



STIRLING RESOURCES LIMITED

ANNUAL
REPORT
2010



A diversified Resource Group

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

David Nabarro	Non-executive Chairman
Martin Adams	Managing Director
Rohtraut Skatsche-Depisch	Non-executive Director
George Bedineishvili	Non-executive Director
Roman Lurf	Non-executive Director
Nigel Goodall	Non-executive Director

COMPANY SECRETARY

Ildiko Wowesny

REGISTERED OFFICE

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SHARE REGISTRY

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45 St George's Terrace,
Perth, Western Australia 6000

Telephone: (61 8) 9323 2000
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Web-site: www.computershare.com.au

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Steinepreis Paganin

STOCK EXCHANGE LISTING

Securities in Stirling Resources Limited are quoted on the Australian Securities Exchange under trading codes SRE and SREO.

This annual financial report covers both the separate financial statements of Stirling Resources Limited as an individual entity and the consolidated financial statements for the consolidated entity, consisting of Stirling Resources Limited and its subsidiaries. The annual financial report is presented in Australian dollars.

Stirling Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Dear Shareholder,

As previously reported, the end of Stirling Resources Limited's ("Stirling" or "Company") last financial year to 30th June 2010 coincided with my appointment as Chairman and the appointment of Dr. Roman Lurf as a non-executive director of your Company.

During the year to 30th June 2010, your Company had continued its efforts to raise new equity capital to continue funding the development of its three investee companies, Matilda Zircon (ASX: MZI) (58%), Redbank Copper (ASX: RCP) (27%) and Swan Gold (ASX: SWA) (23%).

However, against a background of difficult market conditions, much of that new funding had to be provided by your Company's majority shareholder, the Austrian based commodities trader, DCM DECOMetal GmbH ("DCM"), whose shareholding in Stirling thus increased to 53%.

Marty Adams was appointed to the Stirling board on 14th July 2010 at the request of DCM and is also CEO of Australian Zircon NL, another company in which DCM is a major shareholder. His appointment represented a clear change in the management style of Stirling.

The former Stirling management having assembled your Company's existing investment portfolio, it is your Board's continuing objective to assist and support each of our investee companies to first establish the extent of their resources and then seek to exploit their production potential, so as to move their various projects forward to profitability, so that they can become self-funding. That process of review and assessment is on-going and with Matilda Zircon now in production and the significant potential resource at Redbank Copper, we believe there are grounds for cautious optimism.

In the meantime, we are grateful to DCM for their continuing commitment, financial support and guidance.

As four of our directors are based in Europe, your Company recently appointed Nigel Goodall as an additional non-executive director. Nigel is an Australian resident in Perth with long experience of the mining industry.

We also expect shortly to appoint another Australian based non-executive director.

On behalf of the Board, I thank our many loyal and professional employees for their continuing hard work and support.

Your new Board is committed to delivering long-term shareholder value, while acting in a transparent and compliant way and maintaining the highest standards of site safety and environmental responsibility.

I look forward to being able to report to you on the progress of your Company in more detail in due course.

Yours faithfully,



David Nabarro
Chairman

30th September 2010

The directors of Stirling Resources Limited present their report together with the financial report of Stirling Resources Limited (the “Company”) and of the consolidated entity, being the Company and its controlled entities (“the Group”) for the financial year 1 July 2009 to 30 June 2010.

DIRECTORS

The names of the directors of the Company in office during the course of the financial year and up to the date of this report are as follows:

David Nabarro.....(Chairman, since 29 June 2010) (Appointed on 21 September 2009)

Rohtraut Skatsche-Depisch

George Bedineishvili

Roman Lurf(Appointed on 29 June 2010)

Martin Adams(Appointed on 14 July 2010)

Nigel Goodall(Appointed on 15 September 2010)

Michael Kiernan(Resigned on 29 June 2010)

James Kiernan(Resigned on 29 June 2010)

Jeremy Shervington.....(Appointed on 13 July 2009, chairman on 27 July 2009, resigned on 18 June 2010)

Paul Page.....(Resigned on 12 March 2010)

Richard Poole.....(Resigned on 27 July 2009)

Anthony Coulepis(Resigned on 24 July 2009)

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
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David Nabarro **Non-Executive Chairman.**

Mr Nabarro has 40 years broking and finance experience in mid cap resources companies in the UK and overseas. Mr Nabarro works as a regulated financial industry practitioner in the City of London. He founded Nabarro Wells Co Limited in 1990, growing the company into one of UK's leading independent small to medium cap corporate finance houses. In 2008, Nabarro Wells was acquired by the AIM listed Ambrian Capital PLC. He became a Director of Ambrian Partners Limited advising on stock exchange listings, M&A activity together with capital raisings. He retired from Ambrian in April 2010 and is now the director of Cato Strategic Limited, an independent corporate finance advisory business.

Mr Nabarro has not held directorships in any listed companies in the last 3 years.

Special Responsibilities – None

Rohtraut Skatsche-Depisch **D. Phil.**
Non-Executive Director

Dr Skatsche-Depisch is the Managing Director of international mining and commodity trading company DCM DECOMetal GmbH and has held this position since 1985. She has led the growth of DCM as a global commodity company, with a network across 40 countries and annual revenues of US\$850 million in 2008. Based in Austria, DCM is a leader in the trade of ore, alloys and metals, with interest in manganese, chromite, zircon and iron ore assets. It also provides finance, logistics and warehousing services.

Dr Skatsche-Depisch has not held directorships in any listed companies in the last 3 years.

Special Responsibilities – None

**George (Giga)
Bedineishvili****B. Phys, MBA
Non-Executive Director**

Mr Bedineishvili is Director of Business Development at global commodity marketing group DCM Decometal GmbH. He has a background in Global Investment Banking, Private Equity Fund Management having spent time with the US Bank Salomon Brothers, Salford Capital Partners and also as Chief Economic Advisor to the President of Georgia.

Other current directorship: Australian Zircon Limited.

Mr Bedineishvili has not held directorships in any other listed companies in the last 3 years.

Special Responsibilities – None

Roman Lurf**Dipl. Ing., Dr. mont
Non-Executive Director**

Dr Roman Lurf is an experienced mining executive and is currently Director - Mining and Processing for DCM DECOMetal. He was previously Manager - Business Improvement and Business Evaluation for Rio Tinto Minerals, responsible for Europe and Asia Pacific. As a mining engineer he has significant experience in open pit and underground mining as well as minerals processing.

Dr Lurf has not held directorships in any listed companies in the last 3 years.

Special Responsibilities – None

**Martin (Marty)
Adams****B. Mining Eng, MBA
Managing Director**

Mr. Adams has 30 years' experience in the Australian mining industry. Holding a degree in Mining Engineering from Melbourne University and an MBA from Deakin University, he has held a range of operational and senior management positions in open pit and underground operations and has extensive experience in gold, copper, mineral sands, iron ore and lead/zinc projects.

Other current directorships: Matilda Zircon Limited.

Former directorships in the last 3 years: Redbank Copper Limited (2010) and Swan Gold Mining Limited (2010).

Special Responsibilities – None

Nigel Goodall**B. Mineral Processing, MBA
Non-Executive Director.**

Mr Goodall has 40 years experience in the mining and resource industry covering operations, project design and development, marketing and general management. Over the past 20 years, he has been the principal of a small consulting company that has developed an extensive client list ranging from major national and multinational companies to small business. He has also worked in coal, copper, gold, tin, iron ore and mineral sands.

Other current directorships: None.

Former directorships in the last 3 years: Olympia Resources Limited (2008 to 2009)

Special Responsibilities – None

Michael Kiernan**B Bus, FAICD
Managing Director**

Resigned 29 June 2010.

James Kiernan**B.Econ.
Non-Executive Director**

Resigned 29 June 2010.

Jeremy Shervington LLB, B.Juris

Non-Executive Chairman

Resigned 18 June 2010

Paul Page

B.Bus.

Non-Executive Director

Resigned 18 June 2010

Richard Poole

LLB, B.Juris, B.Comm.

Non-Executive Chairman

Resigned 27 July 2009

Anthony Coulepis

Non-Executive Director

Resigned 24 July 2009

INFORMATION ON COMPANY SECRETARY

Ildiko Wowesny **B.Bus.**

Company Secretary since April 2009. Ms Wowesny is a qualified accountant with experience in company secretarial roles together with corporate management, accounting and financial areas. She has served as Company Secretary for ASX listed resource companies for some considerable time together with 5 years at Deloitte Touche Tohmatsu and also a period in the United Kingdom with resource groups.

DIRECTORS' INTERESTS

At the date of this report, the interests of each Director in the shares and options of Stirling Resources Limited were:

Director	Fully paid shares	Unlisted options	Listed options
Mr D Nabarro	-	-	-
Dr R Skatsche-Depisch (i)	77,666,667	-	66,666,667
Mr G Bedineishvili (i)	77,666,667	-	66,666,667
Dr R Lurf	-	-	-
Mr M Adams	-	-	-
Mr N Goodall	-	-	-

i. Shares held by DCM Decometal GmbH. Dr R Skatsche-Depisch and Mr G Bedineishvili are directors of DCM Decometal GmbH which is a major shareholder in Stirling Resources Limited.

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and committees of the Board held during the year and the number of meetings attended by each director was as follows:

	Board	
	Number held whilst in office	Number attended
Mr D Nabarro	3	3
Dr R Skatsche-Depisch	4	-
Mr G Bedineishvili	4	2
Dr R Lurf (appointed 29 June 2010)	-	-
Mr M Adams (appointed 14 July 2010)	-	-
Mr N Goodall (appointed 15 September 2010)	-	-
Mr M Kiernan (resigned 29 June 2010)	4	4
Mr J Kiernan (resigned 29 June 2010)	4	1
Mr J Shervington (resigned 18 June 2010)	4	4
Mr P Page (resigned 12 March 2010)	3	2
Mr R Poole (resigned 27 July 2009)	-	-
Mr A Coulepis (resigned 24 July 2009)	-	-

REMUNERATION REPORT (Audited)

This report sets out the remuneration arrangements in place for Directors and executives of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

Directors and Key Management Personnel details:

Stirling Resources Limited		
Mr D Nabarro	Non-Executive Chairman	
Dr R Skatsche-Depisch	Non-Executive Director	
Mr G Bedineishvili	Non-Executive Director	
Dr R Lurf	Non-Executive Director	appointed 29 June 2010
Mr M Kiernan	Managing Director	resigned 29 June 2010
Mr J Kiernan	Non-Executive Director	resigned 29 June 2010
Mr J Shervington	Non-Executive Chairman	appointed 13 July 2009, resigned 18 June 2010
Mr P Page	Non-Executive Director	resigned 12 March 2010
Mr R Poole	Non-Executive Director	resigned 27 July 2009
Mr A Coulepis	Non-Executive Director	resigned 24 July 2009
Mr K Vuleta	Chief Financial Officer	

Matilda Zircon Limited		
Mr P Gazzard	Technical Director	
B Maluish	Non-Executive Director	appointed 7 July 2009, resigned 17 June 2010
C T Wong	Non-Executive Director	appointed 9 March 2010
J Baxter	Non-Executive Chairman	resigned 17 June 2010
J Searle	Non-Executive Director	resigned 12 October 2009
K Vuleta	Non-Executive Director	
M Kiernan	Non-Executive Director	appointed 17 July 2009, resigned 17 June 2010
M Randall	Non-Executive Chairman	

Principles used to determine the nature and amount of remuneration

Directors and executives remuneration

Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions. Within this framework, the remuneration committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executives may be provided with longer-term incentives through participation in option schemes, which serve to align the interests of the executives with those of shareholders. Executive remuneration and other terms of employment are reviewed annually by the Board of Directors having regard to relevant comparative information and expert advice.

Stirling Resources Limited (“Stirling”)’s remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Stirling. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing Stirling’s operations. Executive directors receive a base remuneration which is market related.

Stirling’s remuneration policies are designed to align executive’s remuneration with shareholders’ interests and to retain appropriately qualified executive talent for the benefit of Stirling. The main principles of the policy include:

- reward reflects the competitive market in which Stirling operates; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives, through eligibility to participate in bonus plans and cash bonuses;
- long term incentives through executive directors being eligible to participate in the share option plan and share purchase plan as approved by shareholders. Senior executives may also participate in an employee share option plan, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders and the share purchase plan; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive by the remuneration committee. The objective of any short term incentives is to link achievement of Stirling’s operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth. Stirling’s activities comprise the evaluation and development of mineral tenements aimed at identifying economic mineral deposits capable of development. Stirling’s financial performance reflects the nature of these ongoing activities.

