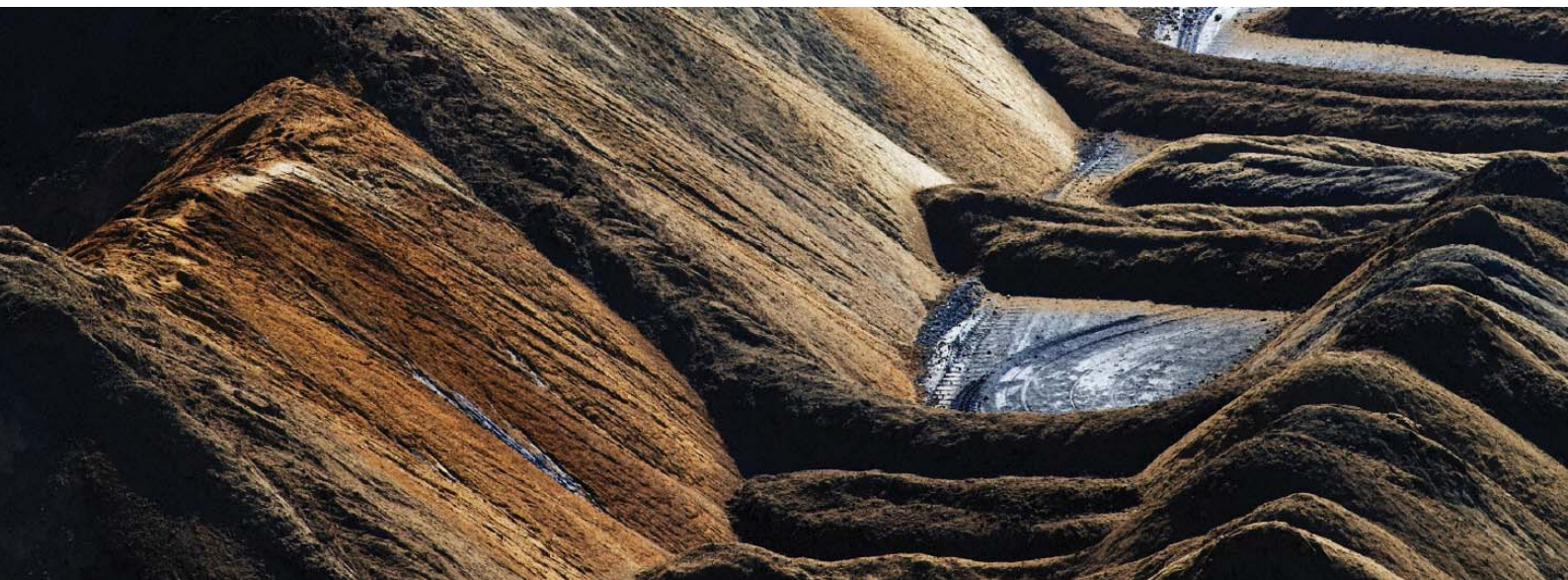




S T I R L I N G
M I N E R A L S

ABN 24 123 972 814

**Annual Report
2007**



**STIRLING MINERALS LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Tony King – Managing Director
Suzie Foreman – Non Executive Director
Jason Bontempo – Non Executive Director

COMPANY SECRETARY

Mark Bianchini

REGISTERED OFFICE

945 Wellington Street
West Perth WA 6005

CONTACT DETAILS

Website: www.stirlingminerals.com.au
Email: info@stirlingminerals.com.au

Phone: (08) 9322 7600
Fax: (08) 9322 7602

SOLICITORS

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

CORPORATE ADVISER

Grange Consulting Group Pty Ltd
945 Wellington Street
West Perth WA 6005
Ph: 08 9322 7600
Fax: 08 9322 7602

Email: info@stirlingminerals.com.au
Web: www.stirlingminerals.com.au

ASX Code: SMZ - Shares
SMZO - Options

INVESTIGATING ACCOUNTANT

Rix Levy Fowler
Level 1, 12 Kings Park Road
West Perth WA 6005

AUDITORS

Rix Levy Fowler
Level 1, 12 Kings Park Road
West Perth WA 6005

INDEPENDENT GEOLOGIST

CSA Australia Pty Ltd
Level 1, 47 Burswood Road
Burswood WA 6100

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Ph: 1300 307 518
Fax: 08 9323 2033

INDEPENDENT TENEMENT MANAGER

AMTS Pty Limited
48 Sorrento Road
Empire Bay NSW 2257

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Corporate Information

This Annual Report covers both Stirling Minerals Limited as an individual entity (the “company”) and the Consolidated entity comprising Stirling Minerals Limited and its subsidiary (the “group”). The Group’s functional presentation currency is AUD (\$).

A description of the Group’s operations and of its principal activities is included in the review of operations and activities in the Director’s report on pages 3 to 11. The Director’s report is not part of the Financial report.

Directors

Mr Tony King – Managing Director
Ms Suzie Foreman – Non-Executive Director
Mr Jason Bontempo – Non-Executive Director

Auditors

Rix Levy Fowler
Level 1, 12 Kings Park Road
West Perth WA 6005

Company Secretary

Mr Mark Bianchini

Registered Office

945 Wellington Street
West Perth WA 6005

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Website

www.stirlingminerals.com.au

Bankers

Westpac
109 St Georges Terrace
Perth WA 6000

Solicitors

Steinepreis Paganin
Level 4, 16 Milligan Street
Perth WA 6000

Stock Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: SMZ

Letter to Shareholders

Stirling Minerals Limited ("**Stirling**"), (the "**Company**"), was formed to identify mineral investment opportunities and to undertake exploration and assessment of minerals projects, both within Australia and overseas, with the aim of discovery and development of mineral deposits

The Company listed on the Australian Securities Exchange on 29 May 2007 following the completion of a successful initial public offering (IPO) raising a total of \$3,500,000 via the issue of 17,500,000 shares at an issue price of \$0.20 per share.

The Company's primary project is the Quidong Base Metals and Gold project ("**Quidong Project**") located near Bombala in the Lachlan fold belt of southern eastern New South Wales. The Quidong Project covers the core tenement EL5671 and ELA2922. Combined these areas cover approximately 85 square kilometres.

Historical exploration at the Quidong Project established widespread geo-chemical values for zinc-lead-silver, copper and gold plus a range of trace elements spread over an area of 4kms by 4kms, and subsequent drilling has achieved significant ore grades at the main Clarke's Reef Prospect on the eastern side of the basin including 12m @ 4.47% Zn, 2.71% Pb and 16m @ 4.9% Zn and 2.18% Pb.

The Company has commenced digitalising existing data on the Quidong Project and is in the process of trying to secure a contractor to complete a high-resolution, low-level Heli-mag survey of the entire project. Following completion of this work the Company will seek to drill key identified targets in the December 2007 quarter.

On behalf of the Board of Directors of Stirling, I would like to thank you for your support as a shareholder of the Company, and we look forward to a successful future for the Company.

Yours faithfully



Tony King
Managing Director

Directors Report

Your Directors submit their report for the period since incorporation on the 16 February 2007 to the financial year ended 30 June 2007.

Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Mr Tony King – (Managing Director)

Ms Suzie Foreman – (Non Executive Director)

Mr Jason Bontempo – (Non Executive Director)

Principal activities

The principal activity of the company since incorporation on the 16 February 2007 to financial year ended 30 June 2007 was resource mineral exploration.

