

**Stirling Resources Limited**

ABN 94 009 659 054

**FINANCIAL REPORT**

**For the half-year ended  
31 December 2010**

# STIRLING RESOURCES LIMITED

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Nigel Goodall	Executive Chairman
Rohtraut Skatsche-Depisch	Non-executive Director
George Bedineishvili	Non-executive Director

### COMPANY SECRETARY

Ildiko Wowesny

### REGISTERED OFFICE

150 Hay Street,  
Subiaco, Western Australia 6008

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Subiaco East, Western Australia 6008

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### SHARE REGISTRY

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45 St George's Terrace,  
Perth Western Australia 6000

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Facsimile: (61 8) 9323 2033  
E-mail: perth.services@computershare.com.au  
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 code SRE.

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This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Stirling Resources Limited during the half year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# STIRLING RESOURCES LIMITED

## DIRECTORS' REPORT

The directors present their financial report of Stirling Resources Limited (the "Company") and of the consolidated entity, being the Company and its controlled entities (the "Group") for the half-year ended 31 December 2010.

### DIRECTORS

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

Nigel Goodall	(Appointed as Non-executive director on 15 September 2010, (Appointed as Executive Chairman on 8 November 2010)
Rohtraut Skatsche-Depisch	(Non-executive director)
George Bedineishvili	(Non-executive director)
Roman Lurf	(Resigned 17 December 2010)
David Nabarro	(Resigned 8 November 2010)
Marty Adams	(Appointed on 14 July 2010, Resigned 6 November 2010)

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

### REVIEW OF OPERATIONS AND ACTIVITIES

Stirling has continued to receive the support of its major shareholder, DCM DECOMetal. With the approval of Stirling shareholders on 15 February 2011, loans from DCM were converted to equity, taking DCM's holding to 83.6%.

Stirling has continued to support the Redbank Copper operation and when appropriate sought conversion of debt to equity in Redbank. As a result of a conversion on 21 January 2011, Stirling now holds a 42% interest in Redbank.

Stirling endorses the Redbank board's decision to carry out further exploration in order to expand copper resources prior to developing into production and has indicated its ongoing support for Redbank.

With the commencement of mining in the Tiwi Islands, Stirling believes that Matilda Zircon is in a strong position to be self funding through to the development of a definitive feasibility study for the Keysbrook project. The majority of funding has converted to equity and Stirling is expected to hold 52% after recent fund raising by Matilda.

The board of Swan Gold Mining Limited continues to market its mining assets. At the request of the Trustee for the Creditor Trusts, Swan Gold was directed to undertake a marketing of the secured assets to evaluate the options available for those assets. Negotiations are continuing for the sale of the mining assets. Stirling maintains a 23% interest in Swan Gold Mining Limited.

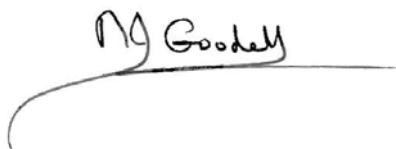
### EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events that have occurred subsequent to the end of the half year are contained in note 8 to the financial report.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act. It is included on page 4 of this financial report.

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



Nigel Goodall  
Executive Chairman  
Perth, Western Australia

16 March 2011

**STIRLING RESOURCES LIMITED**

**AUDITOR'S INDEPENDENCE DECLARATION**

**Deloitte.**

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

16 March 2011

Dear Board Members

**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 review of the financial statements of Stirling Resources Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**A T Richards**  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

