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**Stirling Resources Limited**

ABN 94 009 659 054

**FINANCIAL REPORT**

**For the six month period ended 30 June 2009**

# STIRLING RESOURCES LIMITED

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Jeremy Shervington	Non-executive Chairman
Michael Kiernan	Managing Director
Rohtraut Skatsche-Depisch	Non-executive Director
James Kiernan	Non-executive Director
George Bedineishvili	Non-executive Director
David Nabarro	Non-executive Director
Paul Page	Non-executive Director

### COMPANY SECRETARY

Ildiko Wowesny

### REGISTERED OFFICE

150 Hay,  
Subiaco, Western Australia 6008

### Postal Address

PO Box 870,  
West Perth, Western Australia 6872

Telephone: +61 8 6389 6800  
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Email: admin@stirlingresources.com.au  
Web site: www.stirlingresources.com.au

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
45 St George's Terrace,  
Perth Western Australia 6000

Telephone: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033  
E-mail: perth.services@computershare.com.au  
Web-site: www.computershare.com.au

### AUDITORS

Deloitte Touche Tohmatsu

### SOLICITORS

Allion Legal  
Steinepreis Paganin

### STOCK EXCHANGE LISTING

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

## CONTENTS

Directors' report.....	3
Auditor's independence declaration .....	12
Income statements.....	13
Balance sheets.....	14
Statements of changes in equity.....	15
Cash flow statements .....	16
Notes to the financial statements .....	17
Declaration by directors.....	48
Independent auditor's report.....	49

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

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

# STIRLING RESOURCES LIMITED

## DIRECTORS' REPORT

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

### DIRECTORS

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

Jeremy Shervington	(Chairman, since 27 July 2009) (Appointed as a director on 13 July 2009)
Michael Kiernan	
Rohtraut Skatsche-Depisch	(Appointed on 7 May 2009)
James Kiernan	
George Bedineishvili	(Appointed on 19 February 2009)
David Nabarro	(Appointed on 21 September 2009)
Paul Page	
Richard Poole	(Resigned on 27 July 2009)
Anthony Coulepis	(Resigned on 24 July 2009)
Patricia Phillip	(Resigned on 11 February 2009)

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

### INFORMATION ON DIRECTORS

Director	Qualifications, experience and special responsibilities
Jeremy Shervington	<p>LLB, B.Juris Non-Executive Chairman.</p> <p>Mr Shervington operates a legal practice in Western Australia. He is a solicitor specialising in the laws regulating companies and securities industry in Australia. Mr Shervington has 29 years' experience as a lawyer, gained since admission as a Barrister and Solicitor of the Supreme Court of Western Australia.</p> <p>Other current directorships: Australian Zircon Limited (since 1998), Prairie Downs Metals Limited (since 2002), Colonial Resources Limited (since 2006), Western Uranium Limited (since 2006), Industrial Minerals Corporation Limited (since 2004), Emerald Oil &amp; Gas NL (since 2006) and a director of Altera Resources Limited (since 2006).</p> <p>Former directorships in the last 3 years: Biron Apparel Limited (2002 to 2006).</p>
Michael Kiernan	<p>B Bus, FAICD Managing Director</p> <p>Mr Kiernan has more than 35 years experience in transport, mining, contracting and resources industries, including the development and operation of mining projects in iron ore, manganese, chromite, nickel, copper, coal, gold and mineral sands. He has a track record in management and leadership of resources based projects having held executive positions with Australia's major mining and transport contractors. He was founding Managing Director of the diversified minerals producer Consolidated Minerals Limited.</p> <p>Other current directorships: Redbank Mines Limited (since December 2008), Matilda Zircon Limited (since July 2009), Australian Zircon Limited (since February 2009) and Monarch Gold Mining Company Limited (since 2002).</p> <p>Former directorships in the last 3 years: Territory Resources Limited (February 2007 to June 2008), India Resources Limited (August 2006 to June 2008), Mineral Resources Limited (July 2006 to May 2008), Precious Metals Australia Limited (August 2006 to February 2008), Matilda Minerals Limited (December 2006 to June 2008), Peel Exploration Limited (March 2007 to February 2008) and Uran Limited (May 2006 to June 2007).</p>

## STIRLING RESOURCES LIMITED

Rohtraut Skatsche-  
Depisch

D. Phil.  
Non-Executive Director

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

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

James Kiernan

B.Econ.  
Non-Executive Director

Mr Kiernan is Managing Director of Crawley Investments Pty Ltd. He was previously an investment advisor at stockbroking firm William Noall Ltd and a corporate advisor specialising in IPO's and secondary listings both in London and Dubai, capital raisings and merger and acquisitions. He has been extensively involved in the logistic management of several production mines in Western Australia.

Former directorships in the last 3 years: India Resources Limited (August 2006 to October 2006).

George Bedineishvili

Non-Executive Director

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

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

David Nabarro

Non-Executive Director

Mr Nabarro has 40 years experience in the financial, industrial and resources sectors both in the UK and overseas. Mr Nabarro founded one of the UK's leading independent small to medium cap corporate finance houses, Nabarro Wells Co. Limited, in 1990. Nabarro Wells was a registered nominated adviser for the London Stock Exchange's Alternative Investment Market. After the acquisition in 2008 of Nabarro Wells by the AIM listed Ambrian Capital PLC, he became a Director of its investment banking subsidiary Ambrian Partners Limited advising on stock exchange listings and M&A activity together with capital raisings.

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

Paul Page

B.Bus.  
Non-Executive Director

Mr Page has experience in the equity capital markets operating in both large and small firm environments. His experience includes investment banking, financial network, capital raising and stockbroking. He has held roles as Director and Head of Equity Capital Markets for a number of broking firms. He has successfully raised funding and listed a range of companies on the ASX.

Special Responsibilities: Mr Page is Chairman of the Audit Committee.

Former directorships in the last 3 years: ComputerCorp Limited (2003 to 2006).

## STIRLING RESOURCES LIMITED

### Information on Company Secretary

Ildiko Wowesny B.Bus.

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

### DIRECTORS' INTERESTS

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

Director	Fully paid shares	Unlisted options	Listed options
Mr J Shervington	Nil	Nil	Nil
Mr M Kiernan	12,000,000	15,000,000	4,767,813
Dr R Skatsche-Depisch	11,000,000	Nil	Nil
Mr J Kiernan	12,000,000	15,000,000	4,767,813
Mr G Bedineishvili	Nil	Nil	Nil
Mr D Nabarro	Nil	Nil	Nil
Mr P Page	4,105,066	Nil	Nil

### DIRECTORS' MEETINGS

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

	Board		Audit Committee	
	Number held whilst in office	Number attended	Number held whilst in office	Number attended
Mr J Shervington	1	1	-	-
Mr M Kiernan	5	5	-	-
Dr R Skatsche-Depisch	2	-	-	-
Mr J Kiernan	5	3	-	-
Mr G Bedineishvili	4	3	-	-
Mr D Nabarro	-	-	-	-
Mr P Page	5	3	1	1
Ms P Phillip (resigned 11 February 2009)	-	-	-	-
Mr R Poole (resigned 27 July 2009)	4	4	1	1
Mr A Coulepis (resigned 24 July 2009)	4	2	-	-

No meetings of the remuneration committee were held during the period.

# STIRLING RESOURCES LIMITED

## REMUNERATION REPORT (audited)

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

### *Director and Key Management Personnel details*

Michael Kiernan (Managing Director)  
Mr J Shervington (Non-Executive Chairman, appointed 13 July 2009)  
Ms R Skatsche-Depisch (Non-Executive Director, appointed 7 May 2009)  
Mr J Kiernan (Non-Executive Director)  
Mr G Bedineishvili (Non-Executive Director, appointed 19 February 2009)  
Mr D Nabarro (Non-Executive Director, appointed 21 September 2009)  
Mr P Page (Non-Executive Director)  
Ms P Philip (Non-Executive Director, resigned on 11 February 2009)  
Mr R Poole (Non-Executive Chairman, resigned on 27 July 2009)  
Mr A Coulepis (Non-Executive Director, resigned on 24 July 2009)  
Mr K Vuleta (Chief Financial Officer, appointed 9 February 2009)

### *Principles used to determine the nature and amount of remuneration*

#### *Directors and executives remuneration*

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

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

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

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

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

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

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

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

## STIRLING RESOURCES LIMITED

relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

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

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

### *Non-executive directors' remuneration*

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

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

### *Details of remuneration*

The following table discloses details of the nature and amount of each element of the remuneration of each director of Stirling Resources Limited and the Group and each of the officers receiving the highest remuneration for the period ended 30 June 2009. The information in this table has been audited.

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

## STIRLING RESOURCES LIMITED

- i) J Shervington was appointed as a Director on 13 July 2009.
- ii) R Skatsche-Depisch was appointed as a Director on 7 May 2009.
- iii) G Bedineishvili was appointed as a Director on 19 February 2009.
- iv) D Nabarro was appointed as a Director on 21 September 2009.
- v) P Phillip resigned as a Director on 11 February 2009.
- vi) R Poole resigned as a Director on 27 July 2009.
- vii) A Coulepis resigned as a Director on 24 July 2009.
- viii) K Vuleta was appointed as Chief Financial Officer on 9 February 2009.

