
STIRLING RESOURCES LIMITED

ACN 009 659 054

NOTICE OF GENERAL MEETING

TIME: 10.00am (WST)

DATE: 15 June 2009

PLACE: Celtic Club, 48 Ord Street, West Perth, Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6389 6800.

CONTENTS PAGE

| | |
|--|---|
| Notice of General Meeting (setting out the proposed resolutions) | 3 |
| Explanatory Statement (explaining the proposed resolutions) | 4 |
| Glossary | 6 |
| Proxy Form | 7 |
| Annexure A - Independent Expert's Report | 9 |

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **10.00 am (WST) on 15 June 2009** at:

**Celtic Club
48 Ord Street
West Perth, WA**

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Stirling Resources Limited, Ground Floor, 150 Hay Street, Subiaco, Western Australia, 6008; or
- (b) facsimile to the Company on facsimile number (+61 8) 6389 6810,

so that it is received not later than **5.00 pm (WST) on 12 June 2009**.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10.00 am (WST) on 15 June 2009 at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5.00pm (WST) on 13 June 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – APPROVAL TO GRANT CHARGE TO SUBSTANTIAL HOLDER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the deemed disposal of a substantial asset as a result of the Company’s wholly owned subsidiary, Stirling Zircon Pty Ltd, granting a charge over its assets in favour of DCM DECOMetal GmbH in relation to a loan made available to Stirling Zircon Pty Ltd.”

Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Stantons International Securities for the purposes of the Shareholder approval required under ASX Listing Rule 10.1 which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this resolution by DCM DECOMetal GmbH or a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED: 15 MAY 2009

BY ORDER OF THE BOARD

**ILDIKO WOWESNY
COMPANY SECRETARY
STIRLING RESOURCES LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am (WST) on 15 June 2009 at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1 – APPROVAL TO GRANT CHARGE TO SUBSTANTIAL HOLDER

1.1 Background

On 27 April 2009, the Company's wholly owned subsidiary, Stirling Zircon Pty Ltd (**Stirling Zircon**), entered into a commercial bond agreement with DCM DECOMetal GmbH (**DCM**) pursuant to which DCM agreed to provide debt funding to Stirling Zircon by way of a loan of \$10 million (**Loan**) (**Agreement**). The material terms of the Agreement are as follows:

- (a) (**Conditions precedent**): the Loan will be made available subject to satisfaction of certain conditions precedent, including that:
 - (i) at least two clear business days before the drawdown date, DCM has received the following:
 - (A) a copy of the constituent documents and certificate of incorporation of Stirling Zircon;
 - (B) evidence that all action required under the constituent documents of Stirling Zircon in relation to its entry into the transaction documents has been duly taken;
 - (ii) the warranties and representations set out in the Agreement are correct and not misleading as at the drawdown date;
 - (iii) no event of default or potential event of default subsists as at the drawdown date;
- (b) (**Conditions subsequent**): the Loan is also subject to the satisfaction of certain conditions subsequent, including that:
 - (i) DCM has received in form and substance satisfactory to it each transaction document unconditionally executed and delivered by Stirling Zircon and, at DCM's option, either:
 - (A) evidence that it is duly stamped and registered; or
 - (B) all documents and the money required by DCM to promptly stamp and register the transaction documents;
 - (ii) the Company's shareholders have approved, for the purposes of ASX Listing Rule 10.1, the granting of a first ranking fixed and floating charge by Stirling Zircon in favour of DCM over all of Stirling Zircon's assets to secure its obligations under the Agreement;

- (c) **(Advance date)**: Subject to the satisfaction of the conditions precedent, DCM will advance the Loan at times mutually agreed between Stirling Zircon and DCM;
- (d) **(Interest)**: Stirling Zircon will pay interest quarterly on the outstanding Loan at 9.375% per annum (**Lower Rate**), unless an event of default occurs in which case the interest rate will be the Lower Rate plus 1.0%. Interest may be capitalised on the Loan at DCM's discretion;
- (e) **(Repayment)**: Stirling Zircon must repay the Loan to DCM on the earlier of:
 - (i) that date which is three years after the date of advance;
 - (ii) in the event that the conditions subsequent are not satisfied or waived, within eight months of the date of advance; and
 - (iii) upon an event of default occurring and DCM demanding earlier repayment;
- (f) **(Voluntary Repayment)**: Stirling Zircon may voluntarily repay all or part of the Loan and no break costs are payable on any such voluntary repayment; and
- (g) **(Representations and warranties)**: Stirling Zircon provides representations and warranties to DCM which are standard in agreements of this nature.

