Stellar Resources

Stellar Resources is focusing on the development of its tin and base metal assets in Tasmania. Its key asset is the high grade Heemskirk Tin Project near Zeehan. It also has a number of exploration properties in Tasmania and South Australia that are being advanced by joint venture partners.

2011 Highlights

Heemskirk Tin

- Diamond drilling at Stormsdown, 110 metres to the north of Queen Hill and Montana provided high grade tin, silver, lead and zinc intersections.
- JORC compliant resource of 4.4 million tonnes grading 1.1% tin or 48,000 tonnes of contained tin was estimated by an independent expert.
- Scoping study showed potential for economic development with 3.5 year payback on $108 million pre-production capital and a competitive cash operating cost of US$12,780/t of tin.
- Metallurgical test work on upper Queen Hill mineralisation using a conventional gravity/flotation circuit provided encouraging results.

Tarcoola Iron

- Advanced search for a joint venture partner to drill test the Coolygirring deposit.

Pirie Basin Uranium

- UraniumSA Limited drilling focused on potential high grade sedimentary uranium mineralisation in the north-west corner of Stellar’s EL 4242 (Midgee).
- Renaissance Uranium Limited completed reconnaissance drilling on EL 3978 (Cowell) and identified a number of uranium mineralised zones for follow-up close spaced drilling.

2012 Targets

Heemskirk Tin

- Upgrade all resource estimates to indicated and where possible measured category.
- Advance exploration with the aim of adding a fourth deposit.
- Complete first pass metallurgical testing of the Queen Hill, Montana and Severn deposits.
- Complete environmental baseline and associated studies.
- Complete a prefeasibility study on the upgraded resource estimates.

Tarcoola Iron

- Complete ranking of exploration targets in Tasmania and drill test highest priority target.

Other

- Joint Venture Tarcoola Iron and Goldfinger properties.

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The past year has been a particularly exciting one for Stellar Resources. We have focused our efforts on the Heemskirk Tin project at Zeehan in Tasmania and have also continued to pursue our other promising prospects in the portfolio that we have built up in Western Tasmania. This has seen us shift our efforts away from our more traditional focus in South Australia.

We have been able to achieve a number of joint ventures on our uranium and copper gold projects that will allow Stellar to retain an ongoing interest in the event of significant discoveries.

I am pleased to say that the market has responded to our new “tin” focus and this has been reflected in an improved share price. In December we were able to raise $2.1 million through a placement to sophisticated investors and this allowed us to continue with our promising program.

At the Heemskirk tin project in Zeehan in Tasmania, we have had a diamond drilling rig on site pretty much continuously. This has allowed us to confirm continuity and grade in the shallow parts of the Queen Hill and Montana deposits and to recover sufficient sample to carry out preliminary metallurgical testing. This metallurgical test work has demonstrated that the majority of the tin occurs as cassiterite and will be extractable using a tin recovery path similar to that used at the world class Renison Bell mine which is located 18 kilometres to the northeast of Heemskirk.

During the year the company also completed a JORC compliant resource estimate and followed that up with a desk top development scoping study. Based on an indicated plus inferred resource of 4.4 million tonnes at 1.1% tin, this work has demonstrated that Heemskirk can be an economic development as it is. More exciting to me though, is that there is considerable upside potential to expand the resource in the existing three deposits and to discover additional as yet undiscovered lodes both laterally and at depth. We believe that the Heemskirk deposit is geologically very similar to the Renison Bell deposit which has now been in production for around 100 years.

Our other focus in Tasmania has been to gain access to high potential prospects identified by our geological analysis of Western Tasmania. A number of joint ventures have been concluded and initial reconnaissance ground work completed.

We remain convinced of the high prospectivity of a number of these projects. We still hold the Tarcoola Iron project and are in discussions with a number of potential partners about its future direction.

During the year, Tom Burrows stepped aside as Chairman to pursue his other interests. Tom was the company’s founding Chairman and made a considerable contribution to the development of Stellar Resources. I am pleased that he has agreed to remain as a director as his advice and counsel are invaluable to me and the board as a whole. This year we also welcomed Tom Whiting onto the board. Tom has a lifetime of experience in the exploration business and has made a substantial technical contribution in the development of Stellar’s Tasmanian portfolio over the past few years.

I would like to thank CEO Peter Blight and our staff and contractors who have made a great contribution to the company over the past year. Without all of their efforts it would have been impossible to advance as far as we have.

The past year has been a year of positioning ourselves and demonstrating the realised potential of our Heemskirk tin project. We believe that we have done this effectively and are now in a position to notch up our program. On behalf of the board I would like to thank all of our shareholders for their continued support.

