

# ASX Release

27 January 2011

ASX Code: SRZ

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## Quarterly Report For the period ended 31 December 2010

### Highlights

#### Heemskirk Tin Project (TAS)

- JORC resource estimate underway.
- Encouraging preliminary metallurgical test work completed.

#### Tarcoola Iron Ore Project (SA)

- Project marketed to potential investors in China and Australia.

### Exploration

- Drilling commenced at the Gourlays copper/tin prospect in Tasmania.
- Renaissance Uranium (ASX: RNU) to spend \$3.5 million on uranium exploration over 5 years to earn a 75% interest in Stellar's Pirie Basin EL 3978.

### Corporate

- Stellar raised \$2.1 million in a 15% placement of new shares to investors to progress the Heemskirk Tin project and fund exploration.
- Stellar held cash of \$3.7 million at 31 December 2010.

### Targets for March Quarter 2011

- Gourlays copper/tin drilling results.
- Heemskirk Tin:
  - ✓ JORC resource to be published,
  - ✓ additional metallurgical test work to be completed,
  - ✓ scoping study to commence.
- Uranium exploration results for the Pirie Basin in South Australia reported by joint venture partners.

#### About Stellar:

*Stellar Resources (SRZ) is focusing on the development of its tin and iron projects and advancement of uranium and base metal exploration properties. The company holds a portfolio of tenements located in Tasmania, South Australia and New South Wales that have excellent development potential. Key projects include: Heemskirk Tin located near Zeehan in Tasmania and the Tarcoola Iron Ore Project in central South Australia. The company aims to create shareholder value by identifying and developing mature exploration properties.*

## PROJECTS

### Heemskirk Tin Project (TAS) (Stellar 60%)

The Heemskirk Tin Project is located north of Zeehan on Tasmania's west coast. The location is ideal for mining given that the area is well serviced by power, water, transport, other infrastructure and mining services. Stellar holds a 60% interest in the Heemskirk Tin Project with joint venture partner Gippsland Limited and can increase its holding to 70% by completing a feasibility study.

Drilling by Aberfoyle during the early 1980s identified three tin deposits; Queen Hill, Severn and Montana. All are located within 500 metres of each other. In 2010, Stellar drilled 6 holes into the near surface Queen Hill deposit. The results confirmed the high grade nature of mineralisation and indicated that the deposit remained open to the north and south. It also provided fresh samples for metallurgical testing.

### Resource Estimation

Stellar has appointed an independent geological consultancy with tin expertise to review the historical drilling data and prepare a JORC resource estimate. The final report is due before the end of February 2011.

### Metallurgical Test Work

Stellar is encouraged by the results of preliminary metallurgical test work completed during the quarter. It showed that tin mineralisation 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 1, will work for Queen Hill tin mineralisation.

