STELLAR RESOURCES LIMITED

Rubicon Min Tech Ventures Pty Ltd

EL 46/2003 HEEMSKIRK

ANNUAL REPORT FOR THE PERIOD 3 JANUARY 2006 – 2 JANUARY 2007

Compiled by/Author: A M Rigg

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Mineral Resources Tasmania, a Division of the Department of Infrastructure, Energy and Resources - Hobart
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SUBMITTED BY: 

ACCEPTED BY: 

Stellar Resources Limited
(ACN 108 758 961)
Level 7, 530 Little Collins Street,
Melbourne,
Victoria, 3000.

ABSTRACT

This second Annual Report for EL 46/2003 Heemskirk covers the period from 3 January 2006 to 2 January 2007.

The Heemskirk licence area contains historical occurrences of copper, tin and gold. Previous exploration in the area includes extensive stream sediment sampling, especially in the central and southern areas, geological mapping, a range of geophysical surveys and several drill holes which have revealed numerous anomalies. As many of these remain untested or inadequately drilled, the licence area remains prospective for the discovery of significant base metal mineralisation.

Work on the licence for the period has been undertaken at two project sites, Alpine and Granville East, and in the Melbourne office. On site diamond drilling programmes commenced, while In Melbourne work has included the compilation of an exploration chronology, the further collection of existing regional geological, geochemical and geophysical data and map production.

Further modelling and definition of geophysical targets has taken place from electromagnetic and aeromagnetic datasets. With reference to the existing regional geological, geochemical and geophysical data, and with further detailed drill data available, target definition, modelling and drilling will proceed on current active projects. It is intended to drill test other prospective targets, such as at Gourlay's Creek and 'Devises' (adjacent to Avebury).

Work advanced sufficiently for Work Plans to be submitted to MRT over two areas. Consents to drill were obtained for Gourlay's Creek and 'Devises', adjacent to Allegiance Mining's Avebury Mine Lease and tailings dam (under construction). Due to the continuing tightness in the availability of suitable drilling rigs, drilling remains constrained and to some extent opportunistic. No drilling has yet been conducted at the aforesaid.

Stellar has been considering flying a 50m fls aeromagnetics survey to cover the western Bowry formation, Gourlay's Creek, Granville East, St Dizier/Big H areas of the licence, as well as the most southern block of the licence adjacent to Allegiance Mining's mining lease.

CHAIRMAN'S SUMMARY OF EXPLORATION PROGRAM 2006
EL 46/2003 - Heemskirk

Introduction

Stellar Resources has recorded a very active year on EL46/2003 in 2006. Several rounds of diamond drilling were conducted. The highlight was intersecting copper in wide zones at modest grades, at the Alpine copper project. Further drilling is scheduled in 2007.

Background

In 2005 (since grant of title) work has mainly focussed on data compilation and interpretation of projects, including the generating of drill targets. An expert geophysical assessment was also made of the MRT survey. Various permits were lodged and approvals received preparatory to drilling.

Permits applications were lodged for ground work (access and drill pads) at:

St Dizier – for tin
East Granville – magnetic targets along a tin trend
Alpine – to further test historic CRAE copper intersections.

On each of these permitted areas it was considered that sufficient field work of a high standard had been conducted by prior tenement holders. As such, no background work will be reported here.

Following site inspections by Lindsay Newnham of N.E.M.S. with MRT Environment Field Officers, permits were obtained to conduct diamond drilling operations.

Only the St Dizier project was not drilled, owing to copper at Alpine taking priority.

Drill Programs completed

In 2006, the following diamond drilling was conducted

- one hole at East Granville – on a primary tin target (LIDDS)
- round one of three drill holes at the Alpine copper project (LIDDS)
- round two of three holes into Alpine and two holes into Alpine North (Almac)
- round three of two drill holes into Alpine (Boart Longyear).

The one drill hole at East Granville – testing a magnetic anomaly - intersected minor tin and gold mineralisation (in different intervals). (Refer the attached more detailed report of this East Granville drilling.) The rig was then mobilised to Alpine.

At Alpine, all up, ten holes were drilled for nearly 2,000 metres at Alpine/Alpine North – with eight of these at Alpine itself. Six of these eight holes at Alpine intersected meaningful copper grades over substantial widths. The two holes on the Alpine North magnetic anomaly indicated deeper barren cover sequences than at Alpine. It is considered that the North Alpine magnetic signature is explained by the presence of magnetite with neither hole intersecting elevated copper.

The Alpine drill collar positions were on average some 100m apart. Copper has thus been demonstrated to date over a wide area (perhaps some 50,000 sq. metres) which remains open.

The Alpine Copper Project

February/March 2006 Drill program

Given the favourable location adjacent to the bitumen Heemskirk (Reece Dam) Road, coupled with an all weather gravel track leading east into the project area, only minimal site preparation was required.

The first drill program was for a planned two holes, plus one contingent hole. **Hole AP-003** (angled hole, drilled to over 150 metres depth) intersected large intervals of sulphide mineralisation – both massive and disseminated - in an apparent magnetite host. Assaying of core showed two narrow intervals of copper and zinc.

Hole AP-004 was designed to drill underneath CRAE AP-2 drill hole which intersected 27m @ 0.5% Cu. Owing to access issues, the hole was sited closer to AP-2, but drilled nearly vertically, to over 150 metres depth. The existing CRAE built access track was utilised.

It intersected 22m @ 1.23% Cu within a larger interval of 95m @ 0.45% Cu. This led to a urgent reappraisal of the potential at Alpine, as hole AP-004 was a substantial improvement over the prior CRAE drillholes (of AP-01 - 12m @ 0.25% Cu and AP-02 - 27m @ 0.5% Cu).

Encouraged by the highly sulphide charged environment, the decision was made to drill the angled **hole AP-005**, located south of CRAE hole AP-1. It was drilled to some 170 metres depth before unstable hole collar conditions, combined with only minor sulphide mineralisation being observed, caused the decision to terminate the drilling.

(Consideration is now being given to deepening both holes AP-004 and AP-005 should conditions allow.)

Petrology

After the assay results confirmed the high copper values at Alpine, it was decided to conduct some preliminary petrology. Seven samples of core from hole AP-004 were selected and remitted to Amdel Laboratories in Adelaide. Amdel's report is attached.

Petrology was conducted on seven pieces of Alpine core - with a general description of hydrothermal alteration, including one comment – "All of these samples consist of hydrothermally altered rocks which in most cases show little or no evidence of the original rock type."

Winter 2006 Drill program

In the second drilling program, managed by Lindsay Newnham, holes **AP-006, AP-007 and AP-008** were targetted on the Alpine magnetic anomaly. New site access tracks were required. These were also designed in mind to gain more ready access for collar positions for further step out holes should assay results justify.

The track conditions were reasonable as winter rains were light and sufficient local gravel assisted with keeping mud under some sort of control.

All three holes intersected wide modest grades of copper in a magnetite host, during a successful winter drilling program. No gold of note was recorded in these holes.

November/December 2006 Drill program

In the third drilling round, holes **AP-011 and AP-012A** were drilled with only minor track preparation required for AP-011. PQ coring was utilised for the top zones.

Hole AP-012 failed at about 80 m when the rods became stuck and was re-drilled as AP-012A.

Both holes reported intersecting wide copper bearing zones, but with two major differences:

a) there was little or no magnetite or magnetic susceptibility – the core being intensely silicified in places, and
b) the gold values were anomalous.

This latter development is considered to be favourable.

Geological Comment

It is considered too early to make a resource estimate, but the wide intersections obtained over this large areal extent are indicating potential for a large mineralised system. Of importance is that the mineralisation is not yet closed off.

Drilling is scheduled to resume in mid February 2007.

Results from Holes AP-011 and AP-012A indicate that a copper and magnetite association may be less consistent. This makes any geological interpretation of Alpine more complex until more drilling is completed. Alpine may represent a style of copper deposit not previously recognised in Tasmania.

Forward Program

Six more holes are permitted for drilling. The Boart Longyear rig is scheduled for mid February 2007.

T.J. Burrowes

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LIST OF FIGURES

1 INTRODUCTION

1.1 EXPLORATION RATIONALE & GEOLOGICAL SETTING

The following geological data compilation, analysis and commentary was produced by Mr C H Young of Chris Young Consulting.

The licence is positioned to cover potential ultramafic hosted nickel skarn deposits of the Avebury style adjacent to the north-eastern and northern contacts of the Heemskirk Granite, to the immediate NW of Zeehan. Heemskirk adjoins Allegiance Mining's Avebury tenements near the SE corner of the Heemskirk Granite. As at October 2006 Allegiance has outlined a medium-sized nickel sulphide resource at Avebury of 10 million tonnes @ 1.14% nickel, with exploration expanding beyond the current resource boundaries.

The Avebury deposit is special in that the ore is almost wholly pentlandite and is expected to produce a high-grade concentrate running over 20% Ni. This is a new style of nickel deposit for Australia and is considered the product of the unique interaction of granite derived and structurally controlled hydrothermal fluids with primary nickel sulphide bearing oceanic mafic/ultramafic host rocks. The deposit is readily identified by aeromagnetic data and Heemskirk covers similar high intensity magnetic anomalies. At Heemskirk the presence of ultramafic rocks under cover is inferred from previous drilling by Pickands Mather and Rio Tinto.

1.2 LICENCE

Tenement number: 46/2003

Tenement name: Heemskirk

Tenement location: Located from approx 4km northwest of Zeehan, with main road access from the Heemskirk Road which passes generally through the central axis of the licence (Figure 1). The licence covers 196km^2 from the Trial Harbour Rd in the south, north-westerly for 30km to near the Reece Dam on the Pieman River. Most of the EL area is Crown Land with approx 8% being private agricultural land.

The crown land is covered by areas of nothofagus and eucalyptus rainforest, dry eucalyptus forest, scrub, heathland and button grass plain. Access is provided by the Heemskirk Road from Zeehan, Trial Harbour Road, Granville Harbour Road, Corinna Road to Waratah in the north, and old bush tracks. Areas of the licence may only be accessible by foot.

Reporting period: 3 January 2006 to 2 January 2007.

Tenement holder: Rubicon Min Tech Ventures Pty Ltd., a wholly owned subsidiary of Stellar Resources Ltd.

1.3 LOCATION OF LICENCE

Figure 1
Heemskirk EL46/2003
Location Map with Main Prospects.
Data Courtesy: DPIWE.

1.4 LAND TENURE

SCHEDULE

LAND DISTRICT OF MONTAGU
VICINITYOF HEEMSKIRK RIVER (13.5km NW of ZEEHAN)
MUNICIPALITY OF WEST COAST
EXPLORATION LICENCE 46/2003 193km^2
RUBICON MIN TECH VENTURES PTY. LTD.

Commencing at a northwest corner at grid coordinates 335 000 metres E 5 380 000 metres N thence grid east to 344 000 metres E grid south to 5 375 000 metres N again grid east to 345 000 metres E again grid south to 5 373 000 metres N again grid east to 347 000 metres E again grid south to 5 371 000 metres N again grid east to 349 000 metres E again grid south to 5 369 000 metres N again grid east to 352 000 metres E again grid south to 5 367 000 metres N again grid east to 354 000 metres E again grid south to 5 365 000 metres N again grid east to 357 000 metres E again grid south to 5 362 000 metres N grid west to 354 000 metres E aforesaid again grid south to 5 358 000 metres N again grid west to 352 000 metres E aforesaid grid north to 5 362 000 metres N aforesaid again grid west to 349 000 metres E aforesaid again grid north to 5 365 000 metres N aforesaid again grid west to 347 000 metres E aforesaid again grid north to 5 367 000 metres N aforesaid thence again grid west to a point 200 metres inland from the high water mark on the West Coast of Tasmania thence in a general north-westerly direction 200 metres inland from and parallel to that high water mark to 334 000 metres E again grid north to 5 378 000 metres N again grid east to 335 000 metres E aforesaid thence again grid north to the point of commencement.

