



Advanced Uranium Deposit - Acquisition

Stellar Resources Limited is pleased to announce an agreement to purchase Hillment Pty Ltd, the registered owner of EL 3372, which embraces the major proportion of the “Warrior” palaeochannel hosted uranium deposit, located west of Tarcoola in central South Australia (Figure1).

The “Warrior” palaeochannel was explored by PNC Exploration Australia Pty Ltd (PNC) in the late 1970s and uranium mineralisation has been defined in 8 discrete zones over a total strike length of approximately 15 kilometres. “Warrior” is the largest known uranium occurrence within the Gawler Craton. Although no economic resource was delineated in previous drilling, Stellar believes that the geometry and uranium distribution within the channel has not been fully assessed. Stellar is confident that with the application of modern exploration techniques and additional drilling, new zones of mineralisation will be discovered and the existing zones enhanced in both grade and dimensions.

Seven of the known mineralised zones fall within EL3372 and Stellar’s assessment of existing drilling indicates that a number of these zones are open along the channel axis (Figure 2). In the company’s view, there is also significant scope for development of additional channels within the license area, where no drilling has been undertaken.

A trial program of airborne electro-magnetic (EM) surveying is planned within the next month to guide future drilling to better define the geometry of the channel and controls on distribution of roll-front uranium mineralisation.

Extensive development of prospective palaeochannels occurs within Stellar’s other Tarcoola licenses (Figure 1), and the evaluation of the “Warrior” mineralisation will be an integral part of its approach to assessing the more regional opportunities. In particular, existing Falcon® gravity data have been shown to reliably map the distribution of channel development in the eastern portion of Stellar’s licences.

In consideration for this acquisition, Stellar has agreed to issue 1.6 million ordinary fully paid shares in the Company at an issue price of 32 cents per share and make a cash payment of \$100,000. The Company will apply for ASX quotation of these new shares which will, from the date of issue, rank equally with all other issued ordinary shares. The Company will not be seeking the prior approval of shareholders to this proposed issue of shares but will seek ratification of this action at a future general meeting of the company.

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The “Warrior” Uranium Deposit

The “Warrior” uranium mineralisation was defined by exploration drilling in the late 1970s by PNC Exploration Australia Pty Ltd (PNC). It is the fourth largest known palaeochannel hosted uranium occurrence in South Australia (behind Beverley, Honeymoon and Goulds Dam – all of which are in the Curnamona Craton). Beverley is presently being mined by Heathgate Resources Pty Ltd, using in-situ leaching.

“Warrior” is the most significant known uranium occurrence in the Gawler Craton.

Exploration work carried out by PNC was primarily reconnaissance drilling – a total of 514 open hole and 29 diamond cored holes, initially on approximately 1000 metre by 400 metre centres. Importantly, the uranium mineralisation occurs in relatively narrow “channel” sands and there is significant exploration potential for discovery/delineation of more of this style of mineralisation. The average depth to mineralisation is between 30 and 60 metres below surface.

PNC drilling defined 8 zones of higher grade mineralisation (Zones “A” to “H” – Figure 2) on the basis of intersections with a “mineralisation factor” or grade thickness product in excess of 500 ppm – metres U_3O_8 . Thickness and grades for mineralisation are estimates from down-hole radiometric logging and, although some calibration of log results and laboratory assaying was carried out, there is a need for more comprehensive assaying to confirm the calibration.

Within these 8 zones, approximately 90 per cent of the mineralisation occurs within the area of EL3372. PNC calculated a total contained U_3O_8 content of 673 tonnes, based on an estimated combined area of 0.8 square kilometres, at an average thickness of 0.85 metres, specific gravity of 1.4 and a grade of 700 ppm U_3O_8 (PIRSA Open File Report Envelope 3510).

Neither the density of drilling nor the confidence of the grade–thickness product is sufficient to allow any JORC compliant resource estimate. However, Stellar believes that there is clear scope to upgrade both tonnage and grade with drilling focused on the “channel” zones of Tertiary age sandstones and improved assaying control and radiometric logging.