# STIRLING RESOURCES LIMITED

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2010

	NOTE	31 Dec 2010	31 Dec 2009
		\$	\$
<b>Continuing Operations.</b>			
Revenue		6,675,409	592,173
Other income		74,936	66,424
Production costs		(4,704,267)	-
Employee and directors – remuneration expenses		(1,207,952)	(1,394,689)
Employee and directors – benefits expenses		-	(82,015)
Depreciation and amortisation		(1,792,513)	(88,966)
Corporate and administrative expenses		(1,478,398)	(2,431,963)
Finance costs		(646,490)	(585,474)
Impairment of receivables		-	(229,284)
Impairment of exploration and evaluation expenditure		(14,100)	-
		(3,093,375)	(4,153,794)
Gain on acquisition of subsidiary		-	4,764,741
Share of loss of associate accounted for using equity method	2	(277,656)	(464,425)
(Loss) / Profit from continuing operations		(3,371,031)	146,522
Income tax expense		-	-
(Loss) / Profit for the period after income tax		(3,371,031)	146,522
		(3,371,031)	146,522
<b>(Loss) / Profit for the period</b>		<b>(3,371,031)</b>	<b>146,522</b>
Attributable to:			
Owners of the parent		(2,661,740)	438,398
Non-controlling interest		(709,291)	(291,876)
<b>(Loss) / Profit for the period</b>		<b>(3,371,031)</b>	<b>146,522</b>
<b>Earnings per share.</b>			
From continuing and discontinued operations:			
Basic profit (cents per share)		(9.17)	0.23
Diluted profit (cents per share)		(9.17)	0.23
From continuing operations:			
Basic profit / (loss) (cents per share)		(9.17)	0.23
Diluted profit / (loss) (cents per share)		(9.17)	0.23

The accompanying notes form part of these financial statements.

# STIRLING RESOURCES LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2010

	31 Dec 2010 \$	31 Dec 2009 \$
<b>Profit for the period</b>	(3,371,031)	146,522
Exchange differences arising on translation of foreign operation	<u>(149,626)</u>	<u>(33,776)</u>
<b>Total comprehensive income for the period</b>	<u><u>(3,520,657)</u></u>	<u><u>112,746</u></u>
Attributable to :		
Owners of the parent	(2,755,017)	411,458
Non-controlling interest	<u>(765,640)</u>	<u>(298,712)</u>
	<u><u>(3,520,657)</u></u>	<u><u>112,746</u></u>

The accompanying notes form part of these financial statements.

**STIRLING RESOURCES LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2010

	NOTE	31 Dec 2010	30 Jun 2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,039,635	150,975
Trade and other receivables		166,427	795,007
Inventory		561,405	25,089
Prepayments		<u>400,795</u>	<u>80,876</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,168,262</u>	<u>1,051,947</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		8,666,055	1,229,860
Investments accounted for using equity method	2	2,250,918	2,478,574
Other financial assets		44,948	10,923
Plant and equipment		5,030,225	4,849,358
Development expenditure	6	3,541,192	4,750,046
Deferred exploration expenditure	6	<u>8,787,251</u>	<u>8,400,413</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>28,320,589</u>	<u>21,719,174</u>
<b>TOTAL ASSETS</b>		<u>30,488,851</u>	<u>22,771,121</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(3,114,373)	(4,488,067)
Interest bearing loans and borrowings	4	(14,572,547)	(1,843,888)
Provisions		<u>(93,500)</u>	<u>(101,100)</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>(17,780,420)</u>	<u>(6,433,055)</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings	4	<u>(13,313,003)</u>	<u>(14,308,802)</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>(13,313,003)</u>	<u>(14,308,802)</u>
<b>TOTAL LIABILITIES</b>		<u>(31,093,423)</u>	<u>(20,741,857)</u>
<b>NET DEFICENCY / ASSETS</b>		<u>(604,572)</u>	<u>2,029,264</u>
<b>EQUITY</b>			
Issued capital	3	35,930,261	35,938,289
Accumulated losses		(41,688,503)	(39,026,763)
Reserves		<u>641,853</u>	<u>1,246,681</u>
Total equity attributable to owners of the parent		<u>(5,116,389)</u>	<u>(1,841,793)</u>
Non-controlling interest		<u>4,511,817</u>	<u>3,871,057</u>
<b>TOTAL DEFICENCY / EQUITY</b>		<u>(604,572)</u>	<u>2,029,264</u>

The accompanying notes form part of these financial statements.