Coordinate datum - AGD66, AMG Zone 55.

EXCLUSIONS

(a) Any land owned or leased by the Commonwealth of Australia.

(b) Mining Leases amounting to 79ha (more or less) which were applied for or in force prior to the date of application for this licence.

c) Areas of private land which either have been, or are in the process of being, purchased by the Crown under the Regional Forest Agreement - Private Forests Reserves Program and / or private land over which the landowners have agreed, or are in the process of agreeing, to place a covenant or management agreement for conservation purposes under the Regional Forest Agreement - Private Forests Reserves Program.

LAND TENURE

The area comprises: Private Property
Crown land
Multiple Use State Forest
Mount Heemskirk Regional Reserve
MDC Informal Reserves
HEC Land

The licence area contains areas which are listed (including listed on an interim basis) on the Register of the National Estate kept under the *Australian Heritage Commission Act 1975*.

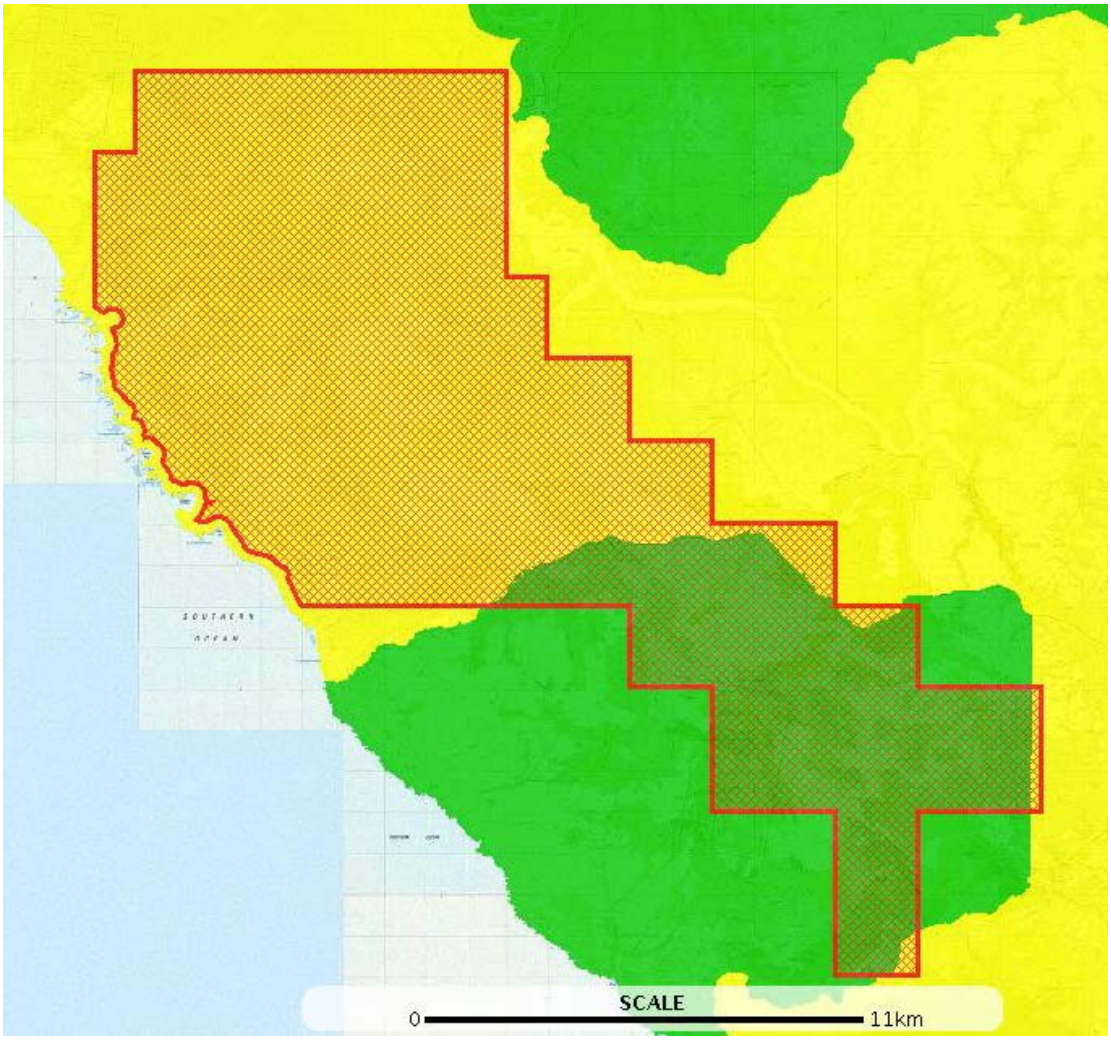


Figure 2
Heemskirk EL46/2003
Land Tenure Map.
Courtesy: LIST.

2 REVIEW OF PREVIOUS WORK

During the licence area consideration and selection process, historic mineral exploration data research, geological data compilation, analysis, commentary and advice was produced by Mr C H Young of Chris Young Consulting. This was done in conjunction with consideration and advice on appropriate geophysical characteristics of the area from Dr David Isles of tGT Consulting.

3 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

REGIONAL EXPLORATION ACTIVITIES

3.1 DATA ACQUISITION, MAPPING & ANALYSIS

MRT digital geology and geophysics datasets, DPIWE topographic data as well as data captured from open-file company reports have been used to produce various maps at 50k, 25k and 10k. Exploration data from CRAE, Aberfoyle, Cominco, Placer, Minops, Pickands Mather, ACI, “Consolidated Syndicate”, ANZECO, Geophoto Resources, Goldfields/RGC, Geopeko, New Holland Mining, Outokumpu, Goldstream Mining and Titan Resources have been further digitised and captured from MRT open-file reports.

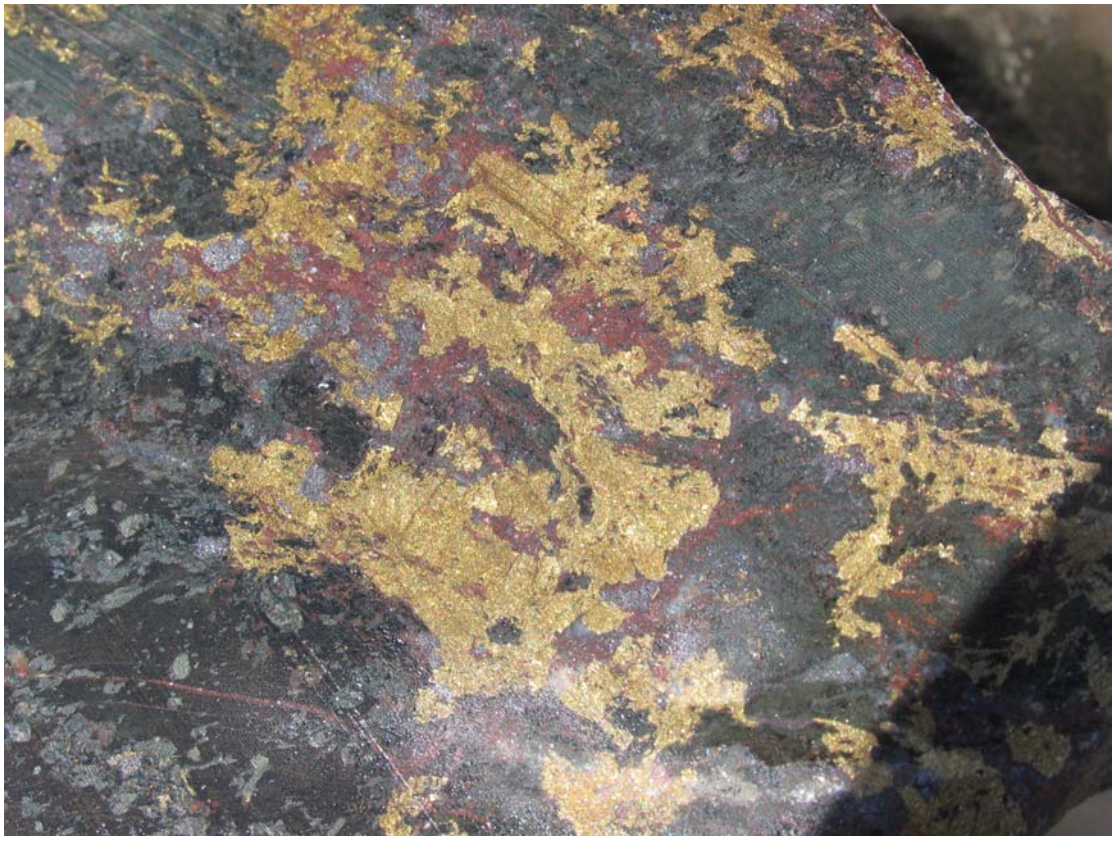
Dr David Isles and Dr Steve Webster have independently further analysed aeromagnetic data available for the licence area. See attached report by Steve Webster.

Alpine Project
Drilling site, hole AP005

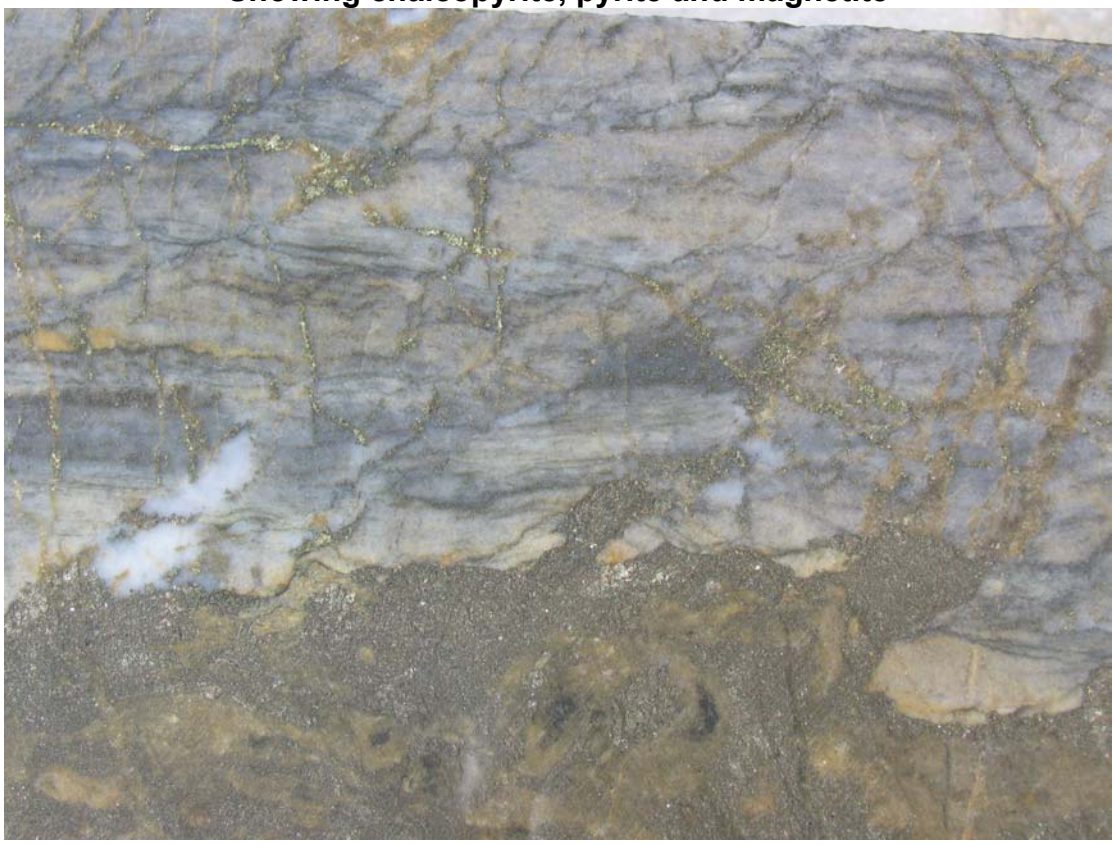
Alpine Project
Drilling site, hole AP004
Plugged hole in foreground