Dividends

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

Review of Operations

The consolidated Income Statement shows a consolidated net loss attributable to members of (\$237,392) and the Parent of (\$401,105).

Significant Changes in State Of Affairs

Since incorporation on the 16 February 2007 the company was officially listed on the ASX on the 29 May 2007, raising a total of \$3,500,000 via the issue of 17,500,000 shares at 20 cents per share.

Matters Subsequent to the End of the Financial Year

On the 15th of August 2007, the company lodged a prospectus in relation to a pro-rata non-renounceable entitlements issue of up to 13,500,000 options (Rights issue). The issue price is \$0.01 per option on the basis of one option for every two shares held by a shareholder at the record date to raise approximately \$135,000. The options issued pursuant to the Rights issue are exercisable at \$0.20 each on or before 30 June 2010.

Likely Developments and Expected Results

The Company has commenced digitalising existing data on the Quidong Project and is in the process of trying to secure a contractor to complete a high-resolution, low-level Heli-mag survey of the entire project. Following completion of this work the Company will seek to drill identified targets in the December 2007 quarter.

Environmental Regulation

The company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers. The company's exploration activities are currently regulated by significant environmental regulation under laws of the Commonwealth and states and territories of Australia. The company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation

Directors Report (Continued)

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Company during the financial year.

Information on Directors

Mr Tony King

Managing Director

Qualifications: BCom CA

Mr King is responsible for managing the daily operations of Stirling Minerals. A chartered accountant by training, Mr King's career has included several years of investment banking and financing experience, including periods based in London and the Eastern States.

Mr King is currently an executive director of Max Capital Pty Ltd, a Perth based corporate finance organisation that specialises in the financing of small to mid-cap public companies. In this role, Mr King is responsible for business development and transaction execution. Over a number of years Tony has developed key relationships and extensive networks with fund managers and financiers.

Mr King served as non-executive director of NeuroDiscovery Ltd from 14 April 2005 to 29 August 2007.

Ms Suzie Foreman

Non-Executive Director

Qualifications: B(Econs) CA

Ms Foreman is a Chartered Accountant with over 10 years of experience within the UK and Australia. Ms Foreman has 8 years' combined experience with KPMG and Ord Partners Chartered Accountants specializing in the areas of Audit, Advisory and Corporate Services. Ms Foreman has extensive skills in the areas of Audit, Corporate Services, due diligence and ASX corporate compliance. Ms Foreman is a director of Mining Corporate Pty Ltd and had been involved in the listing of seven exploration companies on ASX and AIM markets in the last three years with capital raisings exceeding \$38 million. Ms Foreman is company secretary to ASX listed entities Cortona Resources Limited and Monitor Energy Limited.

Mr Jason Bontempo

Non-Executive Director

Qualifications: BCom CA

Mr Bontempo has worked in Investment Banking and Corporate Advisory since qualifying as a chartered accountant with Ernst & Young in 1997. This has also included 4 years in London working in both equity and debt market divisions for major investment banks. Recently Mr Bontempo has been closely involved with advising and financing of AIM and ASX listings for resource and venture based companies.

Mr Bontempo is currently a director of Tianshan Goldfields Limited

Mr Mark Bianchini

Company Secretary

Qualifications: BCom CA

Mr Bianchini is a chartered accountant with over eleven years experience in financial accounting, forensic accounting and other corporate matters. Mr Bianchini was previously with PricewaterhouseCoopers and BDO Chartered Accountants as a senior audit manager. His audit experience has given him great exposure to the mining industry, including multi-nationals and junior explorers. Working mostly with public companies, Mr Bianchini has a great deal of experience with the requirements of the ASX, as well as AIM and the TSX.

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its monthly board meetings.

The following items are considered and discussed as deemed necessary at the monthly board meetings:

- make specific recommendations to the board on remuneration of directors and senior officers;
- recommend the terms and conditions of employment for the Managing Director;
- undertake a review of the Managing Director's performance, at least annually, including setting with the Managing Director goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the board on the recommendations of the Managing Director on the remuneration of all direct reports; and
- develop and facilitate a process for board and director evaluation.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' Fees

The current base remuneration was reviewed with effect from listing date on the 29 May 2007.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per annum and are subject to approval at the next general meeting.

Directors Report (Continued)

Remuneration Report (cont'd)

The following fees have applied:

Base fees	2007
Executive director	\$120,000
Other non-executive directors	\$30,000

Additional fees

A Director may also be paid fees or other amounts as the Directors determines if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Retirement allowances for directors

Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation and motor vehicle allowances,
- long-term incentives through participation in the Employee Share Option Plan.

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long-term equity-linked performance incentives for executives as deemed necessary by the board.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed every 12 months and will increase every 12 months.

Benefits

No benefits other than noted above a paid to Directors or Management except as incurred in normal operations of the business.

Long term incentives

The executives are entitled to participate in the Employee Incentive Scheme. Other than options disclosed in section E of the remuneration report, there have been no options issued to employees at the date of this financial report. The options on issue will be approved at the next general meeting.

B. Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Stirling Minerals Limited are set out in the following tables.

The key management personnel of Stirling Minerals Limited includes the directors as per page 4 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

There are no further key management personnel of Stirling Minerals limited and its controlled entities.

Directors Report (Continued)

Remuneration Report (cont'd)

B. Details of remuneration (audited) (cont'd)

The key management personnel of the Group are the directors of Stirling Minerals Limited as per page 4 and those executives that report directly to the managing director being:

There are no further key management personnel of Stirling Minerals limited and its controlled entities.

Key Management personnel and other executives of Stirling Minerals Limited (Parent)

	Short- term employee benefits			Post-employment benefits		Share-based payments	Total
	Cash salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Retirement Benefits	Options	Total
30 June 2007	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Tony King	11,739	-	-	1,056	-	32,021	44,816
Ms Suzie Foreman	2,935	-	-	264	-	16,011	19,210
Mr Jason Bontempo	2,935	-	-	264	-	16,011	19,210
Total Remuneration:							
Directors	17,609			1,584		64,043	83,236
Key management personnel	-	-	-	-	-	-	-

Key Management personnel and other executives of Stirling Minerals Limited (Consolidated)

	Short- term employee benefits			Post-employment benefits		Share-based payments	Total
	Cash salary & Fees	Cash Bonus	Non Monetary	Super-annuation Pensions	Cash salary & Fees	Cash Bonus	Non Monetary
30 June 2007	\$	\$	\$	\$	\$	\$	\$
Directors							
Mr Tony King	11,739	-	-	1,056	-	32,021	44,816
Ms Suzie Foreman	2,935	-	-	264	-	16,011	19,210
Mr Jason Bontempo	2,935	-	-	264	-	16,011	19,210
Total Remuneration:							
Directors	17,609			1,584		64,043	83,236
Key management personnel	-	-	-	-	-	-	-

Directors Report (Continued)

Remuneration Report (cont'd)

C. Service agreements (audited)

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance-related conditions, other benefits including car allowances and when eligible, participation in the Stirling Minerals Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

Consultancy agreements

The Group has entered into a consultancy agreement with Ferris Metals Pty Ltd pursuant to which Mr Bret Ferris is engaged as consulting geologist to the company. The agreement may be terminated by either party upon 4 weeks written notice unless Ferris Metals commits an act of serious misconduct in which case the Company may terminate the agreement without notice.

Executive service agreement

The executive service agreement is for a minimum of 12 months, however the agreement can be terminated with 14 days if an act of serious misconduct is committed.