**STIRLING RESOURCES LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half-year ended 31 December 2010

<b>Consolidated</b>	<b>Issued capital</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	\$	\$	\$	\$	\$
<b>At 01 July 2009</b>	23,226,503	2,031,088	(22,965,977)	-	2,291,614
Profit/(loss) for the period	-	-	438,398	(291,876)	146,522
Exchange differences arising on translation of foreign operations	-	(26,940)	-	(6,836)	(33,776)
Total comprehensive income for the period	-	(26,940)	438,398	(298,712)	112,746
<b>Equity Transactions:</b>					
Initial recognition of Minority Interest arising from acquisition of subsidiary	-	-	-	(2,477,764)	(2,477,764)
Issue of share capital	2,467,522	-	-	-	2,467,522
Share issue expenses	(211,174)	-	-	-	(211,174)
Recognition in reserve of dilution in subsidiary	-	(446,097)	-	1,478,688	1,032,591
Share buy back	(34,811)	-	-	-	(34,811)
Share-based payments	-	65,415	-	16,600	82,015
<b>At 31 December 2009</b>	25,448,040	1,623,466	(22,527,579)	3,674,340	8,218,267
<b>At 01 July 2010</b>	35,938,289	1,246,681	(39,026,763)	3,871,057	2,029,264
Profit/(loss) for the period	-	-	(2,661,740)	(709,291)	(3,371,031)
Exchange differences arising on translation of foreign operations	-	(93,277)	-	(56,349)	(149,626)
Total comprehensive income for the period	-	(93,277)	(2,661,740)	(765,640)	(3,520,657)
<b>Equity Transactions:</b>					
Share issue expenses	(8,028)	-	-	-	(8,028)
Recognition in reserve of dilution in subsidiary	-	(511,551)	-	1,406,400	894,849
<b>At 31 December 2010</b>	35,930,261	641,853	(41,688,503)	4,511,817	(604,572)

The accompanying notes form part of these financial statements.

**STIRLING RESOURCES LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2010

	NOTE	31 Dec 2010	31 Dec 2009
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,858,618	274,798
Payments to suppliers and employees		(8,410,028)	(3,507,537)
Payments for project evaluation		(28,900)	-
Interest received		10,070	34,153
Interest paid		<u>(73,431)</u>	<u>(129,878)</u>
<b>Net cash outflow from operating activities</b>		<u>(1,641,671)</u>	<u>(3,328,464)</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of plant and equipment		(1,492,613)	(180,714)
Proceeds from sale of plant and equipment		163,564	198,496
Payments for exploration, evaluation and development		(1,494,195)	(1,141,783)
Payments for other financial assets		(14,490)	-
(Payment)/return for security deposits		10,250	(40,229)
Proceeds from sale of investments		-	584,458
Payments for investments		<u>(50,000)</u>	<u>(7,941,501)</u>
<b>Net cash outflow from investing activities</b>		<u>(2,877,484)</u>	<u>(8,521,273)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		-	2,467,522
Proceeds from issues of shares by subsidiary		941,502	1,332,437
Share issue costs		(54,683)	(315,804)
Payments for share buyback		-	(34,812)
Loans advanced to related parties		(7,355,000)	(882,427)
Repayment of loans to other entities		(685,604)	-
Loans from related parties	4	12,300,000	10,100,000
Loans repaid from related parties		-	625,000
Loan repayments to other entities		-	(1,750,000)
Proceeds from borrowings		458,952	-
Repayment of borrowings		<u>(12,510)</u>	<u>(371,233)</u>
<b>Net cash inflow from financing activities</b>		<u>5,592,657</u>	<u>11,170,683</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,073,502	(679,054)
<b>Cash and cash equivalents at the start of the half year</b>		<u>150,975</u>	<u>886,256</u>
Effect of exchange rate fluctuations on cash held		(184,842)	2,956
<b>Cash and cash equivalents at the end of the half year</b>		<u>1,039,635</u>	<u>210,158</u>

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of Compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 Interim Financial Reporting. The half year does not include the notes of the type normally included in an annual financial report and should be read in conjunction with the most recent financial report.

#### (b) Basis of Preparation

The financial report has been prepared on a historical cost basis except for the revaluation of certain non-current assets and financial instruments. 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 half year financial report are consistent with those of the Company's previous annual financial report ending 30 June 2010 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 amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

#### 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 consolidated entity to continue its mineral project evaluation activities, and hence the continued adoption of the going concern assumption, is dependent on the consolidated entity raising additional funding as and when required.