On 7 May 2009, DCM advanced an amount of \$7.5 million to Stirling Zircon pursuant to the Agreement.

Resolution 1 seeks approval from Shareholders for the deemed disposal of a substantial asset as a result of Stirling Zircon granting the Charge to DCM for the purposes of ASX Listing Rule 10.1.

1.2 **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities).

An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules.

For the purposes of ASX Listing Rule 10.1, DCM is a substantial holder because it holds in excess of 10% of the issued shares in the Company.

The granting of the Charge by Stirling Zircon in favour of DCM is deemed under ASX Listing Rule 10.1 to be a disposal of the underlying assets and the value of the debt secured is greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX. As such, Shareholder approval is required for the purpose of ASX Listing Rule 10.1.

1.3 **Independent Expert's Report**

ASX Listing Rule 10.10 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition or disposal from an independent expert. Accompanying this Notice of Meeting is an

Independent Expert's Report prepared by Stantons International Pty Ltd concluding that the proposed transaction is **fair and reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, advantages and disadvantages of the transaction, the methodology of the valuation and the assumptions made.

2. ENQUIRIES

Shareholders may contact Ildiko Wowesny on (+ 61 8) 6389 6800 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Company means Stirling Resources Limited (ACN 009 659 054).

Corporations Act means the Corporations Act 2001 (Cth).

DCM means DCM DECOmetal GmbH.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting means the meeting convened by the Notice of Meeting.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

Resolutions means the resolutions set out in the Notice of Meeting as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Stirling Zircon means Stirling Zircon Pty Ltd (ACN 134 844 483).

WST means Western Standard Time as observed in Perth, Western Australia.

PROXY FORM

APPOINTMENT OF PROXY
STIRLING RESOURCES LIMITED
ACN 009 659 054

GENERAL MEETING

I/We
of

being a member of Stirling Resources Limited entitled to attend and vote at the General Meeting, hereby

Appoint
Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10.00 am (WST), on 15 June 2009 at the Celtic Club, 48 Ord Street, West Perth, Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolution 1** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 1 and that votes cast by the Chair of the General Meeting for Resolution 1 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

OR

Voting on Business of the General Meeting

Resolution 1 – Approval to Grant Charge to Substantial Holder FOR AGAINST ABSTAIN

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

STIRLING RESOURCES LIMITED
ACN 009 659 054

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Stirling Resources Limited, P.O. Box 870, West Perth, WA 6872; or
 - (b) facsimile to the Company on facsimile number +61 8 6389 6810,so that it is received not later than 5.00 pm (WST) on 12 June 2009.

Proxy forms received later than this time will be invalid.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT

8 May 2009

The Directors
Stirling Resources Limited
Level 14, 15-19 Bent Street
Sydney NSW 2000

Dear Sirs,

RE: STIRLING RESOURCES LIMITED (ACN 009 659 054) MEETING OF SHAREHOLDERS TO CONSIDER A RESOLUTION UNDER AUSTRALIAN SECURITIES EXCHANGE (“ASX”) LISTING RULE 10.1 RELATING TO THE PROPOSAL TO ALLOW A CHARGE OVER THE ASSETS OF STIRLING ZIRCON PTY LTD (A SUBSIDIARY OF STIRLING RESOURCES LIMITED) BY DCM DECOMetal GmbH.