The payment of bonuses, share options and incentive payments are reviewed by the Board as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving bonuses and options.

The annual performance objectives are the means by which the Company links company performance and remuneration policy. Having regard to the current stage of the Company’s evolution, linking of remuneration policy to production performance milestones and progress rather than earnings is considered the most appropriate method of incentivising employees. The realisation of achieving production targets and reaching full production levels is expected to have positive influence on the Company’s share price as would exploration advancements. Any increase in the share price of the Company has a positive effect on shareholder wealth.

The Directors consider the principles of the remuneration of key management personnel have been successful in providing positive company performance. The principles have provided the desired incentive and are expected to continue to provide such incentive. Whilst the Company has only been restructured and refocussed strategically for less than one year it is difficult to determine the effect on shareholder wealth. In the preceding four years the Company has incurred losses whilst at lower levels of, in the now previous, business activities. There have been no dividends paid in the past five years. Whilst it may be expected that earnings would be a loss position in these early formative stages, any improvement to earnings is viewed to be a long term position that is not yet fully determinable. During the financial year the Company’s share price has ranged between 28 cents (post-consolidation) and 1.4 cents (pre-consolidation).

Non-executive directors’ remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum fees payable to non-executive directors, with the current approved limit being \$300,000. The Board determines the actual payments to directors. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors' remuneration continued

Non-executive directors are entitled to statutory superannuation benefits. At this stage of Stirling's development, non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All directors are entitled to have their indemnity insurance paid by Stirling.

Service agreements

The terms of employment for executive directors and specified executives are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

M Adams – Managing Director

Term of agreement:	No fixed term.
Base salary:	\$1,400 per day + GST inclusive of superannuation.
Other:	Motor vehicle to be supplied. Furnished accommodation in Perth for a period of six months from the date of relocation.
Termination provisions:	Either party may terminate by providing 30 days written notice.

K Vuleta – Chief Financial Officer

Term of agreement:	No fixed term.
Base Salary:	\$185,000 per annum inclusive of superannuation, to be reviewed annually. At the date of this report the current salary is \$200,000 per annum inclusive of superannuation.
Termination provisions:	Payment upon early termination by the Company (other than for serious misconduct) 3 months of annual salary for inadequate performance or long term incapacity and 3 months of annual salary upon redundancy. Mr Vuleta can terminate his employment upon provision of 3 months written notice.

Other than directors of the Company and the Chief Financial Officer, there were no other executive officers of the Group during the year. The company secretary is deemed to be an executive by virtue of being an officer of the Company. The role performed by the company secretary does not meet the definition of key management personnel under AASB 123; hence this officer has been excluded from the key management personnel disclosures in the financial report.

No performance payments were made or options were granted in accordance with employment contracts or as an incentive to join or continue with the Company.

Information on any benefits received by directors of Stirling Resources Limited by reason of a contract made by the consolidated entity with a director or a director-related entity is contained in Note 19 of the financial report.

Details of remuneration

The following table discloses details of the nature and amount of each element of the remuneration of each director of Stirling Resources Limited and the Group and each of the officers receiving the highest remuneration for the year ended 30 June 2010. The information in this table has been audited.

30 June 2010 Group and Parent	Short term employee benefits			Post-employment benefits		Share based payments				
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Shares	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Key management personnel</i>										
Directors										
<i>Executive directors</i>										
M Kiernan (i)	229,358	-	1,311	30,963	124,400	-	-	-	-	-
Non-executive directors										
D Nabarro (ii)	29,133	-	-	-	-	-	-	29,133	-	-
R Skatsche-Depisch	-	-	-	-	-	-	-	-	-	-
G Bedineishvili	-	-	-	-	-	-	-	-	-	-
R Lurf (iii)	-	-	-	-	-	-	-	-	-	-
J Shervington (iv)	44,000	-	-	-	-	-	-	44,000	-	-
J Kiernan (v)	35,900	-	-	-	-	-	-	35,900	-	-
P Page (vi)	25,161	-	-	-	-	-	-	25,161	-	-
R Poole (vii)	2,613	-	-	-	-	-	-	2,613	-	-
A Coulepis (viii)	2,323	-	-	-	-	-	-	2,323	-	-
Executives										
K Vuleta	183,486	-	10,379	16,514	-	-	-	210,379	-	-
I Wowesny	169,725	-	-	15,275	-	-	-	185,000	-	-
Total	721,699	-	11,690	62,752	124,400	-	-	920,541		

- i. M Kiernan resigned on 29 June 2010
- ii. D Nabarro was appointed as a Director on 21 September 2009
- iii. R Lurf was appointed as a Director on 29 June 2010.
- iv. J Shervington was appointed as a Director on 13 July 2009 and resigned on 18 June 2010.
- v. J Kiernan resigned as a Director on 29 June 2010.
- vi. P Page resigned as a Director on 12 March 2010.
- vii. R Poole resigned as a Director on 27 July 2009.
- viii. A Coulepis resigned as a Director on 24 July 2009.

30 June 2009 Group and Parent	Short term employee benefits			Post-employment benefits		Share based payments			
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits		Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Key management personnel</i>									
<i>Directors</i>									
<i>Executive directors</i>									
M Kiernan	114,679	-	590	10,321	-	-	125,590	-	-
<i>Non-executive directors</i>									
R Skatsche-Depisch (i)	-	-	-	-	-	-	-	-	-
G Bedineishvili (ii)	-	-	-	-	-	-	-	-	-
J Kiernan	-	-	-	-	-	-	-	-	-
P Page	12,000	-	-	-	-	-	12,000	-	-
P Phillip (iii)	2,930	-	-	-	-	-	2,930	-	-
R Poole	12,000	-	-	-	-	-	12,000	-	-
A Coulepis	-	-	-	-	-	-	-	-	-
<i>Executives</i>									
K Vuleta (iv)	57,560	-	13,003	6,311	-	-	76,874	-	-
Total	199,169	-	13,593	16,632	-	-	229,394		

- i. R Skatsche-Depisch was appointed as a Director on 7 May 2009.
- ii. G Bedineishvili was appointed as a Director on 19 February 2009.
- iii. P Phillip resigned as a Director on 11 February 2009.
- iv. K Vuleta was appointed as Chief Financial Officer on 9 February 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were as an Australian resources developer focusing on investment in and development of copper, gold and zircon projects.

OPERATING RESULTS

The net loss of the Group for the financial period after provision for income tax was \$17,482,795 (2009: loss \$2,447,828).

REVIEW OF OPERATIONS

During the financial year the Company progressed towards its goal of becoming a successful developer of copper, gold and zircon producing assets. The Company established a strong strategic partnership with DCM DECOMetal, a global commodity marketer and now a major shareholder of the Company.

The investment in Redbank Copper Limited has advanced with Redbank completing a \$2.5 million exploration and drilling program focussed on extensions of the known high grade resources, testing well defined targets for as yet undiscovered breccia pipes and on discovery and delineation of high grade sulfide resources in order to grow the mine life. The program of 1,000 metres of diamond core drilling in Bluff and Sandy Flats, along with 8,000 metres of RC drilling generated significant high grade sulfide drill intercepts. 5 new breccia pipes were confirmed. A new JORC compliant resource was announced in December 2009 with a 28% increase in total copper metal resources to 95,900 tonnes and a 50% increase in Indicated Resources to 2.76Mt. The total Indicated and Inferred JORC Resource is now 6.24Mt @ 1.5%Cu for 95,900 tonnes of contained metal.

A mine study for the development of the Redbank Copper Project was completed in September 2009. The study confirmed the positive economics of the project. This assists toward providing the basis for the redevelopment of Redbank as a mid sized economically robust high grade copper producer.

In order to further this project recommencement, a Capital Cost Study for the copper oxide project was prepared in April 2010 showing an overall capital budget of \$18.1m including a contingency of \$1.2m. An Implementation Plan was also commissioned to provide the detailed process for the final implementation directives of the project.

Matilda Zircon is now a zircon producer and aims to build up production of zircon concentrate. During the financial year Matilda Zircon continued the development of its Tiwi Islands zircon project and its Keysbrook leucoxene/zircon project with the following items of significance being achieved during the year:

- Mine plan was finalised and mining commenced at Tiwi Islands in June 2010.
- Environmental approval was granted for the Keysbrook Project by the Minister for Environment in Western Australia.
- Development Approvals have been applied for the Keysbrook Project and are currently referred to the State Administrative Tribunal for determination.

After a prolonged wet season in Northern Australia, Matilda Zircon geared up its Lethbridge project on the Tiwi Islands with the award of major contracts and upgraded the plant and facilities ready for the commencement of operations. New construction of the screening and slurry unit was completed in April with the new pre-concentrator underway in readiness for its installation at Lethbridge South. The in-pit slurry/screening unit allows efficient mining of the Lethbridge ore.

The camp and processing plant were successfully relocated in readiness for the June commencement. Mining commenced at Lethbridge West on 1 June 2010. Agreements were also executed for the barges and work boats to deliver the concentrate from Lethbridge Bay and shipping to China. Tricoastal Minerals (Holdings) Co. Ltd., a large Chinese mineral sands processor and distributor ("Tricoastal"), will purchase all concentrate from the Tiwi Islands under an agreement signed earlier in the financial year.

In June 2009, Stirling Resources reached agreement with the Administrators of Monarch Gold Mining Company Limited (subsequently renamed Swan Gold Mining Limited "Swan Gold") for a recapitalisation proposal to inject funds into Monarch to settle outstanding creditors' claims and to re-commence mining operations at the Mt Ida and Carnegie gold projects located in Western Australia. This recapitalisation proposal was approved by creditors of Monarch on 29 June 2009 and by the shareholders of Monarch on 10 September 2009. The recapitalisation was settled on 26 February 2010 and Monarch's administration was concluded. Refer to note 23. Swan Gold is undertaking detailed modelling and optimisation of its project assets towards a production focus.

DIVIDENDS

No dividend was paid or declared during the year and the directors do not recommend the payment of a dividend.

LIKELY DEVELOPMENTS

The Company expects to grow as a diversified Australian resources developer, targeting commodities supported by favourable demand fundamentals. Matilda Zircon Limited commenced production in July 2010 and the board expects it to continue mining at the Tiwi Island project during the next financial year.

Redbank Copper Limited and Swan Gold Mining Limited are each in pre-production planning phases and the board expects to finalise these plans with a view towards production.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Group and the expected results of those operations in subsequent years.

OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, 102,491,825 ordinary fully paid shares which are subject to options were unissued. The terms of these options are as follows:

Options granted over fully paid shares exercisable:

	Number
- exercisable at \$0.40 each on or before 30 June 2012	7,505,120
- exercisable at \$2.00 each on or before 30 June 2012	7,500,000
- exercisable at \$0.15 each on or before 30 June 2012	87,486,705
	<hr/> 102,491,825

Details of options issued and exercised during the financial year are contained in note 15 to the financial report. Subsequent to the end of the year no options were converted into fully paid ordinary shares.

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Capital raising initiatives to raise \$3.2 million by share placements in October 2009, December 2009 and March 2010 and successfully completing a share Rights issue totalling \$9.7 million in January and March 2010.
- Agreement entered into to expand high grade zircon interests through a major shareholding in Matilda Zircon Limited.
- The company completed a recapitalisation and acquired a major shareholding in near term gold producer, Swan Gold Mining Limited.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Significant events which have occurred subsequent to the end of the financial year are contained in Note 24 to the financial report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has taken out an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors or Officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has entered into indemnity agreements with each of the directors and officers of the Company. Under the agreements, the Company will indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company or any related entities.

ENVIRONMENTAL REGULATIONS

The Group is subject to significant environmental regulation in respect to its mining and mineral exploration activities. These obligations are regulated under relevant government authorities within Australia. The consolidated entity is a party to exploration and mine development licences. Generally, these licences specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Company by any government agency during the financial year ended 30 June 2010.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 17 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services disclosed in note 17 to the financial statements do not compromise the external auditor's independence, for the following reasons:

- All non-audit services have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and

None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditors' independence declaration is included on the following page of the annual report.