D. Share-based compensation (audited)

Options

Options over shares in Stirling Minerals Limited are granted options under the Stirling Minerals Employee Incentive Scheme which was approved by general meeting. The Employee Incentive Scheme is designed to enable the company to retain and attract skilled employees, board members and executive officers and provide them with motivation to make the Company successful. Under the plan, participants are granted options which are granted for no issue price and the exercise prices will be 125% of market value at issue date or \$0.20 or any price determined by the board (in its discretions). Once vested, the options remain exercisable for a period of two years and five years after grant date. Options are granted under the plan for no consideration.

If an eligible person leaves the employment of the group earlier than two years after the employee options are issued then the options will lapse.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date Vested and Exercisable	Expiry Date	Expiry Price	Value Per Option at Grant Date
31 March 2007	31 March 2007	30 June 2010	\$0.20	\$0.032

Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the company provided as remuneration to each director of Stirling Minerals Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Stirling Minerals Limited.

Further information on the options is set out in note 14 to the financial statements.

Directors Report (Continued)

Remuneration Report (cont'd)

E Share-based compensation (audited) (cont'd)

	Vested	Granted	Terms & Conditions For Each Grant				
			Value per option at Grant Date	Exercise Price per Share	First Exercise Date	Expiry Date	
2007 (Consolidated)							
Directors	No.	No.	Grant Date	\$	\$		
Mr T King	1,000,000	1,000,000	31/03/07	0.032	0.20	-	30/06/10
Ms S Foreman	500,000	500,000	31/03/07	0.032	0.20	-	30/06/10
Mr J Bontempo	500,000	500,000	31/03/07	0.032	0.20	-	30/06/10
Key Management Personnel	-	-	-	-	-	-	-
Total:	<u>2,000,000</u>	<u>2,000,000</u>					

	Vested	Granted	Terms & Conditions For Each Grant				
			Value per option at Grant Date	Exercise Price per Share	First Exercise Date	Expiry Date	
2007 (Parent)							
Directors	No.	No.	Grant Date	\$	\$		
Mr T King	1,000,000	1,000,000	31/03/07	0.032	0.20	-	30/06/10
Ms S Foreman	500,000	500,000	31/03/07	0.032	0.20	-	30/06/10
Mr J Bontempo	500,000	500,000	31/03/07	0.032	0.20	-	30/06/10
Key Management Personnel	-	-	-	-	-	-	-
Total:	<u>2,000,000</u>	<u>2,000,000</u>					

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Refer to note 14 to financial statement for model inputs for options granted during the year ended 30 June 2007

Directors Report (Continued)

Directors meetings

The number Directors' meetings and the number of meetings attended by each of the Directors of the Company for the time the Director held office during the financial year are:

	Remuneration Committee Meetings	Audit Committee Meetings	Directors' Meetings
Number of Meetings Held	-	-	2
Number of Meetings Attended			
Director			
Mr Tony King	-	-	2
Ms Suzie Foreman	-	-	2
Mr Jason Bontempo	-	-	2

Loans to Directors and Executives

There were no loans to Directors and Executives during the financial year.

Shares under option

Unissued ordinary shares of Stirling Minerals Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
31 March 2007	30 June 2010	\$0.20	2,150,000

Shares issued on the exercise of options

There were no options exercised during the financial year.

Insurance of Officers

During the financial year, Stirling Minerals Limited paid a premium of \$15,088 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Directors Report (Continued)

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amounts paid or payable to the auditor Rix Levy Fowler for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2007 \$
<hr/>	
Audit services	
Rix Levy Fowler	
Audit and review of financial reports	10,000
Other audit work under the <i>Corporations Act 2001</i>	-
Total remuneration for audit services	<hr/> 10,000 <hr/>
 Audit-related services	
Rix Levy Fowler	
Independent accountants report	7,000
Total remuneration for audit-related services	<hr/> 7,000 <hr/>
 Total remuneration for auditors	<hr/> 17,000 <hr/>

Directors Report (Continued)

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'Tony King', written in a cursive style.

Tony King
Managing Director

Perth, Western Australia, 28 September 2007



To The Board of Directors

**Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our audit of the financial report of Stirling Minerals Ltd and Controlled Entity for the year ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

RANKO MATIC
Director

DATED at PERTH this 28th day of September 2007



Independent Audit Report

To the Members of Stirling Minerals Ltd

We have audited the accompanying financial report of Stirling Minerals Ltd (the company) and Stirling Minerals Ltd and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in pages 5 to 9 of the directors' report and not in the financial report.

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 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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 and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 judgment, 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 and the remuneration disclosures in the directors' report.

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

Independent Auditor's Report

To the Members of Stirling Minerals Ltd (Continued)

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. The financial report of Stirling Minerals Ltd and its Controlled Entities 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 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- c. The remuneration disclosures that are contained in pages 5 to 9 of the directors' report comply with Accounting Standard AASB 124.



RIX LEVY FOWLER
Audit & Corporate Pty Ltd



RANKO MATIĆ
Director

DATED at PERTH this 28th day of September 2007

Income Statement

For the period ended 30 June 2007

	Note	Consolidated 2007 \$	Parent 2007 \$
Revenue from continuing operations	4	18,822	18,822
Expenses, excluding finance costs	5a	(255,974)	(419,687)
Finance costs	5b	(240)	(240)
Loss before income tax		(237,392)	(401,105)
Income tax expense from continuing operations	6	-	-
Loss for the year		(237,392)	(401,105)
Loss attributable to members of Stirling Minerals Limited		(237,392)	(401,105)
Earnings per share (cents per share)			
- Basic loss for the year	7	(0.06)	n/a

The above income statements are to be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2007

	Note	Consolidated 2007 \$	Parent 2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents	9	3,180,226	3,180,225
Trade and other receivables	10	36,550	36,550
Total Current Assets		3,216,776	3,216,775
Non-Current Assets			
Financial assets	11	-	1
Exploration and evaluation expenditure	12	163,713	-
Intangible assets	13	-	-
Total Non-current Assets		163,713	1
TOTAL ASSETS		3,380,489	3,216,776
LIABILITIES			
Current Liabilities			
Trade and other payables	15	50,245	50,245
Provisions	16	903	903
Total Current Liabilities		51,148	51,148
TOTAL LIABILITIES		51,148	51,148
NET ASSETS		3,329,341	3,165,628
EQUITY			
Issued Capital	17	3,497,887	3,497,887
Accumulated losses		(237,392)	(401,105)
Reserves	18	68,846	68,846
TOTAL EQUITY		3,329,341	3,165,628

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

Cash Flow Statement

For the period ended 30 June 2007

	Note	Consolidated 2007 \$	Parent 2007 \$
Cash flows from operating activities			
Payments for exploration and evaluation (inclusive of GST)		(63,713)	(63,713)
Payments to suppliers and employees (inclusive of GST)		(72,770)	(72,770)
Interest received		18,822	18,822
Net cash flows from/(used in) operating activities	28	(117,661)	(117,661)
Cash flows from investing activities			
Loans to related parties		-	-
Acquisition of subsidiary, net of cash acquired		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		3,500,801	3,500,800
Payment of share issue and IPO costs		(202,914)	(202,914)
Net cash flows from financing activities		3,297,887	3,297,886
Net increase in cash and cash equivalents		3,180,226	3,180,225
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		3,180,226	3,180,225
Non-cash financing and investing activities	27		

The above cash flow statements are to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the period ended 30 June 2007

