

Stellar Resources

Quarterly Report



Stellar Resources (SRZ) is an exploration and development company with assets in Tasmania and South Australia. The company is rapidly advancing its high-grade Heemskirk Tin Project, located near Zeehan in Tasmania, and plans to become Australia's second largest producer of tin.

As at 31 Mar 2017

Market cap: A\$15.0m (4.0c)
Cash (31 Mar): A\$3.5 million
Shares: 374,513,489

Main Shareholders

European Investors 19.7%
Capetown SA 16.7%
Resource Capital Fund 9.6%

Board & Management

Phillip G Harman
Non-Executive Chairman
Peter G Blight
Managing Director
Miguel Lopez de Letona
Non-Executive Director
Thomas H Whiting
Non-Executive Director
Christina R Kemp
Company Secretary

ASX Code: SRZ

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www.stellarresources.com.au

26 April 2017

Report for the quarter ended 31 March 2017

Highlights

- **Mining Lease 2023P/M** granted over Heemskirk tin deposits for 12 years
- **Mining Lease 2M/2014** over the tailings dam site renewed for 12 years
- Geological structure review completed over the Heemskirk tin deposits
- **Diamond drilling commenced** on the Lower Queen Hill (LQH) deposit
- Environmental surface water study completed and lodged with the EPA

Corporate

- **Cash balance of A\$3.5m as at 31 March 2017**
- Capital raising at A\$0.035ps raised A\$2.6m to rapidly advance Heemskirk Tin
- Research report completed by Hunter Capital - available on Stellar website
- The tin price continues to trade at over US\$6,000/t higher than a year ago, as LME stocks hit an eight year low

Targets for June Quarter 2017

- **Initial drilling results for the LQH deposit**
- Update on metallurgy program
- Advance environmental permitting

Managing Director Peter Blight said: *“The Tasmanian Government grant of a Mining Lease over the Heemskirk tin deposits in February was a major step forward for the project. Apart from enhancing the project’s status in the tin world it also provided the investor support necessary to raise additional funding. Stellar is now embarked on a 9,000m diamond drilling program to upgrade and potentially expand the Heemskirk Mineral Resource in support of a definitive feasibility study.”*

“To provide news flow from a drilling program during a rising tin price cycle will be a new and exciting phase for Stellar and the Company’s investors” he added.



OVERVIEW

Stellar Resources Limited (ASX:SRZ “Stellar” or the “Company”) is the 100% owner of the Heemskirk Tin Project which has a JORC Resource of 6.4mt at 1.13% tin. Stellar also owns 100% of the St Dizier tin deposit which has a JORC Resource of 2.3mt at 0.61% tin. (see Mineral Resource Appendix). The Heemskirk Tin Project contains the highest grade undeveloped tin resource of significance listed on the ASX.

Heemskirk is a world class tin project located near Zeehan in the prolific mining district of western Tasmania. It is located within 18 kilometres of Australia’s oldest and largest tin mine Rension Bell and has access to excellent infrastructure (see Figure 1).

During the March quarter, the Company activated its plan to advance the Heemskirk Tin Project into a definitive feasibility study. The initial driver was the granting of a Mining Lease over the tin deposits at Zeehan. The resulting increase in investor confidence allowed the Company to raise new funding through a placement to sophisticated investors. Since granting of the ML, the company has undertaken the following activities:

- completed a study of geological structure,
- commenced diamond drilling on the Lower Queen Hill deposit and
- completed a surface water quality study

Figure 1: Stellar Tin Tenement Map – Western Tasmania



HEEMSKIRK TIN PROJECT

Mining Lease Granted

On 14th February 2017, the Tasmanian Minister for Resources granted Mining Lease 2023P/M over the Heemskirk Tin Project (see Figure 1 for the location of ML 2023P/M).

The Mining Lease covers an area of 560 hectares over Crown Land and confers the following rights to Stellar:

- to carry out mining operations in the lease area in accordance with the Mineral Resources Development Act 1995;
- to mine tin and all other metallic minerals within the lease area;
- staged provision of security deposits in accordance with a schedule of defined activities from exploration and feasibility (stage 1), to construction (stage 2) to operation (stage 3);
- and a term of 12 years ending on 1st January 2029.