Alpine Project
Hole AP004 drill core
Showing massive sulphides, pyrite, chalcopyrite

Alpine Project
Zeehan core yard
Drill holes AP011 and AP012A core



Alpine Project
Drill hole AP011 core
Showing chalcopyrite, pyrite and magnetite



Alpine Project
Drill hole AP011 core
Silicious core showing chalco veinlets at top, massive py at bottom

The road to Gourlay's Creek

**Proposed drill site on south-east side of Trial Harbour Road,
Near the Avebury Mine tailings dam and Globe Mine track.**

Looking north along EL46/2003 eastern boundary and the flanks of Mt Agnew, from the Trial Harbour Road, towards coincident magnetic high and Zn soil geochemical anomaly

Ultramafic rock exposure near Trial Harbour Road near Avebury Mine

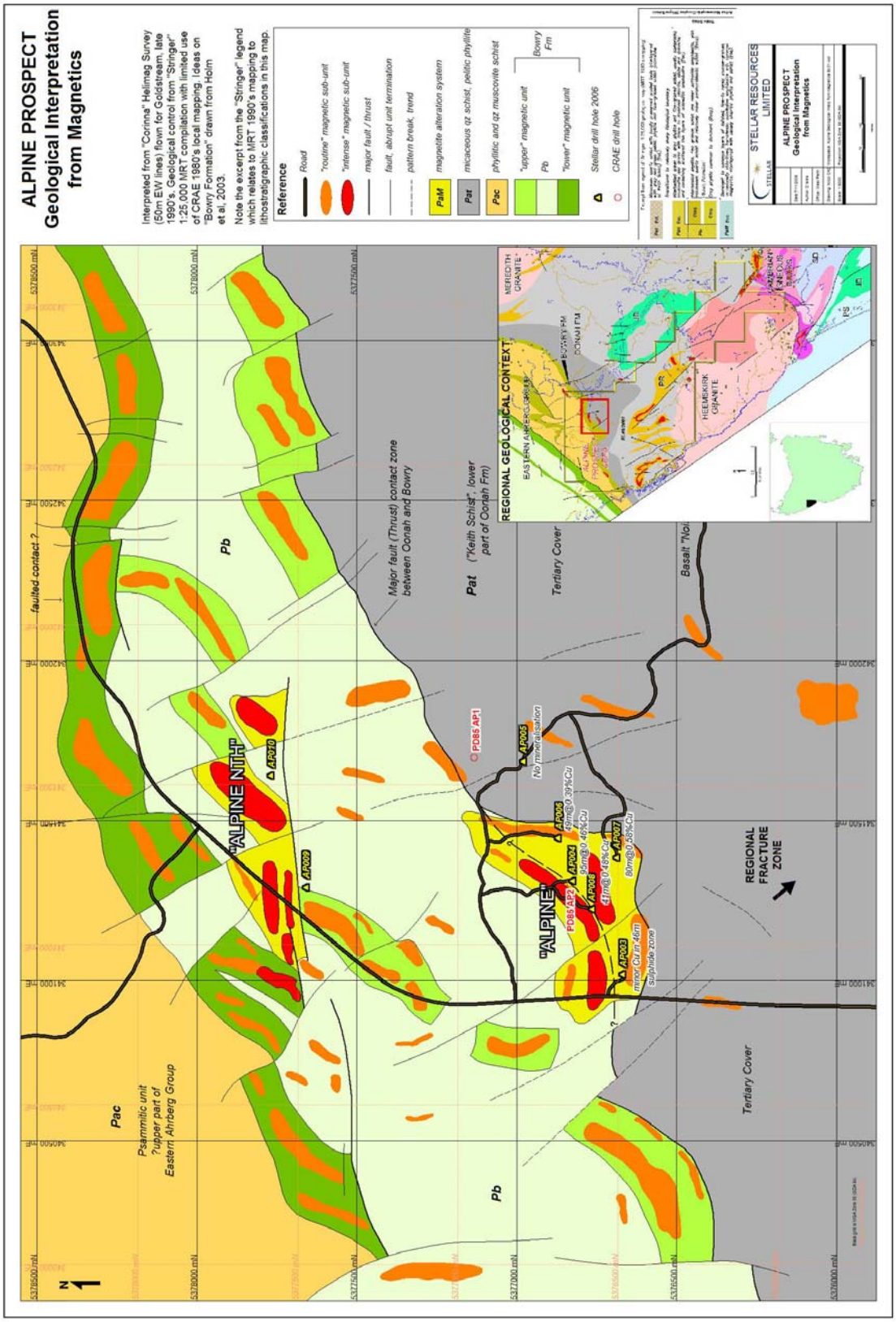


Figure 3
Heemskirk EL46/2003
Alpine Project
Geological interpretation from magnetics
Dr David Isles interpretation

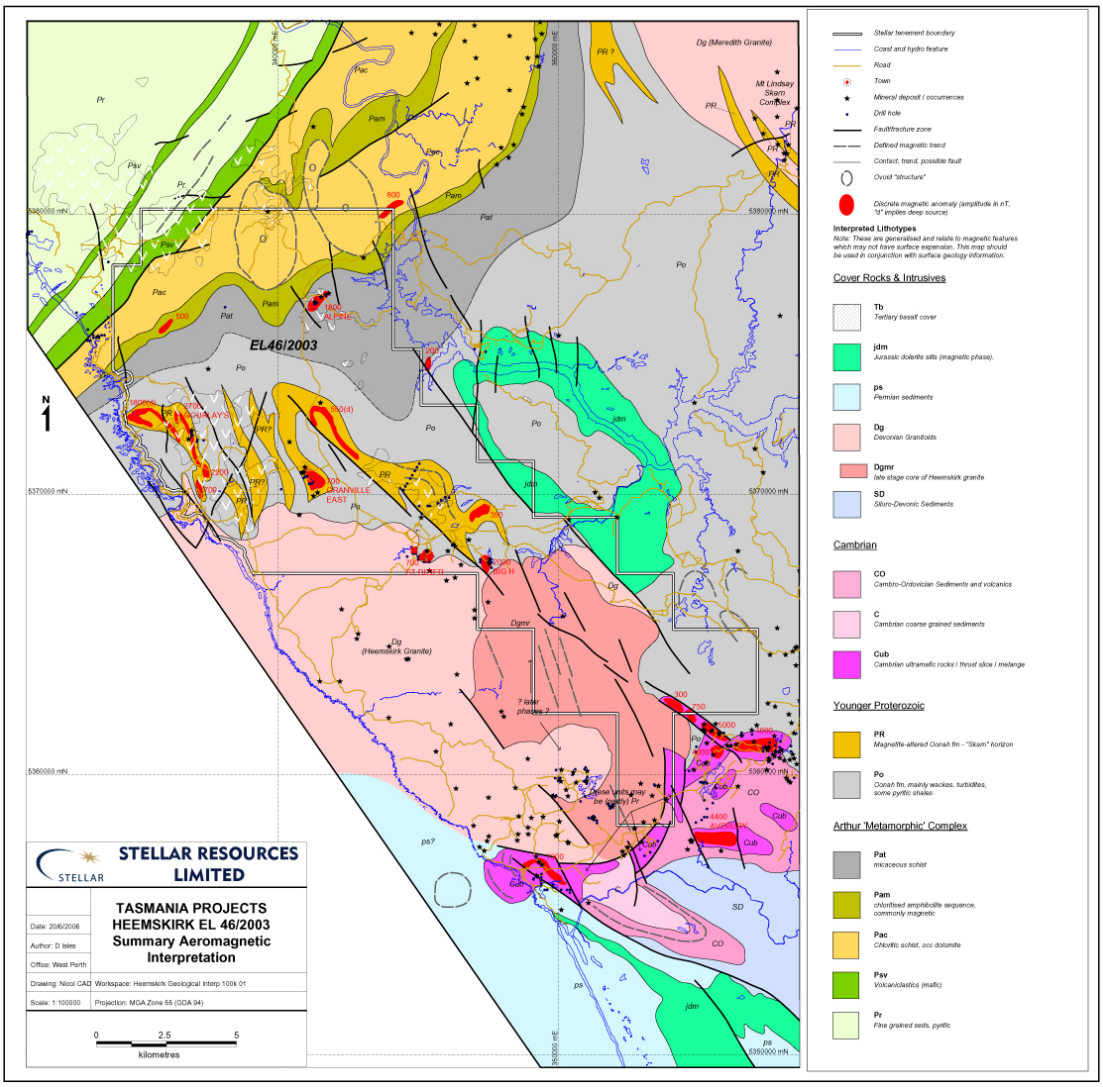


Figure 4
Heemskirk EL46/2003
Licence area and environs
Geological interpretation from magnetics
Dr David Isles interpretation

