

Stellar Resources Limited

ABN 96 108 758 961

Annual Report - 30 June 2021

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| | |
|----------------------------------|---|
| Directors | Simon O'Loughlin (Non-Executive Chairman) Thomas Whiting (Non-Executive Director) Gary Fietz (Executive Director) Simon Taylor (Non-Executive Director) |
| Company Secretary | Mathew Watkins |
| Notice of annual general meeting | The Company will hold its annual general meeting of shareholders on 16 November 2021 |
| Registered Office | Level 4 96 - 100 Albert Road South Melbourne VIC 3205 Telephone: (03) 9692 7222 Facsimile: (03) 9077 9233 |
| Principal place of business | Level 4 96 - 100 Albert Road South Melbourne VIC 3205 Telephone: (03) 9692 7222 Facsimile: (03) 9077 9233 |
| Share register | Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: 1300 737 760 |
| Auditor | William Buck Level 20, 181 William Street Melbourne VIC 3000 |
| Bankers | National Australia Bank 800 Bourke Street Melbourne VIC 3000 |
| Stock exchange listing | Stellar Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SRZ) |
| Corporate Governance Statement | Corporate governance statements are available in Company's website. Please refer to http://www.stellarresources.com.au/corporate/corporate-governance/ |
| Website | www.stellarresources.com.au |

REVIEW OF OPERATIONS

Soaring tin prices since the start of the 2021 calendar year have generated strong investor interest in tin projects. This has enabled Stellar to raise capital to advance its Flagship Heemskirk Tin project, the highest grade undeveloped tin resource in Australia & 2nd highest globally¹. Drilling is now well underway at Heemskirk aimed at extending tin mineralisation.

Stellar has also recently been granted the first 8 of 12 Exploration Licence application over its North East Tasmania Gold Exploration Project where exploration for gold and tin will now commence as the company continues to advance its top priority Heemskirk Tin Project.

Key Achievements

Heemskirk Tin Project

- Drilling re-started in June '21 with 2 diamond drill rigs on site at the Company's flagship Heemskirk Tin Project.
- The 9-hole Phase 1 diamond drilling program (for ~4,900m) is well underway targeting new areas of high-grade tin mineralisation including:
 - **Severn Program** - 2 holes targeting depth extensions below the Severn tin resource. Severn is the largest of the 4 deposits comprising the Heemskirk Tin Project and remains open at depth:
 - ZS140 (889m) completed in early-September '21 (subsequent to year end) intersected wide zones of alteration and mineralisation well beyond its planned target depth with assays pending. The presence of Tin (Sn) was confirmed by anomalous Sn results from a handheld XRF instrument¹⁰.
 - ZS143 (750m planned depth) commenced in early-September '21 (subsequent to year end), collared ~150m south of ZS140.
 - **Depth Extensions of Key Historic silver-lead-zinc mines** - 7 holes targeting depth extensions below key historic silver-lead mines with typical ore grades of 20 to 100 Oz/t silver⁴:
 - ZM141A completed in mid-August'21 (subsequent to year end) intersected zones of alteration and mineralisation in several fissure vein lodes below the historically significant Montana No. 1 silver-lead-zinc mine, with galena (lead) and sphalerite (zinc) observed and assays pending. The presence of lead, zinc, silver, copper and tin were confirmed by anomalous results from a handheld XRF instrument¹⁰.
 - ZO142 (400m planned depth) commenced in mid-August'21 (subsequent to year end), targeting extensions of the silver-lead-zinc fissure lodes mined in the historically significant Oonah mine and the Oonah Inferred Sn-Cu-Pb-Zn Resource.
 - The first batch of samples from Severn hole ZS140 was dispatched to the ALS laboratory in Burnie for analysis on 3 September 2021 (subsequent to year end). Final assay results for the first 2 completed holes (ZS140 & ZM141A) are expected by late- October (subsequent to year end).
- 4 Exploration Drilling Co-Funding grants awarded to Stellar by the Tasmanian Government in June '21 totalling \$185,000 which will co-fund direct drilling costs of Phase 1 drilling program holes underway.
- Stellar is continuing review of a larger Phase 2 drilling program including:
 - Indicated resource infill drilling program over key Heemskirk Tin Project deposits.
 - A deep hole targeting the main conduit of mineralising fluids at Heemskirk.

- Stellar is continuing review of other project work streams / studies required to advance the Heemskirk Tin Project to PFS and BFS completion.
- Tin prices have soared since the start of 2021 exceeding 10-year highs as demand growth exceeds falling supply and stocks remain at near record lows. The LME spot tin price was US\$33,460/t on 30 June 2021 and then reached over US\$36,000/t during August '21 before retreating slightly in the US\$33,000/t to US\$34,000t range during September '21 (subsequent to year end).
- With the highest grade undeveloped tin resource in Australia & 2nd highest globally³, a scoping study completed in 2019 confirming attractive economics, and drilling aiming at extending mineralisation well underway, the Heemskirk Tin Project is well positioned to take advantage of this year's booming tin market.

NE Tasmania Gold Exploration Project

- 8 Exploration Licences (EL's) over a total area of 1,899 km² granted in August '21 (subsequent to year end).
- The granted EL's, and Stellar's remaining 4 EL applications in NE Tasmania are highly prospective for Victorian-style Orogenic Gold and for Intrusive Related Gold Systems (IRGS).
- There are 51 recorded gold occurrences and 22 recorded tin occurrences on the granted EL's and a further 26 recorded gold occurrences and 3 recorded tin occurrences on Stellar's remaining 4 EL applications in NE Tasmania.
- A number of desktop orogenic and IRGS gold exploration targets have been identified by Stellar's technical team using full GIS targeting capability. Tin targets have also been identified.
- Stellar's Tasmanian geological team is currently being expanded and the Company expects to commence fieldwork on the granted EL's during CY2021 Q4 including site reconnaissance visits, rock chip and soil geochemistry sampling over identified targets.
- The granted EL's were part of 10 EL applications lodged by Stellar in September 2020. Processing of the remaining two September 2020 EL applications (combined area of 384 km²) is nearing completion and the Company expects these 2 licences to be granted by around the end of September '21.
- 2 further EL applications were lodged by Stellar in March 2021 covering a combined area of 240km². The company expects these 2 further EL's to be granted by around the end of January '22.

Corporate

- A total of \$5.77m was raising during the year ending June '21.
- Binding Term Sheet signed in May '21 with Alligator Energy Limited (ASX: AGE) to sell non-core Exploration Licence EL6350 in South Australia for a total consideration of 7,105,263 AGE shares (valued at \$603,947 based on the \$0.085 AGE share price on last trade of 20 September '21).
- During the June quarter, Mr Gary Fietz's title was recently changed from Technical Director to Executive Director, reflecting his extended responsibilities with the Company.
- \$5.4m cash balance at 30 June 2021.

Heemskirk Tin Project

Tin Market Outlook

Tin prices have soared since the start of this year exceeding 10-year highs. The LME spot tin price was US\$33,460/t on 30 June 2021 and then reached over US\$36,000/t during August '21 before retreating slightly in the US\$33,000/t to US\$34,000t range during September '21 ¹.

This is due to strong physical global tin demand growth which has exceed falling global tin supply and is creating an extremely tight market for tin with LME tin stocks remaining near record lows.



LME Spot Tin Prices (1 Jan 2010 to 8 September 2021) ¹

Tin Demand

Physical tin demand is growing strongly as a result of:

- Covid and the rise of remote working has boosted demand for computers and other home electronics devices. As tin solder is the 'glue' connecting everything electronic, this means increased demand for tin.
- Continued demand for tin in traditional uses (tinplate, chemicals, lead-acid batteries, alloys and other uses).