Importantly, much of the ground within the licence area remains untested for additional palaeochannel development. Major advances in geophysical techniques capable of defining palaeochannel distribution and geometry have occurred since PNC drilled the “Warrior” mineralisation. Stellar will apply these techniques to develop further drilling programs in a cost effective manner.

This newly acquired ground is nearly contiguous with Stellar’s existing Tarcoola tenements which are, as previously reported on 19 July 2005, highly prospective for uranium mineralisation. Stellar’s existing and on-going exploration programs in Tarcoola can therefore readily assimilate the planned exploration programs for the “Warrior” deposit.

Forward Exploration

Stellar has already formulated a forward exploration plan which includes the following:

1. Compile all the prior PNC data into a suitable geological database;
2. Prepare a surface and subsurface geology plan;
3. Fly HoistEM™ airborne EM and/or detailed gravity surveys over the defined extent of possible palaeochannel development;
4. Compile all data to determine favourable drilling locations for extensions of known mineralisation, and new target palaeochannel positions;
5. Assess the potential for up-grading the size and grade of known mineralisation through more accurate assaying and down-hole logging;
6. Gain all required access clearances;
7. Access a suitable drilling rig and geophysical logging equipment; and
8. Drill – using the most appropriate drilling technique.

This program, within EL3372, will be carried out in conjunction with the company's assessment of extensive palaeochannel development within its remaining Tarcoola region tenements (Figure 1).

Summary

Stellar believes that this acquisition presents the Company with an immediate opportunity to progress one of the more advanced uranium plays in South Australia – which is still the only State of Australia where uranium exploration and mining is Government supported. A drilling based assessment of the known mineralisation zones at “Warrior” is considered as having a high possibility of immediately up-grading the size and/or grade of the known zones. This program is planned in conjunction with appraisal of the company's large land holding in the Tarcoola region for similar channel hosted uranium occurrences.

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. C.G. Anderson (Fellow of the Australasian Institute of Mining and Metallurgy) who is a full time employee of the Company with more than twenty years experience in the field of activity being reported. Mr. Anderson 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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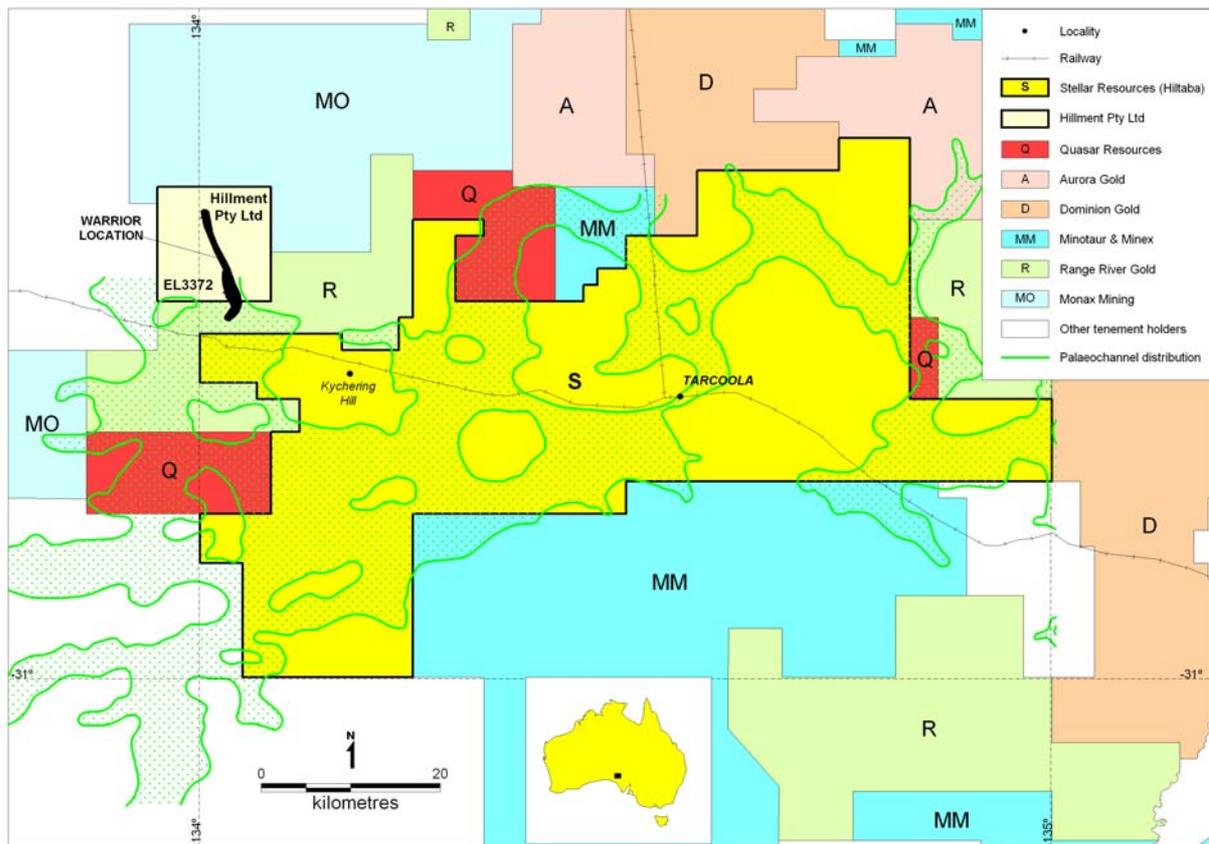


