

Stellar Resources

ASX Announcement



29 October 2018

Report for the quarter ended 30 September 2018

Highlights

- Preliminary internal costing of an exploration decline completed for the Heemskirk Tin Project
- Second tailings dam at Razorback identified for sampling
- New Montana Flats EL adds 3km of lateral exploration potential to the north of the Heemskirk tin deposits

Corporate

- Cash balance of \$1.0m as at 30 September 2018 – expenditure rate of \$0.2m expected in December quarter
- Strong tin demand growth in the solder sector outside of China is providing support for the market

Targets for December Quarter 2018

- Bulk sample and metallurgical test of Razorback tailings
- Historical data review and preliminary sampling at Montana Flats
- Completion of St Dizier ML assessment

Managing Director Peter Blight said “Stellar is continuing to build its tin exploration portfolio around the flagship Heemskirk Tin Project with low-cost acquisitions. The recently acquired Montana Flats EL is a strategic win for the company as it adds 3km of lateral exploration potential to the Heemskirk deposits. December quarter will also be an exciting period for the Company as rain delayed sampling and exploration programs commence.”

Capital Structure

Shares:	379,713,489
Share Price (SRZ):	A\$0.012
Listed Options:	59,142,857
Option Price (SRZO):	A\$0.002
Unlisted Options:	15,000,000

Commodity

Tin Price:	US\$19,350/t
Exchange Rate US\$	0.70

Main Shareholders

European Investors	19.5%
Capetown SA	16.4%

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

Melanie J Leydin

Company Secretary

ASX Code: SRZ

About Stellar:

ABN 96 108 758 961
Level 17, 530 Collins Street
Melbourne Victoria 3000
Australia

Stellar Resources (SRZ) is an exploration and development company with assets in Tasmania. 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.

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HEEMSKIRK TIN PROJECT

During the quarter, Stellar completed a high-level internal review of the cost of an exploration decline into the Lower Queen Hill and Severn deposits. A decline would allow underground drilling and bulk sampling to upgrade the Mineral Resource into an Ore Reserve. The review included development of a 3m x 4m exploration decline to a vertical depth of 200m, development of drill drives over 500m and 11,000m of diamond drilling. The equivalent number of drill intersections from surface would involve 32,000m of diamond drilling.

There are clear advantages in developing an exploration decline such as more accurate drilling patterns, access to ore for bulk sampling, a better understanding of mining costs and capital cost savings if the decline can be used for production. Stellar is currently refining its cost model with external quotes.

