



STELLAR RESOURCES LIMITED
Columbus Metals Ltd

RL 5/1997 ZEEHAN

**ANNUAL REPORT FOR THE PERIOD
20 MAY 2010 – 19 MAY 2011**

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ABSTRACT

This Annual Report for RL 5/1997, Zeehan, covers the period from 20 May 2010 to 19 May 2011.

Retention Licence 5/1997 encompasses an area of 6 km² on the western outskirts of Zeehan Township, in NW Tasmania. It covers the historic Queen Hill, Severn and Montana deposits, which form the Heemskirk Tin Project. The deposits are located under or adjacent to Queen Hill immediately northwest of Zeehan.

Exploration from the 1960's through until the mid 1980's identified significant tin mineralisation associated with, and under, old lead/silver deposits mined in the late 1800's and early 1900's. In 1983 the resource estimate for the three deposits, based on 23,000 metres of drilling, was 3 million tonnes of ore (>0.1%Sn cut off) grading 0.7%Sn and 10.9 g/t Ag. Due to depressed tin prices and corporate matters no significant work was undertaken on the project between 1990 and 2009.

Stellar Resources Ltd, through its subsidiary Columbus Metals Ltd, purchased a 60% interest in the 'Gippsland Joint Venture' from Western Metals Ltd early in 2008. The joint venture's key asset is RL 5/1997, the Heemskirk Tin Project. Gippsland Limited continues to hold 40% of the project. Under the terms of the JV Stellar is Project Manager and Gippsland Ltd's interest is free carried until completion of a feasibility study.

During 2010 Stellar drilled 6 diamond drill holes, totalling 585m into the near surface portion of the Queen Hill Deposit. Core from this program provide material for on going metallurgical test work. The results from the drilling, together with historical drilling data, has been used by consultants, Mining One, to calculate the first JORC compliant resources estimate for the Heemskirk Tin Project. The estimate is summarised below.

Deposit	Indicated			Inferred			Total		
	kt	% Sn	kt Sn	kt	% Sn	kt Sn	kt	% Sn	kt Sn
Queen Hill	1,600	1.2	19				1,600	1.2	19
Montana				360	1.6	6	360	1.6	6
Severn				2,400	1.0	24	2,400	1.0	24
Total	1,600		19	2,760		30	4,360	1.1	49

cut-off grade 0.6% tin

estimated on 3 March 2011 by Mining One Pty Ltd

Preliminary metallurgical test work shows that tin mineralisation at Queen Hill is in the form of cassiterite in association with iron sulphides and iron oxides with no stannite present. Importantly, it demonstrated that a traditional high-sulphide tin processing circuit would work for Queen Hill tin mineralisation.

Drilling recommenced in January 2011 and to date three diamond drill holes have been drilled into the edges of the Queen Hill Deposit and two into the Stormsdown Prospect, totalling 602m. Drilling has now commenced at the Montana Deposit.

On completion of the Montana drilling the rig will commence deep drilling at the Severn Deposit, probably by late June 2011. The metallurgical test work continues and will be expanded to include testing of Montana and Severn samples as they become available. It is also planned to commence environmental studies during 2011. Mining One is currently nearing completion of a scoping study for the project.

Expenditure on RL 5/1997 during 2010/11 totalled \$1,013,275.

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1. INTRODUCTION

1.1. EXPLORATION RATIONALE

RL 5/1997 covers the Heemskirk Tin Project, which comprises the structurally controlled cassiterite-sulphide Queen Hill and Severn lodes and stockworks, and the Montana massive sulphide carbonate replacement (Renison style) deposit. All the known tin deposits remain open at depth, with other exploration targets such as Golf Course remaining to be tested.

It is inferred that mineralisation continues below the base of the existing drilling, particularly at Severn and Montana. There is also room for a depth extension to the north at Queen Hill. It has been demonstrated that cassiterite grain size increases with depth, as does pyrrhotite content, with both grade and metallurgical amenability expected to improve as a result.

All of the prospects are believed to be located above a deep-seated Devonian granite stock. It is likely that beneath the limit of existing drilling, which reached 400m depth, there is a considerable amount of prospective host rocks and structures above, and/or adjacent to the granite.

Work to date has focussed on infill drilling at Queen Hill to obtain samples for metallurgical testing and exploration for near surface extensions to the known mineralisation at Queen Hill, Stormsdown and Montana. During 2011/12 exploration activity will focus on the Severn deposit, both infill drilling and testing extensions to the known mineralisation. Other targets along the Severn Fault, defined by detailed magnetics will also be evaluated.

1.2. GEOLOGICAL SETTING

The oldest rocks at RL 5/1997 are the Queen Hill Quartzites, a sequence of sediments and volcanics equivalent to the Neoproterozoic Oonah Formation, the oldest stratigraphy in the Zeehan area. These are predominantly quartzites with some interbedded arenaceous siltstones and shales. The upper part of the Oonah Formation is predominantly pelite and/or carbonate, including some evaporites, mafic volcanic rocks and conglomerate.

Overlying the Quartzites is a sequence of Precambrian dolomites, carbonaceous pyritic slates and minor volcanics equivalent to the Success Creek Group. This group comprises reddish brown siltstones with intercalated limestone's and dolomite being referred to locally as the Poverty Point Beds. These beds correlate to that part of the Success Creek Group, which hosts the Renison replacement tin deposits. The Success Creek Group rocks are overlain by the Cambrian Crimson Creek Formation, comprising basal pyroclastic volcanics overlain by a sequence of greywackes and argillites with minor tuffaceous slates and grits.

Ordovician Gordon Limestone crops out north east of Queen Hill while Siluro-Devonian Eldon Group sandstones and siltstones underlie most of the Zeehan town site. The Devonian Heemskirk Granite outcrops 7 kilometres west of Zeehan, forming Mt Heemskirk, with a ridge of granite believed to extend beneath Queen Hill at depth.

At Zeehan the Oonah Formation and the Success Creek Group both host vein and replacement tin deposits. Tin mineralisation within the dolomitic Poverty Point Beds at Montana is of cassiterite-sulphide replacement style. Mineralisation at Severn may be similar, being due to smeared-out Poverty Point carbonates along the Severn Fault. Refer to Figure 5.

1.2.1. Structure

The structure of the rocks at Queen Hill is complex with intense folding and faulting at all scales. The deformation is thought to be due to the Tabberabberan Orogeny. Broadly the Zeehan tin deposits are associated with the wide hinge zone of the northwest trending Heemskirk Anticlinorium, which is thought to have been the focus of the intrusion of the Heemskirk Granite at depth in this area.

Two major Devonian deformational events are recognised in the project area. The initial D₁ event is expressed as moderately doubly plunging NE-trending tight to isoclinal folds with weak fabric development. The D₂ 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. The southern end of a major D₂ fracture zone between the D₂ Zeehan Syncline and the Heemskirk Anticlinorium appears to be the locus for a 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 reached reactive stratigraphy (i.e. sulphide,

carbonate or volcanoclastic horizons) cassiterite-bearing tin sulphide bodies have developed. Intersection of the more ductile S2 and S3 sets provided the best sites for mineralisation, as evidenced by the Severn and Queen Hill deposits.

1.2.2. Mineralisation

Tin mineralisation at the Heemskirk Tin Project occurs as cassiterite and minor stannite in the three main deposits: Severn, Queen Hill and Montana, and at a minor outcropping occurrence at Golf Course. The deposits are Renison Bell/Cleveland-type tin deposits in which granite-derived hydrothermal fluids carrying tin, sulphur and other base metals intruded along structural conduits and reacted with suitable lithologies such as dolomite and carbonate rich volcanoclastic horizons to precipitate generally sulphide-rich lodes containing cassiterite. Typical associated gangue minerals include pyrite, pyrrhotite, quartz, tourmaline, carbonates and fluorides. The granite source of the hydrothermal fluids has not been intersected in drill holes in the immediate project area, however based on geophysical evidence and the presence of rare felsic porphyry intrusives 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 Zeehan and Renison Bell deposits, however, at depth pyrrhotite becomes more abundant at Zeehan. In addition to the main high temperature tin-mineralising event, a later stage, cooler fluid event appears to have 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 silver-lead mining activity.

In all the Zeehan deposits cassiterite occurs as fine grained (20 - 70 microns) disseminations in stockworks and masses of fine-grained gangue comprising siderite, chlorite, silica, pyrite and pyrrhotite. At Queen Hill there is also variable accessory stannite and base metal sulphides. Pyrite now forms about 30% of the sulphides but microscopy indicates that an original major pyrrhotite content has been replaced by pyrite and marcasite. This has resulted in only the pyrrhotitic core of the Severn deposit remaining magnetic.

The **Queen Hill Deposit** comprises two sub-parallel high-grade lenses within a single larger lower grade envelope. These lenses are an upper lens, "the hanging wall lens"; relatively narrow (3 to 8 metres), essentially massive sulphide (pyrite dominant), replacement-type mineralisation, dipping at 50° to 80°, and "the lower lens"; a wide composite zone containing narrow high-grade mineralisation. Significant tin mineralisation occurs in volcanics, clastic sediments and evaporites. The hanging wall lens is adjacent to a fault zone, which is coincident with Clarke's Ag-Pb lode. The mineralisation may not be closed off at depth. The Queen Hill deposit crops out weakly on the north-western side of Queen Hill and is hosted by the Poverty Point Beds.

The **Severn deposit** occurs as several parallel pseudoconformable lenses of bedding slip sulphide replacements and stockworks within a 130m wide drag zone in the hanging wall 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 Oonah 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 with the deposit being open at depth.

Montana is a high grade, stratiform carbonate replacement tin deposit comprising cassiterite and massive sulphides hosted by the Poverty Point Bed equivalents of the Success Creek Group, the Montana Beds. 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 drill hole M76, 300m below surface, is 1.6% Sn over an estimated true width of 6m. The deposit is open at depth.