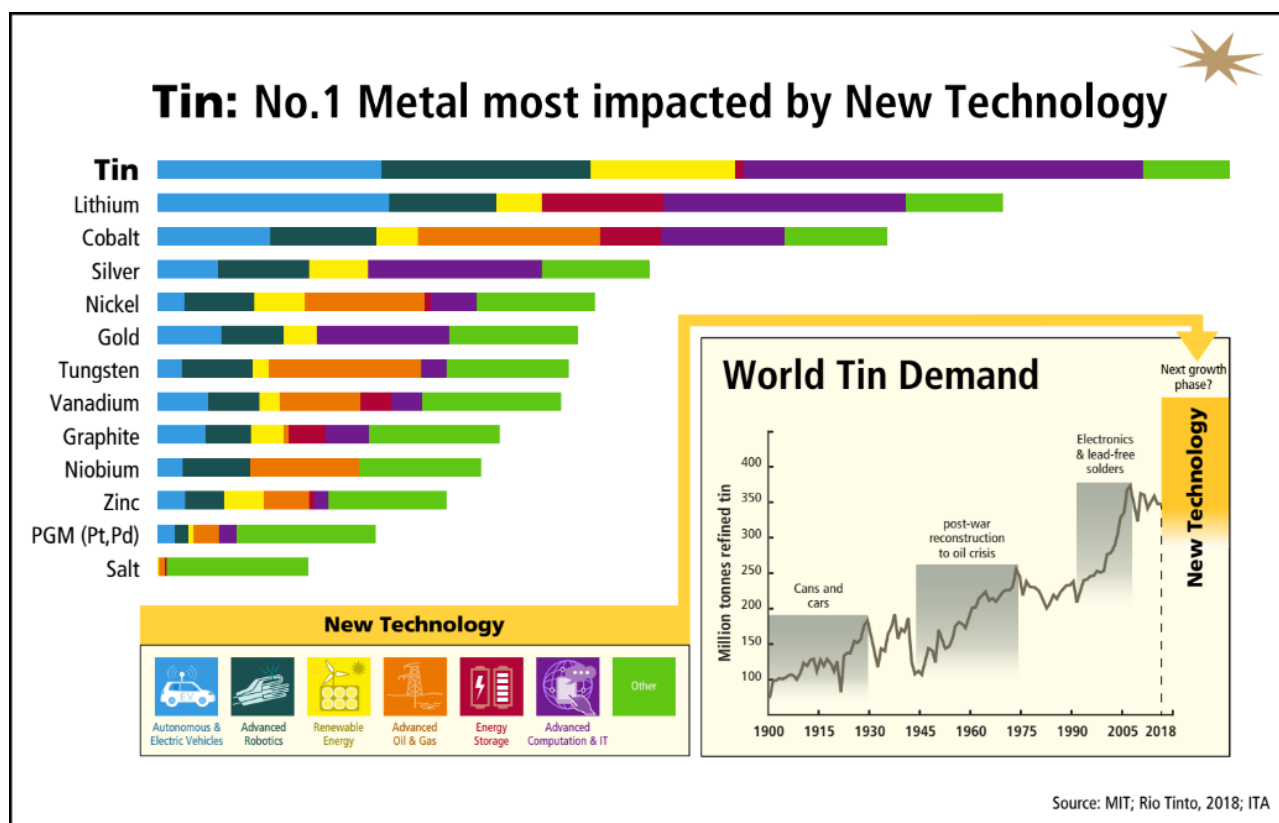
Tin Supply

Global tin supply has fallen for each of the last 3 years. Falling global tin supply has been the result of:

- China is the world's largest miner of tin and smelter of tin metal and has also been a net tin importer this year. Production cuts have occurred in many Chinese tin smelters this year due to tin ore shortages.
- Indonesia (world's 2nd largest producer) - production has fallen this year due to a poor monsoon season along with ongoing environmental controls and covid issues.
- Myanmar (world's 3rd largest producer) - production has fallen this year due to the military coup and largely unreliable artisanal and small-scale mining.
- South America (world's 4th largest producer) supply has been reduced this year due to Covid issues.
- Many existing tin mines now have lower grade and diminishing resources. Limited exploration or investment in new tin projects with many projects either in risky jurisdictions and/or low grade deposits.

Tin – The Number 1 New Technology Metal

Tin ranked as the No. 1 metal best placed to benefit from new technology according to a survey undertaken by Boston's Massachusetts Institute of Technology (MIT) for Rio Tinto in 2018.



~50% of all tin is used as solder in electronics. Solder is the 'glue' that connects everything electronic together.

Our clean, new technology future is being driven by robotics, advanced computing, EV's, energy storage and renewables – these all require more electronics and semiconductors which all need more tin.

Growing research is also showing that tin may be a more effective anode material in Li-ion batteries.

Overview of Stellar's Tin Projects

Stellar's 100% owned tin projects have an enviable location within the well-established mining district on the West Coast of Tasmania with access to established infrastructure including nearby water and renewable power, access to the port of Burnie 150km to the north via sealed highway for export of concentrate, and a competitive local market for services, mining and processing inputs and labor.

Stellar's flagship Heemskirk Tin Project is just 18km to the southwest of the Renison tin mine, the largest and most productive tin mine in Australia. Including Renison, there are 5 major underground metal mines, 3 of which are operating, within 30km of the Heemskirk Tin Project.



Location of Stellar's Tin Projects – West Coast of Tasmania

The Heemskirk Tin Project includes 4 nearby tin deposits; Severn, Queen Hill, Montana and Oonah. Stellar holds secure Mining Leases over the Heemskirk Tin Project including the tailings pipeline route and tailings storage site and also over the St Dizier satellite tin deposit.

In addition to the Heemskirk Tin Project, Stellar owns a portfolio of nearby Exploration Licences including the Montana Flats and Mount Razorback EL's which contain a number of historic silver-lead-zinc mines with associated tin mineralization, and the St Dizier and Mount Razorback satellite tin deposits.



Heemskirk Tin Project Deposits (blow up), Secure Mining Leases and a Large EL Package

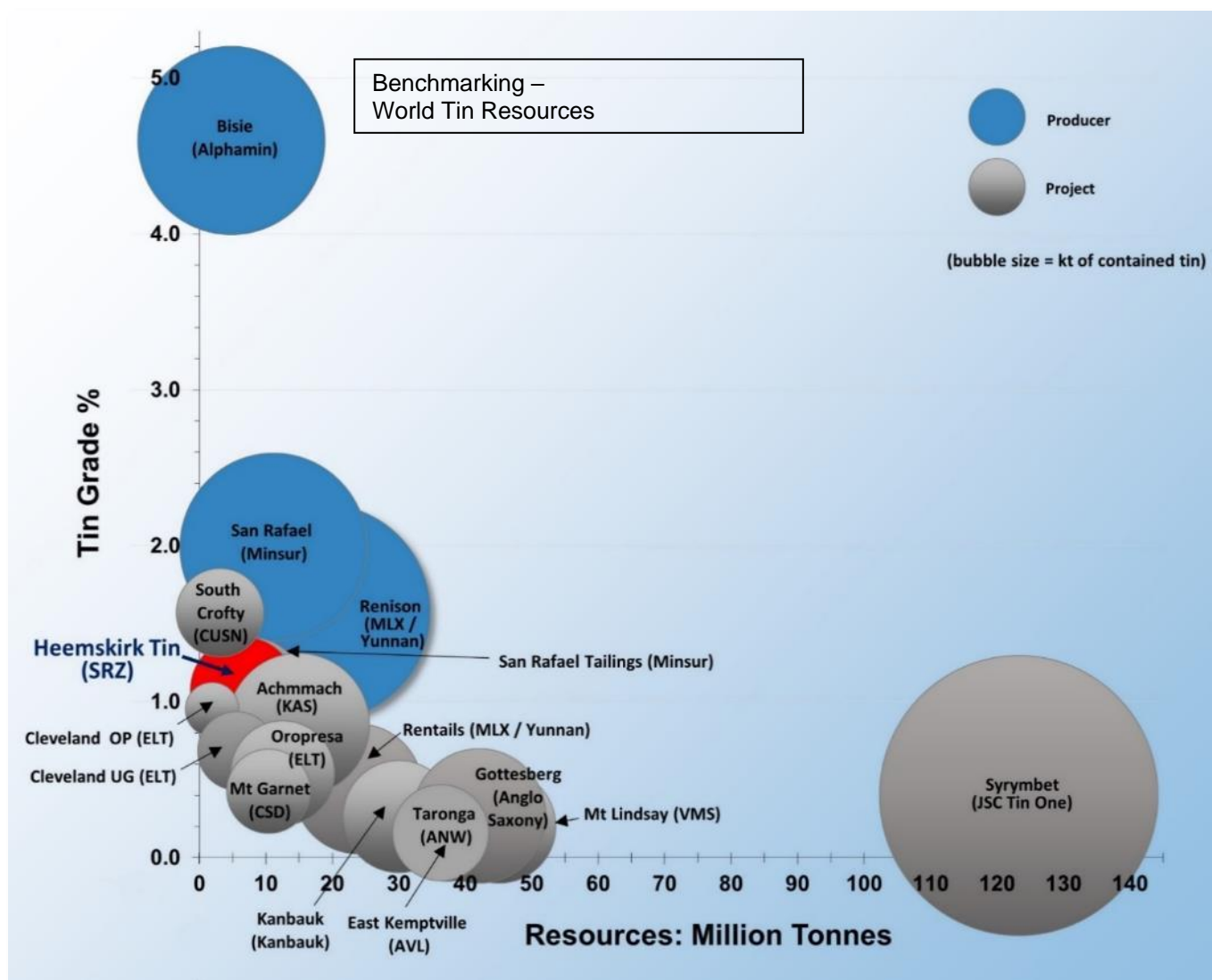
Heemskirk Tin Resources ²

The Heemskirk Tin Project has a Total Mineral Resource of 6.6 Mt @ 1.1% Sn at a 0.6% Sn cut-off grade, of which 2.12 Mt is in the Indicated Mineral Resource Category and 4.48Mt is in the Inferred Mineral Resource Category ². All deposits have higher grade zones and are amenable to mining at higher cut-off grades. All deposits open at depth.