1. INTRODUCTION

- 1.1 We have been requested by the Directors of Stirling Resources Limited (“Stirling” or “the Company”) to prepare an Independent Expert’s Report to determine the fairness and reasonableness of the transaction referred to in resolution 1 as detailed in the Notice of Meeting to Stirling shareholders (“the Notice”) to be issued to shareholders in May 2009. Resolution 1 relates to the proposal to allow DCM DECOMetal GmbH (“DCM”) a substantial shareholder (19.90%) in Stirling to take a charge (“Charge”) over the assets and undertakings of Stirling Zircon Pty Ltd (“SZ”) a wholly owned subsidiary of Stirling. On 8 February 2009 the Company together with SZ, Matilda Minerals Limited (Administrators Appointed), (“Vendor”) and Martin Jones, Andrew Saker and Darren Weaver in their capacity as joint and several administrators (“Administrators”) executed an Asset Sale Agreement (“Agreement”) for SZ to purchase from the Vendor certain assets comprising plant and equipment, Tiwi Island Tenements and Queensland Tenements (“Matilda Assets”) for a total purchase price of \$4,800,000. In terms of the agreement a deposit of \$275,000 was due and payable on the date of the Agreement and the balance of \$4,525,000 on the completion date as provided in clause 6 of the Agreement. The deposit was paid by Stirling on behalf of SZ in February 2009 and Stirling announced on 8 May 2009 that in anticipation of settlement, Stirling had paid the balance of \$4,525,000 into a trust account pending completion. The agreement is subject to and conditional upon the approval and consent of the Ministers responsible for the relevant Mining Acts in respect of the transfer of the Matilda Assets. Further details are outlined below. The Company through its wholly owned subsidiary SZ proposes entering into a Commercial Bond agreement (“Loan Agreement”) with DCM to borrow \$10,000,000 (“Loan”) that will be used to complete the acquisition of the Matilda Assets by payment of the balance of \$4,525,000, repaying Stirling the loan resulting from the payment of the deposit of \$275,000 on behalf of SZ and proposes to undertake exploration, mining and other activities as outlined in paragraphs 1.4 and 1.6 below. DCM as a loan condition is to take

a charge over the assets and undertakings of SZ (including the Matilda Assets being acquired by SZ and any other assets and undertakings subsequently acquired by SZ). SZ was incorporated in January 2009. Further details are outlined in the Explanatory Statement to Shareholders (“EM”) accompanying the Notice of Meeting (“Notice”).

- 1.2 Stirling (formerly Alexanders Securities Limited) is a listed public company incorporated in and domiciled in Australia. According to the recently issued audited accounts of the Company for the year ended 31 December 2008 the principal activities of the Company was general investment, investment of funds shares and securities and the examination of venture capital and financial services and during the financial year ended 31 December 2008, the Company changed its name to Stirling Resources Limited and is focusing on investment and development of copper, zircon, gold, coking coal and iron ore projects. At 31 December 2008 the company had a 100% interest in the shares of Alexanders C-Commerce Pty Ltd, Stem Cell Healthcare Pty Ltd, Cell Sense Pty Ltd and Bubba Stuff Pty Ltd.
- 1.3 On 3 February 2009, Stirling announced that it had raised \$2.6 million through the issue of convertible notes (“Notes”) to global resource company DCM, and will partner with DCM to develop Australian resources opportunities. The Notes issued to DCM are convertible within 36 months from issue to 65,000,000 ordinary shares at 4 cents per share. In addition, DCM subscribed for 110,000,000 shares at 2 cents each in Stirling in February 2009 to become a 19.90% shareholder in Stirling.
- 1.4 On 17 February 2009 Stirling announced to the ASX that the “Tiwi Island Zircon Project acquired by Stirling was previously producing and shipping zircon concentrate to China. The investment includes a complete operating plant and all support equipment as well as the high grade tenement package. The Cape York Zircon Project, north of Weipa in Queensland, includes more than 300 kilometers of prospective coastline. Previous preliminary exploration has identified high grade zircon occurrences and significant strandlines, with potentially low strip ratios and slime levels. Stirling will spend up to \$500,000 on further exploration at Cape York, with the program to commence immediately after the wet season in mid 2009. The assets include all mining information, the wet processing plant, associated camp, laboratory and administration buildings, workshop and spares, Perth based office furniture and equipment and motor vehicles. Process plant includes Feeders, screens, pumping equipment, HMC separator and cyclones. The Tiwi Island Project will provide us with a quick avenue to production, while the Queensland project presents a particularly exciting longer term significant project, Mr Kiernan said. Mr Kiernan said over the next five years, Stirling would be aiming to ramp up production of zircon concentrate to the equivalent of 50,000 tonnes per annum.”
- 1.5 On 3 April 2009 Stirling announced to the ASX a Shareholder Share Purchase Plan (“SPP”) for shareholders to acquire shares at 2 cents per share. Stirling also announced that it will undertake a bonus issue of options to shareholders on the basis of one free option for every four shares held exercisable at 40 cents per share on or before 30 June 2012. The SPP closed on 29 April 2009 and raised \$94,737 from the issue of 4,736,878 shares.
- 1.6 On 5 May 2009 Stirling announced that it will sell the Matilda Assets currently being acquired to Olympia Resources Limited (“Olympia”) for a total of 250,000,000 Olympia shares and a deferred cash payment of \$1,000,000. As part of this transaction, Stirling through its subsidiary SZ will acquire approximately 171,000,000 Olympia shares currently held by Territory Resources Limited (“Territory”) and a \$1,750,000 debt owed by Olympia to Territory for a payment of \$1,750,000 to Territory. SZ will also be issued with approximately 79,000,000 Olympia shares and a \$1,000,000 deferred cash payment