1.3. LICENCE

Tenement number: RL 5/1997

Tenement name: Zeehan

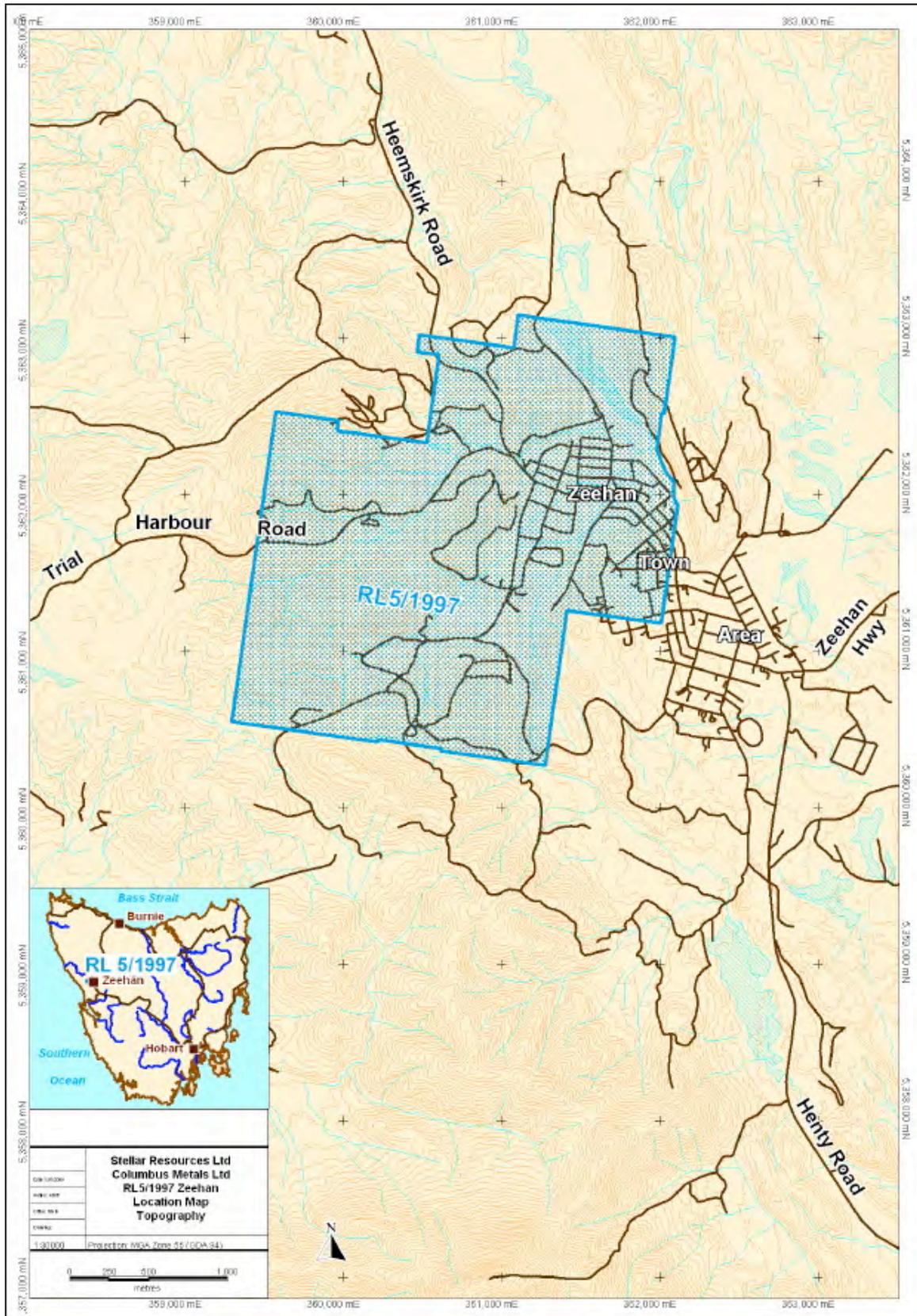
Tenement location: Located over the western side, and immediately west, of Zeehan Township, with main road access from the Heemskirk Road, the Zeehan Highway and the Trial Harbour Road, which passes generally through the centre of the licence (Figure 1). Numerous town roads and tracks traverse the licence area. The licence covers an area of 6km², which extends west from the council depot on the Zeehan Rivulet for 3.5 kilometres, past the golf course, and north for 3 kilometres from Manganese Hill to Montana Hill. The RL area is a mix of Crown Land and freehold land, including a large portion of the Zeehan Township.

The area comprises both cleared urban or farm land and regrowth forest after logging or burning. Refer to Figure 2.

Reporting period: 20 May 2010 to 19 May 2011.

Tenement holder: Columbus Metals Ltd., a wholly owned subsidiary of Stellar Resources Ltd., (60%) and Gippsland Limited (40%).

1.4. LOCATION OF LICENCE



• Figure 1. RL 5/1997, Heemskirk Tin Project: Location Map

1.5. LAND TENURE

SCHEDULE:

LAND DISTRICT OF MONTAGU
VICINITY OF ZEEHAN
MUNICIPALITY OF WEST COAST
RETENTION LICENCE 9705 6 SKM

COLUMBUS METALS LTD & GIPPSLAND RESOURCES AUST NL

Datum: AGD66, Zone 55.

Commencing at the southwest corner at grid coordinates 359,180 metres E 5,360,366 metres N, thence northerly to 359,458 metres E 5,362,347 metres N, easterly to 359,857 metres E 5,362,291 metres N, southerly to 359,848 metres E 5,362,227 metres N, again easterly to 360,412 metres E 5,362,148 metres N, again northerly to 360,491 metres E 5,362,712 metres N, westerly to 360,352 metres E 5,362,731 metres N, again northerly to 360,368 metres E 5,362,840 metres N, again easterly to 360,962 metres E 5,362,757 metres N, again northerly to 360,991 metres E 5,362,965 metres N, again easterly to 361,981 metres E 5,362,825 metres N, again southerly to 361,913 metres E 5,362,335 metres N, again westerly to 361,898 metres E 5,362,337 metres N, again southerly to the Zeehan Rivulet at approximate grid coordinates 361,866 metres E 5,362,113 metres N, thence by that Rivulet in a general southeasterly direction to approximate grid coordinates 362,000 metres E 5,361,738 metres N, again southerly to 361,894 metres E 5,360,995 metres N, again westerly to 361,300 metres E 5,361,079 metres N, again southerly to 361,160 metres E 5,360,088 metres N, again westerly to 360,502 metres E 5,360,181 metres N, again northerly to 360,504 metres E 5,360,196 metres N, again westerly to 360,108 metres E 5,360,251 metres N, again southerly to 360,106 metres E 5,360,237 metres N, thence again westerly to the point of commencement.

The area excludes 4 ha of Crown Reserves. Refer to Figure 2.

LAND TENURE:

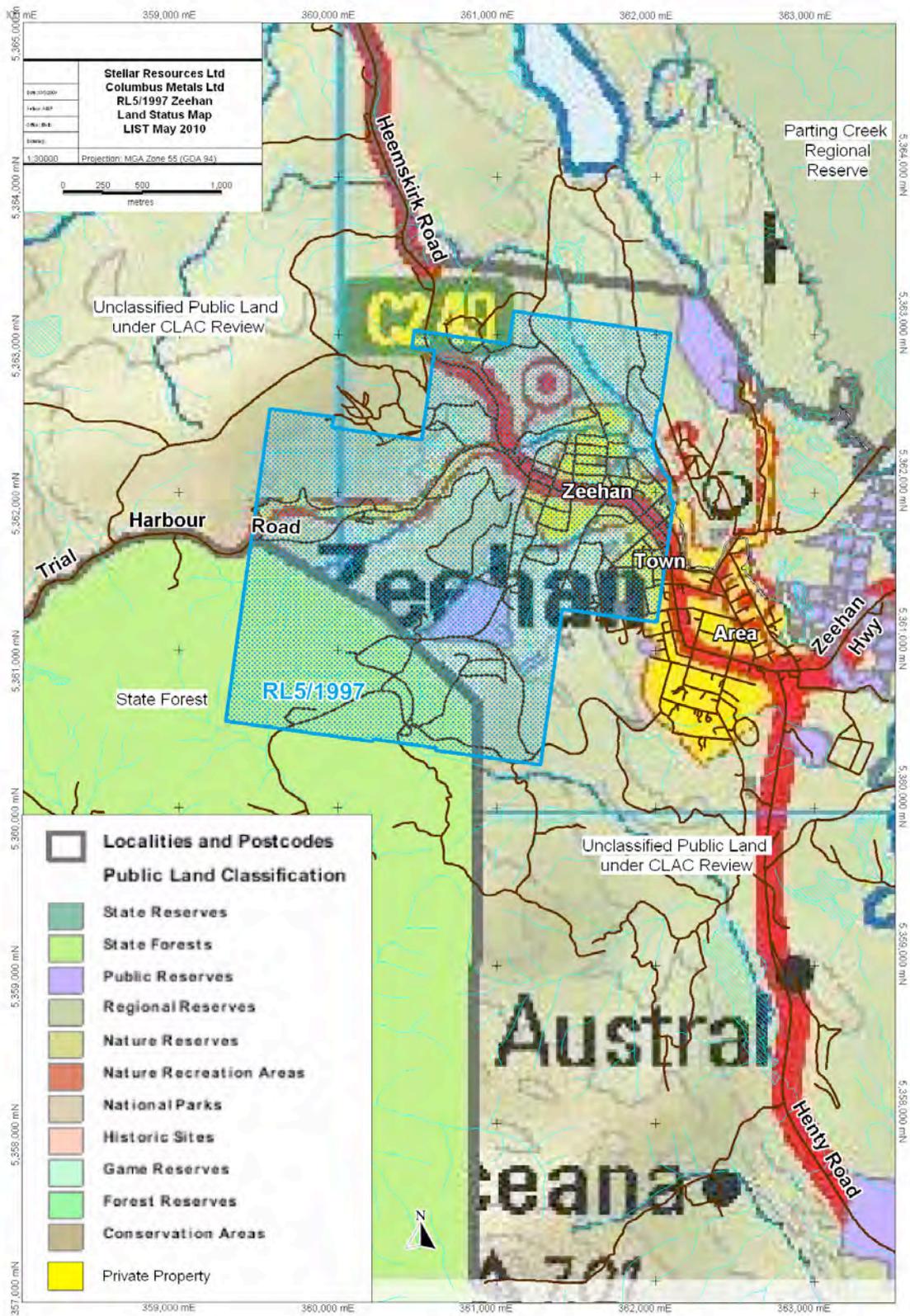
The area comprises: Crown Land and Private property.

NB: This land tenure table is a guide only.