“…the market has responded to our new ‘tin’ focus and this has been reflected in an improved share price.”
The Heemskirk Tin Project is located near Zeehan on Tasmania’s West Coast in an area well serviced by power, water, transport, mining and other infrastructure. Stellar holds a 60% interest in the project with joint venture partner Gippsland Limited and can increase its holding to 70% by completing a feasibility study. Drilling by Gippsland Limited in the 1970s and subsequently Aberfoyle Limited during the 1980s identified three tin deposits; Queen Hill, Montana and Severn. In 2010, Stellar added to the substantial drilling database with 6 diamond drill holes into the near surface Queen Hill deposit. The Stellar results confirmed the high grade nature of the mineralisation and provided fresh samples for metallurgical testing. These tests indicated that tin is recoverable using a process similar to that employed at the nearby Renison Bell tin mine. In March 2011, Stellar released a JORC compliant inferred resource estimate for Queen Hill, Montana and Severn of 4.36 million tonnes grading 1.1% tin or 48,000 tonnes of contained tin. The resource estimate, prepared by independent mining consultancy Mining One, is the highest grade of any undeveloped tin deposit identified to date in Australia. All three deposits are open with recent drilling 110 metres to the north of Queen Hill at Stormskew intersecting high grade tin and base metals mineralisation. Exploration potential to the south of the Severn deposit is also outstanding. In July 2011, Stellar completed a scoping study which showed the potential for economic development of the project with a 21% internal rate of return and a 3.5 year payback on the $128 million of pre-production capital. Simultaneous development of the three deposits would allow economies of scale to be achieved at a 600,000 tonne per annum mining rate. Annual tin production of 3,900 tonnes would place the project as the second largest tin producer in Australia after the Renison Bell mine. The Heemskirk project is also expected to have a competitive cost structure with an estimated cash production cost of US$12,780/tonne of tin and an operating margin of 43%. The project has now entered the pre-feasibility stage involving:

• continued drilling to upgrade and expand the resource estimate,
• exploration to locate a fourth deposit on the retention licence,
• assessment of the silver, lead and zinc potential,
• environmental assessment of the mining plan,
• continued metallurgical assessment of the three deposits.

“The resource estimate is the highest grade of any undeveloped tin deposit in Australia”

Pirie Basin Uranium
(Stellar 100%, joint venture partners earning interests)

The Pirie Basin is located south of Whyalla along the east coast of the Eyre Peninsula in South Australia. The recent discovery of the Blackbush and Plumbush sedimentary uranium deposits established the Pirie Basin as a new uranium province and greatly upgraded the potential of Stellar’s EL 4242 and EL 3978 located in the southern half of the Basin. UraniumSA Limited is Stellar’s joint venture partner in EL 4242 and has until September 2012 to earn a 73% interest in 40% of the licence by identifying a JORC inferred resource. Regional exploration drilling by UraniumSA Limited has shown that Plumbush mineralisation extends into the southwest of EL 4242. However, closer spaced drilling is required to test the full extent of this mineralisation. Renaissance Uranium Limited, joint ventured into EL 3978 in October 2010 with a grant of 750,000 shares and 750,000 options to Stellar on Ministerial approval of the agreement. A further 750,000 shares and options are to be granted to Stellar on the 12 month anniversary of approval. Under the terms of the joint venture, Renaissance has the right to earn a 75% interest in the licence by sole funding $3.5 million of expenditure over five and a half years. The Pirie Basin is expected to produce 3,000 tonnes of uranium per annum at a projected mining rate of 600,000 tonnes per annum with production commencing in 2013 with a 3.5 year payback on the $108 million of pre-production capital. Simultaneous development of the three deposits would allow economies of scale to be achieved at a 600,000 tonne per annum mining rate. An estimated cash production cost of US$12,780/tonne of tin and an operating margin of 43%.

Renaissance completed a gravity survey to identify basin architecture and followed up with 31 rotary mud drill holes in a wide-spaced reconnaissance program. So far the program has identified thick sequences of Eocene sand, the host horizon for the Blackbush and Plumbush uranium deposits to the north, with elevated uranium levels in some holes. Closer spaced follow-up drilling is planned over priority targets.
Exploration

Strategy

- Rank areas in terms of prospectivity and potential size of prize – either large or high grade.
- Focus on areas of known mineralisation and high ranking drill targets.
- Acquire properties that complement existing targets or are attractive in their own right.
- Properties that do not fit those criteria are subject to divestment or joint venture.

Copper Gold

AngloGold Ashanti Joint Venture South Australia (AGAA earning 75%)

In October 2010, AngloGold Ashanti Australia Limited (AGAA) agreed to joint venture into four Stellar exploration licences (ELs 3752, 3753, 3855 and 4573) in the Gawler Craton of South Australia to explore for world-class iron oxide copper gold mineralisation. Under the terms of the agreement, AGAA has to spend $5 million within six years to earn a 75% interest in the licences.

