



17 January 2011

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited

**By e-lodgment**

**NOTICE OF MEETING**

Please find attached a Notice of Meeting which was sent to shareholders of the Company on Thursday, 13 January 2011.

Yours faithfully,

Ildiko Wowesny  
Company Secretary



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# STIRLING RESOURCES LIMITED

ACN 009 659 054

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## NOTICE OF GENERAL MEETING

TIME: 2.30pm  
DATE: 11 February 2011  
PLACE: Ground Floor  
150 Hay Street  
Subiaco, Western Australia

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*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.*

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## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

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### **VENUE**

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The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2.30pm (WST) on 11 February 2011 at:

**Ground Floor  
150 Hay Street  
Subiaco, Western Australia**

### **YOUR VOTE IS IMPORTANT**

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

### **VOTING IN PERSON**

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

### **VOTING BY PROXY**

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

- (a) post to Stirling Resources Limited, PO Box 8116, Subiaco East, Western Australia 6008; or
- (b) facsimile to the Company on facsimile number (+61 8) 6389 6810,

so that it is received no later than 2.30pm (WST) on 9 February 2011.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders will be held at 2.30pm (WST) on 11 February 2011 at Ground Floor, 150 Hay Street, Subiaco, 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 7.00pm (AEDT) on 9 February 2011.

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

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### AGENDA

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#### 1. RESOLUTION 1 – CONVERSION OF LOAN INTO SHARES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Item 7 of section 611 of the Corporations Act, Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the acquisition of relevant interests in voting shares of the Company by DCM DECOmetal GmbH by virtue of the issue of Shares upon the conversion of the Loan on the terms and conditions set out in the Explanatory Statement.”*

**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 Item 7 of Section 611 of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

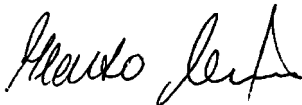
**Expert’s Conclusion:** The Independent Expert reporting on Resolution 1 concludes that the acquisition referred to in that resolution is **fair and reasonable** to the non-associated Shareholders of the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by DCM DECOmetal GmbH. 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.

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DATED: 11 JANUARY 2011

BY ORDER OF THE BOARD



ILDIKO WOWESNY

COMPANY SECRETARY

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## 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 2.30pm (WST) on 11 February 2011 at Ground Floor, 150 Hay Street, Subiaco, 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 Resolution in the Notice of Meeting.

### 1. RESOLUTION 1 – CONVERSION OF LOAN INTO SHARES

#### 1.1 General

Stirling Resources Limited (**Stirling**) has been relying on DCM DECOmetal GmbH (**DCM**) to be the Company's sole funder. By 31 October 2010, DCM had provided the Company with interest free loans totalling \$12,300,000 (**Loan**).

DCM currently has a relevant interest in 53.02% of the Company's shares. The parties have now agreed to convert the Loan into equity. Accordingly, resolution 1 seeks Shareholder approval for the purpose of Item 7 of section 611 of the Corporations Act, Section 208 of the Corporations Act and ASX Listing Rule 10.11 for the conversion of the Loan (**Conversion**) into fully paid ordinary shares in the Company (**Shares**).

DCM is a related party of the Company.

#### 1.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed Conversion:

- (a) the related party is DCM (**Related Party**) and it is a related party by virtue of DCM being a controlling entity of the Company;
- (b) the maximum number of Shares to be issued under the Conversion to DCM is 273,333,333 Shares;
- (c) the Shares will be issued to DCM no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;
- (d) the Shares will be issued for the conversion of the Loan into shares, accordingly no funds will be raised;
- (e) the Shares shall rank equally with the Shares on issue at the date of the Conversion;
- (f) the Loan shall convert into Shares at \$0.045 per Share;
- (g) the relevant interests of the Related Party in securities of the Company is set out below;

Related Party	Shares	Options
DCM	77,666,667	66,666,667

- (h) if the Shares to be issued pursuant to the Conversion are issued to DCM, the number of Shares on issue will increase from 146,496,143 to 419,829,476 (assuming that no Options are exercised and no Shares other than those contemplated by the Resolution of this Notice of Meeting are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 65.11%.
- (i) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	16.5 cents	4 May 2010
Lowest	3 cents	7 December 2010
Last	4 cents	5 January 2011

- (j) the primary purpose of the Conversion is to prevent the need to repay the Loan in cash thereby preventing a drain on cash resources of the Company.

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## **EXPLANATORY STATEMENT (continued)**

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Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to the Related Party as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

### **1.3 Section 606 of the Corporations Act – Statutory Prohibition**

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

#### **VOTING POWER AND RELEVANT INTERESTS**

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in the Company held by the person and the person's associates.

#### **Section 611 Item 7 of the Corporations Act – Exemption from Section 606**

Section 611 provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Item 7 of Section 611).

For the exemption of Item 7 of Section 611 to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company that was material to the decision on how to vote on the resolution. In Regulatory Guide 111, the ASIC has indicated what additional information should be provided to shareholders in these circumstances.

For the purposes of the Corporations Act, and Regulatory Guides 74 and 111, the following information is disclosed in relation to the acquisition of a relevant interest in the Company by DCM. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International Securities which forms part of this Explanatory Statement.

#### **Deemed Relevant Interests, Voting Power and Associates**

In the event all of the Shares the subject of Resolution 1 (i.e. as a result of the Conversion) are issued, the voting power of DCM will increase from 53.02% to 83.61%.

