ASX Release

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Tarcoola Iron Ore Drilling Update

Stellar Resources has completed a successful six hole, 1,450 metre RC drilling program to identify and sample the western edge of the Coolybring iron ore deposit at Tarcoola. In addition, the drilling program tested a local gravity high on a broader regional gravity structure along the western edge of the deposit. Assay results including Davis Tube Recovery results are pending.

Highlights

The geological logs provided the following additional information:

1) The **width of the magnetite deposit has increased to 300 metres** suggesting a tonnage potential of 500 million tonnes, to a 400 metre vertical depth and over a 1,500 metre strike length.

2) **Magnetite mineralisation along the western boundary of the deposit appears to be more massive** than it is to the east possibly explaining the cause of the local gravity high. Hematite mineralisation is minor.

3) The **western margin of the deposit is defined by iron sulphide rich breccia units** that represent either a faulted or unconformable contact with the magnetite mineralisation.

4) The 9 milligal gravity anomaly that lies to the west of the magnetite mineralisation remains untested and may represent a demagnetised variant of the mineralisation at depth.

Conclusions

The drilling results have increased the tonnage potential for magnetite mineralisation to the extent that the deposit could support a 5 million tonne per year magnetite concentrate operation for more than 30 years. In addition, the increased width of mineralisation offsets the impact of deeper cover to the west resulting in a possible low waste to ore ratio of 1.5 to 1.0 in an open pit scenario.

The potential for blending mineralisation to improve processing performance appears likely given the identification of three ore types. Magnetite-silica banded iron in the east, more massive and possibly higher grade magnetite to the west and magnetite-carbonate-silica mineralisation in the north.

Significant saline ground water was encountered during drilling although no flow tests were conducted. This water plus other less saline groundwater sources in the vicinity of the deposit may be enough to meet process water needs.

Stellar is continuing to seek a joint venture partner with the goal of funding further drilling and a scoping study.

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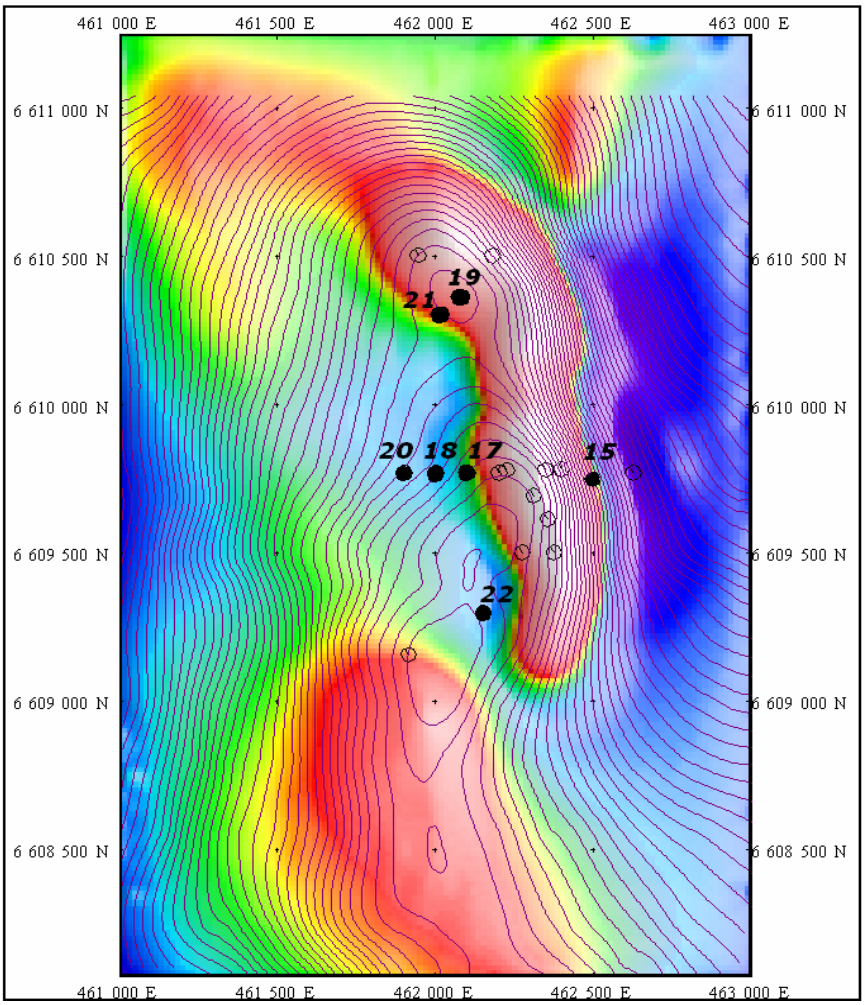