| Classification | Deposit | Tonnes (mt) | Sn (%) | Contained Sn (t) | Cassiterite % of Total Sn (%) | Cu (%) | Pb (%) | Zn (%) |
|----------------------------|------------------|-------------|--------|------------------|-------------------------------|--------|--------|--------|
| Indicated | Upper Queen Hill | 0.32 | 1.0 | 3,230 | 87 | 0.2 | 2.1 | 1.0 |
| | Lower Queen Hill | 0.65 | 1.4 | 9,230 | 97 | 0.0 | 0.1 | 0.1 |
| | Severn | 1.15 | 1.0 | 11,500 | 99 | 0.1 | 0.0 | 0.1 |
| Total Indicated | | 2.12 | 1.1 | 23,960 | 97 | 0.1 | 0.4 | 0.2 |
| Inferred | Upper Queen Hill | 0.11 | 1.6 | 1,760 | 94 | 0.2 | 1.9 | 0.7 |
| | Lower Queen Hill | 0.36 | 1.4 | 5,040 | 97 | 0.0 | 0.2 | 0.0 |
| | Severn | 2.74 | 0.9 | 24,660 | 99 | 0.0 | 0.0 | 0.0 |
| | Montana | 0.68 | 1.5 | 10,200 | 96 | 0.1 | 0.7 | 1.4 |
| | Oonah | 0.59 | 0.9 | 5,310 | 36 | 0.8 | 0.1 | 0.1 |
| Total Inferred | | 4.48 | 1.0 | 46,970 | 90 | 0.1 | 0.2 | 0.3 |
| Total Indicated + Inferred | | 6.60 | 1.1 | 70,930 | 92 | 0.1 | 0.3 | 0.3 |

In addition, the St Dizier Tin deposit has a Total Mineral Resource of 2.26Mt @ 0.61% Sn of which 1.20 Mt in the Indicated Mineral Resource Category and 1.06 Mt is in the Inferred Mineral Resource Category ⁶.

Heemskirk is the highest grade undeveloped tin resource in Australia and the second highest grade tin resource globally ³.



2021 Phase 1 Drilling Program

A 9-hole Phase 1 diamond drilling program (for ~4,900m) using 2 rigs commenced in June '21 targeting new areas of high-grade tin mineralisation is underway at, and adjacent to, the Company's flagship Heemskirk Tin Project including;

- 2 holes targeting depth extensions ~100m below the Severn tin resource
- 7 holes targeting depth extensions below key historic silver-lead mines

Phase 1 - Severn Depth Extension Drilling

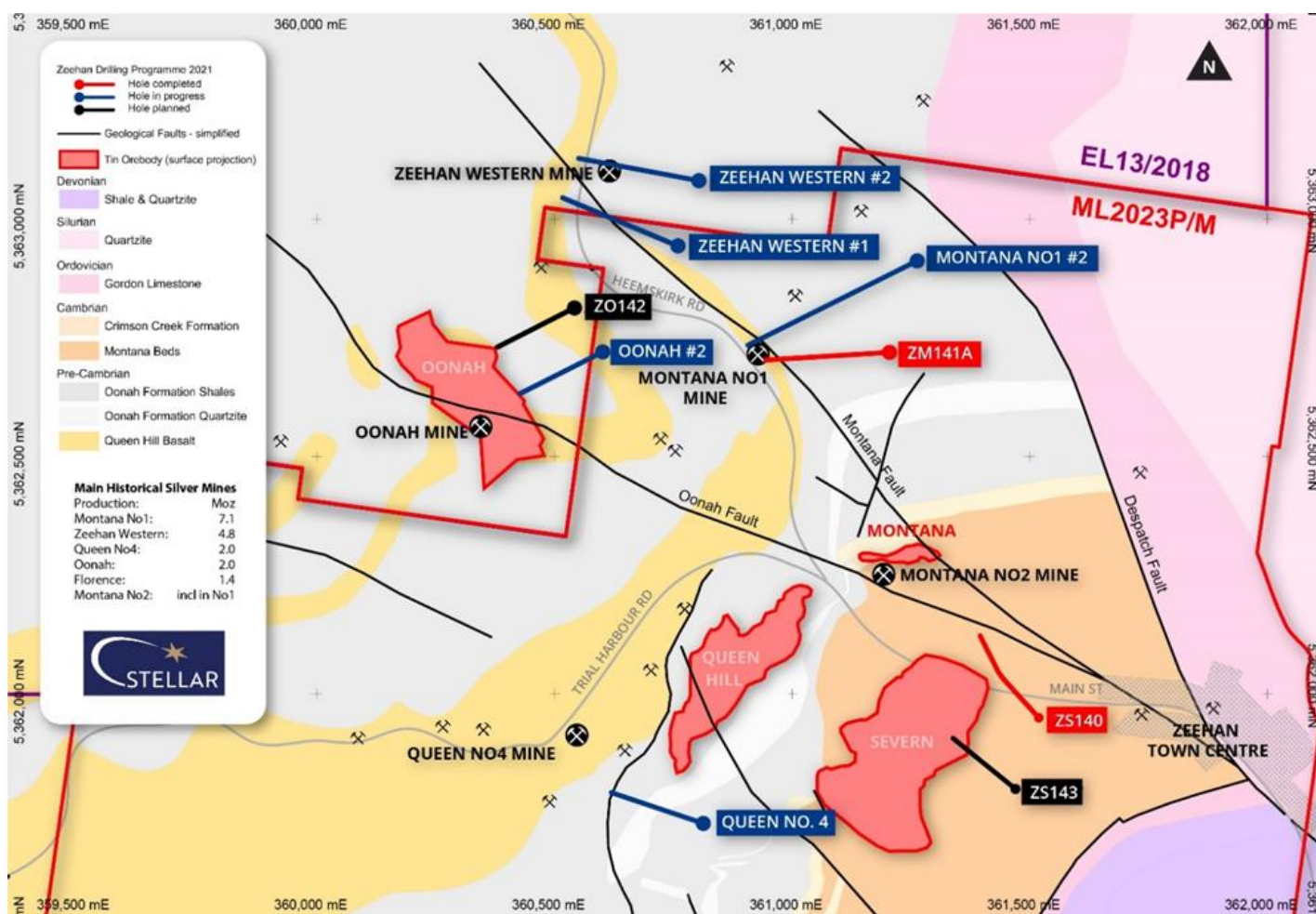
Severn is the largest of the Heemskirk Tin Project deposits and has been drilled only to ~500m depth from surface. The 2 holes planned target extension of the Severn deposit ~100m below the current resource limit at a depth of ~600m from surface. Severn remains open at depth where it is hoped that mineralisation will continue and increase in grade towards the underlying granite contact, predicted to be >1,000m below the surface from geophysical surveys.

Severn diamond drillhole ZS140 was completed in early-September '21 (subsequent to year end) to a depth of 889m and intersected wide zones of alteration and mineralisation commencing from approximately 50m below the Severn Tin Resource at a vertical depth from surface of approximately 600m. Primarily pyrite (iron sulphide) mineralisation and alteration observed is typically associated with tin (cassiterite) mineralisation. The presence of Tin (Sn) has been confirmed by anomalous Sn results from a handheld XRF instrument used to guide drill hole logging. The hole was extended from the planned depth of 750m to 889m due to the continuation of significant alteration and mineralisation well beyond the depth expected ¹⁰.