	Note	Consolidated 2007 \$	Parent 2007 \$
Total equity at the beginning of the financial year		-	-
Net income recognised directly in equity			
Loss for the year		(237,392)	(401,105)
Total recognised income and expense for the year			
Transactions with equity holders in their capacity as equity holders			
- Contributions of equity net of transactions costs		3,497,887	3,497,887
- Option reserve		68,846	68,846
Total equity at the end of the year		<u>3,329,341</u>	<u>3,165,628</u>

The statement of changes in equity are to be read in conjunction with the accompanying note.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Stirling Minerals Limited as an individual entity and the consolidated entity consisting of Stirling Minerals Limited and its subsidiaries

a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Stirling Minerals Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provide to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

Early adoption of standards

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

■ Revised AASB 101 Presentation of Financial Statements (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

b) Principles of consolidation

i Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stirling Minerals Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Stirling Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

b) Principles of Consolidation (cont'd)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

ii *Interest income*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

e) 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 national 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 balance sheet 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.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

f) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- exploration and evaluation activities in the area have not, yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Developments costs related to an area of interest are to be written off as incurred.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(h)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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 balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 10).

iii Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

k) Investments and other financial assets (cont'd)

Classification (cont'd)

iv Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

k) Investments and other financial assets (cont'd)

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

l) Property, Plant and equipment

Property, Plant and equipment is stated at cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Buildings are depreciated on a straight-line basis over the estimated useful life of the asset and all other assets are depreciated using the diminishing value method as follows:

Motor vehicles	- 6 to 8 years
Buildings	- 20 to 40 years
Plant and equipment	- 3 to 20 years

The assets useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Employee benefits

i Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii Share-based payments

Share-based compensation benefits are provided to employees via the Stirling Minerals Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 14.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

n) Employee Benefits (cont'd)

iii Share-based payments(cont'd)

The fair value of options granted under the Stirling Minerals Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Under the employee share scheme, shares issued by the Stirling Minerals Employee Share Plan to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

o) Contributed equity

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities (note 17). Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

p) Earnings per share

i Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (cont'd)

p) Earnings Per Share (cont'd)

ii *Diluted earnings per share*

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

q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

i *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

ii *AASB-I 10 Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

Notes to the Financial Statements (continued)

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key Estimates-Impairment

The group assesses impairment at each reporting date by evaluating condition specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined by Value-in-use calculations performed in assessing recoverable amounts and incorporate a number of key estimates.

Impairment expense has been recognised in respect of goodwill of \$100,000 being the total value of goodwill. Refer to note 13.

3. Segment Information

The Group operates in one industry, mineral resource exploration and assessment of mineral projects and in one main geographical segment, being Australia.

4. Revenues

	Consolidated	Parent Entity
	2007	2007
	\$	\$
From continuing operations		
Other Revenue		
Interest	18,822	18,822

5. Expenses

a) Expenses, excluding finance costs, included in the income statement

Directors fees	5,869	5,869
Employee benefits expense	14,228	14,228
Expense of share-based payments	68,846	68,846
Audit fees	10,000	10,000
Consultants	22,200	22,200
Insurance	4,056	4,056
ASX and share registry fees	20,445	20,445
Other expenses	10,330	10,330
Diminution of investment (note 11)	-	100,000
Write-down of intercompany loan (note 23d)	-	163,713
Impairment of goodwill expense (note 13)	100,000	-
Total expenses, excluding finance costs	255,974	419,687

Notes to the Financial Statements (continued)

5. Expenses(continued)

b) Finance Costs

Bank fees and charges	240	240
Total finance costs	240	240

6. Income Tax

	Consolidated 2007 \$	Parent Entity 2007 \$
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Income tax expense

Current tax	-	-
Deferred tax	-	-

Deferred income tax (revenue) expense included in income tax expense comprises:

(Decrease) increase in deferred tax assets	13,486	13,486
(Decrease) increase in deferred tax liabilities	(13,486)	(13,486)

Numerical reconciliation of income tax expense (revenue)

To prima facie tax payable

Loss from continuing operations before income tax	(237,392)	(401,105)
Tax at the Australian tax rate of rate of 30%	(71,218)	(120,331)
Tax effect of amounts which are not deductible in calculating taxable income:		
Impairment losses	30,000	79,113
Share-based payments	20,654	20,654
Legal fees	676	676
Benefits of tax losses not brought to account	19,888	19,888
	-	-

Deferred tax Assets

Accrued audit fees	3,000	3,000
Accrued superannuation	475	475
Provision for annual leave	271	271
Capital raising fees	9,740	9,740
Deferred income tax (revenue) expense included in income tax expense comprises:	13,486	13,486

Tax Losses

Unused tax losses for which no deferred tax asset has been recognised	19,888	19,888
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Notes to the Financial Statements (continued)

6. Income Tax

The group has tax losses arising in Australia of \$19,188 that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted.

7. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 2007 \$
Net loss attributable to equity holders	(0.06)
	No.
Weighted average number of ordinary shares for basic earnings per share	3,833,334

Diluted earnings per share has not been included, as it results in more favourable earnings per share figure than basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

8. Dividends Paid or Proposed

There were no dividends paid or proposed during the year.

9. Cash and Cash Equivalents (Current)

	Consolidated 2007 \$	Parent Entity 2007 \$
Cash at bank and in hand	3,180,226	3,180,225
	<u>3,180,226</u>	<u>3,180,225</u>

Cash at bank and in hand earns interest at floating rates based on daily bank rates.

Notes to the Financial Statements (continued)

10. Trade and Other Receivables

	Consolidated 2007 \$	Parent Entity 2007 \$
Current		
Prepayments	17,778	17,778
GST Receivable	18,772	18,772
	36,550	36,550

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

11. Other Financial Assets (Non-Current)

	Consolidated 2007 \$	Parent Entity 2007 \$
Investments in controlled entity (note 23)	-	100,001
Diminution of investment	-	(100,000)
	-	1

12. Exploration and evaluation expenditure (Non-Current)

Exploration and evaluation expenditure	163,713	-
At 1 July 2006	-	-
Capitalised during the year	163,713	-
Written off	-	-
At 30 June 2007	163,713	-

Recoverability of the carrying amount of exploration assets is dependent upon successful exploration and sale of base metals and gold resources.

13. Intangible Assets

	Consolidated 2007 \$	Parent Entity 2007 \$
At 1 July 2006	-	-
Additions during the year	100,000	-
Impairment expense	(100,000)	-
At 30 June 2007	-	-

Notes to the Financial Statements (continued)

14. Share-Based Payments

a) Employee Incentive Scheme

The establishment of the Employee Incentive Scheme was approved by general meeting. The Employee Incentive Scheme is designed to provide long term incentives for senior managers and above (including executive and non-executive directors) and to attract and retain experience employees, board members and executive officers and provide them with the motivation to make the Company more successful. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise is satisfied. The options remain exercisable for a period between two or five years from listing date or on cessation of employment. Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, shares allotted pursuant to the exercise of options will be allotted following receipt of all the relevant documents and payments and will rank equally with all other shares.

The exercise price of options will be 125% of the market value of the Company's Shares on the date on which the Employee Options are issued; or \$0.20 or any greater price determined by the board.

There were no options issued under the Employee Incentive Scheme during the year.

The following options were not issued under the Employee Incentive Scheme but were separately approved at general meeting.