The consolidated entity incurred a net loss after tax for the period of \$3,371,031 (31 December 2009 profit \$146,522) and experienced net cash outflows from operating activities for the period of \$1,640,570 (31 December 2009 \$3,328,464). As at 31 December 2010 the consolidated entity had a working capital deficiency of \$15,612,158 (30 June 2010: \$5,381,108) and a net asset deficiency of \$604,572 (30 June 2010 net assets \$2,029,264).

The consolidated entity also has \$12,300,000 shown as current liabilities which will be converted to ordinary shares in Stirling Resources Ltd and which conversion was approved by shareholders on 11 February 2011. The net current liability position without these items would be \$3,312,158.

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 on the basis that DCM DECOMetal GmbH continues to financially support the consolidated entity's activities and, accordingly, the consolidated entity will be able to continue as a going concern and meet its debts as and when they fall due.

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

During the period to 31 December 2010 and the period to the date of this report, the Directors have taken steps to ensure the consolidated entity continues as a going concern. These steps included:

- Matilda Zircon (a controlled entity) raised \$933,000 (less associated costs) pursuant to a share placement in October 2010;
- Matilda Zircon also raised \$1,495,000 pursuant to a share placement in February 2011;
- Matilda Zircon commenced zircon production at its Tiwi Island project during the period and has received sales revenue from production. This sales revenue is expected to continue during the subsequent financial period;
- The Company has been informed by its major shareholder, DCM DECOmetal GmbH, that it will continue to provide sufficient funding to support the consolidated entity's activities. DCM DECOmetal GmbH has provided a total of \$1,600,000 in debt funding subsequent to 31 December 2010; and
- Ongoing management of the level of expenditure in line with the funds available to the consolidated entity.

The ability of the consolidated entity to continue as a going concern is dependent on:

- (i) Continued financial support from the consolidated entity's major shareholder, DCM DECOmetal GmbH, including providing on-going financial support. Based on current forecasts for the period 1 March 2011 to 28 February 2012 Stirling will require \$1,400,000 throughout the next six months to fund its working capital and investment funding requirements and an undertaking not to require repayment of any amounts provided to the consolidated entity until such time as the consolidated entity has the ability to pay them;
- (ii) Settlement of the sale of the mining assets of Swan Gold Mining Limited sufficient to settle the liabilities of Swan Gold Mining Limited, including repayment of debts of \$5,700,000 due to Stirling Resources Limited and in a timely manner to meet cash flow requirements;
- (iii) Ongoing management of the level of expenditure in line with funds available to the consolidated entity; and
- (iv) The ability of the consolidated entity to secure additional debt/equity funding if required.

The Directors have reviewed the consolidated entity'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.

Should the Directors not be successful in achieving the matters set out above and in particular receiving the ongoing financial support of DCM DECOmetal, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its 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 consolidated entity not be able to continue as a going concern.

<b>2. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>31 December 2010</b>
	\$
Investment in associates (a) (b)	<u>2,250,918</u>
<b>(a) Reconciliation of movement in investment accounted for using the equity method – Redbank Copper Limited.</b>	
Balance at 1 July 2010	1,478,574
Additions	-
Share of loss for the period	<u>(277,656)</u>
Balance at 31 December 2010	<u>1,200,918</u>

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (b) Reconciliation of movement in investment accounted for using the equity method - Swan Gold Mining Limited.

Balance at 1 July 2010	1,000,000
Additions	50,000
Share of loss for the period – not actively trading	-
Balance at 31 December 2010	<u>1,050,000</u>

- (i) The investment in Swan Gold Mining Limited is based on Stirling Resources Limited's 23.8% interest of an internal valuation of Swan Gold Mining Limited taking into consideration liabilities outstanding.

Name of Entity	Country of Incorporation	Principal Activity	Ownership Dec 2010	Ownership Jun 2010
Redbank Copper Limited	Australia	Copper exploration and evaluation	22.54%	27.04%
Swan Gold Mining Limited	Australia	Gold exploration and evaluation	23.80%	23.60%

As at 31 December 2010 Stirling Copper Pty Limited, a 100% subsidiary of Stirling Resources Limited, held 39,961,460 (June 2010: 39,961,460) fully paid ordinary shares in Redbank Copper Limited (an Australian listed entity).