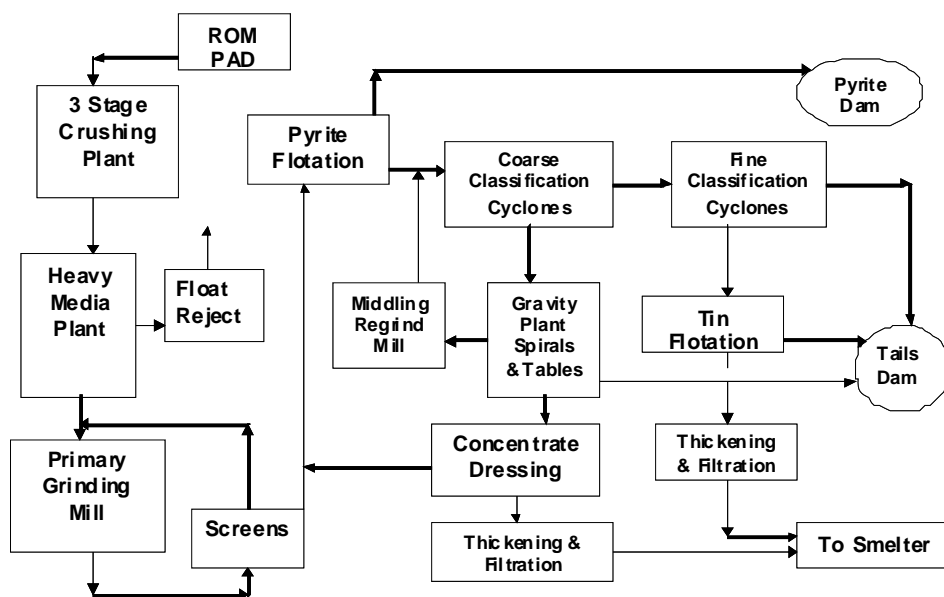


Figure 1 – Preliminary Process Flow Chart

The main conclusions from the test work are that:

- Pre-concentration through a heavy media circuit is able to reject 18% of the drill sample 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 demonstrated by the drill samples, much of this fine cassiterite is free and potentially recoverable.
- Gravity separation following pyrite flotation works well.

Stellar will now carry 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.

### Tarcoola Iron Ore Project (SA) (Stellar 100%)

The Tarcoola Iron Ore project is located 8 kilometres from the town of Tarcoola in central South Australia and within 10 kilometres of the Trans-Australia railway which links the project to the proposed bulk commodity export terminal at Port Bonython. The Coolybring and Hicks Hill magnetic anomalies comprise Stellar's Tarcoola Iron Ore Project.

Investor interest in the project remains at a high level. At the invitation of the South Australian Government, Stellar participated in the China Mining conference in Tianjin in November and presented the project to potential investors. The company also presented the project to institutional investors at the UBS iron ore conference in Sydney.

## EXPLORATION

### Copper/Gold

#### Gourlays (TAS) (Stellar 100%)

Stellar Resources has commenced drilling at its 100% owned Gourlays Creek copper/tin target on the northwest coast of Tasmania (see Figure 2, top left prospect) and should complete the first hole at the end of January. In addition, a further two drill holes are planned along strike, south of the first.

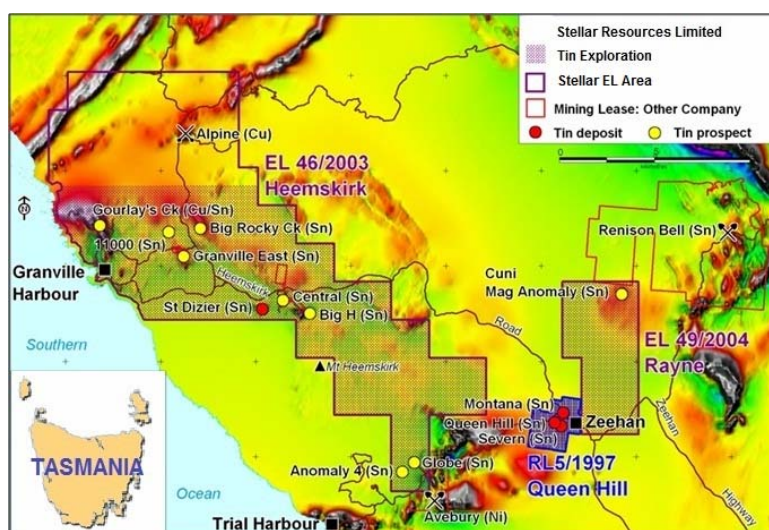


Figure 2 – Stellar's west coast Tasmania tin prospects

The target is defined by a number of intense circular magnetic anomalies over a strike length of one kilometre with a nearly coincident electromagnetic feature along the western boundary.

Historical drilling one kilometre to the north on a weaker magnetic zone demonstrated the relationship between mineralisation and magnetite skarn development. However, no previous drilling has been conducted on Stellar's magnetically more intense and more compelling drill targets to the south.

### **AngloGold Ashanti Joint Venture**

In October 2010, AngloGold Ashanti Australia Limited, through a wholly owned subsidiary, agreed to joint venture into four Stellar exploration licences (ELs 3752, 3753, 3655 and 4573) in the Gawler Craton of South Australia to explore for gold-copper mineralisation. Under the terms of the agreement, AngloGold Ashanti has to spend \$5 million within six years to earn a 75% interest in the tenements.

