



Directors:

TONY KING
Managing Director

STEPHEN BROCKHURST
Non-Executive Director

JASON BONTEMPO
Non-Executive Director

Company Secretary:

Rebecca Sandford

Share Information:

ASX Code: SMZ

Issued Shares: 58,500,001

Listed Options 36,222,504

5 October 2010

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By E-Lodgement

STIRLING MINERALS TO ACQUIRE DMC MINING

- Stirling Minerals executes Heads of Agreement (Agreement) to acquire 100% of DMC Mining Limited (**DMC Mining**)
- DMC Mining holds an 80% interest in the Mayoko Iron Ore Project located in the Republic of Congo covering a total licence area of approximately 1000km²
- The acquisition will constitute a change in nature and scale of activities and therefore will require the Company to re-complying with Chapters 1 and 2 of the ASX Listing Rules
- The Agreement is also conditional on Stirling Minerals completing a placement of shares to raise not less than A\$96 million
- Experienced executive team to comprise new Board
- Stirling Minerals to change its name to African Iron Limited on obtaining the necessary shareholder approvals
- Patersons Securities Limited appointed as lead manager to the Capital Raising

Stirling Minerals Limited (ASX: SMZ) (Company) is pleased to announce that it has entered into an agreement to acquire 100% of the issued share capital of DMC Mining from Cape Lambert Resources Limited (Cape Lambert) (Acquisition).

DMC Mining's principal asset is the Mayoko Iron Ore Project (**Mayoko Project**) located in Republic of Congo (RoC). As required by ASX, the board of directors has resolved to seek shareholder approval to, inter alia, change the nature and scale of its activities to an exploration and mining company, concentrating on the iron ore sector in RoC.

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1. ACQUISITION TERMS

On the receipt of all relevant shareholder approvals, the Company will acquire 100% of the issued capital of DMC Mining in consideration for:

- (a) the issue of 120,000,000 fully paid ordinary shares in the capital of the Company (Shares) (on a post-Consolidation basis (as defined below)) to Cape Lambert (Consideration Shares) which shall be escrowed for a period of 12 months from the date of issue in accordance with ASX Listing Rules; and
 - (b) the payment of A\$47,000,000 cash to Cape Lambert,
- (together, the **Consideration**).

In addition to the Consideration, the Company has agreed to grant Cape Lambert a royalty of \$1 per tonne of iron ore shipped from the Mayoko Project.

Completion of the Acquisition is subject to a number of conditions precedent, including:

- (a) the Company completing financial and legal due diligence on DMC Mining;
- (b) Cape Lambert completing financial and legal due diligence on the Company;
- (c) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Agreement;
- (d) the Company completing a placement of Shares to raise not less than \$96,000,000; and
- (e) the Company receiving conditional approval to be requoted on ASX and for the Consideration Shares to be admitted to ASX.

On completion of the Acquisition, all members of the current Board members will resign and nominees of Cape Lambert and DMC Mining will be appointed to the Board (together, the **Proposed Directors**). Further details of the Proposed Directors is set out in Section 4.

The Company intends to convene a general meeting of its shareholders in the near future to seek all necessary approvals for the Acquisition and associated Capital Raising (as defined below).

Further details of the terms of the Acquisition and the Capital Raising will be set out in the Notice of Meeting to be despatched to shareholders as soon as possible.

2. INTENTIONS IN RELATION TO EXISTING ASSETS

On completion of the Acquisition, the Proposed Directors intend to undertake a strategic review of Company's 100% owned Quidong Project located near Bombala, New South Wales, which comprises EL5671, EL6888 and EL7192.

3. OVERVIEW OF DMC AND THE MAYOKO PROJECT

DMC Mining is an Australian incorporated iron ore exploration company which listed on ASX in July 2007. DMC Mining's principal asset is the Mayoko Project located in Republic of Congo (**RoC**) in which DMC Mining acquired an 80% interest in December 2007. The remaining 20% is held by Tanaka Mining Projects (Proprietary) Limited (3%), Saurus Resources Limited (7%) and Mounda Moungha Makosso (10%).

Further details in relation to DMC Mining and the Mayoko Project are set out in Annexure A to this ASX announcement.

4. PROPOSED DIRECTORS

Upon completion of the Acquisition, all the members of the current Board will resign and the Board will change to introduce an experienced executive team who will oversee the exploration and development activities of the Mayoko Project. The Board appointments will include, a yet to be identified, Managing Director, Mr Ian Burston as Non-Executive Chairman, Mr Joe Ariti as Non Executive Director, Mr Tony Sage as Non Executive Director.

5. RECOMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

The Company will be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as a result of changing the nature and scale of its activities. This involves obtaining shareholder approval and also meeting the new listing requirements as if the Company were undergoing a new initial public offer.

As part of this process, the Company will be:

- (a) seeking shareholder approval to consolidate its issued shares on a two (2) for three (3) basis (**Consolidation**);
- (b) seeking shareholder approval to undertake a capital raising of \$96 million through the issue of shares at a price of \$0.30 each (on a post-Consolidation basis) (**Capital Raising**);
- (c) seeking shareholder approval to issue the Consideration Shares to Cape Lambert; and
- (d) issuing a full form prospectus in relation to the Capital Raising (**Prospectus**).

6. CAPITAL STRUCTURE

The proposed capital structure of the Company following the Capital Raising, Acquisition and Consolidation is set out below:

Shares ¹	Number
Shares currently on issue	39,487,501
Shares to be issued pursuant to the Capital Raising	320,000,000
Shares to be issued to Cape Lambert part consideration for the Acquisition	120,000,000
Total Shares	479,487,501

Options ¹	Number
Options currently on issue ²	24,450,190
Options to be issued to Proposed Directors ³	30,000,000
Options to be issued to brokers and consultants ⁴	20,000,000
Total Options	74,450,190

Notes:

1. The above tables have been prepared on a post-Consolidation basis.
2. Following completion of the Consolidation these Options will be exercisable at \$0.20 each on or before 1 December 2013.
3. Subject to Shareholder approval, the Company has agreed to issue these Options to the Proposed Directors (or nominees) on completion of the Acquisition. These Options will be exercisable at \$0.30 each on or before 31 December 2012.
4. Subject to Shareholder approval, the Company has agreed to issue these Options on completion of the Acquisition to brokers and consultants who assist the Company in relation to the Capital Raising. These Options will be exercisable at \$0.30 each on or before 31 December 2012 .

7. INDICATIVE TIMETABLE²

Event	Date
Despatch of Notice of Meeting in relation to the Acquisition	17 November 2010
Lodgement of Prospectus at ASIC	22 November 2010
General Meeting to approve the change of activities and other matters	17 December 2010
Suspension of the Company's securities from trading on ASX at the opening of trading	17 December 2010
Last day for trading in pre-Consolidation securities	17 December 2010
Settlement of the Acquisition and issue of Shares under the Capital Raising	17 December 2010
Trading in securities reinstated by ASX (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules). ¹ Normal T+3 trading on a post-Consolidation basis commences	11 January 2011

Notes:

1. Trading in securities will only be reinstated by ASX after the Company has completed the Acquisition, the Consolidation and the Company has complied with Chapters 1 and 2 of the ASX Listing Rules. The Company will endeavour to minimise the period of suspension as much as possible.
2. The above timetable is indicative only and may be varied in consultation with the ASX.

Full details of the proposed Acquisition and Capital Raising will be forwarded to shareholders in due course.

It is the view of the current Directors that the acquisition of DMC Mining is an exciting opportunity for the Company and would give shareholders the opportunity to participate in a significant exploration and development programme within a highly prospective iron ore province.

Yours faithfully



TONY KING
Managing Director

Competent Person

The information in this ASX announcement that relates to exploration results is based on information compiled by Kim Bischoff, who is a Member of the Australasian Institute of Mining and Metallurgy and a competent person for the purposes of the JORC Code. Mr Bischoff is a consultant to Cape Lambert, and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