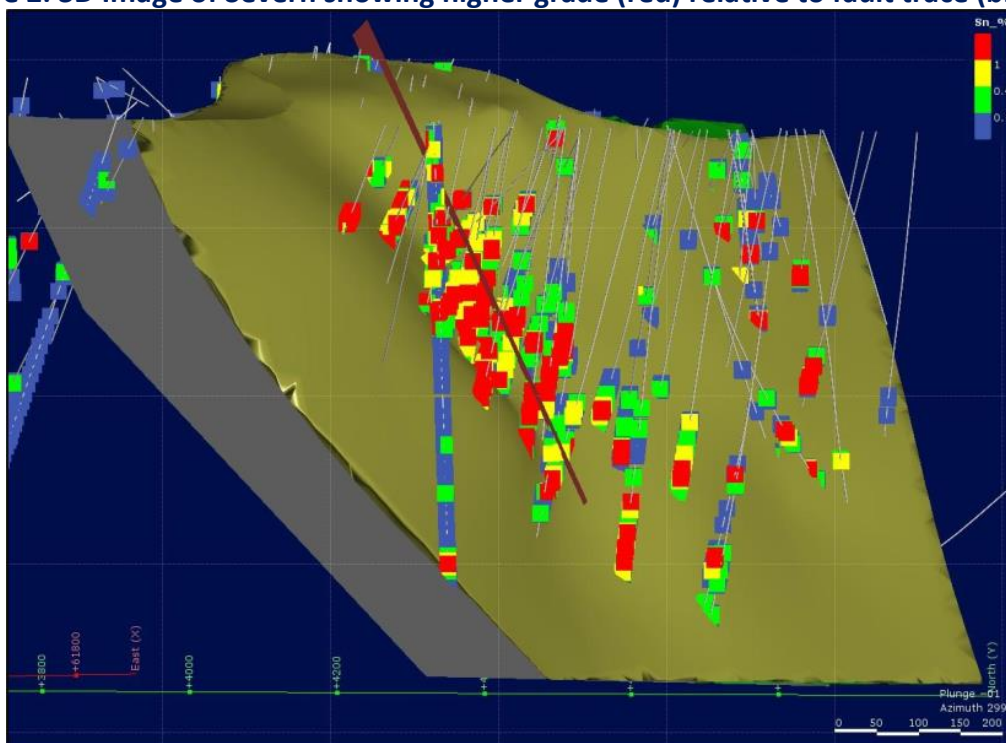
All conditions of the ML can be met through the existing schedule of activities planned by Stellar. There are no minimum expenditure commitments.

Mining Lease 2M/2014 Renewed

On the 10th April 2017, the Minister for Resources also renewed Stellar's Mining Lease 2M/2014 over the preferred tailings dam site for a period of 12 years or until 7th January 2029 (see the white ML on Figure 1). The extension of time allows development of the tailings site in parallel with development of the Heemskirk tin deposits.

Structural Geology

Figure 2: 3D Image of Severn showing higher grade (red) relative to fault trace (brown)



A review of structural geology for the Heemskirk tin deposits has confirmed the nature of mineralisation as brittle fracture related veinlet arrays, breccia bodies, wall rock replacement and locally massive to semi-massive sulphide replacement styles. Northwest trending strike-slip faults control the development of the brittle fracture regime and appear to be the conduits of mineralising fluids. Drilling results to date suggest that higher grades are related to sites nearest or connected to the strike-slip faults (see Figure 2).

More detailed structural data will be collected during the current drilling campaign to better define the relationship between faulting and tin grade. Greater understanding of this relationship can be used to identify drill targets, particularly where the drill density is low.

Diamond Drilling Commences

On 20 April 2017, diamond drilling commenced at Queen Hill near Zeehan. The first nine diamond drill holes will target the Lower Queen Hill (LQH) tin deposit. The rig will move onto drilling the Severn deposit once the LQH program is complete.