31 Dec 2008 Group and Parent Name	Short term employee benefits			Post-employment benefits		Share based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options	Total
<b>Key management personnel</b>	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
<i>Executive director</i>							
M Kiernan (i)	19,113	-	-	1,720	-	-	20,833
<i>Non-executive directors</i>							
J Kiernan (ii)	-	-	-	-	-	-	-
P Page	36,000	-	-	-	-	-	36,000
K Philip	24,000	-	-	-	-	-	24,000
R J Poole	24,000	-	-	-	-	-	24,000
A Coulepis	96,000	-	-	-	-	-	96,000
<b>Total</b>	199,113	-	-	1,720	-	-	200,833

- i) M Kiernan was appointed as a director on 16 October 2008.
- ii) J Kiernan was appointed as a director on 16 October 2008.

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

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

Information on any benefits received by directors of Stirling Resources Limited by reason of a contract made by the consolidated entity with a director or a director-related entity is contained in Note 18 of the financial report.

### **Service agreements**

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

#### **M Kiernan – Managing Director**

Term of agreement: No fixed term.

Base salary: \$250,000 per annum inclusive of superannuation, to be reviewed annually. At the date of this report the current salary is \$250,000 per annum inclusive of superannuation.

Termination provisions: Payment upon early termination by the Company (other than for serious misconduct) 3 months of annual salary for inadequate performance or long term incapacity and 3 months of annual salary upon redundancy. Mr Kiernan can terminate his employment upon provision of 3 months written notice.

## STIRLING RESOURCES LIMITED

K Vuleta – Chief Financial Officer

Term of agreement: No fixed term.

Base Salary: \$185,000 per annum inclusive of superannuation, to be reviewed annually. At the date of this report the current salary is \$200,000 per annum inclusive of superannuation.

Termination provisions: Payment upon early termination by the Company (other than for serious misconduct) 3 months of annual salary for inadequate performance or long term incapacity and 3 months of annual salary upon redundancy. Mr Vuleta can terminate his employment upon provision of 3 months written notice.

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial period were as an Australian resources developer focusing on investment and development of copper, zircon, gold, coking coal and iron ore projects.

### OPERATING RESULTS

The net loss of the Group after provision for income tax was \$2,447,828 (2008: loss \$326,321).

### REVIEW OF OPERATIONS

During the financial period the Company progressed towards its goal of becoming a successful developer of copper, zircon, coal, gold and iron ore producing assets. The Company put an executive team in place with considerable resource experience and a track record of creating significant shareholder value. The Company also established strong strategic partnerships with DCM DECOMetal, a global commodity marketer and a now a major shareholder of the company and with NMDC, a major Indian resource enterprise.

The investment in Redbank Copper Limited has advanced significantly as it has undertaken a detailed mine study on its Redbank Copper Project which has a total copper resource of 5.2mt at 1.44% copper and commenced a 10,000 metre drilling exploration programme. The Directors expect Redbank to be in production in 2010. With a \$4.3million capital raising successfully completed in April 2009 Redbank is positioned to exploit the significant exploration opportunities and committed to a \$2.5million exploration program, already underway.

The Company plans to become a zircon producer shortly and achieve its aim of building up production of zircon concentrate, over the next five years, to the equivalent of 50,000 tonnes per annum. The Company through its wholly owned subsidiary, Stirling Zircon Pty Ltd, completed a \$10 million commercial bond to fund the acquisition of mineral sands assets from Matilda Minerals Limited and to recommence mining at the Tiwi Islands zircon project. It is also planned to undertake a significant exploration program on the highly prospective Cape York tenements.

In June 2009, Stirling reached agreement with the Administrators of Monarch Gold Mining Company Limited for a recapitalisation proposal to inject funds into Monarch to settle outstanding creditors' claims and to re-commence mining operations at the Mt Ida and Carnegie gold projects located in Western Australia. This recapitalisation proposal was approved by creditors of Monarch on 29 June 2009 and by the shareholders of Monarch on 10 September 2009.

### DIVIDENDS

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

### LIKELY DEVELOPMENTS

The Company expects to grow as a diversified Australian resources developer, with equity holdings in several listed entities, covering targeted commodities supported by favourable demand fundamentals or which have geological characteristics with intrinsic potential but which have not previously achieved their full value, with the focus being on brown fields project close to development or production

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

## STIRLING RESOURCES LIMITED

### OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, Stirling Resources Limited ordinary fully paid shares which are subject to options were unissued.

The terms of these options are as follows:

Options granted over fully paid shares exercisable:

	<b>Number</b>
- exercisable at \$0.40 each on or before 30 June 2012	7,629,261
- exercisable at \$1.00 each on or before 30 June 2010	7,500,000
- exercisable at \$2.00 each on or before 30 June 2012	<u>7,500,000</u>
	<u><u>22,629,261</u></u>

Details of options issued and exercised during the financial period are contained in notes 14 and 17 to the financial report. Subsequent to the end of the period no options were converted into fully paid ordinary shares.

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

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- Capital raising initiatives to raise \$2.6 million by a convertible note and \$2.2 million by a placement to international commodity trading group and strategic partner DCM DECOMetal million to support growth strategies.
- Acquisition of high grade mineral sands assets in northern Australia for \$4.8 million in May 2009.
- \$10 million commercial bond facility with DCM DECOMetal to fund expanding zircon portfolio.
- Agreement entered into to expand high grade zircon interests through a major shareholding in Matilda Zircon Limited.
- Recapitalisation proposal to acquire major shareholding in near term gold producer, Swan Gold Mining Limited (formerly Monarch Gold Mining Company Limited).
- Divestment of Cellsense private cord blood health care business.

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

Significant events which have occurred subsequent to the end of the financial period are contained in Note 25 to the financial report.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

# 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 Company's and Group's financial position as at 30 June 2009 and of their 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 Company will be able to pay its debts as and when they become due and payable.

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

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



M.L. Kiernan  
Director

Perth, Western Australia  
30 September 2009

STIRLING RESOURCES LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

Directors of the Board  
Stirling Resources Limited  
150 Hay Street  
PO Box 870  
West Perth WA 6872

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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30 September 2009

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 audit of the financial statements of Stirling Resources Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU

  
A T Richards  
Partner  
Chartered Accountants

Member of  
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

**STIRLING RESOURCES LIMITED**

**INCOME STATEMENT  
FOR THE SIX MONTH FINANCIAL PERIOD ENDED 30 JUNE 2009**

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Continued Operations</b>					
Revenue	3	76,100	136,834	76,100	136,834
Other Income	3	-	273,293	-	273,293
Employee and directors – remuneration expenses	3	332,837	228,101	315,669	228,101
Depreciation and amortisation	3	6,185	-	6,185	-
Corporate and administrative expenses	3	1,468,113	207,448	1,397,315	207,448
Finance costs	3	208,176	-	80,412	-
Impairment of receivables		29,508	405,087	29,508	1,209,821
Change in fair value of financial assets	3	-	1,631,445	-	71,655
Loss on sale of financial assets		-	7,967	-	7,967
		<u>1,968,719</u>	<u>2,069,921</u>	<u>1,752,989</u>	<u>1,314,865</u>
Share of loss of associate accounted for using equity method	5	<u>479,109</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from continuing operations		2,447,828	2,069,921	1,752,989	1,314,865
Income tax expense	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss after income tax		2,447,828	2,069,921	1,752,989	1,314,865
<b>Discontinued Operations</b>					
Profit from disposal of discontinued operations	3(h)	-	2,401,090	-	-
Loss from discontinued operations	3(h)	<u>-</u>	<u>(657,490)</u>	<u>-</u>	<u>-</u>
Loss for the period		<u>2,447,828</u>	<u>326,321</u>	<u>1,752,989</u>	<u>1,314,865</u>
<b>Earnings per share</b>					
From continuing and discontinued operations:					
Basic loss (cents per share)	21	(4.7)	(0.1)		
Diluted loss (cents per share)	21	(4.7)	(0.1)		
From continuing operations:					
Basic loss (cents per share)	21	(4.7)	(6.3)		
Diluted loss (cents per share)	21	(4.7)	(6.3)		

The above income statements should be read in conjunction with the accompanying notes.  
The 2008 comparative period is for the period from 1 January 2008 to 31 December 2008.