Grant date	Expiry date Number	Exercise price Number	Balance at start of year Number	Granted during year Number	Exercised during year Number	Forfeited during year Number	Balance at end of year Number	Vested and exercisable at end of year
Consolidated and parent entity - 2007								
31/03/2007	30/06/2010	\$0.20	-	2,150,000	-	-	2,150,000	2,150,000
Total			-	2,150,000	-	-	2,150,000	2,150,000
Weighted average exercise price			\$0.20	\$0.20			\$0.20	\$0.20

No options expired during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was \$0.032 cents per option. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

Notes to the Financial Statements (continued)

14. Share-Based Payments (continued)

b) Options are granted for no consideration and vest based on conditions determined by the board at general meeting. Vested options are exercisable for a period of three years after vesting:

- exercise price: \$0.20
- grant date: 31 March 2007
- expiry date: 30 June 2010
- share price at grant date: \$0.20
- expected price volatility of the company's shares: 75%
- expected dividend yield: Nil
- risk free interest rate: 5.19%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Stirling Minerals Limited for the amount recognised as expense in relation to these options.

c) Expenses arising from share-based payment transactions

	Consolidated 2007 \$	Parent Entity 2007 \$
Options issued under employee option plan	68,846	68,846
Shares issued under employee share scheme	-	-
	68,846	68,846

Share options issued under the ESOP and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise Price	2007 No.
30-06-2010	\$0.20	2,150,000
Total		2,150,000

15. Trade and Other Payables

	Consolidated 2007 \$	Parent Entity 2007 \$
Current		
Trade payables	30,976	30,976
Other payables	19,269	19,269
	50,245	50,245

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 2 months.

Notes to the Financial Statements (continued)

16. Provisions

	Consolidated 2007 \$	Parent Entity 2007 \$
Current		
Employee benefits – annual leave	903	903
	903	903

17. Issued Capital

	Note	Consolidated 2007 \$	Parent Entity 2007 \$
Ordinary shares			
- Issued and fully paid	(a)	27,000,001	3,497,887
Total consolidated contributed equity		27,000,001	3,497,887

A further 500,000 shares to be issued 12 months from date of admission to ASX in consideration for the Quidong Project as per the acquisition agreement.

a) Movements in ordinary share capital

Date	Details	No. of Shares	Issue Price	\$
1 July 2006	Opening Balance			
16 February 2007	Issue on incorporation	1	\$1.00	1
30 March 2007	Issue of shares	8,000,000	\$0.0001	800
24 March 2007	Issue of shares for acquisition of Quidong Minerals Pty Ltd	1,000,000	\$0.10	100,000
24 March 2007	Issue of shares for purchase of mining tenements	500,000	\$0.20	100,000
28 May 2007	Issue of shares under IPO	17,500,000	\$0.20	3,500,000
	Less: share issue costs			(202,914)
30 June 2007	Balance	27,000,001		3,497,887

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company 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.

18. Reserves and Retained Profits

	Consolidated 2007 \$	Parent Entity 2007 \$
a) Reserves		
Share based payments reserve	68,846	68,846
	68,846	68,846

Notes to the Financial Statements (continued)

18. Reserves and Retained Profits

(i) *Share based payments reserve*

The Company has an Employee share option plan under which 150,000 options to subscribe for the Company's shares have been granted to certain employees during the year (note 14).

The Company issued 2,000,000 options to Directors pursuant to shareholder approval exercisable at \$0.20 on or before 30 June 2010 (note 14).

Nature and purpose of reserve

Share-based payments reserve

The share-based payments reserve is used to record the value of equity benefits which may be provided:

- to employees and Directors as part of their remuneration under an Employee share option plan (ESOP) (refer to note 14 for further details of the ESOP);
- to directors on terms determined by the shareholders; and
- to advisers and consultants as payments for services.

The share-based payments reserve is used to record the value of equity benefits which may be provided:

- to employees and Directors as part of their remuneration under an Employee Incentive Scheme (refer to note 14 for further details of the ESOP);
- to directors on terms determined by the Remuneration Committee and approved by shareholders; and
- to advisers and consultants as and payments for services.

19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in note 20.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

Foreign currency risk

The Group is not exposed to foreign currency risk.

Notes to the Financial Statements (continued)

19. Financial Risk Management Objectives and Policies (cont'd)

Commodity price risk

The Group's exposure to price risk is minimal.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Directors have reassessed the Group's strategies for managing credit and transactional foreign currency exposure, but are of the continued view that they remain appropriate for the Group's circumstances.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases and equity funding.

20. Financial Instruments

	<1	>1 - <2	>2 - <3	>3 - <4	>4 - <5	>5		
Year ended 30 June 2007	year	years	Years	years	Years	years	Total	Weighted average interest rate
	\$	\$	\$	\$	\$	\$	\$	%
Consolidated								
Floating rate Financial Assets								
Cash and cash equivalents	3,180,226	-	-	-	-	-	3,180,226	4.3%
Financial Liabilities	-	-	-	-	-	-	-	
Parent								
Floating rate Financial Assets								
Cash assets	3,180,225	-	-	-	-	-	3,180,225	4.3%

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group and Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Notes to the Financial Statements (continued)

21. Business Combination

Acquisition of Quidong Minerals Pty Ltd

On the 23 March 2007, Stirling Minerals Limited acquired 100% of the voting shares of Quidong Minerals Pty Ltd, a company incorporated in Australia. Quidong Minerals was a wholly owned subsidiary of CopperCo Limited and the acquisition was strategic in acquiring the Quidong Project which holds a substantial mineral tenement lease in the highly prospective Lachlan Fold Belt in NSW.

In connection with the business combination, Stirling Minerals Limited issued 1,000,000 ordinary shares with a fair value of \$0.10 each under the terms of the share sale agreement.

The fair value of the identifiable assets and liabilities of Quidong Minerals Pty Ltd as at the date of acquisition are:

	Consolidated	
	Recognised on acquisition	Carrying value
	\$	\$
Cash and cash equivalents	1	1
Net identifiable assets acquired	1	1
Goodwill arising on acquisition	100,000	
	<u>100,001</u>	
Consideration		
Shares issued at \$0.10	100,000	
Consideration paid, satisfied in cash	1	
	<u>100,001</u>	
The cash outflow on acquisition is as follows:		
Cash paid	1	
	<u>1</u>	

From the date of acquisition, Quidong Minerals Pty Ltd has contributed \$nil to the net profit of the Group.

22. Commitments

a) Exploration Expenditure

In order to maintain mining tenements, the economic entity is committed to meet the prescribed conditions under which tenements were granted. Minimum Department of Industry and Resources annual expenditure commitment on tenements held at 30 June 2007 amount to \$49,500. These commitments may be met in the normal course of operations by future capital raisings and/or farm-out and under certain circumstances are subject to the possibility of adjustment to the amount and timing of such obligations or by tenement relinquishment.

b) Royalty Agreement

Under agreement with Delta Gold Exploration Pty Ltd (Delta), the holder of the preceding non-graticular tenements, Delta will be granted a 2.5% royalty on gross production of any minerals from the tenement.

Notes to the Financial Statements (continued)

23. Related Party Disclosure

The consolidated financial statements include the financial statements of Stirling Minerals Limited and the subsidiaries listed in the following table.