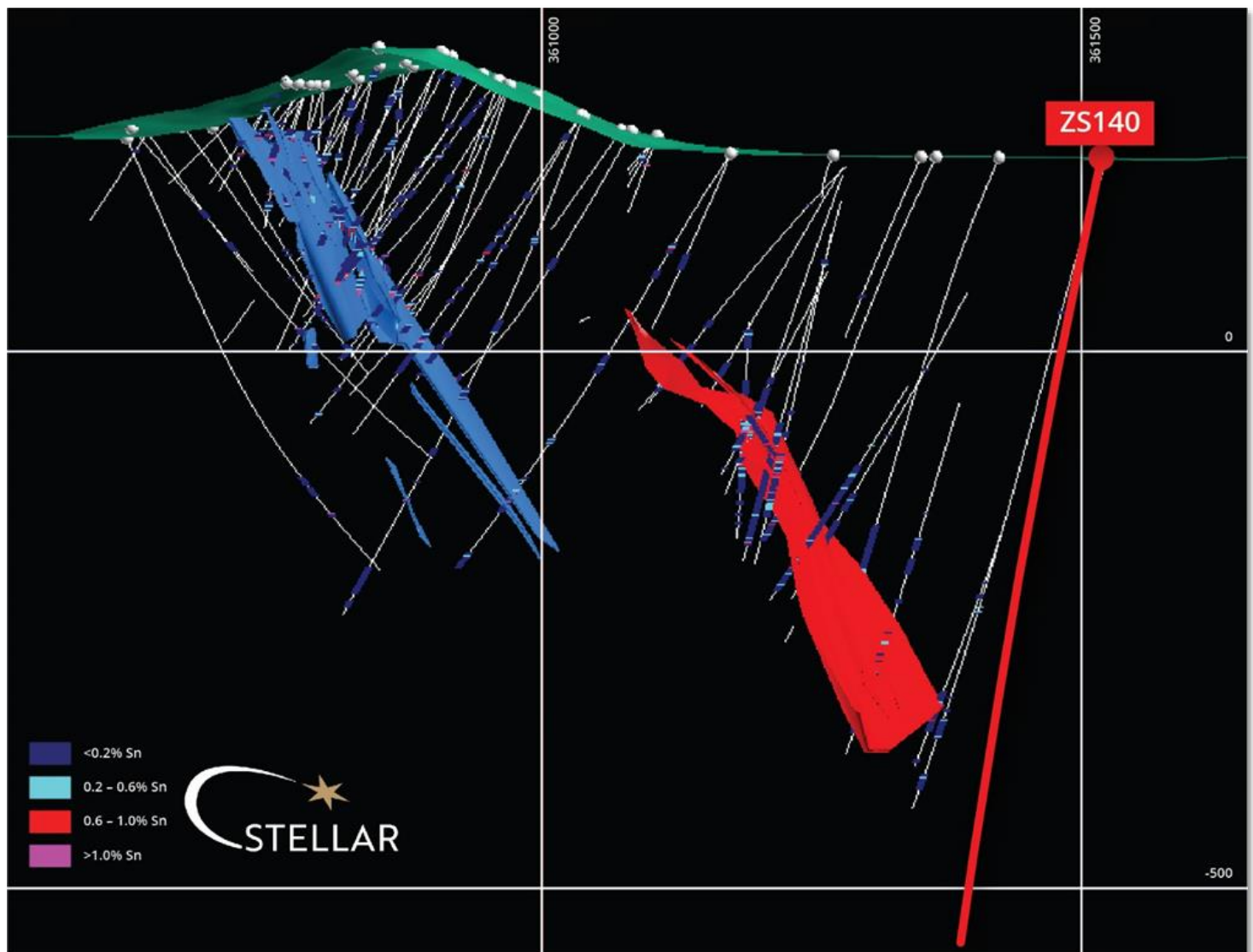
It was not possible to wedge from ZS140 due to poor ground conditions in the hole at the depth the wedge was required to be set. ZS140 has however been lined with PVC casing to enable a downhole EM survey to be undertaken from the hole in future to investigate the extent of Severn and Montana sulphide alteration and associated tin mineralization in the vicinity of the hole.

Severn diamond drillhole ZS143 was commenced in early-September'21 (subsequent to year end) with the hole collared ~150m south of ZS140 and a planned hole length of 750m. Wedging and a daughter hole is planned on completion of the ZS143 parent hole targeting a further intersection of the Severn tin deposit.

The first batch of samples from Severn hole ZS140 was dispatched to the ALS laboratory in Burnie for analysis on 3 September 2021 (subsequent to year end). Final assay results for the first 2 completed holes (ZS140 & ZM141A) are expected by late-October'21.



Zeehan Mineral Field Simplified Surface Geology, Tin Deposits, Historic Ag-Pb-Zn Mines and 2021 Phase 1 Drillholes ¹⁰



Severn West-East Cross Section (looking north) showing DD hole ZS140 (red), historical drilling, Severn Resource (red) and Queen Hill Resource (blue) ¹⁰



Severn Drillhole ZS140, Typical example (775.7m – 780.4m) of sulphide mineralisation containing tin ¹⁰

Phase 1 - Depth Extensions below Key Historic Silver-Lead-Zinc Mines

The highly mineralised Zeehan mineral field contains many historically significant high-grade silver-lead mines which have a total recorded production of 26 MOz Silver & 190,000 t Lead and resulted in the development of a major town and smelters at Zeehan in the late 1800's / early 1900's.

The Phase 1 drilling program includes 7 planned holes (total of ~3,000m) aimed at identifying new areas of high-grade tin mineralisation below 4 of the largest historic silver-lead mines in the Zeehan mineral field (Montana No.1, Zeehan Western, Oonah & Zeehan Queen No. 4) which are located on Stellar's licences and typically had:

- Ore grades of 20 Oz/t Silver to 100 Oz/t Silver
- Mining widths up to 2.7m (fissure veins)
- Mining lengths up to 300m
- Mining depths of 70m to 300m

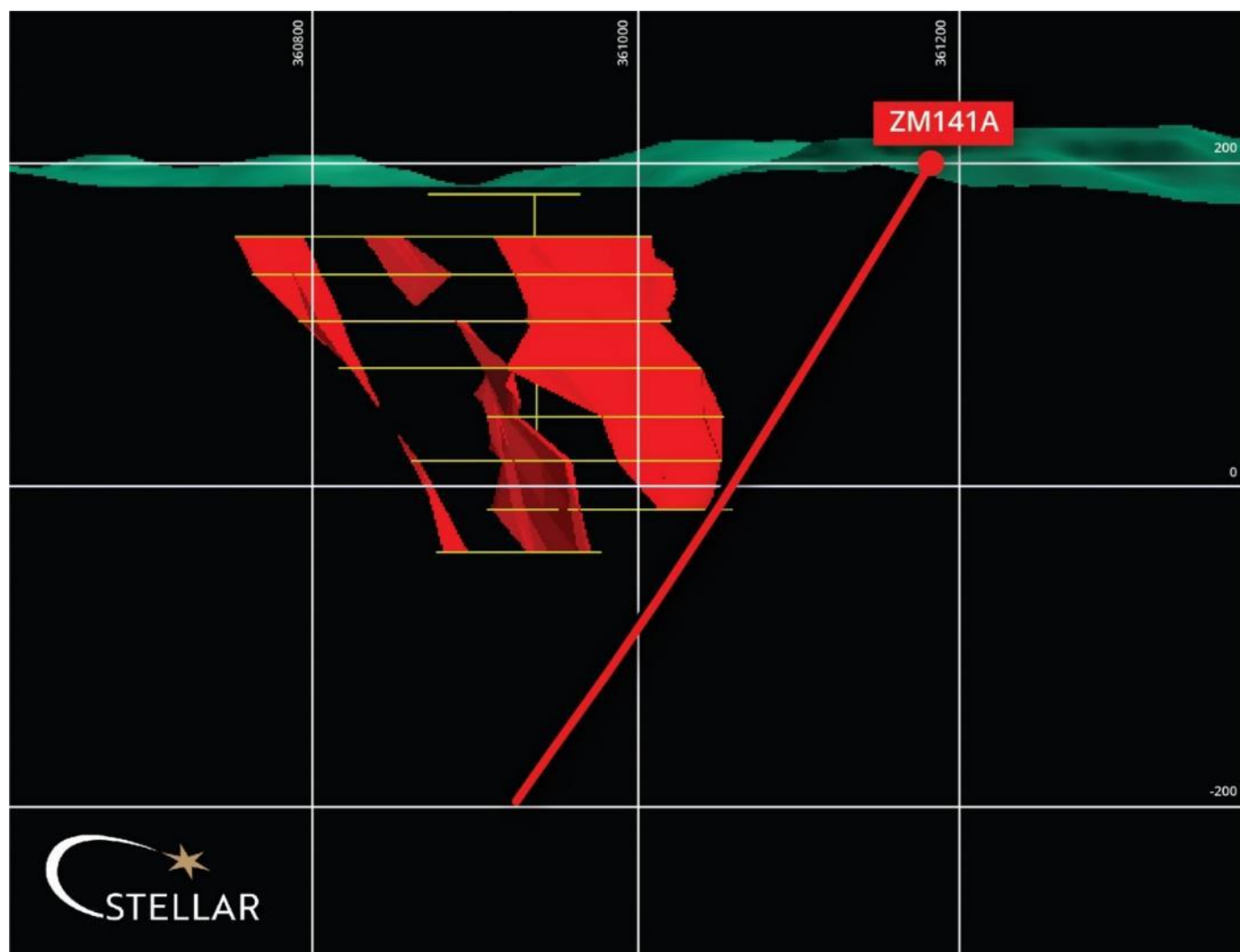
Silver-Lead lodes typically transition into tin (with pyrite) lodes at depth. The 7 Phase 1 holes target depths below the historically mined silver-lead lodes where transition to tin mineralisation is expected although there is also potential to intersect deeper high-grade silver-lead-zinc fissure lodes. No drilling ever done below these mines.