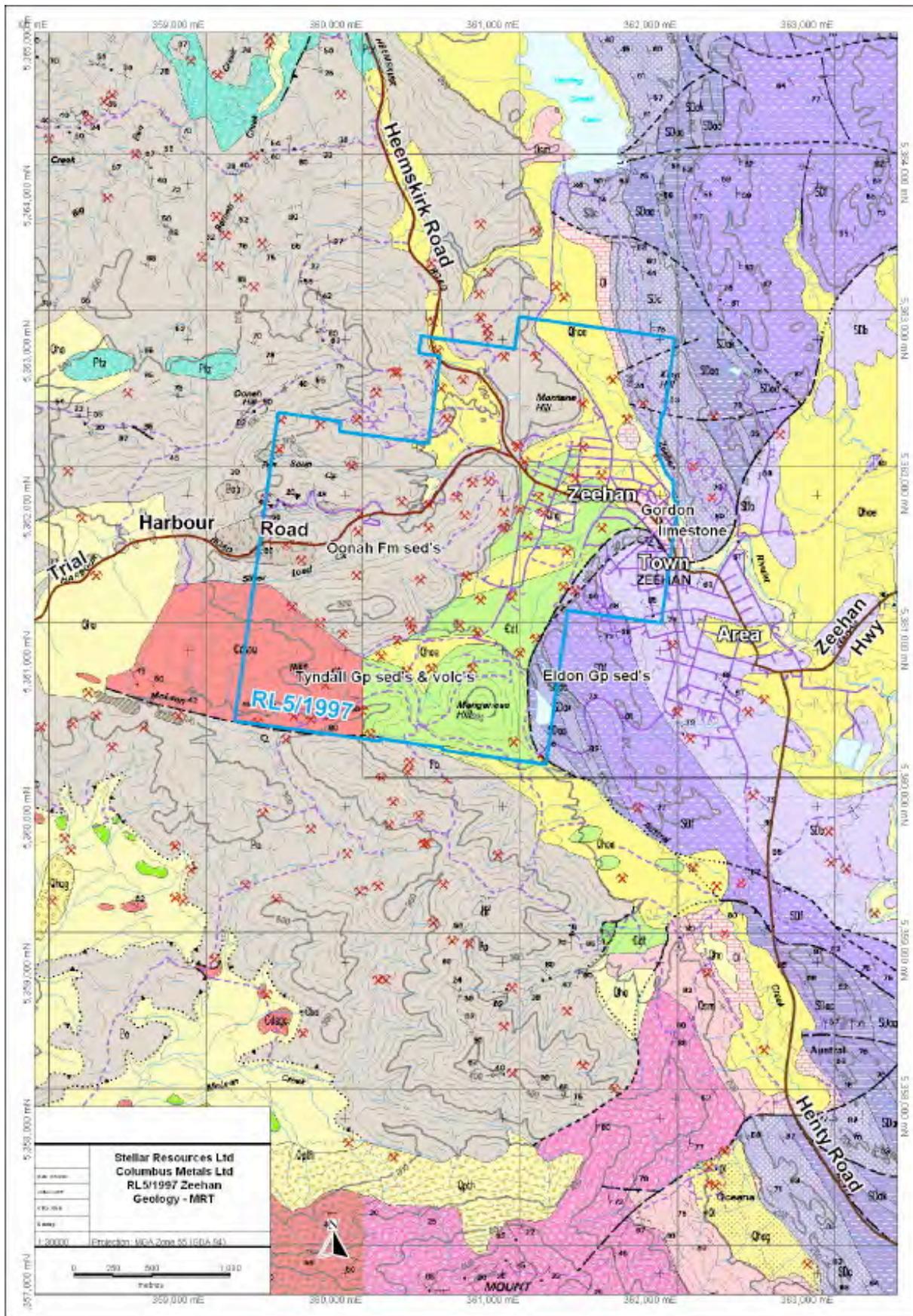
EXCLUSIONS:

The area covered by this licence does not include:

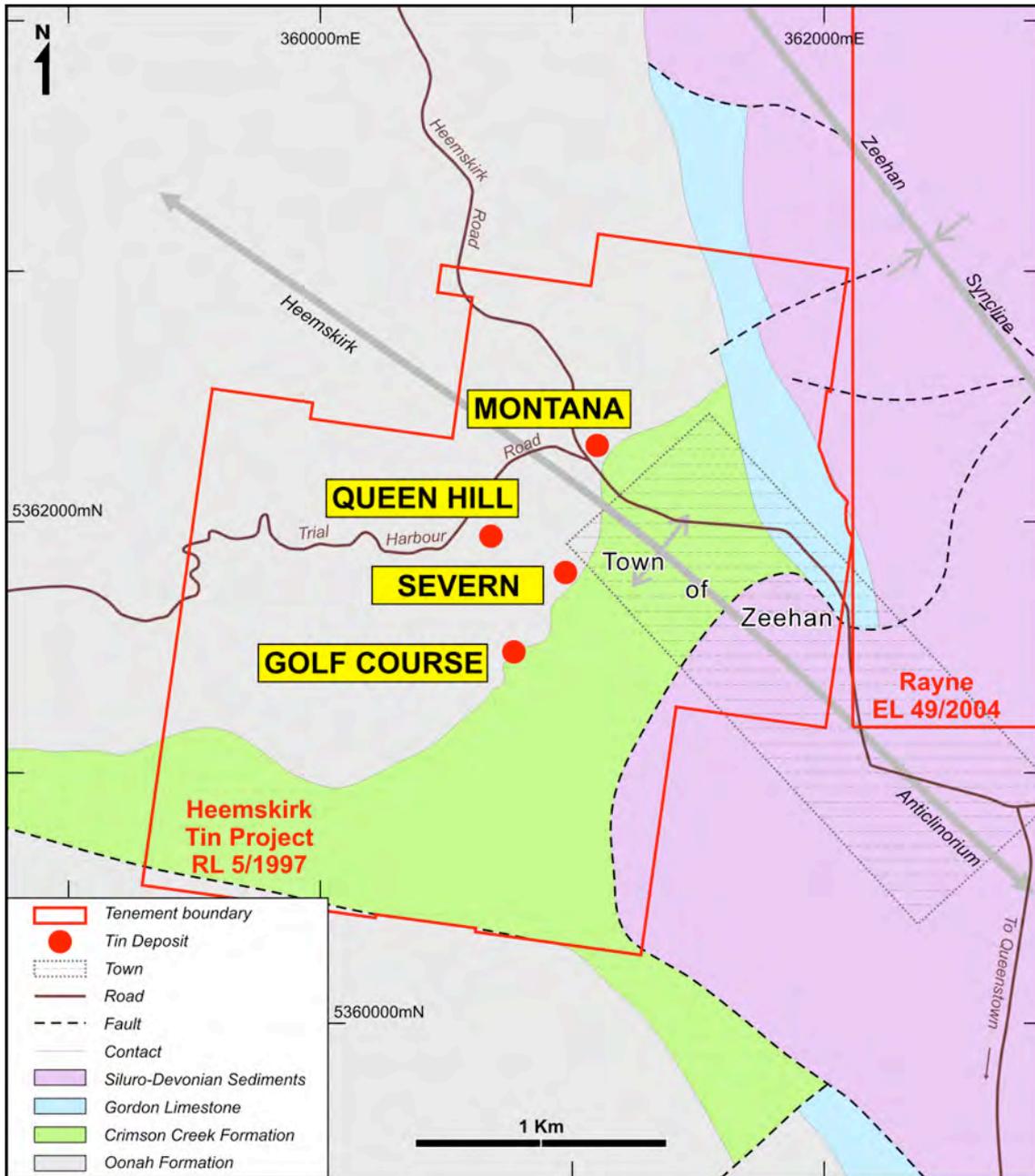
- (a) All forms of mineral tenements including mining leases, retention licences and exploration licences, which were applied for or in force prior to the date of application for this licence.
- (b) Land exempt from the provisions of the *Mineral Resources Development Act 1995*.
- (c) Land reserved under the *National Parks and Wildlife Act 1970* including National Parks, Historic Sites, Nature Reserves, Game Reserves and State Reserves shown on the Schedule.
- (d) Crown reservations or other land set apart or dedicated for any public purposes such as public reserves, municipal reserves or roadways unless such areas have been brought under the provisions of the *Mineral Resources Development Act 1995*.



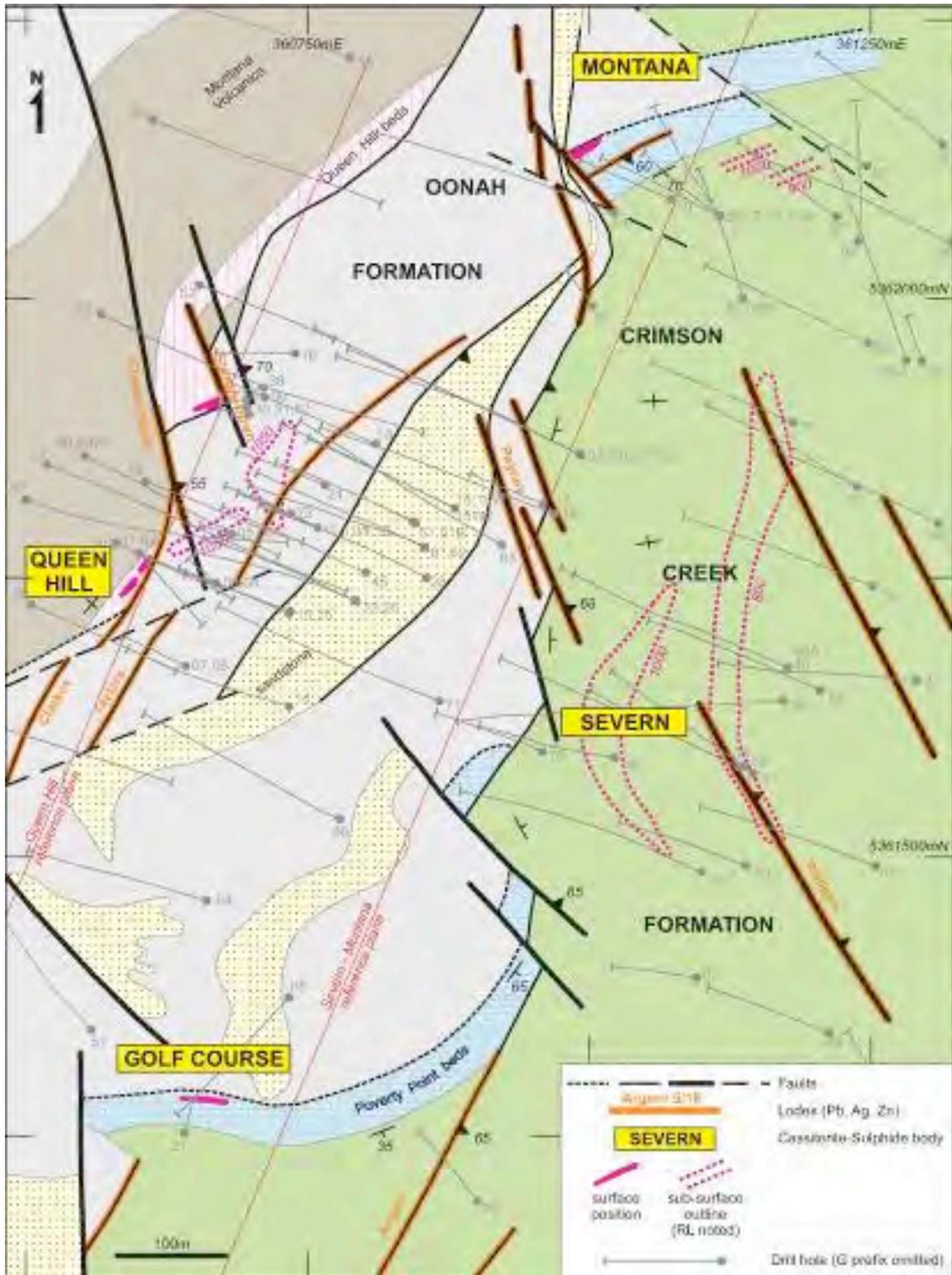
• Figure 2. RL5/1997, Heemskirk Tin Project: Land Tenure Map (LIST)



• Figure 3. RL5/1997, Heemskirk Tin Project: MRT Geology Map.



• Figure 4. RL5/1997, Heemskirk Tin Project: Simplified Geology showing deposit locations



• Figure 5. RL5/1997, Heemskirk Tin Project: Geology, Structure, Deposits & Historic Drilling

2. REVIEW OF PREVIOUS WORK

The majority of previous exploration work for tin at Zeehan was carried out by Aberfoyle in the 1970's and 1980's culminating in the delineation of 7.3 million tonnes of mineralisation at an average grade of 0.69% Sn together with 10.9 g/t Ag. Higher-grade zones within this mineralised envelope were reported as 3.61 million tonnes @ 1.21% Sn. Refer to Table 1.