Accordingly, the Company is seeking the approval of Shareholders under Item 7 of Section 611 of the Corporations Act in respect of DCM.

If Resolution 1 is passed, DCM may convert the Loan in full without breaching Chapter 6 of the Corporations Act. The issue of Shares (on the Conversion) to DCM, pursuant to Resolution 1 will increase DCM's voting power in the Company from a starting point above 20% to a point below 90%.

As set out in the Voting Exclusions in the Notice of Meeting, DCM are precluded from voting on Resolution 1.

The figures in the following section assume that:

- (a) the Company has 146,496,143 Shares on issue and does not intend to issue any additional Shares other than on the Conversion issued to DCM;
- (b) all of the Loan, being \$12,300,000, is converted at \$0.045 per Share (i.e. through the issue of 273,333,333 Shares);
- (c) DCM does not acquire any additional Shares other than those referred to in Resolution 1.

### **1.4 ASIC Regulatory Guide 74**

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 to the extent it applies pursuant to ASIC Regulatory Guide 159.

## EXPLANATORY STATEMENT (continued)

- (a) *The identity of each person proposing to make an acquisition of a relevant interest (Acquirer) is:*

**Acquirer**

DCM DECOmetal GmbH

- (b) *As at the date of this notice, the following Associated Parties had a relevant interest in shares of the Company:*

Party	Relevant Interest	% Issued Capital
DCM DECOmetal GmbH	77,666,667	53.02%

### **Impact of the transactions on the Voting Power in the Company's Shares**

- (c) **The Company's capital structure**

Once the Conversion as proposed in Resolution 1 has been completed, the capital structure of the Company will consist of 419,829,476 Shares.

- (d) **Current voting power of DCM**

As at the date of the Notice of Meeting, DCM's voting power is 53.02%.

- (e) **Voting power of DCM (assuming all of the Loan is fully converted at \$0.045 per Share)**

Conversion Price	Total number of Shares held by DCM	Total % voting power	No. of Shares to be issued upon Loan Conversion	Total number of Shares held by DCM following Loan Conversion	Total % voting power
\$0.045	77,666,667	53.02%	273,333,333	351,000,000	83.61%

For the issue of 273,333,333 Shares to DCM pursuant to the Conversion, the maximum increase in the voting power of DCM as a result of the acquisition will be approximately 30.59%.

- (f) **Intentions as to the Future of the Company**

Subject to the above paragraph, the present intentions of DCM regarding the future of the Company, if Resolution 1 in the Notice of Meeting is approved by Shareholders are as follows:

- (i) has no intention of making any changes to the business of the Company;
- (ii) does not propose to change the employment arrangements of the Company;
- (iii) does not intend to redeploy any fixed assets of the Company;
- (iv) does not have any present intention to inject further capital into the Company; and
- (v) does not intend to transfer any property between the Company and DCM or any person associated with it.

- (g) **Financial and Dividend Policies of the Company**

There is no immediate intention of DCM to change the financial or dividend policies of the Company.

- (h) **Proposal is fair and reasonable**

The Expert's Report concludes that the proposed issue of Shares under Resolution 1 set out in this Explanatory Statement is **fair and reasonable** to non associated Shareholders. You should consider the Expert's Report in detail.

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## EXPLANATORY STATEMENT (continued)

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(i) **Advantages of Loan Conversion**

- (I) By entering into the proposal with DCM, the net asset position of the Company is improved as \$12,300,000 of debt liability is eliminated for no cash outlay. Notwithstanding this, the Company's cash position is low taking into account the debt obligations to DCM and the necessity to fund the operations of Redbank Copper Limited, Matilda Zircon Limited and Swan Gold Mining Limited and further share equity funds will need to be obtained.
- (ii) In the event that the Company cannot repay the Loan by approving resolution 1, there is the strong likelihood that the share price of a Share may fall from present prices. The Company, in the absence of a capital raising will experience liquidity concerns.
- (iii) The issue price of the shares being issued pursuant to the Conversion, being \$0.045 per Share is not a discount to the market share price of a Share over the past month. In the current market it is time consuming for exploration companies such as the Company to raise equity and if raised significant discounts to recent traded share prices may need to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. Arguably it could be higher for mineral exploration/producer companies that are not profitable and have negative cash flows. The issue of the Share Issue is significant to allow the Company to extinguish part of the loans from DCM to the extent of \$12,300,000. By allowing the Company to enter into a positive net asset position and reduce debt by \$12,300,000 it may assist the Company in the future to raise additional working capital to be used in the continuing operations of the Company, including possible funding for Swan Gold Mining Limited, Redbank Copper Limited and Matilda Zircon Limited. However, in the short term fund raising may be difficult and the continued support of DCM is still required. If the Company continues to have positive results from underlying projects held by the Company in investees, there is an increased chance that future capital raisings may be undertaken at a higher price than the \$0.045 per Share envisaged under the Issue with DCM.
- (iv) There is a continuing incentive for DCM to ensure the Company becomes a viable investment, mineral exploration and development company as DCM will continue to have a significant interest (of 83.61% post consummation of resolution 1) in the Company. DCM is taking a risk in investing further into the Company (via eliminating the Loan by the issue of Shares pursuant to the Conversion) as to a large extent the Company's future Share price may be determined by the performance of underlying companies in which the Company holds a significant interest in (Redbank Copper Limited, Matilda Zircon Limited and Swan Gold Mining Limited). There is a huge incentive for DCM to make the Company a successful company and have the Share price rise considerably. All Shareholders would benefit from a rise in the Share price.