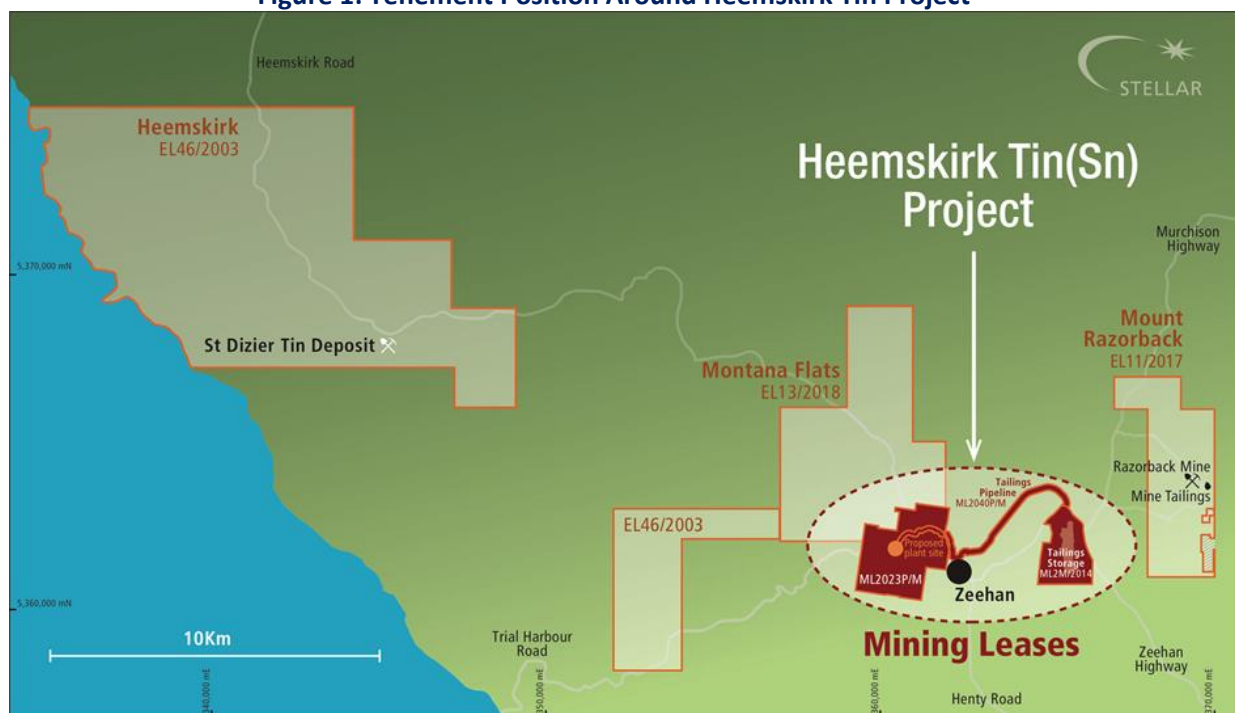
In the current environment, the preferred approach is to advance exploration targets and undertake limited surface drilling until conditions improve enough to fund decline development.

Stellar is currently considering its funding options.

EXPLORATION

Stellar has continued to focus on building its exploration portfolio around its known tin deposits at Zeehan adding significant exploration upside potential. Acquisition of the Razorback tenement in January 2018 and more recently the provisional grant of the Montana Flats tenement in August 2018 brings the most prospective tin areas to the east and north of the known Heemskirk deposits into the portfolio (see Figure 1).