Tin mineralisation in the Zeehan district is generally associated with pyrite. Both the Queen Hill and Montana Deposits were recorded as "pyrite" lodes by the early silver-lead miners and considered worthless. Cassiterite (tin) mineralisation which was often fine grained was generally not recognised or assayed for by the early silver-lead miners. The Queen Hill tin deposit was discovered by Gippsland Minerals by sampling and then drilling of supposedly barren pyrite lodes exposed in the Zeehan

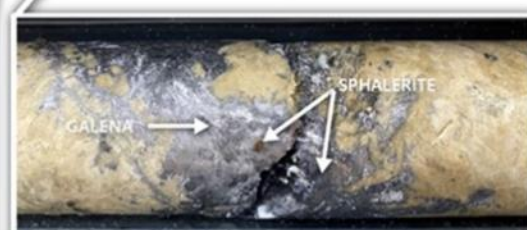
Queen No. 4 silver-lead mine workings. Based on this Pyrite Lode model, Gippsland Minerals then drilled a reported pyrite lode associated with the silver-lead lodes in the Montana No. 2 Mine thus discovering the Montana tin deposit. Pyritic lodes have also been recorded in the Oonah and Montana No. 1 historic silver-lead mines. These pyritic lodes are targets for tin mineralisation.

Montana No. 1 diamond drillhole ZM141A was completed in late-August '21 (subsequent to year end) to a depth of 534m and intersected zones of alteration and mineralisation in several fissure vein lodes commencing from approximately 75m below the historically significant Montana No. 1 silver-lead-zinc mine which was mined from surface to ~250m on 6 lodes. Galena (lead) and sphalerite (zinc) within the fissure vein lodes have been visually observed in logging including the fissure vein lode from 421.6m to 424.2m (2.6m down-hole width). The presence of lead, zinc, silver, copper and tin have been confirmed by anomalous results from a handheld XRF instrument.¹⁰

Oonah diamond drillhole ZO142 was commenced in mid-August'21 (subsequent to year end) with a planned hole length of 400m. This hole targets depth extensions of the silver-lead-zinc fissure lodes mined in the historically significant Oonah mine to a depth of ~120m from surface, and depth extensions of the Oonah Inferred Resource (0.59 Mt at 0.9% Sn, 0.8% Cu, 0.1% Pb, 0.1% Zn. Ag not included)⁴ which has been defined by previous drilling below the historic workings.



Montana No. 1 West-East Cross Section (looking North) showing ZM141A and Historic Mining¹⁰



Montana No. 1 Drillhole ZM141A, Fissure Vein from 421.6m to 424.2m with visual sulphide galena and sphalerite mineralisation containing, lead, zinc, silver, copper and tin ¹⁰

Phase 1 Drilling Program Summary ⁵

| Target | No. Holes | Planned Hole Length (m) | Historic Silver Production (MOz) | Description |
|-------------------------|-----------|-------------------------|----------------------------------|--|
| Oonah Mine | 2 | 400 | 2.0 | Large historic Ag-Pb mine, worked to 120m with Inferred resource based on historic drilling below (0.59 Mt at 0.9% Sn, 0.8% Cu, 0.1% Pb, 0.1% Zn). Remains open at depth |
| Montana No. 1 Mine | 2 | 500-600 | 7.1 | The largest Ag-Pb mine in Zeehan Field. Worked to 200m depth on 6 lodes |
| Zeehan Western Mine | 2 | 400 | 4.8 | One of largest Ag-Pb mines in Zeehan Field. Worked to 300m depth |
| Zeehan Queen No. 4 Mine | 1 | 300 | 2.0 | Large historic mine, worked to 70m where lode had transitioned to pyrite and never assayed for tin |
| Severn Resource | 2 | 700 | None | Targeting ~100m below currently defined Severn tin resource at ~600m depth |
| Total | 9 | 4,900 | | |

Stellar Awarded Four Exploration Drilling Co-Funding Grants

Stellar was awarded four Exploration Drilling Co-Funding grants in June totalling \$185,000 under the Fifth Round of the Tasmanian Governments Exploration Drilling Grant Initiative (EDGI) program which will co-fund direct drilling costs of 7 of the holes included in the Phase 1 drilling program underway.

Phase 2 Drilling Program

A Phase 2 diamond drilling program is currently under review by Stellar including:

Severn and Queen Hill Indicated Resource Infill Program

Severn and Queen Hill are the two largest Heemskirk Tin Project deposits with a combined total Mineral Resource of 5.33Mt @ 1.0% Sn, of which 40% is Indicated & 60% Inferred ².

The Phase 2 drilling program under review comprises Infill drilling to upgrade a significant part of the Severn and Queen Hill Inferred Resource to an Indicated Resource in order to support a PFS / BFS for the project.

1 Deep hole

A deep hole is being considered as part of a Phase 2 drilling program to target the main conduit of mineralising fluids into the Severn and Queen Hill deposits from the underlying interpreted granite

Heemskirk Tin Project Scoping Study

In October 2019, Stellar announced the results of its Heemskirk Tin Project Scoping Study ⁶ based on development of an underground mine, processing plant, tailings storage facility and surface infrastructure to mine ~ 350ktpa ore at a LOM head grade of ~ 0.95% tin from the Queen Hill and Severn tin deposits (2 of the 4 Heemskirk deposits) over a 10 year initial mine-life. The project also includes open-pit mining of the St Dizier satellite tin deposit and trucking of ore to the Heemskirk processing plant during year 11 of the mine plan.

The processing plant is expected to produce ~ 4,500 tpa of concentrate containing ~ 2,200tpa of tin. Concentrate produced will be trucked 150km to the north via sealed road to the Port of Burnie for export to smelters in Asia.

The 2019 Scoping Study confirmed the Heemskirk Tin Project has attractive economics.

Advancement of Heemskirk Tin Project to PFS/BFS Completion

Other project work streams and studies required to advance the Heemskirk Tin Project to PFS and BFS completion are also now under review by Stellar.

Many of the project work streams and studies have already been completed to a PFS level.

Work towards completion of the DPMP is well progressed with environmental assessment program agreed and stage 1 surveys completed.

The project has secure Mining Leases granted over mine site, tailings pipeline route and tailings dam site.

With the highest grade undeveloped tin resource in Australia & 2nd highest globally ³, a scoping study completed in 2019 confirming attractive economics, and drilling aiming at extending mineralisation now well underway, the Heemskirk Tin Project is well positioned to take advantage of this year's booming tin market.