(j) **Disadvantages of Loan Conversion**

- (i) The number of Shares on issue initially rises by 273,333,333 to 419,829,476. This represents an approximate 182.58% increase in the ordinary shares of the Company. This dilutes the shareholding of the non-DCM associated shareholders. It is noted that DCM control the board of the Company, by 3 board members being aligned to DCM.
- (ii) An increased influential shareholding of the Company is being given to DCM in that they would immediately have voting control of approximately 83.61% of the expanded ordinary issued capital as a result of the issue of the Shares pursuant to the Conversion after the successful ratification and implementation of Resolution 1 (prior to the exercise of any DCM existing share options). This represents an increase of approximately 30.59%. A further dilution may take place whereby DCM may increase its holding in the Company by exercising share options held by DCM in the Company. If all the DCM existing share options were exercised, DCM would need to pay the Company an amount of \$10,000,000. However, DCM's shareholding interest would increase to approximately 85.85% (in the absence of any further shares, including exercise of other share options held by other shareholders).

(k) **Directors Recommendation**

Based on the information available, including that contained in this Explanatory Statement, Mr Nigel Goodall, as the only Director on the Board not appointed by DCM, considers that Resolution 1 is in the best interests of the Company and recommends that Shareholders vote in favour of Resolution 1. Dr Rohtraut Skatsche-Depisch and Mr Giga Bedineishvili as appointees of DCM do not make a recommendation.

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## **EXPLANATORY STATEMENT (continued)**

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### **1.5 Independent Expert's Report**

Regulatory Guide 74 provides that shareholder approval sought for the purpose of Item 7 of section 611 of the Corporations Act 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 Securities 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 in full to understand the scope of the report, advantages and disadvantages of the transaction, the methodology of the valuation and the assumptions made.

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7 December 2010

The Directors  
Stirling Resources Limited  
150 Hay Street  
SUBIACO WA 6008

Dear Sirs

**RE: STIRLING RESOURCES LIMITED (“STIRLING” OR “THE COMPANY”) (ABN 94 009 659 054) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE ISSUE OF 273,333,333 SHARES AT 4.5 CENTS EACH, TO DCM DECOMETAL GMBH (“DCM”) TO EXTINGUISH A \$12,300,000 LOAN OWING TO DCM (“DCM LOAN”). MEETING PURSUANT TO SECTION 611 (ITEM 7) AND SECTION 208 OF THE CORPORATIONS ACT 2001 (“TCA”) AND AUSTRALIAN SECURITIES EXCHANGE (“ASX”) LISTING RULE 10.11.**

## 1. Introduction

1.1 We have been requested by the Directors of Stirling to prepare an Independent Expert’s Report to determine the fairness and reasonableness relating to the proposal to issue to DCM, 273,333,333 ordinary shares in Stirling at an issue price of 4.5 cents each to extinguish a \$12,300,000 loan owing to DCM by Stirling (“DCM Loan”). Resolution 1 in the Notice of Meeting (“Notice”) and the Explanatory Memorandum attached to the Notice to be forwarded to shareholders in December 2010 refers to further details. The proposed issue of 273,333,333 shares to DCM is known for the purposes of this report as the “DCM New Shares”. The DCM New Shares are subject to shareholder approval. The issue (“Issue”) of the DCM New Shares to the value of \$12,300,000 are to extinguish the \$12,300,000 DCM Loan, which is unsecured, interest free and repayable at call. The initial loan funds were raised so that working capital could be applied to meet the Company’s stated development objectives as previously announced to the market.

1.2 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else’s voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

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Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.3 After the issue of the DCM New Shares, DCM will initially increase its current shareholding from 77,666,667 shares (approximately 53.02%) to 351,000,000 shares (approximately 83.61%) before the exercise of any share options. Thus, shareholders of Stirling need to approve the issue of the DCM New Shares. Currently, DCM is also the holder of 66,666,667 DCM Existing Options ("DCM Existing Options"). Resolution 1 effectively seeks approval from non-associated shareholders (independent of DCM) to allow an additional Issue to DCM of 273,333,333 shares (DCM New Shares) in Stirling at 4.5 cents. There would be 419,829,476 shares on issue following the Issue of 273,333,333 DCM New Shares (before the exercise of any share options). If all of the DCM Existing Options are exercised and no other share options are exercised, DCM's shareholding would increase to approximately 85.85% (417,666,667 shares out of 486,496,143 shares on issue).

As DCM is a substantial shareholder of Stirling, DCM is deemed a related party of Stirling under the ASX Listing Rules and thus shareholders approval for the debt conversion proposal also requires shareholders approval under ASX Listing Rule 10.11. Section 228 of TCA also deems DCM a related party.

- 1.4 Therefore a notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) and Section 208 of TCA and ASX Listing Rule 10.11 should be accompanied by an Independent Expert's Report stating whether it is fair and reasonable to allow the issue of 273,333,333 DCM New Shares (also known as the "Issue Shares") to DCM at 4.5 cents each. To assist shareholders in making a decision on the proposed Issue outlined in resolution 1, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the proposal is fair and reasonable to the non-associated shareholders of Stirling (not associated with DCM).