During the quarter, AngloGold Ashanti commenced the process of negotiating land access with Native Title holders across the tenements. The company expects to enter exploration access agreements in the March quarter 2011 and proceed with a program of geophysical surveying.

### **EL 6556 Panama Hat (NSW) (Stellar 100%)**

Joint venture partner Carpentaria Exploration Limited completed a 750m reverse circulation drilling program to test for gold mineralisation below high grade rock chip samples at the Williams gold prospect and Panama Hat gold mine. Results are still awaited.

## **Uranium**

### **EL4242 Midgee (SA) (Stellar 100%)**

No work was conducted on EL 4242 by joint venture partner UraniumSA Limited (USA) during the quarter. However, USA did report infill drilling on its Plumbush uranium mineralisation and achieved its best intersection in hole 1017 (15.2m at 565ppm  $U_3O_8$ ) which lies 500m to the north of Stellar's EL 4242 tenement boundary. Previously, drilling by USA had shown that the Plumbush mineralisation extends into the northwest corner of EL 4242.

Under the terms of the joint venture agreement, USA has until September 2012 to nominate 40% of the tenement as the continuing project and must drill a JORC compliant resource in order to earn a 73% interest.

### **EL 3978 Cowell (SA) (Stellar 100%)**

Stellar completed a joint venture agreement with Renaissance Uranium Limited (Renaissance) over the company's highly prospective exploration licence 3978 in the Pirie Basin of South Australia. Renaissance has agreed to sole fund \$3.5 million of expenditure over five and a half years to earn a 75% interest in the tenement.

In the initial 18 months of the joint venture, Renaissance is required to spend a minimum of \$500,000 on geophysics and drilling before it can elect to earn an interest. In December, the company reported that it had completed a gravity survey. Renaissance plans to interpret the results in conjunction with historical geological and geophysical data to define variations in the depth of target sediments. This work will lead to the selection of drill targets in the southern Pirie Basin.

### **EL 4570 Warrior (SA) (Stellar 100%)**

No work was conducted during the quarter. A review of historical drilling will be undertaken in the March quarter.

## **Lead/Zinc**

### **Goldfinger (NSW) (Stellar 60%)**

Geological assessment of historical drilling and tenement outcrop was conducted during the quarter. This work will be combined with geophysical and drill databases to identify targets for follow-up drilling.

## CORPORATE

As at the 31 December 2010, the company held cash and term deposits of \$3.7 million. During December, Stellar raised \$2.1 million through a placement of 14 million new shares to sophisticated investors at a price of 15 cents per share. The company also holds 3.9 million UraniumSA shares that are currently valued in the market at \$1.9 million.

## MARKETS

### Tin

LME tin prices remained strong with an increase to US\$28,150/t from \$26,400/t at the beginning of the quarter. Indonesian exports (accounting for 30% of the world market) declined by 9% in December because of disrupted production due to weather and increased government regulation of artisanal mining. In addition, China - the largest producer of tin in the world, has moved to protect its tin consuming industries by calling for a reduction in exports and an increase in imports. In 2010, China became a net importer for the first time with imports increasing by 171% to 13,744 tonnes.

### Iron Ore

Spot prices for 62% iron ore delivered to China have increased by 18% to US\$174/t in January from US\$148/t in late October. The net back price to iron ore producers selling on a delivered basis has increased even further resulting from a US\$5/t reduction in freight rates due to a rapid rise in shipping capacity. The iron ore price increase reflects reduced exports from India following regulation to increase the proportion of iron ore consumed domestically.

### Uranium

The uranium spot price has increased by 43% over the quarter from US\$48.25/lb in October to US\$69.00/lb in January. Uranium buying by utilities is becoming more widespread in order to replenish stocks ahead of demand from new reactor projects. In addition, disrupted production in the short-term is keeping the market very tight.