The purpose of the LQH drilling program is to infill gaps in previous drilling and upgrade the resource so that mining parameters can be applied and a reserve identified for a definitive feasibility study. Core samples will also be used for metallurgical and environmental testing.

LQH is a key component of the fast start development strategy as it is the first of the three Zeehan deposits in the development queue and has the benefit of high grade (see Mineral Resource Appendix).

Water Quality Study

Environmental consultants collated quarterly data collected for 12 months from streams draining the catchment areas on the north side of Queen Hill, around the St Dizier tin deposit and the tailings dam site. The water quality data was submitted to the EPA and will be used along with previous water quality studies to establish the regulatory guidelines for environmental permits.

EXPLORATION

Tin

EL46/2003 Heemskirk (TAS) (Stellar 100%)

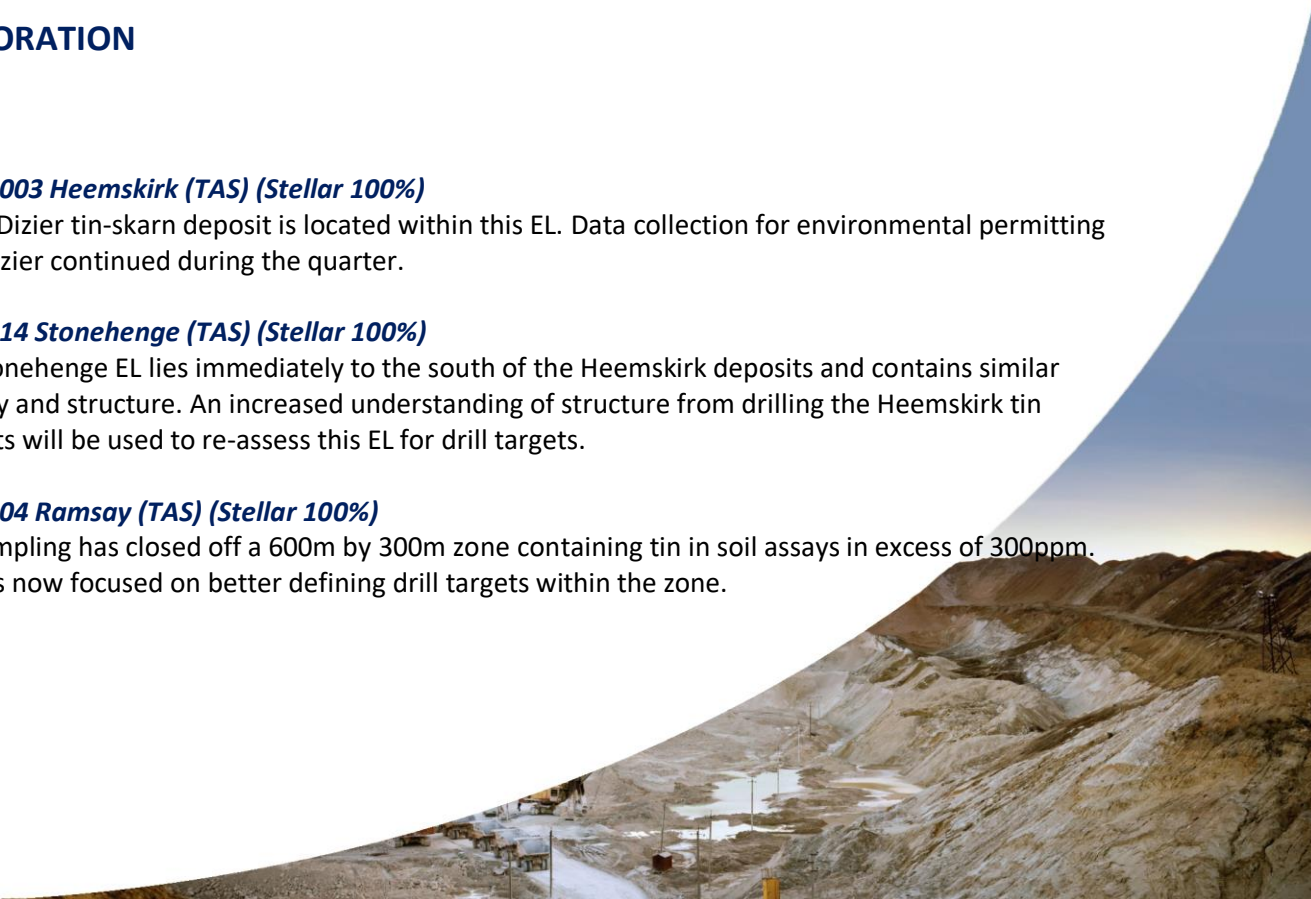
The St Dizier tin-skarn deposit is located within this EL. Data collection for environmental permitting of St Dizier continued during the quarter.