Signed in accordance with a resolution of the Board of Directors.



D Nabarro
Chairman

Perth, Western Australia
30 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Stirling Resources Limited
Level 1,143 Hay Street
Subiaco WA 6008

30 September 2010

Dear Sirs

Stirling Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Stirling Resources Limited.

As lead audit partner for the audit of the financial statements of Stirling Resources Limited for the financial year ended 30 June 2010 I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A T Richards
A T Richards
Partner
Chartered Accountants
Perth

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
Continued Operations			
Revenue	3a	685,231	76,100
Other Income	3b	485,746	-
Employee and directors – remuneration expenses		(2,816,809)	(332,837)
Share based payments	28	(87,115)	-
Depreciation and amortisation		(187,412)	(6,185)
Corporate and administrative expenses		(5,871,246)	(1,468,113)
Finance costs	3c	(1,208,540)	(208,176)
Impairment of exploration and evaluation expenditure		(1,343,977)	-
Impairment of non-current assets		(222,650)	(29,508)
		<u>(10,566,772)</u>	<u>(1,968,719)</u>
Gain on acquisition of subsidiary	30	4,764,741	-
Share of loss of associates accounted for using equity method	5	(890,458)	(479,109)
Impairment of associates accounted for using equity method	5	<u>(10,790,305)</u>	<u>-</u>
Loss from continuing operations		<u>(17,482,795)</u>	<u>(2,447,828)</u>
Income tax expense	4	-	-
Loss for the period		<u>(17,482,795)</u>	<u>(2,447,828)</u>
Attributable to:			
Owners of the company		(16,060,786)	(2,477,828)
Non-controlling interest		(1,422,009)	-
		<u>(17,482,795)</u>	<u>(2,447,828)</u>
Earnings per share	22		
Basic loss (cents per share)		(19.12)	(4.7)
Diluted loss (cents per share)		(19.12)	(4.7)

The above statements should be read in conjunction with the accompanying notes.
 The 2009 comparative period is for the period from 1 January 2009 to 30 June 2009.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
Loss for the year		(17,482,795)	(2,447,828)
Other comprehensive income			
Exchange differences on translation of foreign operations		52,672	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(17,430,123)	(2,447,828)
Total comprehensive loss attributable to			
Owners of the Company		(16,022,530)	(2,447,828)
Non-controlling interests		(1,407,593)	-
		(17,430,123)	(2,447,828)

The above statements should be read in conjunction with the accompanying notes.
The 2009 comparative period is for the period from 1 January 2009 to 30 June 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	150,975	892,919
Trade and other receivables	7	795,007	294,094
Inventory	8	25,089	-
Prepayments		80,876	24,919
TOTAL CURRENT ASSETS		1,051,947	1,211,932
NON-CURRENT ASSETS			
Trade and other receivables	7	1,229,860	1,305,365
Investments accounted for using the equity method	5	2,478,574	1,828,945
Other financial assets	9	10,923	3,897,048
Plant and equipment	10	4,849,358	3,189,114
Deferred exploration and evaluation expenditure	11	13,150,459	2,324,014
TOTAL NON-CURRENT ASSETS		21,719,174	12,544,486
TOTAL ASSETS		22,771,121	13,756,418
CURRENT LIABILITIES			
Bank overdraft		-	206,229
Trade and other payables	12	4,488,067	642,694
Borrowings	13	1,843,888	3,081,424
Provisions	14	101,100	34,457
TOTAL CURRENT LIABILITIES		6,433,055	3,964,804
NON-CURRENT LIABILITIES			
Borrowings	13	14,308,802	7,500,000
TOTAL NON-CURRENT LIABILITIES		14,308,802	7,500,000
TOTAL LIABILITIES		20,741,857	11,464,804
NET ASSETS		2,029,264	2,291,614
EQUITY			
Issued capital	15	35,938,289	23,226,503
Accumulated losses		(39,026,763)	(22,965,977)
Reserves	16	1,246,681	2,031,088
Parent shareholder deficit		(1,841,793)	2,291,614
Non-controlling interest	30	3,871,057	-
TOTAL EQUITY		2,029,264	2,291,614

The above balance sheets should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued capital	Reserves	Accumulated losses	Non-controlling interest	Total equity
Consolidated	\$	\$	\$	\$	\$
At 1 January 2009	20,326,590	2,031,088	(20,518,149)	-	1,839,529
Loss for the period	-	-	(2,447,828)	-	(2,447,828)
Total comprehensive income and expense for the period			(2,447,828)	-	(2,447,828)
<i>Equity Transactions:</i>					
Issue of share capital	2,949,738	-	-	-	2,949,738
Share issue expenses	(49,825)	-	-	-	(49,825)
At 30 June 2009	23,226,503	2,031,088	(22,965,977)	-	2,291,614
Loss for the year	-	-	(16,060,786)	(1,422,009)	(17,482,795)
Exchange differences arising on translation of foreign operations	-	38,257	-	14,415	52,672
Total comprehensive income and expense for the year	-	38,257	(16,060,786)	(1,407,594)	(17,430,123)
<i>Equity Transactions:</i>					
Initial recognition of non controlling interest (note 30)	-	-	-	2,477,176	2,477,176
Recognition in reserve of dilution in subsidiary	-	(891,359)	-	2,783,055	1,891,696
Share buy back	(34,811)	-	-	-	(34,811)
Issue of share capital	13,141,617	-	-	-	13,141,617
Share based payments	-	68,695	-	18,420	87,115
Share issue expenses	(395,020)	-	-	-	(395,020)
At 30 June 2010	35,938,289	1,246,681	(39,026,763)	3,871,057	2,029,264

The above statements should be read in conjunction with the accompanying notes. The 2009 comparative period is for the period from 1 January 2009 to 30 June 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED	
		2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,201,290	-
Payments to suppliers and employees		(6,982,133)	(1,503,814)
Interest received		92,021	4,827
Interest paid		(169,765)	-
Net cash used in operating activities	26b	(5,858,587)	(1,498,987)
Cash flows from investing activities			
Payments for exploration and evaluation		(2,404,740)	(2,324,014)
Payments for project evaluation		-	(260,327)
Payments for purchase of plant and equipment		(872,737)	(3,079,412)
Payment for security deposits		(359,233)	(113,000)
Costs of selling investments		(466,754)	-
Proceeds from the sale of investments		7,463,613	-
Proceeds from the sale of property, plant and equipment		503,700	-
Payment for investments		(15,961,087)	(3,265,410)
Net cash used in investing activities		(12,097,238)	(9,042,163)
Cash flows from financing activities			
Proceeds from issues of shares		7,898,655	2,949,738
Share issue costs		(549,970)	(49,825)
Proceeds from issue of share options		-	-
Payments for share buy back		(34,811)	-
Loans from / (to) related parties		9,470,000	(1,974,279)
Loans from other parties		463,111	10,100,000
Net cash provided by financing activities		17,246,985	11,025,634
Net (decrease) / increase in cash and cash equivalents		(708,840)	484,484
Cash and cash equivalents at the beginning of the financial period		886,253	202,206
Effect of exchange rate fluctuations on cash held		(26,438)	-
Cash and cash equivalents at the end of the financial year	26a	150,975	686,690

The above statements should be read in conjunction with the accompanying notes.
 The 2009 comparative period is for the period from 1 January 2009 to 30 June 2009.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Stirling Resources Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on the date of signing of the Directors' Report.

Stirling Resources Limited (the "Company") is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The Company changed its financial year end from 31 December to 30 June commencing from 30 June 2009. Consequently, the comparative period is for the period from 1 January 2009 to 30 June 2009.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial report complies with the Corporations Act (2001) and Australian Accounting Standards and Interpretations, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

Basis of Preparation

The financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The financial report is presented in Australian dollars unless otherwise noted.

The accounting policies adopted in the preparation of the financial report are consistent with those of the Group's previous annual financial report ending 30 June 2009 except for the impact of the Standards and Interpretations described below. These policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the group include:

- AASB 3 (2008) Business Combinations
- AASB 8 Operating Segments – disclosure impact only
- AASB 101 (2007) Presentation of Financial Statements – disclosure impact only
- AASB 127 (2008) Consolidated and Separate Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

Changes in ownership interests of subsidiaries

AASB127 (2008) Consolidated and Separate Financial Statements has been adopted in the current year and applies prospectively. The revised Standard has resulted in changes in the Group's accounting policies regarding increases and decreases in ownership interest in its subsidiaries. All increases or decreases in interests in subsidiaries are no longer accounted as goodwill or through profit and loss and are now recognised in equity.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any remaining interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss of control is recognised in profit or loss as the difference between the proceeds if any, and these adjustments.

During the year the Group attained control of Matilda Zircon Limited. See note 30 for further details.

Business combinations

AASB 3 (2008) Business Combinations applies prospectively to business combinations for which acquisition date is on or after 1 July 2009 and alters the manner in which business combinations are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the group, the application of the Standard has affected the accounting for the acquisition of subsidiary Matilda Zircon Limited in the current year.

AASB 3 (2008) and its consequential amendments to other Accounting Standards continues to apply the acquisition method to business combinations however with some significant changes. The effect of these changes has been to:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- allow a choice on an acquisition by acquisition basis for the measurement of the non controlling interests (previously referred to as minority interests) at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Under the previous policy the non-controlling interest was always recognised at its share of the acquiree's net assets.
- Require that acquisition related costs be accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business

The effect of the Group adopting AASB 3 is the expensing of \$42,773 acquisition related costs instead of accounting for these costs as part of the business combination.

In addition to the above, the adoption of these new and revised Standards and Interpretations have resulted in changes to the Group's presentation of, or disclosure in, its half year financial statements in the following areas:

- Presentation of the financial statements. Previously, in addition to the statement of financial position (formerly termed the Balance Sheet), the income statement and cash flow statement, the Group presented a statement of recognised income and expense. As a consequence of the adoption of AASB 101 Presentation of Financial Statements and its associated amending standards, the Group no longer presents a statement of recognised income and expense, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.
- Information about the Group's segments. The adoption of AASB 8 Operating Segments has resulted in both a re-designation of the Group's reportable segments and amended segment disclosures (see Segment Note 21).

Going Concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The ability of the Group and Company to continue their mineral project evaluation activities, and hence the continued adoption of the going concern assumption, is dependent on the Group raising additional funding as and when required.

The Group incurred a net loss after tax of \$17,482,795 and experienced net cash outflows from operating activities of \$5,858,587 for the year ended 30 June 2010. As at 30 June 2010 the Group had a working capital deficiency of \$5,381,108 (2009: \$2,752,872). Further as disclosed in note 29, the Company incurred a net loss after tax for the year ended 30 June 2010 of \$3,438,925 and as at 30 June 2010 the Company had a working capital deficiency of \$702,778.

It is the opinion of the board of directors that there are reasonable grounds to believe the operational and financial plans in place are achievable and accordingly the Company and Group will be able to continue as going concerns and meet their debts as and when they fall due.

During the year to 30 June 2010 and the period to the date of this report, the Directors have taken steps to ensure the Company and Group continue as going concerns. These steps included:

- The Company raised \$997,000 pursuant to a share placement in October 2009;
- The Company raised \$1,470,000 pursuant to a share purchase plan in December 2009;
- The Company raised \$825,000 pursuant to a share placement in March 2010;
- The Company raised \$9,800,000 pursuant to a share entitlement offer to shareholders in March 2010;
- The Company has been informed by its major shareholder, DCM DECOMetal GmbH, that it will continue to provide sufficient funding to support the Company's and Group's activities, consistent with the announcement to the ASX on 29 June 2010. DCM DECOMetal GmbH has provided a total of \$8,900,000 subsequent to 30 June 2010;
- Ongoing management of the level of expenditure in line with the funds available to the Group.

The ability of the Company and the Group to continue as going concerns is dependent on:

- Continued financial support from the Company's major shareholder, DCM DECOMetal GmbH. Based on current forecasts for the period 1 October 2010 to 30 September 2011 Stirling will require \$17,700,000 to fund its working capital and investment funding requirements and an undertaking not to require repayment of any amounts provided to the Group until such time as the Group has the ability to pay them;
- Ongoing management of the level of expenditure in line with funds available to the Group; and
- The ability of the Company and Group to secure additional debt / equity funding if required.