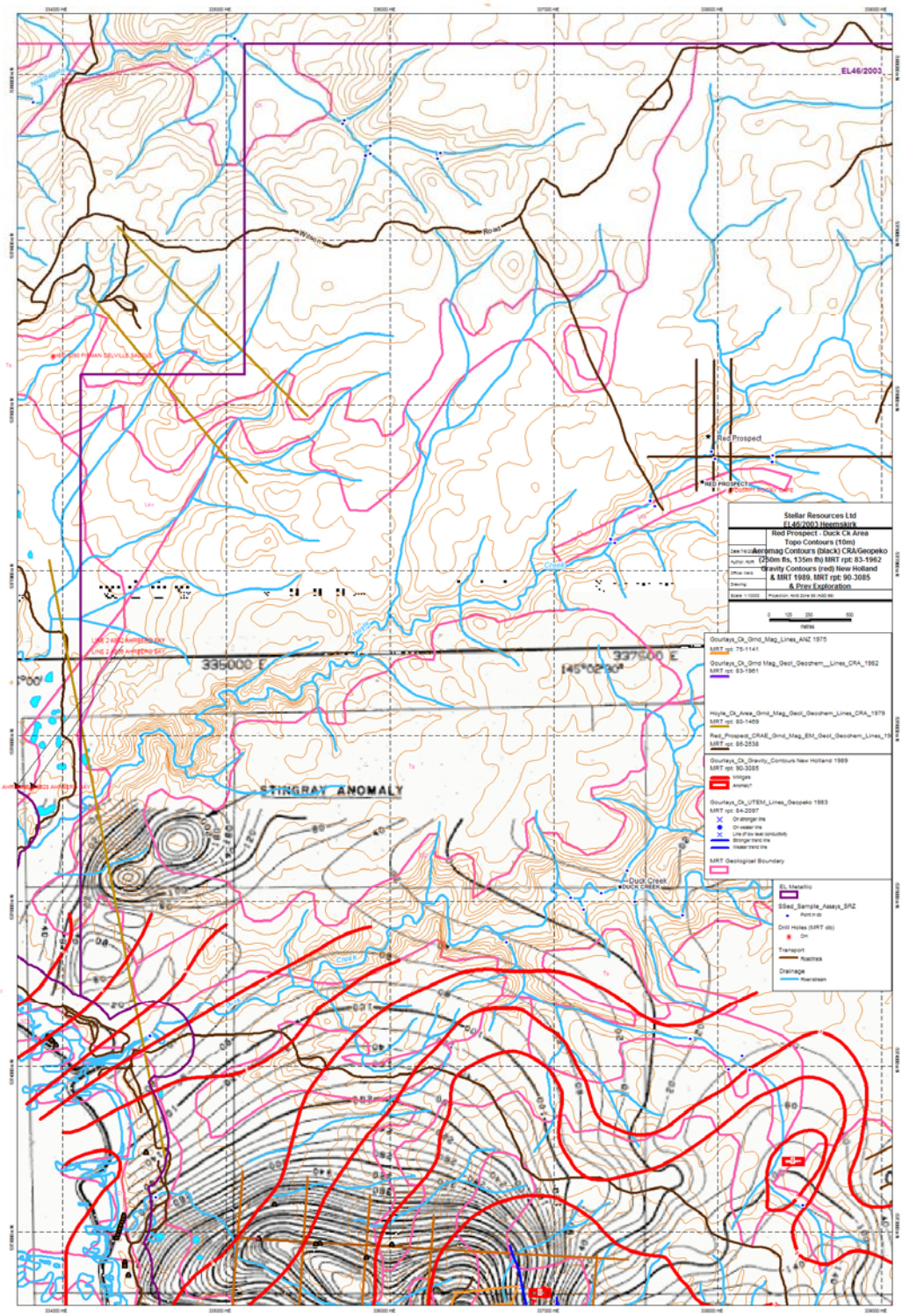


Figure 5
Red Prospect – Duck Creek 10k sheet
Topography with previous exploration.

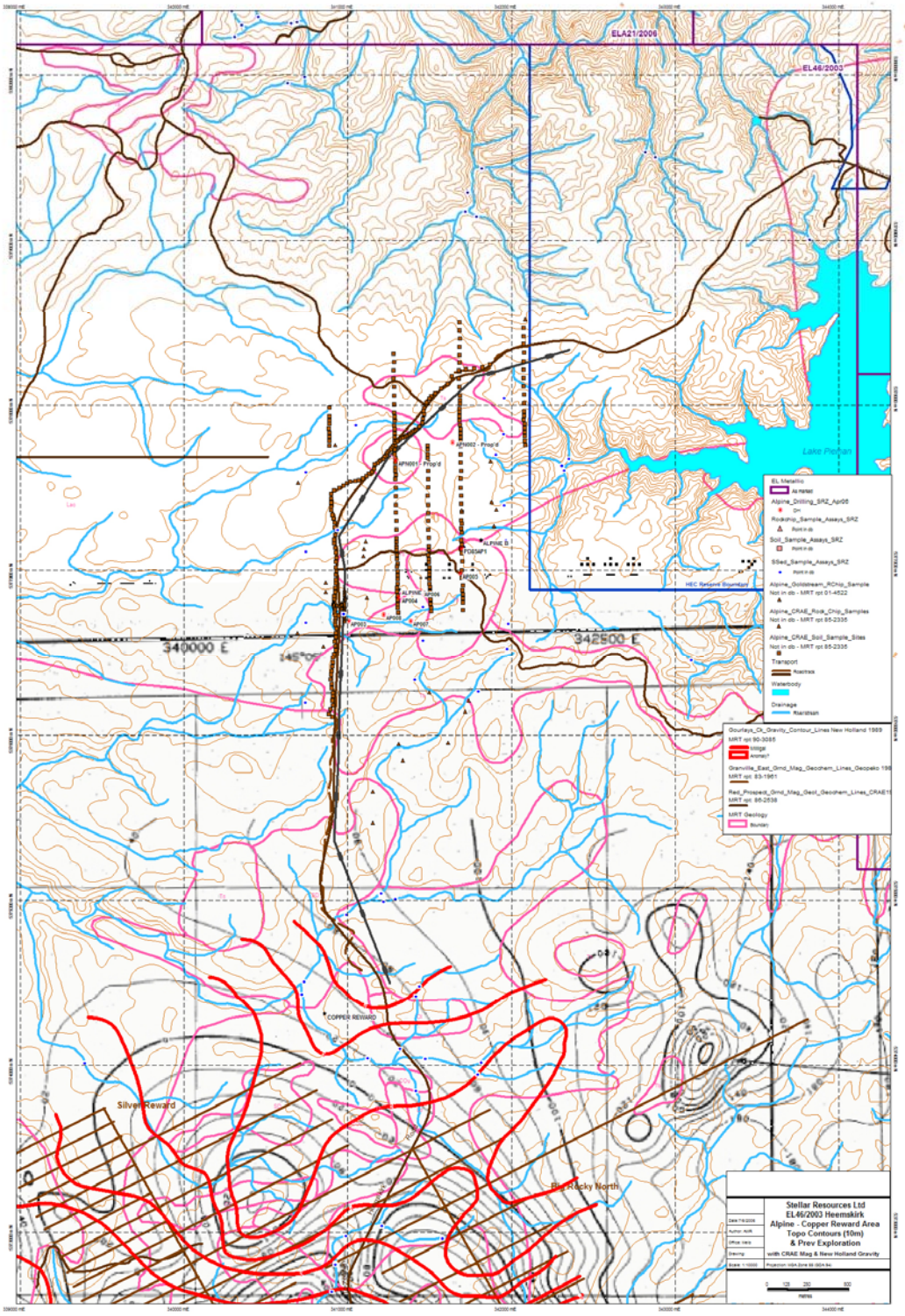


Figure 6
Alpine – Copper Reward 10k sheet
Topography with previous exploration.

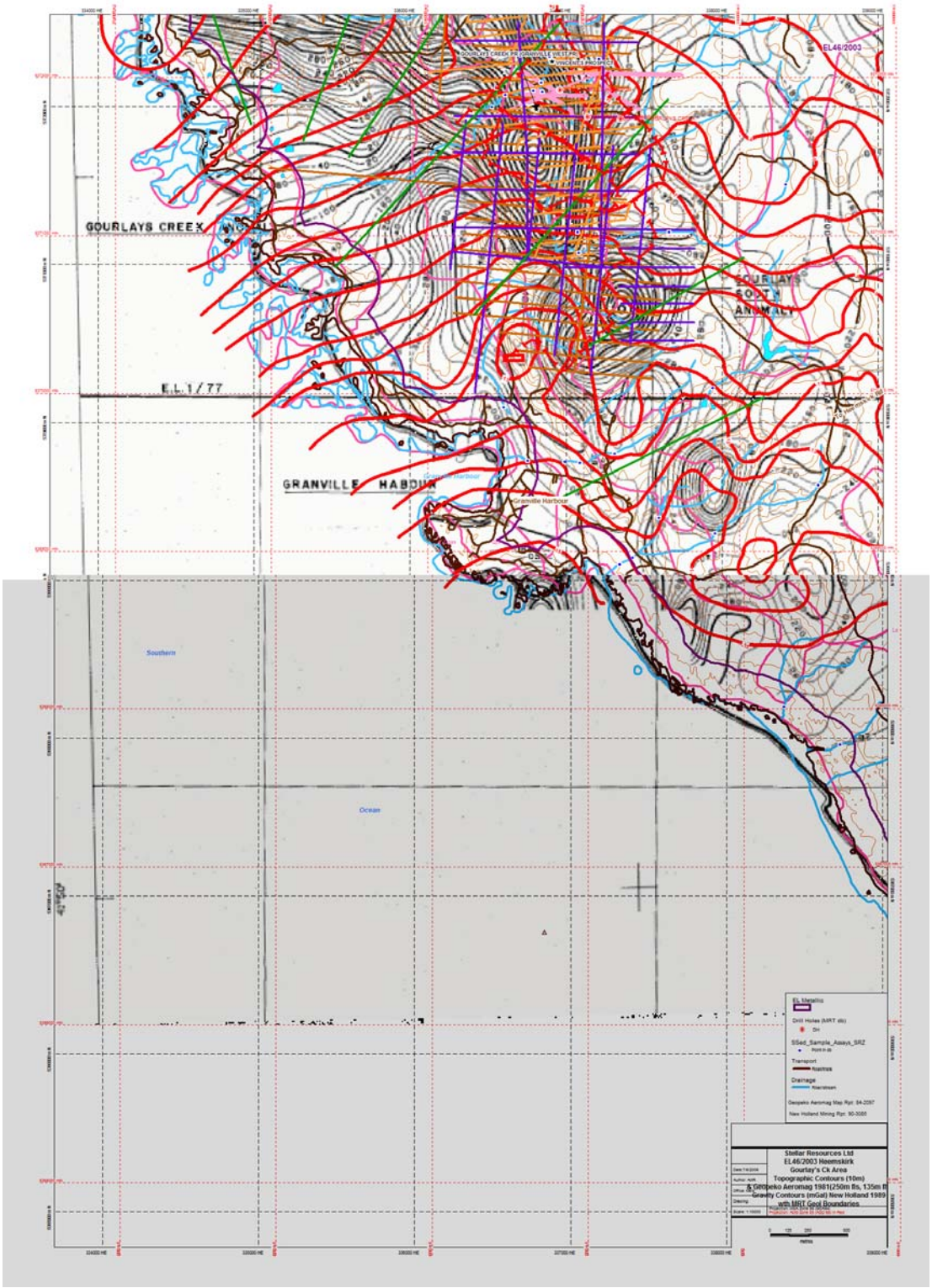


Figure 7
Gourlay's Creek 10k sheet
Topography with previous exploration.