North East Tasmania Gold Exploration

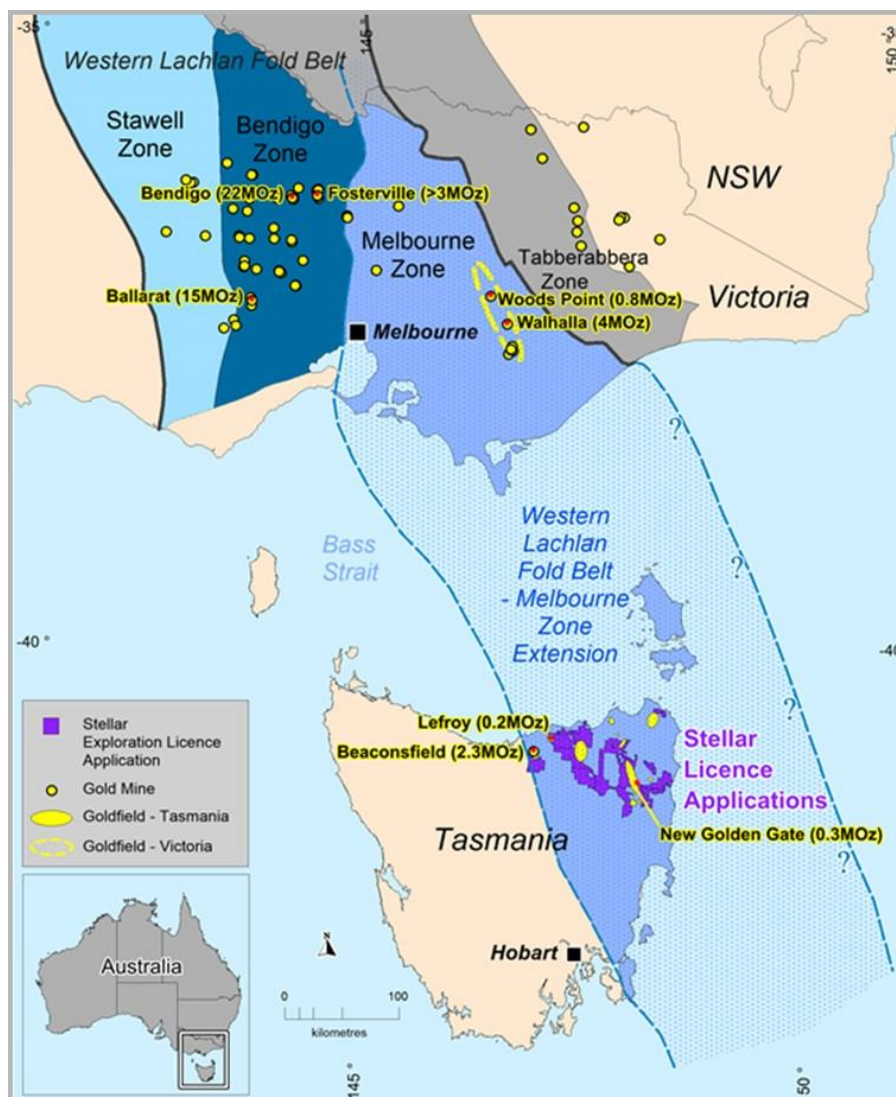
NE Tas – A Continuation of Victorian Western Lachlan Fold Belt ⁸

Gold deposits in North East Tasmania lie within a continuation of the Western Lachlan Fold Belt in Victoria – one of the world's largest orogenic gold provinces.

The Western Lachlan Fold Belt in Victoria hosts the >3 MOz Fosterville Mine, Bendigo and other Tier 1 goldfields and has produced >80 MOz gold.

NE Tasmania hosts the Beaconsfield Mine (2.3 MOz), New Golden Gate Mine (0.3 MOz) and Lefroy Goldfield (0.2MOz), along with hundreds of smaller historic gold mines and occurrences.

While Victoria is currently experiencing intense gold exploration activity, NE Tasmania has had very little modern gold exploration undertaken.

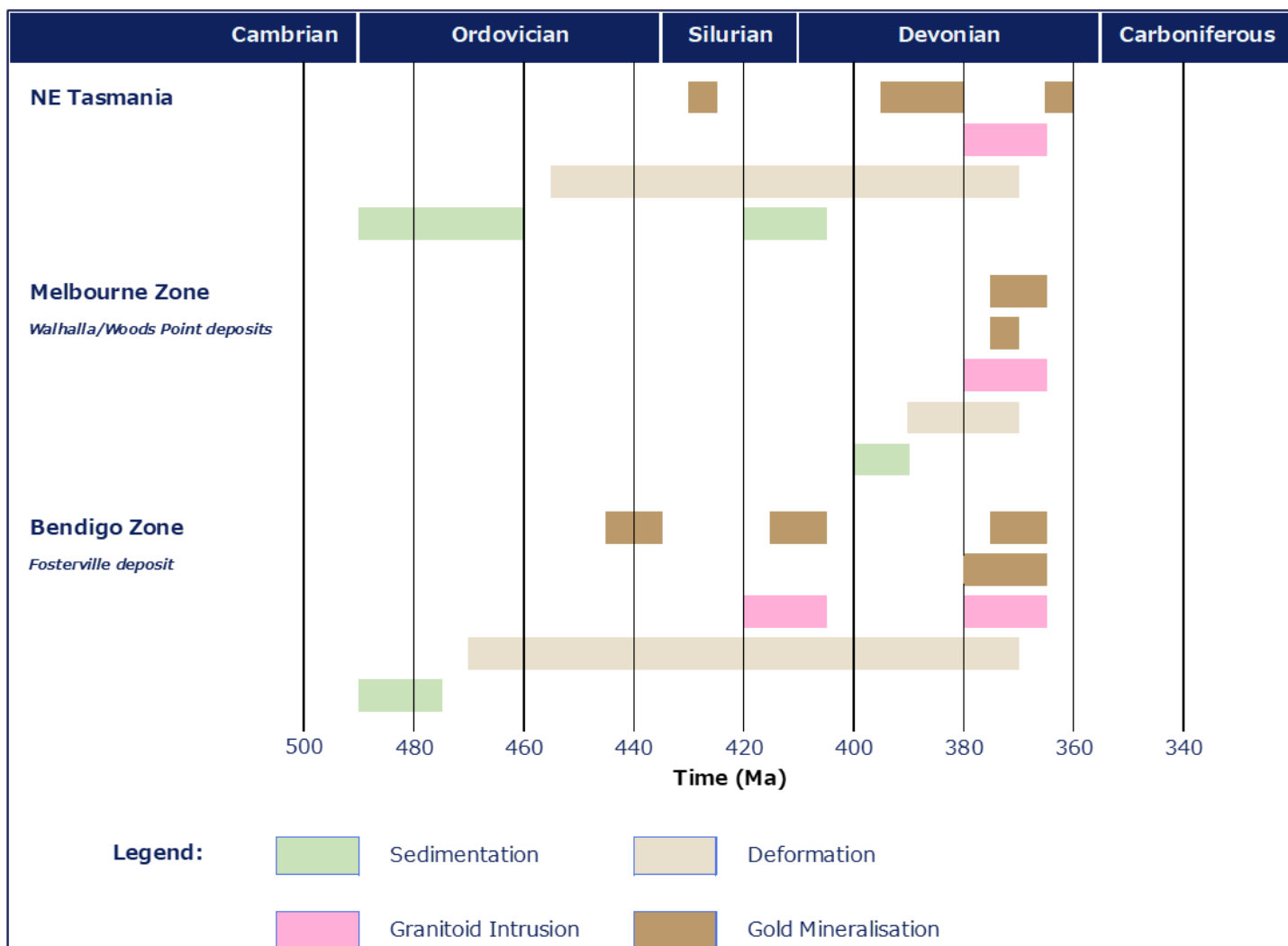


Continuation of Western Lachlan Fold Belt from Victoria into NE Tasmania ⁸

Gold deposits in NE Tasmania share the same geological setting as their Victorian counterparts:

- Ordovician turbiditic meta-sediments (Mathinna Super-Group).

- Ordovician to Devonian deformation and metamorphism (Western Lachlan Orogen).
- Associated with nearby Devonian granitoid intrusives.
- Gold commonly in quartz veins occupying dilational zones along large- scale faults related to folding and deformation during the Lachlan Orogen.
- Predominantly NW oriented lodes controlled by regional structures and rheological contrasts between sedimentary units.
- Intrusion Related Gold System (IRSG) deposits also occur in NE Tasmania.



