



Columbus
METALS LIMITED

(ACN 127 557 340)

Annual Report – May 2008

Retention Licence RL 5/1997 – ZEEHAN

Period Ending June 2008

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INTRODUCTION

The Zeehan Tin Project comprising resources at Queen Hill, Severn and Montana within RL 5/1997 of 6km² is located on the western outskirts of the town of Zeehan in NW Tasmania. These deposits contain 50,350 tonnes of tin.

During the year Columbus Metals Limited, a 100% owned subsidiary of Stellar Resources Limited, purchased the majority interest in the “Gippsland Joint Venture” whose key asset is the Zeehan Tin Project.

Columbus Metals Limited holds a 60% interest in the Joint Venture which may be extended to a 70% interest on completion of an acceptable Feasibility Study. Gippsland Limited holds a 40% interest and is free carried until completion of an acceptable Feasibility Study. Columbus Metals is Project Manager.

Columbus seeks to develop the Zeehan Tin Project into a substantial mining operation and to do this needs to complete resource development drilling, expand the resources by step out drilling and identify additional tin resources by exploration drilling. Additional work on metallurgy, scoping studies and base line environmental studies will run in parallel with the drilling.

Columbus has been established as a focussed tin development company styled on Aberfoyle of past years. It intends to raise \$15 million in an IPO to fund its development program at Zeehan.

In the meantime Stellar Resources Limited as the parent company of Columbus is funding on going work, which includes geological interpretation, drill hole target definition and initial scoping.

The program described in text and budgeted at a minimum of \$3.47 million will commence once Columbus has successfully raised the required funding, which is anticipated to be early on in the renewal period of the Retention Licence.

ZEEHAN PROJECT GEOLOGY

The Zeehan Tin Project is located in Australia's major tin province in northwest Tasmania. The region contains numerous tin deposits including Renison Bell which has past production in excess of 200,000 tonnes of tin. The Zeehan deposits are located some 15km southwest of the Renison Bell mine.

Stratigraphy

The host rocks are a series of sediments and volcanics representing both Neoproterozoic Oonah Formation and Upper Neoproterozoic–Lower Cambrian Togari Group and correlates such as the Success Creek Group and the Crimson Creek Formation. The upper part of the Oonah Formation is predominantly pelite and / or carbonate, including mafic volcanic rocks and conglomerate. This association is host to a number of Devonian age vein, skarn (St Dizier) and replacement tin deposits such as at Mt Bischoff. At Zeehan the Oonah Formation and the Togari Group both host vein and replacement tin deposits. Tin mineralisation within the dolomitic Success Creek Group Poverty Point Beds at Montana is of cassiterite–sulphide replacement style. Mineralisation at Severn may be similar though with an increased vein component.