Figure 1: Tenement Position Around Heemskirk Tin Project

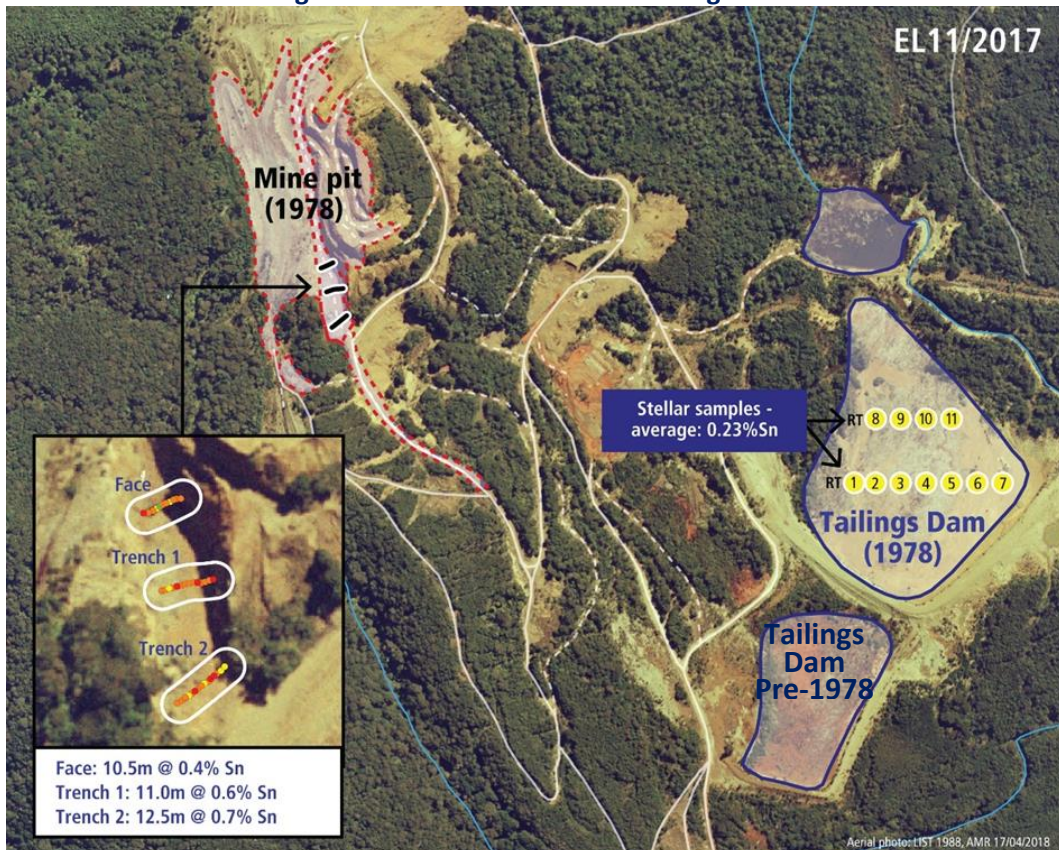


Razorback (EL11/2017)

Access to the Razorback tin tailings dam (1978) has not been possible in the September quarter due to the wetter than normal winter. Once access is available, a 120kg sample will be extracted for testing of low-cost fine gravity separation techniques. The