	Country of Incorporation	% Equity Interest 2007	Investment (\$) 2007
Quidong Minerals Pty Ltd	Australia	100%	100,001 (100,000)
			1

a) Parent entities

Stirling Minerals Limited is the ultimate Australian parent entity.

b) Subsidiaries

Interests in subsidiaries are set out above.

c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 26.

d) Loans to /from related parties

	Consolidated 2007 \$	Parent 2007 \$
Loans to subsidiaries		
Loans advance during the year	-	163,713
Write-down of intercompany loans	-	(163,713)
As at 30 June 2007	-	-

24. Events After the Balance Sheet Date

On the 15th of August 2007, the company lodged a prospectus in relation to a pro-rata non-renounceable entitlements issue of up to 13,500,000 options (Rights issue). The issue price is \$0.01 per option on the basis of one option for every two shares held by a shareholder at the record date to raise approximately \$135,000. The options issued pursuant to the Rights issue are exercisable at \$0.20 each on or before 30 June 2010.

Notes to the Financial Statements (continued)

25. Auditor's Remuneration

	Consolidated 2007 \$	Parent 2007 \$
Amounts received or due and receivable by Rix Levy Fowler Western Australia for:		
■ an audit or review of the financial report of the entity and any other entity in the Consolidated entity	10,000	10,000
■ other services in relation to the entity and any other entity in the Consolidated entity assurance related	7,000	7,000
	17,000	17,000

26. Directors and Key Management Disclosures

a) Directors

The following persons were directors of Stirling Minerals Limited during the financial year:

Name	Position
Mr Tony King	Executive Director
Ms Suzie Foreman	Director (Non-executive)
Mr Jason Bontempo	Director (Non-executive)

b) Other key management personnel

The following persons also had authority and responsibility for planning, director and controlling the activities of the Group, director or indirectly, during the financial year:

There were no further key management personnel of the Group

c) Key management personnel compensation

	Consolidated 2007 \$	Parent 2007 \$
Short-term employee benefits	17,609	17,609
Post- employment benefits	1,584	1,584
Long-term benefits	-	-
Share based payments	64,083	64,083
Total	83,276	83,276

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found in sections A-C of the remunerations report on pages 5 to 8.

Notes to the Financial Statements (continued)

26. Directors and Key Management Disclosures (cont'd)

d) Remuneration of Directors and Key Management Personnel

i Options provided as remuneration and shares issued on the exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the remuneration report on page 8.

ii Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Stirling Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors							
Mr Tony King	-	1,000,000	-	-	1,000,000	1,000,000	-
Ms Suzie Foreman	-	500,000	-	-	500,000	500,000	-
Mr Jason Bontempo	-	500,000	-	-	500,000	500,000	-
Total	-	2,000,000	-	-	2,000,000	2,000,000	-

iii Shareholdings

The numbers of shares in the company held during the financial year by each director of Stirling Minerals Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2007

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors				
Mr Tony King	-	-	1,900,000	1,900,000
Ms Suzie Foreman	-	-	-	-
Mr Jason Bontempo	-	-	500,000	500,000
Total	-	-	2,400,000	2,400,000

e) Loans to key management personnel

There were no loans made or outstanding to directors of Stirling Minerals Limited and other key management personnel of the Group, including their personally related parties.

Notes to the Financial Statements (continued)

26. Directors and Key Management Disclosures (cont'd)

f) Other transactions with key management personnel

A director, Mr Anthony King, is a director in the firm of Grange Consulting Pty Ltd, Corporate Advisors. Grange Consulting has provided corporate advisory services to Stirling Minerals Limited and its subsidiaries during the year on normal commercial terms and conditions.

A director, Mr Anthony King, is a director in the firm of Max Capital Pty Ltd, Corporate Advisors. Max Capital has provided corporate advisory services to Stirling Minerals Limited and its subsidiaries during the year on normal commercial terms and conditions.

List other transactions

Aggregate amounts of each of the above types of other transactions with key management personnel of Stirling Minerals Limited:

	2007 \$
Amounts recognised as expense	
Capital raising fees	25,933
Corporate advisory fees	39,500
	<u>65,433</u>

27. Non-Cash financing and Investing

	Consolidated 2007 \$	Parent Entity 2007 \$
Acquisition of Quidong Mineral Pty Ltd by means of a share issue	-	100,000
Acquisition of the Quidong Project (mineral tenements)	-	100,000
	<u>-</u>	<u>200,000</u>

28. Reconciliation of cash flows from operating activities

	Consolidated 2007	Parent 2007
a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(Loss) after income tax for the period	(237,392)	(401,105)
Adjustments for:		
Share-based payments expense	68,846	68,846
Write-down of intercompany receivable	-	163,713
Diminution of investment in subsidiary	-	100,000
Impairment of goodwill expense	100,000	
(Increase)/decrease in trade and term receivables	(36,550)	(36,550)
(Increase)/decrease in exploration and evaluation expenditure	(63,713)	(63,713)
Increase/(decrease) in trade payables and accruals	50,244	50,245
Increase/(decrease) in provisions	903	903
Cashflow from operations	<u>(117,661)</u>	<u>(117,661)</u>

Directors' Declaration

In the directors' opinion:

- a) The financial statements and notes set out on pages 16 to 41 are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements²; and
 - ii. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- c) The audited remuneration disclosures set out on pages 5 to 9 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001⁸⁻¹⁰; and
- d) At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Tony King
Managing Director

Perth, Western Australia, 28 September 2007

Corporate Governance

Board of Directors and Corporate Governance

The Board of Directors of Stirling Minerals Limited (Stirling or Company) is responsible for the Corporate Governance of the Company and is committed to applying the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). The Board guides and monitors the business and affairs of Stirling on behalf of the shareholders by whom they are elected and to whom they are responsible.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors;
- A majority of non-executive Directors with at least two being independent;
- The Board should comprise Directors with an appropriate range of qualifications and expertise.

The Directors in office at the date of this statement are:

Name	Role	Non-executive	Independent
Mr Tony King	Managing Director	No	No
Ms Suzie Foreman	Non-Executive Director	Yes	Yes
Mr Jason Bontempo	Non-Executive Director	Yes	Yes

Nomination Committee

The Board of directors believe that the company is not of the size to warrant a nomination committee and therefore allocate the appropriate time as required at their monthly general meetings.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the Executive Directors and the Key Management team. The Board has not established a Remuneration Committee as the company is not of the size to warrant a remuneration committee. The Board allocates the required time at their monthly general meetings.

Audit Committee

The Board has not established a Audit Committee as the company is not of the size to warrant a Audit committee. The Board allocates the required time at there monthly general meetings

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company.

Corporate Governance (continued)

The Board and management is responsible for:

- Review and report to the Board on the annual and half year financial reports, the financial section of quarterly reports and all other financial information published by the Company, prior to release to members and other public forums;
- Assist Board in reviewing the effectiveness of the organisations internal control environment covering:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations
 - Monitoring of corporate risk assessment processes;
- Co-ordinate the audit with the external auditor including reviews of internal control measures;
- Review the audit plan with the external auditor;
- Review and approve significant non-mandatory accounting policy changes;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditors independence, and consider if appropriate, the rotation of audit partners; and
- Review the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence.

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Company is delegated by the Board to the Executive Directors and the Key Management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Executive Directors and the Key Management team.

The Board is responsible for ensuring the management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Managing Director/CEO;
- Contributing to the performance assessment of members of the senior management team;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
 - Organisational performance and the achievement of strategic goals and objectives;
 - Compliance with the Company's code of conduct;
 - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
 - Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
 - Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
 - Enhancing and protecting the Company's reputation;
 - Approving, major capital expenditure, capital management, acquisitions and divestments;
 - Reporting to shareholders;

Corporate Governance (continued)

Board Responsibilities (cont'd)

- ▶ Appointment of directors; and
- ▶ Any other matter considered desirable and in the interest of the shareholders.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The half-yearly report available to all shareholders; and
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

The Stirling Minerals Website – Corporate Governance

The Company intends to publish on its website at <http://www.stirlingminerals.com.au> information relating to Stirling's corporate governance policies and practices.