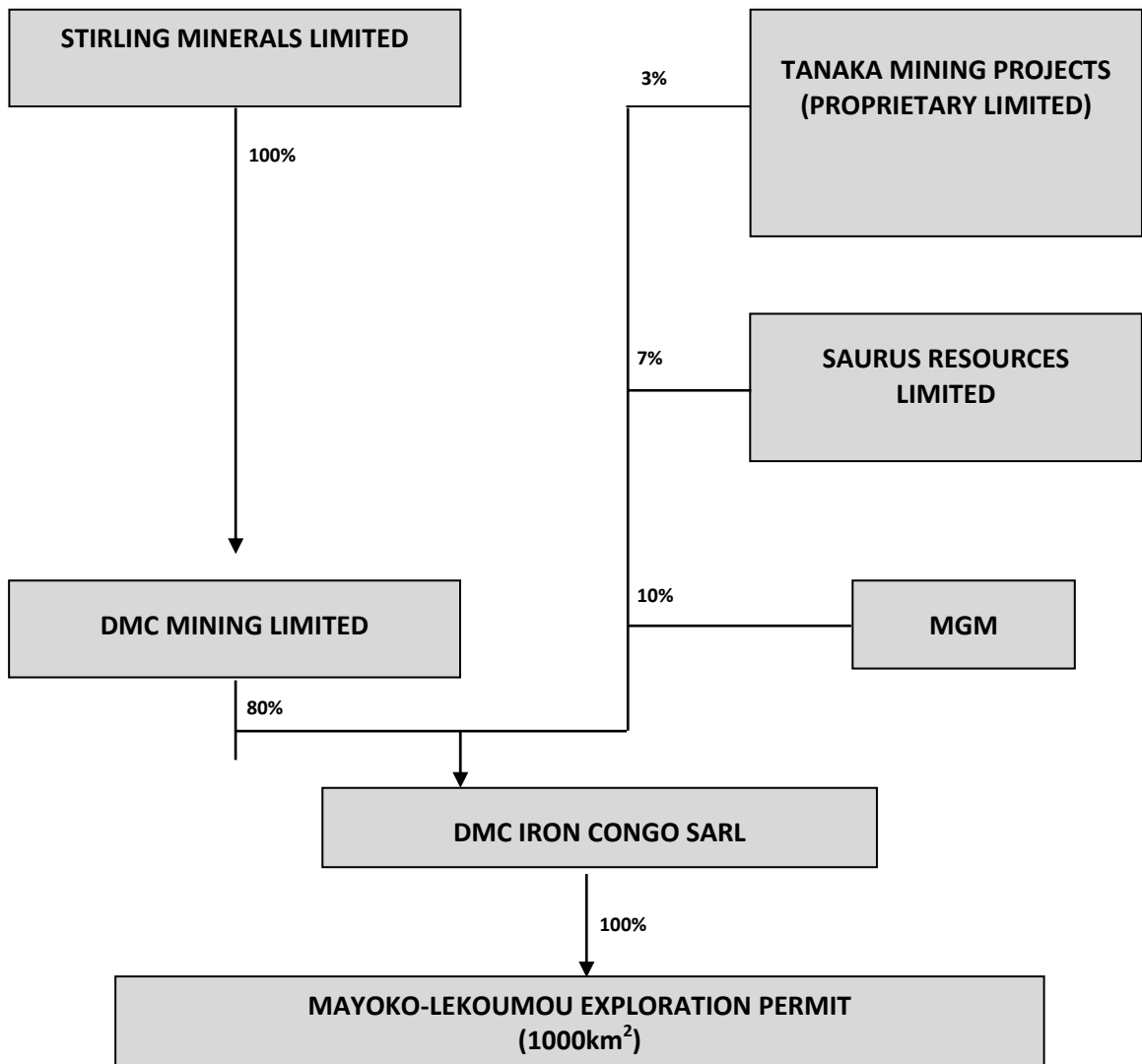
ANNEXURE A – DMC MINING AND THE MAYOKO PROJECT

The Mayoko Project comprises a 1,000km² exploration licence Mayoko-Lekoumou exploration permit (**Mayoko Permit**).

DMC Mining's current focus at the Mayoko Project is to delineate sufficient mineral resources to justify development of an initial hematite direct shipping ore mining operation. At a later stage and subject to the delineation of sufficient mineral resources, DMC Mining plans to build a larger scale mine producing hematite and magnetite concentrates, leveraged off the nearby and existing infrastructure.

Pursuant to an off market cash takeover offer in March 2010, Cape Lambert acquired 100% of DMC Mining and DMC Mining was subsequently delisted from ASX on 1 September 2010.