**STIRLING RESOURCES LIMITED**

**BALANCE SHEETS  
AS AT 30 JUNE 2009**

	NOTE	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	892,919	408,435	839,386	407,923
Trade and other receivables	7	294,094	108,821	288,504	108,821
Prepayments		24,919	-	24,919	-
<b>TOTAL CURRENT ASSETS</b>		<u>1,211,932</u>	<u>517,256</u>	<u>1,152,809</u>	<u>516,744</u>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	7	1,305,365	1,675,684	887,907	1,258,226
Investments accounted for using the equity method	5	1,828,945	-	-	-
Other financial assets	8	3,897,048	21,324	3,789,668	21,326
Plant and equipment	9	3,189,114	3,075	79,649	3,075
Deferred exploration expenditure	10	2,324,014	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>12,544,486</u>	<u>1,700,083</u>	<u>4,757,224</u>	<u>1,282,627</u>
<b>TOTAL ASSETS</b>		<u>13,756,418</u>	<u>2,217,339</u>	<u>5,910,033</u>	<u>1,799,371</u>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	6	206,229	206,229	-	-
Trade and other payables	11	642,694	171,581	496,002	166,721
Borrowings	12	3,081,424	-	2,600,000	-
Provisions	13	34,457	-	34,457	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,964,804</u>	<u>377,810</u>	<u>3,130,459</u>	<u>166,721</u>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	12	7,500,000	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>11,464,804</u>	<u>377,810</u>	<u>3,130,459</u>	<u>166,721</u>
<b>NET ASSETS</b>		<u>2,291,614</u>	<u>1,839,529</u>	<u>2,779,574</u>	<u>1,632,650</u>
<b>EQUITY</b>					
Issued capital	14	23,226,503	20,326,590	23,226,503	20,326,590
Accumulated losses		(22,965,977)	(20,518,149)	(22,479,017)	(20,726,028)
Reserves	15	2,031,088	2,031,088	2,032,088	2,032,088
<b>TOTAL EQUITY</b>		<u>2,291,614</u>	<u>1,839,529</u>	<u>2,779,574</u>	<u>1,632,650</u>

The above balance sheets should be read in conjunction with the accompanying notes.  
The 2008 comparative period is as at 31 December 2008.

**STIRLING RESOURCES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH FINANCIAL PERIOD ENDED 30 JUNE 2009**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>At 1 January 2008</b>	18,673,342	1,881,088	(20,191,828)	362,602
Loss for the period	-	-	(326,321)	(326,321)
<b>Equity Transactions:</b>				
Issue of share capital	1,658,000	-	-	1,658,000
Share issue expenses	(4,752)	-	-	(4,752)
Share-based payments	-	150,000	-	150,000
<b>At 31 December 2008</b>	20,326,590	2,031,088	(20,518,149)	1,839,529
Loss for the period	-	-	(2,447,828)	(2,447,828)
Total recognised income and expense for the period	-	-	(2,447,828)	(2,447,828)
<b>Equity Transactions:</b>				
Issue of share capital	2,949,738	-	-	2,949,738
Share issue expenses	(49,825)	-	-	(49,825)
<b>At 30 June 2009</b>	23,226,503	2,031,088	(22,965,977)	2,291,614

<b>Parent</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total equity \$</b>
<b>At 1 January 2008</b>	18,673,342	1,882,088	(19,411,161)	1,144,269
Loss for the period	-	-	(1,314,867)	(1,314,867)
<b>Equity Transactions:</b>				
Issue of share capital	1,658,000	-	-	1,658,000
Share issue expenses	(4,752)	-	-	(4,752)
Share-based payments	-	150,000	-	150,000
<b>At 31 December 2008</b>	20,326,590	2,032,088	(20,726,028)	1,632,650
Loss for the period	-	-	(1,752,989)	(1,752,989)
<b>Equity Transactions:</b>				
Issue of share capital	2,949,738	-	-	2,949,738
Share issue expenses	(49,825)	-	-	(49,825)
<b>At 30 June 2009</b>	23,226,503	2,032,088	(22,479,017)	2,779,574

The above statements should be read in conjunction with the accompanying notes.  
The 2008 comparative period is for the period from 1 January 2008 to 31 December 2008.

**STIRLING RESOURCES LIMITED**

**CASH FLOW STATEMENT  
FOR THE SIX MONTH FINANCIAL PERIOD ENDED 30 JUNE 2009**

		CONSOLIDATED		PARENT	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	2,108,793	-	-
Payments to suppliers and employees		(1,503,814)	(3,688,045)	(1,424,326)	(1,521,915)
Interest received		4,827	(26,031)	4,827	47,503
Interest paid		-	102,648	-	-
<b>Net cash used in operating activities</b>	26b	<u>(1,498,987)</u>	<u>(1,502,635)</u>	<u>(1,419,499)</u>	<u>(1,474,412)</u>
<b>Cash flows from investing activities</b>					
Payments for exploration and evaluation		(2,324,014)	-	-	-
Payments for project evaluation		(260,327)	-	(260,327)	-
Payments for purchase of plant and equipment		(3,079,412)	(3,075)	(82,759)	(3,075)
Payment for security deposits		(113,000)	(1,250,000)	(113,000)	(1,250,000)
Dividends Received		-	-	-	-
Proceeds from the sale of shares in listed companies		-	15,844	-	15,784
Payment for investments		(3,265,410)	-	(62,330)	-
<b>Net cash used in investing activities</b>		<u>(9,042,163)</u>	<u>(1,237,231)</u>	<u>(518,416)</u>	<u>(1,237,291)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		2,949,738	1,658,000	2,949,738	1,658,000
Share issue costs		(49,825)	(4,752)	(49,825)	(4,752)
Proceeds from issue of share options		-	150,000	-	150,000
Loans to controlled entities		-	-	(1,156,256)	-
Loans advanced to related parties		(2,974,279)	-	(2,974,279)	-
Loans repaid from related parties		1,000,000	-	1,000,000	-
Proceeds from loans received from other parties		10,100,000	-	2,600,000	-
<b>Net cash provided by financing activities</b>		<u>11,025,634</u>	<u>1,803,248</u>	<u>2,369,378</u>	<u>1,803,248</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		484,484	(936,618)	431,463	(908,455)
Cash and cash equivalents at the beginning of the financial period		<u>202,206</u>	<u>1,138,824</u>	<u>407,923</u>	<u>1,316,378</u>
Cash and cash equivalents at the end of the financial period	26a	<u>686,690</u>	<u>202,206</u>	<u>839,386</u>	<u>407,923</u>

The above cash flows statements should be read in conjunction with the accompanying notes.  
The 2008 comparative period is for the period 1 July 2008 to 31 December 2008.

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of Stirling Resources Limited for the period ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on the date of signing of the Directors' Report.

Stirling Resources Ltd (the "Company") is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The Company changed its financial year end from 31 December to 30 June commencing from 30 June 2009. The comparative period is for the period from 1 July 2008 to 31 December 2008.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the directors on 30 September 2009.

#### (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.

#### Going Concern

The 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 Company and Consolidated entity to continue their investment 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 Company and Consolidated Entity incurred a net loss after tax for the period of \$1,752,989 and \$2,447,828 respectively and experienced net cash outflows from operating activities of \$1,419,499 and \$1,498,987 respectively. As at 30 June 2009 the Company and Consolidated Entity had net current liabilities of \$1,977,650 and \$2,752,872 respectively. Further as at 30 June 2009 a receivable of \$1,000,000 in relation to the convertible note facility (2008: nil) with Redbank Copper Limited was converted, pursuant to shareholder approval, to equity on 15 July 2009. The net current liability position of the Company and Consolidated Entity includes \$2.6 million in relation to the convertible note from DCM Decometal which is classified as current as the holder has the ability to convert at any time. A cash repayment is not required until February 2012.

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

In arriving at this position, the directors have considered the following pertinent matters:

- The Company raised substantial funds during the financial year and up to the date of this report;
- The Company is in the final stages of completing a capital raising for \$1,050,000 the proceeds from which are expected in October 2009;
- The Company has announced on 17 September 2009 its intention to issue a renounceable entitlement offer to shareholders on the basis on two new shares for every one share held by shareholders, to raise approximately \$17,500,000, to fund the settlement of the recapitalisation proposal for Monarch Gold Mining Company Limited and to provide additional ongoing working capital;
- Continued support from the major shareholders;

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

- The Directors have sufficient experience and success in equity raising and anticipate being able to raise additional equity funds, if required, in 2010;
- The Directors are continually assessing various options for the raising of sufficient additional equity funds, should they be required; and
- Ongoing management of the level of expenditure in line with the funds available to the Consolidated Entity.

The ability of the Company and Consolidated Entity to continue as going concerns is dependent upon the successful completion of the capital raising referred to above during October 2009, the renounceable entitlement offer being completed by November 2009 or alternatively by securing other debt or equity funding.

Should the Company and Consolidated Entity not be able to raise sufficient additional funds, there is significant uncertainty whether the Company and the Consolidated Entity will be able to continue as going concerns and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company or Consolidated Entity not be able to continue as going concerns.