which is to be satisfied by cashflows from the mineral sands assets. Stirling through its subsidiary SZ will also provide a loan of \$350,000 to Olympia for working capital purposes, which will be converted to 35,000,000 shares in Olympia. Following the transaction Stirling through SZ will hold 285,000,000 Olympia shares or approximately 82% of the issued capital of Olympia. The transaction is materially conditional upon Olympia Shareholders approval, Ministerial approval to transfer tenements and SZ's completion of the transaction to acquire the Matilda Assets.

- 1.7 On 8 May 2009 Stirling announced that in anticipation of settlement, Stirling has today paid the balance of the \$4,525,000 purchase price for the Matilda Assets into trust pending completion.
- 1.8 The material terms of the Loan Agreement from DCM to SZ are as follows:
- (a) The loan is for \$10,000,000.
 - (b) The loan is repayable 3 years after the drawdown date which is two business days after the satisfaction of conditions precedent in clause 2.1 of the Loan Agreement.
 - (c) The interest rate (payable quarterly in arrears) is 9.375% per annum ("Lower rate").
 - (d) In the event of a default or if the interest payment calculated at the Lower Rate is not paid by SZ before the relevant interest payment date, the interest rate is equal to the aggregate of 1% per annum and the Lower Rate.
 - (e) The loan will be secured by way of a fixed and floating charge ("Charge") over all the present and future property, assets and undertakings of SZ as noted below (Stirling is not guaranteeing the Charge and DCM has no right to recover any debt owing by SZ from the assets of Stirling and its other subsidiaries).

Further details are included in the EM attached to the Notice.

- 1.9 As security for the Loan, SZ will grant a fixed and floating charge over all its assets and undertakings that in affect are the Matilda Assets and other assets generated as a result of exploitation of the Matilda Assets (such as cash, receivables, inventories, new plant etc) or the shares and loans arising from the sale of the Matilda Assets as noted in paragraph 1.6 above. The following are events of default under the Charge and Loan Agreements:
- if SZ does not repay the outstanding principal in accordance with the relevant transaction documents;
 - if SZ breaches the terms of the Loan Agreement or Charge and that breach is not capable of remedy;
 - if SZ breaches the terms of the Loan Agreement or Charge and that breach, if capable of remedy, has not been remedied within 10 business days of receiving notice of the breach from DCM requiring that breach to be remedied or SZ does not during that period take all action which in DCM's opinion is necessary to quickly rectify the default;
 - if SZ ceases or threatens to cease to carry on its business or a substantial part of its business;
 - if SZ enters liquidation or insolvency;
 - an authorisation from a government body necessary to enable SZ to comply with its obligations under the Charge and Loan Agreements or carry on its principal business; or DCM to exercise its rights under the Charge and Loan agreements is withheld or ceases to be in full force or effect;
 - if any representation, warranty, undertaking or statement made or deemed to be

made by SZ in relation to the entering of the Loan Agreement or Charge is untrue or misleading or any reply to any requisition made by DCM is untrue or misleading;

