



**STRZELECKI**  
**Metals Limited**

(Formerly Primary Resources Limited)

ABN 35 116 249 060  
Level 5, 70 Pirie Street  
GPO Box 93 Adelaide SA 5001

# **INTERIM FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2008**

---

## CONTENTS

## Page

---

|  |    |
|--|----|
| DIRECTORS' REPORT                                  | 1  |
| AUDITOR'S INDEPENDENCE DECLARATION                 | 4  |
| CONSOLIDATED INTERIM INCOME STATEMENT              | 5  |
| CONSOLIDATED INTERIM BALANCE SHEET                 | 6  |
| CONSOLIDATED INTERIM CASH FLOW STATEMENT           | 7  |
| CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY | 8  |
| NOTES TO THE FINANCIAL STATEMENTS                  | 9  |
| DIRECTORS' DECLARATION                             | 11 |
| INDEPENDENT REVIEW REPORT                          | 12 |

# STRZELECKI METALS LTD

## DIRECTOR'S REPORT

---

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2008.

### *Directors*

The names of each person who has been a Director during the half-year and to the date of this report are:

- Peter Hayden Hunt
- Carl William Dorsch
- John Santich
- Weislaw Bogacz

### *Review of Operations*

#### **POLAND**

The Myszkow Project in Southern Poland is located near the towns of Myszkow and Zarki, some 80 km to the north-west of the city of Krakow. The Concession covers the area of a large Molybdenum-Copper-Tungsten (Mo-Cu-W) deposit, identified in the 1970s and 80s by the Polish Geological Survey.

The deposit is located within a major geological unit of Southern Poland, the Malopolska Block, along a major NW-SE trending fault system. In a tectonic sense, this structure is a part of a major NW-SE trending lineament/tectonic zone, the Hamburg-Krakow Fault Zone (HKFZ), the host for the Myszkow mineralization. On the same structure, about 200km NW of the Myszkow Project, the impressive Kupferschiefer type Copper-Silver polymetallic deposit(s) of the Lubin area are located.

Historical drilling in the area was focused in the Myszkow area, where Mo-Cu-W mineralization was identified. 24 diamond drill holes were drilled to depths up to 1,200m and, recently, Strzelecki's Polish subsidiary drilled another 1,200m diamond drill hole into the deposit which verified the previous drilling results.

SMG Consultants of Brisbane, Queensland, have been engaged to re-assess the Myszkow deposit and develop a geological model and JORC compliant resource estimate for the deposit. The model incorporates both historical and new drill information and it is anticipated that the results of the block modelling and resource estimation will be available shortly.

The Company has also drilled a second diamond drill hole in the Concession to the north-west of Myszkow in an area in which the mineralisation appears to be related to the main Myszkow deposit. The second hole is located about 2 km north-west of the first diamond drill hole and about 220m east of an historical drill hole which showed significant copper intersections. The results of that second drill hole are now being received from ASL's Spanish assay laboratory.

In addition to the diamond drill holes in and near the Myszkow deposit the Company is also drilling in the north east of the Concession area to obtain further geological information and assay data. This third diamond drill hole has now been completed and is some 10km north-east of drill hole MM-1, its primary purpose being to test a strong gravimetric anomaly on the SW-NE trend of the Cu-Mo-W mineralisation of the Myszkow deposit. The core is presently being cut with visual examination of drill core indicating that the area is well mineralised.

The next stage of the project will entail interpretation of the Myszkow deposit model and resource estimate as well as analysis of the assay results from the second and third diamond drill holes. A preliminary scoping study will also commence, incorporating the deposit model and resource estimate, and the outcome of that study will guide the future development of the Myszkow project.

## **WESTERN AUSTRALIA**

### **Warburton**

The Warburton tenements are the subject of a Joint Venture between the Strzelecki Metals Limited and Marathon Resources Limited. The first tranche of this agreement required that Marathon spend \$850,000 in the first 12 months to take their interest to 15%. This condition has been met.

Three diamond drill holes (WA-01, WA-02 and WA-03) were completed on tenement E69/1564. These holes were drilled to test geophysical targets interpreted to be at depths around 300m to 350m. Results from these holes revealed elevated but sub economic base metal assay values.

### **Egerton**

The Company's Magnetic and Radiometric data has been reviewed in conjunction with Gravity data that was recently acquired by the Geological Survey of Western Australia. This review has lead to the identification of five high priority targets for the Egerton tenements.