### (c) Adoption of new and revised Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted early by the Group for the reporting period ended 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2008-3	Operating Segments and consequential amendments to other Australian Accounting Standards.	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2008-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2008-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards.	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2009-1	Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations.	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However the Group has not yet determined the extent of the impact, if any.	1 July 2009

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# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 2008-7	Amendments to Australian Accounting Standard – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate.	The amendment changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements.	1 July 2009	The Group has not yet determined the extent of the impact, if any.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRS's.	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRS's. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes: Part 2 deal with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS5, which are effective from 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

#### (d) Basis of Consolidation

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

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

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

#### (e) Significant accounting judgements, estimates and assumptions

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

##### *Exploration and evaluation*

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

##### *Share based payment transactions*

The Company measures the cost of equity settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by internal valuation using a trinomial method using assumptions disclosed in Note 14.

##### *Impairment of receivable*

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Trade and other receivables

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

#### (g) Exploration and evaluation expenditure

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

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

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

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

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

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

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

#### (h) Employee entitlements

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

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Revenue recognition

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

##### *Interest*

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

##### *Service Revenue*

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

##### *Dividend Revenue*

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

#### (j) Plant and equipment

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

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

Plant and equipment	2-5 years
---------------------	-----------

##### *Disposal*

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

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

#### (k) Impairment of non-financial assets

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

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (1) Taxation

##### (i) Income Tax

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

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

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

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

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

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

##### (ii) Other taxes

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

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

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

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

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(m) Trade and other payables**

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

#### **(n) Earnings per share**

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

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

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

#### **(o) Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less.

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

#### **(p) Contributed Equity**

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

#### **(q) Borrowing costs**

Borrowing costs incurred in relation to the provision of finance facilities are expensed in the period to which they were incurred.

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# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Leases

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

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

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

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

#### (s) Interest-bearing loans and borrowings

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

#### (t) Other Financial Assets - Investments

##### *Classification*

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

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

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

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6) and receivables (note 6) in the balance sheet.

##### *Recognition and derecognition*

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

##### *Subsequent measurement*

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

##### *Impairment*

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (u) Critical accounting estimates and judgments

#### Impairment testing

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. Critical estimates and judgments relating to the impairment testing of the assets of the group are as follows:

#### Mortgage

Given continuing uncertainties as to the recoverability of the existing mortgage over land based in Fiji, the Directors consider it prudent to maintain the full provision for the possibility that this mortgage will not be recovered. As a result of this, the Directors have reviewed the net carrying value of the mortgage investment as nil and believe this to be a prudent measurement of the fair value as at 30 June 2009 (December 2008: nil).

There is continuing uncertainty as there has been no approval of a Draft Master Plan for development of the site by the relevant planning authorities. The land subject to mortgage is based in Fiji and therefore subject to enforceability issues of security based in Fiji. The Directors have been unable to obtain assurance from the developers that there is no diminution in the value of the mortgage to the Company. These factors have required the maintenance of full provisioning of the mortgage.

### (v) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate

### (w) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition and is actively marketed. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sale.

### (x) Compound financial instruments

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT	
	6 months ended June 2009 \$	12 months ended December 2008 \$	6 months ended June 2009 \$	12 months ended December 2008 \$
<b>3. REVENUE AND EXPENSES</b>				
(a) Revenue				
- Interest received	<u>76,100</u>	<u>136,834</u>	<u>76,100</u>	<u>136,834</u>
(b) Other income				
- Sundry income	<u>-</u>	<u>273,293</u>	<u>-</u>	<u>273,293</u>
(c) Employee and directors' benefits expenses				
- Salaries and wages	257,756	74,872	242,006	74,872
- Superannuation	33,151	5,897	31,733	5,897
- Directors' fees and consultants	<u>41,930</u>	<u>147,332</u>	<u>41,930</u>	<u>147,332</u>
	<u>332,837</u>	<u>228,101</u>	<u>315,669</u>	<u>228,101</u>
(d) Depreciation and amortisation				
- Depreciation of plant and equipment	<u>6,185</u>	<u>-</u>	<u>6,185</u>	<u>-</u>
(e) Expenses included in corporate and administrative expenses				
- Audit and accounting fees	60,000	22,962	60,000	22,962
- Consulting fees	236,058	101,229	225,286	101,229
- Legal fees	165,260	25,959	164,804	25,959
- Travel and accommodation	15,443	373	15,443	373
- Provision for loan write down	-	-	-	804,734
- Provision for mortgage	<u>-</u>	<u>405,087</u>	<u>-</u>	<u>405,087</u>
(f) Finance costs				
- Finance lease interest	11,314	-	275	-
- Interest on convertible note	80,137	-	80,137	-
- Interest on unsecured loan	<u>116,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>208,176</u>	<u>-</u>	<u>80,412</u>	<u>-</u>
(g) Change in fair value of financial assets				
- Investments	<u>-</u>	<u>1,631,445</u>	<u>-</u>	<u>71,655</u>

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (h) Discontinued operations

On 29 December 2008, The Company merged its CellSense business with Biocell. The Company will maintain a continuing interest in the stem cell business through its 50% non-controlling interest in Australian Stem Cell Healthcare Pty Ltd. Completion of the merger occurred on 29 December 2008.

	Discontinued Operations 6 months ended 30 June 2009 \$	Discontinued Operations 12 months ended 31 December 2008 \$
Revenue from sale or services	-	2,341,844
Cost of Sales	-	1,283,338
Employee costs	-	822,277
Office	-	278,228
Marketing	-	162,849
Consulting	-	118,761
Depreciation and asset write downs	-	32,435
Other	-	301,446
Loss before income tax expense	-	(657,490)
Income tax expense	-	-
Loss from discontinued operations after related income tax	-	(657,490)
The carrying amount of assets and liabilities sold:	-	
Current receivables	-	416,951
Prepayment	-	175,831
Property, plant and equipment	-	284,740
Intangibles – TGC Licence	-	47,147
Trade Creditors	-	(1,203,954)
Current liabilities	-	(144,558)
Net liabilities	-	(423,843)
Details of sale of discontinued operation		
Consideration (i)	-	1,977,247
Net liabilities sold	-	423,843
Gain on sale	-	2,401,090
Profit on disposal of discontinued operations	-	1,743,600

(i) The consideration was in the form of equity of a 50% interest in the newly merged Biocell Pty Ltd which is to operate under the new name "Australian Stem Cell Healthcare Pty Ltd". The 50% non-controlling interest is proportionately consolidated as a joint venture. Amounts recognised in the accounts with respect to the joint venture are non current receivable of \$417,458 (2008: \$0) and bank overdraft of \$206,229 (2008: \$0).

STIRLING RESOURCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	6 months ended June 2009	12 months ended December 2008	6 months ended June 2009	12 months ended December 2008
	\$	\$	\$	\$
<b>4. INCOME TAX</b>				
(a) Loss before income tax				
<i>The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from income tax provided in the financial statements as follows:</i>				
Accounting loss before income tax	2,447,828	326,321	1,752,989	1,314,867
At the Australian income tax rate of 30% (2008: 30%)	(734,348)	(97,896)	(525,897)	(394,460)
Expenditure not allowable for income tax purposes:				
Non-deductible expenses	159,195	622,645	15,462	396,128
Unused tax losses and offsets not recognised as deferred tax assets	575,153	(524,749)	510,435	1,683,431
Income tax benefit reported in the income statement	-	-	-	-
Net unrecognised deferred tax assets	3,972,509	3,397,356	3,907,791	3,397,356
The deferred tax assets will only be obtained in the relevant tax jurisdiction if:				
(i) future assessable income tax is derived of a nature and of an amount sufficient to enable the benefit to be realised;				
(ii) the conditions for deductibility imposed by the tax legislation are complied with; and				
(iii) no changes in tax legislation adversely affect the Group in realising the benefit.				
(b) Income tax recognised directly in equity	-	-	-	-

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	6 months ended June 2009	12 months ended December 2008	6 months ended June 2009	12 months ended December 2008
	\$	\$	\$	\$
<b>5. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD</b>				
Investment in associates	<u>1,828,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(a) Reconciliation of movement in investment accounted for using the equity method</b>				
Balance at 1 January 2009	-	-	-	-
Additions	2,308,054	-	-	-
Share of loss for the period	<u>(479,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2009	<u>1,828,945</u>	<u>-</u>	<u>-</u>	<u>-</u>

Name of Entity	Country of Incorporation	Principal Activity	Ownership 2009	Ownership 2008
Redbank Copper Limited	Australia	Copper exploration and evaluation	28.05%	Nil

As at 30 June 2009 Stirling Copper Pty Ltd, a 100% subsidiary of Stirling Resources Limited, held 184,191,191 fully paid ordinary shares in Redbank Copper Limited (an Australian listed entity; ASX code: RCP).

The market value of these shares at the close of trading on the ASX on 30 June 2009 was \$2,762,868.

The Australian Accounting Standards require this investment to be accounted for using the equity method of accounting resulting in the recorded value of \$1,828,945 as at 30 June 2009. This represents a difference in value of \$933,923 to the market value of the investment based on the closing share price as at 30 June 2009.