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 JV saw Aberfoyle's interest confirmed at 60% with the right to 70% equity in the project by completing an acceptable feasibility study.

Queen Hill was discovered in the late 1960's, when cassiterite was recognised in massive pyrite mineralisation exposed in old silver-lead mines. The drilling of a magnetic anomaly, located some 300m eastwards from Queen Hill, 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, which occurred in extremely fine particles (15 microns) disseminated throughout the ore, 60% in sulphide and the remainder in 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 matte fuming. In June 1980 a bulk sample of ore from Queen Hill (2,892 tonnes) was excavated and sent to the Aberfoyle matte fuming pilot plant 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 in 1985. The pilot plant and technology were subsequently 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 was granted for an area of 564ha for a period of 21 years. In 1997 this mining lease was converted into the 6km² retention licence RL 5/1997.

The exploration program at Queen Hill identified deeper mineralisation below Queen Hill and at Severn and Montana. Metallurgical characterisation test work on these deposits showed them to be more amenable to conventional mineral dressing than the Upper Queen Hill ore. Amenability was judged on cassiterite grain size, 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 the Renison Bell Tin Mine when subjected to similar unit processes employed in the Renison Concentrator (Severn has an average grain size of 65 microns while some of the Renison Fault ores have an average grain size of 50 microns). This offers an option to process these ores by standard mineral dressing methods and produce a saleable gravity concentrate for a recovery estimated at 71.5%.

By 1982, Aberfoyle had completed 89 diamond drill holes totalling 23,000m and comprehensive data compilation and resource estimation was undertaken which resulted in a Pre Feasibility Study report issued in May 1983. The report concluded that the Zeehan Tin Project had potential for profitable underground mining. The project was never taken through to a bankable feasibility study however, as work was halted in 1984 due to the imposition of export quotas on tin concentrates by the Association of Tin Producers.

Drilling ceased on the Heemskirk Tin Project in June 1982 but 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 for a total of 1,320m in 1989-90. The present conceptual model for the Zeehan Deposits, which illustrates the potential for significant additional resources, is based largely on John Anderson's research work.

Aberfoyle was taken over by Western Metals Limited (Western Metals) in 1998. Over the ensuing years, Western Metals remained heavily focused upon its base metals projects and no work was undertaken at Zeehan. 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. The Heemskirk Tin Project remained in the Western Metals portfolio but little work was done in the intervening period. The recent rise in tin price and forecast for future demand has refocused attention on the Zeehan tin

deposits.

The historic pre-JORC Code resource estimates for the Heemskirk Tin Project JV* are set out below in Tables 1 and 2 for reference and comparison with the 2010 JORC resource estimate (Table 6).

• **Table 1. Heemskirk Tin Project: 1982 Resource Estimate (pre JORC estimate)**

Mineralised Envelope (0.1 % Sn cut-off)

LENS	CATEGORY**	Tonnes (million)	% Sn	g/t Ag	Tonnes Tin
Queen Hill	Indicated	1.8	0.82	33	14,800
Severn	Inferred	5.1	0.60	-	30,700
Montana	Inferred	0.4	1.22	51	4,870
Total		7.3	0.69	10.9	50,370

Higher grade zones within the mineralised envelope

LENS	CATEGORY**	Tonnes (million)	% Sn	g/t Ag	Tonnes Tin
Queen Hill	Indicated	0.93	1.39	28.9	12,900
Severn	Inferred	2.37	1.11	-	26,300
Montana	Inferred	0.31	1.45	58	4,500
Total		3.61	1.21	12.4	43,700

* Palmer, K. G., Aberfoyle Exploration Pty Ltd, Heemskirk Tin Project, Geological Resource Assessment, 31 August 1982

** The categories used by Aberfoyle are considered equivalent to those of the present day JORC Code.

• **Table 2. Heemskirk Tin Project: 2007 Resource Estimate (non JORC estimate)**

All Deposits >0.1% Sn**

DEPOSIT	Tonnes Range +/- 20% (million)	% Sn (+/- 20%)	Tonnes Tin (+/-20%)
Queen Hill	1.8 – 2.7	0.7 – 1.0	13,000 – 27,000
Severn	5.2 – 7.8	0.5 – 0.7	26,000 – 55,000
Montana	0.4 – 0.6	0.9 – 1.4	4,000 – 8,000

Summary all Deposits*

All deposits >0.1% Sn**

% Sn Grade Range	Tonnes Range +/- 20% (million)	% Sn (+/- 20%)	Tonnes Tin (+/-20%)
>0.1% Sn	7.0 – 11.0	0.6 – 0.8	42,000 – 88,000
>0.5% Sn	3.5 – 5.5	0.9 – 1.3	32,000 – 72,000
>0.7% Sn	2.5 – 3.5	1.0 – 1.6	25,000 – 56,000

*The quantity and grade ranges of the tin target at Heemskirk (Zeehan) are based on the BMGS memo for Western Metals dated 4/5/2007. The ranges are estimated by Chris Young MAUSIMM, MAIG who has more than 10 years experience in the field of activity being reported.

**The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

3. EXPLORATION COMPLETED DURING THE REPORTING PERIOD

3.1. DATA ACQUISITION & ANALYSIS

During the reporting period Stellar has continued to review historic data from Western Metals Ltd and other sources including privately held Aberfoyle historic data.

In particular there has been work carried out on reprocessing and reinterpreting historical geophysical data. This is generating new exploration targets associated with Anderson's conceptual model of the mineralisation controls.

3.2. DRILLING

The work completed to date has achieved the principal objectives of:

- evaluating the near surface (surface to 1100m RL) tin resources in the Queen Hill deposit via new drilling;
- producing mineralised samples for metallurgical test work, and
- collection of geotechnical data for mine planning.

Stellar completed a six-hole diamond-drilling program during late 2010, which delivered the results tabulated below in Table 3.

• **Table 3. Heemskirk Tin Project: 2010 Drilling Assays***

Hole No	From m	To m	Interval** m	Sn %	Acid Sol Sn %	Cu %	Pb %	Zn %	Ag g/t	Comment
ZQ93	75.7	80.0	4.3	0.92	0.00					Tin Lode
ZQ94	44.0	45.0	1.0	0.09	0.02	0.03	3.2	7.4		Clarkes Lode Lead/Silver
	64.0	70.0	6.0	1.30	0.02					Tin Lode
including	69.0	70.0	1.0	2.20	0.03					Tin Lode
ZQ95	62.0	62.7	0.7	0.60	0.00					Tin Lode
ZQ96	68.0	76.0	8.0	0.71	0.44	0.5	3.1	0.7	161	Clarkes Lode Lead/Silver
	85.8	107.0	21.2	0.82	0.01					Tin Lode
including	90.0	91.0	1.0	3.78	0.01					Tin Lode
ZQ97	57.0	58.2	1.2	0.70	0.00					Tin Lode
ZQ98	95.0	100.0	5.0	1.56	0.02					Tin Lode
including	95.0	96.0	1.0	1.81	0.02					Tin Lode

* Fused beads XRF; **reported interval is down hole.

Five holes have been completed to date in 2011 but assays have not been received for all holes. Holes ZQ100 and ZQ101, on section 3100N (between Queen Hill and Stormsdown Pit), both intersected Clarke's Lode but not the Tin Lode (see Table 4 below). Assay results have not been received for holes ZQ102 and ZQ103, which were drilled north of the Stormsdown Pit.

• **Table 4. Heemskirk Tin Project: 2011 Drilling Assays***

Hole No.	From m	To m	Interval** m	Sn %	Acid Sol Sn %	Cu %	Pb %	Zn %	Ag g/t	Comment
ZQ100	65	66	1.00	0.22	0	0.01	22.60	0.60	1000	Clarkes Lode Lead/Silver
ZQ101	107.6	110	2.40	0.53	0.03	0.12	35.74	2.97	851	Clarkes Lode Lead/Silver

* Fused beads XRF; **reported interval is down hole.

Full drill results are tabulated in Appendix 1, with all logs appended in digital form

3.3. SAMPLING

During 2010 the old Stormsdown Open Pit was surveyed and channel sampled. The pit survey and sample locations are shown below in Figure 11.

Sample assays are summarised below in Table 5.

• **Table 5. Heemskirk Tin Project: Stormsdown Pit Channel Sample Assay* Summary**

Location Survey pts.	Sample No.	Length m	Sn %	Acid Sol Sn ppm	Cu ppm	Pb ppm	Zn ppm	Ag ppm
75 - 76	94475	2.00	<0.01	80	13	3791	123	1
76 - 77	94476	2.00	<0.01	2	13	5176	151	2
77 - 78	94477	2.00	0.01	18	6	5166	719	2
78 - 79	94478	2.00	0.13	22	8	5151	2049	6
79 - 80	94479	2.00	0.06	<1	11	10431	871	7
80 - 81	94480	2.00	0.04	13	22	4084	4577	6
81 - 82	94481	2.00	0.14	<1	25	3982	4398	8
82 - 83	94482	2.00	0.49	8	13	3516	252	8
83 - 84	94483	2.00	0.10	<1	12	26647	315	43
84 - 85	94484	2.00	0.08	33	3	4018	33	5
85 - 86	94485	2.00	0.01	53	7	5187	22	4
86 - 87	94486	2.00	0.25	2	1	13374	19	6
87 - 88	94487	2.00	1.28	6	8	7412	50	7
88 - 89	94488	2.00	1.94	4	13	5105	34	9
89 - 90	94489	2.00	0.05	<1	35	11501	45	10

* Fused beads XRF;

These results indicate that the Tin Lode in the Stormsdown Pit is 4 metres wide with an average grade of 1.6% Sn occurring largely as cassiterite. The lode appears to be a shear zone containing large (>1m) blocks of massive pyrite within a friable matrix.

3.4. RESOURCE ESTIMATION

During the year mining consultants, Mining One carried out a JORC compliant resource estimation of the Project. Both historic and the 2010 drill results were reviewed and used for this estimate. The results are tabulated below with the resource report appended in digital form.

• **Table 6. Heemskirk Tin Project: 2010 JORC Resource Estimate (Mining One Consultants)**

Mineral Resources		
0.6% Sn cut-off grade		
Indicated Mineral Resources		
Queen Hill	1,600,000 tonnes	1.2% Sn
All Indicated Mineral Resources	1,600,000 tonnes	1.2% Sn

Inferred Mineral Resources		
Montana	360,000 tonnes	1.6% Sn
Severn	2,400,000 tonnes	0.9% Sn
All Inferred Mineral Resources	2,760,000 tonnes	1.0% Sn

Indicated + Inferred Mineral Resources		
All Mineral Resources	4,360,000 tonnes	1.1% Sn

- The estimates of mineral Resources were made using diamond drill hole assays within the interpreted mineralisation. All samples were composited to 1metre lengths and no top-cuts were applied. Bulk densities were based on estimated sulphur grade, where this was available, or were set to 3.3 tonnes per cubic metre for Queen Hill, 3.9 tonnes per cubic metre for Zeehan Montana and 3.2 tonnes per cubic metre for Severn. The grade estimates of the Mineral Resources were made using an inverse distance squared algorithm.
- The Mineral Resources were based on a cut-off grade of 0.6% Sn which was based on a tin price of US\$30,000 per tonne and reasonable assumptions for exchange rate, costs and modifying factors including mining recovery, mining dilution and metallurgical recovery.