### **Yandeyarra**

Bulk sampling of the alluvial deposits at the Station Peak mining lease (M47/561) was conducted to assess the viability of an alluvial gold mining operation in the area. Approximately 3000 tonnes of alluvial material was collected and processed with a purpose built alluvial gold plant. The concentrate from the bulk samples were screened and fire assayed indicating an average grade of 0.31g/t. Approximately 1160 grams of gold was recovered from the samples and sold, returning \$48,612. The Yandeyarra assets have been offered for sale as a going concern.

### **Beete**

The Beete tenements ( E63/827, E63/1058 and E63/1059) have been the subject of an option farm-in agreement with the Central Norsemen Gold Corporation (CNGC), however, CNGC have withdrawn from the option agreement. Consequently Strzelecki Metals is re-considering its strategy with regards these tenements.

### **Steere**

This tenement, adjacent the Trilogy deposit in the Ravensthorpe region, is rich in geophysical and geochemical data and the company has commissioned a review of this data. This review is aimed at new target generation and is scheduled for completion in April 2009.

## **SOUTH AUSTRALIA**

### **Nackara**

The Helimag data, which was flown over the Nackara tenements by Joint Venture partner, Flinders Mines, has been interpreted to identify potential gold targets similar in style to the Grainger and Paratoo mines nearby.



### **Subsequent events**

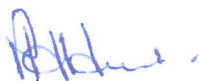
In February 2009, 2,000,000 options were issued as payment for services to the company. Details of the options issues are included in Note 6 within this report.

There were no subsequent operational events between the balance date and at the date of this report.

### **Auditor's Declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 for the half year ended 31 December, 2008.

Signed in accordance with a resolution of the Board of Directors



**Peter H Hunt**  
**Chairman**

**Adelaide**

Dated this 16<sup>th</sup> day of March 2009

**Grant Thornton South Australian  
Partnership**  
ABN 27 244 906 724

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
DX 275 Adelaide

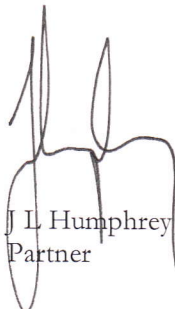
**T** 61 8 8372 6666  
**F** 61 8 8372 6677  
**E** info@gtsa.com.au  
**W** www.grantthornton.com.au

**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 2008, 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  
South Australian Partnership  
Chartered Accountants



J L Humphrey  
Partner

Signed at Wayville on this 16<sup>th</sup> day of March 2009

# STRZELECKI METALS LTD

## CONSOLIDATED INTERIM INCOME STATEMENT

For the half year ended 31 December 2008

|  |      | Consolidated Entity |           |
|--|------|---------------------|-----------|
|  |      | 31 Dec              | 31 Dec    |
|  |      | 2008                | 2007      |
|  | Note | \$                  | \$        |
| <b>Revenues from ordinary activities</b>                       | 2    | 241,046             | 100,164   |
| <b>Expenses from ordinary activities</b>                       |      |                     |           |
| Employee benefits expense                                      |      | (436,119)           | (111,775) |
| Depreciation and amortisation expense                          |      | (150,910)           | (77,616)  |
| Other expenses from ordinary activities                        |      | (523,896)           | (141,734) |
| Impairment expense – exploration assets                        | 3    | (1,024,443)         | (200,132) |
| Finance costs  |      | (235,056)           | (27,345)  |
|  |      | (2,370,424)         | (558,602) |
| <b>Loss from ordinary activities before income tax expense</b> |      | (2,129,378)         | (458,438) |
| Income tax expense relating to ordinary activities             |      | -                   | (19,835)  |
| <b>Loss from continuing operations</b>                         |      | (2,129,378)         | (478,273) |
| <b>Loss attributable to members of the consolidated entity</b> |      | (2,129,378)         | (478,273) |
| Basic earnings per share (cents per share)                     |      | (0.16)              | (0.97)    |
| Diluted earnings per share (cents per share)                   |      | (0.16)              | (0.97)    |