*The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr R K Hazeldene (Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists) who is a Consultant of the Company. Mr Hazeldene has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr Hazeldene consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.*

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/2010.

Name of entity

**STELLAR RESOURCES LIMITED**

ABN

**96 108 758 961**

Quarter ended ("current quarter")

**31 December 2010**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	–	–
1.2	Payments for (a) exploration and evaluation	(367)	(834)
	(b) development	–	–
	(c) production	–	–
	(d) administration	(49)	(96)
1.3	Dividends received	–	–
1.4	Interest and other items of a similar nature received	18	45
1.5	Interest and other costs of finance paid	–	–
1.6	Income taxes paid	–	–
1.7	Other – GST (paid)/recovered	34	56
	<b>Net Operating Cash Flows</b>	<b>(364)</b>	<b>(829)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	–	–
	(b) equity investments	(112)	(112)
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale/deposit of: (a) prospects	–	250
	(b) equity investments	416	416
	(c) other fixed assets	–	–
1.10	Loans to other entities	–	–
1.11	Loans repaid by other entities	–	–
1.12	Other: Proceeds from release of security deposits on prospects	–	52
	<b>Net investing cash flows</b>	<b>302</b>	<b>604</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(62)</b>	<b>(225)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(62)	(225)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,100	2,100
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	–	–
1.17	Repayment of borrowings	–	–
1.18	Dividends paid	–	–
1.19	Other: Payment for share issue costs	(106)	(106)
	<b>Net financing cash flows</b>	<b>1,994</b>	<b>1,994</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,932</b>	<b>1,769</b>
1.20	Cash at beginning of quarter/year to date	1,771	1,934
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	<b>Cash at end of quarter</b>	<b>3,703</b>	<b>3,703</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	42
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Directors fees and remuneration \$33k; rent/office support, Melbourne, paid to Mineral Deposits Limited \$9k

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	–	–
3.2 Credit standby arrangements	–	–

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	530
4.2 Development	–
4.3 Production	–
4.4 Administration	150
<b>Total</b>	680

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	253	71
5.2 Deposits at call	3,450	1,700
5.3 Bank overdraft	–	–
5.4 Other	–	–
<b>Total: cash at end of quarter (item 1.22)</b>	3,703	1,771

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		See attachment A		
6.2 Interests in mining tenements acquired or increased		See attachment A		



## Issued and quoted securities at end of current quarter

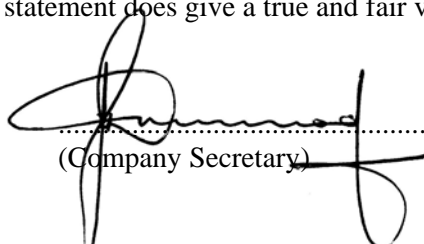
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	108,821,858	108,821,858		
7.4 Changes during quarter				
(a) Increases through issues	14,000,000	14,000,000	15 cents	2,100,000
(b) Decreases through returns of capital, buy-backs	–	–	–	–
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			Exercise Price	Expiry Date
Directors	3,000,000	Nil	20 cents	SRZAK 30/11/2013
Exec & Employees	3,375,000	Nil	20 cents	SRZAI 26/11/2013
Exec & Employees	500,000	Nil	25 cents	SRZAA 31/01/2011
7.8 Issued during quarter	3,000,000	Nil	20 cents	SRZAK 30/11/2013
	3,375,000	Nil	20 cents	SRZAI 26/11/2013
7.9 Exercised during quarter	–	–	–	–
7.10 Expired/cancelled during quarter	1,075,000	Nil	30 cents	SRZAO 30/11/2010
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



..... Date: 24 January 2011

(Company Secretary)

Print name: M J S Drummond

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**Attachment A**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed			Nil	Nil
6.2 Interests in mining tenements acquired or increased	EL ELA 2009/00339	Exploration Licence Application Lake Woorong, SA, application pending	Nil	Nil
	EL40/2010	Exploration Licence Heazlewood Hill, TAS, application pending, awaiting ministry approval	Nil	100%