objective is to produce a low-impurity saleable concentrate.

As Figure 2 shows, a second tailings dam (pre-1978) lying to the south of the main dam has been identified. This will also be sampled to determine the suitability of tailings for up-grading.

Figure 2: Razorback Mine and Tailings Sites



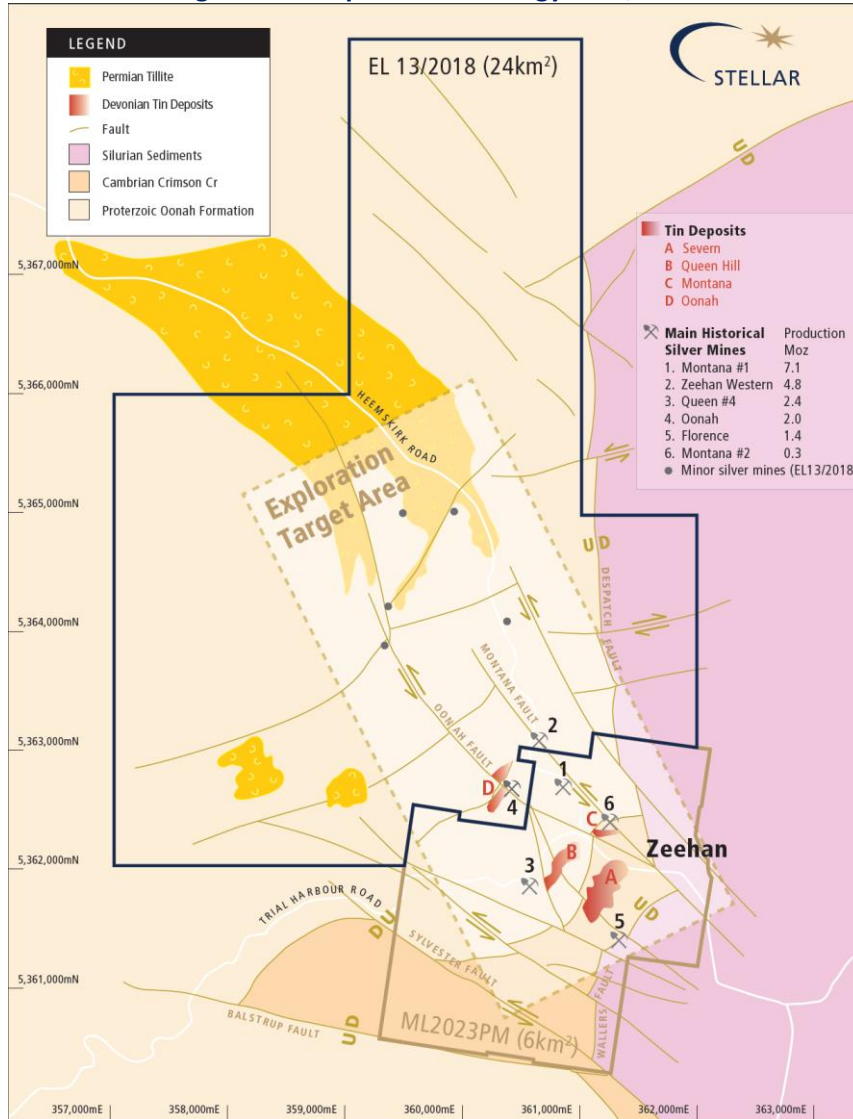
Montana Flats (EL13/2018)