- if there is a material adverse change affecting SZ;
- if any loan or other financial accommodation of SZ in excess of \$250,000 becomes due for payment or capable of being declared due for payment before its stated maturity other than by the exercise of an option of the Company to pay it before its maturity; and
- If a person who holds a security interest over property of SZ becomes entitled to enforce the other security.

After an event of default occurs, DCM may by notice to SZ declare that all or any part of the outstanding principal is immediately due and payable.

1.10 ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities). An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purposes of ASX Listing Rule 10.1, DCM is a substantial shareholder because it holds in excess of 19% of the ordinary issued shares in Stirling which owns 100% of SZ. The giving of the charge over the Assets and undertakings of SZ is considered by ASX to be a potential disposal of an asset and the Matilda Assets being charged represent more than 5% of Stirling's equity interests as set out in its latest audited accounts to 31 December 2008. As such, shareholder approval for the issue of a charge over the Matilda Assets of SZ is required for the purposes of ASX Listing Rule 10.1 and an Independent Expert's Report should accompany the Notice of Meeting stating whether the proposal (to issue the Charge) as noted above is fair and/or reasonable to the shareholders of Stirling not associated with DCM. We are not reporting on the actual issue of the \$10,000,000 loan from DCM to SZ.

1.11 Under ASIC Regulatory Guideline 111 "Contents of Expert Reports" and ASX Listing Rule 10.11 an Independent Expert's Report is required to report on the fairness and reasonableness of the transactions pursuant to resolution 1. The Directors have requested Stantons International Securities to prepare an Independent Expert's Report to assist the shareholders in determining how to vote on resolution 1 as outlined in the Notice.

1.12 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of SZ
- Consideration of advantages and disadvantages (and other factors) relating to the giving of a Charge (that includes considering fairness and reasonableness of the proposal to issue the Charge)
- Conclusion as to Fairness and Reasonableness
- Sources of information
- Appendix A and our Financial Services Guide

2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transactions and proposals pursuant to resolution 1, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Regulatory Statement 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not. In this case there is no offer of securities so our report concentrates on considering the advantages, disadvantages and other factors of entering into the Charge.

Accordingly, our report relating to resolution 1 is concerned with the fairness and reasonableness of the proposals from the point of view of the existing non associated shareholders of Stirling (not associated with DCM).

2.2 In our opinion:

The proposals as outlined in resolution 1 whereby SZ will provide security to DCM by way of a Charge over its assets and undertakings for a Loan of \$10,000,000, on balance **may be considered to be fair and reasonable to the non-associated shareholders of Stirling.**

3. IMPLICATIONS OF THE PROPOSALS

- 3.1 SZ will complete the acquisition of the Matilda Assets by paying Matilda the balance (\$4,525,000) of the purchase price (\$4,800,000) out of the proceeds of the Loan from DCM. In addition SZ will refund Stirling the deposit paid by Stirling on behalf of SZ out of the Loan proceeds.
- 3.2 SZ as part of the Loan conditions has agreed to allow DCM to take a first ranking charge over the assets and undertakings of SZ that at this stage are the Matilda Assets (and any unspent cash).
- 3.3 The unaudited balance sheet of SZ as at 30 April 2009 noted below assumes that SZ has ownership of the Matilda Assets although this will not occur until completion of the purchase price and titles to the tenements pass to SZ. The pro-forma balance sheet set out below assumes the borrowing of \$10,000,000 from DCM, paying Matilda \$4,525,000, repaying Stirling \$275,000 and incurring borrowing and other costs of say \$100,000.