Notes to the financial statements are included on pages 9 to 11

# STRZELECKI METALS LTD

## CONSOLIDATED INTERIM BALANCE SHEET

As at 31 December 2008

|  | Note | Consolidated Entity |                 |
|--|------|---------------------|-----------------|
|  |      | 31 Dec<br>2008      | 30 June<br>2008 |
|  |      | \$                  | \$              |
| <b>CURRENT ASSETS</b>                  |      |                     |                 |
| Cash and cash equivalents              |      | 4,368,874           | 6,882,790       |
| Trade and other receivables            |      | 446,083             | 273,882         |
| Other current assets                   |      | 2,744               | 96,893          |
| <b>TOTAL CURRENT ASSETS</b>            |      | 4,817,701           | 7,253,565       |
| <b>NON-CURRENT ASSETS</b>              |      |                     |                 |
| Property, plant and equipment          |      | 1,793,987           | 1,057,392       |
| Exploration and evaluation expenditure |      | 27,580,406          | 26,335,347      |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | 29,374,393          | 27,392,739      |
| <b>TOTAL ASSETS</b>                    |      | 34,192,094          | 34,646,304      |
| <b>CURRENT LIABILITIES</b>             |      |                     |                 |
| Trade and other payables               |      | 1,215,881           | 339,765         |
| Short-term financial liabilities       |      | 648,050             | 277,036         |
| Short term provisions                  |      | 43,256              | 38,174          |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | 1,907,187           | 654,975         |
| <b>NON-CURRENT LIABILITIES</b>         |      |                     |                 |
| Long-term financial liabilities        |      | 131,123             | 84,226          |
| Long term provisions                   |      | -                   | 1,898           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   |      | 131,123             | 86,124          |
| <b>TOTAL LIABILITIES</b>               |      | 2,038,310           | 741,099         |
| <b>NET ASSETS</b>                      |      | 32,153,784          | 33,905,205      |
| <b>EQUITY</b>                          |      |                     |                 |
| Issued capital                         |      | 33,677,590          | 33,677,590      |
| Reserves                               |      | 3,374,155           | 2,996,198       |
| Retained earnings                      |      | (4,897,961)         | (2,768,583)     |
| <b>TOTAL EQUITY</b>                    |      | 32,153,784          | 33,905,205      |

Notes to the financial statements are included on pages 9 to 11



# STRZELECKI METALS LTD

## CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the half year ended 31 December 2008

|  | Consolidated Entity |                  |
|--|---------------------|------------------|
|  | 31 Dec<br>2008      | 31 Dec<br>2007   |
|  | \$                  | \$               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                     |                  |
| Receipts from customers  | 85,172              | 84,533           |
| Payments to suppliers and employees                              | (1,076,555)         | (424,835)        |
| Interest received  | 155,874             | 15,631           |
| Interest paid  | (213,140)           | (27,345)         |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>       | <b>(1,048,649)</b>  | <b>(352,016)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                     |                  |
| Purchase of property, plant and equipment                        | (887,505)           | (25,884)         |
| Payments for exploration expenditure                             | (995,673)           | (346,011)        |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>       | <b>(1,883,178)</b>  | <b>(371,895)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                     |                  |
| Proceeds from the issue of Options                               | -                   | 789,400          |
| Payments for transactions costs associated with capital raisings | -                   | (26,646)         |
| Repayment of borrowings  | (82,089)            | (84,964)         |
| Proceeds from borrowings   | 500,000             | 4,503            |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>       | <b>417,911</b>      | <b>682,293</b>   |
| Net increase/(decrease) in cash held                             | (2,513,916)         | (41,618)         |
| Cash at beginning of period                                      | 6,882,790           | 340,886          |
| Cash at end of period  | 4,368,874           | 299,268          |

Notes to the financial statements are included on pages 9 to 11

# STRZELECKI METALS LTD

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2008

### CONSOLIDATED ENTITY

|  | Issued<br>Capital<br>\$ | Share<br>Based<br>Payments<br>Reserve<br>\$ | Share<br>Option<br>Rights<br>Reserve<br>\$ | Currency<br>Translation<br>Reserve<br>\$ | Retained<br>Profits<br>\$ | Total<br>\$       |
|--|-------------------------|---|--|--|---------------------------|-------------------|
| <b>BALANCE AT 1 JULY 2007</b>                                  | 5,446,430               | 106,120                                     | -  | -  | (1,676,653)               | 3,875,897         |
| Shares issued during the period                                | 28,636,258              | -   | -  | -  | -                         | 28,636,258        |
| Options reserve on recognition of the bonus element of options | -                       | 2,146,958                                   | -  | -  | -                         | 2,146,958         |
| Options reserve on issue of options                            | -                       | -   | 789,400                                    | -  | -                         | 789,400           |
| Transaction costs (net of tax)                                 | (405,098)               | -   | (46,280)                                   | -  | -                         | (451,378)         |
| Loss attributable to the members of parent entity              | -                       | -   | -  | -  | (1,091,930)               | (1,091,930)       |
| <b>BALANCE AT 30 June 2008</b>                                 | <u>33,677,590</u>       | <u>2,253,078</u>                            | <u>743,120</u>                             | <u>-</u>                                 | <u>(2,768,583)</u>        | <u>33,905,205</u> |
| Shares issued during the period                                | -                       | -   | -  | -  | -                         | -                 |
| Options reserve on recognition of the bonus element of options | -                       | 128,572                                     | -  | -  | -                         | 128,572           |
| Options reserve on issue of options                            | -                       | -   | -  | -  | -                         | -                 |
| Currency translation reserve                                   | -                       | -   | -  | 249,385                                  | -                         | 249,385           |
| Loss attributable to the members of parent entity              | -                       | -   | -  | -  | (2,129,378)               | (2,129,378)       |
| <b>BALANCE AT 31 DECEMBER 2008</b>                             | <u>33,677,590</u>       | <u>2,381,650</u>                            | <u>743,120</u>                             | <u>249,385</u>                           | <u>(4,897,961)</u>        | <u>32,153,784</u> |