EL6/2014 Stonehenge (TAS) (Stellar 100%)

The Stonehenge EL lies immediately to the south of the Heemskirk deposits and contains similar geology and structure. An increased understanding of structure from drilling the Heemskirk tin deposits will be used to re-assess this EL for drill targets.

EL1/2004 Ramsay (TAS) (Stellar 100%)

Soil sampling has closed off a 600m by 300m zone containing tin in soil assays in excess of 300ppm. Work is now focused on better defining drill targets within the zone.



Uranium

EL 5426 Midgee (SA) (Stellar 100%)

Sapphire Uranium Limited has the right to earn a 73% interest in 40% of the tenement by identifying a JORC compliant uranium resource. No exploration was undertaken during the quarter.

EL 5307 Cowell (SA) (Stellar 100%)

This tenement is prospective for sedimentary uranium, copper-gold and graphite. No exploration was conducted during the period.

CORPORATE

Cash Position

As at 31 March 2017, Stellar Resources held cash and term deposits of A\$3.5 million.

Capital Raising

On 1st March 2017, Stellar completed an over-subscribed placement of 74.3m fully paid ordinary shares at an issue price of A\$0.035 per share to raise A\$2.6m (before costs). Each two shares were accompanied by one free attaching A\$0.05 option exercisable at any time for three years from the date of issue.

On the 10th April 2017, the fully paid ordinary shares and options, issued under the terms of the placement agreement, were approved by shareholders. The placement options are to be listed on the ASX.

Research Report

On 3rd April 2017, an “Initiation of Coverage” research report on Stellar Resources was released by Hunter Capital Advisors Pty Ltd, arranger and facilitator of the share placement.

The report can be accessed from the Company website; www.stellarresources.com.au.

TIN MARKET

The London Metal Exchange (LME) tin price has traded in a narrow range of US\$19,100/t to US\$21,000/t during the quarter or US\$6,000/t above the price a year ago. The current period of price consolidation does not appear to fully reflect continued improvement in key market drivers.

- LME tin stocks have fallen during March and April and at 3,300t have not been lower over the last 8 years (see Figure 3).
- Imports of tin ore and concentrate from Myanmar into China are down significantly in 2017 to date compared with year ago levels. This may reflect seasonal factors but rising costs and declining grade may also be playing a role (see Figure 5).