| | Unaudited 30 April 2009 | Unaudited Pro-forma 30 April 2009 |
|---|------------------------------------|--|
| | \$ | \$ |
| Current assets | | |
| Cash at bank | 2 | 5,100,002 |
| | <u>2</u> | <u>5,100,002</u> |
| Non current assets | | |
| Plant and equipment | 2,750,000 | 2,750,000 |
| Deferred exploration and evaluation costs (Tiwi Island) | 1,500,000 | 1,500,000 |
| Deferred exploration and evaluation costs (Cape York) | 550,000 | 550,000 |
| | <u>4,800,000</u> | <u>4,800,000</u> |
| Total assets | <u>4,800,000</u> | <u>9,900,002</u> |
| Current liabilities | | |
| Advances by holding company | 275,000 | - |
| Owing to Matilda | 4,525,000 | - |
| | <u>4,800,000</u> | <u>-</u> |
| Non Current Liabilities | | |
| Loan from DCM (Secured) | - | 10,000,000 |
| | <u>-</u> | <u>10,000,000</u> |
| Total liabilities | <u>4,800,000</u> | <u>10,000,000</u> |
| Net Assets (Liabilities) | <u>2</u> | <u>(99,998)</u> |
| Equity | | |
| Issued capital | 2 | 2 |
| Reserves | - | - |
| Accumulated losses | - | (100,000) |
| Net Equity (Deficiency) | <u>2</u> | <u>(99,998)</u> |

3.4 On the assumption that the acquisition of the Matilda Assets by SZ is consummated and the Matilda Assets are subsequently sold to Olympia in terms of the proposed transaction referred to in paragraph 1.6, the most significant asset held by SZ will be the Olympia shares.

4. FUTURE DIRECTION OF STIRLING (including SZ)

4.1 We have been advised by a Director of Stirling that:

- The immediate short-term plan is to complete the acquisition of the Matilda Assets for a total purchase price of \$4,800,000. Refer paragraph 1.4 above for plans.
- Following the completion of the acquisition of the Matilda Assets, the plan is to complete the sale of the Matilda Assets to Olympia.
- Composition of the Board of Directors of Stirling is not proposed to change in the near future;
- No dividend policy has been set and is not proposed to be set until such time as the Company and SZ are profitable and have positive cash flows; and

- The Company may seek to raise further capital if required to continue exploration programmes or develop the Company's (including SZ's mineral assets).

5. FAIRNESS AND REASONABLENESS OF THE PROPOSALS

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed Loan and pursuant to resolution 1, the Charge proposal generally.

Advantages

- 5.1 The directors have previously announced that the investment in zircon producing assets, such as those of Matilda, were a key part in the Company's diversified commodity investment strategy and a key characteristic of the assets are the high grade zircon product, along with low capital and production costs and the proximity to Chinese market. They have also stated that the Company retained a very positive outlook for the zircon market which is used in the ceramics and porcelain industries and would recommence production and exploration activity on the projects as soon as possible. Product marketing and logistics would be undertaken by the Austrian international commodities trading group DCM. The Tiwi Island Zircon Project acquired by Stirling was previously producing and shipping zircon concentrate to China. The investment includes a complete operating plant and all support equipment as well as the high grade tenement package. The Cape York Zircon Project, north of Weipa in Queensland, includes more than 300 kilometers of prospective coastline. Previous preliminary exploration has identified high grade zircon occurrences and significant strandlines, with potentially low strip ratios and slime levels. Stirling will spend up to \$500,000 on further exploration at Cape York, with the program to commence immediately after the wet season in mid 2009.

If shareholders do not approve resolution 1, SZ may not be able to raise the necessary funds to acquire the Matilda Assets and to recommence production should the subsequent proposed sale of the Matilda Assets not eventuate. If resolution 1 is approved by the shareholders but the Matilda assets are not sold to Olympia, by raising the \$10,000,000 Loan, the Company may have enough funds to develop the Tiwi Islands project and commence exploration at the zircon tenements in the Cape York Peninsula. Should the Company achieve its projected plans SZ should be profitable and cash flow positive however we cannot and do not warrant that these will occur.