Figure 1 – Location of Hillment Pty Ltd EL3372 and Stellar’s Tarcoola tenements

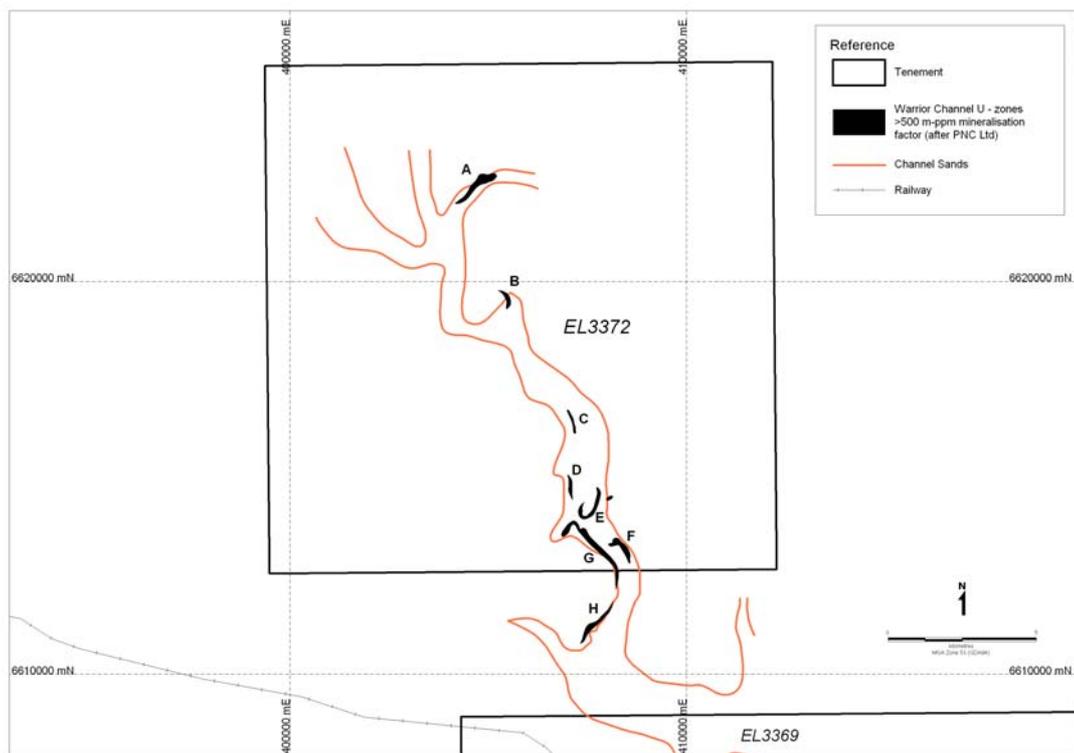


Figure 2 – “Warrior” EL 3372 location of uranium mineralised zones hosted within the “Warrior” channel