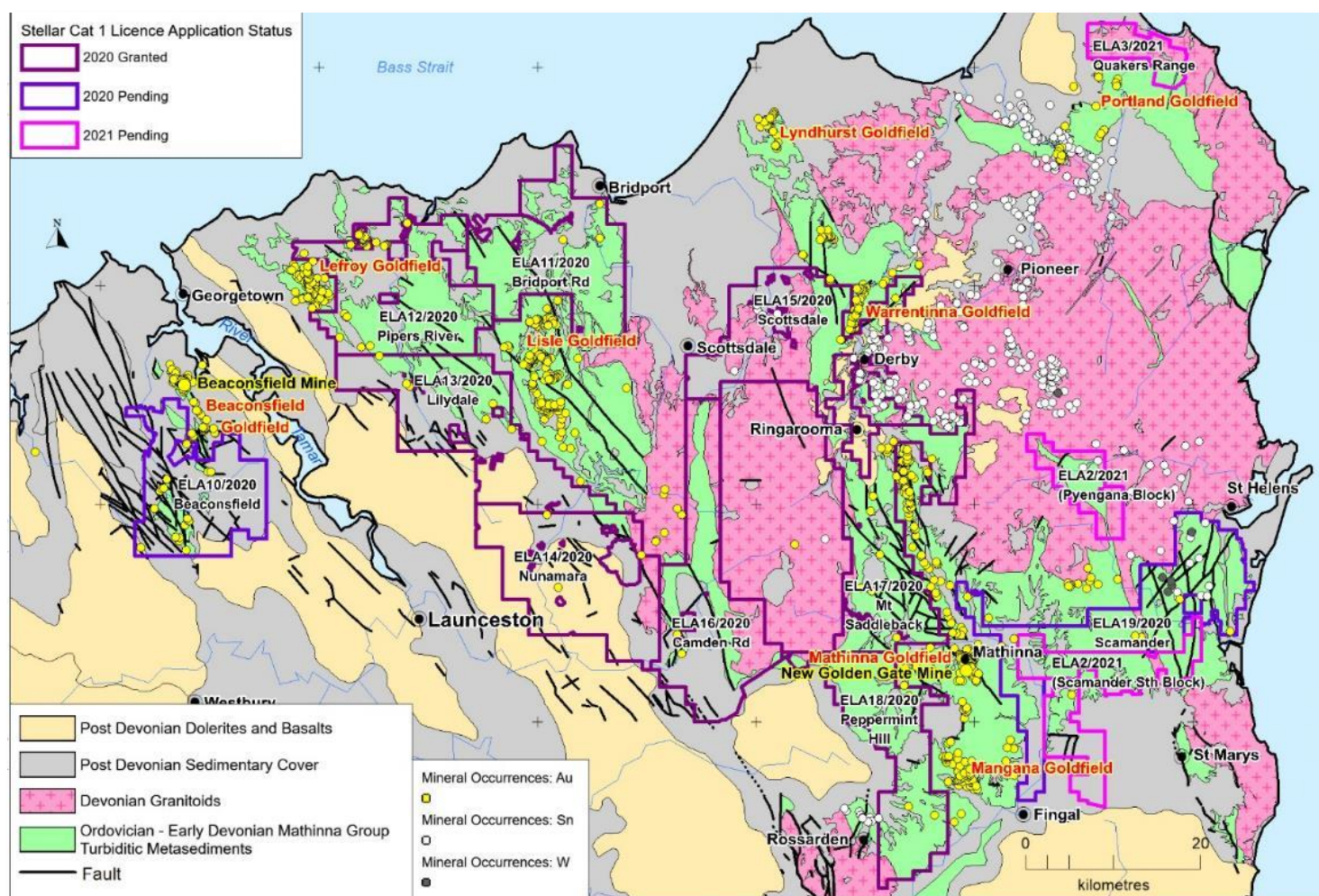
Timing of Geological Events in NE Tasmania vs Melbourne and Bendigo Zone of Western Lachlan Fold Belt in Victoria (after Bierlein et al, 2005) ⁸

Stellar's North East Tasmania Exploration Licences

8 Exploration Licences (EL's) over a total area of 1,899 km² in NE Tasmania were granted in August '21 (subsequent to year end) to Stellar's wholly owned subsidiary, Tarcoola Iron Pty Ltd.⁹

The 8 EL 's granted in August '21 (subsequent to year end) were part of the 10 EL applications lodged by Stellar in September '20. The remaining two September '20 EL applications over the Beaconsfield South and Scamander areas are still being processed and the Company expects these 2 licences covering a combined area of 384 km² to be granted by ~ the end of September '21. A number of objections have been received from landowners with small to medium sized properties over the Beaconsfield South EL10/2020, and to a lesser extent over the Scamander EL19/2020 application area's which are yet to be granted. The Company intends to relinquish its application over these objection areas which is not expected to have a material effect on the gold targets identified over the Beaconsfield South and Scamander EL's.

Two further EL applications were lodged by Stellar in March '21 covering a combined area of 240km² in the South Scamander, Pyengana and Quakers Ranges areas. The company expects these EL's to be granted by ~ end of Jan '22.



Stellar EL's, EL Applications, Geology and Mineral Occurrences^{2, 9}

Stellar's 8 granted EL's, and remaining 4 EL applications in NE Tasmania are highly prospective for Victorian-style Orogenic Gold and for Intrusive Related Gold Systems (IRGS). There are 51 recorded gold occurrences and 22 recorded tin occurrences on the 8 recently granted EL's and a further 26 recorded gold occurrences and 3 recorded tin occurrences on Stellar's remaining 4 EL applications in NE Tasmania.^{7,8,9}

A number of desktop orogenic and IRGS gold exploration targets have been identified by Stellar's technical team using full GIS targeting capability including: reprocessed aeromagnetic, radiometric and gravity data, geological mapping, recorded gold and tin occurrences, historic drilling and geochemical data. A number of tin targets have also been identified. ^{7,8,9}

Summary of Stellar's EL's and EL Applications in NE Tasmania ⁹

| Application Name | Application Number | Area (Km2) | Status | Ordovician Mathinna Group | Regional Structures (Magnetic Lineaments & Mapped Faults) | Granitoid Intrusions nearby | Gold Occurrences | Tin Occurrences |
|----------------------------|--------------------|--------------|-------------|---------------------------|---|-----------------------------|------------------|-----------------|
| Beaconsfield | ELA 10/2020 | 142 | Application | Y | NW | Y | 18 | |
| Bridport Rd | ELA 11/2020 | 238 | Granted | Y | NW | Y | 3 | |
| Pipers River | ELA 12/2020 | 247 | Granted | Y | NW | Y | 15 | |
| Lilydale | ELA 13/2020 | 244 | Granted | Y | NW | Y | 6 | |
| Nunamara | ELA 14/2020 | 249 | Granted | Y | NW & NE | Y | 3 | |
| Scottsdale | ELA 15/2020 | 249 | Granted | Y | V, N & NE & IR | Y | 2 | 21 |
| Camden Road | ELA 16/2020 | 248 | Granted | Y | NW & N | Y | 3 | |
| Mt Saddleback | ELA 17/2020 | 242 | Granted | Y | NW & NE | Y | 13 | 1 |
| Peppermint Hill | ELA 18/2020 | 195 | Granted | Y | NW | Y | 6 | |
| Scamander | ELA 19/2020 | 242 | Application | Y | N & NE | Y | 7 | 1 |
| South Scamander & Pyengana | ELA 2/2021 | 195 | Application | Y | NW, N, NE | Y | 1 | 2 |
| Quakers Ranges | ELA 3/2021 | 45 | Application | Y | NW | Y | | |
| Total | | 2,535 | | | | | 77 | 25 |

Proposed Exploration Program

Stellar's based geological team is currently being expanded and the Company expects to commence fieldwork on the 8 recently granted EL's during calendar year 2021 Q4 including site reconnaissance visits, rock chip and soil geochemistry sampling over identified desktop targets.

Proposed Exploration Program - Stellar NE Tasmania ELA's ⁹

| Year 1 | | Desktop Phase (Prior to Grant of EL's) |
|---|--|--|
| Historic data capture - reprocessed aeromagnetic and gravity data, geology, recorded gold and tin occurrences, historic drilling and geochemical data captured in GIS - largely completed | | |
| Desktop target generation (orogenic lineaments/faults and IRGS targets) using full GIS targeting capability developed by Stellar’s technical team - well advanced with a number of targets defined) | | Ground Based Exploration Phase (To commence on grant of EL's) |
| Fieldwork – soil and rock chip sampling and analysis over key targets. Other field reconnaissance activities. | | |
| Generation of drill targets foy Year 2 (eg anomalous soil geochemistry results) | | |
| Year 2 | | |
| First phase of drilling on drill targets identified in Yr 1. Combination of aircore or RAB for initial shallow drilling of targets, with follow up deeper reverse circulation and diamond drilling planned. | | |

Corporate

\$3.6M Capital Raising Completed (March '21)

In March '21, Stellar completed a \$3.6m capital raising (before costs) by way of a placement of 163,636,364 fully paid ordinary shares at \$0.022 (2.2 cents) per share. The placement was completed in two tranches:

- Tranche 1 was completed on 24 March 2021 under the Company's available 15% capacity pursuant to ASX Listing Rule 7.1 raising \$2.0m (before costs) from the issue of 90,909,090 fully paid ordinary shares at \$0.022 (2.2 cents) per share.
- Tranche 2 – was completed on 11 May 2021 raising a further \$1.6m from the issue of 72,727,274 fully paid ordinary shares at \$0.022 (2.2 cents) per share, following shareholder approval at a general shareholder meeting held on 4th May 2021.

\$1.87M Underwritten Entitlement Offer (October '20)

In October '20, Stellar completed a fully underwritten, non-renounceable Entitlement Offer at an issue price of 1.0 cent per share raising \$1,879,948 (before costs).

\$0.3M Placement (September '20)

In September '20, Stellar completed a \$300,000 placement via the issue of 27,272,727 new fully paid ordinary shares at an issue price of 1.1 cents per share. Shares were placed to sophisticated investors pursuant to Chapter 7 of ASX Listing Rules.