- 5.2 The Loan is being provided by DCM, an international commodities trading group and the directors have advised that the product marketing and logistics would be undertaken by them. This should be seen as a significant positive for the Stirling group as DCM's expertise and connections should assist in enhancing the Company's sales of zircon (via SZ or potentially via Olympia).
- 5.3 The loan being provided amounts to \$10,000,000 and it is being secured over the assets and undertakings of SZ. The assets of SZ currently comprise only the Matilda Assets (once settled) which are carried in the books at their purchase price of \$4.8 million. The purchase of the Matilda Assets followed a public sale process by the Administrators at Ferrier Hodgson in December 2008/January 2009 and therefore arguably the agreed prices for the purchase of the Matilda Assets are considered to be their current true market values. The value of the Loan granted is therefore considerably in excess of the Charge over the Matilda Assets.

- 5.4 Based on the announcement made by Stirling on 5 May 2009, it is proposed that after SZ acquires the Matilda assets, SZ sells the Matilda Assets to Olympia. We have been advised that the deemed consideration is \$6,000,000 comprising 250,000,000 Olympia shares at 2 cents each amounting to \$5,000,000 and a deferred payment of \$1,000,000. The value of the Loan will still be considerably in excess of the Charge over the Olympia shares and the deferred payment.
- 5.5 Stirling is not providing any guarantee or security for the loan being provided to its subsidiary (SZ).
- 5.6 The terms and conditions of the Loan appear to be standard Loan conditions and there are no material unusual clauses that would not appear in a loan agreement with established financiers. In effect SZ is getting the benefit of a \$10,000,000 Loan and only giving security over the Matilda Assets worth \$4,500,000 (although the security will be over all of the assets of SZ once SZ enters into a production mode, or over all its assets including the Olympia shares and deferred payment if the Proposed sale of the Matilda assets goes ahead).

Disadvantages

- 5.7 SZ as security for obtaining the Loan has agreed to allow DCM to take a first ranking Charge over its assets and undertakings. Although this is not unusual to protect the lender (DCM), it may cause complications later on if SZ or the Company wishes to obtain additional debt finance to finance the zircon projects (assuming the proposed sale of the Matilda assets to Olympia is not consummated) or other mineral projects of SZ. Any major financier would wish to have first security and this may lead to a rejection by financiers unless the charge by DCM was dropped to a second ranking charge. If further debt finance is not required, then this may not be a significant issue.
- 5.8 Should the Company or SZ fail due to, for example lack of sufficient funds or other operational or selling difficulties, DCM could take control of the assets of SZ by appointing a Receiver and Manager ("RM"). The future value of these assets could potentially be higher than the value of the Loan and the shareholders of Stirling may be worse off. In addition DCM could take control of any new assets of SZ that may include cash, receivables, inventory, plant and any new tenements acquired. However, if a RM was appointed by DCM as a result of non payment of the Loan the RM would need to sell the charged assets and if more than \$10,000,000 was received, DCM should be repaid in full. If less than \$10,000,000 was received the RM would pay DCM the proceeds of the sale less RM costs and expenses and DCM would become an unsecured creditor of SZ for the shortfall.

Other Factors

- 5.9 DCM is taking a risk in lending \$10,000,000 to SZ. Security for the Loan is only over the assets of SZ. Assuming that the proposed sale of the Matilda Assets to Olympia is not consummated and the current fair value of the Matilda Assets is \$4,800,000, DCM is likely to only recover its loan in full through the successful development of the zircon projects related to the Matilda assets or due to the market re-rating of the underlying fair values. This is dependent to a large extent on the state of world economy, commodity prices and exchange rates. There is an incentive for DCM with its expertise in the international trade of ores, alloys, metals and other commodities to assist SZ in the successful marketing of its products.