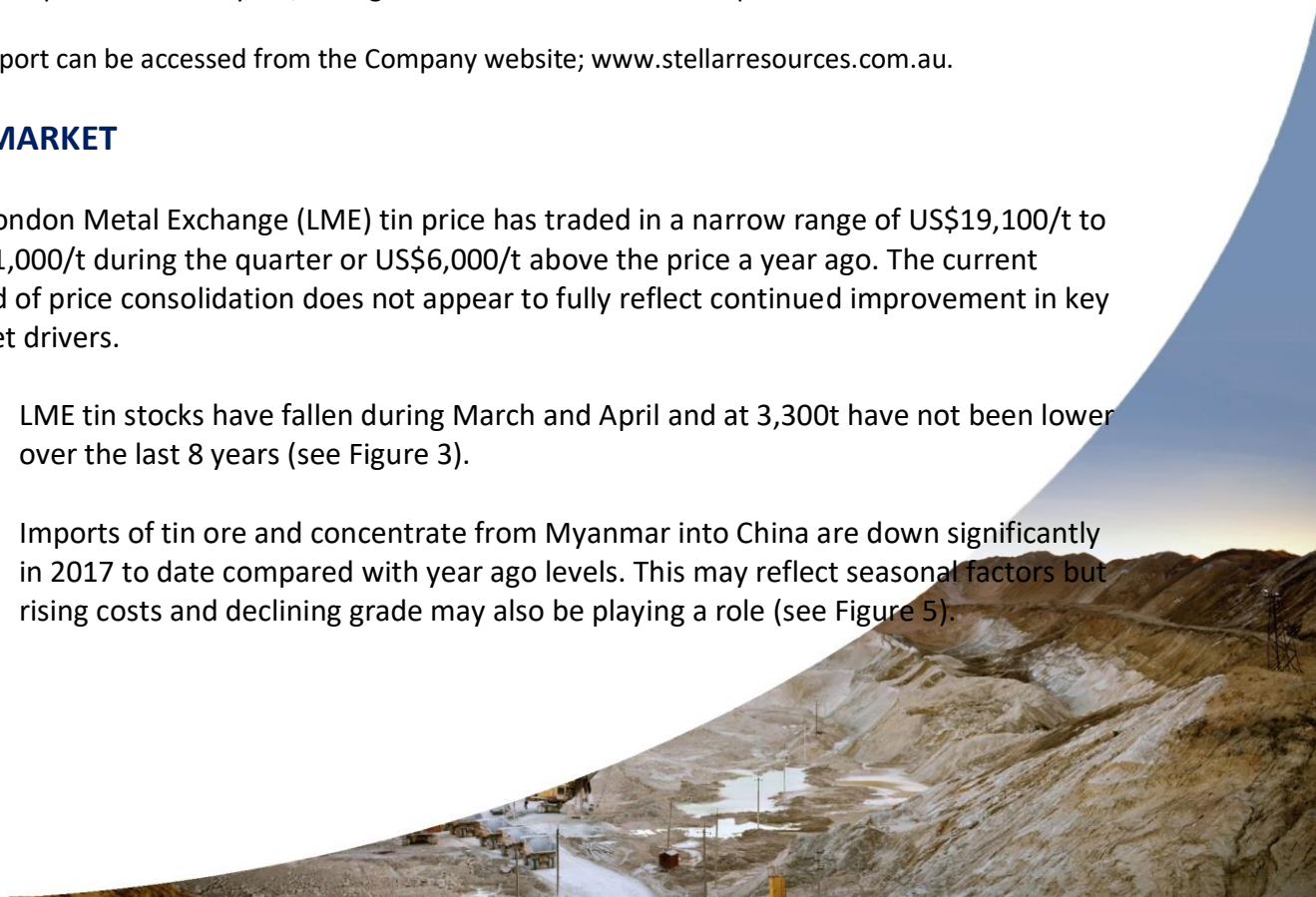


Figure 3: London Metal Exchange tin spot price and stocks - daily

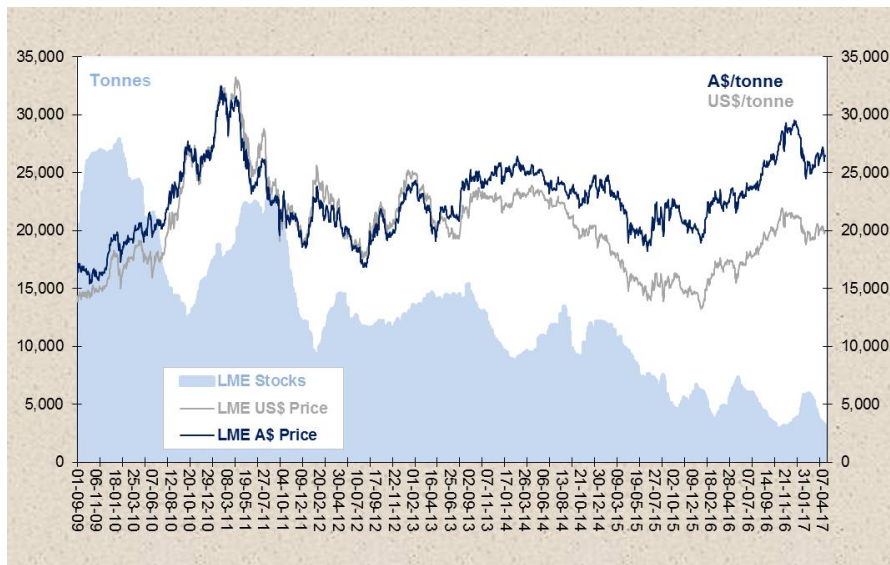


Figure 4: Indonesian refined tin exports – monthly

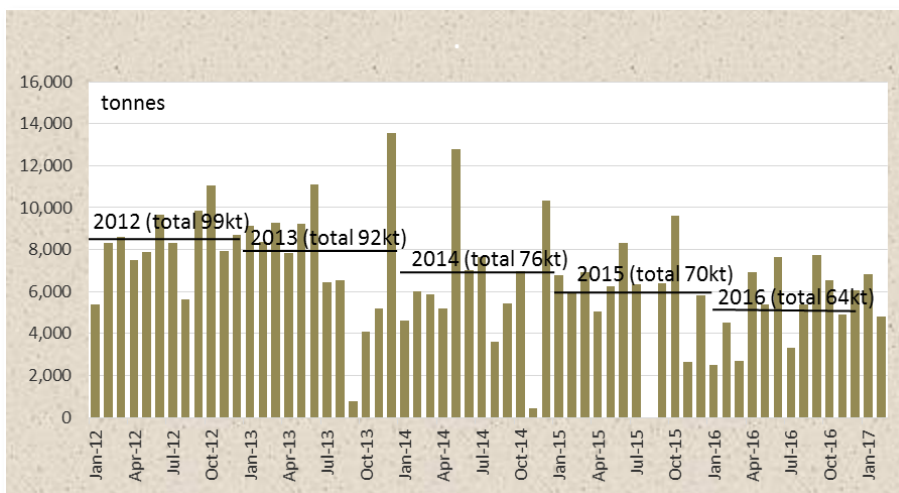
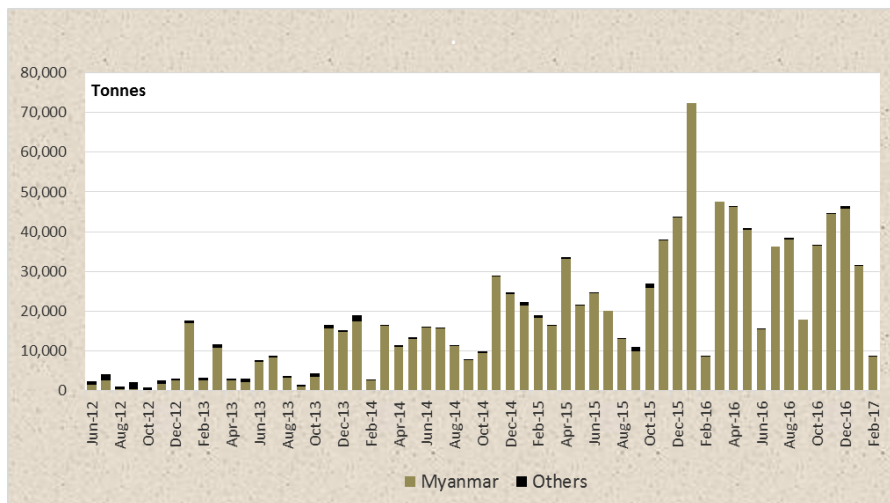


Figure 5: Chinese imports of tin ore and concentrates – monthly



TENEMENT REGISTER

Project	Licence Number	Tenement	Location	Interest held (%)
Development				
Heemskirk Tin	2023P/M ¹ ; RL5/1997	Zeehan	Tasmania	100%
	2M/2014	Tailings Dam	Tasmania	100%
St Dizier	EL46/2003	Heemskirk	Tasmania	100%
Exploration				
Tin	EL1/2004	Ramsay River	Tasmania	100%
	EL6/2014	Stonehenge	Tasmania	100%
Uranium	EL5307	Cowell	South Australia	100%
	EL5426 ²	Midgee	South Australia	100%

