



Thursday, 29 September 2009

ABN 35 116 249 060

STRZELECKI METALS LTD
ASX RELEASE

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FIRST QUARTER ACTIVITIES REPORT
THREE MONTHS TO 30 SEPTEMBER 2009

HIGHLIGHTS

Myszkow Project - Poland

During the quarter the preliminary scoping being prepared by the Coffey Mining consulting group was continued. Subsequent to the end of the quarter, the company announced that the Coffey report had been received. The Concept Study is the first attempt to holistically look at the Myszkow deposit taking into account geology, resources, mining technology, metallurgy and processing, and the economic viability of the whole operation.

A financial analysis was carried out by Coffey using the discounted cash flow method. Based on estimated costs and production schedules from the Concept Study and metal price assumptions provided by Strzelecki's extensive market research, the results indicated that the project could return a significant positive net present value over the expected life of the mine. For further details of the Coffey Report, refer to the announcement made on 16 October 2009.

The Coffey report makes many recommendations regards further studies, mainly in the areas of mining and metallurgy. Some of these study recommendations have since been commenced by the company.

Australian Projects

Warburton and Egerton Tenements

Transfer of Tenement Interest and Termination of Warburton Joint Venture

During the quarter Marathon Resources Limited elected to withdraw from the "Warburton" Joint Venture (J/V) and to transfer its interest in the J/V tenements back to Strzelecki Metals.

In accordance with the terms of the Joint Venture Agreement, Marathon's interest will be transferred to Strzelecki Metals for no consideration. The Warburton Joint Venture is now at an end.

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The six exploration permits to which this relates are: E69/1564, 2177 – 2181.

Yandeyarra

As noted in the previous quarterly, the Board has determined that the Company should dispose of the Yandeyarra Project in order to concentrate on other prospects and opportunities.

After unsuccessfully seeking third party bidders for the Project through an independent sale process, the Company entered into an agreement ("**Sale Agreement**") for the sale of the Project to Farno-McMahon Pty Ltd, an entity associated with a Director of the Company, Mr Carl Dorsch.

The Board has determined that, although the terms of the sale of the Project are no more favourable to Farno-McMahon Pty Ltd than under an arms' length transaction, Shareholders should be given an opportunity to approve the transaction in the interests of transparency and good corporate governance. Accordingly, shareholder approval will be sought at the Annual General Meeting to be held on 19 November 2009 for the sale of the Project to Farno-McMahon Pty Ltd.

The consideration payable by Farno-McMahon Pty Ltd for the Project is the payment of \$225,000 to the Company. Farno-McMahon will assume all rehabilitation and cleanup obligations in relation to the tenements.

Appointment of Director of European Operations

On 1 July 2009 Andrew Zemek commenced employment as the Director of European operations and was subsequently appointed a director of Strzelecki Metals Limited.

Andrew has a background in economics and has over 30 years of experience in the metals and mining sector ranging from copper and silver trading and hedging to concentrate trading, running exploration programs, fundraising (debt and equity) and research. For many years he was a director of the London Office of the Polish copper and silver producer KGHM, where his duties involved copper, silver and gold trading, both physical and futures. He played an important role in the KGHM's IPO in 1997.

During subsequent years Andrew acquired substantial consulting and research experience working in the UK, Thailand, Kazakhstan, Switzerland and France. After 2002 he ran the London office of a Canadian mining consultancy and eventually became a COO of an AIM-listed exploration company. Andrew is fluent in both English and Polish languages.

Capital

During the quarter the company made a placement of 16,400,000 shares at \$0.05 cents per share to sophisticated investors. The company also issued 2 million unlisted options to staff. The issued capital of the company as of 30 September 2009 was 152,575,090 shares and 107,440,072 options.

Subsequent to the end of the quarter, the company announced a Share Purchase Plan for Eligible Shareholders to purchase up to \$5,000 of STZ ordinary shares (**New Shares**) (ranking

equally with existing fully paid ordinary shares) without brokerage and transaction costs and at a discount to the current market price.

The subscription price will be **\$0.065** per New Share, representing a discount of **18.14%** to the closing market price of existing fully paid ordinary shares over the five trading days immediately prior to this announcement. When compared with the average closing market price over these days, the SPP provides a discount as an incentive to shareholders.

The offer will close on 6 November 2009 when the take up by shareholders will be known.

Financial

The ASX Appendix 5B Statement of Cash Flows for the period 1 July through 30 September 2009 is attached.

**Contact: Dr John Santich, Director
Strzelecki Metals Ltd
Tel (08) 8227 0555**

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

STRZELECKI METALS LIMITED

ABN

35 116 249 060

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	4	4
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(331) (345)	(331) (345)
1.3 Dividends received	13	13
1.4 Interest and other items of a similar nature received	(11)	(11)
1.5 Interest and other costs of finance paid	27	27
1.6 Income taxes paid	(643)	(643)
1.7 Other (provide details if material)(ATO ITC's)		
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(25)	(25)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)	(25)	(25)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(668)	(668)

1.13	Total operating and investing cash flows (brought forward)	(668)	(668)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	820	820
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(81)	(81)
1.18	Dividends paid		
1.19	Other (provide details if material) expenses re Capital raising	(41)	(41)
	Net financing cash flows	698	698
	Net increase (decrease) in cash held	(30)	(30)
1.20	Cash at beginning of quarter/year to date	1,463	1,463
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter*	1,493	1,493

*Cash at end of quarter includes bonds held against Australian tenements of \$70,000 and deposits secured against property purchases in Poland of \$500,000.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	150
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter		
4.1	Exploration and evaluation	\$A'000 150
4.2	Development	Nil
4.3	Production	Nil
4.4	Administration	254
Total		404

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	930	893
5.2	Deposits at call	573	570
5.3	Bank overdraft		
5.4	Other (provide details) Mastercard	(10)	
Total: cash at end of quarter (item 1.22)		1,493	1463

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
	<u>YANDEYARRA</u> E47/591 E47/755 E47/1041	See note(1) See note(1) See note(1)	100% Alluvial rights 100% Alluvial rights 100% Alluvial rights	Nil (note (2)) Nil (note (2)) 100% Alluvial Rights (note (3))
6.2	Interests in mining tenements acquired or increased	Nil		

Notes:

- (1) Tenement held by Chalice Gold Limited and Strzelecki Metals Limited has 100% beneficial interest in the alluvium.
- (2) Tenement surrendered by Chalice Gold.
- (3) 6 of 12 blocks surrendered by Chalice Gold.

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	152,575,090	152,575,090		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,400,000	16,400,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	6,250,000 39,470,036 1,000,000 46,720,036 10,000,000 1,000,000 1,000,000 2,000,000	Nil 39,470,036 Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0 .20 \$0 .20 \$0 .20 \$0 .275 \$0 .40 \$0 .25 \$0 .25 \$0 .10	<i>Expiry date</i> 11/11/10 17/08/10 14/03/10 26/02/11 26/02/13 31/12/10 16/01/12 22/07/12
7.8 Issued during quarter	2,000,000	Nil	\$0.10	22/07/12
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

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7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:Date: 29 October 2009.....
(Company Secretary)

Print name: Graham Seppelt

Notes

1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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