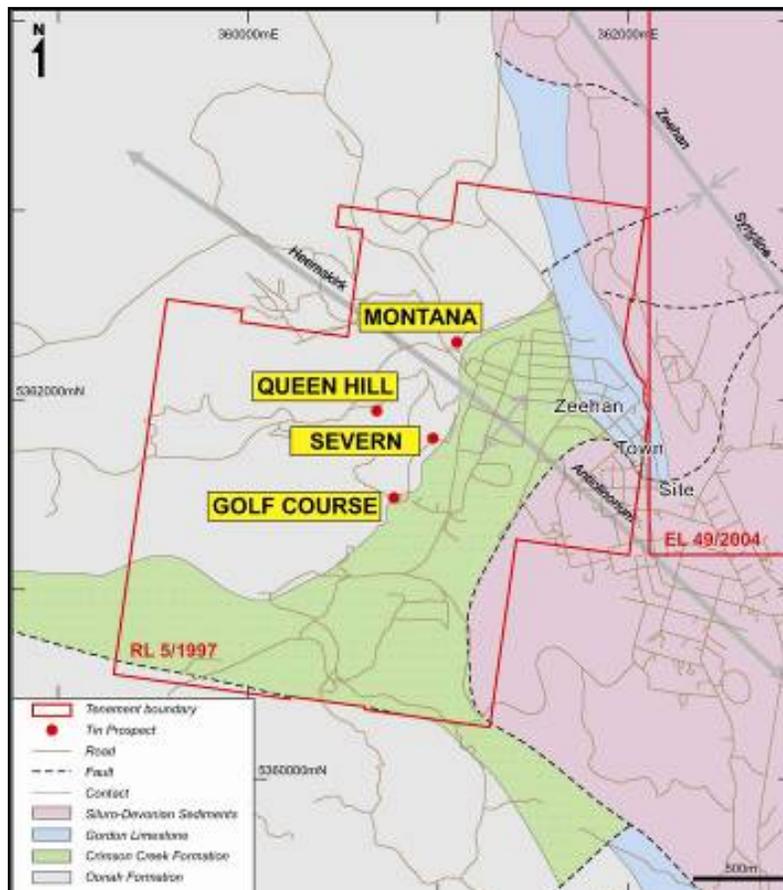


Figure 1 – Zeehan Tin Deposits

Structure

Two major Devonian deformational events are recognised in the project area. The initial D_1 event is expressed as moderately doubly plunging NE-trending tight to isoclinal folds with weak fabric development. The D_2 event produced upright, generally SE-plunging folds with moderate to strong fabric development. A third structural event D_{2L} is recognised and overall these events produced six sets of faults in the sequence NE Severn S1+S2 set, NNW Spray S3 set, NW Montana-Sylvester S4 set, WNW Oonah S5 set, plus progressively rotating S6 lateral stress and sinistral wrench. The southern end of a major D_2 fracture zone between the D_2 Zeehan Syncline and the Heemskirk Anticlinorium appears to be the locus for late stage intrusive phase of the Heemskirk Granite. Hydrothermal fluids emanating from or around this intrusive have focussed along faults, shears and zones of fracturing. Where fluids cross reactive, sulphide, carbonate or tuffaceous horizons cassiterite-bearing tin sulphide bodies have developed. Intersection of the more ductile S2 and S3 sets provides the best sites for mineralisation as at Severn, Queen Hill and many lode deposits.

Deposit Geology

Tin mineralisation at Zeehan occurs as cassiterite and minor stannite in three main deposits; Queen Hill, Severn and Montana and a minor outcropping occurrence at Golf Course. The Zeehan deposits are Renison Bell/Cleveland-type tin deposits in which granite-derived hydrothermal fluids carrying tin, sulphur and other base metals were focused along structural conduits and reacted with suitable lithologies such as dolomite and carbonate rich tuff horizons to precipitate generally sulphide-rich lodes containing cassiterite. Typical associated gangue minerals include pyrite, pyrrhotite, quartz, tourmaline, carbonates (siderite, ankerite, calcite, huntite) and fluorides (fluorite, sellaite). The granite source of the hydrothermal fluids has not been intersected in drill holes in the immediate prospect area, however based on geophysical evidence and the presence of rare felsic porphyry intrusives which are considered co-magmatic with the Devonian granitoids (Heemskirk Granite) a granite stock is interpreted to lie some 900m below the present surface.

The predominance of pyrite over pyrrhotite is a significant point of difference between the Queen Hill and Renison Bell deposits, however, at depth pyrrhotite may become more abundant. In addition to the main high temperature tin mineralizing event, an interpreted later stage, cooler fluid event has resulted in the formation of Pb-Zn-Ag sulphide lodes (Taylor's and Clarke's Lodes) which are not significantly tin-bearing. These lodes were the focus of early 20th century mining efforts.