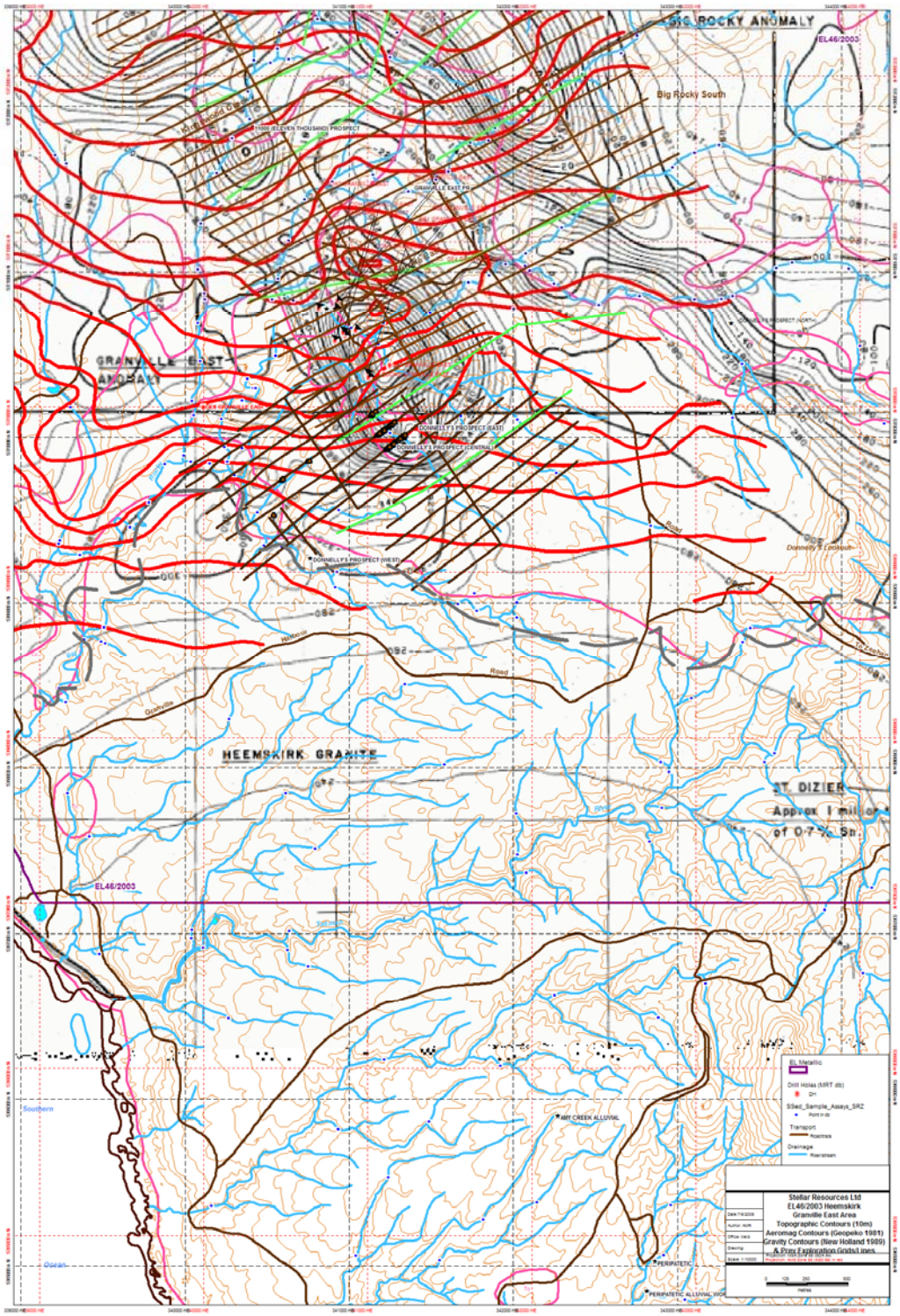


Figure 8
Granville East 10k sheet
Topography with previous exploration.

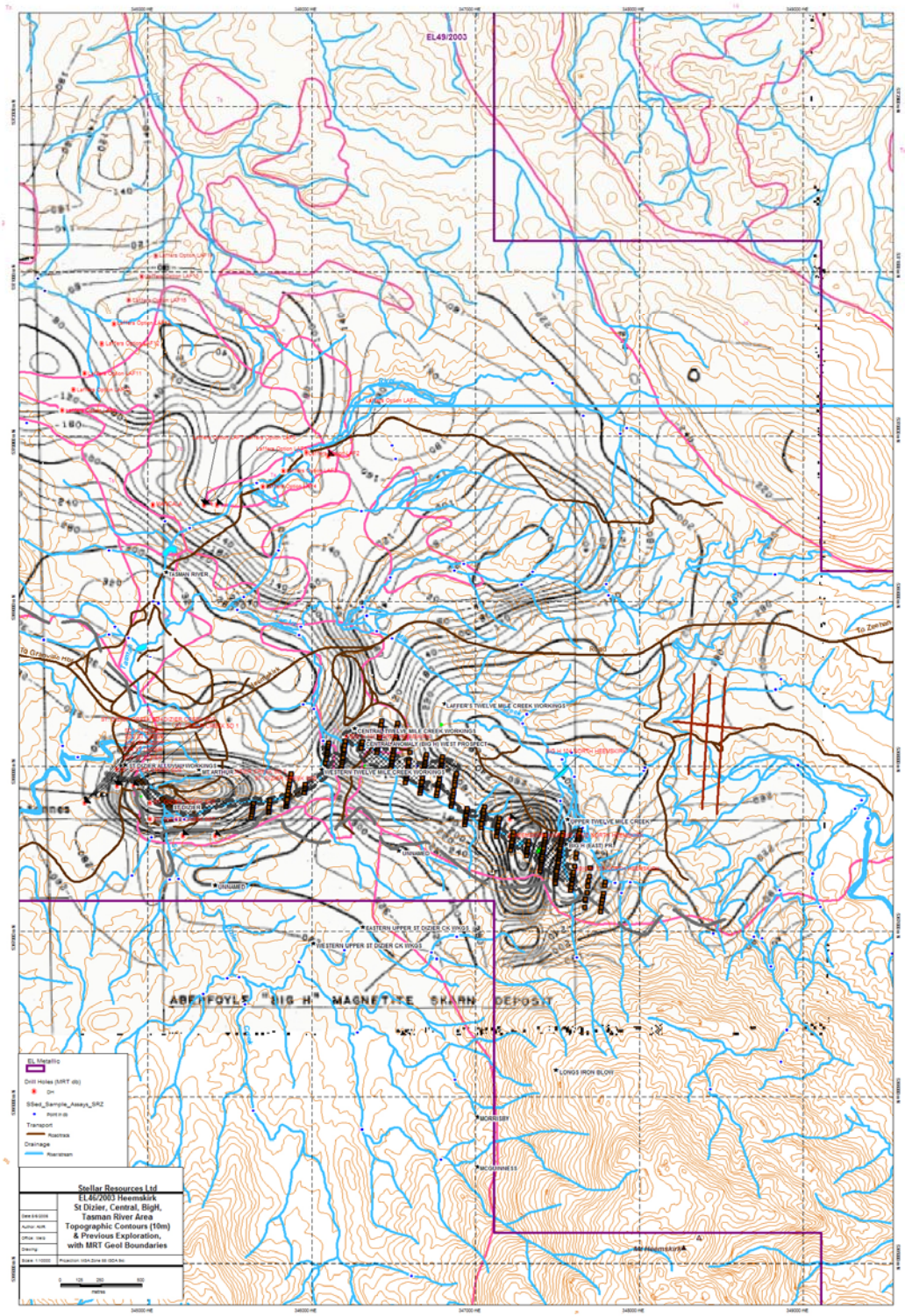


Figure 9
St Dizier 10k sheet
Topography with previous exploration.

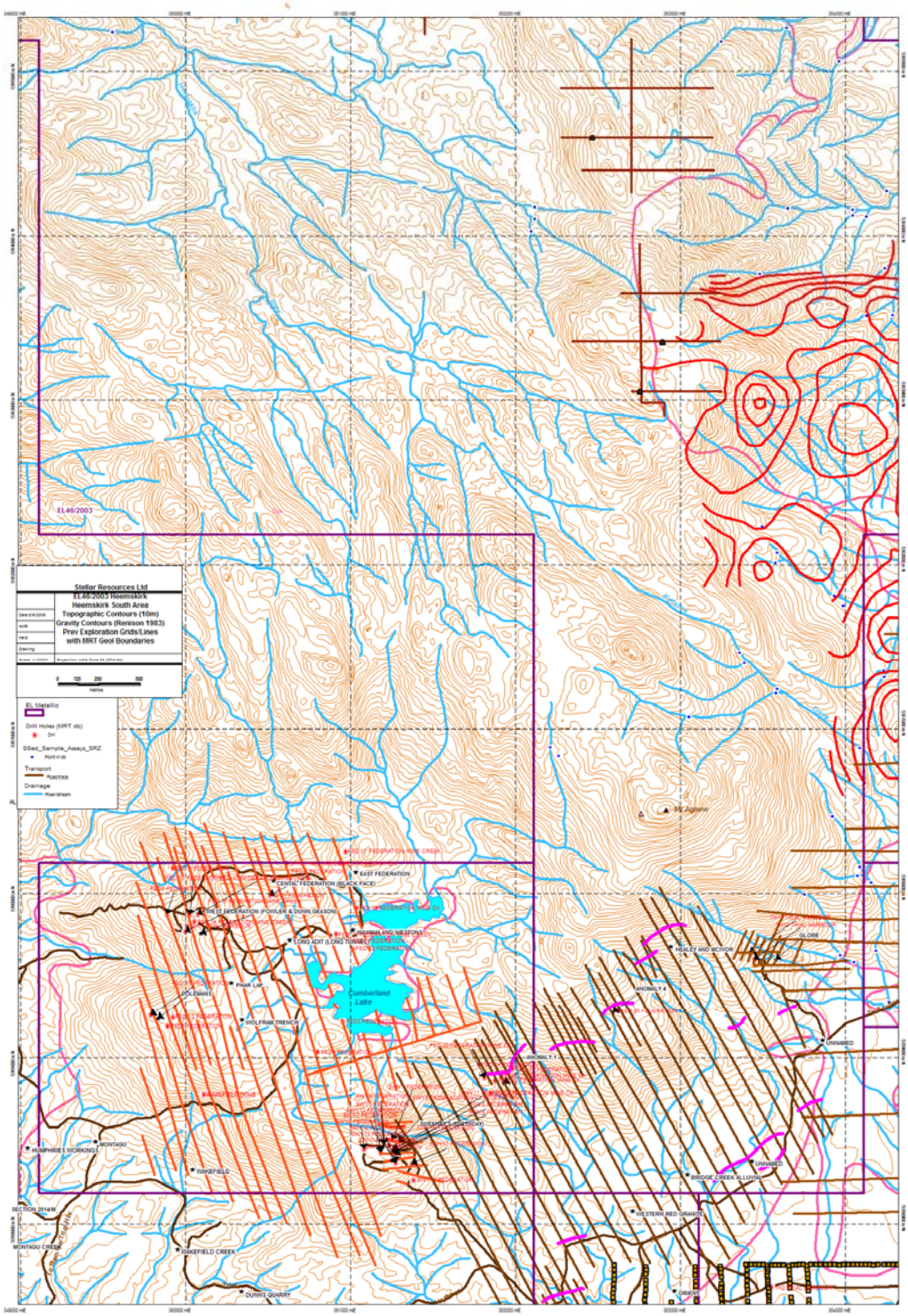


Figure 10
Heemskirk South 10k sheet
Topography with previous exploration.