EL 6556 Panama Hat New South Wales (Stellar 100%)

Reverse circulation drill testing below a number of high grade rock chip samples around the Panama Hat mine and Williams Prospect provided results that were insufficiently encouraging to warrant a second round of drilling. Stellar is currently investigating the potential to joint venture the property.

EL 36/2003 Whyte River Tasmania (Stellar earning 75%)

Stellar has entered into a joint venture with Bass Metals Limited on EL36/2003 Whyte River. Under the terms of the Joint Venture, Stellar can earn a 75% interest in all minerals apart from tin, tungsten and iron by sole funding the first $500,000 of exploration.

EL 1/2004 Ramsay Tasmania – Tin/Lead (Stellar 100%)

Surface sampling and geological assessment of five geophysically anomalous zones was completed during the year. Once all results are available the anomalies will be prioritised for follow-up work.

EL 26/2009 Huskisson Tasmania – Nickel (Stellar 100%)

Stellar completed a VTEM survey over the licence during the year and identified six anomalies worthy of follow-up exploration.

EL 40/2010 Heazlewood Hill Tasmania – Nickel (Stellar 100%)

Stellar was recently awarded this licence and plans to follow up a number of untested geophysical anomalies that were identified by previous explorers.

EL 49/2004 Rayne Tasmania – Nickel (Stellar 100%, MMG earning up to 80%)

MMG Exploration Pty Ltd, a wholly owned subsidiary of Minmetals Resources Limited (HKEX: 1208) is undertaking a staged farm-in into the licence by sole funding exploration of up to $1.4 million to earn an 80% interest. The first stage involves a single diamond drill hole into an intense magnetic anomaly in the northeast corner of the licence.

EL 4632 Goldfinger New South Wales – Zinc (Stellar 60%)

Stellar is in the process of restructuring the joint venture in order to allow for the entry of a new partner to take the project forward.

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EL 46/2003 Goulays Tasmania (Stellar 100%)

Two diamond drill holes tested high amplitude magnetic anomalies. The results were moderately encouraging with several narrow zones of copper veining. Follow-up work will depend on the outcome of geological modelling.

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Coal Royalty

Stellar holds a royalty of $0.60/tonne of coal or iron ore mined from EL 4525 located south of Coober Pedy in South Australia. Southern Coal Holdings Pty Ltd, the holder of this licence, recently released a coal resource estimate of 462.4 million tonnes for the Penrhyn deposit following a program of resource definition drilling. Southern Coal Holdings is considering the application of clean coal upgrading technology as part of a development strategy for the deposit.
Directors and Executives

Chairman
Phillip G Harman
B.Sc (Hons) MAusIMM
Mr Harman is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of roles both technical and managerial, both in Australia and overseas.

Directors
Thomas J Burrowes
B.Ec (Hons), MBA (Melb)
Mr Burrowes has extensive experience in all facets of Australian exploration and mining over the past 25 years. After an initial career in funds management, he has held a number of directorships in ASX listed exploration and mining companies.

Phillip G Harman
B.Sc (Hons) MAusIMM
Mr Harman is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of roles both technical and managerial, both in Australia and overseas.

Chief Executive Officer
Peter G Blight B.Sc (Adelaide), M.Sc (USA) AusIMM, AICD
Mr Blight has been involved in the exploration, mining and finance industries for the past 30 years. Prior to joining Stellar Resources, he was Director of Research at Russian aluminium giant UC Rusal where he was responsible for market analysis and business development in China and India. He also had a 14-year career with investment bank UBS as Executive Director of commodity analysis in London and prior to that as a mining company analyst in Melbourne.

Company Secretary
Melvyn J Drummond
BA, B.Com, FCIS
Mr Drummond worked and resided in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorships) in both private and public companies in various business sectors, including resources.

Corporate Directory
Legal Advisor
Bryan Cumming
21 Adam Street,
Indented Head VIC 3223

Auditor
Deloitte Touche Tohmatsu
560 Bourke Street,
Melbourne VIC 3000

Bankers
National Australia Bank Limited
Level 2, 330 Collins Street,
Melbourne VIC 3000

Share Registry
Boardroom Pty Limited
Level 7, 207 Kent Street,
Sydney NSW 2000

Forward Looking Statement
This Business Review contains certain forward looking statements with respect to the company that involve known and unknown risks that are beyond the company’s control. In light of these risks, actual results may differ from those indicated. Investors are cautioned not to place undue reliance on the forward looking statements which speak only as at the date of this Business Review.

Competent Person’s Statement
The information in this report that relates to Mineral Resources is based on information compiled by Michael McKeown who is a fellow of the Australian Institute of Mining and Metals. Michael McKeown is employed by Mining One Pty Ltd and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Michael McKeown consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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