- 1.5 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals
- Corporate history and nature of business
- Future direction of Stirling
- Basis of valuation of Stirling shares
- Premium for control
- Consideration as to fairness and reasonableness
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A and Financial Services Guide

- 1.6 In determining the fairness and reasonableness of the transaction pursuant to resolution 1 we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 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", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. It also states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regards to the proposed allottees and whether a premium for potential control is being paid by the allottees. 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 transactions proceed compared with if they do not.

Accordingly, our report in relation to resolution 1 comprising the approval to issue 273,333,333 DCM New Shares, to DCM in return for the extinguishment of the DCM Loan is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of Stirling and whether DCM is paying a premium for increased control.

- 1.7 **For the purposes of Section 611 (item 7) of TCA, in relation to the approval to issue 273,333,333 DCM New Shares to DCM in our opinion taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 7 of this report, the proposal as outlined in paragraph 1.1 and resolution 1 may on balance collectively be considered to be fair and reasonable.**

Notwithstanding that the Stirling share price as at 6 December 2010 is less than the conversion price each shareholder needs to examine the share price of Stirling and market conditions at the time of exercise of vote to ascertain the impact, if any, on resolution 1.

## 2. Implications of the Proposals

- 2.1 As at 6 December 2010, there are 146,496,143 ordinary fully paid shares on issue in Stirling. The significant registered fully paid shareholders as at 6 December 2010, based on the top 20 shareholders list were disclosed at:

	No. of fully paid shares	% of issued fully paid shares
DCM DECOmetal GmbH	77,666,667	53.02
Crawley Investments Pty Ltd	11,074,124	7.56
Sherrifmuir Holdings Pty Ltd	9,800,000	6.69
Arthur Phillip Nominees Pty Ltd	3,903,501	2.66
Arthur Phillip Nominees Pty Ltd	1,912,500	1.31
	<u>104,356,792</u>	<u>71.24</u>

The top 20 shareholders at 6 December 2010 owned approximately 80.74% of the ordinary issued capital of the Company.

2.2 As at 6 December 2010, the following options were on issue:

87,486,705	Listed options exercisable at 15 cents expiring 30 June 2012
7,629,206	Listed options exercisable at 40 cents expiring 30 June 2012
7,500,000	Unlisted options exercisable at \$2.00 expiring 30 June 2012

2.3 If the Issue is made of 273,333,333 DCM New Shares the number of total ordinary shares on issue would increase to 419,829,476 and the number of ordinary shares held by DCM would be 351,000,000 representing approximately 83.61% of the expanded issued capital of the Company (before the exercise of any outstanding share options). The Company would extinguish the DCM Loan by eliminating the \$12,300,000 loan owing to DCM and thus a liability currently disclosed in the accounts of Stirling would be eliminated for no cash outlay. In the event that the DCM Existing Options are exercised by DCM and no other share options are exercised, the shareholding of DCM would increase to 417,666,667 shares out of 486,496,143 shares on issue, representing approximately 85.85% of the expanded issued capital of Stirling. DCM would need to pay Stirling a total of \$10,000,000 to exercise all of the DCM Existing Options.

2.4 It is noted that DCM also has a convertible note with Stirling to the face value of \$2,600,000 (Stirling owes DCM) and that the convertible note that incurs an interest charge of 7.5% per annum and is payable on 30 January 2012. However, the convertible note may be converted into ordinary shares at the option of DCM at 40 cents per share (6,500,000 shares). The shareholding of DCM may vary depending on whether the convertible note is converted to shares and whether existing share options are exercised into ordinary shares in Stirling.

2.5 The current Board of Directors is not expected to change in the near future following the passing of resolution 1 at the proposed shareholders meeting. New directors may be appointed in the future as and when the needs arise.

### 3. Corporate History and Nature of Business

3.1 Stirling is a listed mineral exploration company on the ASX. Its significant assets as at 19 November 2010 as noted in announcements to the ASX are:

- A 23.02% interest in Redbank Copper Ltd ("Redbank Copper") which holds 3,600km<sup>2</sup> of economic copper mineralisation including the Redbank Copper Project which holds an inferred copper resource totalling 6.24

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million tonnes at 1.5% in the South McArthur Basin in the Northern Territory;

- A 50.78% interest in Matilda Zircon Limited (“Matilda Zircon”) which in turn holds zircon projects in the Tiwi Islands (currently in the construction phase of the mine) and Keysbrook Leucogene project in Western Australia; and
- A 23.8% interest in Swan Gold Mining Limited (“Swan Gold”) which holds mining operations at the Carnegie and Mt Ida gold projects in the Western Australian goldfields. Swan Gold holds approximately 2,700 sq. km of tenements in the gold mining region to the north of Kalgoorlie.

Further details are in announcements made by Stirling to the ASX to 6 December 2010.

#### **4. Future Directions of Stirling**

4.1 We have been advised by the directors and management of Stirling that:

- There are no proposals currently contemplated either whereby Stirling will acquire any properties or assets from DCM or where Stirling would transfer any of its property or assets to DCM;
- The composition of the Board is not expected to change in the short term as a result of the proposed Issue;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company will endeavour to enhance the value of its interests in its existing mineral assets.

#### **5. Basis of Valuation of Stirling**

5.1 Shares

5.1.1 In considering the proposals as outlined in resolution 1, we have sought to determine whether the issue price of the DCM New Shares to DCM is in excess of the current fair value of the shares in Stirling on issue and whether the proposed Placement is at a price that Stirling could make to unrelated third parties and then conclude whether the proposal is fair and reasonable to the existing non associated shareholders of Stirling.