	At 30 June 2009
	\$
Market Value as at 30 June 2009	2,762,868
Carrying value of investment at 30 June 2009	<u>1,828,945</u>
Market value of investment above carrying value	<u>933,923</u>

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	\$	\$	\$	\$
<b>6. CASH AND CASH EQUIVALENTS</b>				
Cash at bank	77,585	408,435	24,052	407,923
Cash on deposit	814,834	-	814,834	-
Cash on hand	500	-	500	-
Cash and cash equivalents	<u>892,919</u>	<u>408,435</u>	<u>839,386</u>	<u>407,923</u>
Bank overdraft	<u>(206,229)</u>	<u>(206,229)</u>	<u>-</u>	<u>-</u>
	<u>686,690</u>	<u>202,206</u>	<u>839,386</u>	<u>407,923</u>

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

### 7. TRADE AND OTHER RECEIVABLES

#### CURRENT

Unsecured loans – related parties (i)	2,855,290	-	2,855,290	-
Unsecured loan – Fiji Mortgage Investment	1,237,094	906,848	1,237,094	906,848
Provision for impairment of unsecured loans to related parties	<u>(4,092,384)</u>	<u>(906,848)</u>	<u>(4,092,384)</u>	<u>(906,848)</u>
Net amount of unsecured loans – related parties	-	-	-	-
Trade receivables	78,847	108,821	78,847	108,821
Other receivables	<u>215,247</u>	<u>-</u>	<u>209,657</u>	<u>-</u>
	<u>294,094</u>	<u>108,821</u>	<u>288,504</u>	<u>108,821</u>

#### NON CURRENT

Unsecured loans – related parties (refer note 18(a))	774,907	4,443,762	774,907	4,443,762
Provision for impairment of unsecured loans - related parties	<u>-</u>	<u>(3,185,536)</u>	<u>-</u>	<u>(3,185,536)</u>
Net amount of unsecured loans – related parties	774,907	1,258,226	774,907	1,258,226
Other receivables	530,458	747,704	113,000	330,246
Provision for other receivables	<u>-</u>	<u>(330,246)</u>	<u>-</u>	<u>(330,246)</u>
	<u>1,305,365</u>	<u>1,675,684</u>	<u>887,907</u>	<u>1,258,226</u>

(i) Represents unsecured loan to Cellsense (2008 balance included as a non current asset). Movement in the 6 months to June 2009 in both the loan and provision for impairment was \$29,508.

#### (a) Impaired trade and other receivables

As at 30 June 2009 current unsecured loans and other receivables of the Group with a nominal value of \$4,092,384 (2008: \$4,033,368) were considered impaired. The amount of the provision was \$4,062,876 (2008: \$4,033,368).

Up to one month	78,847	-	78,847	-
Over one month to three months (past due)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>78,847</u>	<u>-</u>	<u>78,847</u>	<u>-</u>

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
<b>8. OTHER FINANCIAL ASSETS</b>				
Shares in listed entities – at fair value	673,156	21,323	73,155	21,323
Shares in controlled entities – at cost	-	-	3	3
Investment in Third Party Entities	695,021	1,599,789	31,383	-
Fair value adjustment	-	(1,599,788)	-	-
Convertible notes – associated entities (i)	1,000,000	-	1,000,000	-
Unsecured loans - controlled entities (ii)	-	-	1,156,256	-
Secured loan – associated entity (iii)	1,528,871	-	1,528,871	-
	<u>3,897,048</u>	<u>21,324</u>	<u>3,789,668</u>	<u>21,326</u>

- (i) Consist of \$1,000,000 of convertible notes in Redbank Copper Limited and intercompany loans to 100% controlled subsidiaries. The convertible notes are interest free and were converted into shares of Redbank Copper Limited in July 2009.
- (ii) Loans to 100% controlled subsidiaries interest free with no fixed repayment terms.
- (iii) Secured loan is a \$1,528,871 loan to Redbank Copper Limited which has a maturity date of 28 February 2011. Interest is charged monthly on this loan at a rate equal to 2% above the BBSY 90 day bid rate. Security is by a first ranking fixed and floating charge over the assets of Redbank and its subsidiaries together with share mortgages over the shares of each of the subsidiaries. The balance includes \$28,872 of capitalised interest.

### 9. PLANT AND EQUIPMENT

Plant and equipment				
At cost	3,195,299	3,075	85,834	3,075
Less accumulated depreciation	(6,185)	-	(6,185)	-
Total plant and equipment	<u>3,189,114</u>	<u>3,075</u>	<u>79,649</u>	<u>3,075</u>

#### Reconciliation

Plant and equipment				
Carrying amount at beginning of period	3,075	51,834	3,075	51,834
Additions	3,192,224	21,501	82,759	21,501
Disposals	-	(70,260)	-	(70,260)
Depreciation expense	(6,185)	-	(6,185)	-
	<u>3,189,114</u>	<u>3,075</u>	<u>79,649</u>	<u>3,075</u>

During the period the consolidated entity acquired plant and equipment with an aggregate fair value of \$3,192,224 (2008: nil), primarily through the acquisition of assets from Matilda Minerals Limited.

**STIRLING RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>CONSOLIDATED</b>		<b>PARENT ENTITY</b>	
	<b>30 June 2009</b>	<b>31 December 2008</b>	<b>30 June 2009</b>	<b>31 December 2008</b>
	\$	\$	\$	\$
<b>10. DEFERRED EXPLORATION AND EVALUATION</b>				
Opening balance	-	-	-	-
Exploration expenditure incurred in current period	-	-	-	-
Tenement Acquisition costs (i)	<u>2,324,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,324,014</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**11. TRADE AND OTHER PAYABLES**

**CURRENT**

Trade creditors and accruals	236,664	-	215,799	-
Employee benefits	87,499	-	82,359	-
Sundry payables and accruals	<u>318,531</u>	<u>171,581</u>	<u>197,844</u>	<u>166,721</u>
	<u>642,694</u>	<u>171,581</u>	<u>496,002</u>	<u>166,721</u>

- a) Trade creditors and sundry payables are non-interest bearing and normally settled on 30 day terms.
- b) Employee benefits represent annual leave entitlements of employees within the group and withholding taxes payable which are both non-interest bearing. The entire obligation is presented as current, since the group does not have a right to defer settlement. Based on past experience the Group does expect all employees to take the full amount of accrued leave within the next 12 months.
- c) Sundry payables and accruals include \$115,826 accrued interest on \$7,500,000 commercial bond from DCM DECOMetal GmbH and \$80,137 accrued interest pursuant to \$2,600,000 convertible note held by DCM DECOMetal GmbH.

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# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	\$	\$	\$	\$
<b>12. BORROWINGS</b>				
<b>CURRENT</b>				
Finance leases	112,812	-	-	-
Convertible note – other parties (i)	2,600,000	-	2,600,000	-
Unsecured loans – other parties (ii)	368,612	-	-	-
	<u>3,081,424</u>	<u>-</u>	<u>2,600,000</u>	<u>-</u>
<b>NON-CURRENT</b>				
Commercial bond (iii)	7,500,000	-	-	-
	<u>7,500,000</u>	<u>-</u>	<u>2,600,000</u>	<u>-</u>

(i) Convertible notes are with DCM DECOmetal and are convertible for 65,000,000 shares at \$0.04 per share. Interest is charged at 7.5% and payable quarterly. Maturity of the notes is on 30 January 2012.

These convertible notes are not required to be settled in cash within the next year.

(ii) Unsecured loans from other parties are unsecured, with no interest charged and payable at call

(iii) Commercial bond is with DCM DECOmetal and is secured by a fixed and floating charge over the assets of Stirling Zircon Pty Ltd, with interest charged at 9.375%. Repayment is due 20 April 2012.

### 13. PROVISIONS

#### CURRENT

Employee benefits	34,457	-	34,457	-
	<u>34,457</u>	<u>-</u>	<u>34,457</u>	<u>-</u>

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED		PARENT ENTITY	
	6 months ended June 2009 \$	12 months ended December 2008 \$	6 months ended June 2009 \$	12 months ended December 2008 \$
<b>14. ISSUED CAPITAL</b>				
(a) Ordinary shares 59,024,542 (31 December 2008: 442,757,500) ordinary fully paid shares	23,226,503	20,326,590	23,226,503	20,326,590
(b) Movements in ordinary share capital			<b>SHARES</b>	<b>\$</b>
Balance – 31 December 2007			303,607,500	18,673,342
Share placement – 22 October 2008			139,150,000	1,658,000
Share issue costs			-	(4,752)
Balance – 31 December 2008			442,757,500	20,326,590
Share placement – 26 February 2009			110,000,000	2,200,000
Share purchase plan – 5 May 2009			4,736,878	94,738
Share placement – 22 May 2009			32,750,000	655,000
Share consolidation – 3 June 2009 (i)			(531,219,836)	-
Share issue costs			-	(49,825)
Balance 30 June 2009			59,024,542	23,226,503

- (i) The Company undertook a share reorganisation in June 2009 whereby one new ordinary fully paid share was issued for every ten ordinary fully paid shares held on the date of reorganisation. Options were similarly reorganised in number and exercise price in accordance with ASX Listing Rules.