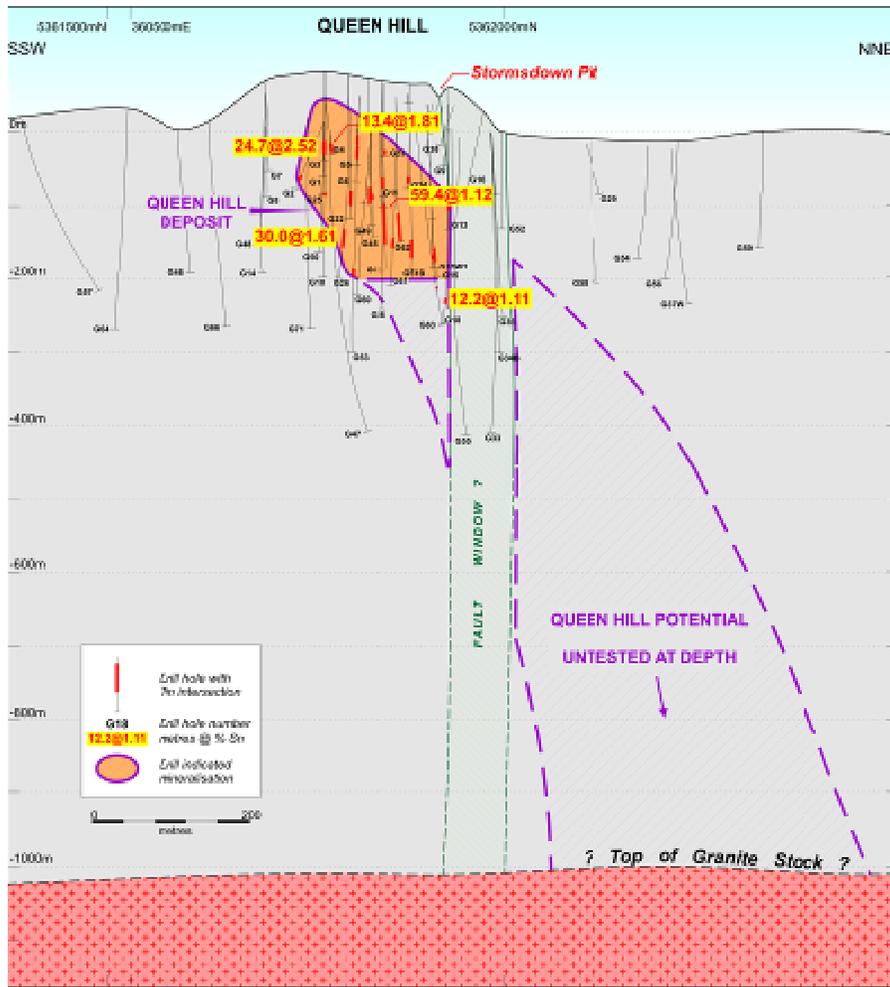


Figure 2 – Queen Hill Longitudinal Projection

Queen Hill

The Queen Hill deposit has two sub-parallel higher grade lenses within a single larger lower grade envelope. These lenses are an upper lens (Lens A); essentially massive sulphide (pyrite dominant) replacement-type mineralisation, relatively narrow (3 to 8 metres) and dipping at 50 to 80 degrees. Significant tin mineralisation occurs in volcanics, clastic sediments and dolomite. The hanging wall is adjacent to a fault zone coincident with Clarke's Pb-Zn-Ag lode. The lower lens (Lens B) is wider composed of relatively narrow high-grade zones within the envelope. The mineralization may not be closed off at depth.

