



**Monday, 31 January 2011**

**The Manager**  
**Companies Announcements Office**  
**Australian Securities Exchange**  
**Electronic Lodgement**

## **QUARTERLY ACTIVITY REPORT (3 MONTHS TO 31/12/2010)**

### **REVIEW OF OPERATIONS**

#### **Myszkow Project, Poland**

During the quarter the Company continued discussions with potential partners to assist in funding the advance of its Myszków molybdenum-copper project in Southern Poland. On 22 November 2011 the Company announced the conclusion and signing of a memorandum of understanding (MOU) with United Moly Inc, a United States company, for a joint venture with the company on its Polish assets.

On signing the MOU, United Moly paid the Company a deposit of \$US150,000 for the right to carry out a due diligence and enter into a joint venture with the Company for itself or its nominee to acquire up to 75% of the Company's Polish subsidiary Slasko Krakowska Kompania Górnictwa Metali Sp. z o.o. (SKKGM). The MOU covered and a proposed joint venture therefore cover all of SKKGM's assets, including its real property as well as the Myszkow Project and Kupferschieffer Concessions.

At this stage the due diligence contemplated by the MOU is continuing and an operations visit by the purchaser is planned for mid February. Work on the formal acquisition agreements is progressing and is expected to be finalised in the near future.

On closure, United Moly or its nominee will pay the Company \$US3.5 million plus agreed interim expenses (incurred between the signing of the MOU and closure), at which time the incoming party will be entitled to 55% of SKKGM. The remaining 20% interest will be earned by the expenditure through SKKGM of a total of US6 million, in tranches of \$US1 million, \$US2 million and \$US3 million by the first, second and third anniversaries of commencement to earn an additional 5%, 5% and 10% respectively of SKKGM.

Having reached agreement with a third party to continue funding of the Myszkow project, the Company is confident of the future of this very large deposit in the centre of European molybdenum consumption.

As previously described, the Company's Myszkow concession is located some 80 km NE of Kraków in southern Poland (Figure 1) and covers 211 km<sup>2</sup>. It is located in an area with good infrastructure and close to a source of labour in the town of Myszków. Land is available for potential mine surface facilities, such as a processing plant and tailings ponds, and mining has been addressed in recent local government planning.

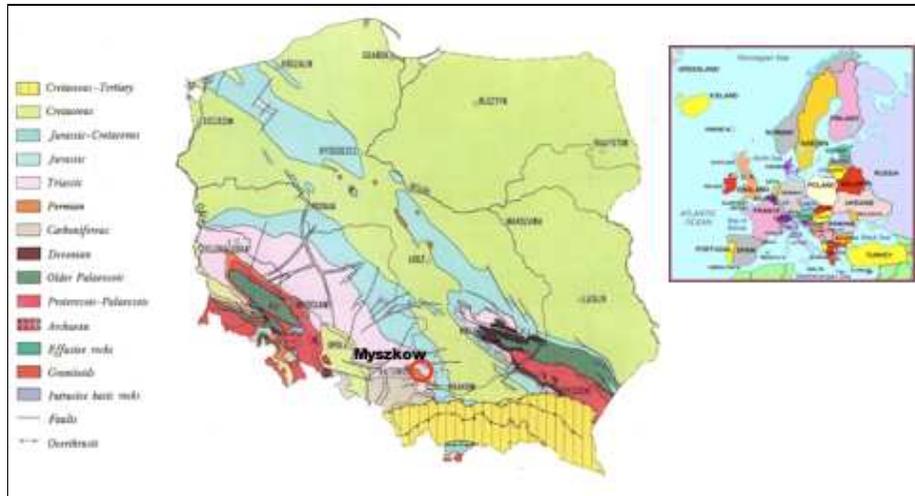


Figure 1: Location of Myszkow Project in Southern Poland

### **Kupferschiefer Project, Poland**

During the quarter the Company persevered with its applications for concessions in the copper rich kupferschiefer basin and this was rewarded by the grant of a concession earlier this year, as announced on 10 January 2011. The concession granted, and another still under application, is in the vicinity of the giant Polish copper mines of KGHM Polska Miedz SA (Figure 2). The concession is in the Bolesławiec–Osiecznica–Nowiny area on the western border of Poland and is highly prospective for copper.

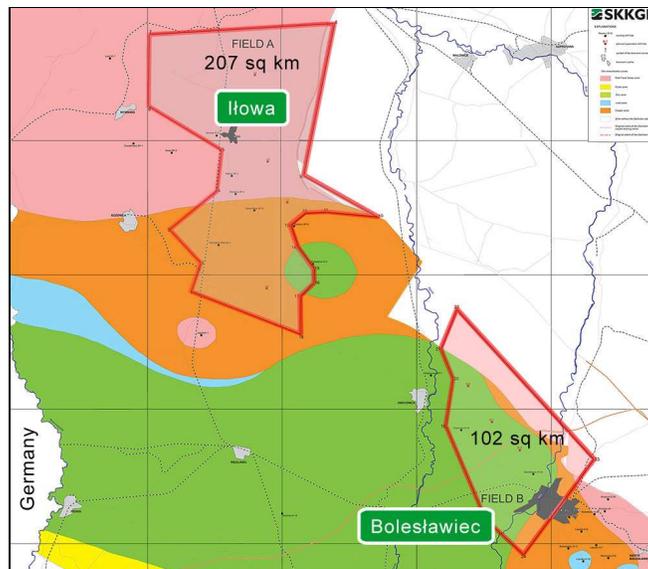


Figure 2: Location of granted concession in kupferschiefer basin

The kupferschiefer basin is known for having very high exploration potential for copper, including as it does the huge copper deposits of mining giant KGHM Polska Miedz SA, discovered in 1957. The Company's concession is valid for six and is made up of two separate areas (Figure 2) totalling 309 km<sup>2</sup> (207km<sup>2</sup> and 102 km<sup>2</sup>).