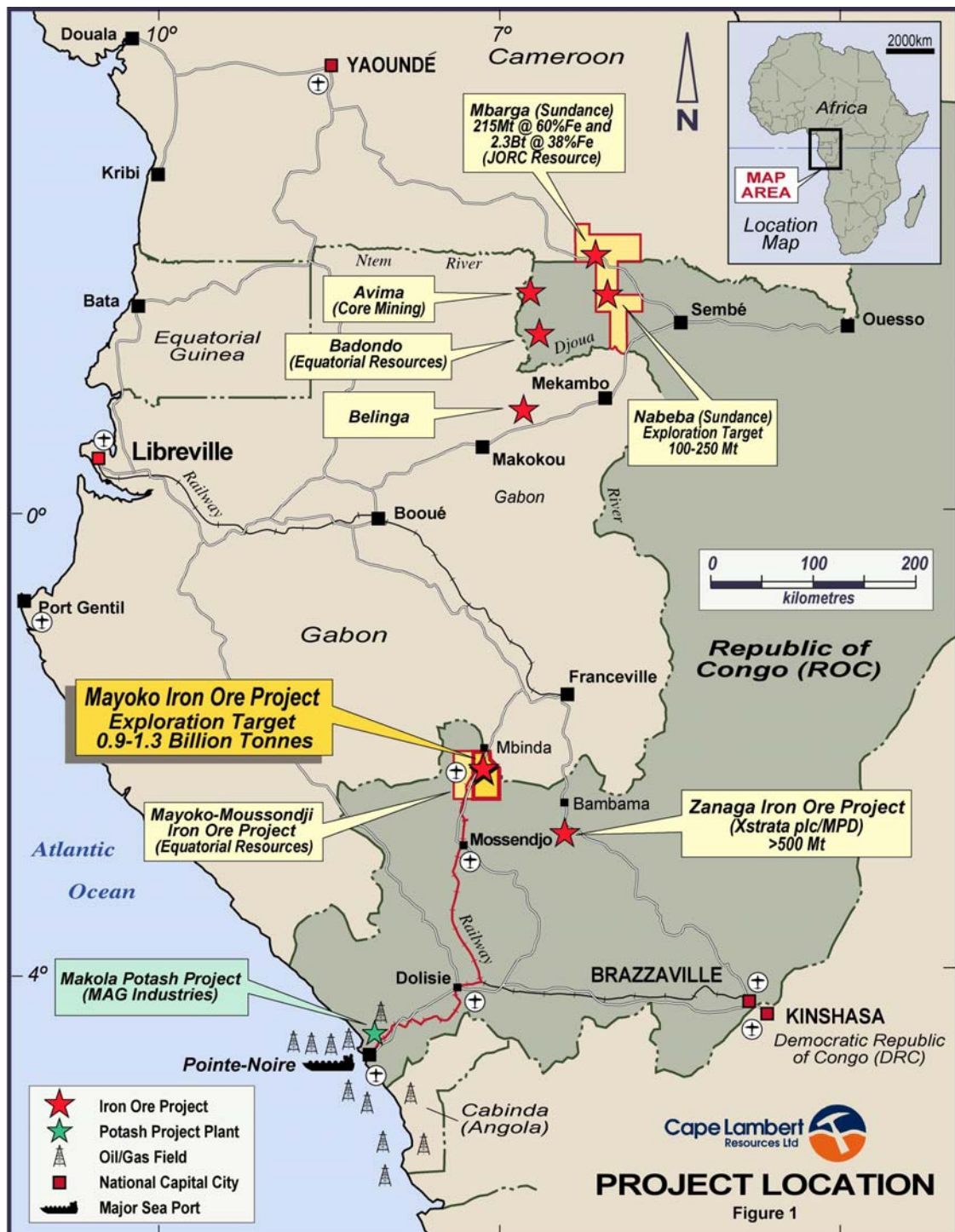
Following completion of the Acquisition, the ownership structure will be as follows:



Mayoko Project

The Mayoko Project is situated in the RoC, within the emerging iron ore province of central west Africa. Other large iron ore projects in central west Africa include Zanaga, located in RoC 100km to the south east and, to the north, Belinga in Gabon and Mbalam in Cameroon.

The Mayoko Project comprises a 1,000km² exploration licence granted on 3 April 2008 located approximately 300km north east of the port city of Pointe Noire, located on the Atlantic coast of RoC.



Geology

The Mayoko Permit covers Archean rocks of the Congo Craton. The main rock types underlying the licence consist of granitic gneiss, amphibolite with units of banded iron formation (**BIF**), and intrusive granitoids.

Six targets prospective for iron ore have been identified to date within a 220km² area. The remainder of the Mayoko Permit is unexplored. The largest target is a 7km long magnetic anomaly covering Mt Lekoumou and Mt Mipoundi. Other targets are Lekoumou South, Mipoundi North, Doumani and Mbinda.

The drilled BIF units at Mt Lekoumou-Mt Mipoundi are lens-shaped and are concordant with the enclosing amphibolite formations. The fresh BIF units are characterised by distinct millimetre-scale banding of silica-rich and magnetite-rich layers. Geological mapping and drilling demonstrates the BIF lenses dip steeply to the south-east and strike to the north-east.