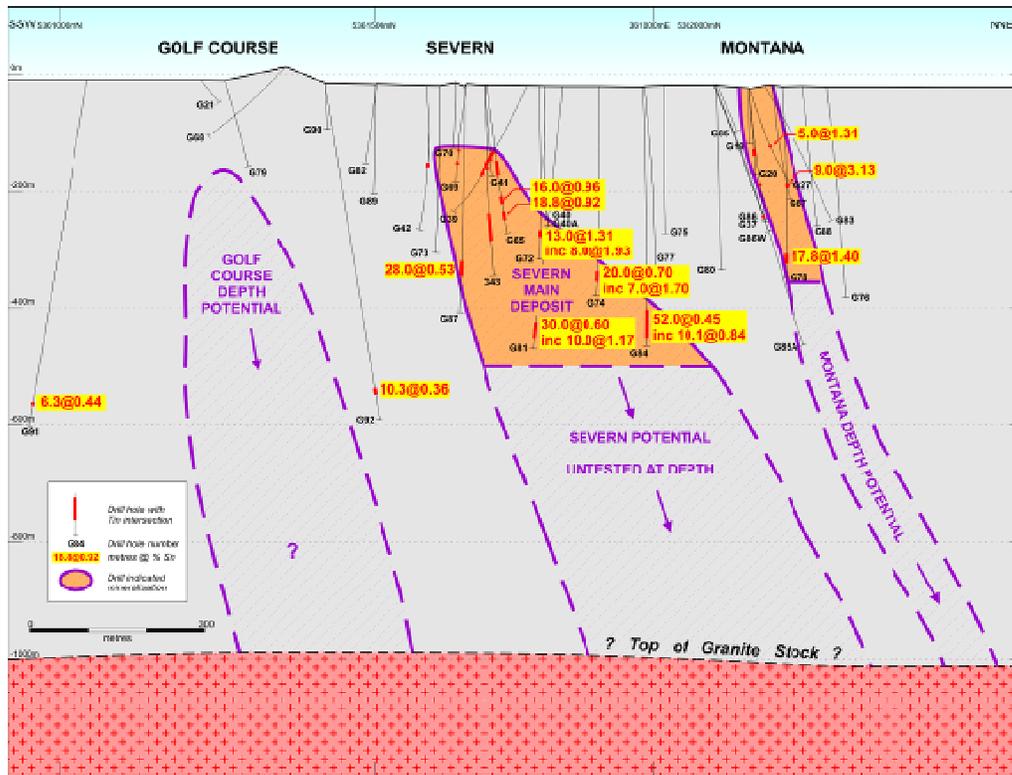


Figure 3 – Severn Longitudinal Projection

Severn

The Severn mineralisation occurs as several parallel pseudoconformable lenses of bedding slip sulphide replacements and stockworks within a 130m wide drag zone in the hangingwall of the Severn Fault. The fault zone has an en echelon shape resulting from the intersection of northwest and northeast trending fracture sets. The Poverty Point Beds appear to be displaced 500m across the Severn Fault zone by substantial strike slip movement. The resultant geometry of the tin mineralisation at Severn is tabular and is located close to or at the apparent angular unconformity between the Onah beds and the Success Creek and Crimson Creek sequence. At 0.5% Sn cut-off the upper part of Severn deposit is narrow and has a short strike length, but is high grade. Both thickness and strike length increase with depth and the deposit is completely open at depth.

Montana

Montana is a true carbonate replacement deposit comprising cassiterite and massive sulphides hosted by the so called Poverty Point Beds (Montana Beds) of the Success Creek Group. Montana is narrow near surface (2.5 to 5.0 metres) and has a strike length of approximately 80m. The upper levels were accessed historically to a depth of approximately 150m. The deepest intersection in M76, some 300m below surface is 1.6% Sn over an estimated true width of 6m. The deposit remains open at depth.

Golf Course Lode

Hosted by the dolomitic Poverty Point Beds historic pitting on the Golf Course Lode has exposed cassiterite bearing quartz sulphide stockworking together with Pb, Zn and Ag mineralisation. Previous drilling by Aberfoyle (3 holes) failed to intersect significant mineralisation and an EM survey in 1989 did not detect any conductive responses attributable to the presence of a Renison Style massive sulphide replacement body. There remains room for a high grade cassiterite stockwork style sulphide deposit not readily detected by EM geophysics.

EXPLORATION TARGETS

Following the cessation of drilling in 1982 technical assessment of the Zeehan tin field was undertaken by Aberfoyle geologists and formed the basis for John Anderson's research work undertaken towards a PhD degree. Anderson's work included re-logging drill holes and petrographic and isotopic studies. A number of new conceptual targets were generated and in 1998/90 two deep holes drilled to test the most favourable target to the south of the Severn deposit. The drill holes (ZS90/92 and ZS 91) intersected tin mineralisation though not at economic widths (0.85m @ 1.87% Sn from 542.1m and 0.6m @ 1.48% Sn from 605.0m respectively). The holes were read with five loops of down-hole EM (DHEM). A large deep long wavelength DHEM conductor between the drill holes was interpreted to be conductive shale although this interpretation has not been confirmed by drilling. Additional surface loops of EM at Queen Hill/Severn and Golf Course Lode were completed. Due to cultural noise it was not possible to recognise an EM response attributable to the Severn mineralisation. As at Queen Hill, the deficiency of pyrrhotite vs pyrite and the lack of significant amounts of massive sulphides could explain the lack of a significant EM anomaly. Accordingly EM over the Golf Course Lode, which failed to detect conductive mineralisation within the Poverty Point Beds, may not have sterilised this area.

There are significant grounds to infer that additional mineralisation may continue below the base of the existing drilling, particularly at Severn and Montana which remain open at depth. There is also room for a depth extension to the north at Queen Hill. In comparison to the Rendeepts lodes at Renison Bell there is potential for additional and possibly higher grade tin mineralisation associated with coarse grained cassiterite to occur either in deeper fault positions or adjacent replacement horizons for some additional 500m down to the inferred granite source body. The bodies may become richer in pyrrhotite at depth and the use of modern DHEM could assist discovery. The success or failure of DHEM techniques would be strongly dependent on the degree of interference with conductive shale in the project area.

Anderson concluded the prime target for additional tin mineralisation occurred where dilational jogs were created by the intersection of the more ductile S2 and S3 fault sets and on this basis defined a target at the intersection of the Argent/Severn structural trends near the Golf Course Lode. Other structural targets identified are the intersection of the Oonah and Queen Hill structural trends.