5.1.2 The valuation methodologies we have considered in determining a theoretical value of a Stirling share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The recent market prices of Stirling shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Stirling’s current operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report. The exploration and potential development of any of

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projects in companies in which Stirling has a significant interest in, such as Redbank Copper, Matilda Zircon or Swan Gold, cannot proceed without further expenditure on exploration and evaluation and ultimately further funds for capital and working capital expenditure for which Stirling will most likely be called upon to contribute in. Currently, Stirling does not have sufficient funds and thus any perceived technical values of the projects held by the investees is theoretical as without funds further exploration activities and development will not be possible. Refer below for details on the adjusted net asset backing of Stirling as at 12 November 2010.

### 5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Stirling could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Stirling have formed the view that there is unlikely to be any takeover bids made for Stirling in the immediate future. However, if the 273,333,333 DCM New Shares are issued, DCM will increase control to approximately 83.61% of the expanded ordinary issued capital of Stirling before the exercise of any issued or outstanding share options. DCM could increase its shareholding to up to approximately 85.85% if only DCM exercised the DCM Existing Options (and no other share issues occurred).

### 5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited consolidated Balance Sheet of Stirling as at 30 September 2010 adjusted for an increase in unsecured borrowings from DCM of \$3,400,000 (to take the DCM Loan to \$12,300,000) and interest accrued on a Commercial Bond and Convertible Note owing to DCM to 31 October 2010.

<b>Stirling (unaudited) 30 September 2010 \$000's</b>	
<b>Current Assets</b>	
Cash assets	4,341
Receivables	1,437
Investments	11
Other	63
	5,852
<b>Non Current Assets</b>	
Security Deposits	161
Loans to related entities	8,731
Investments	9,741
Property, plant and equipment	395
Other	12
	19,040
<b>Total Assets</b>	24,892
<b>Current Liabilities</b>	
Trade and other payables	2,212
Provisions	66
	2,278
<b>Non Current Liabilities</b>	
Borrowings	26,608
	26,608
<b>Total Liabilities</b>	28,886
<b>Net Asset Deficiency</b>	(3,994)

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<b>Equity</b>	
Issued capital	35,938
Reserves	2,032
Accumulated losses	(41,964)
<b>Net Equity</b>	<u>(3,994)</u>
<b>Number of shares on issue</b>	146,496,143
<b>Net book value per share (cents)</b>	(2.72)

- 5.4.2 The unaudited adjusted book net tangible asset backing as at 30 September 2010 equates to approximately a negative 2.72 cents per share based on 146,496,143 ordinary shares on issue. Assuming the issue of 273,333,333 DCM New Shares at 4.5 cents per share to eliminate a \$12,300,000 debt liability being the DCM Loan and assuming costs of the Issue of approximately \$50,000, the net asset backing would rise to approximately \$8,306,000 and the number of shares on issue would be 419,829,476 for a net book asset backing per share of approximately 1.97 cents.
- 5.4.3 We have accepted the book amounts of Stirling for all current assets and non current assets. We have been assured by the management of Stirling that they believe the carrying value of all current assets and liabilities at 30 September 2010 are fair and not materially misstated. However, we note that the majority of the net assets of Stirling comprise investments in other companies, namely Matilda Zircon, Redbank Copper and Swan Gold totalling \$9,741,000 along with receivables due from the investees of \$8,892,047 (net book value). Where possible, these investments have been marked to market, however the true or recoverable values of these companies may be higher or lower depending on whether there is an active market for their shares, and whether their mining assets could be successfully exploited through production, their sale or through further exploration and development. An external technical valuation of the mineral assets of Stirling's investees has not been undertaken as it is considered more appropriate (for the purpose of considering the fairness and reasonableness of the proposed issue of 273,333,333 DCM New Shares to DCM) to consider the market value of the Stirling shares based on recent sales and taking into account the issue price of shares.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Stirling and other parties. We also note it is not the present intention of the Directors of Stirling to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Stirling based on the market perceptions of what the market considers a Stirling share to be worth. The market has either generally valued the vast majority of junior/mid size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Stirling shares and the market is kept fully informed of the activities of the Company. The market has ascribed a current value as noted below.
- 5.5 Market Price of Stirling Fully Paid Ordinary Shares
- 5.5.1 In the period from 1 October 2010 to 31 October 2010, the shares in Stirling traded on the ASX (on extremely low volumes) at between 4.4 cents and 5.0 cents, with a 30 day volume weighted average price ("VWAP") of 4.7 cents per Stirling share. The price reflected the market sentiment about the continuing

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direction and stewardship of Stirling. This period also saw Stirling announce to the market on 29 October 2010 the first shipment of zircon through its 50.78% subsidiary Matilda Zircon, an improvement in the copper, zircon and gold prices and continued copper oxide mineralisation observed at the Redbank Copper's Copperado project through its investment in Redbank Copper.