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

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### CONSOLIDATED

(c) Movements in share options (listed and unlisted)

	Weighted average exercise price \$	Options
Balance 1 January 2008	0.04	63,792,508
Issue to Crawley Resources Pty Ltd	0.15	150,000,000
Issue to Arthur Phillip Pty Ltd	0.04	<u>12,500,000</u>
Balance 31 December 2008		226,292,508
Adjustment on consolidation of share capital		<u>(203,633,247)</u>
Balance 30 June 2009	0.11	<u>22,629,261</u>
As at year end the following options over ordinary fully paid shares were outstanding:		
		Options
- exercisable at 4 cents each on or before 30 June 2012		7,629,261
- exercisable at 10 cents each on or before 30 June 2010		7,500,000
- exercisable at 20 cents each on or before 30 June 2012		<u>7,500,000</u>
		<u>22,629,261</u>

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 2.3 years (2008 2.3 years).

#### Capital Risk Management

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

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

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

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

**STIRLING RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>CONSOLIDATED</b>		<b>PARENT ENTITY</b>	
	<b>6 months to June 2009</b>	<b>12 months to December 2008</b>	<b>6 months to June 2009</b>	<b>12 months to December 2008</b>
	\$	\$	\$	\$
<b>15. RESERVES</b>				
a) General reserve				
Closing balance	<u>2,031,088</u>	<u>2,031,088</u>	<u>2,032,088</u>	<u>2,032,088</u>

The general reserve is used from time to time to transfer amounts to equity. There is no policy of regular transfer.

**16. REMUNERATION OF AUDITORS**

Amounts paid or due and payable to the auditors for:

Auditing or reviewing the financial report – current auditor	50,000	-	50,000	-
Auditing or reviewing the financial report – previous auditor	10,000	10,182	10,000	10,182
Advisory services	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>
	<u>60,000</u>	<u>10,982</u>	<u>60,000</u>	<u>10,982</u>

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# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 17. KEY MANAGEMENT PERSONNEL

#### (a) Details of key management personnel

##### *Executive Director*

Michael Kiernan (Managing Director)

##### *Non-executive directors*

Mr J Shervington	(Non-Executive Chairman, appointed 13 July 2009)
Ms R Skatsche-Depisch	(Non-Executive Director, appointed 7 May 2009)
Mr J Kiernan	(Non-Executive Director)
Mr G Bedineishvili	(Non-Executive Director, appointed 19 February 2009)
Mr D Nabarro	(Non-Executive Director, appointed 21 September 2009)
Mr P Page	(Non-Executive Director)
Ms P Phillip	(Non-Executive Director, resigned on 11 February 2009)
Mr R Poole	(Non-Executive Chairman, resigned on 27 July 2009)
Mr A Coulepis	(Non-Executive Director, resigned on 24 July 2009)

#### (b) Compensation of key management personnel

Remuneration by category	CONSOLIDATED		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Key management personnel</i>				
Short-term	212,762	199,113	212,762	199,113
Post-employment	16,632	1,720	16,632	1,720
Share-based payment	-	-	-	-
	<u>229,394</u>	<u>200,833</u>	<u>229,394</u>	<u>200,833</u>

#### (c) Option holdings of key management personnel (consolidated)

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

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

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

J Shervington (appointed 13 July 2009)  
R Skatsche-Depisch (appointed 7 May 2009)  
G Bedineishvili (appointed 19 February 2009)

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

P Phillip (resigned 11 February 2009)  
R Poole (resigned 27 July 2009)  
A Coulepis (resigned 24 July 2009)

During the period ended 30 June 2009 there were no individuals (other than the directors) who were responsible for the strategic direction and management of the consolidated entity, hence no executives are named above in respect of this year.

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<b>31 December 2008</b>	Balance at 1 January 2008 or at date of appointment	Granted during the period as remuneration	Options exercised	Net change other *	Balance at 31 December 2008 or at date of resignation	Balance vested and exercisable at 31 December 2008
<b>Directors</b>						
M Kiernan	-	-	-	190,011,467	190,011,467	-
J Kiernan	-	-	-	195,011,467	195,011,467	-
P Page	10,000,033	-	-	(2,533,379)	7,466,654	-
P Phillip	28,750	-	-	-	28,750	-
R Poole	-	-	-	-	-	-
A Coulepis	1,100,000	-	-	(1,100,000)	-	-

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

*Shares in Stirling Resources Limited (number)*

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

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

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

J Shervington (appointed 13 July 2009)  
R Skatsche-Depisch (appointed 7 May 2009)  
G Bedineishvili (appointed 19 February 2009)

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

P Phillip (resigned 11 February 2009)  
R Poole (resigned 27 July 2009)  
A Coulepis (resigned 24 July 2009)

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 31 December 2008

	Balance at 1 January 2008 or at date of appointment	On the exercise of options	Net change other *	Balance at 31 December 2008 or at date of resignation
<b>Directors</b>				
M Kiernan	-	-	106,000,000	106,000,000
J Kiernan	-	-	111,000,000	111,000,000
P Page	8,750,000	-	24,600,645	33,350,645
P Phillip	187,500	-	300,000	487,500
R Poole	12,029,600	-	2,496,045	14,525,645
A Coulepis	2,150,000	-	-	2,150,000

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

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

J Shervington (appointed 13 July 2009)

R Skatsche-Depisch (appointed 7 May 2009)

G Bedineishvili (appointed 19 February 2009)

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

P Phillip (resigned 11 February 2009)

R Poole (resigned 27 July 2009)

A Coulepis (resigned 24 July 2009)

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

#### **Loans to key management personnel**

There were no loans to key management personnel during the financial period. (2008: nil.)

#### **Other transactions with directors**

Transactions during the year between the consolidated entity and directors or their director-related entities are set out in Note 18(a).

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

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

#### **Shares issued on exercise of compensation options (consolidated)**

No compensation options were exercised during the financial period ended 30 June 2009.

No compensation options expired during the financial period ended 30 June 2009.

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 18. SIGNIFICANT TRANSACTIONS WITH VARIOUS PARTIES

#### (a) Transactions with related parties

On 24 October 2008, a placement of 100,000,000 ordinary shares and 150,000,000 options were issued to Crawley Investments Pty Ltd, an associate of Mr Michael Kiernan and Mr James Kiernan. In addition, Mr James Kiernan was issued 5,000,000 ordinary shares and 5,000,000 options.

On 24 October 2008, in the same placement, a further 26,650,000 ordinary shares were placed with Mr Richard Poole, Mr Paul Page and associates of the two directors. Mr Paul Page was issued 7,466,654 options during the year to 31 December 2008.

During the previous financial year, the Company received loans amounting to \$1,107,505 from Crawley Investments Pty Limited a company associated with Mr M Kiernan and Mr J Kiernan, on commercial terms. The shareholders of the Company approved, at a meeting on 11 February 2009, that this loan be satisfied in full under the terms of an agreement to acquire a substantial interest in Redbank Copper Limited. Pursuant to that agreement the Company acquired 43,500,000 ordinary shares in Redbank Copper Limited and 50,000,000 convertible notes issued by Redbank Copper Limited upon the payment of \$870,000 to Crawley Investments Pty Ltd and the satisfaction of the loan advanced.

During the period, Stirling Zircon Pty Ltd a 100% subsidiary of the Company received advances under a commercial bond amounting to \$7,500,000 (2008: nil) from DCM DECOMetal GmbH a company associated with Ms R Skatsche-Depisch, on commercial terms including secured by a fixed and floating charge over the assets of Stirling Zircon Pty Ltd, with interest charged at 9.375%. The amount of the loan outstanding at 30 June 2009 is \$7,500,000 (2008: \$nil) and accrued interest of \$115,826.

During the period, the Company received funds of \$2,600,000 on the issue of 65,000,000 convertible notes at \$0.04 to DCM DECOMetal GmbH, a company associated with Ms R Skatsche-Depisch, convertible for 65,000,000 shares. Interest is charged at 7.5%. The amount of the convertible note remaining outstanding at 30 June 2009 is \$2,600,000 (2008: \$nil) and accrued interest of \$80,137.

During the period the Company advanced \$1,220,493 (2008: \$250,700) to Redbank Copper Limited, a company in which Mr M Kiernan is a director. This amount was provided unsecured with commercial interest charged. An amount of \$1,000,000 (2008: nil) was repaid during the year and \$424,907 of the principal and \$49,188 of accrued interest is outstanding at 30 June 2009. As at the date of this report the total amount outstanding is \$186,124.

During the period the Company advanced \$350,000 (2008: nil) to Matilda Zircon Limited, a company in which Mr M Kiernan is a director. This amount was provided unsecured with commercial interest charged and convertible to 35,000,000 shares pursuant to an agreement. An amount of nil (2008: nil) was repaid during the year and the loan was converted under the loan agreement to 35,000,000 shares in Matilda Zircon Limited on 16 July 2009.

