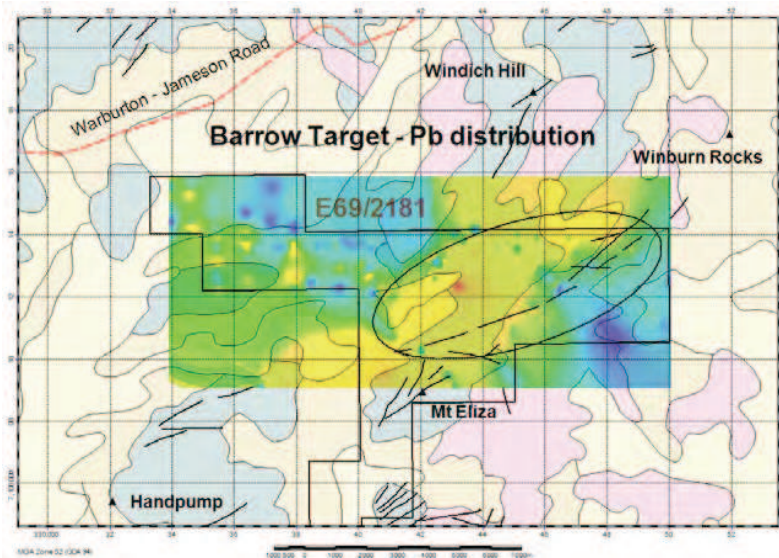


Figure 8: Lead distribution in soil samples, Barrow prospect

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 association 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 ( $Y_2O_3$ ) 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.

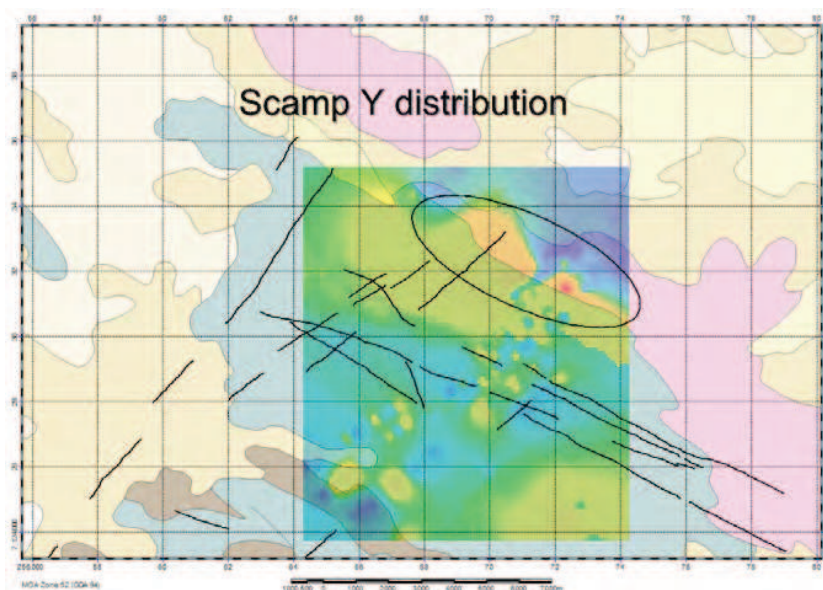


Figure 9: Yttrium distribution in soil samples, Scamp prospect

## **NEW PROJECTS**

During the quarter 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.

*The technical information in this report relating to the West Musgrave Joint Venture has been reviewed and approved by Mr D Walker (a director of joint venture participant and manager Tortuga Advisors Ltd) who is a member of the Australasian Institute of Mining and Metallurgy. Mr Walker has over 25 years' experience in the industry and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to report these results. Mr Walker consents to inclusion in this report of these matters based on the information in the form and context in which it appears.*

### **For further information please contact:**

Dr John Santich, Director  
Strzelecki Metals Ltd  
Tel +61 412 065 294



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

STRZELECKI METALS LTD

ABN

35 116 249 060

Quarter ended ("current quarter")

31 DECEMBER 2011

### Consolidated statement of cash flows

	Current quarter \$A'ooo	Year to date (6 months) \$A'ooo
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(318)	(541)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	41	161
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (JV repayments)	-	-
	<b>(277)</b>	<b>(380)</b>
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	<b>(2)</b>	<b>(2)</b>
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(279)	(382)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(279)	(382)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(279)</b>	<b>(382)</b>
1.20	Cash at beginning of quarter/year to date	4,453	4,556
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,174</b>	<b>4,174</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	106
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, wages and superannuation for the quarter

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	138
<b>Total</b>	<b>138</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	68	385
5.2 Deposits at call	4,106	4,068
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,174</b>	<b>4,453</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

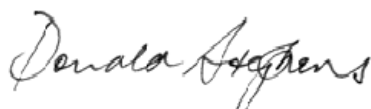
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	360,000,000	360,000,000		
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price (Each)</i>	<i>Expiry date</i>
	1,500,000	-	\$0.25	16/01/2012
	2,000,000	-	\$0.10	22/07/2012
	2,250,000	-	\$0.10	17/02/2013
7.8 Issued during quarter	10,000,000	-	\$0.033	28/11/2015
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-

+ See chapter 19 for defined terms.

7.11	<b>Debentures</b> <i>(totals only)</i>	-	-
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 30 January 2012  
(Company Secretary)

Print name: Donald Stephens.....

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.