In the period from 3 May 2010 to 13 October 2010, Stirling shares traded on ASX in the range of 4.5 cents per share to 12.0 cents per share. A drop in share price was observed in Stirling and this had occurred from the period from 16 June 2010 to 18 June 2010 where the share price decreased from 9.7 cents to 7.5 cents per share due to a change in strategy in the Stirling group of companies, including a proposed rationalisation at the board level for Stirling as well as its associated companies Redbank Copper, Matilda Zircon and Swan Gold and delaying the commencement of mining for Swan Gold and the attempt to seek new partners to develop Swan Gold's Mt Ida and Carnegie projects. On 22 June 2010, the share price dropped further from 7 cents per share to 5.1 cents per Stirling share upon the announcement of resignation of Mr Jeremy Shervington as a director of Stirling. A further announcement of the resignation by Messrs Michael Kiernan and James Kiernan from the board of Stirling on the 29 June 2010 saw the share price drop from 5.3 cents per share to 5.1 cents per share. In the period from 15 July 2010 to 30 July 2010, saw the share price rise from 4.9 cents per share to close at 10 cents per share upon, inter alia, on the announcement of the appointment of Mr Marty Adams as Managing Director as well as the announcement of the commencement of mining the Matilda Zircon Tiwi Islands Zircon tenements. On 5 August 2010, the share price dropped from 10 cents to 7 cents per share upon the release of Appendix 5B which highlighted Stirling's then cash position of approximately \$5,000 and a cash burn for the quarter of approximately \$805,000 on operating activities. A further announcement on 23 August 2010, where the company had announced a revision and a delay to the plans for its associate Swan Gold to recommence mining operations at the Carnegie and Mt Ida locations, saw the share price drop from 6.5 cents per Stirling share to 5 cents per Stirling share. For the period from the 1 September 2010, up to the 6 October 2010, the Stirling share price oscillated between 4.5 cents to 5.5 cents per share with a VWAP for that period of 4.8 cents per share. DCM notified Stirling of its intention to convert the unsecured DCM Loan of \$12,300,000 on 1 November 2010 based on a VWAP share price on the 14 preceding days to 31 October 2010. Such VWAP has been calculated at 4.5 cents. It is noted that the last share price on 15 November 2010 was 4.4 cents per share and the share price since 1 November 2010 and to 19 November 2010 has been between 4.3 cents and 4.8 cents on extremely low volumes. The closing price of a Stirling share trading on ASX as at 6 December 2010 was 4.0 cents.

5.5.2 The underlying value of Stirling and the future share price of a Stirling share is dependent on:

- The future commercialisation of the existing mineral interests by underlying investments in companies such as Redbank Copper, Swan Gold and Matilda Zircon and in particular the Redbank copper project and Tiwi Islands projects in the Northern Territory, Swan Gold's Mt Ida and Carnegie projects in Western Australia and Matilda Zircon's leucoxene project near Keysbrook, Western Australia;
- Successful recommencement of mining operations at the Carnegie and Mt Ida gold projects in Western Australia owned by Swan Gold;

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- Exploration success in respect of the above mentioned projects noted above;
- The state of the gold, copper, leucoxene and zircon markets (and prices) and foreign exchange rates;
- Cash position of Stirling;
- The state of Australian and overseas stock markets;
- Membership and control of the Board and quality of management;
- General economic conditions; and
- Liquidity of shares in Stirling.

It is noted that the book net asset backing per share as at 20 October 2010 approximates a negative 2.72 cents and the main assets disclosed in the consolidated Statement of Financial Position are investments in, and receivables owing from Redbank Copper, Matilda Zircon and Swan Gold totalling approximately \$18,472,000 (relating to copper, zircon/leucoxene and gold projects).

- 5.5.3 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher. In the case of Stirling, current liquidity is not strong and it is noted that the current cash and receivables as at 30 September 2010 totalled \$2,378,000 whilst trade creditors and accruals totalled \$2,278,000. The Company also has amounts owing to DCM of \$26,607,847 which in turn includes the loan amount of \$12,300,000 (DCM Loan) that is planned to be extinguished by the issue of the DCM New Shares. An amount of \$10,000,000 plus accrued interest is owing to DCM via a Commercial Bond and \$2,600,000 plus accrued interest is owed to DCM via a Convertible Note. The cash position is poor taking into account the debts of the Company and the Company requires an urgent inflow of funds to be able to satisfy the loans owing to DCM and or providing continued funding to develop underlying mining assets in Matilda Zircon, Swan Gold and Redbank Copper. In effect, DCM is funding the Company over the past 12 months and we have been advised that it is unlikely in the near term to be able to raise new equity whilst the large debts owing to DCM are in existence. Arguably, based on recent price history from 3 May 2010 to 6 December 2010, the market value of a Stirling share lies in the range of 4.0 cents to 12.5 cents but unless the Company raises further funds the share price may fall below the current share price (6 December 2010) of 4.0 cents. In the absence of sufficient cash resources, the Company cannot complete the development and recommencement of mining operations for the Swan Gold Mt Ida and Carnegie operations, repay the amounts owing to DCM and meet on going working capital requirements. The share price would drift downwards until cash is received.

The closing share price as at 6 December 2010, being 4.0 cents per share does not necessarily reflect fair value of the Company's shares. If future exploration and evaluation and or exploitation of the projects proves successful in the underlying companies in which Stirling holds a significant investment in, (being Redbank Copper, Matilda Zircon and Swan Gold) and developments of those projects proceed, then arguably the fair value of a Stirling share may be in excess of the 4.4 cent price per share as at 15 November 2010 and the 6 December 2010 share price of 4.0 cents. The VWAP in the period from 3 May 2010 to 10 November 2010 was 6.9 cents per share however volumes traded were extremely thin. It is considered, that the market which is fully informed, is a good indicator of the current value of a Stirling share. The market has had the opportunity to digest the recent announcements and results (those announced from 3 May 2010 through to 6 December 2010) of the Company.