During the period, the Company paid a total of \$4,542 (2008: \$11,099) to Crawley Investments Pty Limited a company associated with Mr M Kiernan and Mr J Kiernan, for the provision of rental premises to the company on normal commercial terms.

During the period, the Company paid a total of nil (2008: \$91,729) to Brovest Pty Limited a company associated with Mr P Page, for the provision of consulting services on normal commercial terms.

During the period, the Company paid a total of \$49,225 (2008: \$110,680) to Arthur Phillip Pty Limited a company associated with Mr P Page and Mr R Poole, for the provision of business advisory and fund raising services on normal commercial terms.

During the period, the Company paid a total of nil (2008: \$26,500) to AGC Consulting Pty Limited a company associated with Dr A Coulepis, for the provision of consulting services on normal commercial terms.

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

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 19. INVESTMENTS IN CONTROLLED ENTITIES AND JOINT VENTURES

Name of entity	Country of incorporation	Class of shares	Equity holding	
			June 2009	December 2008
			%	%
Alexanders C-Commerce Pty Ltd	Australia	Ordinary	100	100
Stem Cell Healthcare Pty Ltd	Australia	Ordinary	100	100
Cell Sense Pty Ltd	Australia	Ordinary	100	100
Bubba Stuff Pty Ltd	Australia	Ordinary	100	100
Stirling Gold Pty Ltd	Australia	Ordinary	100	N/A
Stirling Copper Pty Ltd	Australia	Ordinary	100	N/A
Stirling Zircon Pty Ltd	Australia	Ordinary	100	N/A
Stirling Coal Pty Ltd	Australia	Ordinary	100	N/A
Stirling Iron Ore Pty Ltd	Australia	Ordinary	100	N/A
Stirling Chromite Pty Ltd	Australia	Ordinary	100	N/A
Stirling Tungsten Pty Ltd	Australia	Ordinary	100	N/A
Stirling Operations Limited	Australia	Ordinary	100	N/A
Stirling Resources Holdings Limited	Australia	Ordinary	100	N/A
Australian Stem Cell Healthcare Pty Ltd	Australia	N/a	50	N/A

The issued shares of these entities are held in trust for the Company and the Company is the sole beneficial owner of these entities.

### 20. SEGMENT INFORMATION

The entity operates predominantly in one business and geographical segment, being an investor in mineral exploitation and development companies in Australia, and all of the assets of the Company are deployed for these purposes.

Primary Reporting – Business Segments – Six months ended 30 June 2009	Other	Discontinued Operations	Profit on sale of Stem Cell Sub	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	-	-	-	-
Other	76,100	-	-	76,100
Total segment revenue	76,100	-	-	76,100
<b>Segment result</b>				
Profit/(loss) from ordinary activities before income tax	(2,447,828)	-	-	(2,447,828)
Income tax expense	-	-	-	-
Net profit	(2,447,828)	-	-	(2,447,828)
<b>Primary Reporting – Business Segments – Year ended 31 December 2008</b>	<b>Other</b>	<b>Discontinued Operations</b>	<b>Profit on sale of Stem Cell Sub</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	-	2,341,844	-	2,341,844
Other	410,127	-	-	410,127
Total segment revenue	410,127	2,341,844	-	2,751,971
<b>Segment result</b>				
Profit/(loss) from ordinary activities before income tax	(2,069,921)	(657,490)	2,401,090	(326,321)
Income tax expense	-	-	-	-
Net profit	(2,069,921)	(657,490)	2,401,090	(326,321)

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2009	2008
	\$	\$
<b>21. LOSS PER SHARE</b>		
Loss used in calculating basic and diluted loss per share	<u>(2,447,828)</u>	<u>(326,321)</u>
Weighted average number of ordinary shares used in the calculation of basic loss per share	<u>52,569,618</u>	<u>33,029,380</u>
	<b>2009</b>	<b>2008</b>
	<b>cents per share</b>	<b>cents per share</b>
<b>Basic earnings per share</b>		
From continuing operations	(4.7)	(6.3)
From discontinued operations	-	5.3
	<u>(4.7)</u>	<u>(1.0)</u>
<b>Diluted earnings per share</b>		
From continuing operations	(4.7)	(6.3)
From discontinued operations	-	5.3
	<u>(4.7)</u>	<u>(1.0)</u>

Effect of dilutive securities:

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

### 22. CONTINGENT LIABILITIES

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

### 23. SHARE BASED PAYMENTS

No options over ordinary shares were issued as share based payments during the period ended 30 June 2009 nor the year ended 31 December 2008.

The following share based payment arrangements existed at 31 December 2008:

#### Economic Entity and Parent Company

	30 June 2009		31 December 2008	
	No of options	Exercise price	No of Options	Exercise price
Outstanding at the beginning of the financial year	-	-	1,100,000	\$0.05
Granted 6 June 2008	-	-	5,000,000	\$0.07
Granted 6 June 2008	-	-	2,500,000	\$0.10
Granted 6 June 2008	-	-	2,500,000	\$0.15
Forfeited	-	-	(10,000,000)	
Expired	-	-	(1,100,000)	
Outstanding at period end	<u>-</u>	<u>-</u>	<u>-</u>	
Exercisable at period end	<u>-</u>	<u>-</u>	<u>-</u>	

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 24. 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) On 16 July 2009 the Company (through its wholly owned subsidiary, Stirling Zircon Pty Limited) transferred its northern Australian zircon assets to Matilda Zircon Limited (formerly Olympia Resources Limited). The Company acquired approximately 171.3 million shares in Matilda Zircon Limited, paid \$1,750,000 to Territory Resources Limited and received 35,000,000 shares in Matilda Zircon Limited from the conversion of a \$350,000 loan previously provided by the Company to Matilda Zircon Limited. The Company now holds 76% of the issued capital of Matilda Zircon Limited and has approval by Matilda Zircon shareholders to increase to 81% upon the transfer of tenements awaiting processing in the Northern Territory and Queensland by the issue of an additional 79,000,000 shares in Matilda Zircon Limited.
- ii) On 18 September 2009, the Company announced its intention to issue a renounceable entitlement offer to shareholders on the basis on two new shares for every one share held by shareholders, to raise approximately \$17,500,000, to fund the settlement of the recapitalisation proposal for Monarch Gold Mining Company Limited as announced on 23 June 2009.
- iii) On 15 July 2009, shareholders of Redbank Copper Limited approved the conversion of the \$1,000,000 convertible note facility with the Company which allotted 50,000,000 shares in Redbank Copper Limited at a price of \$0.02 each to the Company.
- iv) On 10 September 2009, shareholders of Monarch Gold Mining Company Limited approved, amongst other resolutions, the recapitalisation proposal from the Company.

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.

### 25. FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

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

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

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

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

#### Risk exposures and responses

a. Interest rate risk

The Group's and Company's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities. The level of debt is disclosed in Note 12.

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

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

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax profit higher / (lower)		Other Equity higher / (lower)	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Consolidated				
+ 1% (100 basis points)	(81)	(1)	-	-
- 1.0% (50 basis points)	81	1	-	-

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

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

(b) Credit risk

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

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

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

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

(c) Liquidity risk

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

The Group manages liquidity risk by monitoring forecast cash flows.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2009. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

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

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

30 June 2009

Consolidated	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	892,919	-	-	-	892,919
Trade and other receivables	294,094	-	1,305,365	-	1,599,459
Other financial assets	24,919	-	3,897,048	-	3,921,967
	1,211,932	-	5,202,413	-	6,414,345
<b>Financial liabilities</b>					
Trade and other payables	848,923	-	-	-	848,923
Interest bearing loans and borrowings	112,812	-	10,468,612	-	10,581,424
	961,735	-	10,468,612	-	11,430,347
<b>Net Maturity</b>	250,197	-	(5,266,199)	-	(5,016,002)

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2008

Consolidated	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	408,435	-	-	-	408,435
Trade and other receivables	-	3,020,878	-	-	3,020,878
Other financial assets	-	1,581,113	-	-	1,581,113
	408,435	4,601,991	-	-	5,010,426
<b>Financial liabilities</b>					
Trade and other payables	-	377,810	-	-	377,810
	-	377,810	-	-	377,810
<b>Net Maturity</b>	408,435	4,224,181	-	-	4,632,616

30 June 2009

Parent	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	839,386	-	-	-	839,386
Trade and other receivables	288,504	-	887,907	-	1,176,411
Other financial assets	24,919	-	3,789,668	-	3,814,587
	1,152,809	-	4,677,575	-	5,830,384
<b>Financial liabilities</b>					
Trade and other payables	496,002	-	-	-	496,002
Interest bearing loans and borrowings	-	-	2,600,000	-	2,600,000
	496,002	-	2,600,000	-	3,130,459
<b>Net Maturity</b>	656,807	-	2,077,575	-	2,734,382

30 June 2008

Parent	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	407,923	-	-	-	407,923
Trade and other receivables	-	1,015,669	-	-	1,015,669
Other financial assets	-	-	-	-	-
	407,923	1,015,669	-	-	1,423,592
<b>Financial liabilities</b>					
Trade and other payables	-	166,721	-	-	166,721
	-	166,721	-	-	166,721
<b>Net Maturity</b>	407,923	848,948	-	-	1,256,871

# STIRLING RESOURCES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

- (e) Foreign exchange risk  
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.  
Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group entity's functional currency.