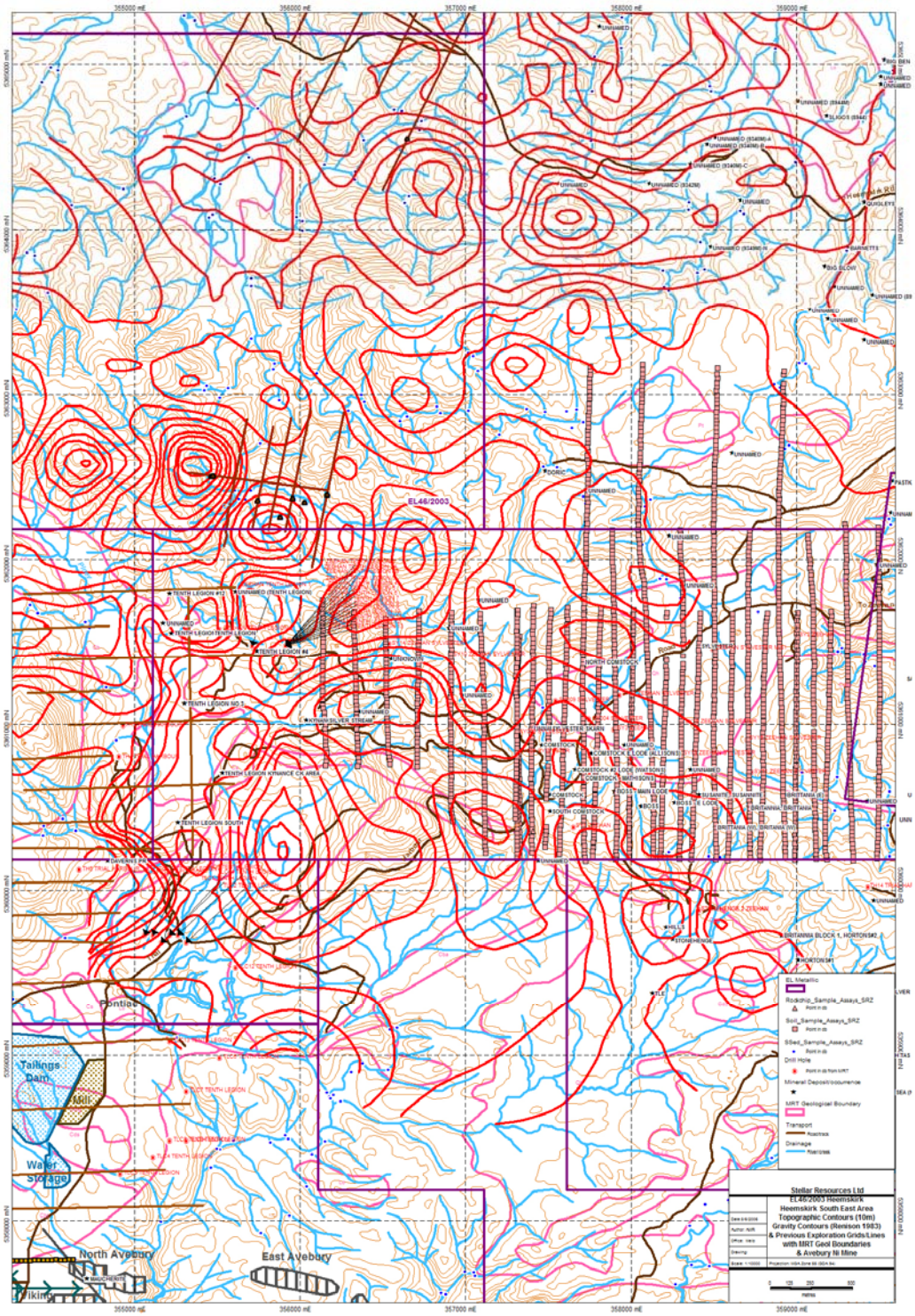


Figure 11
Heemskirk South East 10k sheet
Topography with previous exploration.

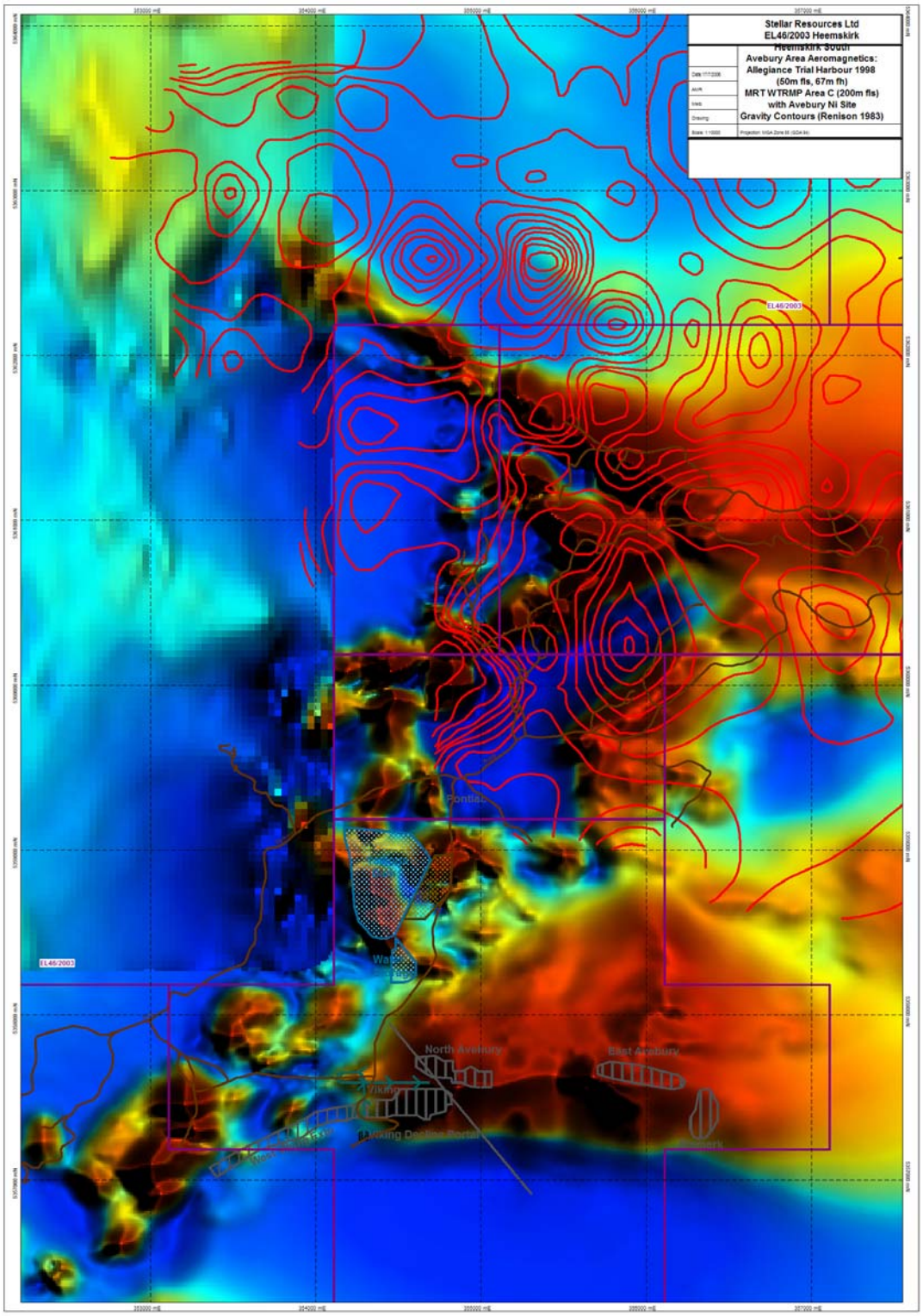


Figure 12
Avebury Area 10k sheet
Aeromagnetics with gravity contours.
MRT WTRMP Area C Magnetics Survey, west side (200m fls)
Allegiance Mining NL, Trial Harbour Magnetics Survey (50m fls)
Data courtesy of Mineral Resources Tasmania

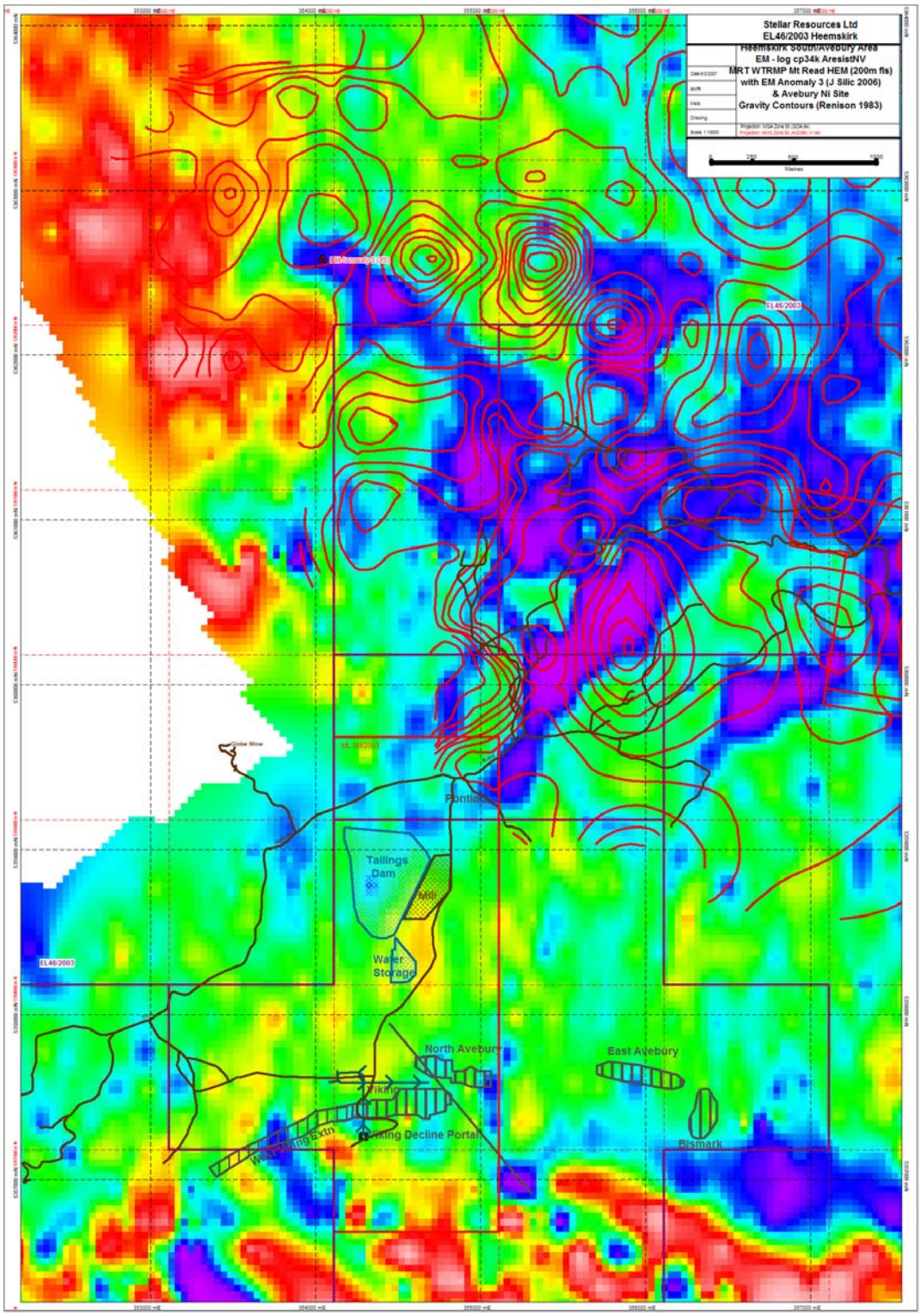


Figure 13
Avebury Area 10k sheet
EM (Log_cp34k_AresistNV) with gravity contours
MRT WTRMP Mt Read HEM Survey
Data courtesy of Mineral Resources Tasmania

3.2 GEOLOGICAL SETTING

Heemskirk covers part of the Meso-proterozoic rocks of the Zeehan-Waratah belt (mainly Oonah and Crimson Creek Formations) including part of the Arthur Lineament Metamorphic Complex. Early Cambrian ultramafic-mafic complexes are known to be structurally emplaced within the Zeehan-Waratah belt. The above sequences are intruded by the mineralising Devonian age Heemskirk Granite. Whilst ultramafic rocks are not mapped at surface in the north Heemskirk area, their presence is inferred from sparse drilling results and on the basis of the magnetic data in an area largely obscured by thin Tertiary basalt and Cainozoic alluvials. A part of the project area is also obscured by Jurassic dolerite.

At the Granville East prospect diamond drilling in 1982-83 by Geopeko – a division of Peko-Wallsend Operations Limited (Geopeko) targeted a strong aeromagnetic anomaly and anomalous Sn, Cu, Zn and As soil geochemistry. Drill hole DDH1 intersected pyrite and pyrrhotite mineralisation with tremolite and serpentinite over two intervals of 35m and 38.3m respectively, associated with faulting. Geopeko describes the host rock as serpentinised fosterite marble.