The Directors have reviewed the Company's and Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Should the Directors not be successful in achieving the matters set out above, there is significant uncertainty whether the Company and the Group will be able to continue as going concerns and therefore whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and the Group not be able to continue as going concerns.

(a) Basis of Consolidation

The consolidated financial statements are those of the consolidated entity comprising Stirling Resources Limited (“Stirling Resources” or the “Company”) (the parent entity) and all entities (including special purpose vehicles) that Stirling Resources controlled from time to time during the year and at the reporting date (the “Group”).

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the parent entity has control. Subsidiary acquisitions are accounted for using the acquisition method of accounting. In the Company’s separate financial statements, investments in controlled entities are carried at lower of cost and recoverable value. Such investments include both investments in shares issued by the subsidiary and other parent entity interest that in substance form part of the parent entity’s investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

The financial statements of subsidiaries are prepared on the same reporting year as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(b) Significant accounting judgements, estimates and assumptions

In the process of applying the Group’s accounting policies management has made the following significant accounting judgements and estimates in the preparation of these financial statements.

Exploration and evaluation

Exploration and evaluation expenditure has been carried forward in accordance with policy 2 (d) on the basis that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to the income statement.

Share based payment transactions

The Company measures the cost of equity settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by internal valuation using a binomial method using assumptions disclosed in Note 28.

Impairment of receivable

The Company assessed the amount of expected recovery based upon its best estimate.

(c) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less a provision for uncollectible debts. An estimate of the provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and evaluation expenditure (continued)

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, an impairment allowance is raised against any exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the impairment allowance is charged against the income statement for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area of interest is written off in the year in which the decision to abandon is made.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest are current. Amortisation is not charged on areas under development, pending commencement of production.

(e) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Service Revenue

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Dividend Revenue

Revenue from dividends is recognised when the rights to receive a dividend has been established.

(g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Depreciation is provided on a straight line basis on all plant and equipment. Major depreciation periods are:

Plant and equipment..... 2-12 years

Motor vehicles 3-5 years

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of non-financial assets

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit.

(i) Taxation

(i) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Basic and diluted earnings per share are calculated for both continuing operations and the aggregate of continuing and discontinued operations.

(l) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash includes cash on hand and in banks, as defined above (and money market investments readily convertible to cash on hand), net of outstanding bank overdrafts.

(m) Contributed Equity

Issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

(n) Borrowing costs

Borrowing costs incurred in relation to the provision of finance facilities are expensed in the year to which they were incurred except when the borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of the asset.

(o) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Interest calculated using the effective interest rate method is accrued over the year it becomes due and increases the carrying amount of the liability.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition. Investments comprising principally marketable equity securities are non-derivatives that are either designated in this category or not classified in any of the other categories.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 7) and receivables (note 7) in the balance sheet.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(r) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(s) Compound financial instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

3. REVENUE AND EXPENSES	CONSOLIDATED	
	30 June 2010	6 months ended June 2009
	\$	\$
(a) Revenue		
- Interest received	90,668	76,100
- Management fees	593,665	-
- Other	898	-
	685,231	76,100
(b) Other income		
- Profit on sale of investments	172,237	-
- Profit on sale of Property, plant and equipment	174,486	-
- Sundry income	139,023	-
	485,746	-
(c) Finance costs		
- Finance lease interest	-	11,314
- Interest on convertible note	195,000	80,137
- Interest on unsecured loans	988,540	116,725
- Other finance costs	25,000	-
	1,208,540	208,176

Notes to the Financial Statements

4. INCOME TAX	CONSOLIDATED	
	30 June 2010	6 months ended June 2009
	\$	\$
(a) Loss before income tax		
<i>The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from income tax provided in the financial statements as follows:</i>		
Accounting loss before income tax	17,482,795	2,447,828
At the Australian income tax rate of 30% (2009: 30%)	(5,244,839)	(734,348)
Expenditure not allowable for income tax purposes:		
Non-deductible expenses	943	159,195
Unused tax losses and offsets not recognised as deferred tax assets	5,243,896	575,153
Income tax benefit reported in the income statement	-	-
Net unrecognised deferred tax assets	5,908,094	3,972,509

The deferred tax assets will only be obtained in the relevant tax jurisdiction if:

- (i) future assessable income tax is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by the tax legislation are complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

(b) Income tax recognisable directly in equity	-	-
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5. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD	30 June 2010	6 months ended June 2009
	\$	\$
Investment in associates (a) (b)	2,478,574	1,828,945
(a) Reconciliation of movement in investment accounted for using the equity method – Redbank Copper Limited		
Balance at 1 July 2009	1,828,945	-
Additions	3,222,710	2,308,054
Share of loss for the period	(890,458)	(479,109)
Impairment write down to market value	(2,682,623)	-
Balance at 30 June 2010	1,478,574	1,828,945
(b) Reconciliation of movement in investment accounted for using the equity method- Swan Gold Mining Limited		
Balance at 1 July 2009	-	-
Recognition of associate	663,638	-
Additions	15,119,069	-
Disposals	(6,675,025)	-
Share of loss for the period – not actively trading	-	-
Impairment (i)	(8,107,682)	-
Balance at 30 June 2010	1,000,000	-

i. The investment in Swan Gold Mining Limited has been written down based on Stirling Resources Limited's 23.6% interest of an internal valuation of Swan Gold Mining Limited taking into consideration liabilities outstanding.

Name of Entity	Country of Incorporation	Principal Activity	Ownership 2010	Ownership 2009
Redbank Copper Limited	Australia	Copper exploration and evaluation	27.04%	28.05%
Swan Gold Mining Limited	Australia	Gold exploration and evaluation	23.60%	0%

As at 30 June 2010 Stirling Copper Pty Limited, a 100% subsidiary of Stirling Resources Limited, held 39,961,460 (2009:18,419,119) fully paid ordinary shares in Redbank Copper Limited (an Australian listed entity).

As at 30 June 2010 Stirling Gold Pty Limited, a 100% subsidiary of Stirling Resources Limited, held 175,491,690 (2009: Nil) fully paid ordinary shares in Swan Gold Mining Limited (an Australian listed entity).

Notes to the Financial Statements

6. CASH AND CASH EQUIVALENTS

6. CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
Cash at bank	149,697	77,585
Cash on deposit	744	814,834
Cash on hand	534	500
Cash and cash equivalents	150,975	892,919
Bank overdraft	-	(206,229)
	150,975	686,690

The bank overdraft of a subsidiary, Cellsense Pty Ltd was secured by a fixed and floating charge over its assets and a parent company guarantee provided by Stirling Resources Limited.

7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Unsecured loans – related parties (i)	2,855,290	2,855,290
Unsecured loan – Fiji Mortgage Investment (ii)	-	1,237,094
Provision for impairment of unsecured loans to related parties (ii)	(2,855,290)	(4,092,384)
Net amount of unsecured loans – related parties	-	-
Trade receivables (iii)	394,891	78,847
Other receivables (iii)	400,116	215,247
	795,007	294,094
NON CURRENT		
Unsecured loans – related parties (refer note 19a)	752,627	774,907
Net amount of unsecured loans – related parties	752,627	774,907
Other receivables (iii)	477,233	530,458
	1,229,860	1,305,365

- i. Represents unsecured loan to Cellsense. During 2009 the loan was fully provided for.
- ii. Fiji Mortgage which was fully impaired as at 30 June 2009 was disposed of during the year.
- iii. Non-interest bearing.

(a) Impaired trade and other receivables

As at 30 June 2010 current unsecured loans and other receivables of the Group with a nominal value of \$2,855,290 (2009: \$4,092,384) were considered impaired. The amount of the provision was \$2,855,290 (2009: \$4,062,876).

Up to one month	795,007	294,094
Over one month to three months (past due)	-	-
	795,007	294,094

8. INVENTORY	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
Concentrate on hand – at net realisable value	23,982	16,860
Finished product – at net realisable value	-	22,262
Stores and spares – at cost	1,107	-
	<u>25,089</u>	<u>39,222</u>

9. OTHER FINANCIAL ASSETS		
Shares in listed entities – at fair value	10,923	673,156
Investment in Third Party Entities	-	695,021
Convertible notes – associated entities (i)	-	1,000,000
Unsecured loans - associated entities (ii)	222,650	-
Provision for impairment	(222,650)	-
Secured loan – associated entity (iii)	-	1,528,871
	<u>10,923</u>	<u>3,897,048</u>

- i. Consisted of \$1,000,000 of convertible notes in Redbank Copper Limited. The convertible notes are interest free were converted into shares of Redbank Copper Limited in July 2009.
- ii. Loans to associated entities. Interest is charged monthly at a rate equal to 2% above the BBSY 90 day bid rate. The loans have been fully impaired as at 30 June 2010.
- iii. Secured loan was a \$1,528,871 loan to Redbank Copper Limited which had a maturity date of 28 February 2011. Interest was charged monthly at a rate equal to 2% above the BBSY 90 day bid rate. Security was by a first ranking fixed and floating charge over the assets of Redbank and its subsidiaries together with share mortgages over the shares of each of the subsidiaries. The loan was converted into ordinary shares of Redbank Copper Limited in December 2009.

10. PLANT AND EQUIPMENT		
Cost or valuation	5,898,997	3,195,299
Accumulated depreciation and impairment	(1,049,639)	(6,185)
	<u>4,849,358</u>	<u>3,189,114</u>
Plant and equipment	4,340,927	3,189,114
Land	270,094	-
Buildings	238,337	-
	<u>4,849,358</u>	<u>3,189,114</u>

Notes to the Financial Statements

	CONSOLIDATED			
	Plant and equipment	Land	Buildings	Total
	\$	\$	\$	\$
Cost or valuation				
Balance at 31 December 2008	193,127	-	-	193,127
Additions	3,002,172	-	-	3,002,172
Balance at 1 July 2009	3,195,299	-	-	3,195,299
Additions	872,737	-	-	872,737
Recognition of assets of subsidiary (note 30)	3,894,089	251,860	253,827	4,399,776
Disposals	(3,042,432)	-	-	(3,042,432)
Balance at 30 June 2010	54,919,693	251,860	253,827	5,425,380
Accumulated depreciation and impairment				
Balance at 31 December 2008	-	-	-	-
Depreciation expense	(6,185)	-	-	(6,185)
Balance at 1 July 2009	(6,185)	-	-	(6,185)
Disposals	-	-	-	-
Depreciation expense	(174,783)	-	(12,629)	(187,412)
Elimination of profit on sale of asset to subsidiary	(382,425)	-	-	(382,425)
Balance at 30 June 2010	(563,393)	-	(12,629)	(576,022)
Net book value				
As at 30 June 2009	3,189,114	-	-	3,189,114
As at 30 June 2010	4,356,300	251,860	241,198	4,849,358

During the year the Group acquired plant and equipment with an aggregate fair value of \$37,531 (2009 \$nil) by means of finance leases.

11. DEFERRED EXPLORATION AND EVALUATION	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
Opening balance	2,324,014	-
Tenement Acquisition costs (i)	-	2,324,014
Recognition of exploration on acquisition of subsidiary (note 30)	8,955,029	-
Exploration expenditure incurred in current year	4,514,374	-
Disposals	(1,173,999)	-
Impairment loss	(1,343,977)	-
Exchange differences	(124,982)	-
	<u>13,150,459</u>	<u>2,324,014</u>

i. Tenements acquired from Matilda Minerals Limited through a wholly owned subsidiary Stirling Zircon Pty Ltd.

The ultimate recoupment of costs carried forward for exploration expenditure is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest in the Group's subsidiary company Matilda Zircon Limited.

12. TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	1,528,454	236,664
Employee benefits	192,740	87,499
Sundry payables and accruals	2,766,873	318,531
	<u>4,488,067</u>	<u>642,694</u>

- a) Trade creditors and sundry payables are non-interest bearing and normally settled on 30 day terms.
- b) Employee benefits represent superannuation within the group and withholding taxes payable which are both non-interest bearing. The entire obligation is presented as current, since the group does not have a right to defer settlement.
- c) Sundry payables and accruals include \$1,049,872 accrued interest on \$10,000,000 commercial bond from DCM DECOMetal GmbH and \$178,929 accrued interest pursuant to \$2,600,000 convertible note held by DCM DECOMetal GmbH (refer note 13).