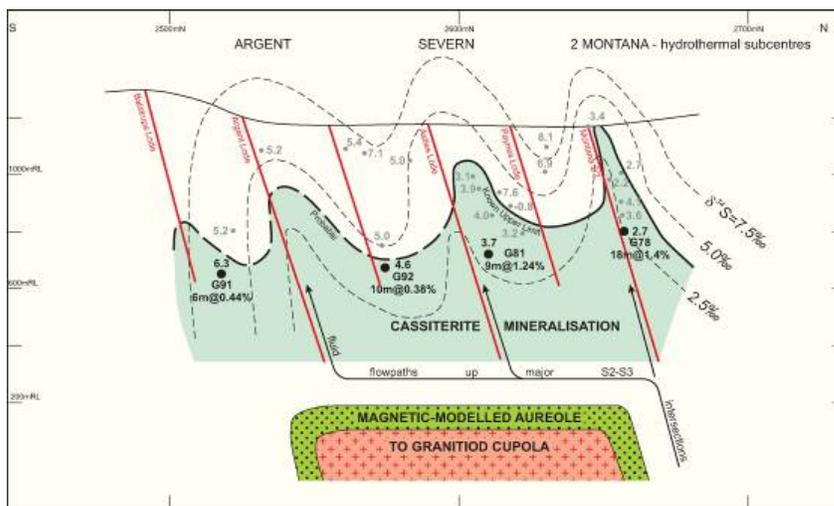


Figure 4 – Sulphur Isotope zonation focussed on Intersection between S2 and S3 faults

As noted above there remains potential for stratabound replacement tin mineralisation in the Poverty Point Beds at Golf Course.

Hydrothermal zonation studied by Anderson is interpreted to explain that the presence of pyrrhotite in drill hole DDH ZQ71 may be the reflection of a major zone of mineralisation at depth and between the Queen Hill and Severn deposits coincident with the EM anomaly seen in DHEM and previously explained as conductive shale.

Columbus will complete a 3D digital model of the Zeehan database and utilise this model to support its resource and exploration drilling program.

Base Metal Potential

The Retention Licence also covers an approximate 1.2km strike of Ordovician Gordon Limestone stratigraphy in its NE quadrant. Previous work by Aberfoyle outlined prospectivity for Irish Style carbonate hosted Pb/Zn mineralisation in this area. There is an interpreted structural and lithological trend passing from the Oceana Pb/Zn deposit, through part of the Zeehan township and extending northwards past the Despatch workings which lie within the Retention Licence. No significant mineralisation was intersected by previous drilling (4 diamond drill holes) near the Despatch mine in the period 1946-1951 by a venture between North Broken Hill and Broken Hill South – called Zeehan Exploration. It is not known if these holes were effective and the prospectivity of the zone remains attractive where primary structural zones conducive to the localisation of mineralising fluids intersect the carbonate stratigraphy.

ZEEHAN TIN POTENTIAL (Columbus 60% (70%) ~ Gippsland Limited 40%)

The Zeehan tin deposits are believed to be located above a deep seated Devonian granite stock and comprise structurally controlled sulphide lodes and stockworks at Queen Hill and Severn, but also massive sulphide carbonate replacement (Renison style) at Montana. All the known tin deposits remain open at depth and there are also exploration targets such as Golf Course. Columbus considers that beneath the limit of existing drilling, which reaches some 400m depth, there is a further 500m of suitable host rocks above the inferred granite stock. In this area it is possible both tin grades and cassiterite grain size will increase at depth as it appears has happened at Federal Deeps (1.35Mt @ 2.8% Sn) and the Rendeeps Zone at Renison Bell.