Notes to the financial statements are included on pages 9 to 11

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2008

---

## NOTE 1 – BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Strzelecki Metals Limited (the "Company") and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

The Company is a company domiciled in Australia. The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available at [www.strzeleckimetals.com.au](http://www.strzeleckimetals.com.au)

### *Reporting Basis and Conventions*

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

## NOTE 2 - REVENUE FOR THE PERIOD

The following revenue items are relevant in explaining the financial performance for the interim period:

|                                      | <b>31<br/>December<br/>2008<br/>\$</b> | <b>31<br/>December<br/>2007<br/>\$</b> |
|--------------------------------------|--|--|
| Recoupment of joint venture expenses | 35,277                                 | 80,509                                 |
| Gold sales                           | 49,895                                 | 4,024                                  |
| Interest received                    | 155,874                                | 15,631                                 |
| <b>Total</b>                         | <b>241,046</b>                         | <b>100,164</b>                         |

## NOTE 3 - IMPAIRMENT CHARGE

At December 31, 2008, the Directors' reviewed the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at December 31, 2008, they compared the asset's

fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

Applying these principals to the Company's exploration and evaluation expenditure assets, at December 31, 2008 the Company recorded an impairment charge of \$1,024,443

|                                      | <b>31<br/>December<br/>2008<br/>\$</b> | <b>31<br/>December<br/>2007<br/>\$</b> |
|--------------------------------------|--|--|
| Impairment – Exploration Expenditure | (1,024,443)                            | (200,132)                              |

#### **NOTE 4 – SEGMENT REPORTING**

The Company does not have any differentiated business segments.

##### **Half year ended December 31, 2008**

##### **Geographic segments**

|                | <b>Australia<br/>\$</b> | <b>Poland<br/>\$</b> |
|----------------|-------------------------|----------------------|
| Total Revenue  | 241,046                 | -                    |
| Segment result | (1,553,755)             | (575,623)            |
| Segment assets | 8,074,159               | 26,117,935           |

##### **Half year ended December 31, 2007**

##### **Geographic segments**

|                | <b>Australia<br/>\$</b> | <b>Poland<br/>\$</b> |
|----------------|-------------------------|----------------------|
| Total Revenue  | 100,164                 | -                    |
| Segment result | (478,273)               | -                    |
| Segment assets | 4,780,572               | -                    |

#### **NOTE 5 – CONTINGENT LIABILITIES**

There has been no material change to contingent liabilities since the last annual reporting date.

#### **NOTE 6 – EVENTS OCCURRING AFTER THE REPORTING DATE**

Subsequent to December 31, 2008, the Company issued the following Options:

- 1,000,000 unquoted options expiring 31 December 2010 exercisable at \$0.25 being for services provided to the company.
- 1,000,000 unquoted options expiring 16 January 2012 exercisable at \$0.25 being for services provided to the company.

Other than noted above, there have been no other material subsequent events.



## DIRECTORS' DECLARATION

---

The directors of the Company declare that:

1. The Financial Statements and Notes, as set out on pages 5 to 10:
  - a) give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
  - b) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Peter H Hunt**  
**Chairman**

**Adelaide**

Dated this 16<sup>th</sup> day of March 2009

**Grant Thornton South Australian  
Partnership**  
ABN 27 244 906 724

Level 1,  
67 Greenhill Rd  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
DX 275 Adelaide

T 61 8 8372 6666  
F 61 8 8372 6677  
E [info@gt.sa.com.au](mailto:info@gt.sa.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Strzelecki Metals Limited (the Company) and consolidated entity, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that 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 control 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 Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports 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 2008 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.



# Grant Thornton

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

### **Auditor's responsibility Cont**

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**

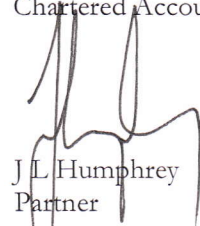
In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **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 Strzelecki Metals Limited's financial position as at 31 December 2008 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

Signed at Wayville on this 16th day of March 2009