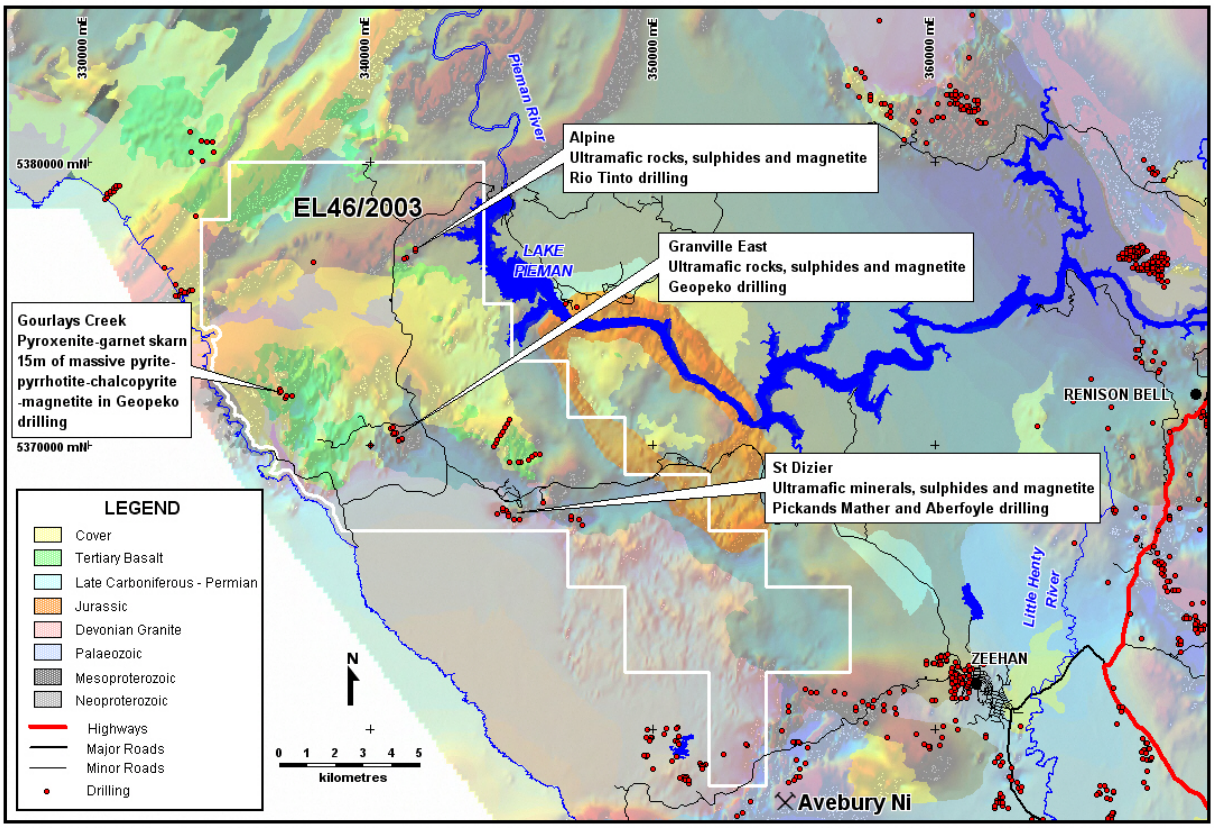


Figure 14
Heemskirk EL46/2003
Geology (MRT) Draped Over Aeromagnetics.
Courtesy: Mineral Resources Tasmania.

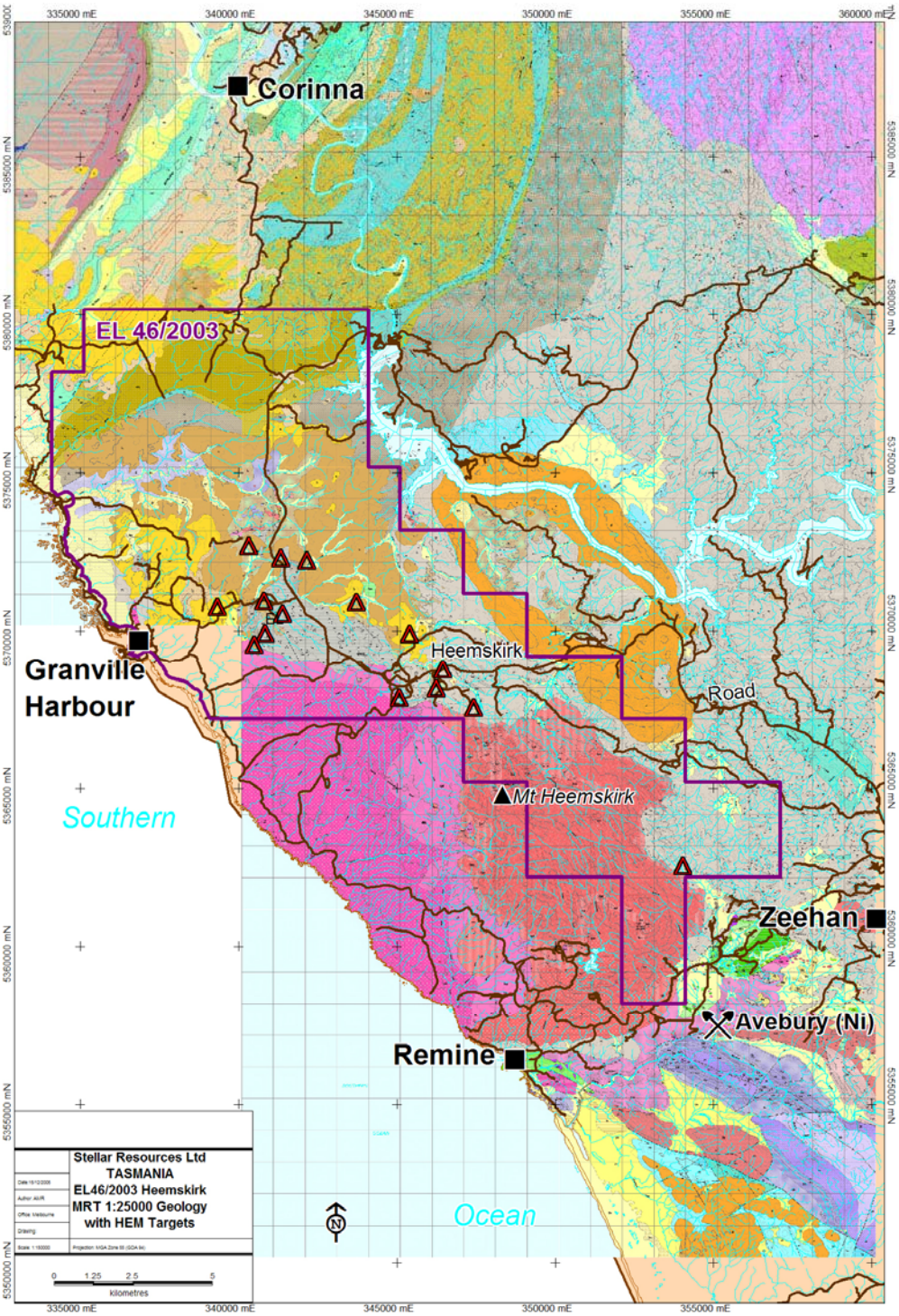


Figure 15
Heemskirk EL46/2003
1:25000 Geology with HEM Targets.
Courtesy: Mineral Resources Tasmania.

The sulphides intersected had low tin values (best interval 4m at 0.11%Sn from 37.5m) but no assays for nickel were undertaken. It is possible this drill hole has intersected a strongly altered serpentinised and carbonated ultramafic. DDH2 intersected bands of rock variously described as calc-silicate pyrrhotite rock with bands of serpentinite, tremolite and pyroxenite. The main intervals of serpentinised material were over 16.2m and 26.8m respectively. It is worth comment that Geopeko photographed a dark green coloured piece of drill core labelled "pyrrhotite serpentinite rock". DDH2 was not assayed for nickel but it is reported the core was strongly anomalous for zinc with values as high as 0.48%Zn. Zinc is regarded as anomalous in the Avebury nickel setting as the original focus at Avebury by Rio Tinto was for zinc. Drill hole DDH3 also intersected the skarn horizon over an interval of 40.45m. Pyrrhotite, serpentinite, talc and tremolite are reported as well as magnetite. This mineral assemblage is considered typical of a highly altered ultramafic rock.

Geopeko discuss the St Dizier magnetite-pyrrhotite tin skarn prospect located 7km south east of Granville East and held at the time by Aberfoyle Exploration Pty Ltd (Aberfoyle), "*At St Dizier the host rock is serpentinised fosterite marble. Tin occurs as cassiterite and within pyrrhotite and magnetite, in a host rock which is essentially serpentinite*". Another prospect, Gourlays Creek, is also mentioned by Geopeko with attributes similar to Granville East and St Dizier.

Gourlays Creek is located near the coast towards Granville Harbour where a remnant cover of Tertiary basalt obscures most of the prospective rocks. Gourlays Creek is a very intense magnetic anomaly but only small exposures as windows in the basalt occur. Geopeko completed three diamond drill holes. The dominant character of the magnetic anomaly may be explained by Drill Hole 3. In this hole Geopeko report 15m of "massive pyrite-pyrrhotite-chalcopyrite-magnetite from 291m, hosted by a pyroxene garnet skarn assemblage". No assays for nickel are reported from this prospect, which may have attributes of the Avebury style of mineralisation.

Subsequent to the work by Geopeko, New Holland Mining NL (New Holland) commissioned Dr D E Leaman (1988) to evaluate aeromagnetic and gravity data. Leaman paid particular attention to the "shelving", northern boundary of the Heemskirk Granite. His interpretation suggests one or more spines of granite shelving north under the Granville Harbour area at depths of less than 1.5km. A maximum thickness of 100m of Tertiary sediments and basalt is also indicated. Leaman's interpretation suggests a large body rich in magnetite and pyrrhotite at about 150m depth. This implies metamorphism and sulphide replacement by a relatively shallow granite body.

The Alpine Anomaly prospect in the northern part of the licence area was discovered by CRAE (Rio Tinto) by follow up of an aeromagnetic anomaly within their Exploration Licence 1/77 (Rocky Cape). Rio Tinto undertook C-horizon soil geochemistry, ground magnetics and Genie EM programs. Encouraging results including high copper values and coincident magnetic and EM anomalies resulted in drilling in 1985.

The two diamond drill holes at Alpine passed through quartz-mica schists and quartz-carbonate-serpentinite skarn. Hole PD85AP1 intersected two narrow zones (0.9m and 5.3m) of semi-massive pyrite-magnetite-haematite mineralisation. Minor chalcopyrite, bornite and sphalerite occur throughout the mineralised zones. Assays for Cu peaked at 0.5%.

Drill hole PD85AP2 was designed to test a strong EM conductor and a coincident magnetic peak on the flank of a larger anomaly together with moderate Cu, Co and

Ni soil geochemical anomalies. The hole intersected minor quartz-carbonate-serpentinite skarn and lesser semi massive pyrite-magnetite-haematite mineralisation with minor to common bornite, sphalerite, chalcopyrite and arsenopyrite. The mineralised zone assayed 0.7%Cu over an 8m interval.

The geological setting of the Alpine prospect is difficult to ascertain. The prospect lies near the main linear trend of magnetic anomalism that signifies the Arthur Lineament, but is offset to the south east of the Lineament. It is possible the host lithologies are Crimson Creek Formation.