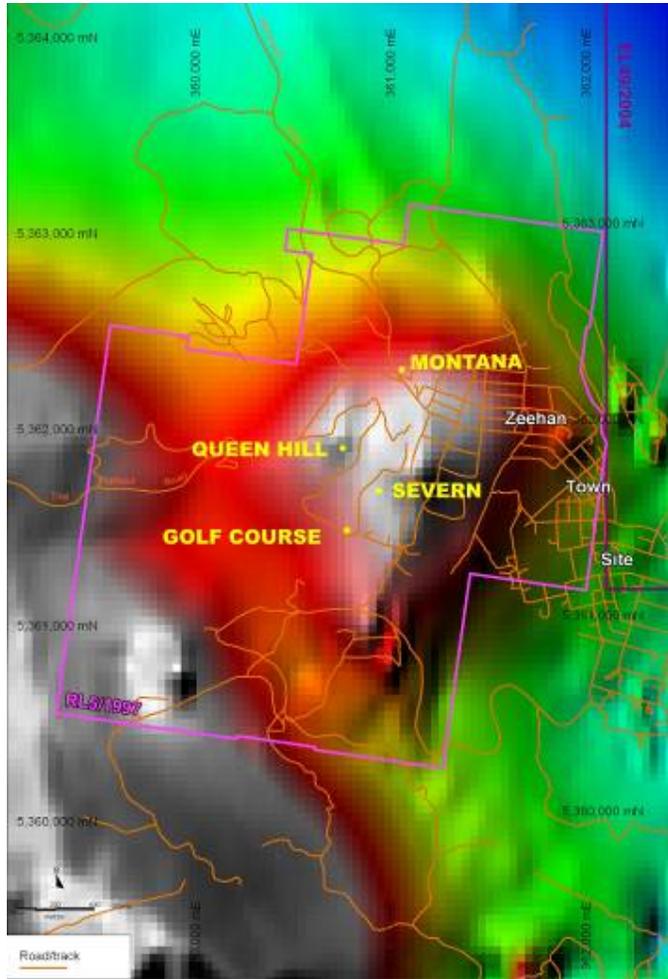


Figure 5 – Zeehan Tin Deposits
Aeromagnetic Image

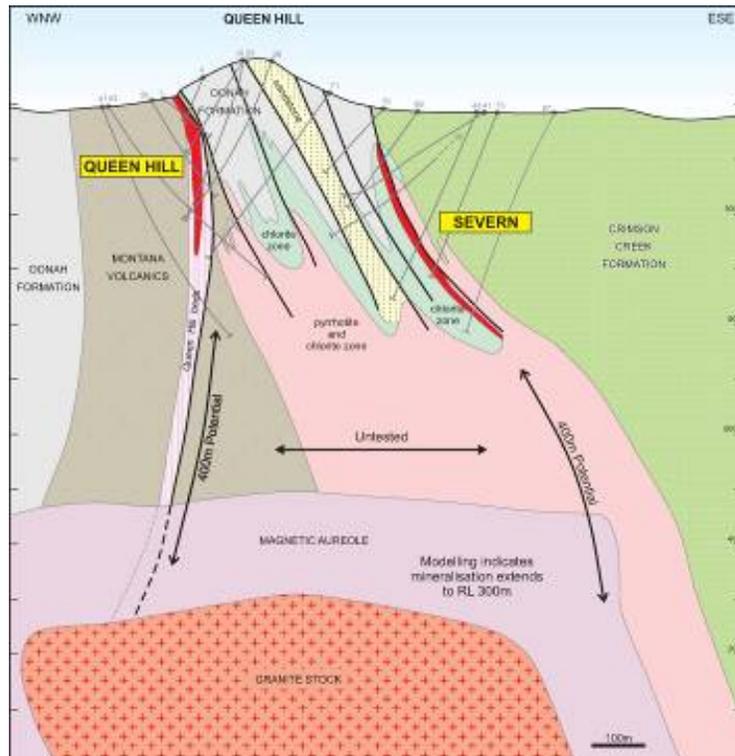


Figure 6 – Zeehan Tin Model

There is room to more than double the existing higher grade tin resources of 3.6Mt @ 1.21% Sn and together with exploration success, some 10Mt @ 1.2% Sn is considered a viable target. Potential for new discoveries of the Queen Hill/Severn style of mineralisation also exists in a number of settings:

- Argent Lode - Severn Fault intersection,
- Montana Fault and the Intersection of the Oonah and Queen Hill structural trends.
- Studies of hydrothermal zonation and EM Geophysics point to a significant target located at depth between the Queen Hill and Severn deposits.
- Carbonate replacement cassiterite massive sulphide style potential also are present at the so called Golf Course Lode and where suitable structures intersect the "Poverty Point Beds" dolomite horizon.