The Group is not exposed to any foreign exchange risk on any transactions.

- (f) Fair value estimation  
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

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

	CONSOLIDATED		PARENT ENTITY	
	6 months to June 2009	12 months to December 2008	6 months to June 2009	12 months to December 2008
	\$	\$	\$	\$
<b>26. CASH FLOW STATEMENT</b>				
a) Cash balances comprise:				
Cash at bank	686,690	202,206	839,386	407,923
For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.				
b) <b>Reconciliation of net cash outflow from operating activities to loss after income tax</b>				
Loss after income tax	(2,447,828)	(326,321)	(1,752,989)	(1,314,867)
Impairment of financial assets	-	1,914,875	-	987,309
Gain on sale of subsidiary	-	(2,401,090)	-	-
Share issue offset	-	(528,248)	-	(528,248)
Loss on disposal of financial assets	-	79,561	-	7,967
Depreciation	6,185	(32,435)	6,185	-
Other non cash items	-	(495)	-	-
Bad debts expense	-	39,060	-	-
Payments for project evaluation	260,330	-	260,330	-
Diminution of investments	489,607	-	10,497	-
Accrued interest	-	-	-	(89,332)
Changes in operating assets and liabilities				
Decrease / (Increase) in receivables	(287,931)	(307,163)	(282,341)	(41,691)
Decrease / (Increase) in prepayments	(24,919)	-	(24,919)	-
Increase/(decrease) in payables	471,112	81,217	329,281	(495,550)
Increase / (decrease) in employee entitlements	34,457	(21,596)	34,457	-
Net cash outflow from operating activities	(1,498,987)	(1,502,635)	(1,419,499)	(1,474,412)

**STIRLING RESOURCES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

	CONSOLIDATED		PARENT ENTITY	
	6 months to	12 months to	6 months to	12 months to
	June 2009	December 2008	June 2009	December 2008
	\$	\$	\$	\$
<b>27. EXPENDITURE COMMITMENTS</b>				
<b>(a) Operating leases (non-cancellable)</b>				
Minimum lease payments				
- not later than one year	522,248	47,904	522,248	-
- later than one year but not later than five years	1,855,291	115,768	1,855,291	-
- greater than five years	-	-	-	-
	<u>2,377,539</u>	<u>163,672</u>	<u>2,377,539</u>	<u>-</u>

**(b) Finance leases**

The Group has entered into finance leases for various items of plant and machinery. These leases have terms of renewal but no purchase terms or escalation clauses. Renewals are at the option of the entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	2009		2008	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$	\$	\$	\$
<b>Consolidated entity and parent entity</b>				
Within one year	117,458	117,458	-	-
After one year but not more than five years	-	-	-	-
Greater than five years	-	-	-	-
Total minimum lease payments	<u>117,458</u>	<u>117,458</u>	<u>-</u>	<u>-</u>
Less amounts representing future finance charges	<u>4,646</u>	<u>4,646</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payments	<u>112,812</u>	<u>112,812</u>	<u>-</u>	<u>-</u>

The weighted average interest rate impact in the lease contracts for the consolidated entity and parent entity is 8.15% (2008: n/a).

## STIRLING RESOURCES LIMITED

### ENVIRONMENTAL REGULATIONS

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

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Company by any government agency during the financial period ended 30 June 2009.

### AUDITOR'S INDEPENDENCE DECLARATION

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

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



M.L. Kiernan  
Director

Perth, Western Australia  
30 September 2009

INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

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

**Report on the Financial Report**

We have audited the accompanying financial report of Stirling Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period as set out on pages 13 to 48.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Auditor's Independence Declaration*

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

Member of  
Deloitte Touche Tohmatsu

# Deloitte.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Stirling Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 2(b) "Going Concern" in the financial report which indicates the company and consolidated entity incurred a net loss after tax of \$1,752,989 and \$2,447,828, and experienced net cash outflows from operating activities of \$1,419,499 and \$1,498,987 for the period ended 30 June 2009. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of material uncertainties which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.


## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the period ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Stirling Resources Limited for the period ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

  
DELOITTE TOUCHE TOHMATSU

  
A T Richards  
Partner  
Chartered Accountants  
Perth, 30 September 2009

## STIRLING RESOURCES LIMITED

### ASX Additional Information

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

#### SHAREHOLDINGS (as at 17 September 2009)

##### *Substantial shareholders*

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

<b>Shareholder</b>	<b>Number of ordinary shares</b>	<b>% of issue capital</b>
Crawley Investments Pty Ltd	11,900,000	20.10
DCM Decometal GMBH	11,000,000	18.68
Arthur Phillip Nominees Pty Ltd	2,528,417	4.29
Arthur Phillip Nominees Pty Ltd	1,912,500	3.25

##### *Voting Rights*

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

##### *Distribution of equity security holders*

<b>Category</b>	<b>Total shareholders</b>	<b>Total holders of listed options</b>
1-1,000	40	47
1,001-5,000	123	32
5,001-10,000	92	6
10,001-100,000	317	10
100,001-9,999,999,999	64	6
	636	101

The number of shareholder holding less than a marketable parcel of ordinary shares is 85.

##### *On market buy-back*

There is not current on market buyback.

##### *Securities on issue*

<b>Category</b>	<b>Number</b>
Ordinary Shares	58,885,297
Listed options expiring 30 June 2012	7,629,261
Unlisted options expiring 30 June 2010	7,500,000
Unlisted options expiring 30 June 2012	7,500,000
Unlisted convertible notes	65,000,000

## STIRLING RESOURCES LIMITED

### *Twenty largest shareholders*

<b>Shareholder name</b>	<b>No of ordinary shares held</b>	<b>Percentage of capital held</b>
Crawley Investments Pty Ltd	11,900,000	20.21
DCM Decometal GMBH	11,000,000	18.68
Arthur Philip Nominees Pty Ltd	2,528,417	4.29
Arthur Philip Nominees Pty Ltd	1,912,500	3.25
The Cobra Group Pty Limited	1,725,000	2.93
Eagle Resources Pty Ltd	1,413,890	2.40
Ms Amanda Poole	1,332,500	2.26
Mr John Warrne Booth (John Booth Super Fund A/C)	1,149,000	1.95
KPA Administration Pty Ltd	1,000,000	1.70
VFT Investments Pty Ltd	871,500	1.48
Brovest Pty Ltd	800,001	1.36
Lutmar Holdings Pty	800,000	1.36
Vermar Pty Ltd (Cap A/C)	700,000	1.19
Mr Vince Truda (Vince Truda Super A/C)	600,000	1.02
Mr Simon Edward Wright	529,881	0.9
Celtic Capital Pty Ltd (The Celtic Capital A/C)	500,000	0.85
Lightshare Investments Pty Ltd	500,000	0.85
Antoine Nohra	450,000	0.76
Vermar Pty Ltd (Cap A/C)	450,000	0.76
Mr Robert Paul Naylor & Mrs Marjorie Naylor (Robert Naylor Family S/F A/C)	434,300	0.74
	<b>40,596,989</b>	<b>68.94</b>

### *Twenty largest option holders (listed options expiring 30 June 2012)*

<b>Shareholder name</b>	<b>No of ordinary shares held</b>	<b>Percentage of capital held</b>
Crawley Investments Pty Ltd	4,755,313	62.33
Arthur Phillip Nominees Pty Ltd	748,419	9.81
Mr Laurence James Kiernan	500,000	6.55
Mr Vince Truda (Vince Truda Super A/C)	500,000	6.55
The Cobra Group Pty Ltd	287,500	3.77
Mr Vince Truda (The V Truda Family A/C)	250,000	3.28
Just George Pty Ltd (Mark George Family A/C)	150,000	1.97
Zero Nominees Pty Ltd	89,286	1.17
Mr Martin Luke Simich	50,000	0.66
Mrs Jennifer Grice	25,000	0.33
Mrs Nadie Ruth Tolcon	23,750	0.31
Mr Karl Anthony Page	22,500	0.29
Moody Investment Services Pty Ltd (AVS Moody Super Fund A/C)	17,500	0.23
Mr Mervyn John Davis & Mrs Kerry Patricia Davis	15,000	0.2
Haxby Pty Ltd	15,000	0.2
CRS Pty Ltd	12,500	0.16
Etrade Australia Nominees Pty Limited	12,500	0.16
Reknaw Pty Ltd (Murray Miller S/Fund A/C)	12,000	0.16
Mr Kent Frederick Carter	10,000	0.13
Trenene Holdings Pty Ltd	7,500	0.1
	<b>7,503,768</b>	<b>98.36</b>