The ASX Principles

The ASX principles are an important regulatory guide for listed companies reporting on their corporate governance practices. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed ASX Principles, and if any of the recommendations have not been followed then the company must explain why not.

The requirements under ASX Listing Rule 4.10.3 apply to Stirling and below the Company sets out and explains any departures by Stirling from the ASX Principles.

1. Lay solid foundations for management and oversight

The ASX Corporate Governance Council states that a company should "Recognise and publish the respective roles and responsibilities of board and management".

The Board has adopted a formal charter that sets out the responsibilities reserved by the Board and those delegated to the Executive Officers. The charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the Board's objective and responsibilities. Specifically, the Board is charged with: setting the strategic direction of the Stirling Group and monitoring management's performance within the framework; reviewing whether there are adequate resources available to meet Stirling Group objectives; appointing and removing Executive Directors and overseeing succession plans for the Key Management team; approving and monitoring financial reporting and capital management; approving and monitoring the progress of business objectives; assessing the risk management framework and whether appropriate procedures are being followed; ensuring that the Stirling Group has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility; and monitoring whether the Board is appropriately skilled to meet the changing needs of the Company.

The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at board meetings, ensuring procedures are in place to evaluate board performance and overseeing shareholder communications. The Executive Directors are responsible for the efficient and effective operation of the Stirling Group, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

Corporate Governance (continued)

ASX Principles (cont'd)

2. Structure the Board to Add Value

The ASX Corporate Governance Council states that a company should “Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties”.

Skills

A requirement for the Stirling Directors is an understanding of the mineral exploration sector. All Directors meet this threshold requirement. They also bring a diverse range of skills, and backgrounds including investment banking and stockbroking, financial regulation, technology, law and public policy as well as international business skills. The Board currently consists of three Directors. The experience and qualifications of each Director and their terms of office are further discussed on pages 4.

Experience

The Directors have an appropriate mix of tenure, blending experience with new membership. The Board considers this mix invaluable. Given the nature of Stirling's business, longstanding involvement and experience in the mineral exploration sector is highly desirable to bring the skills, experience and judgement required for effective decision-making. The Board considers that the Directors exercise independent judgement in the task of enhancing shareholder value.

Appointment and removal

Board succession planning is considered an important part of the governance process. Progressive and orderly renewal of board membership is important. The appointment and removal of Directors is governed by the Stirling Board and the Appointment of Non-executive Directors Policy set out the procedures followed when considering the appointment of new Directors.

Stakeholder perspectives

An important function of Directors is to bring the perspective of stakeholders to the oversight of a company. Stirling Directors bring many perspectives to the Board's deliberations including those of members of the investment community and the views and interests of employees.

Independence

The Company does currently have a majority of independent Directors. The Board considered that given the Company's stage of development and resources available that it was appropriate at this time to have a majority Non-executive Board, in the interests of maximising efficiency of the Board and developing the Company's business.

An independent Director is a Non-executive Director and:

- is not a substantial shareholder of the Company or an officer of, or directly or indirectly associated with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee material associated with the service provided;
- is not a material contractual relationship with the Company or another group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Corporate Governance (continued)

Independence (cont'd)

The Company has not considered the Company's materiality thresholds for assessing independence on the basis of the Company's stage of development and that the Board is currently a majority Non-executive.

In light of the above, two of Stirling's Non-executive Directors is currently considered by Stirling to be an independent Directors.

As circumstances change Directors table any change in outside interests at a meeting of the Board. Where it is considered that a Director had a material potential conflict, it is noted and where appropriate the relevant Director absents him or herself for that specific item of business. That decision is minuted.

Board committees

The Board has not established a number of committees as the size of the Company does not warrant separate committees. Except where otherwise noted each committee is constituted in accordance with the recommendations in the Guidelines. The establishment of a delegation of tasks to the committees does not dilute the responsibilities of the Board as a whole.

The Remuneration and Nomination Committee's of the Board comprises two Directors. Due to the stage of development of the Company and the resources available, the composition of the Remuneration and Nomination Committees does not comply with recommendation 2.5 of the ASX Principles.

Independent advice

Stirling Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of Stirling. However, they must first request approval from the Chairman, which must not unreasonably be withheld. If permission is withheld the matter may be referred to the whole Board.

3. Promote Ethical and Responsible Decision-Making

The ASX Corporate Governance Council states that a company should "Actively promote ethical and responsible decision-making".

Code of Ethics and Conduct

Stirling has formally adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision-making by Directors and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Stirling. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the Company.

Education

The Executive Directors of each company within the Stirling Group and Company Secretary ensure Directors and employees of the Stirling Group are informed with respect to Corporate Governance.

Corporate Governance (continued)

4. Safeguard Integrity in Financial Reporting

The ASX Corporate Governance Council states that a company should "Have a structure to independently verify and safeguard the integrity of the company's financial reporting".

Stirling believes its practices satisfy this principle.

Stirling has a structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Executive Directors and Chief Financial Officer provide letters of assurance to the Board for each half-year and full-year result. Stirling also releases unaudited quarterly cashflow statements to the market.

Stirling's Audit guidelines is constituted in accordance with the Guidelines, and its responsibilities and composition requirements are set out in the Audit Committee Charter. The Composition of the Audit Committee does not comply with recommendation 4.3 of the ASX Principal due to the stage of development of the Company and resources available.

The Board and Management's primary responsibilities are to review the integrity of the Stirling Group's financial and external reporting; review and assess the external auditor's activities, scope and independence; review the management processes for the identification of significant business risks and exposures and oversee the monitoring of internal control structures, including controls against conflicts of interest and fraud. The Audit Committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter. No Director has any association, past or present, with Stirling's external auditor.

Stirling is required to undergo regulatory audits each year in order to provide assurances to the market regulators and Stirling shareholders regarding the operational integrity of Stirling systems and processes. The external auditor, RixLevyFowler, under the scrutiny of the Board of Directors, presently conducts these regulatory audits in return for reasonable fees.

5. Make Timely and Balanced Disclosure

The ASX Corporate Governance Council states that a company should "Promote timely and balanced disclosure of all material matters concerning the company".

Stirling fulfils its disclosure responsibilities absolutely.

Responsibility for supervision of Stirling's compliance with continuous disclosure lies with the Board.

The Executive Director responsible for Investor relations has the authority and responsibility for approving market disclosure, which in practice is exercised in consultation with the Company Secretary. The Board reviews announcements made each month, and considers disclosure obligation in the context of each item of business which comes before it.

Stirling considers its disclosed discussion of financial results meets the standards outlines in the ASX Guidelines. This disclosure includes availability of materials on the Stirling website and provision of all information necessary for investors to make informed decisions about an investment in Stirling securities.

Corporate Governance (continued)

6. Respect the Rights of Shareholders

The ASX Corporate Governance Council states that a company should “Respect the rights of shareholders and facilitate the effective exercise of those rights”.

Stirling aims to provide good quality, clear communication with shareholders, using available methods and technologies.

Stirling views shareholder meetings as an opportunity for shareholders to meet with and question the Board and management of Stirling. Stirling’s external auditor attends the annual general meeting and is available to answer shareholder questions.