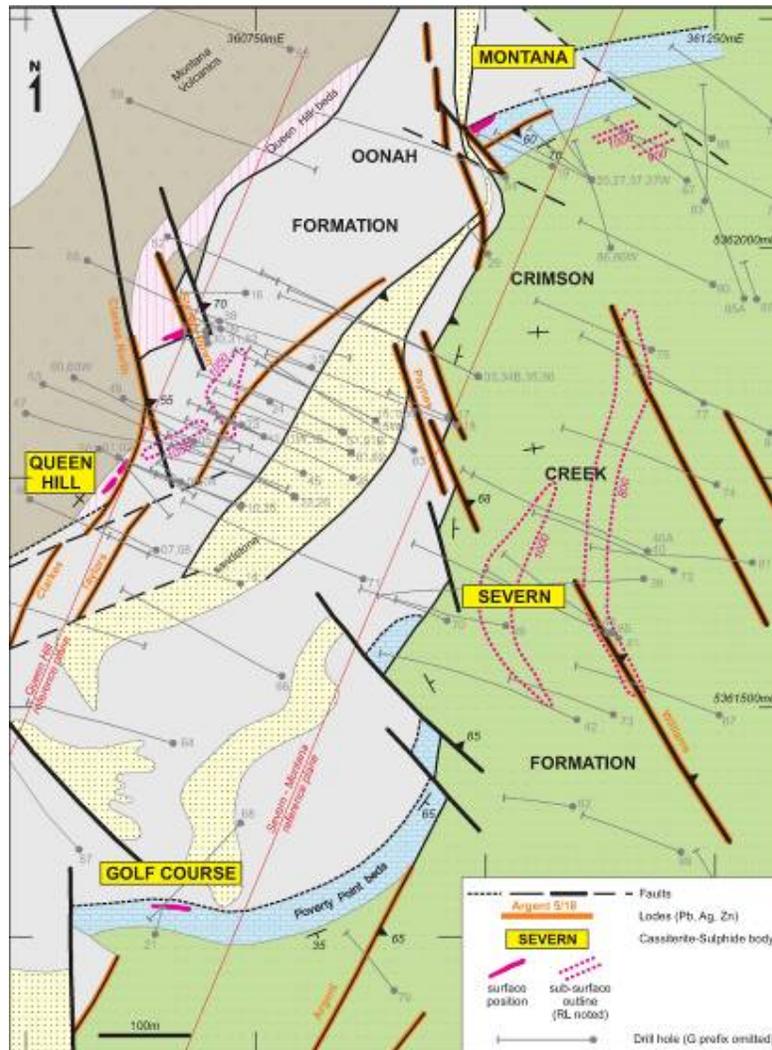


Figure 7 – Zeehan Tin Deposits - Geology and Structures

ZEEHAN TIN PROJECT HISTORY

The majority of previous exploration work at Zeehan for tin was carried out principally by Aberfoyle Ltd in the 1970's and 1980's and culminated in the delineation of some 7.3 million tonnes of mineralization at an average grade of 0.66% Sn. Higher grade zones within this mineralised envelope were reported as 3.61 Mt @ 1.21% Sn.

This work was undertaken in a Joint Venture first signed on 27 March 1972 between Cominco Exploration Pty Ltd (Aberfoyle) and Gippsland Oil and Minerals NL (now Gippsland Limited). This joint venture agreement has seen Aberfoyle's interest confirmed at 60% with the right to 70% equity in the project by completing an acceptable Feasibility Study. This is defined as a study sufficient for an acceptable institution to lend not less than half of all costs to be met by Gippsland for development. Costs during development to be met according to equity. On commencement of production, 75% of expenditure on behalf of Gippsland, after project expenditure of \$155,000 incurred after 7 January 1977 and up to completion of the Feasibility Study, will be reimbursed from proceeds of the mining operation, providing that Gippsland borrowings are repaid first.

The Queen Hill and Montana bodies were discovered in the late 1960's, when cassiterite was recognised in massive pyrite mineralisation exposed by old silver-lead mines. Drilling of a magnetic anomaly some 500m from Queen Hill and Montana, led to the discovery of the larger Severn deposit in 1976. Early exploration focussed on Queen Hill and continued sporadically throughout the late 1970's and early 1980's. Characterisation of ore from the upper Queen Hill lode showed it to comprise sulphides, (mainly pyrite), carbonates, fluorite and silicates. The tin mineral was mainly cassiterite, but occurred in extremely fine particles (a median D_{50} of 15 microns), disseminated throughout the ore, 60% in the sulphide and the remainder in the other gangue. The most promising route for beneficiation seemed to be standard mineral dressing methods to gain acceptable recoveries of the cassiterite into low grade concentrate and upgrade this by a pyro-metallurgical route called by Aberfoyle matte fuming. In June 1980 a bulk sample of ore from Queen Hill (2,892.9 tonnes) was excavated and sent to the Aberfoyle matte fuming pilot plant situated at the Kalgoorlie nickel smelter. Test work successfully produced a high grade tin matte from this material. No further work was done due to the collapse in the tin price and the pilot plant and technology sold to Mt Isa Mines Limited.