Comparison with previous resource estimates (refer Tables 1 & 2) shows broad agreement and considering the variation in method, timing and personnel involved with each, provides some confidence in this latest estimate.

3.5. METALLURGICAL TEST WORK

Purpose of Metallurgical Test Work

- 1) Provide a comprehensive test of tin separation and recovery for upper Queen Hill mineralisation using a conventional processing route adapted for modern refinements.
- 2) Determine whether there are any impediments to producing a saleable concentrate at an acceptable level of recovery.
- 3) Show that historical work did not complete all process options due to premature ending of the test program into the metallurgical performance of upper Queen Hill mineralisation, as a result of the tin market collapse, although the work did provide valuable pointers to the current work.
- 4) Identify opportunities to improve on the recovery achieved.

The test work was supervised by Devlure Pty Ltd, an accredited expert on tin metallurgy, and conducted by Burnie Research Laboratory which regularly tests tin metallurgy from projects within Australia and overseas.

Samples were collected from 2010 drilling which focused on the upper level of the Queen Hill deposit. Specifically ore grade intersections from drill holes ZQ93, ZQ94, ZQ95 and ZQ97 were aggregated to provide a near surface sample (30m-50m from the surface) while a second sample was prepared by aggregating deeper intersections (110m from the surface) from drill holes ZQ96 and ZQ98 (see Figure 8). While the sample size is relatively small, requiring a cautious approach to interpreting results, it is regarded as representative of the upper Queen Hill mineralisation.

Process

The testing process involved crushing and grinding of samples to 212 micron followed by sampling for mineralogical characterisation and estimation of cassiterite liberation. Initial bench scale separation by heavy media was followed by sulphide flotation, gravity separation of the coarsest cassiterite from oxides followed by recovery of finer cassiterite by flotation. Concentrates and tails were characterised by microscopy. The process is a conventional ore characterisation approach used for sulphide rich tin ores. It is also compatible with the flow sheet used at the near-by Renison Bell tin mine.

Results

- Initial ore characterisation showed that both samples have similar cassiterite skarn mineralogy – cassiterite occurs as discrete grains and in association with iron sulphide and iron oxide minerals with a high level of separation theoretically possible.
- Importantly, acid soluble tin content was found to be negligible in both samples, backing up the results of earlier assaying, and confirming that tin mineralogy should provide no impediment to the economic production of a saleable concentrate.
- Pre-concentration using heavy media separation was shown to be effective in rejecting 15% of the non-economic minerals with negligible loss of tin. There are a number of advantages in pre-concentrating the ore, including the potential to mine lower grade material without loss of capacity in the downstream process plant.
- Liberation characteristics of cassiterite are very good down to finer fractions. This is an important observation as flotation reagents have significantly improved since the historical test work was completed and now allow recovery of finer cassiterite (down to 7 microns).
- Mineralogical assessments of tin grade versus recovery shows that it is theoretically possible to produce a concentrate containing 50% tin at recovery of 70% (see table 7). This target is similar to other lode ore tin mines and greatly exceeds the results from the historical test work.
- The initial metallurgical test work has shown that the process required to treat upper Queen Hill mineralisation is compatible with that operating 18 kilometres away at the Renison Bell mill.

• **Table 7. Heemskirk Tin Project: Theoretical Concentrate Grade and Recovery**

Composite 1		Composite 2	
Recovery	Grade	Recovery	Grade
%	%	%	%
64.5	56.5	64.7	57.1
67.1	54.2	70.6	52.6
70.9	49.9	72.5	50.8
75.2	45.4	74.9	47.7
82.7	35.9	81.5	38.4

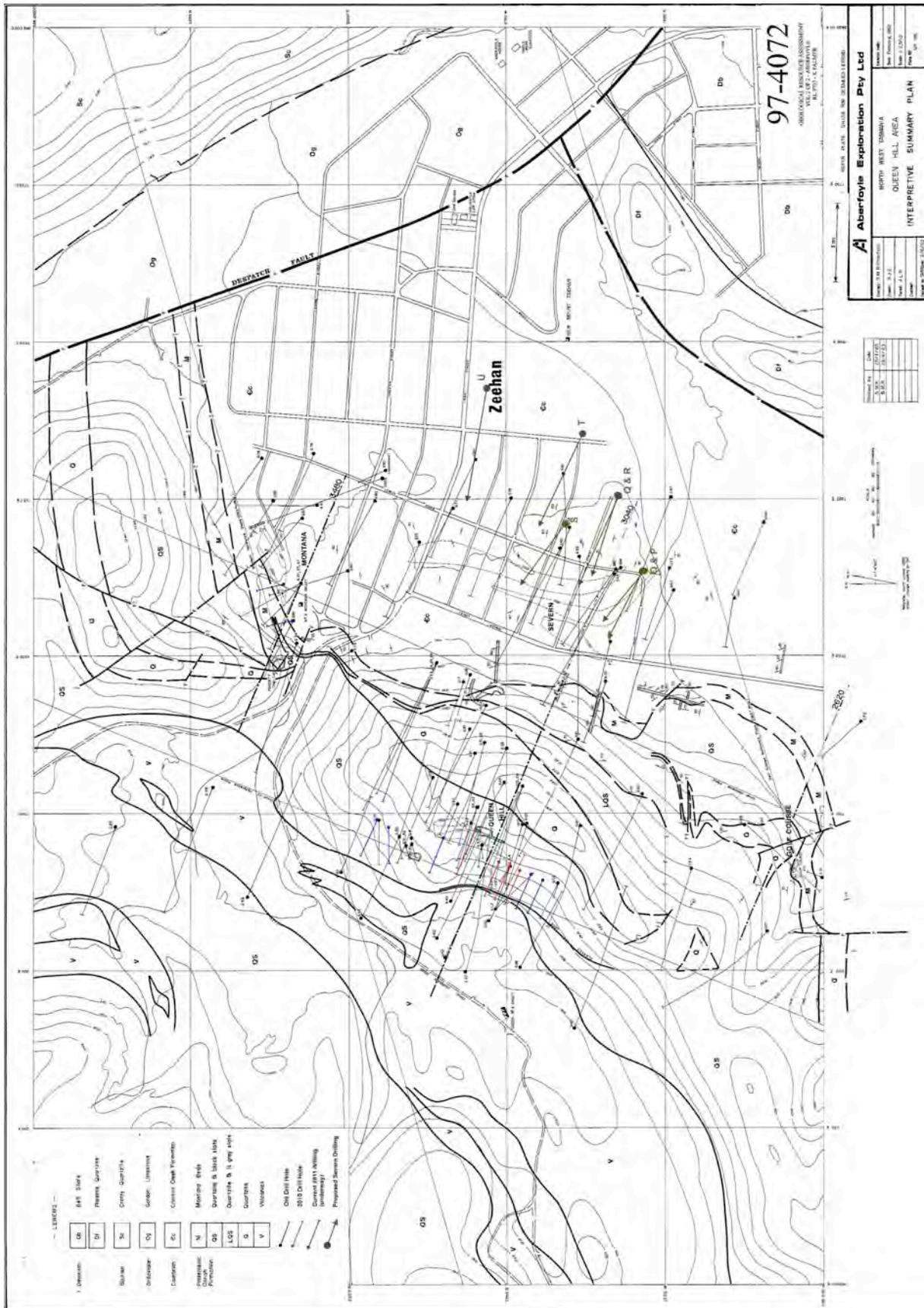
Source: AMMTEC for Burnie Research Laboratory

Stellar is now carrying out further test work on tin flotation. This is the final stage of the process in which fine-grained tin is recovered.

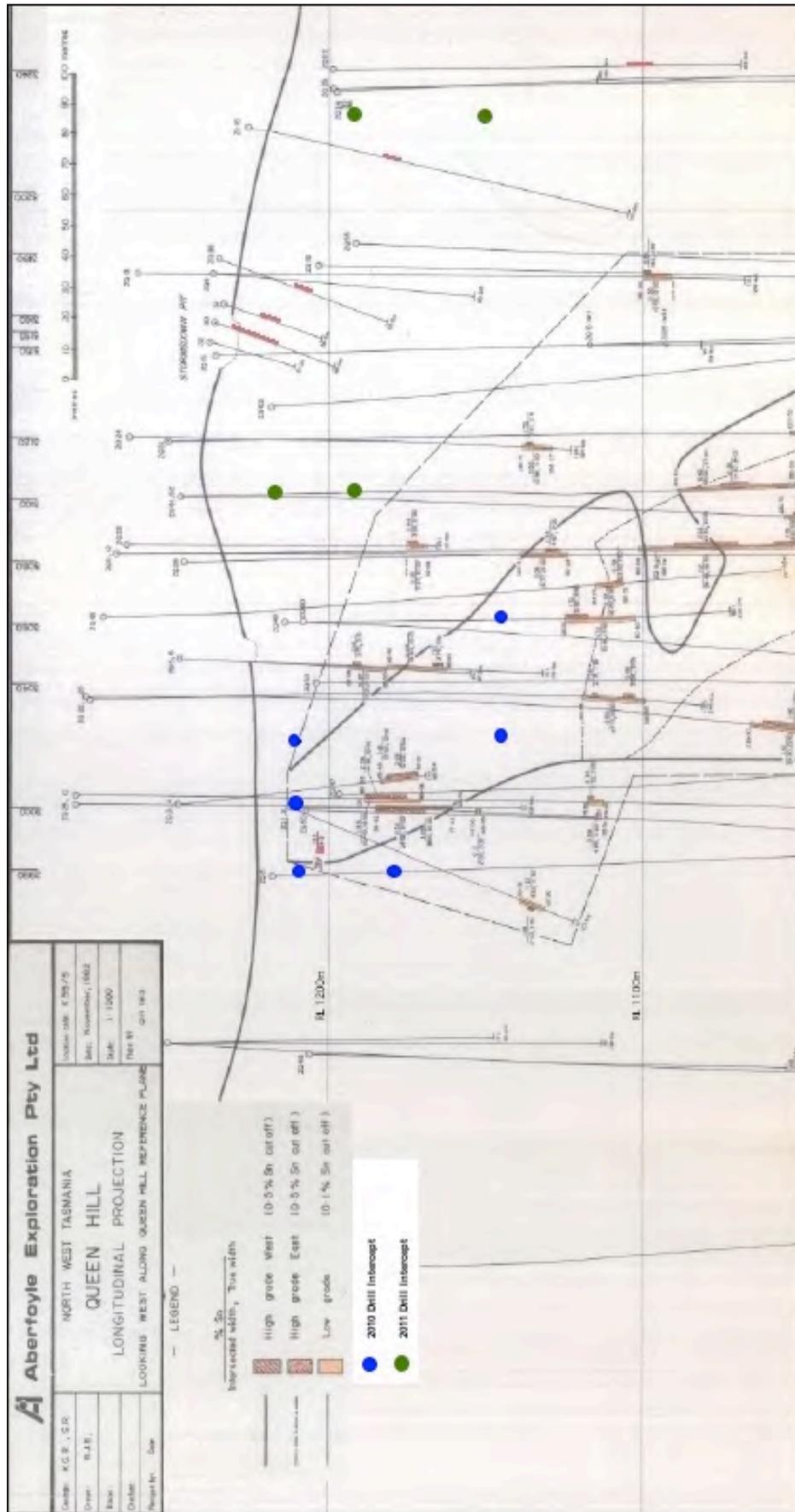
Results of ore characterisation studies and mineralogical assessment of the various process streams have indicated a potential recovery of 70% in a 50% tin concentrate. These results are comparable with tin concentrates from other projects around the world.