Figure 1 – Magnetic image of the Coolybring deposit with gravity contours and the latest drill hole collars

Southern Cross Section (6609770N)

Three holes, 17, 18 and 20 were drilled on the western side of the east-west section and hole 15 on the eastern side was deepened to provide a second intersection of the magnetite-quartzite footwall contact. Drilling shows that the magnetite mineralisation continues further to the west than was indicated by previous drilling and remains open at depth below the 200 metre vertical limit of drilling.

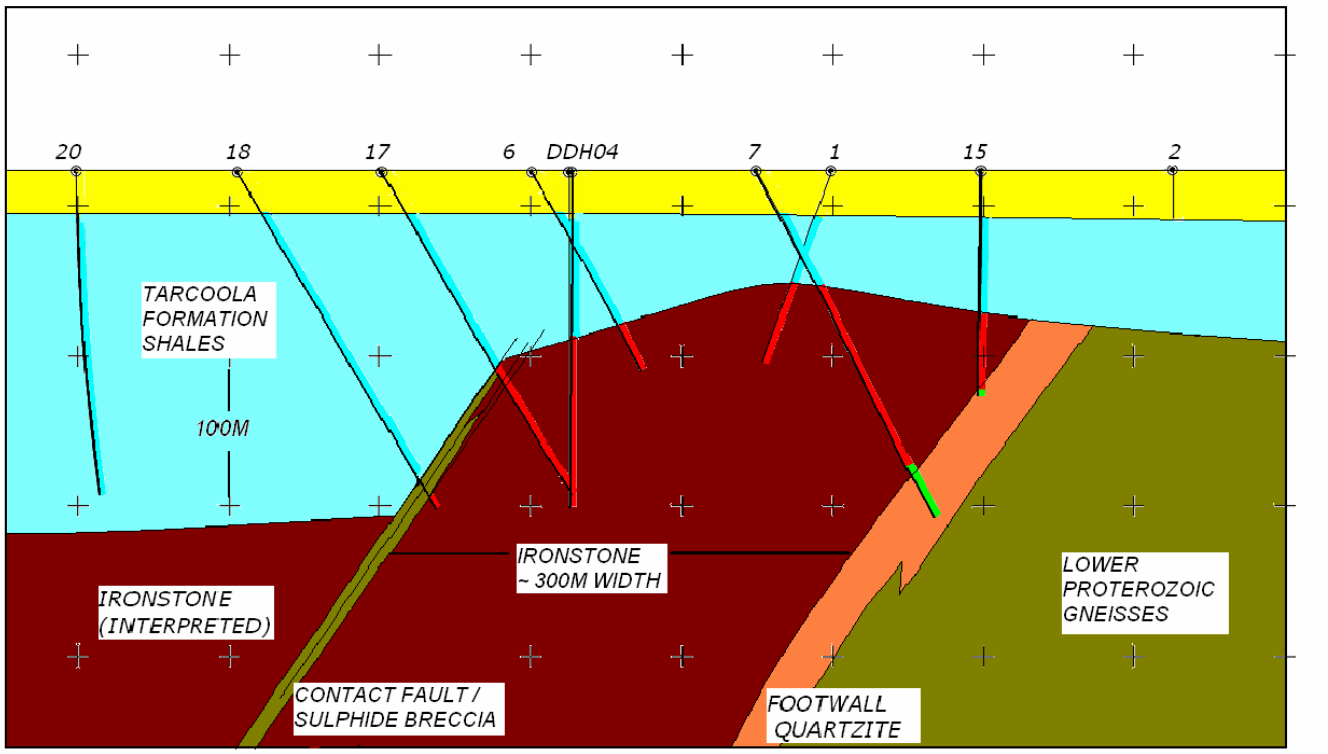

Figure 2 – Interpretative geological section, southern section, Coolybring

RC drillhole 17 extends the magnetite mineralisation to the west by a further 40 metres increasing the total width to 300 metres. The magnetite mineralisation appears to be more massive suggesting a reduction in silica levels and an increase in magnetite content to the west. The more massive nature of the magnetite mineralisation, at this stage, is the only explanation for the local gravity high that peaks between holes 17 and 4.