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We have, however, put more of a weighting on the market value rather than the net asset backing approach. In our view, for the purposes of ascribing a value to a Stirling share for the purposes of arriving at a conclusion on the fairness and reasonableness of the proposals under resolution 1, the fair market value of a Stirling share lies in the range of 4.0 cents and 4.8 cents.

## 6. PREMIUM FOR CONTROL

- 6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve (increase) control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. As noted above, DCM's shareholding interest in Stirling would increase from approximately 53.02% to approximately 83.61% (ignoring the any potential conversion of DCM Exiting Options held by DCM directly in Stirling) if resolution 1 is passed allowing DCM to be issued, inter-alia 273,333,333 DCM New Shares at 4.5 cents each being the 14 day VWAP as agreed to with DCM to 31 October 2010. Accordingly, we have addressed whether a premium for increased control will be paid.
- 6.3 As noted above, the recent market value of a Stirling share lies in the range of approximately 4.0 to 4.8 cents. As DCM is acquiring DCM New Shares at 4.5 cents each it could be argued that on balance DCM is not paying a premium for increased control taking into account normal premiums that would be payable to obtain control or increased control of 20% to 30%. However the shareholders of Stirling are arguably better off as the Company would not need to repay the DCM Loan of \$12,300,000 and by issuing the DCM New Shares, the asset backing becomes positive compared with the negative equity as at 30 September 2010 (refer paragraphs 5.4.1 and 5.4.2 above).
- 6.4 We note that currently DCM has all three representatives on the Stirling Board, being Dr Rohtraut Skatsche-Depisch, Roman Lurf and Giga Bedineishvili. Following the passing of resolution 1 it is envisaged that Stirling will seek to appoint a new Managing Director.

## 7. Fairness and Reasonableness of the Proposed Placement

- 7.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Issue of 273,333,333 DCM New Shares to DCM pursuant to resolution 1 of the Notice.

### Advantages

- 7.2 By entering into the proposal with DCM, the net asset position of Stirling is improved as \$12,300,000 of debt liability is eliminated for no cash outlay. As noted above, the current net deficiency in equity becomes a positive net asset position (refer paragraphs 5.4.1 and 5.4.2). Notwithstanding this, Stirling's cash position is low taking into account the debt obligations to DCM and the necessity to fund the operations of Redbank Copper, Matilda Zircon and Swan Gold and further share equity funds will need to be obtained.

- 7.3 In the event that the Company cannot repay the DCM Loan by approving resolution 1, there is the strong likelihood that the share price of a Stirling share may fall from present prices. Stirling, in the absence of a capital raising will experience liquidity concerns.
- 7.4 The issue price of the New DCM Shares, being 4.5 cents per share is not a discount to the market share price of a Stirling share over the past month to mid November 2010. In the current market it is time consuming for exploration companies such as Stirling to raise equity and if raised significant discounts to recent traded share prices may need to be offered. It is not uncommon to offer discounts in the current market of between 20% and 50%. Arguably it could be higher for mineral exploration/producer companies that are not profitable and have negative cash flows. The Issue is significant to allow the Company to extinguish part of the loans from DCM to the extent of \$12,300,000. By allowing the Company to enter into a positive net asset position and reduce debt by \$12,300,000 it may assist the Company in the future to raise additional working capital to be used in the continuing operations of Stirling, including possible funding for Swan Gold, Redbank Copper and Matilda Zircon. However, in the short term fund raising may be difficult and the continued support of DCM is still required. If the Company continues to have positive results from underlying projects held by Stirling in investees, there is an increased chance that future capital raisings may be undertaken at a higher price than the 4.5 cent per share envisaged under the Issue with DCM.
- 7.5 There is a continuing incentive for DCM to ensure Stirling becomes a viable investment, mineral exploration and development company as DCM will continue to have a significant interest (of 83.61% post consummation of resolution 1) in Stirling. DCM is taking a risk in investing further into Stirling (via eliminating the DCM Loan of \$12,300,000 by the Issue) as to a large extent Stirling's future share price may be determined by the performance of underlying companies in which Stirling holds a significant interest in (Redbank Copper, Matilda Zircon and Swan Gold). There is a huge incentive for DCM to make Stirling a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.

#### Disadvantages

- 7.6 The number of fully paid ordinary shares on issue initially rises by 273,333,333 to 419,829,476. This represents an approximate 182.58% increase in the ordinary shares of the Company. This dilutes the shareholding of the non-DCM associated shareholders. It is noted that DCM control the board Stirling, by 3 board members being aligned to DCM.
- 7.7 An increased influential shareholding of the Company is being given to DCM in that they would immediately have voting control of approximately 83.61% of the expanded ordinary issued capital as a result of the issue of the DCM New Shares after the successful ratification and implementation of resolution 1 (prior to the exercise of any DCM Existing Options). This represents an increase of approximately 30.59%. A further dilution may take place whereby DCM may increase its holding in Stirling by exercising share options held by DCM in Stirling. If all the DCM Existing Options were exercised, DCM would need to pay Stirling an amount of \$10,000,000. However, DCM's shareholding interest would increase to approximately 85.85% (in the absence of any further shares, including exercise of other share options held by other shareholders).