At Mt Lekoumou there is a well-developed supergene hematite zone up to 40m thick; this thins along strike towards Mt Mipoundi to the northeast. Semi-consolidated and cemented colluvial iron mineralisation overlies the in-situ supergene hematite and extends down the flanks of the ridges. Underlying the supergene hematite is variably oxidised and enriched in-situ BIF extending from 25 to 75m below surface.

Reconnaissance mapping and sampling at the Mipoundi North, Doumani and Mbinda targets has confirmed iron grades at surface from 32.3 to 49%.

Exploration

Mt Lekoumou and a small part of the Mt Mipoundi targets was explored I.C.E.S. Geomin in 1974-75. Geomin carried out ground magnetic surveys, pitting (16 pits) and shallow diamond drilling (38 holes). A program of re-survey and re-sampling of the Geomin pits and drill hole collars was completed in 2008.

A high resolution airborne magnetic survey covering 220km² was completed in 2009. Following this a program of geological mapping and trenching was completed in preparation for drilling.

A target size of 0.7-1.0Bt was estimated for the Mt Lekoumou-Mt Mipoundi-Lekoumou South targets based on magnetic modelling and geologically constrained by the 1975 pitting and drilling by Geomin and the 2009 surface mapping/trenching information. Following ground confirmation and sampling of the 3 other targets identified in the 2009 airborne survey, the target size estimate was increased to 0.9-1.3Bt (refer ASX announcements by DMC Mining dated 17 July 2009 and 12 January 2010).

Mineral Resource

Mt Lekoumou has a total Inferred Mineral Resource of 33Mt at 56% Fe at a cutoff of 50% Fe of supergene hematite based on the shallow drilling completed in 1974-75 (refer ASX announcement by DMC Mining dated 7 May 2008).

Drilling

DMC Mining commenced a first pass diamond drilling program at the Mayoko Project in December 2009, which was completed in mid-August 2010 for a total of 3,687m in 18 drill holes. The diamond drilling was carried out on wide-spaced traverses from surface to 300 m depth to confirm the geology, structure and characteristics of the oxide and fresh iron mineralisation along the 7km long magnetic anomaly at Mt Lekoumou-Mt Mipoundi.

Head assay results received for the first batch of 9 drill holes MKDD001-009 (total meterage 1,871m) confirm 3 iron ore groups based on weathering state, mineralogy and grade as follows:

- Supergene hematite – in-situ (55-60% Fe) and transported (40-60% Fe);
- BIF – weathered and enriched (30-45% Fe); and
- BIF – fresh (30-36% Fe).

All these groups have low phosphorus and sulphur contents.

Infrastructure

The Mt Lekoumou prospect lies within 3km of an operating railway, which connects directly to the port of Pointe Noire. The distance by rail from the Mayoko Project to Pointe Noire is approximately 439km. Historically, the railway was used to transport manganese ore from the railhead at Mbinda to the port by Compagnie Minière de l'Ogooué during the 1980s and early 1990s.

The railway is currently owned and operated by the state-owned company Chemin de Fer Congo-Océan (**CFCO**). In April 2009, DMC Mining signed an agreement with CFCO, which granted Mayoko Project access from the Mayoko Project to Pointe Noire during the exploration phase of the Mayoko Project and provided a framework for cooperation in relation to the future haulage of iron ore from the Mayoko Project to the port of Pointe Noire.

The port at Pointe Noire is the main ocean port of the RoC. In June 2009, Mayoko Project formalised a Memorandum of Understanding with the Port Authority of Pointe Noire whereby both parties will cooperate to investigate the potential export of iron ore from the Mayoko Project through the existing Point Noire port and adjoining facilities.

Central West Africa and the Republic of Congo

The RoC is a stable, single party dominant republic in central west Africa (and should not be confused with the less stable Democratic Republic of Congo). The current government has been in power for more than ten years and was re-elected for an additional term of seven years following peaceful elections in 2009.

The RoC has a long history of investment and operations in the petroleum industry. The government is now encouraging investment in the minerals sector and recent developments include commitment to construction of a US\$723 million potash plant by Canadian company, Magindustries, investment by Xstrata plc in the Zanaga iron ore project located 100km east of the Mayoko project, and iron ore exploration by Sundance Resources Limited and other Australian companies in the north of RoC.