RC drillhole 18 was drilled 100 metres to the west of 17 and diamond tailed from 166 metres to 248 metres. It defines the western edge of the magnetite mineralisation as a breccia contact with milled boulders of magnetite mineralisation and jasper inter-layered with Tarcoola Formation sandstones and shales. The contact is interpreted as a growth fault in the cross-section. However, it could equally be an unconformable scree slope between magnetite mineralisation in the basement and younger Tarcoola Formation.

The breccia zone is flooded in places with iron sulphide mineralisation that replaces the matrix material and in some cases partly replaces clasts (see Figure 3). In one 6 metre intersection in hole 18, the sulphide is pyrrhotite. However, 200 metres to the south in hole 22, the dominant iron sulphide in the breccia zone is pyrite. The significance of possible iron sulphide zoning is still to be determined.

RC drill hole 20 was collared 100 metres west of 18 and drilled vertically to 216 metres to determine the source of a 9 milligal gravity anomaly. However, the drill hole appears to have remained in shales and sandstones of the Tarcoola Formation without intersecting iron formation or any other dense rock that may explain the anomaly. The interpretation of iron formation below 250 metres is based on geophysical modelling of the gravity anomaly.

Figure 3 – Pyrrhotite matrix breccia – RC 18

Northern Cross Section

The northern section traverses the strike of the magnetite mineralisation at right angles in a north-easterly direction and includes vertical diamond drill hole 5 from a previous drilling program (see Figure 1 for collar locations). The two new holes 19 and 21 were collared approximately 700 metres north of the southern cross section and 100 metres apart. The east and west boundaries of the magnetite mineralisation in Figure 4 are interpreted from geophysics and controlled by the relationship between geophysics and drill results from the southern section.