The 2011 test work focussed on reducing tin losses in the sulphide float circuit. Excellent results were achieved with a reduction in losses from 15% of tin in feed to 7%. Opportunities for further improvement are under investigation. Work on the tin float circuit is on going.

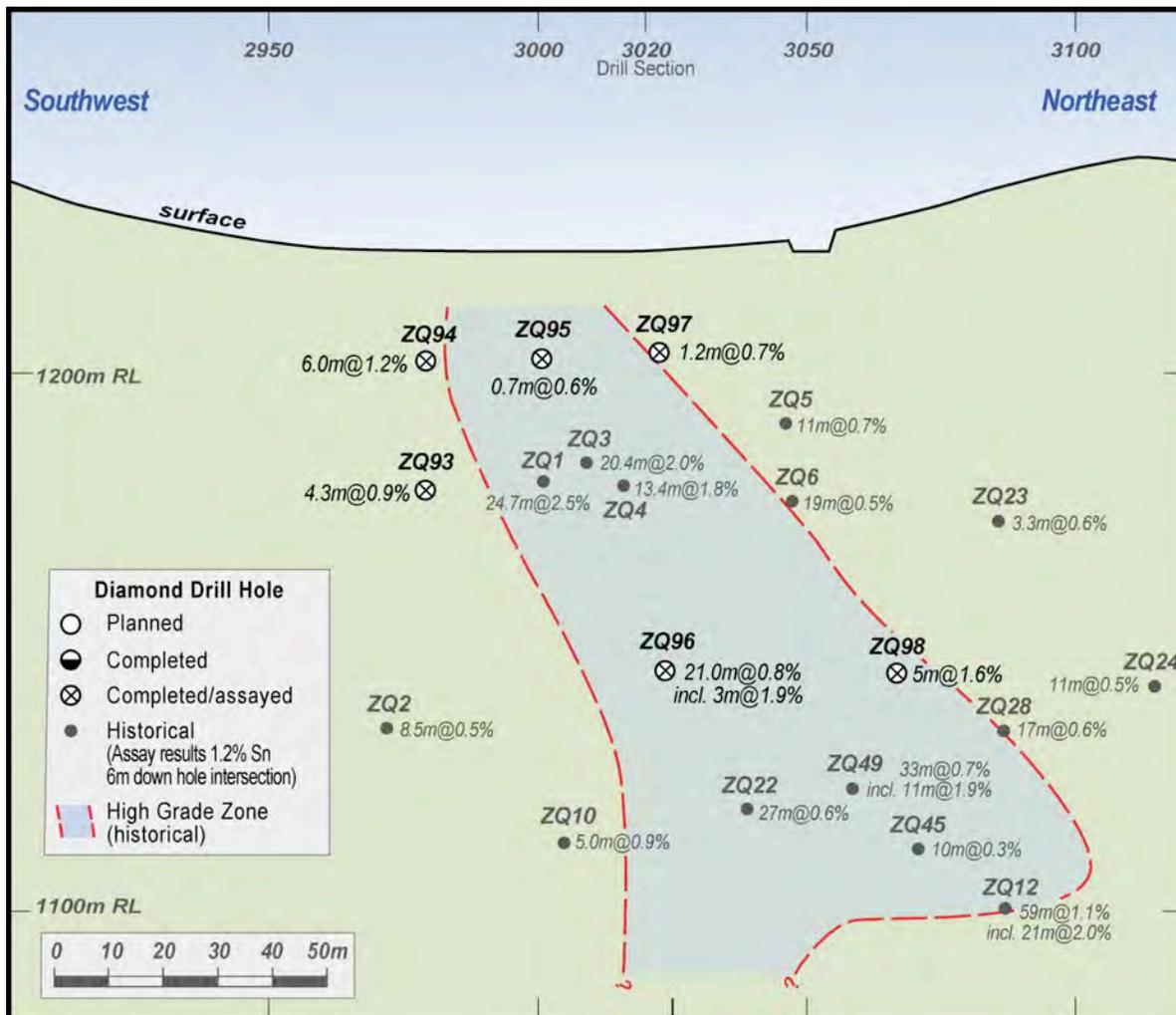
The metallurgical reports from Burnie Research Laboratory are appended in digital form.



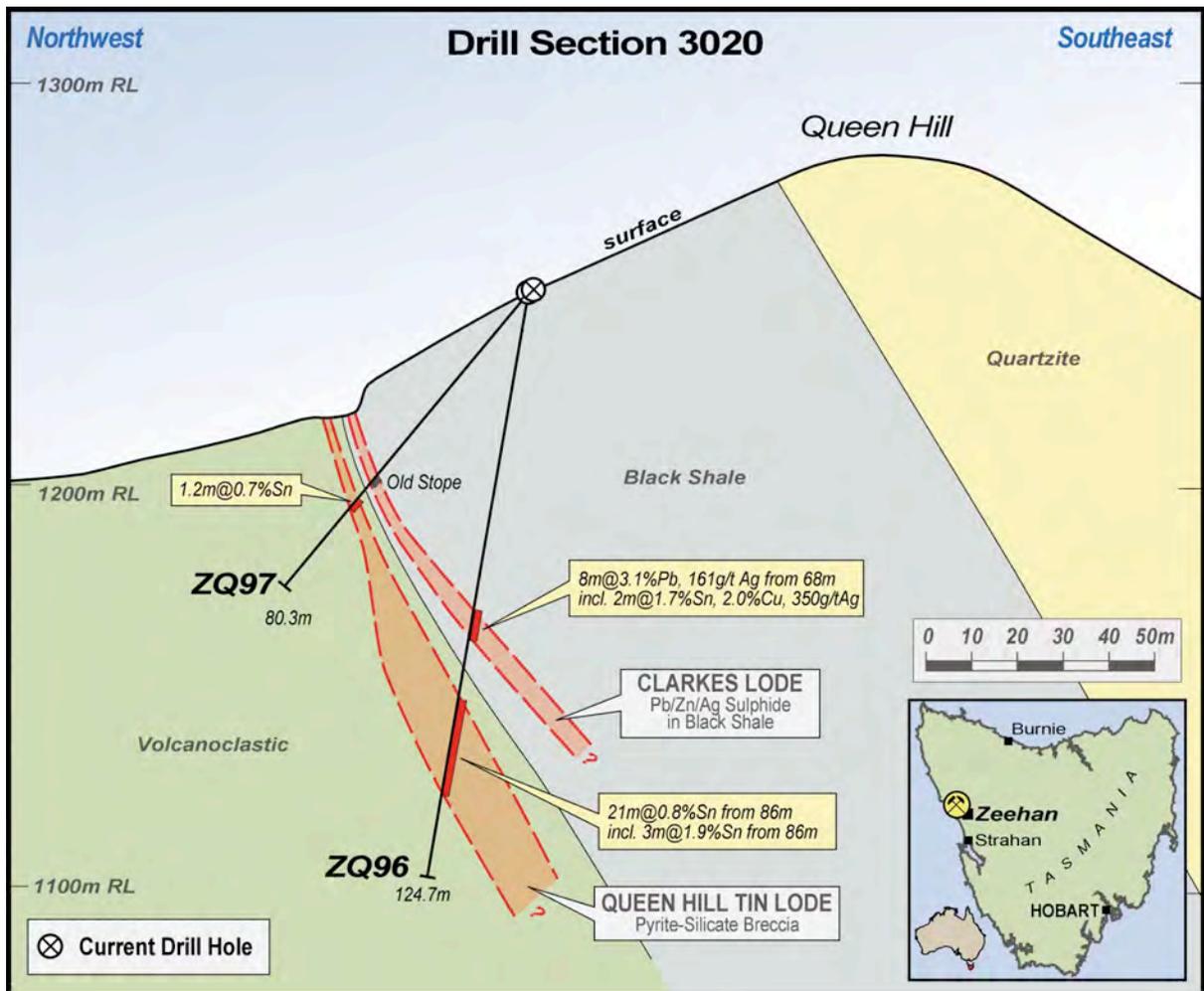
• Figure 6. RL5/1997, Heemskirk Tin Project: Historic, 2010, 2011 & Proposed Drilling Plan



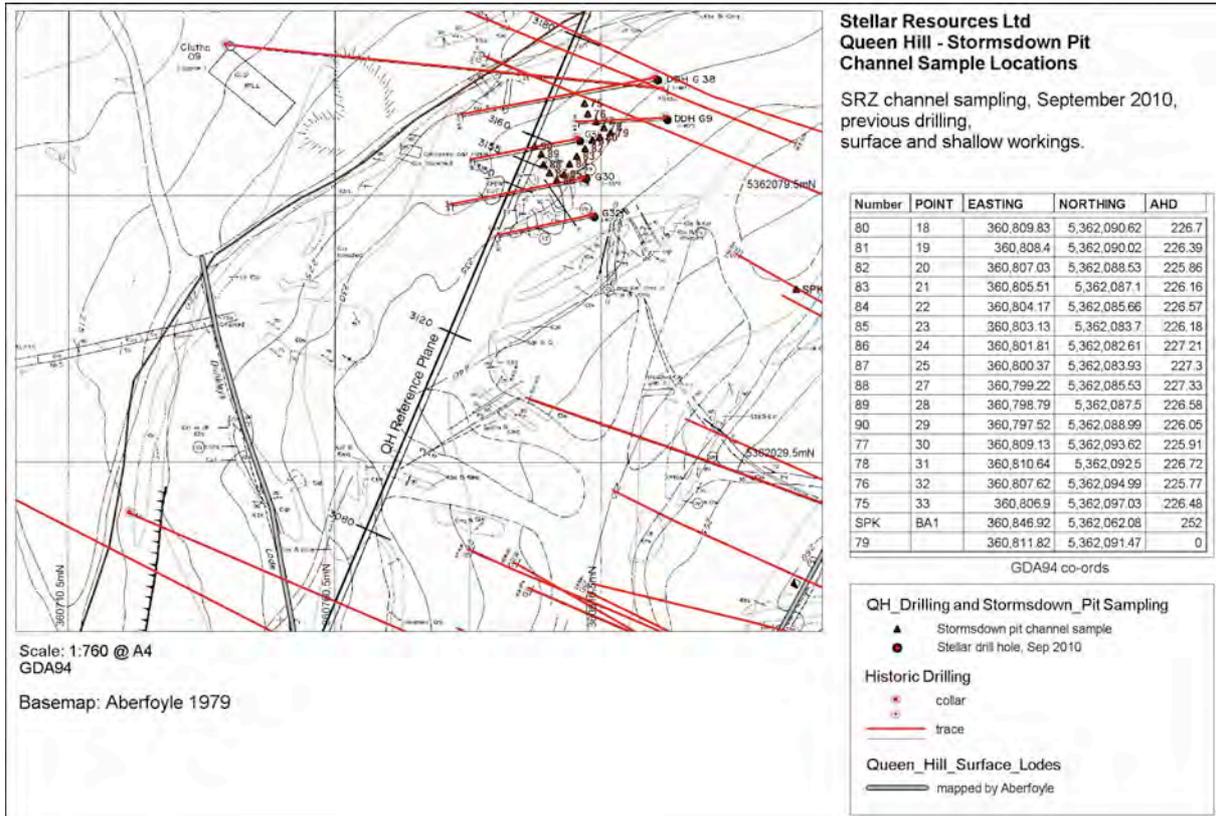
• Figure 7. RL5/1997, Heemskirk Tin Project: Queen Hill Long Section showing drill intercepts



• Figure 8. RL5/1997, Heemskirk Tin Project: Schematic Queen Hill Long Section showing drill intercepts and the High Grade Zone.