Stirling’s website is a key source of information for Stirling shareholders and prospective shareholders. Stirling places Company announcements on the site immediately following confirmation of their release to the market.

Further communication with shareholders occurs with the distribution of the annual report (unless shareholders have chosen not to receive these). Email is also an important method of communication for investors. Key announcements and updates can be received by email where shareholders provide their details to Stirling or the appointed share registrar.

7. Recognise and Manage Risk

The ASX Corporate Governance Council states that a company should “Establish a sound system of risk and oversight management and internal control”.

Stirling takes this responsibility seriously and has put in place appropriate procedures for risk management.

The Board and Management has responsibility for reviewing the risk management framework and policies within Stirling. It receives information from the Executive Directors of each business on risks of each business and risk containment measures adopted. Risk is broadly considered as anything that may impede the achievement of effective operation of its business and Stirling’s strategic goals.

The Board of Director’s and Management receives periodic reports monitoring compliance with existing statutory requirements as well as adherence to internal policies.

Executive Directors and Chief Financial Officer sign-off

Stirling has adopted a policy requiring the Executive Directors and Chief Financial Officer to state to the Board in writing to the best of their knowledge that the integrity of the financial statement is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

8. Encourage Enhanced Performance

The ASX Corporate Governance Council states that a company should “Fairly review and actively encourage enhanced board and management effectiveness”.

Education

All new staff and Directors undertake induction programs run by the respective Executive Officer of the business. On joining Stirling, Directors receive an information package containing copies of all Group policies and procedures and then receive a reference file each month with information relevant to the operation of Stirling and the industry. Additionally the Board receives periodic briefings on topical issues. Stirling utilizes secure online communication for providing board briefing materials and updates to Directors.

Corporate Governance (continued)

8. Encourage Enhanced Performance

The Board has access to the resources of the Company Secretary and also approves the appointment or removal of the Company Secretary. The Company Secretary is responsible for providing reference files and monthly board papers to each Director and ensuring that management provides content in adequate detail. The Company Secretary is also responsible and accountable to the Board on all Stirling governance matters.

9. Remunerate fairly and responsibly

The ASX Corporate Governance Council states that a company should “Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined”.

Stirling’s Board has put in place a number of measures to implement this principle.

Discussion on Stirling’s remuneration policies of Non-executive Directors, the Executive Directors and Senior Executives of the Group and the relationship between such policy and the Company’s performance is provided in the Directors’ report on page 12.

10. Recognise the legitimate interest of stakeholders

The ASX Corporate Governance Council states that a company should “Recognise legal and other obligations to legitimate stakeholders”.

Stirling has a diverse range of stakeholders and has a number of measures in place that recognise their interests.

The Stirling Code of Ethics and Conduct guides compliance with legal requirements and ethical responsibilities, and also sets a standard for employees and Directors. The code includes standards of care and diligence, addresses and privacy of information given to Directors, occupational health and safety and the avoidance of conflicts of interest.

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company as at 16 October 2007 is 27,500,001 ordinary fully paid shares, 13,500,000 listed options (20 cents, 30 June 2010) and 2,150,000 unlisted options (20 cents, 30 June 2010). All issued ordinary fully paid shares carry one vote per share.

Ordinary Shares

Shares Range	Holders	Units	%
1-1,000	1	1	0
1,001-5,000	16	62,274	0.26
5,001-10,000	67	652,426	2.42
10,001-100,000	301	12,312,030	45.60
100,001-9,999,999	36	13,966,270	51.73
Total	421	27,500,001	100

Unmarketable parcels

There was 1 holder of less than a marketable parcel of ordinary shares.

Listed Options (20 cents, 30 June 2010)

Shares Range	Holders	Units	%
1-1,000	0	0	0
1,001-5,000	50	229,150	1.70
5,001-10,000	27	220,411	1.63
10,001-100,000	211	5,788,725	42.88
100,001-9,999,999	18	7,261,714	53.79
Total	306	13,500,000	100

2. Top 20 Shareholders as at 16 October 2007

	Name	Number of Shares	%
1	Max Capital Pty Ltd	1,650,000	6.11
2	Generation Capital Pty Ltd	1,300,000	4.81
3	A22 Pty Limited	1,197,087	4.43
4	Mrs Jayne Elizabeth Bolton	1,000,000	3.70
5	Kouta Bay Pty Ltd	1,000,000	3.70
6	Ms Anna Hawter	965,000	3.57
7	Newton6 Pty Ltd	575,000	2.13
8	Ms Tiziana Battista	500,000	1.85
9	Copperco Ltd	500,000	1.85
10	Bessarlie Pty Ltd	300,000	1.11
11	Investwise Enterprises Pty Ltd	300,000	1.11
12	Success Investments Pty Ltd	300,000	1.11
13	Mr Ying Wang	300,000	1.11
14	Jameker Pty Ltd	280,000	1.04
15	Mr Stephen Brockhurst	250,000	0.93
16	Max Capital Pty Ltd	250,000	0.93
17	J & J Bandy Nominees Pty Ltd	240,601	0.89
18	Sonic Holdings Pty Ltd	216,270	0.80
19	A22 Pty Limited	200,000	0.74
20	Mr Matthew Banks	200,000	0.74

		11,523,958	42.66
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3. Top 20 Optionholders as at 16 October 2007

	Name	Number of Shares	%
1	J & J Bandy Nominees Pty Ltd	1,948,579	14.43
2	Max Capital Pty Ltd	825,000	6.11
3	Generation Capital Pty Ltd	650,000	4.81
4	A22 Pty Limited	550,000	4.07
5	Mrs Jane Elizabeth Bolton	500,000	3.70
6	Kouta Bay Pty Ltd	500,000	3.70
7	Ms Anna Hawter	482,500	3.57
8	Newton6 Pty Limited	287,500	2.13
9	Ms Tiziana Battista	250,000	1.85
10	Mr Kenneth Yu	225,000	1.67
11	Bessarlie Pty Ltd	150,000	1.11
12	Investwise Enterprises Pty Ltd	150,000	1.11
13	Mr Ying Wang	150,000	1.11
14	Mr Stephen Brockhurst	125,000	0.93
15	Mr George Karantzias	125,000	0.93
16	Max Capital Pty Ltd	125,000	0.93
17	Jameker Pty Ltd	110,000	0.81
18	Sonic Holdings Pty Ltd	108,135	0.80
19	A22 Pty Ltd	100,000	0.74
20	Mr Ian Barnden-Brown	100,000	0.74
		7,461,714	55.25

4. Substantial Shareholders as at 16 October 2007

	Name	Number of Shares	%
1.	Max Capital Pty Ltd	1,900,000	7.04

5. Restricted Securities subject to escrow period

Period of Escrow	24 Months	24 Months	12 Months	Total
Expiry of Escrow	28 May 2009	28 May 2009	28 May 2008	
Ordinary shares	8,000,000	-	-	8,000,000
Options(exercisable at \$0.20 on or before 30 June 2010)	-	2,150,000	-	2,150,000
Ordinary shares	-	-	1,500,000	1,500,000

6. Company cash and assets

The Company confirms that it has been using the cash and assets it had acquired at the time of admission to the ASX (28 May 2007) until 30 June 2007 in a way that is consistent with its business objective and strategy.



ABN 24 123 972 814

945 Wellington Street West Perth WA 6005
Phone: (08) 9322 7600 Fax: (08) 9322 7602
Website: www.stirlingminerals.com.au
Email: info@stirlingminerals.com.au