With information from existing geological and mineralisation data through 12 holes drilled earlier in the Concession area by the Polish Government, the Company plans to commence exploration with the drilling of seven exploration holes. This will test for potential extension to the NW of copper mineralisation seen on the area covered now by the concession in the mined deposits of the old Lena, Konrad and Nowy Kosciol mines.

## West Musgraves Project, Western Australia

During the quarter the Strzelecki Metals Ltd/Tortuga Advisors Ltd joint venture continued a third soil sampling program of 773 samples for 155 line kms over the West Musgrave tenements. The program was designed to extend previous survey coverage and to follow up anomalous results from earlier programs. On 20 January 2011 the Company announced the completion of the program, designed to compliment previous work including geophysical exploration, to provide a check to the mapped lithologies in this shallow covered terrain.

As noted in the 20 January announcement, the joint venture manager has expanded the exploration program over the remote Western Australia tenement. Little systematic exploration has been conducted throughout the region, and geological knowledge of the underlying stratigraphy is poorly understood. 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.

The tenement outlines and the area covered by the recent soil sampling programs, as well as historical sampling conducted by WMC, is shown in Figure 3. A number of anomalous areas of soil Cu-Au anomalism have been identified over interpreted basic and intermediate volcanics in the Palgrave complex and in the western tenements. Most of these occur in areas where no mineralisation has previously been found, due to the low level of exploration throughout the area.

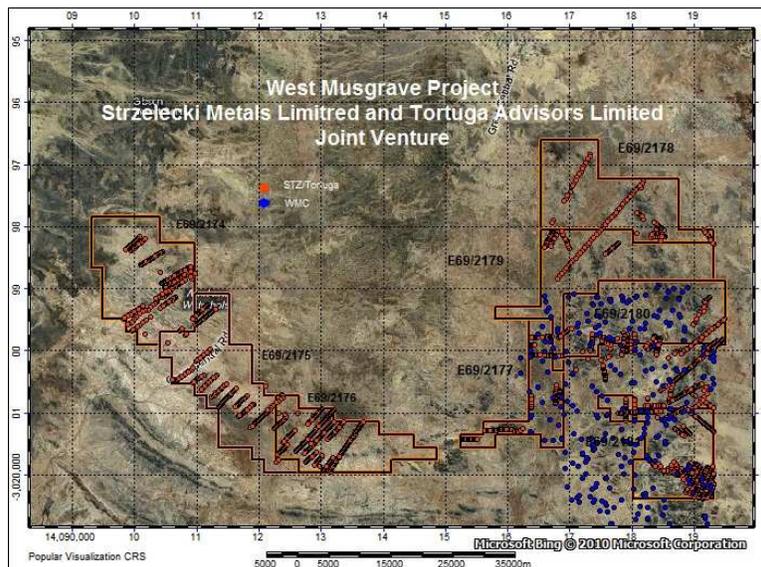


Figure 3: Tenement outlines and soil sampling lines, West Musgrave

The anomalies identified appear to be related to particular units within the mixed sequences, within broadly defined structural features. Three discrete Cu-Ni-PGE anomalies associated with interpreted ultramafic intrusions appear in areas concealed by shallow cover. Follow up soil sampling and geochemical drilling is expected to delineate the geochemical anomalies and confirm the underlying host stratigraphy.

In accordance with the Western Australian Mining Act, and taking account of the results of exploration to date, exploration licences numbered E69/2174 to 2181 were reduced in area by 50% during the quarter.

*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:**

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# 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 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	29
1.2 Payments for (a) exploration & evaluation	(139)	(163)
(b) development	-	-
(c) production	-	-
(d) administration	(181)	(550)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	29
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	153	503
	<b>(165)</b>	<b>(162)</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	(1)	(4)
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>(1)</b>	<b>(4)</b>
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(166)	(166)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(166)	(166)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,023
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(546)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(162)
	<b>Net financing cash flows</b>	-	<b>1,315</b>
	<b>Net increase (decrease) in cash held</b>	<b>(166)</b>	<b>1,149</b>
1.20	Cash at beginning of quarter/year to date	1,869	554
1.21	Exchange rate adjustments to item 1.20	(9)	(9)
1.22	<b>Cash at end of quarter</b>	<b>1,694</b>	<b>1,694</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	153
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

**Financing facilities available**

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

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**Mining exploration entity quarterly report**

	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	150
4.2 Development	-
4.3 Production	-
4.4 Administration	175
<b>Total</b>	<b>325</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	1,684	1,803
5.2 Deposits at call	10	66
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,694</b>	<b>1,869</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	E69/2174-2181	100% Strzelecki Metals Limited (Surrendered 50% of each tenement as required by WA Mining Act)	100%	100%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

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**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>
	46,720,036	-	\$0.275	26/02/2011
	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	-	-	-	-
7.9 Exercised during quarter	-	-	-	-

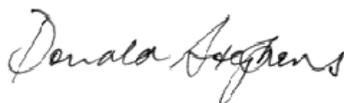
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7.10	Expired during quarter	6,250,000	-	\$0.20	11/11/2010
		1,000,000	-	\$0.25	31/12/2010
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

## 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: .....  
(Company secretary)

Date: 31 January 2011

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.

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**Mining exploration entity quarterly report**

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- 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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