• Figure 9. RL5/1997, Heemskirk Tin Project: Schematic Queen Hill 3020 Section showing drill intercepts



• Figure 10. RL5/1997, Heemskirk Tin Project: Stormsdown Pit showing channel sample locations

4. DISCUSSION

4.1. DRILLING

All 2010 holes intersected ore grade mineralisation over good widths apart from ZQ95 and ZQ97 where grade was consistent with other holes but width narrowed as the mineralisation approached the surface. The results are consistent with the historical drill data.

The best result was in ZQ98 with 5m grading 1.56% tin from 95 metres down the hole or 90m from the surface. ZQ96 also provided a high-grade intersection with 21 metres grading 0.82% tin from 86 metres, including 1.0 metre grading 3.8% tin. Refer to Figures 8 & 9.

In all holes, the Tin Lode mineralisation contains negligible amounts of acid soluble tin suggesting that cassiterite rather than stannite is the tin mineral present. Some stannite is however present in Clarkes Lode intercepts.

Figure 8, a schematic long section, shows pierce points and assays in bold for 2010 drilling results (ZQ93-ZQ98) and shaded for historical results.

ZQ96 and ZQ98 confirm the down-dip continuity of high-grade mineralisation encountered in historical drill holes ZQ1, ZQ3 and ZQ4. In addition, ZQ93 and ZQ94 show that good ore grade mineralisation trends toward the surface in a southwest direction adding to the potential for open pit mining.

Mineralisation in the Queen Hill Tin Lode appears to be a fracture zone filling of pyrite and silica with cassiterite contained within the sulphides and silicates. The fracture zone occurs within the volcanoclastic unit, close to its contact with the overlying black shale unit. Pyrite is the dominant iron sulphide in the near surface lode intercepts (ZQ93, ZQ94, ZQ95 & ZQ97) while there is some pyrrhotite in the deeper intercepts (ZQ96 & ZQ98) together with pyrite.

Clarkes Lode, shown within the footwall black shale in Figure 9, represents a late stage emplacement of sulphides and appears to be a separate phase of mineralisation to the Tin Lode. Historic mining near the surface targeted Clarkes Lode but does not appear to follow it down at depth. As ZQ96 shows, Clarkes Lode can be quite rich with an 8m down-hole intersection assaying 3.1% lead and 161g/t silver within which occurs a 2m zone of 1.7% tin, 2.0% copper and 350g/t silver. Acid soluble tin assays indicate that a large proportion of the tin in the Pb/Ag lodes occurs as stannite. Refer to Table 3.

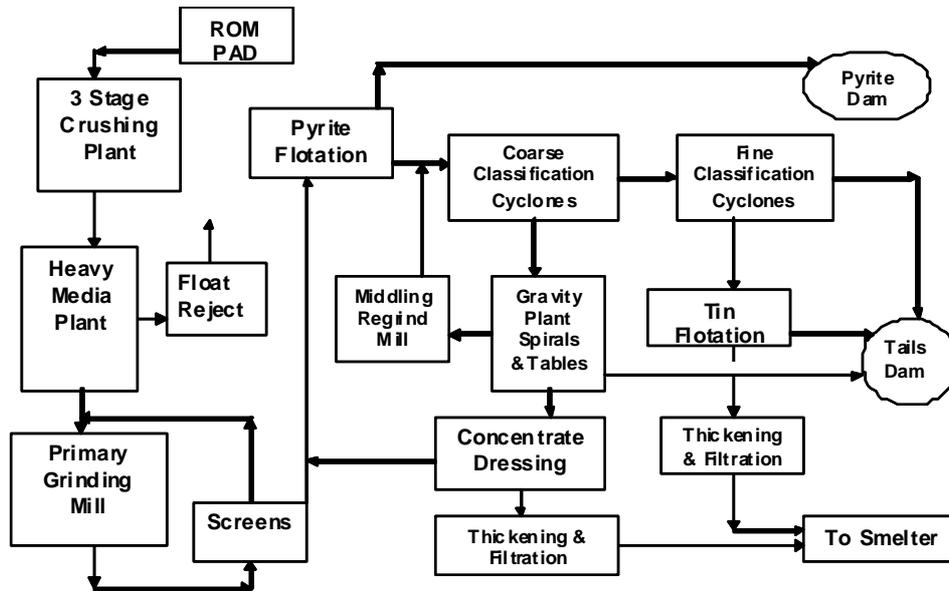
No significant tin mineralisation has been intersected in the 2011 drilling to date (some assay results are still pending) but significant lead/silver lodes were intersected in holes ZQ100 and ZQ101. (refer to Table 4. These intercepts, located between Queen Hill and Stormsdown, although narrow demonstrate that the high-grade lead/silver mineralisation is extensive. Refer to Table 4.

4.2. METALLURGICAL TEST WORK

Historically, upper Queen Hill mineralisation was found to be metallurgically more challenging than other mineralisation in the Heemskirk Tin Project. This conclusion appears to have been drawn after incomplete testing, by different practitioners more than 25 years ago and under the influence of a corporate preference for an unconventional smelting process. The imposition of tin quotas in 1984 brought the project to a premature end well before other metallurgical avenues could be investigated.

The current test work reflects for the first time, a consistent approach to conventional tin metallurgy and produced results that are sufficiently encouraging to advance the project toward development. In particular, the theoretical recovery of 70% for concentrate grading 50% tin compares well with other sulphide rich tin ores. The fact that there are no mineralogical impediments to achieving this outcome combined with the availability of process refinements that remain to be tested imply that an even better outcome can be targeted in the future.

Preliminary metallurgical test work completed in late 2010 showed that tin mineralisation at Queen Hill is in the form of cassiterite in association with iron sulphides and iron oxides with no stannite present. Importantly, it demonstrated that a traditional high-sulphide tin processing circuit, as shown in Figure 11, will work for Queen Hill tin mineralisation.



• Figure 11. RL5/1997, Heemskirk Tin Project: Preliminary Process Flow Chart

The main conclusions from the test work are that:

- Pre-concentration through a heavy media circuit is able to reject 18% of input mass including 36% of silicate minerals with very low loss of tin.
- In the pyrite flotation stage, approximately 14% of cassiterite reports to the pyrite float. This potential loss is typical for a sulphide rich tin ore. However, because of good liberation characteristics much of this fine cassiterite is free and potentially recoverable.
- Gravity separation following pyrite flotation works well.

5. CONCLUSIONS & PROPOSED WORK

The Heemskirk Tin Project comprises three structurally controlled and replacement tin deposits with substantial scope to both increase the size and quality of the known deposits and to add to this resource through the discovery of additional mineralisation at depth.

In 2010, Stellar added to the drilling database with 6 holes into the near surface Queen Hill deposit. These results confirmed the high-grade nature of mineralisation and provided fresh samples for metallurgical testing. The metallurgical tests indicated that tin is recoverable using a process similar to that used at the nearby Renison Bell tin mine.

Mining One is currently reviewing production options for the Zeehan Tin Project and is nearing completion of a scoping study, which will facilitate a prefeasibility study of mining shallow, high-grade portions of near surface sections of the Queen Hill Deposit.

A staged exploration program is underway to test the known lodes, extend their boundaries and discover new deposits. Various targets have been delineated and are described below.

5.1. EXPLORATION TARGETS

Stage 1 Targets (1, 2, & 3 in Figure 12)

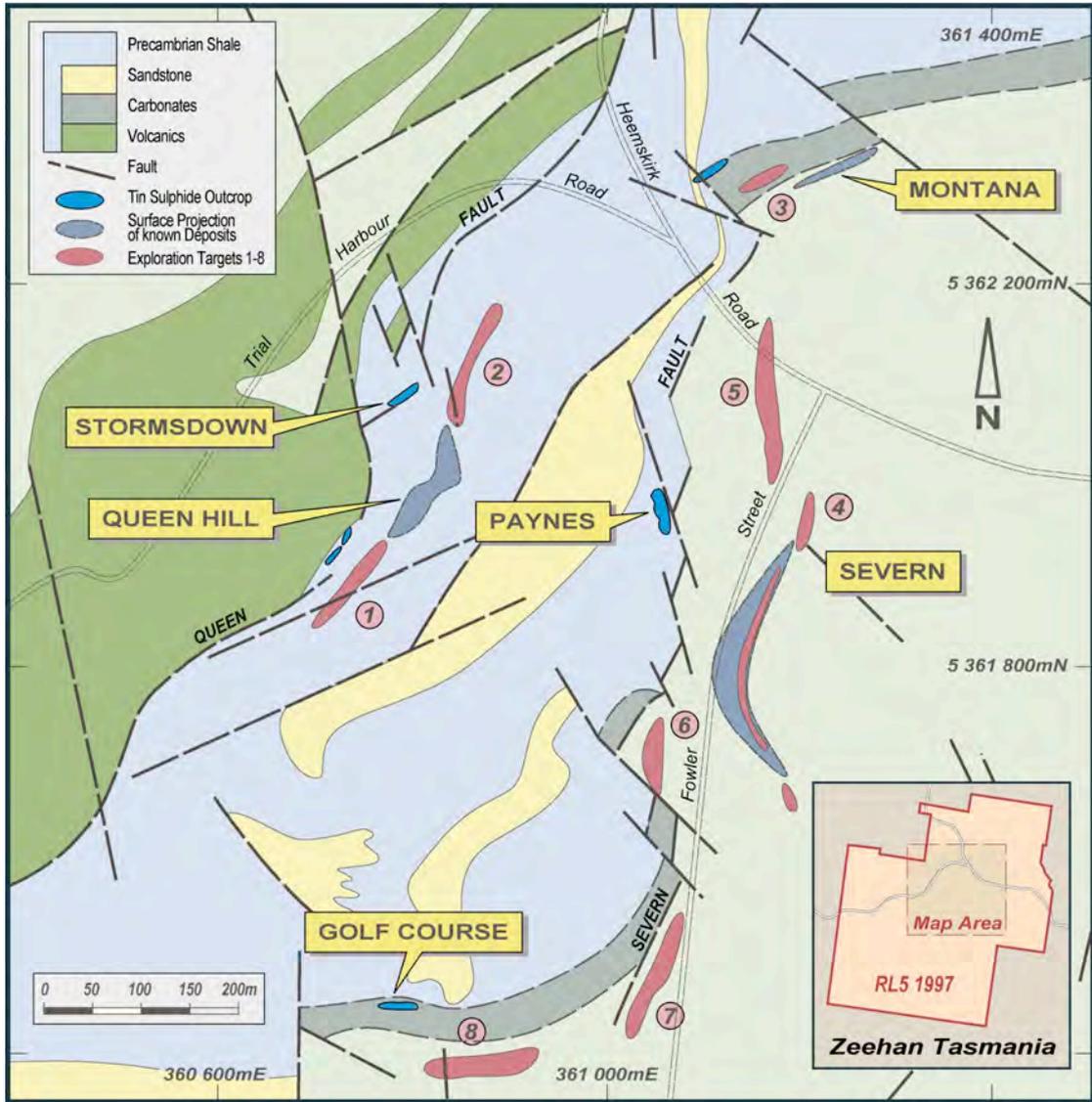
Exploration during Stage 1 will focus on lateral extensions to the known deposits as these have the potential to deliver the shallowest and lowest cost mineralization to the project. At Queen Hill, the target is to the north and south (targets 1 & 2) of the deposit. Montana provides an exploration opportunity between the tin mineralized sulphides shown in the Montana pit and the top of the deposit located at a depth of 75m and to the east of the pit (target 3).