Notes to the Financial Statements

13. BORROWINGS	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
CURRENT		
Finance leases - secured	25,021	112,812
Insurance premium funding	29,787	-
Convertible note – other parties (i)	-	2,600,000
Unsecured loans – other parties (ii)	163,612	368,612
Unsecured loan – other parties (v)	900,468	-
Bank loan (iv)	725,000	-
	1,843,888	3,081,424
NON-CURRENT		
Unsecured loan – other parties (v)	1,708,802	-
Convertible note – other parties (i)	2,600,000	-
Commercial bond (iii)	10,000,000	7,500,000
	14,308,802	7,500,000

- i. Convertible notes are with DCM DECOMetal and are convertible at any time for 65,000,000 shares at \$0.04 per share. Interest is charged at 7.5% and payable quarterly. Maturity of the notes is on 30 January 2012. These convertible notes are not required to be settled in cash within the next year.
- ii. Unsecured loans from other parties are unsecured, with no interest charged and payable at call
- iii. Commercial bond is with DCM DECOMetal and is secured by a fixed and floating charge over the assets of Stirling Zircon Pty Ltd, with interest charged at 9.375%. Repayment is due 20 April 2012.
- iv. Matilda Zircon Limited loan with NAB. The carrying amount of assets pledged as security for the bank loan facility is \$725,000.
- v. These amounts are unsecured and non-interest bearing. The amounts are repayable at 5% of revenue per shipment of product from Matilda Zircon Limited or in 3 years, whichever is earlier.

14. PROVISIONS		
CURRENT		
Employee benefits	101,100	34,457
	101,100	34,457

Based on past experience the Group does expect all employees to take the full amount of accrued leave within the next 12 months.

15. ISSUED CAPITAL	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
(a) Ordinary shares		
146,496,143 (30 June 2009: 59,024,542)		
ordinary fully paid shares	<u>35,938,289</u>	<u>23,226,503</u>

(b) Movements in ordinary share capital	SHARES	\$
Balance – 31 December 2008	442,757,500	20,326,590
Share placement – 26 February 2009	110,000,000	2,200,000
Share purchase plan – 5 May 2009	4,736,878	94,738
Share placement – 22 May 2009	32,750,000	655,000
Share consolidation – 3 June 2009	(531,219,836)	-
Share issue costs	-	(49,825)
Balance 30 June 2009	59,024,542	23,226,503
Share buy back 26 August 2009 at \$0.25	(139,245)	(34,811)
Share placement 9 October 2009 at \$0.15	6,650,000	997,500
Options exercised 9 October 2009 at \$0.40	55	22
Share placement 22 December 2009 at \$0.15	9,800,000	1,470,000
Rights issue 29 January 2010 at \$0.15	14,257,801	2,138,670
Rights issue 15 March 2010 at \$0.15	51,277,496	7,691,601
Share placement 15 March 2010 at \$0.15	5,501,408	825,211
Options exercised 31 March 2010 at \$0.15	124,086	18,613
Share issue costs	-	(395,020)
Balance 30 June 2010	<u>146,496,143</u>	<u>35,938,289</u>

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

Notes to the Financial Statements

15. ISSUED CAPITAL (continued)	CONSOLIDATED		
	Weighted average exercise price \$	Options	Expiry date
(c) Movements in share options (listed and unlisted)			
Balance 31 December 2008		226,292,508	
Adjustment on consolidation of share capital		(203,633,247)	
Balance 30 June 2009	0.11	<u>22,629,261</u>	
Options exercised on 9 October 2009	0.40	(55)	30/06/2012
Options issued as per rights issue on 3 February 2010	0.15	15,370,038	30/06/2012
Options issued as per share placement on 8 February 2010	0.15	3,325,000	30/06/2012
Options issued as per share placement on 24 February 2010	0.15	3,325,000	30/06/2012
Options issued as per share placement on 15 March 2010	0.15	65,466,667	30/06/2012
Options exercised on 31 March 2010	0.15	(124,086)	30/06/2012
Options lapsed on 30 June 2010	1.00	(7,500,000)	30/06/2010
Balance 30 June 2010	0.30	<u>102,491,825</u>	

As at year end the following options over ordinary fully paid shares were outstanding:

	Options
- exercisable at \$0.40 each on or before 30 June 2012	7,629,206
- exercisable at \$2.00 each on or before 30 June 2012	7,500,000
- exercisable at \$0.15 each on or before 30 June 2012	<u>87,362,619</u>
	<u>102,491,825</u>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 2.0 years (2009 2.3 years).

Capital Risk Management

When managing capital, management's objective is to safeguard the entity's ability to continue as a going concern as well as to maintain optimum returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management has no current plans to reduce the capital structure through a share buy-back.

The Group is not subject to any externally imposed capital restrictions.

16. RESERVES	CONSOLIDATED	
	30 June 2010	30 June 2009
	\$	\$
General reserve	1,139,729	2,031,088
Foreign currency translation reserve	38,257	-
Share based payments reserve	68,695	-
	1,246,681	2,031,088
a) General reserve		
Balance at beginning of year	2,031,088	2,032,088
Cellsense allocation	-	(1,000)
Dilution in subsidiary	(891,359)	-
Balance at end of year	1,139,729	2,031,088
b) Foreign currency translation reserve		
Balance at beginning of year	-	-
Recognition of subsidiary	38,257	-
Balance at end of year	38,257	-
c) Share based payments reserve		
Balance at beginning of year	-	-
Subsidiary options	87,115	-
Non controlling interest	(18,420)	-
Balance at end of year	68,615	-

- a) The general reserve is used from time to time to transfer amounts to equity. There is no policy of regular transfer.
- b) The option and share-based payment reserve represents the value of equity benefits provided to directors and employees as part of their remuneration and the value of services provided to the Group paid for by the issue of equity.
- c) The foreign exchange translation reserve represents the exchange difference arising on translation of foreign controlled entities.

17. REMUNERATION OF AUDITORS		
Amounts paid or due and payable to the auditors for:		
Auditing or reviewing the financial report – current auditor	103,102	50,000
Auditing or reviewing the financial report – previous auditor	-	10,000
Advisory services	54,089	-
	157,191	60,000

Notes to the Financial Statements

18. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Key management personnel

Executive Director

Mr Michael Kiernan.....Managing Director, resigned 29 June 2010

Non-executive directors

Mr D Nabarro.....appointed 21 September 2009

Dr R Skatsche-Depisch

Mr G Bedineishvili

Dr R Lurf.....appointed 29 June 2010

Mr J Kiernanresigned 29 June 2010

Mr J Shervingtonappointed 13 July 2009, resigned 18 June 2010

Mr P Pageresigned 12 March 2010

Mr R Pooleresigned 27 July 2009

Mr A Coulepis.....resigned 24 July 2009

Executives

Mr K Vuleta.....CFO, Stirling Resources Limited

(b) Compensation of key management personnel

Remuneration by category	CONSOLIDATED	
	2010	2009
	\$	\$
<i>Key management personnel</i>		
Short-term employee benefits	733,389	212,762
Post-employment employee benefits	187,152	16,632
Share-based payment	-	-
	920,541	229,394

(b) Option holdings of key management personnel (consolidated)

Option holdings of key management personnel for Stirling Resources Limited

30 June 2010	Balance at 30 June 2009 or at date of appointment	Granted as remuneration	Options exercised	Net change other *	Balance at 30 June 2010 or at date of resignation	Balance vested and exercisable at 30 June 2010
Directors						
M Kiernan (i)	19,755,313	-	-	762,500	20,517,813	20,517,813
J Shervington	-	-	-	-	-	-
R Poole	-	-	-	-	-	-
A Coulepis	-	-	-	-	-	-
D Nabarro	-	-	-	-	-	-
P Page	-	-	-	-	-	-
J Kiernan (i)	19,755,313	-	-	762,500	20,517,813	20,517,813
R Lurf	-	-	-	-	-	-
G Bedineishvili	-	-	-	-	-	-
R Skatsche-Depisch (ii)	-	-	-	66,666,667	66,666,667	66,666,667
 Executives						
K Vuleta	-	-	-	-	-	-

* Other changes during the year include the rights issue entitlements and other on-market purchases.

- i. Held through Crawley Investments Pty Ltd
- ii. Held through DCM Decometal GmbH.

Option holdings for the following directors are from their respective dates of appointment –

D Nabarro (appointed 21 September 2009)

R Lurf (appointed 29 June 2010)

Option holdings for the following directors are to their respective dates of resignation –

M Kiernan (resigned on 29 June 2010)

J Shervington (resigned on 18 June 2010)

R Poole (resigned on 27 July 2009)

A Coulepis (resigned on 24 July 2009)

P Page (resigned on 12 March 2010)

J Kiernan (resigned on 29 June 2010)

During the year ended 30 June 2010 there were no individuals (other than the directors) who were responsible for the strategic direction and management of the consolidated entity, hence no executives are named above in respect of this year.

Notes to the Financial Statements

30 June 2009	Balance at 1 January 2009 or at date of appointment	Granted as remuneration	Options exercised	Net change other *	Balance at 30 June 2009 or at date of resignation	Balance vested and exercisable at 30 June 2009
Directors						
J Shervington	-	-	-	-	-	-
M Kiernan	190,011,467	-	-	(170,256,154)	19,755,313	-
R Skatsche-Depisch	-	-	-	-	-	-
J Kiernan	195,011,467	-	-	(175,256,154)	19,755,313	-
G Bedineishvili	-	-	-	-	-	-
D Nabarro	-	-	-	-	-	-
P Page	7,466,654	-	-	(7,466,654)	-	-
P Phillip	28,750	-	-	(25,875)	2,875	-
R Poole	-	-	-	-	-	-
A Coulepis	-	-	-	-	-	-

Option holdings for the following directors are from their respective dates of appointment:

J Shervington (appointed 13 July 2009)

R Skatsche-Depisch (appointed 7 May 2009)

G Bedineishvili (appointed 19 February 2009)

Option holdings for the following directors are to their respective dates of resignation:

P Phillip (resigned 11 February 2009)

R Poole (resigned 27 July 2009)

A Coulepis (resigned 24 July 2009)

(d) Share holdings of key management personnel (consolidated)

Share holdings of key management personnel

30 June 2010	Balance at 30 June 2009 or at date of appointment	On the exercise of options	Net change other *	Balance at 30 June 2010 or at date of resignation
Directors for SRE				
M Kiernan	11,285,000	-	2,470,638	13,755,638
J Shervington	-	-	-	-
R Poole	1,688,078	-	-	1,688,078
A Coulepis	315,000	-	-	315,000
D Nabarro	-	-	-	-
P Page	3,335,065	-	770,001	4,105,066
J Kiernan	11,285,000	-	2,470,638	13,755,638
R Lurf	-	-	-	-
G Bedineishvili (i)	11,000,000	-	66,666,667	77,666,667
R Skatsche-Depisch (i)	11,000,000	-	66,666,667	77,666,667
Executives				
K Vuleta	-	-	-	-

* Other changes during the year include the rights issue entitlements and other on-market purchases.

i. Shares held by DCM Decometal GmbH. Dr R Skatsche-Depisch and Mr G Bedineishvili are directors of DCM Decometal GmbH which is a major shareholder in Stirling Resources Limited.

Share holdings for the following directors are from their respective dates of appointment:

D Nabarro (appointed 21 September 2009)

R Lurf (appointed 29 June 2010)

Share holdings for the following directors are to their respective dates of resignation:

M Kiernan (resigned on 29 June 2010)

J Shervington (resigned on 18 June 2010)

R Poole (resigned on 27 July 2009)

A Coulepis (resigned on 24 July 2009)

P Page (resigned on 12 March 2010)

J Kiernan (resigned on 29 June 2010)

30 June 2009	Balance at 1 January 2009 or at date of appointment	On the exercise of options	Net change other *	Balance at 30 June 2009 or at date of resignation
Directors				
J Shervington	-	-	-	-
M Kiernan	106,000,000	-	(94,715,000)	11,285,000
R Skatsche-Depisch (i)	-	-	11,000,000	11,000,000
J Kiernan	111,000,000	-	(99,715,000)	11,285,000
G Bedineishvili (i)	-	-	11,000,000	11,000,000
D Nabarro	-	-	-	-
P Page	33,350,645	-	(30,015,580)	3,335,065
P Phillip	487,500	-	(315,000)	172,500
R Poole	14,525,645	-	(12,837,567)	1,688,078
A Coulepis	2,150,000	-	(1,835,000)	315,000

* Other changes during the year include the capital consolidation and other on-market purchases.

i. Shares held by DCM Decometal GmbH. Dr R Skatsche-Depisch and Mr G Bedineishvili are directors of DCM Decometal GmbH which is a major shareholder in Stirling Resources Limited.