Stellar is in the process of completing the grant of EL13/2018 over Montana Flats. The Company won the 24km² tenement in a competitive tender process. The tender was awarded to Stellar on the strength of the Company's exploration model, work program and track record.

Montana Flats is strategically important to Stellar as it adds significant lateral exploration potential to the Heemskirk tin deposits.

Earlier work conducted by Stellar on structural geology recognised the important association between deep-seated northwest trending faults that extend into granite source rocks at depth and tin mineralisation. The Heemskirk tin deposits and the major historical silver-lead mines lie between or along these northwest trending faults. Figure 3 shows that the two main faults, Montana and Oonah and several associated structures extend from ML2023PM into the centre of EL18/2018.

Figure 3: Interpretative Geology EL13/2018



The initial phase of exploration will focus on a review of historical mine data, previous geochemical sampling and geophysical surveys conducted by the government and earlier explorers. Sampling of mine waste dumps using portable XRF is planned in the December quarter once the wet weather abates and access improves.

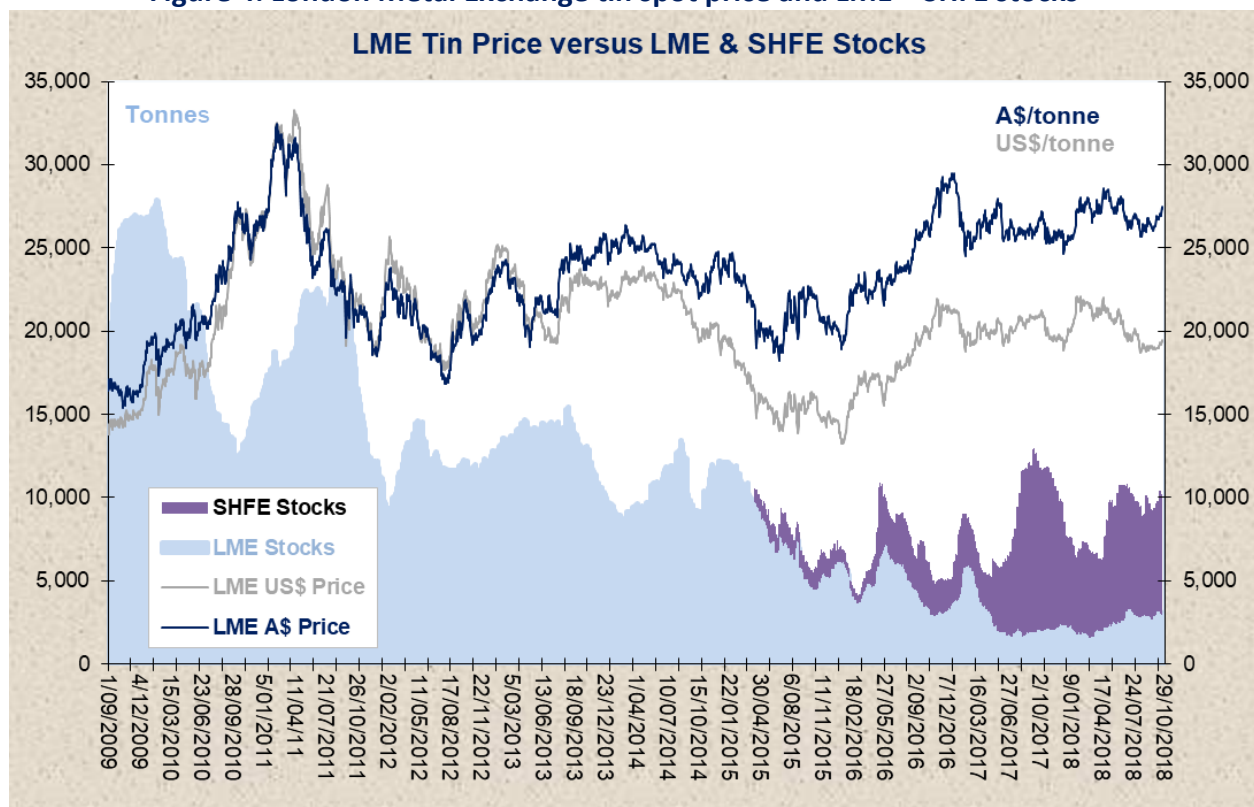
CORPORATE

As at 30th September, the Company held cash and term deposits of \$1.0m. Expenditure for the quarter was \$0.2m and should remain at a similar level for the December quarter.

TIN MARKET

The London Metal Exchange tin price averaged US\$19,336/t over the September quarter, a reduction of 8% from the June quarter average and a decline of 6% from the year ago quarter. The weaker price outcome for the September quarter reflects market concerns over the potential negative impact of rising USA/China tariffs on tin demand and has had a similar impact on all LME metals. The marginal increase in tin stocks on the Shanghai Futures Exchange and the LME in October is within the range of usual volatility and does not suggest any significant change in demand or supply (see Figure 4).

Figure 4: London Metal Exchange tin spot price and LME + SHFE stocks



- China's imports of tin in concentrate from Myanmar are up by 5% in the 8 months to August 2018 compared with the same period in 2017. The International Tin Association (ITA) believes that the increase reflects de-stocking by Myanmar and expects shipments to decline significantly during the remainder of the year in line with the lower level of production now observed in that country. ITA continue to forecast an 8% reduction in shipments from Myanmar to China in 2018 over 2017.
- Gejiu city, China's largest processing centre for tin concentrate, has ordered 60 plants to either relocate into an industrial park or close-down. According to ITA, demolition of some plants has already begun with Gejiu city requiring completion by mid-January 2019. ITA expect around 60% of the plants to close permanently which may also accommodate reduced supply of raw material from Myanmar.
- Indonesian tin production has recovered strongly in the June quarter 2018 after a slow start in the march quarter due to restrictions created by a new licencing regime – September quarter numbers are not yet available. According to a recent ITA release, strong growth in demand from the chemicals and solder sectors and improved operating performance underpinned the production increase.
- **In 2018, tin demand growth is running above the trend rate of 2% for the second consecutive year. 2018 is also the first year for several years in which growth is stronger outside of China than within China. The growth is led by solder, the largest end-use sector.**
- ITA, in a recent release on tin technologies, highlighted the expansion and diversification of markets for tin solder as new uses for tinned flat copper or braid evolve in emobility and electrification infrastructures. Growth in electric vehicles and solar PV ribbon are driving this demand.