As at 31 December 2010 Stirling Gold Pty Limited, a 100% subsidiary of Stirling Resources Limited, held 176,491,690 (June 2010: 175,491,690) fully paid ordinary shares in Swan Gold Mining Limited (an Australian listed entity).

### 3. EQUITY SECURITIES ISSUED AND REPURCHASED

	Half Year 2010 Shares	Half Year 2010 \$	Half Year 2009 Shares	Half Year 2009 \$
Issues of ordinary shares – placements	-	-	16,450,000	2,467,500
Repurchases of ordinary shares – buy back	-	-	(139,245)	(34,812)

### 4. BORROWINGS

During the period, the Group received the following borrowings:

- \$12,300,000 from DCM DECOmetal which will be converted to 273,333,333 ordinary shares in Stirling Resources Ltd as approved at a shareholders meeting on 11 February 2011. The loan was unsecured with no interest charged and payable at call.
- \$458,952 from Tricoastal Minerals. This amount was an advance on sales to be repaid from future sale proceeds from the Tiwi Islands operations and is interest free and unsecured.

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. SEGMENT INFORMATION

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 Group operates 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 been identified for those specifically allocated to investments and in addition, as a consequence of its controlling interest in Matilda Zircon Limited, operating segments are 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 Australian Operations segment is the Group’s mineral sands operation in Australia. Revenue is derived from the processing and sale of mineral sands.

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.

Segments – 6 months ended 31 December 2010	Investments	Indonesia	Australia - exploration	Australia - operations	Corporate	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>	-	-	-	5,986,529	758,692	6,745,220
<b>Segment (loss) / profit</b>	(750,913)	(139,210)	(15,576)	(328,552)	(2,136,779)	(3,371,031)
Unallocated expenses						-
Results from operation activities						(3,371,031)
Less: discontinued operation						-
Loss before tax - continuing operations						(3,371,031)
<b>Segment Assets</b>	3,333,207	771,895	9,098,257	9,006,391	8,279,101	30,488,851
<b>Segment Liabilities</b>	(10,636,086)	(383)	(138,514)	(613,676)	(19,704,764)	(31,093,423)
<b>Investment in associates – equity method</b>	2,250,918	-	-	-	-	2,250,918
<b>Property, Plant &amp; Equipment additions</b>	-	-	-	898,037	13,391	911,428
<b>Exploration additions</b>	-	-	435,312	-	-	435,312
<b><u>Included within segment result:</u></b>						
Depreciation and amortisation	-	(34,507)	-	(1,720,417)	(37,589)	(1,792,513)
Loss in associates accounted for using the equity method	(277,656)	-	-	-	-	(277,656)
Impairment of non current assets	-	-	-	-	-	-
Exploration expenditure written off	-	-	(14,100)	-	-	(14,100)
Interest expense	(472,603)	-	-	-	(173,887)	(646,490)
Interest revenue	6,899	-	-	-	76,877	83,777

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segments - 6 months ended 31 December 2009	Investments	Indonesia	Australia - exploration	Australia - operations	Corporate	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>	(967,148)	898	-	-	(375,873)	592,173
<b>Segment (loss) / profit</b>	(312,871)	(191,719)	(44,901)	-	696,013	146,522
Unallocated expenses						-
Results from operation activities						146,522
Less: discontinued operation						-
Profit before tax - continuing operations						146,522
<b><u>Included within segment result:</u></b>						
Depreciation and amortisation	-	(36,925)	-	-	(52,041)	(88,966)
Loss in associates accounted for using the equity method	(464,425)	-	-	-	-	(464,425)
Impairment of non current assets	(229,284)	-	-	-	-	(229,284)
Interest expense	(469,330)	-	-	-	(116,144)	(585,474)
Interest revenue	38,773	-	-	-	21,220	59,993
<b>Segment Assets</b>	2,105,655	950,657	17,820,460	-	1,894,349	22,771,121
<b>Segment Liabilities</b>	(15,681,811)	(1,707)	(1,867,369)	-	(3,190,970)	(20,741,857)
<b>Investment in associates – equity method</b>	2,478,574	-	-	-	-	2,478,574
<b>Property, Plant &amp; Equipment additions</b>	-	-	-	-	219,774	219,774