Share holdings for the following directors are from their respective dates of appointment:

J Shervington (appointed 13 July 2009)

R Skatsche-Depisch (appointed 7 May 2009)

G Bedineishvili (appointed 19 February 2009)

Share holdings for the following directors are to their respective dates of resignation:

P Phillip (resigned 11 February 2009)

R Poole (resigned 27 July 2009)

A Coulepis (resigned 24 July 2009)

Except for equity issued as part of remuneration, all equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the consolidated entity would have adopted if dealing at arm's length.

Notes to the Financial Statements

Loans to key management personnel

There were no loans to key management personnel during the financial year. (2009: nil.)

Other transactions with directors

Transactions during the year between the consolidated entity and directors or their director-related entities are set out in Note 19(a).

Compensation options: granted and vested during the year (consolidated)

During the financial year no options were granted as equity compensation benefits to key management personnel.

Shares issued on exercise of compensation options (consolidated)

No compensation options were exercised during the financial year ended 30 June 2010.

No compensation options expired during the financial year ended 30 June 2010.

19. SIGNIFICANT TRANSACTIONS WITH VARIOUS PARTIES

(a) Transactions with related parties

During the year, Stirling Zircon Pty Ltd a 100% subsidiary of the Company received advances under a commercial bond amounting to \$2,500,000 (2009: \$7,500,000) from DCM DECOmetal GmbH a company associated with Ms R Skatsche-Depisch, on commercial terms including being secured by a fixed and floating charge over the assets of Stirling Zircon Pty Ltd, with interest charged at 9.375%. The amount of the loan outstanding at 30 June 2010 is \$10,000,000 (2009: \$7,500,000).

During the year the Company advanced \$1,220,000 (2009: \$1,220,493) to Redbank Copper Limited, a company in which Mr M Kiernan was a director. This amount was provided unsecured with commercial interest charged. An amount of \$860,000 (2009: \$1,000,000) was repaid during the year and \$735,000 of the principal and \$17,627 of accrued interest is outstanding at 30 June 2010.

On 17 December 2009, the debt facility provided by Stirling Resources Limited of \$1,558,634 (including interest) was converted at \$0.017 per share for 91,684,353 ordinary fully paid shares in Redbank Copper Limited (refer note 9).

Convertible notes issued to Stirling Resources Limited by Redbank Copper Limited were converted on 14 July 2009 (\$50,000,000 at \$0.02 per share) (refer note 9).

During the year the Company advanced \$1,170,000 (2009: \$350,000) to Matilda Zircon Limited, a controlled and consolidated entity. This amount was provided unsecured with commercial interest charged. The amount provided in 2009 was converted to 35,000,000 shares in Matilda Zircon pursuant to an agreement on 16 July 2009. An amount of \$495,000 (2009: nil) was repaid during the year and \$675,000 of the principal and \$84,507 of accrued interest is outstanding at 30 June 2010.

During the year, the Company paid a total of nil (2009: \$49,225) to Arthur Phillip Pty Limited a company associated with Mr P Page and Mr R Poole, for the provision of business advisory and fund raising services on normal commercial terms.

(b) Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Loan balances between the parent entity and its controlled entities are disclosed in the financial report of the parent entity. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity.

20. INVESTMENTS IN CONTROLLED ENTITIES AND JOINT VENTURES

Name of entity	Country of incorporation	Class of shares	Equity holding	
			June 2010	June 2009
			%	%
Alexanders C-Commerce Pty Ltd	Australia	Ordinary	100	100
Stem Cell Healthcare Pty Ltd	Australia	Ordinary	100	100
Cell Sense Pty Ltd	Australia	Ordinary	100	100
Bubba Stuff Pty Ltd	Australia	Ordinary	100	100
Stirling Gold Pty Ltd	Australia	Ordinary	100	100
Stirling Copper Pty Ltd	Australia	Ordinary	100	100
Stirling Zircon Pty Ltd	Australia	Ordinary	100	100
Stirling Coal Pty Ltd	Australia	Ordinary	100	100
Stirling Indonesia Pty Ltd (i)	Australia	Ordinary	100	100
Stirling Chromite Pty Ltd	Australia	Ordinary	100	100
Stirling Manganese Pty Ltd (ii)	Australia	Ordinary	100	100
Stirling Operations Limited	Australia	Ordinary	100	100
Stirling Resources Holdings Limited	Australia	Ordinary	100	100
Matilda Zircon Limited	Australia	Ordinary	64.29	N/A

i. Named changed from Stirling Iron Ore Pty Ltd on 3 December 2009

ii. Named changed from Stirling Tungsten Pty Ltd on 9 March 2010

21. SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments from 1 January 2009. AASB 8 requires the “management approach” under which operating segment information is presented on the basis that is used for internal reporting purposes and reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The predecessor standard (AASB 114 Segment Reporting) required segment information to be reported on a geographical and business basis. The Group previously operated predominantly in one business and geographical segment, being an investor in mineral exploitation and development companies in Australia. Even though ultimately all of the assets of the Company are deployed for these purposes, segments have now been identified for those specifically allocated to investments and in addition, as a consequence of acquiring a controlling interest in Matilda Zircon Limited during the year, new operating segments based on two geographic areas, Indonesia and Australia Exploration.

The Indonesian segment is the Group’s mineral sands operation in Indonesia. Revenue is derived from the processing and sale of mineral sands.

The Australian Exploration segment investigates, evaluates and develops the mineral assets of the Group in Australia. This segment does not derive revenue other than from the possible sale of mineral assets.

The Corporate segment provides the financial, corporate and administrative support required by the Group. This segment derives revenue from management fees and the management of funds on hand.

Notes to the Financial Statements

21. SEGMENT INFORMATION (continued)

Segments –Year ended 30 June 2010	Investments	Indonesia	Australia - exploration	Corporate	Discontinued Operations	Consolidated
	\$	\$	\$	\$	\$	\$
Segment revenue	346,723	898	-	823,356	-	1,170,977
Segment (loss) / profit	(12,291,203)	(361,112)	(1,198,010)	(3,632,470)	-	(17,482,795)
Unallocated expenses						-
Results from operation activities						(17,482,795)
Less: discontinued operation						-
Loss before tax - continuing operations						(17,482,795)
Segment Assets	2,105,655	950,657	17,820,460	1,894,349	-	22,771,121
Segment Liabilities	(15,681,811)	(1,707)	(1,867,369)	(3,190,970)	-	(20,741,857)
Investment in associates – equity method	2,478,574	-	-	-	-	2,478,574
Property, Plant & Equipment additions	-	-	-	219,774	-	219,774
Exploration additions	-	-	-	-	-	-
Included within segment result:						
Depreciation and amortisation	(74,064)	-	-	(113,348)	-	(187,412)
Loss in associates accounted for using the equity method	(890,458)	-	-	-	-	(890,458)
Impairment of non current assets	(11,012,955)	-	-	-	-	(11,012,955)
Exploration expenditure written off	-	(106,177)	(1,237,800)	-	-	(1,343,977)
Interest expense	(1,011,438)	-	-	(197,102)	-	(1,208,540)
Interest revenue	43,617	-	-	47,051	-	90,668
Segments - Six months ended 30 June 2009	Investments	Indonesia	Australia - exploration	Corporate	Discontinued Operations	Consolidated
	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	-	76,100	-	76,100
Segment (loss) / profit	(689,231)	-	-	(1,758,597)	-	(2,447,828)
Unallocated expenses						-
Results from operation activities						(2,447,828)
Less: discontinued operation						-
Profit before tax - continuing operations						(2,447,828)
Segment Assets	8,707,175	-	-	5,049,243	-	13,756,418
Segment Liabilities	(7,612,812)	-	-	(3,851,992)	-	(11,464,804)
Investment in associates – equity method	1,828,946	-	-	-	-	1,828,946
Property, Plant & Equipment additions	3,192,224	-	-	-	-	3,192,224
Exploration additions	2,324,014	-	-	-	-	2,324,014

21. SEGMENT INFORMATION (continued)

Segments –Year ended 31 June 2010	Investments	Indonesia	Australia - exploration	Corporate	Discontinued Operations	Consolidated
	\$	\$	\$	\$	\$	\$
<u>Included within segment result:</u>						
Depreciation and amortisation	-	-	-	(6,185)	-	(6,185)
Loss in associates accounted for using the equity method	(479,109)	-	-	-	-	(479,109)
Impairment of non current assets	(3,961)	-	-	-	-	(3,961)
Interest expense	(116,725)	-	-	(91,451)	-	(208,176)
Interest revenue	-	-	-	76,100	-	76,100

22. LOSS PER SHARE	Consolidated	
	2010	2009
	\$	\$
Loss used in calculating basic and diluted loss per share	(17,482,795)	(2,447,828)
Weighted average number of ordinary shares used in the calculation of basic loss per share	91,431,521	52,569,618
	2010 cents per share	2009 cents per share
Basic earnings per share		
From continuing operations	(19.12)	(4.7)
Diluted earnings per share		
From continuing operations	(19.12)	(4.7)

Effect of dilutive securities:

There is no impact of dilutive shares as the consolidated entity made a loss for the year, hence any dilution would reduce the loss per share. Diluted earnings per share is therefore the same as basic loss per share.

23. CONTINGENT LIABILITIES

Pursuant to the Recapitalisation Deed between Stirling, Stirling Gold Pty Limited, MGMC Pty Limited, Crawley Investments Pty Limited and Bryan Hughes as deed administrator of the Monarch group of companies. Swan Gold must pay \$10,641,300 to the Trustee within 8-12 months, and a further amount (estimated to be \$10,287,280) to the Trustee with respect to the Territory Trust within 24 months. The Company expects that Swan Gold will have sufficient available funds to cover these payments. However, should this not be the case, Swan Gold may raise additional capital to meet its payment obligations. Those obligations are secured by charges over the Swan Gold group's assets, and if Swan Gold fails to satisfy its obligations, as a result of not having sufficient funds and not being able to raise sufficient capital, the relevant security may be enforced and those assets may be sold. If the amount recovered is not sufficient to cover the amount owed to the Trustee, the Trustee may be entitled to a claim of damages against the Company for the amount of the difference and all other loss and damage flowing on from that.

There are no other material contingent liabilities of the Group at the reporting date.

Notes to the Financial Statements

24. SUBSEQUENT EVENTS

The significant event which has occurred subsequent to the end of the year other than has been disclosed in the financial report is:

- i) Since the end of the financial year, Stirling Resources Limited's parent company, DCM DECOMetal GmbH, has provided the group with \$8,900,000. Of these funds, \$7,200,000 has been lent to subsidiary and investee companies.

There are no other significant events which have occurred subsequent to the end of the year other than have been disclosed in the financial report.

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, receivables, payables, investments and loans.

The Group manages its exposure to key financial risks in accordance with the group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's acquired interest in financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Primary responsibility for identification and control of financial risks is borne between the board members and executive management.

Risk exposures and responses

(a) Interest rate risk

The Group's and Company's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities. The level of debt is disclosed in Note 13.

The Group has negotiated secured loan facilities with DCM DECOMetal GmbH, these facilities being one of the lowest interest bearing facilities available to the Group. Interest rates for these facilities are fixed rates. The Group continually monitors interest rate exposure and should interest rates rise significantly, given the cash reserves and future cash flows of the Group, it has an ability to repay the interest bearing facilities (see going concern in note 2).

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax profit higher / (lower)		Other Equity higher / (lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Consolidated				
+ 1% (100 basis points)	(118)	(81)	-	-
- 1% (100 basis points)	118	81	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances for the year.

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. Exposure at balance date is addressed in each applicable note.

The Company aims to minimise concentration of credit risk in relation to trade receivable by undertaking transaction with government corporations and in relation to loans to other parties by regular weekly monitoring of accounts by the Chief Financial Officer and Managing Director.

25. FINANCIAL INSTRUMENTS (continued)

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables other than loans.
- a regular risk review takes place on all receivables and loan balances
- a thorough continuing assessment process with all loan receivables

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other available credit lines.