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%
	2040P/M	Tailings Pipeline	Tasmania	100%
St Dizier	EL46/2003	Heemskirk	Tasmania	100%
Exploration				
Tin	EL11/2017	Razorback	Tasmania	100%
	EL13/2018(pending) ³	Montana Flats	Tasmania	100%
Uranium	EL5426 ²	Midgee	South Australia	100%

¹ Mining Lease 2023P/M granted over Heemskirk tin deposits; RL5/1997 maintained over private land holdings

² JV with Samphire Uranium Limited earning 73% on declaring a uranium resource

³ EL13/2018 was awarded during the quarter and grant is pending completion of a bank guarantee for the bond

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					
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

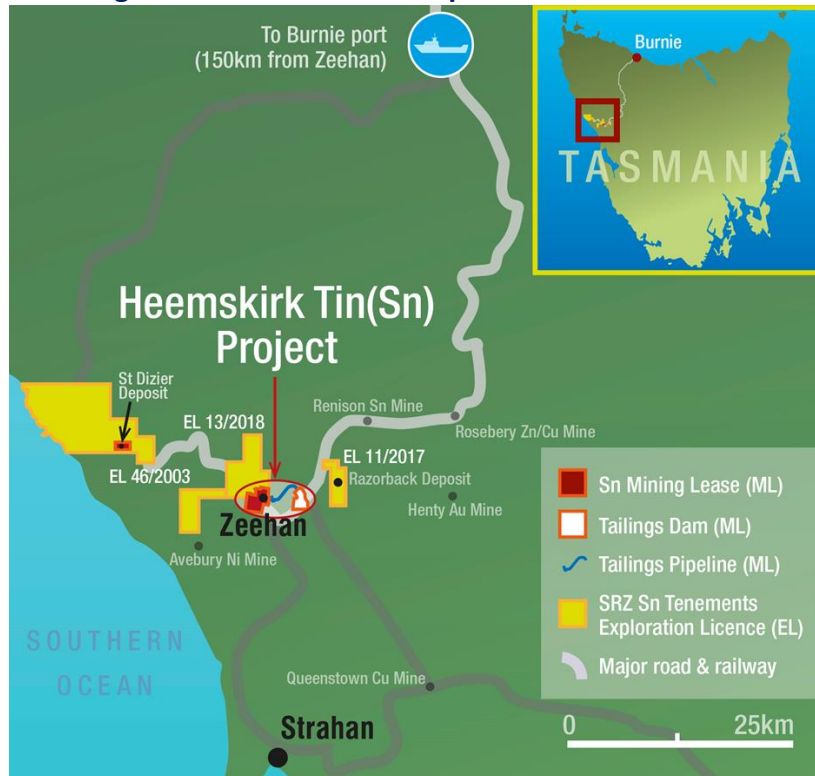
4. estimates prepared by Resource and Exploration Geology under JORC 2012

For further details please contact:

Peter Blight
 Managing Director
 Stellar Resources Limited
 Tel: 03 9618 2540
 Email: peter.blight@stellarresources.com.au

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

Figure 5: Tin Tenement Map – Western Tasmania



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.

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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(53)	(53)
(b) development	-	-
(c) production	-	-
(d) staff costs	(66)	(66)
(e) administration and corporate costs	(105)	(105)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	8
1.5 Interest and other costs of finance paid	(4)	(4)
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	(220)	(220)

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 (3 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)	(18)	(18)
2.6 Net cash from / (used in) investing activities	(18)	(18)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
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	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,222	1,222
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(220)	(220)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(18)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	984	984

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	191	182
5.2	Call deposits	793	1,040
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)	984	1,222

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

40

-

Directors' fees and remuneration for the September 2018 quarter.
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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	3
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. Tom Whiting ceased to be a director of Mineral Deposits Limited on 20 July 2018 and therefore effective from this date the entity was no longer considered an associate.

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.		

Nil

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	40
9.2 Development	-
9.3 Production	-
9.4 Staff costs	125
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	240

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	EL13/2018 Montana Flats - Tas	Tin tenement granted during the quarter	-	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: 
(Company secretary)

Date: 29 October 2018

Print name: Melanie Leydin

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.