### 6. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Dec 10 \$	Jun 10 \$
<b>Exploration and evaluation</b>		
Opening balance	8,400,413	2,324,014
Recognition of exploration on acquisition of subsidiary (i)	-	4,204,983
Exploration expenditure incurred during period	435,312	4,514,374
Disposals	-	(1,173,999)
Impairment loss	-	(1,343,977)
Transfer to development	(48,474)	-
Exchange differences	-	(124,982)
Closing balance	8,787,251	8,400,413
<b>Development</b>		
Opening balance	4,750,046	-
Recognition of development on acquisition of subsidiary (i)	-	4,750,046
Transfer from exploration	48,474	-
Additions	(58,369)	-
Amortisation	(1,198,959)	-
Closing balance	3,541,192	4,750,046
Carrying amount at end of period	12,328,443	13,150,459

(i) Acquisition of a controlling interest in Matilda Zircon 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.

# STIRLING RESOURCES LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

On 22 December 2010, Stirling Resources Ltd (SRE) acquired a further 11.25% interest in Matilda Zircon Ltd (MZI). Matilda Zircon Ltd is 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 Ltd acquired its interest as a result of the conversion of loans to MZI totalling \$4,448,711 (including interest). As approved at a MZI shareholders meeting on 22 December 2010, SRE was issued with 222,435,550 ordinary shares in MZI in settlement of this loan. However during the period MZI also issued a further 71,819,506 ordinary shares to other parties. As a result, the net increase in MZI by SRE is only 3.91%.

#### **Consideration transferred**

Conversion of \$4,448,711 loan receivable from MZI for 222,435,550 shares in MZI.  
Acquisition related costs of \$5,000 have been excluded from the consideration transferred and included in the income statement.

#### **Non-controlling interests**

The non-controlling interest (\$4,511,817) in Matilda Zircon Ltd as at 31 December 2010 is 31.80%

### 8. SUBSEQUENT EVENTS

The significant events which have occurred subsequent to the end of the period other than have been disclosed in the financial report are:

- i) \$12,300,000 loan funds were received during the period (see note 4) from DCM DECOMetal. As approved at a shareholders meeting on 11 February 2011, DCM DECOMetal will be issued with 273,333,333 ordinary shares in the Company in settlement of this loan.
- ii) Matilda Zircon Ltd has raised \$2,600,000 pursuant to a share placement. Settlement of the placement is in two tranches. \$1,495,000 was received in February 2011 and the balance of \$1,105,000 is subject to the approval at a Matilda Zircon Ltd shareholders meeting

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

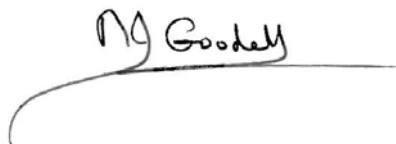
## STIRLING RESOURCES LIMITED

### 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 consolidated entity's financial position as at 31 December 2010 and of its performance for the financial period ended on that date; and
2. at the date of this declaration, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink that reads "Nigel Goodall". The signature is written in a cursive style and is positioned above a horizontal line that extends to the left and then curves downwards.

Nigel Goodall  
Executive Chairman

Perth, Western Australia  
16 March 2011

# STIRLING RESOURCES LIMITED

## INDEPENDENT AUDITOR'S REPORT



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## Independent Auditor's Review Report to the Members of Stirling Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Stirling Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated income statement, statement of comprehensive income, statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 16.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stirling Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

# Deloitte.

*Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Stirling Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stirling Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$3,371,031 and net cash outflows from operations of \$1,640,570 during the half year ended 31 December 2010 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$15,612,158 and it had a net asset deficiency of \$604,572. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



DELOITTE TOUCHE TOHMATSU



A T Richards  
Partner  
Chartered Accountants  
Perth, 16 March 2011