## Other Factors

- 7.8 The proposed issue (conversion of the DCM Loan) price of 4.5 cents per share is well above the net asset backing per share value of approximately that is in fact a negative 2.72 cents. Should resolution 1 be passed allowing the approval of the conversion of the DCM Loan, the adjusted net asset backing per share would rise to approximately 1.97 cents per share. However, we do not consider that undue weighting should be given to asset backing as share issues of ASX listed companies are normally undertaken based on share prices and more often that not at a discount to market.
- 7.9 The terms that are being offered to DCM under resolution 1, being the issue of 273,333,333 DCM New Shares at a price of 4.5 cents per ordinary share are arguably do not indicate that DCM is paying any significant premium for increased control. It is noted however, that DCM controls approximately 53.02% of the current shares on issue, and thus already controls Stirling.
- 7.10 The Company is decreasing its debt by \$12,300,000, by the extinguishment of the DCM Loan, and effectively converting this into equity. This may have positive repercussions should the Company seek additional funding in the future due to the lower amount of debt on the Company's balance sheet (statement of financial position).

## **8. Conclusion as to Fairness and Reasonableness**

- 8.1 **After taking into account the factors referred to in section 7 above and elsewhere in this report, we are of the opinion that the proposed approval of the issue of 273,333,333 DCM New Shares in Stirling at an issue price of 4.5 cents each as noted in paragraph 1.1 and resolution 1 in the Notice may be considered, on balance, collectively to be fair and reasonable to the non-associated shareholders of Stirling not associated with DCM.**

## **9. Sources of Information**

- 9.1 In making our assessment as to whether the proposals to issue 273,333,333 DCM New Shares at an issue price of 4.5 cents each, to DCM as outlined in paragraph 1.1 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company and its mining assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Stirling about the present and future operations of the Company. 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 the directors and management of Stirling.
- 9.2 Information we have received includes, but is not limited to:
- Draft Notices and Explanatory Statement to Shareholders of Stirling prepared in November 2010;
  - Discussions with management and a director of Stirling;
  - Details of historical market trading of Stirling ordinary fully paid shares recorded by ASX for the period 1 January 2010 to 6 December 2010;
  - Shareholding details of Stirling as at 6 December 2010;
  - Announcements made by Stirling, Redbank Copper, Matilda Zircon and Swan Gold to the ASX to 6 December 2010;
  - The cash flow forecasts of Stirling for 2010/11;

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- Audited accounts of Stirling for the year ended 30 June 2010;
- Unaudited management accounts of Stirling for the period 1 July 2010 to 30 September 2010;
- Estimated debt position of Stirling as at 31 October 2010; and
- Various VWAP calculations to 10 November 2010 and the 14 day VWAP to 31 October 2010.

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

Yours faithfully

**STANTONS INTERNATIONAL PTY LTD**  
**(Trading as Stantons International Securities)**



**J P Van Dieren – FCA**  
**Director**

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## APPENDIX A

### AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 7 December 2010, relating to the issue of 273,333,333 DCM New Shares in Stirling at an issue price of 4.5 cents each, to eliminate a gross debt of \$12,300,000 owing to DCM as at 31 October 2010 as outlined in paragraph 1.1 of the report and resolution 1 in the Notice of Meeting to Shareholders proposed to be distributed to shareholders in December 2010.

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 \$10,000. 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 has over the past 18 months undertaken a number of independent expert reports that have involved either Stirling, or associated companies of Stirling.

Stantons International Securities does not hold any securities in Stirling or DCM. 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 Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Audit and Consulting Pty Ltd. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic 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.

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## DECLARATION

This report has been prepared at the request of the directors of Stirling in order to assist them to assess the merits of the proposal as outlined in resolution 1 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Stirling shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Stirling and its assets, including the investments in Redbank Copper, Matilda Copper and Swan Gold. 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 the Stirling Group. 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 and Stantons International 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) 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) 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  
FOR STANTONS INTERNATIONAL PTY LTD  
(Trading as Stantons International Securities)  
Dated 7 December 2010**

1. 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 licensed to provide

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

- Securities (such as shares, options and notes)

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.

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#### 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. We have however produced similar Independent Expert Reports for Stirling Resources.

#### 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 ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors previously may have been directors in Stantons International Pty Ltd, and SIS has an affiliation with Stantons International Audit and Consulting Pty Ltd, a company that provides audit, corporate and accounting services.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit 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](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

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

## 10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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## **ENQUIRIES**

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Shareholders are required to contact the Company Secretary on +61 (08) 6389 6800 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** 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.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**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.

**Resolution** means the resolution set out in the Notice of Meeting.

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

**Shareholder** means a holder of a Share.

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

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## 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 2.30pm (WST), on 11 February 2011 at Ground Floor, 150 Hay Street, Subiaco, Western Australia and at any adjournment thereof.

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

**OR**

**Voting on Business of the General Meeting**

**FOR      AGAINST      ABSTAIN**

**Resolution 1 – Conversion of Loan**

**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 be counted in computing the required majority on a poll.

**Signature of Member(s):**

**Individual or Member 1**

**Member 2**

**Date:** .....

**Member 3**




**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

**Contact Name:** ..... **Contact Ph (daytime):** .....

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## Instructions for Completing 'Appointment of Proxy' Form

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1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual 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 Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual 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 Annual 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, PO Box 8116, Subiaco East, Western Australia 6008; or
  - (b) facsimile to the Company on facsimile number +61 8 6389 6810,
- so that it is received not later than 2.30pm (WST) on 9 February 2011.

**Proxy forms received later than this time will be invalid.**