Stage 2 Targets (4 in Figure 12)

The Mining One study identified a number of drill targets below the known mineralization at Queen Hill and Severn. Stage 2 drilling has the potential to upgrade the historical drilling results and expand the resource estimates down-dip. In addition, increased geological knowledge from Stage 1 drilling at Montana may identify new drilling targets at depth.

Stage 3 (targets 5, 6, 7 and 8 in Figure 12)

The Severn Fault represents a highly prospective structure that was only sporadically tested by historical drilling. It is interpreted as the conduit for Severn mineralization at depth and possibly the Payne's mineralization at the surface. It may also connect with the mineralised pit near Montana in the north and through associated structures the Golf Course pit in the south. There are several locations along the fault where structure intersects favourable geology and where magnetic anomalism provides a targeting tool.



• Figure 12. RL5/1997, Heemskirk Tin Project: Interpretive Geology & Exploration Targets

6. ENVIRONMENT

All drill holes are being capped. The 2010 holes with wooden plugs and cement, and the 2011 holes with Van Ruth Plugs and cement.

All of the drill sites on Queen Hill have been cleaned and the sumps filled in but the tracks have been left open for future grid drilling access.

7. EXPENDITURE

Job No	Job Details	Department	
Tran. Date	30/4/2010 – 1/5/2011	Doc Ref - Description	Amount
Job Code: 6501	RL 5/1997 Zeehan Tin JV		
		Technical	AU\$50,166.83
Phase Total		STAFF COSTS	AU\$50,166.83
		Professional Technical	AU\$14,107.05
		Labour	AU\$30,847.50
Phase Total		CONTRACT PERSONNEL	AU\$44,954.55
		Administration & Computing	AU\$4,309.85
		Geoscientist	AU\$157,896.73
		Other	AU\$1,222.5
Phase Total		CONSULTANT PERSONNEL	AU\$163,429.08
		Site Preparation	AU\$27,699.00
		Diamond	AU\$266,882.30
Phase Total		DRILLING	AU\$294,581.30
		Assays	AU\$74,923.60
		Storage Fee	AU\$2,227.26
Phase Total		ASSAYS	AU\$77,150.86
		Vehicle Costs All	AU\$16,679.31
		Office Costs	AU\$577.94
		Operations Consumables	AU\$71574.32
		Safety Equipment	AU\$90.00
Phase Total		SUPPORT COSTS	AU\$88,921.57
		Computing	AU\$990.00
Phase Total		DATA PROCESSING	AU\$990.00
		Pegging Application Forms	AU\$370.91
		Rents/ Other Utilities	AU\$9,534.03
Phase Total		TENEMENT COSTS	AU\$9,904.94
		Meals and Accommodation	AU\$29,367.22
		Airfares	AU\$2,603.96
		Vehicle Hire	AU\$2,299.26
		General Expense	AU\$396.72
Phase Total		TRAVEL	AU\$34,667.16
		Administration	AU\$248,509.00
Phase Total		OVERHEADS	AU\$248,509.00
Job Total:		TOTAL	AU\$1,013,275.29

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Keywords

Location: Zeehan
Mineralisation environment: Sulphide Skarn
Minerals: Cassiterite, Stannite, Pyrite, Pyrrhotite, Magnetite
Exploration methods: Historic Research, Drilling, Metallurgical Testwork
Mine/prospect name: Heemskirk Tin Project, Queen Hill deposit, Severn deposit, Montana deposit
Stratigraphic name: Oonah Formation, Success Creek Group, Crimson Creek Formation, Gordon Limestone, Eldon Group, Heemskirk Granite
Lithologic name: quartzite, siltstone, shale, limestone, dolomite, granite
Geological Province: Dundas Trough
Geological age: Lower Neoproterozoic, Palaeozoic

STELLAR RESOURCES LTD

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RL 5/1997 Zeehan – Report on 2010 program

APPENDICES

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Appendix 1: Drilling Summary

Stellar Resources Ltd.
Heemskirk Tin Project
Diamond Drilling Summary

Hole No.	Collar Co-ordinates (MGA)			Section No.	Azimuth (MGA)	Dip°	Start Date	End Date	Depth (m)	Core Size	Av. Rec	Geology & Mineralisation		Assay						Int. Rec.					
	Easting	Northing	R.L.									Interval (m)		Interval (m)	Width (m)	% Sn	ASSn (ppm)	% Cu	% Pb		% Zn	Ag (ppm)			
ZQ 96	360787.28	5361947.38	247.29	3020	294°	79°	15/07/10	29/07/10	124.4	HQ3	98%	0.0 - 79.6	Black Shale/Siltstone/Quartzite Breccia												
												61.1 - 61.35	Highly Altered Sideritic rock												
												68.23 - 71.9	MS Breccia (Clarke's Lode)	68.0 - 76.0	8.00	0.76	4397	0.52	3.06	0.71	161	97%			
												71.9 - 76.2	Sulphide veined Black Shale												
												79.6 - 85.82	Spillitic Volcaniclastic												
												85.82 - 105.32	Massive Sulphide & Chert Breccia	85.8 - 107.0	21.20	0.89	123	0.02	0.46	0.79	17	99%			
														90.0 - 91.0	1.00	4.17	101	0.01	0.02	0.04	5	100%			
												105.32 - 124.4	Siliceous Siltstone												
												116.4 - 116.8	Pyrite Breccia (no significant mineralisation)												
ZQ 97	360785.30	5361948.02	247.01	3020	290°	50°	30/07/10	13/08/10	80.3	HQ3	88%	0.0 - 55.06	Black Shale/Siltstone/Quartzite Breccia												
												50.7 - 52.9	Stope (Clarke's Lode)												
												53.3 - 53.8	Mineralised, highly altered Quartzite	53.2 - 54.0	0.80	0.11	135	0.02	6.15	0.55	130	78%			
												55.06 - 80.3	Lapilli Volcaniclastic												
												56.2 - 58.2	Massive Pyrite (Tin Lode)	57.0 - 58.2	1.20	0.77	49	0.01	0.05	0.06	8	76%			
												58.2 - 58.65	Pug (Shear)												
												61.2 - 61.8	Pug (Shear)												
ZQ 98	360821.30	5361972.36	257.70	3060	293°	70°	17/08/10	7/09/10	131	HQ3	93%	0.0 - 91.8	Black Shale/Siltstone/Quartzite Breccia												
												65.14	45mm Galena/Sphalerite vein	65.0 - 65.4	0.40	0.11	<10	0.01	20.90	1.30	909	100%			
												91.8 - 92.5	Highly Altered mineralised Quartzite												
												92.5 - 92.73	Massive Sulphides	92.0 - 92.73	0.73	0.73	4774	0.60	0.70	0.03	77	99%			
												92.73 - 94.3	Stope (Clarke's Lode)												
												94.3 - 98.9	Massive Pyrite with Pyrrhotite (Tin Lode)	95.0 - 100.0	5.00	1.50	239	0.02	0.02	0.01	6	96%			
												98.9 - 102.7	Pyrite/Chert Breccia & Chert												
												102.7 - 131.0	Lapilli Volcaniclastic												
												122.2 - 123.1	Broken Volcaniclastic with MS veining	122.0 - 123.0	1.00	0.04	16	0.02	3.75	2.60	82	91%			

STELLAR RESOURCES LTD

May 2011

RL 5/1997 Zeehan – Report on 2010 program

Appendix 2: Analytical Methods



Burnie RESEARCH LABORATORY

A Division of AMMTEC Ltd ABN: 40 396 637 856
Hydrometallurgy Consultants & Flotation Technology Specialists

39 River Road, Wivenhoe, TAS 7320 PO Box 952, Burnie, TAS 7320 Tel: 61 3 6431 6333 Fax: 61 3 6431 6896

17th August 2010

Mr. Ray Hazeldene
C/- Stellar Resources

Dear Ray,

Re: BRL Analysis Methods.

Please find below a summary of analysis methods employed for the assay of Stellar Resources samples.

XRF Fused Bead Analysis (Sn, WO₃ & Fe)

The sample is mixed with a borate flux, pre-oxidised @ 700°C then fused @ 1200°C. The homogenous glass bead is presented to the Axios X-ray spectrometer for measurement against a calibration constructed from synthetic standards & verified using Certified Reference Materials.

AAS Analysis (Soluble Sn, Cu, Pb, Zn, Ag, Bi, Ni, As)

The sample is digested in a mixture of hydrochloric, nitric & perchloric acids; evaporated to dryness then re-dissolved in hydrochloric acid before being diluted to final volume. The unknown is then presented to the Varian AA-240 atomic absorption spectrophotometer for measurement against a calibration constructed from synthetic standards & verified using Certified Reference Materials.

Sulphur Analysis (S)

The sample is presented to the CS-2000 sulphur analyzer with the concentration being determined via infra-red detection of evolved sulphur trioxide. The calibration is constructed from Certified Reference Materials & verified using same.

Specific Gravity (SG)

The specific gravity of the sample is determined using an air pycnometer. Calibration is via a "calibration ball" of known SG value.

Yours Sincerely,

Ricky Gelston
Chief Chemist
Burnie Research Laboratory

Serving with Quality and Efficiency