4 DISCUSSION OF RESULTS

Following Mr C H Young comments that "reconnaissance field rock samples and sampling of drill core samples from Granville East and Gourlay's Creek indicates the north Heemskirk Province is unlikely to be prospective for nickel but is regarded as highly prospective for sulphide/magnetite skarn tin mineralisation", a review of historic open-file geophysical and geochemical data suggests that the province may also have reasonable potential for copper (all main prospects), gold (Gourlay's Creek), and also other base metals. Copper at interesting levels is commonly associated with prior tin exploration programmes.

Office-based studies of geophysical, historic geochemistry and available Allegiance data continue to suggest that the initial interpretation that southern areas of the licence area may be prospective for nickel of the Avebury style and more 'traditional' base metals.

Alpine Copper

Stellar drilled ten holes into the Alpine prospect in 2006. The first four drill holes intersected significant copper mineralisation over substantial widths and, importantly, at relatively shallow depths. This widespread copper mineralisation was then considered to have a close association with magnetite. While this earlier drilling appeared to support the geophysical model of the Alpine aeromagnetic anomaly being the host, indicating a strike length of some 500m for the main magnetite bearing zone and a potential width of up to 150m, the latter four October step-out holes have continued to intersect copper mineralisation at a similar tenor to the earlier holes, but in a more silica-rich lithological environment. The geological model remains very-much open to interpretation, and may represent a style of mineral deposit not previously recognised in Tasmania. Two holes drilled into the Alpine North aeromagnetic anomaly, 1.5km to the north, intersected magnetite rich zones, but with only weakly anomalous copper mineralisation (AP009, max 1m/2900ppm) in chloritic schist. The magnetic anomaly at West Alpine remains untested.

Petrological studies and initial characterisation studies are being undertaken.

Geophysically, Alpine is located along a substantial belt of magnetically susceptible rocks, indicating an exploration and discovery opportunity over a substantial region of Stellar's tenement. Stellar considers that the large dimensions of the Alpine geophysical anomaly and the nine well mineralised copper intercepts auger well for the prospectivity of Alpine.

Please see attached reports by J. Cahill, L.A. Newnham and S. Webster.

Granville East Tin

A magnetic anomaly immediately north of the McDermott tin open-pit, on the Granville Farm access road, was drilled as a copper/tin target. The only assays of significance revealed a low order gold intersection (4m @ 0.4g/t Au) at 98m down hole depth.

Please see attached report by J. Cahill.

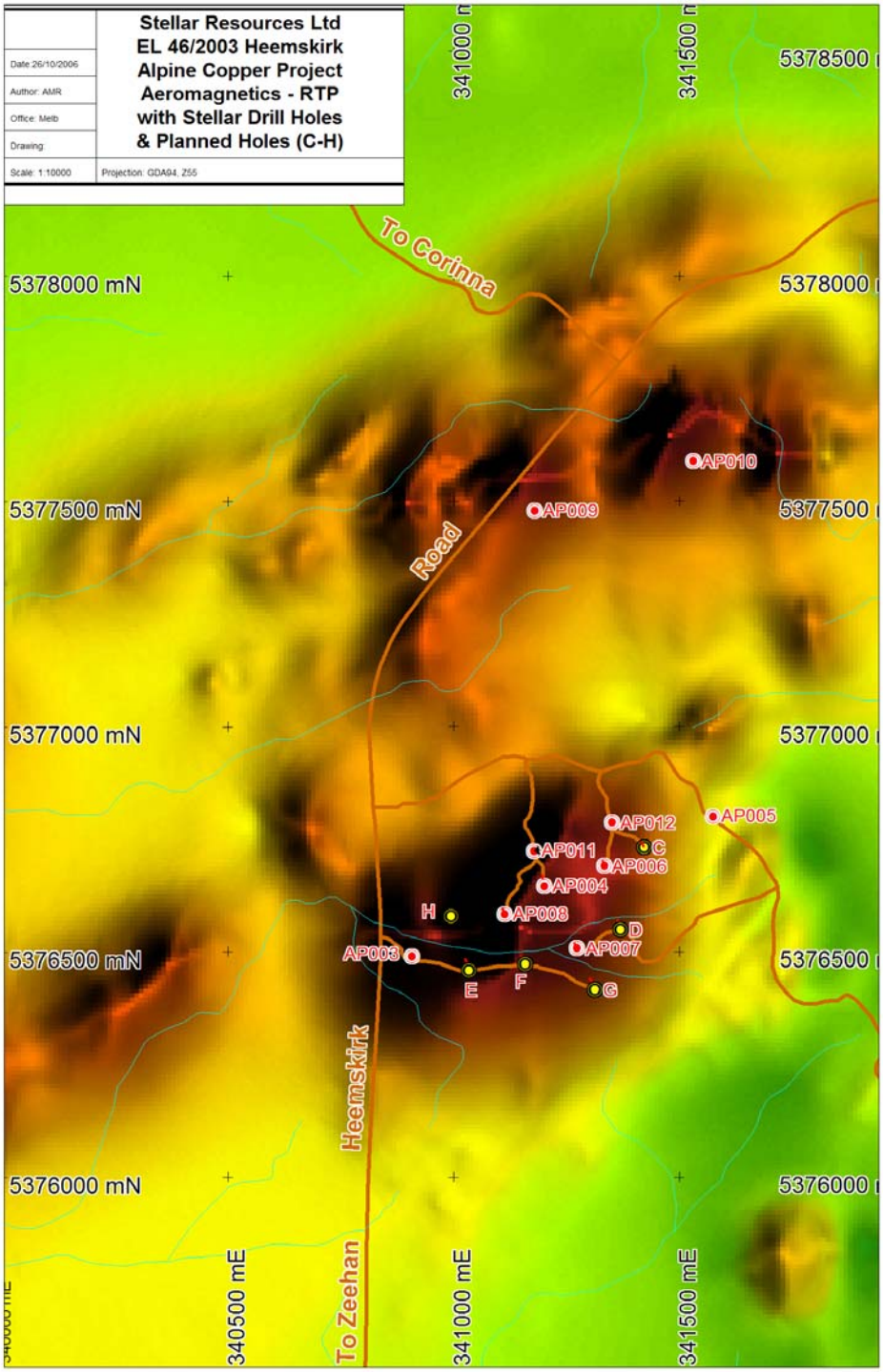


Figure 16
Alpine Prospect aeromagnetics with previous and planned drill holes.
AP001, AP002 CRA 1985, AP003 – AP012 Stellar 2006.
Holes C to H planned.

5 CONCLUSIONS

The West Coast of Tasmania is regarded as one of the most mineralised regions on Earth. Two distinct styles of mineralisation are recognised; VHMS deposits hosted by Cambrian age volcanics of the Mt Read Volcanics Belt and major skarn related deposits associated with Devonian age granitic plutons. Well-known deposits in the Mt Read Volcanics are Mt Lyell, a world-class copper-gold deposit, and Rosebery and Hellyer, both world-class base metal deposits containing zinc, lead, copper, silver and gold. Renison Bell and Mt Bischoff are also world-class tin deposits related to Devonian granites. Other styles of mineralisation include the Proterozoic age magnetite deposit at Savage River, which is hosted by sulphide rich mafic and ultramafic rocks.

In this highly mineralised region it is not unexpected for the discovery of a new class of mineral deposit - hydrothermal nickel sulphide, exemplified by the Avebury nickel skarn. Avebury is hosted by ultramafic rocks in the aureole of the mineralising Heemskirk Granite and is located some 12km southwest of the town of Zeehan. As at October 2006 Allegiance Mining NL (Allegiance) has a published a resource of 10 million tonnes @ 1.14% nickel, for a contained 114,000 tonnes of nickel metal. The principal nickel sulphide mineral is pentlandite and this allows for simple beneficiation and cost effective production of a high-grade (plus 20% nickel) concentrate. The host rocks are ultramafic and the nickel sulphides are associated with magnetite and not easily distinguished from the iron sulphide pyrrhotite. The magnetite association makes targeting on the basis of aeromagnetic data possible. Allegiance reports considerable scope for extensions at Avebury and other prospects in the area, including Burbank some 4kms to the southwest. Allegiance has constructed an exploration decline into the Viking deposit at Avebury and it is anticipated this will become a production decline in 2007.

With previous exploration dominated by majors who are no longer active in the region and a dominant focus on tin and the base metals zinc, lead and copper and gold, very little assaying for nickel was undertaken.

RECOMMENDATIONS

Stellar has acquired detailed airborne electromagnetic (EM) and aeromagnetic (mag) survey data covering all or the greater part of the licence area (MRT Western Tasmanian Regional Minerals Program (WTRMP) Mt Read EM and magnetics, 2001/2, 200m fls). Detailed digital geological mapping at 1:25000 scale together with geochemical and drilling data (MRT) is also held by Stellar.

The WTRMP data has been modelled and interpreted to better define electromagnetic targets and identify potential skarn related metasomatic nickel sulphide deposits. Additional, geophysical data may be acquired and analysed if necessary. Stellar will consider each target further, to judge whether ground geophysics and geochemical sampling is required to further define targets. Following ground truthing, drilling of priority targets is proposed.

Mr C H Young has recommended drilling for tin resource definition and metallurgy at St Dizier and tin exploration at Gourlay's Creek, where a drilling permit has now been obtained. Lindsay Newnham of Newnham Exploration and Mining Services has managed the majority of the 2006 drill testing of the Alpine copper project. Copper has been intercepted initially in the magnetite zone and now in the latter four holes in a low magnetite, siliceous environment. Seven more holes are recommended to further test the undefined mineralised zone. Considering the changes in the

mineralisation host rocks, hole AP005 (170m), which had not intercepted mineralisation, may be re-entered and deepened.

In the 'Devises' area in the south of the licence area adjacent to the Avebury Mine tailings dam, Ken Morrison has recommended a short drilling programme for nickel/tin targets. Up to three holes are planned to test magnetic structures that are inferred to trend north-west through Allegiance's ML into Stellar's licence.

Stellar is planning to fly a 50m fls aeromagnetics survey to cover the western Bowry formation, Gourlay's Creek, Granville East, St Dizier/Big H areas of the licence as one survey, as well as a smaller survey over the most southern block of the licence adjacent to Allegiance Mining's mining lease. Both surveys would be contiguous with high quality 50m fls open-file surveys flown for Goldstream/Titan and Allegiance in the 1990's.

Please see attached reports by J. Cahill, S. Webster and F. Radke.

6 ENVIRONMENT

Drilling has been undertaken at the Granville East and Alpine projects. At Granville East the one hole was completed in early February in favourable dry conditions immediately adjacent to the main road. The hole was plugged and the area rehabilitated soon after.

At Alpine 10 diamond holes were drilled periodically from March through an unusually 'dry' west-coast winter and spring.

Drilling was conducted in accordance with the MRT *Mineral Exploration Code of Conduct*.
As the project has intersected copper mineralisation and remains alive, no rehabilitation of access tracks has yet been undertaken.

Please see attached report by J. Cahill.

Other field visits within EL 46/2003 during the 2006 period have been restricted to vehicular and foot travel on passable roads, forest tracks and old mineral exploration tracks. No environmental disturbance was associated with this activity and no rehabilitation was required.

EXPENDITURE

Printed At: 15/01/2007 5:51:54 PM		Progress Report Rubicon Limited	
Code	Description	Actual 01/01/2006 to 31/12/2006	YTD Actual
Dept Code: D1	**Rubicon**		
Job Code: 6501	EL 46/2003 Heemskirk	570,146.79	369,722.83
Group Totals for: D1		**570,146.79**	**369,722.83**
Report Totals:		**570,146.79**	**369,722.83**