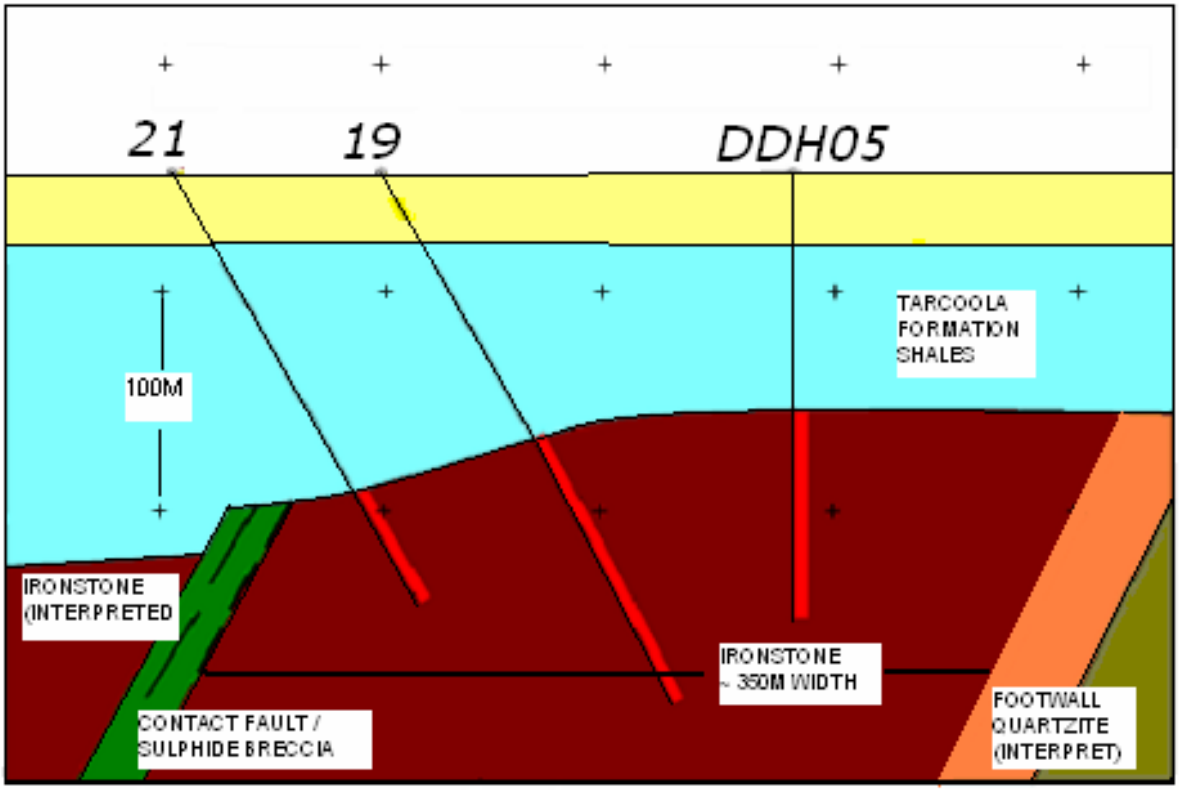

Figure 4 – Interpretative geology, northern section, Coolybring

RC drillholes 19 and 21, intersected magnetite mineralisation that is similar in nature to that in hole 5 (the average iron content in hole 5 was 36%). The mineralogy in the northern section is magnetite-carbonate-silica in contrast to the magnetite-silica assemblage in the south.

The palaeo-topography of the magnetite mineralisation appears to be flatter in the north than in the south (possibly due to a lower silica content) and the mineralised width, although only interpretative at this stage, appears to be wider at 350 metres. Gravity interpretation also suggests that the mineralisation continues to the west in a deeper block.

Regional Gravity Interpretation

Figure 5 outlines the extent of existing drilling on the southern section (Figure 2) relative to the geophysically interpreted distribution of dense material needed to explain the regional Coolybring gravity anomaly.

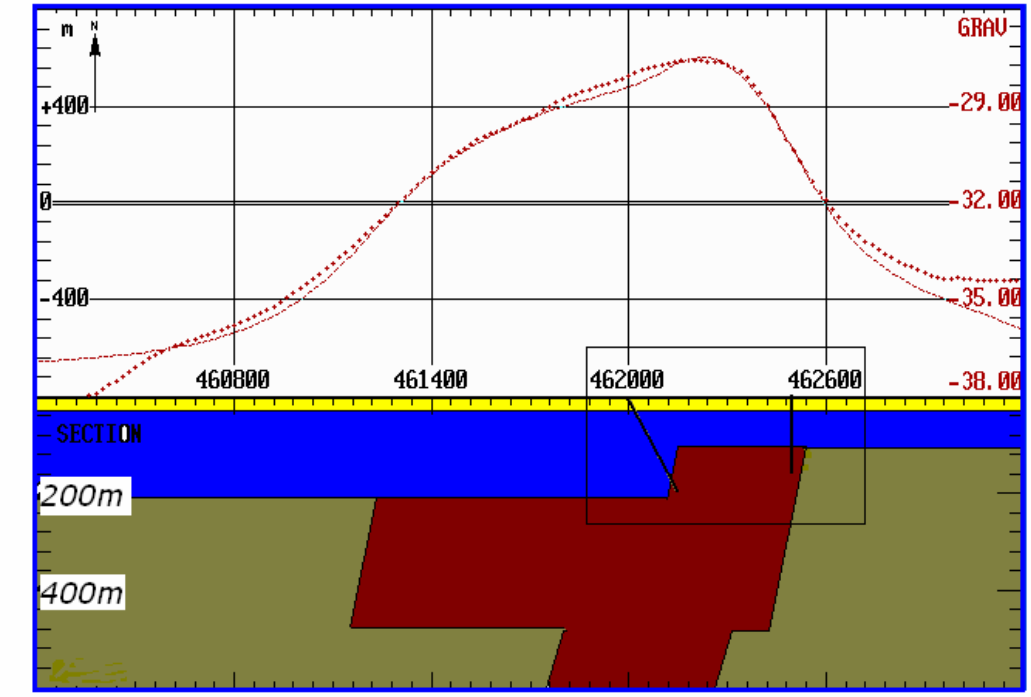

Figure 5 – Gravity model section, Coolybring

Magnetite mineralisation drilled to date over a 300 metre width, a strike length of approximately 1,500 metres and a 300 metre depth provides a tonnage potential of 500 million tonnes. Although speculative at this stage, the gravity modelling suggests that a much larger exploration target exists continuing at depth and to the west of this mineralisation.

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 Director 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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