The Group manages liquidity risk by monitoring forecast cash flows.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2010. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010.

Maturity analysis of financial assets and liabilities based on management's expectations.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Company has established comprehensive risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

30 June 2010						
Consolidated		< 6 months	6 - 12 months	1 - 5 years	>5 years	Total
		\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents		150,975	-	-	-	150,975
Trade and other receivables		795,007	-	-	-	795,007
Equity accounted investments		-	-	-	2,478,574	2,478,574
Other interest bearing financial assets		-		1,229,860	-	1,229,860
Other non-interest bearing financial assets		-	-	80,875	10,923	91,798
		945,982	-	1,310,735	2,489,497	4,746,214
Financial liabilities						
Trade and other payables		4,488,067	-	-	-	4,488,067
Non-interest bearing loans & borrowings		163,612	900,468	1,708,802	-	2,772,882
Interest bearing loans & borrowings		29,787	750,021	12,600,000	-	13,379,808
		4,681,467	1,650,489	14,308,802	-	20,640,758
Net Maturity		(3,735,485)	(1,650,489)	(12,998,067)	2,489,497	(15,894,544)

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (continued)

30 June 2009					
Consolidated	< 6 months	6 - 12 months	1 - 5 years	>5 years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	892,919	-	-	-	892,919
Trade and other receivables	294,094	-	1,305,365	-	1,599,459
Other interest bearing financial assets	24,919	-	2,528,871	-	2,553,790
Other non-interest bearing financial assets	-	-	-	1,368,177	1,368,177
	1,211,932	-	3,834,236	1,368,177	6,414,345
Financial liabilities					
Trade and other payables	848,923	-	-	-	848,923
Interest bearing loans and borrowings	112,812	-	10,468,612	-	10,581,424
	961,735	-	10,468,612	-	11,430,347
Net Maturity	250,197	-	(6,634,376)	1,368,177	(5,016,002)

(e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group entity's functional currency.

The Group has operations in Indonesia and is exposed to foreign exchange risk arising from currency exposures to Indonesian rupiah.

The Group manages foreign currency risk by monitoring forecast cash flows in currencies other than Australian dollars and ensuring that adequate Indonesian rupiah balances are maintained.

The objective of the Group's foreign exchange risk management policy is to ensure its financial viability despite potential periods of unfavourable exchange rates. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable exchange rates on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used.

No foreign currency hedging transactions were entered into during the financial year or prior financial year.

The Group's and parent entity's exposure to foreign exchange risk at 30 June 2010 was as follows:

Group & parent	30 June 2010		30 June 2009	
	IDR		IDR	
	AUD		AUD	
Cash & cash equivalents	2,226		17,108	
Net investment in foreign operation		822,540		1,099,114

For the year ended and as at 30 June 2010, if the Indonesian rupiah currency set out in the table below, strengthened or weakened against the Australian dollar by the percentage shown, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax loss higher / (lower)		Equity higher / (lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
Consolidated				
+ 10% change currency	(82,477)	(111,622)	82,477	111,622
- 10% change in currency	82,477	111,622	(82,477)	(111,622)

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

26. CASH FLOW STATEMENT

	CONSOLIDATED	
	12 months to June 2010	6 months to June 2009
	\$	\$
Cash balances comprise:		
Cash at bank	150,975	686,690

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

b) Reconciliation of net cash outflow from operating activities to loss after income tax

Loss after income tax	(17,482,795)	(2,447,828)
Impairment of non current assets	1,420,660	-
Profit on acquisition of subsidiary	(4,764,741)	-
Loss on sale of property, plant and equipment	450,697	-
Loss on disposal of investments	662,392	-
Depreciation	187,412	6,185
Share based payments	125,888	-
Payments for project evaluation	-	260,330
Write off of stamp duty on asset purchase	290,730	-
Write off of investments	47,478	-
Diminution of investments	11,908,415	489,607
Changes in operating assets and liabilities		
Decrease / (Increase) in receivables	(310,427)	(287,931)
Decrease / (Increase) in prepayments	(36,072)	(24,919)
Increase / (decrease) in payables	1,646,168	471,112
Increase / (decrease) in employee entitlements	(4,392)	34,457
Net cash outflow from operating activities	(5,858,587)	(1,498,987)

Notes to the Financial Statements

26. CASH FLOW STATEMENT (continued)

c) Non-cash transactions

During the 2010 financial year the Group entered into the following non-cash financing and investing transactions which are not reflected in the statement of cash flows:

- Convertible notes issued to Stirling Resources Limited from Redbank Copper Limited were converted on 14 July 2009 (50,000,000 at \$0.02 per share)
- As announced on 28 July 2009, Stirling Resources Limited settled the sale of its zircon assets to Matilda Zircon Limited which involved the following transactions:
 - a \$350,000 loan to Matilda Zircon Limited was converted to 35,000,000 Matilda Zircon Limited shares
 - Stirling Resources Limited's zircon assets were transferred to Matilda Zircon Limited for 250,000,000 shares at \$0.02 in Matilda Zircon Limited and a deferred cash settlement of \$1,000,000
 - Stirling Resources Limited acquired 171,000,000 shares in Matilda Zircon Limited previously held by Territory Resources Limited
- On 17 December 2009, the debt facility provided to Redbank Copper Limited of \$1,558,634 was converted at \$0.017 per share for 91,684,353 shares in Redbank Copper Limited.
- \$7,500,000 loan funds received by DCM DECOMetal GmbH as at 31/12/09 were converted to 50,000,000 ordinary shares during the March 2010 quarter as part of the placements approved at a general meeting held on 15 March 2010.

27. EXPENDITURE COMMITMENTS	CONSOLIDATED	
	12 months to June 2010	6 months to June 2009
	\$	\$
(a) Operating leases (non-cancellable)		
Minimum lease payments		
- not later than one year	505,514	522,248
- later than one year but not later than five years	1,104,886	1,855,291
- greater than five years	-	-
	1,610,400	2,377,539

(b) Finance leases

	2010		2009	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$	\$	\$	\$
Consolidated entity and parent entity				
Within one year	25,021	22,994	117,458	117,458
After one year but not more than five years	-	-	-	-
Greater than five years	-	-	-	-
Total minimum lease payments	25,021	22,994	117,458	117,458
Less amounts representing future finance charges	2,027	-	4,646	4,646
Present value of minimum lease payments	22,994	22,994	112,812	112,812

(c) Tenement expenditure proposed

Estimated lease rentals and exploration expenditure required to meet minimum expenditure requirements of the various Mines Departments in Australia to maintain current rights of tenure to mining and exploration tenements.

	CONSOLIDATED	
	2010	2009
	\$	\$
Minimum lease payments		
- not later than one year	458,000	574,000
- later than one year but not later than five years	1,647,600	2,296,000
- greater than five years	-	-
	2,105,600	2,870,000

28. SHARE BASED PAYMENTS

Share based payment plans for Stirling Resources

No options over ordinary shares were issued as share based payments during the year ended 30 June 2010 nor the year ended 30 June 2009

Share based payment plans for subsidiary – Matilda Zircon Limited

Employee Share Option Plan

Matilda Zircon Limited Incentive Option Scheme

The plan was approved by shareholders at a meeting held on 5 October 2009.

General Employee Share Loan Plan

The expense recognised in the income statement in relation to share-based payments is \$87,115.

The following share-based payment arrangements were in place during the current and prior periods:

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 1	9,000,000	4-Nov-09	30-Jun-12	0.04	0.003
Series 2	16,000,000	4-Nov-09	30-Jun-12	0.05	0.003
Series 3	3,500,000	2-Dec-09	30-Jun-12	0.05	0.002
Series 4	2,000,000	8-Mar-10	30-Jun-12	0.04	0.003
	2010	2010	2009	2009	
	No.	Weighted average exercise price	No.	Weighted average exercise price	
Outstanding at the beginning of the year	-	-	-	-	
Granted during the year	30,500,000	0.05	0	0	
Forfeited during the year	0	0	0	0	
Exercised during the year	0	0	0	0	
Expired during the year	0	0	0	0	
Outstanding at the end of the year	30,500,000	0.05	0	0	

Notes to the Financial Statements

Exercisable at the end of the year

The outstanding balance as at 30 June 2010 is represented by:

- 11,000,000 options over ordinary shares with an exercise price of \$0.04 each, exercisable upon meeting the above conditions and until 30 June 2012;
- 19,500,000 options over ordinary shares with an exercise price of \$0.05 each, exercisable upon meeting the above conditions and until 30 June 2012;

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 2.65 years (2009: 0)

The range of exercise prices for options outstanding at the end of the year was \$0.04 - \$0.05. (2009: Nil).

The weighted average fair value of options granted during the year was \$0.003 (2009: Nil).

The fair value of the equity-settled share options granted under both the option plans is estimated as at the date of grant using the binomial and Black and Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2010:

	SERIES 1	SERIES 2	SERIES 3	SERIES 4
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	60%	60%	60%	60%
Risk-free interest rate (%)	5.75%	5.75%	5.75%	5.75%
Expected life of option (years)	2.65	2.65	2.58	2.32
Exercise price (cents)	0.05	0.04	0.05	0.04
Grant date share price	4/11/2009	4/11/2009	4/11/2009	8/03/2010

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2010 is Nil; (2009: Nil).

29. PARENT ENTITY INFORMATION

(a) Financial Position

	2010	2009
	\$	\$
Assets		
Current assets	414,846	1,152,809
Non-current assets	15,355,213	4,757,224
Total assets	15,770,059	5,910,033
Liabilities		
Current liabilities	1,117,624	3,130,459
Non-current liabilities	2,600,000	-
Total liabilities	3,717,624	3,130,459
Equity		
Issued capital	35,938,289	23,226,503
Retained earnings	(25,917,942)	(22,479,017)
Reserves		
Asset Revaluation Reserve	(81,256)	-
Other reserves	2,113,344	2,032,088
Total equity	12,052,435	2,779,574

(b) Financial performance

Loss for the period	(3,438,925)	(1,752,989)
Other comprehensive income	-	-
Total loss for the period	(3,438,925)	(1,752,989)

(d) Contingent liabilities of the parent entity

Refer to note 23.

The 2009 comparative period is for the period from 1 January 2009 to 30 June 2009

Notes to the Financial Statements

30. BUSINESS COMBINATIONS

On 16 July 2009, Stirling Resources Limited acquired a 79.76% interest in Matilda Zircon Limited. Matilda Zircon Limited is a mineral sands development company and was acquired as part of Stirling's plan to build a strategic and diversified resources portfolio specifically focusing on investment opportunities in zircon, copper and gold.

Stirling Resources Limited acquired its interest as a result of the sale of its zircon assets to Matilda Zircon Limited which involved the following transactions:

- a \$350,000 loan to Matilda Zircon Limited was converted to 35,000,000 Matilda Zircon Limited shares
- Stirling Resources Limited's zircon assets were transferred to Matilda Zircon Limited for 250,000,000 shares at \$0.02 in Matilda Zircon Limited (which included 171,000,000 shares in Matilda Zircon Limited previously held by Territory Resources Limited) and a deferred cash settlement of \$1,000,000. The deferred settlement is to be payable from cash flow from the Zircon mineral assets or the sale of Matilda Zircon Limited's other assets (subject to reasonable and prudent working requirements). The deferred payment is an unsecured, interest free obligation.

Since 16 July 2009 and as at 30 June 2010, Stirling Resources Limited's interest has been diluted to 64.92% as a result of share issues made by Matilda Zircon Limited during the year. This has resulted in an \$891,359 net debit to the Equity Reserve.

Consideration transferred

Sale of Zircon mineral assets to Matilda Zircon Limited for 250,000,000 shares in Matilda Zircon Limited.

Acquisition related costs of \$42,773 have been excluded from the consideration transferred and included in the income statement.

Fair value of assets acquired and liabilities assumed at the date of acquisition – 31 July 2009	
	\$
Current assets	
Cash and cash equivalents	173,283
Receivables	118,923
Inventory	39,222
Prepayments	26,516
Non-current assets	
Property, plant and equipment	3,894,089
Mineral interests	12,628,694
Current liabilities	
Payables and provisions	(855,205)
Borrowings	(2,783,605)
Non-current liabilities	
Borrowings	(1,000,000)
Net identifiable assets acquired	12,241,917

Non-controlling interests

The non-controlling interest (\$2,477,176) in Matilda Zircon Limited is recognised at the acquisition date by the proportionate share of Matilda Zircon Limited's identifiable net assets.