- 5.10 Assuming the proposed sale of the Matilda assets to Olympia is consummated, SZ's major asset will be its 82% interest in Olympia. DCM is likely to only recover its loan in full through the successful development of the Zircon projects related to the Matilda Assets being acquired and Olympia's existing projects at Keysbrook (Western Australia), Harts Range (Northern Territory) and Kalimantan (Indonesia).
- 5.11 SZ will need to pay interest on the Loan at 9.375% and potentially up to 10.375% per annum (refer paragraph 1.6). This is a cost to SZ that will need to be paid. If the proposed sale of the Matilda assets to Olympia does not eventuate and until SZ enters into production, Stirling may need to pay the interest or the interest is paid out of the cash that DCM will pay into SZ. Based on an interest rate of 9.375% per annum over the three years, the total interest payable (assuming no capitalisation of interest) would approximate \$2,812,500. SZ needs to finance the interest payable and the risk of the Charge being enforced is increased if SZ has no positive cash flows.
- 5.12 We have been advised that should the proposed Olympia transaction be completed, the interest on the loan may be paid out of funds received under the Loan from DCM, Stirling may pay the interest on behalf of SZ, or the interest may be paid from income from dividends received from Olympia once Olympia is in production and profitable, or from management fees charged to Olympia or sale of Olympia shares.

6 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

- 6.1 After taking into account the factors referred to in Section 5 above and elsewhere in this report, we are of the opinion that the proposals as outlined in resolution 1 are, **on balance, considered to be fair and reasonable to the non associated shareholders of Stirling not associated with DCM.**

7 SOURCES OF INFORMATION

- 7.1 In making our assessment as to whether the proposal pursuant to resolution 1 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and SZ that is relevant to the current circumstances. In addition, we have held discussions with the management of the Company and SZ about the present and future operations of SZ. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by management of the Company and SZ.
- 7.2 Information we have received includes, but is not limited to:

- Drafts of Notice of General Meeting of Shareholders and Explanatory Memorandum of Stirling for the general meeting of shareholders the Company plans to hold in June 2009;
- Discussions with the Chief Financial Officer of Stirling;
- Shareholding details of Stirling as at 4 May 2009;
- Annual Report of Stirling for the year ended 31 December 2008;
- Announcements made by Stirling to the ASX from 1 December 2008 to 8 May 2009;
- The Commercial Bond Agreement between SZ and DCM;
- The Fixed and Floating Charge over the SZ assets;
- The unaudited balance sheet of SZ as at 30 April 2009 and a pro-forma balance sheet that assumed certain capitalisation assumptions; and
- Information on DCM sourced from the web.

7.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES

A handwritten signature in black ink, appearing to read 'J P Van Dieren', with a long horizontal flourish extending to the right.

J P Van Dieren, FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Pty Ltd trading as Stantons International Securities dated 8 May 2009, relating to the issue of a Charge over the assets and undertakings of SZ to DCM as outlined in paragraph 1 of the report and resolution 1 in the Notice of Meeting to Shareholders to be forwarded to shareholders in May 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Stirling or DCM other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$7,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Stirling. An affiliated company of Stantons International Securities are the tax agents for Michael Kiernan who is a Director of Stirling and via associated companies a significant shareholder in Stirling. We have had no correspondence with Mr Kiernan when drafting the IER. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the Directors of Stantons International Services Pty Ltd are the Directors' of Stantons International Securities. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Stirling in order to assist them to assess the merits of allowing DCM to take a Charge over the assets and undertakings of SZ to which this report relates. This report has been prepared for the benefit of Stirling's shareholders and does not provide a general expression of Stantons International Securities' opinion as to the longer term value of Stirling, SZ or the individual assets of SZ. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Stirling, SZ or the ownership of Stirling, SZ or the Matilda Assets. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (Stantons International Pty Ltd) and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Stirling and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Stirling has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) to recover any loss or damage which Stirling may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Stirling; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) against any claim arising (wholly or in part) from Stirling or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Stirling or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Stirling directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE

Dated 8 MAY 2009

1. STANTONS INTERNATIONAL PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 319600**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. ASSOCIATIONS AND RELATIONSHIPS

SIS is a trading name owned by Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. COMPLAINTS RESOLUTION

9.1 *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 30021

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. CONTACT DETAILS

You may contact us using the details set out above or by telephone (08) 9481 3188 or facsimile (08) 9321 1204.