¹ Mining Lease 2023P/M granted over Heemskirk tin deposits; RL5/1997 maintained over the same area as 2023P/M until surface drilling is complete

² JV with Samphire Uranium Limited earning 73% in uranium interest

MINERAL RESOURCE STATEMENTS – HEEMSKIRK TIN PROJECT

Heemskirk Tin Deposits

Classification	Deposit	Tonnage	Total Sn	Contained	Cassiterite ¹	Cu	Pb	Zn	S	SG
		mt	%	Sn t	% of total Sn	%	%	%	%	mg/l
Indicated	Upper Queen Hill	0.47	1.15	5,000	91	0.12	1.30	0.81	13.80	3.72
	Lower Queen Hill	0.82	1.42	12,000	99	0.03	0.22	0.23	17.91	3.45
Total Indicated		1.29	1.32	17,000	96	0.06	0.61	0.44	16.55	3.55
Inferred	Lower Queen Hill	0.35	1.50	5000	98	0.04	0.14	0.09	16.9	3.31
	Severn	4.03	0.97	39000	99	0.06	0.03	0.05	8.34	3.18
	Montana	0.68	1.56	11000	96	0.07	0.72	1.18	17.8	3.68
Total Inferred		5.06	1.09	55000	98	0.06	0.13	0.25	10.23	3.26
Total Indicated + Inferred		6.35	1.13	72,000	97	0.06	0.23	0.29	11.48	3.32

1. cassiterite = (total Sn% - soluble Sn%)/total Sn%

2. block cut-off grade of 0.6% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology under JORC 2012

St Dizier Tin Deposit

Classification	Tonnage	Total Sn	Contained	Soluble	Cassiterite ¹	WO ₃	Fe	S	
	mt	%	Sn t	Sn %	% of total Sn	%	%	%	
Indicated	1.20	0.69	8,280	0.09	87	0.04	23.70	2.64	
Inferred	1.06	0.52	5,512	0.22	58	0.05	22.22	1.81	
Total Resource		2.26	0.61	13,786	0.15	75	0.04	23.00	2.25

1. cassiterite = (total Sn% - soluble Sn%)/total Sn%

2. block cut-off grade of 0.3% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology under JORC 2012



Competent Persons Statement

The Information in this report that relates to Mineral Resources was prepared in accordance with the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”(JORC Code), by Tim Callaghan, who is a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”), has a minimum of five years’ experience in the estimation, assessment and evaluation of Mineral Resources of this style and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

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 an employee 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 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.

Forward Looking Statements

This report may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Stellar Resources Limited’s planned activities and other statements that are not historical facts. When used in this report, the words such as “could”, “plan”, “estimate”, “expect”, “intend”, “may”, “potential”, “should” and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward-looking statements. Although Stellar Resources Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Stellar Resources Limited securities.

For further details please contact:

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Managing Director
Tel: 03 9618 2540
Email: peter.blight@stellarresources.com.au

or visit our Website at: <http://www.stellarresources.com.au>



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

STELLAR RESOURCES LIMITED

ABN

96 108 758 961

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(105)	(251)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(144)	(399)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	33
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(238)	(617)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – security deposits	(49)	(49)
2.6 Net cash from / (used in) investing activities	(49)	(49)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,600	2,600
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(26)	(26)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,574	2,574

4. Net increase / (decrease) in cash and cash equivalents for the period	2,287	1,908
4.1 Cash and cash equivalents at beginning of period	1,198	1,577
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(238)	(617)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(49)	(49)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,574	2,574
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,485	3,485

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	245	38
5.2	Call deposits	3,240	1,160
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,485	1,198

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
35
-

Directors fees and remuneration.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	8
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Rent and outgoings, Melbourne, paid to Mineral Deposits Limited.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	422
9.2 Development	-
9.3 Production	-
9.4 Staff costs	200
9.5 Administration and corporate costs	151
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	773

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	ML2023PM Located Northwest of Zeehan	-Mining Lease over Heemskirk Tin Project. 560 hectares over Crown Land	-	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 19 April 2017

(Company secretary)

Print name: Christina R Kemp

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.