30. BUSINESS COMBINATIONS (continued)**Purchase gain**

	\$
Fair value of net assets acquired	12,241,917
Less: consideration transferred	(5,000,000)
Less: non-controlling interest (20.24%)	(2,477,176)
Bargain purchase gain	<u>4,764,741</u>

NET CASH FLOW ARISING ON ACQUISITION

	\$
Consideration paid in cash	-
Add: Cash and cash equivalents acquired	<u>173,283</u>
Inflow of cash	<u>173,283</u>

Declaration by Directors

In the opinion of the Directors:

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Company's and Group's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
2. at the date of this declaration and as set out in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. as set out in Note 2, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



D Nabarro
Chairman

Perth, Western Australia
30 September 2009



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Independent Auditor's Report to the members of Stirling Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Stirling Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 55.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Stirling Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$17,482,795, experienced net cash outflows from operating activities of \$5,858,587 during the year ended 30 June 2010 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$5,381,108. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and consolidated entity to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 5 to 10 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Stirling Resources Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

A T Richards

A T Richards
Partner
Chartered Accountants
Perth, 30 September 2010

The Board has adopted the spirit and intent of the Principles of Good Corporate Governance and Best Practice Recommendations of the ASX Corporate Governance Council. The Council has recognised that these principles and recommendations do not contain a “one size fits all” solution and the Company has adopted what it considers good corporate governance relevant to its circumstances. A table has been included at the end of this statement detailing the Company’s compliance with the best practice recommendations.

A description of the Company’s main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies are available in the corporate governance section of the Company’s web-site at www.stirlingresources.com.au

Board of Directors

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board’s primary responsibility is to oversee the Company’s business activities and management for the benefit of shareholders. Day to day management of the Company’s affairs and the implementation of corporate strategies and policy initiatives are formally delegated by the Board to the Executive Director and senior executives, as set out in the Company’s Board charter.

Board composition

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of Chairman and Executive Director are not combined.
- the Chairman is elected by the full Board and is required to meet regularly with the Executive Director.

Board members should possess complementary business disciplines and experience aligned with the Company’s objectives, with a number of directors being independent and where appropriate, major shareholders and executives being represented on the Board. Consequently, at various times there may not be a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

The Board comprises six directors, of whom two directors, David Nabarro and Nigel Goodall are considered independent under the principles set out below. The Board has a predominance of non-executive directors. Details of the experience, qualifications and term of office of directors are set out in the Directors’ Report.

Directors’ independence

Having regard to the share ownership structure of the Company, it is considered appropriate by the Board that a major shareholder may be represented on the Board. Such appointment would not be deemed to be independent under ASX guidelines. In addition, it is considered appropriate by the Board to effectively utilise the Chairman’s skills as a consultant to provide crucial peer review of the corporate and commercial aspects of the Company’s operations.

The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors’ independence. Financial materiality thresholds used in the assessment of independence are set at 10% of the annual gross expenditure of the Company and/or 25% of the annual income or business turnover of the director.

Board performance review

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. Due to changes in the composition of the Board during the period, no formal assessment was undertaken during the year ended 30 June 2010.

Corporate Governance Statement

Trading in Company securities by directors, officers and employees

Trading of shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a Director, officer or an employee can deal in Company Shares. The policy prohibits trading in the Company's securities whilst the Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors please refer to the Directors' Report in these Financial Statements.

The Company's Trading Policy can be found on the Company's website.

Independent advice

A director is free to seek independent professional advice at the Company's expense concerning any aspect of his duties about which he feels obliged. There have been no instances of this recently.

General risk management

The Company conducts a regular annual review of its insurance requirements, coupled with implementation of insurance from time to time to cover specific projects or specific locations.

Shareholder communication

The board aims to ensure that shareholders and investors have equal access to the Company's information. The Company has policies and procedures designed to ensure compliance with ASX Listing Rules. This disclosure policy includes identification and recognition of matters which may have a material effect on the price of the Company's shares and notifying them to ASX. The Company also has in place a strategy to disseminate information to shareholders and encourage effective participation at shareholder meetings, as well as to communicate material to regulatory authorities and the broader community.

Review of corporate governance

The board has reviewed its current practices in light of the ASX Principles of Good Governance and Best Practice Guidelines, with a view to making amendments where applicable, after taking into account the Company's size and the resources it has available. As the Company's activities develop, further consideration will be given to increasing the size of the board and the implementation of additional governance committees.

ASX Best Practice Recommendations

The table below identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period:

Principle	Action taken and reasons if not adopted
Principle 1: Lay solid foundation for management and oversight 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management 1.2 Disclose the process for evaluating the performance of directors 1.3 Provide the information indicated in the Guide to reporting on Principle 1	Adopted
Principle 2: Structure the board to add value 2.1 A majority of the Board should be independent 2.2 The chairperson should be an independent director 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual 2.4 The board should establish a nomination committee 2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors 2.6 Provide the information indicated in Guide to reporting on Principle 2	Adopted except: 2.1 The Company comprises six directors, two of whom are considered independent. It is the intention of the Company to comply with this policy at a time when the size of the Company and its activities warrant such a structure. 2.4 The Company is not of a size that justifies having a separate Nomination Committee so matters typically considered by such a committee are dealt with by the full Board

Principle	Action taken and reasons if not adopted
Principle 3: Promote ethical and responsible decision making 3.1 Establish a code of conduct to and disclose the code or a summary of the code as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders 3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices 3.2 Establish and disclose a policy concerning trading in Company securities by directors, officers and employees 3.3 Provide the information indicated in Guide to Reporting on Principle 3	Adopted
Principle 4: Safeguard integrity in financial reporting 4.1 The board should establish an Audit Committee 4.2 Structure the audit committee so that it consists of: <ul style="list-style-type: none">• Only non-executive directors• A majority of independent directors• An independent chairperson who is not the chairperson of the Board At least three members 4.3 The audit committee should have a formal operating charter 4.4 Provide the information indicated in Guide to reporting on Principle 4	Adopted except: 4.1 The Company's Audit Committee consists of two member only, both of whom are independent. It is the intention of the Company to increase the number of Audit Committee members to three at a time when the size of the Company and its activities warrant such an increase.
Principle 5: Make timely and balanced disclosure 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance 5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'	Adopted
Principle 6: Respect the rights of shareholders 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings 6.2 Provide the information indicated in Guide to reporting on Principle 6	Adopted
Principle 7: Recognize and manage risk 7.1 Establish and disclosed policies for the oversight and management of material business risks 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Adopted except: 7.3 While the executives assess, analyse and report to the Board on risk, the board is yet to establish a formal risk management and reporting policy
Principle 8: Encourage enhanced performance 8.1 The board should establish a Remuneration Committee 8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives 8.3 Provide the information indicated in Guide to reporting on Principle 8	Adopted except: 8.1 The Company is not of a size that justifies having a separate Remuneration Committee so matters typically considered by such a committee are dealt with by the full Board

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report is set out below:

SHAREHOLDINGS (as at 1 October 2010)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below;

Shareholder	Number of ordinary shares	% of Issued capital
DCM DECOMETAL GMBH	77,666,667	53.02
Crawley Investments Pty Ltd	10,555,304	7.20
Sherrifmuir Holdings Pty Ltd (GPC A/C)	9,800,000	6.69

Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

Distribution of equity security holders

Category	Total shareholders
1-1,000	45
1,001-5,000	113
5,001-10,000	88
10,001-100,000	232
100,001-9,999,999,999	102
	580

The number of shareholders holding less than a marketable parcel of ordinary shares is 249.

On market buy-back

There is no current on market buyback.

Securities on issue

Category	Number
Ordinary Shares	146,496,143
Listed options expiring 30 June 2012 (\$0.40)	7,629,206
Listed options expiring 30 June 2012 (\$0.15)	87,486,705
Unlisted options expiring 30 June 2012 (\$2.00)	7,500,000

Twenty largest shareholders

Shareholder name	No of ordinary shares held	Percentage of capital held
DCM DECOMETAL GMBH	77,666,667	53.02
Crawley Investments Pty Ltd	10,550,304	7.20
Sherrifmuir Holdings Pty Ltd (GPC A/C)	9,800,000	6.69
Arthur Phillip Nominees Pty Ltd	3,903,501	2.66
Arthur Phillip Nominees Pty Ltd	1,912,500	1.31
The Cobra Group Pty Limited	1,725,000	1.18
Ian William Evans	1,400,000	0.96
Amanda Poole	1,332,500	0.91
Bloem Tober Consulting Pty Ltd (Bloem Tober SMSF A/C)	1,250,000	0.85
Eoin Malcolm Miller Johnson	1,200,000	0.82
John Warren Booth (John Booth Super Fund A/C)	1,149,000	0.78
Crawley Investments Pty Ltd	1,093,820	0.75
KPA Administration Pty Ltd	1,000,000	0.68
VFT Investments Pty Ltd	871,500	0.59
Brovest Pty Ltd	800,001	0.55

Twenty largest shareholders (continued)

Shareholder name	No of ordinary shares held	Percentage of capital held
Harlin Pty Ltd (Douglas Superannuation Account)	766,667	0.52
Vermar Pty Ltd (Cap A/C)	700,000	0.48
W M Ritchie (Aust) Pty Ltd	650,000	0.44
Vince Truda (Vince Truda Super A/C)	600,000	0.41
Bloem Tober Consulting Pty Ltd	575,000	0.39
	118,946,460	81.19

Twenty largest optionholders – options expiring 30 June 2012 (exerciseable at \$0.40)

Shareholder name	No of ordinary shares held	Percentage of capital held
Crawley Investments Pty Ltd	4,755,313	62.33
Crawley Investments Pty Ltd	762,500	9.99
Arthur Phillip Nominees Pty Ltd	748,419	9.81
Laurence James Kiernan	500,000	6.55
The Cobra Group Pty Limited	287,500	3.77
Just George Pty Ltd (Mark George Family A/C)	150,000	1.97
Zero Nominees Pty Ltd	89,286	1.17
Martin Luke Sumich	50,000	0.66
Jennifer Grice	25,000	0.33
Gasmere Pty Limited	23,750	0.31
Karl Anthony Page	22,500	0.29
Mervyn John & Kerry Patricia Davis	15,000	0.20
Haxby Pty Ltd	15,000	0.20
CRS Pty Ltd	12,500	0.16
Reknew Pty Ltd (Murray Miller S/Fund A/C)	12,500	0.16
Sharon Geraldine & Agnelo Valentine Fonseca	10,100	0.13
Kent Frederick Carter	10,000	0.13
Trenene Holdings Pty Ltd	7,500	0.10
Jeffacom Pty Ltd (Taylor Family A/C)	7,400	0.10
Victor Syrmis	6,174	0.08
	7,510,442	98.44

Twenty largest optionholders – options expiring 30 June 2012 (exerciseable at \$0.15)

Shareholder name	No of ordinary shares held	Percentage of capital held
DCM DECOMetall GMBH	66,666,667	76.31
Sherrifmuir Holdings Pty Ltd (GPC A/C)	9,800,000	11.22
Ian William Evans	1,400,000	1.60
Jeffacom Pty Ltd (Taylor Family A/C)	930,325	1.06
Goffacan Pty Ltd	856,833	0.98
Eoin Malcolm Miller Johnson	790,000	0.90
Westcap Pty Ltd	616,667	0.71
Brian Geary TV Services Pty Ltd	530,000	0.61
E W H Pty Ltd	400,000	0.46
Guy Lance Jones (BOQ Loan A/C)	350,000	0.40
Gasmere Pty Limited	278,882	0.32
John Hilton & Rafael Rodriguez (The Greenwich Superfund A/C)	233,333	0.27
Pao-Yu Chou (MCS Family A/C)	210,000	0.24
Kilkee Pty Ltd (Peterson Family A/C)	200,000	0.23
Eoin Malcolm Miller Johnson	190,000	0.22
Pontre Securities Pty Ltd	180,000	0.21
Shane Taylor	174,401	0.20
Michael Thomas Johnson	140,000	0.16
Mark Battaglia	133,333	0.15
Mash Super Pty Ltd (Maluish English S/F A/C)	125,000	0.14
	84,205,441	96.39