On 1 August 1981 an amalgamation of seven previous leases over the Queen Hill area was undertaken and CML 36/M /81 granted for an area of 564ha for a period of 21 years. In 1997 this mining lease was converted into a 6km² retention licence RL 5/1997.

The exploration emphasis was shifted and further drilling identified deeper ore below Queen Hill and at Severn and Montana. Metallurgical characterisation test work on these showed them to be more amenable to conventional mineral dressing than the Upper Queen Hill ore. Amenability was judged on cassiterite grain size and ease of liberation, and response to gravity and flotation separation. In particular the Severn ore responded better than some of the fine grained ores at Renison Bell Tin Mine when subjected to similar unit processes employed in the Renison Concentrator (Severn had a D_{50} grain size at 65 microns some of the Renison Fault ores are 50 microns). This offered an option to process these ores by standard mineral dressing methods and produce a saleable gravity concentrate for a recovery quoted at 71.5%.

By 1982, Aberfoyle had completed 89 diamond drill holes totalling 23,004.56m and a comprehensive data compilation and resource estimate undertaken which resulted in a Pre Feasibility Study report issued in May 1983. The report concluded at the time, that the Zeehan Project had potential for a profitable underground mine, producing between 1,480 and 1,900 tonnes of tin per annum at an

average cost of (in 1983 dollars) of \$7,900 per tonne and capital costs over the life of mine of \$49 million. Columbus aims to expand on the resources defined by Aberfoyle to underpin a more substantial operation.

The project was never taken through to bankable feasibility study level as the development was halted in 1984 due to imposition of export quotas on tin concentrates by the Association of Tin Producers.

Following the cessation of drilling within the Zeehan tin field in June 1982 technical assessment by Aberfoyle geologists continued, in particular John Anderson undertook research studies towards a PhD degree. A number of new conceptual targets were generated and resulted in the completion of a series of EM geophysical surveys and two final drill holes; ZS90/91 and 92 for a total of 1,320m in 1989-90. Both holes intersected tin mineralisation though at uneconomic widths. It is mainly based on John Anderson's research work that there is today a sound conceptual model for the Zeehan Tin Deposits which illustrates excellent potential for significant additional resources.

Aberfoyle was taken over by Western Metals Limited in 1989 following a hostile takeover bid. Over the ensuing years, Western Metals remained heavily focussed upon its base metals projects and no work was undertaken at Queen Hill. Declining metal prices (at the time) and a heavy debt load together with unfavourable hedging positions saw Western Metals placed into receivership in 2003. In June 2006, Western Metals was re-listed and a new board and management put in place. Queen Hill remained in the Western Metals portfolio but little work was done on it in the intervening period. The recent rise in tin price and forecast for future demand caused attention to be turned on Queen Hill and this resulted in its sale to Columbus Metals in 2008.

PLANNED EXPLORATION and EXPENDITURE

Columbus intends to undertake resource development drilling and exploration of the Zeehan deposits over the next two years with a view to expanding and upgrading the defined mineralisation. All pre-existing geological data will be included in the current digital database and a 3D model generated to identify additional drilling targets.

Columbus has allocated \$2,738,600 in the first year to be spent on resource and step out drilling and \$337,400 for exploration and follow up of previously identified structural targets.

A budget of \$4,115,500 has been allocated for delineation drilling in the second year to bring the resources at Queen Hill, Severn and Montana into the Measured and Indicated category consistent with the JORC Code.

Budget Summary

ITEM	Quantity	Year 1	Year 2	Totals
Resource and	10,900m	\$2,738,567	\$337,400	\$3,075,967
Exploration	14,600m		\$4,115,533	\$4,115,533
Scoping & Metallurgy		\$455,000	\$630,000	\$1,085,000
Corporate and Admin		\$275,000	\$380,000	\$655,000
Total	25,500m	\$3,468,567	\$5,462,933	\$8,931,500