Sale of Non-Core Exploration Licence to Alligator Energy

A Binding Term Sheet was signed in May '21 to sell Stellar's non-core Exploration Licence EL6350 in South Australia to Alligator Energy Limited (ASX: AGE or "Alligator") for a total consideration of 7,105,263 AGE shares (valued at \$603,000 based on the \$0.085 AGE share price on 20 September '21). The transaction remains subject to Ministerial approval of the transfer of EL6350 to AGE.

Change of Mr Gary Fietz's Title to Executive Director

Mr Gary Fietz's title was recently changed from Technical Director to Executive Director, reflecting his extended responsibilities with the Company.

Change of Company Secretary

In June, the Company announced a change of the Company Secretary from Ms Melanie Leydin to Mr Mathew Watkins. Both Ms Leydin and Mr Watkins are employees of Leydin Freyer, a specialist Company Secretarial, Governance and Accounting firm which continues to undertake the Company Secretarial role for Stellar.

Mr Watkins is a Chartered Accountant who has extensive ASX experience within several industry sectors including Biotechnology, Bioscience, Resources and Information Technology. He specialises in ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support. Mr Watkins is appointed Company Secretary on several other ASX listed companies. Leydin Freyer have vast experience working with listed entities and a strong background of working with growing companies within the Resources sector.

Change of Principal Place of Business

In June, the Company announced a change of its Principal Place of Business to:

Level 4, 96-100 Albert Road

South Melbourne, Victoria, 3205

Telephone +613 9692 7222

Facsimile +613 9077 9233

Footnotes / Live Links

¹ [westmetall.com tin prices](https://www.westmetall.com/tin-prices)

² [SRZ Announcement, 16 May 2019, "Updated Heemskirk Resource Increases Indicated Category and Confidence in the Project"](#)

³ [SRZ Announcement, 12 April 2021, "Investor Presentation"](#) – See page 11 Benchmarking Assumptions

⁴ [SRZ Announcement, 18 February 2021, "Restart of Tin Exploration Drilling"](#)

⁵ [SRZ Announcement, 26 March 2021, "Expanded Tin Exploration Drilling Program at Heemskirk Tin"](#)

⁶ [SRZ Announcement, 1 October 2019, "Heemskirk Tin Scoping Study Confirms Attractive Economics"](#)

⁷ [SRZ Announcement, 4 March 2021, "Additional NE Tasmania Gold EL Applications"](#)

⁸ [SRZ Announcement, 10 September 2020, "NE Tasmania Gold EL Applications"](#)

⁹ [SRZ Announcement, 23 August 2021, "NE Tasmania Exploration Licences Granted"](#)

¹⁰ [SRZ Announcement, 7 September 2021, "First 2 Drillholes at Heemskirk Intersect Significant Zones of Alteration and Mineralisation"](#)

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.

The Directors of Stellar Resources Limited ("the company") and its controlled entities ("the consolidated entity") submit herewith the financial report for the year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors of the company in office at any time during or since the end of the period are:

| Director | Position held |
|------------------|------------------------|
| Simon O'Loughlin | Non-Executive Chairman |
| Thomas Whiting | Non-Executive Director |
| Gary Fietz | Executive Director |
| Simon Taylor | Non-Executive Director |

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Principal activities

The principal activity of the consolidated entity during the year continued to be mineral exploration and evaluation with the objective of identifying and developing economic reserves.

Operating Result

The net loss after tax of the Consolidated Entity for the financial period was \$720,479 (2020: \$496,004).

The loss for the financial period was comprised largely of administration expenditure of \$541,114 (2020: \$487,581) and business development, licencing and other exploration costs of \$172,255 (2020: \$nil), the business development, licencing and other exploration related costs being the primary driver of the increased loss during the year ended 30 June 2021.

Financial Position

The Consolidated Entity's net assets increased by \$5,273,462 to \$16,858,555 as at 30 June 2021 (2020: \$11,585,093). The increase was primarily due to multiple capital raises totalling \$5,500,946, net of the cost of capital raised, offset by the loss after tax for the year ended 30 June 2021.

Working capital, being current assets less current liabilities, increased by \$4,792,424 to \$5,235,176 (2020: \$442,752). The Consolidated Entity had net cash outflows from operating activities for the period of \$643,291 (2020: \$510,267).

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Dividends Paid or Recommended

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

On 9 September 2020, 10 first-in-time Exploration Licence Applications were registered by Mineral Resources Tasmania covering an area of 2,295 km² in North-East Tasmania. The Exploration Licence Applications are prospective for Victorian-Style Orogenic Gold and Intrusive Related Gold Systems and contain approximately 76 recorded historic gold occurrences. The Company intends to commence its gold exploration project in North-East Tasmania in 2021, subject to the grant of the Exploration Licences. Refer to Subsequent Events below regarding the grant of 8 Licences subsequent to 30 June 2021.

On 14 September 2020, the Consolidated Entity announced that it would undertake a fully underwritten, Non-Renounceable Entitlement Offer providing eligible shareholders the opportunity to subscribe for two (2) new fully paid ordinary shares for every five (5) existing fully paid ordinary shares held, at an issue price of \$0.010 (1.0 cent) per share. The Entitlement Offer was fully underwritten by Taylor Collison and resulted in the issue of 187,994,800 shares, raising approximately \$1,879,948 (excluding capital raising costs).

On 15 September 2020, the Consolidated Entity completed the issue of 27,272,727 fully paid ordinary shares under a placement to sophisticated investors at an issue price of \$0.011 (1.1 cents) per share, raising a total of \$300,000 (excluding capital raising costs).

On 5 February 2021, the Consolidated Entity issued 3,323,104 Non-Executive Director ("NED") Share Rights for Director's fees salary sacrificed for the period July 2020 to December 2020, under the Non-Executive Director Share Rights Plan, as approved by shareholders at the Consolidated Entity's General Meeting on 10 June 2020. The NED Rights vest 12 months from the date of grant, and no amount is payable on vesting or on exercise.

On 4 March 2021, a further 2 first-in-time Exploration Licence Applications were registered by Mineral Resources Tasmania covering an area of 240 km² in North-East Tasmania.

On 19 March 2021, the Consolidated Entity completed the issue of 7,200,000 fully paid ordinary shares upon exercise of 7,200,000 unlisted options over fully paid ordinary shares in the Consolidated Entity at an exercise price of \$0.015 (1.5 cents) per share, raising \$108,000.

On 24 March 2021, the Consolidated Entity completed the issue of 90,909,090 fully paid ordinary shares (Shares) in the Consolidated Entity as previously announced on 17 March 2021 at an issue price of \$0.022 (2.2 cents) per share, raising \$2 million (excluding capital raising costs).

On 11 May 2021, the Consolidated Entity completed the issue of 72,727,274 fully paid ordinary shares (Shares) in the Consolidated Entity at an issue price of \$0.022 (2.2 cents) per share, raising \$1.6m (excluding capital raising costs).

On 18 May 2021, Stellar's 100% owned subsidiary, Hiltaba Gold Pty Ltd (Hiltaba) signed a Binding Term Sheet, in accordance with which Hiltaba agreed to sell EL6350 to Alligator Energy Ltd's (ASX: AGE) 100% owned subsidiary, S Uranium Pty Ltd (SUPL) consideration being 7,105,263 AGE shares. The sale was subject to obtaining the necessary Regulatory and Shareholder approvals and tenement reporting obligations being met by Hiltaba. Alligator Energy Ltd is to assume all tenement expenditure commitments and liabilities in relation to EL6350 at the time the transaction completes and to cover annual rentals and other costs from the date of executing the Binding Terms Sheet.

In May 2021, 11,664,714 Alligator Energy Ltd (ASX: AGE) shares were disposed by the Company for \$418,979.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Subsequent Events

On 27 July 2021, NED Share Rights vested over a total of 5,161,190 fully paid ordinary shares and accordingly 5,161,190 fully paid ordinary shares were issued to Directors. The NED Rights were issued for Director's fees salary sacrificed for the period of January 2020 to June 2020 under the Non-Executive Director Share Rights Plan (NEDSP). The NEDSP was approved by shareholders at the Company's General Meeting held on 10 June 2020.

On 23 August 2021, the Consolidated Entity announced that 8 Exploration Licences (ELs) had been granted to Stellar's wholly owned subsidiary, Tarcoola Iron Pty Ltd, over an area of 1,899 km² in North-East Tasmania, which is highly prospective for Victorian-style Orogenic Gold, Intrusive Related Gold Systems (IRGS) and additionally contains historical tin occurrences. The granting of the ELs results in the Consolidated Entity taking on additional capital expenditure commitments of approximately \$155,000 in the period through to 30 June 2022 and approximately \$600,000 in the period therefrom to 30 June 2026.

On 26 August 2021, EL6350 was renewed by the Department for Energy and Mining, South Australia. Following this, the only condition remaining to be fulfilled under the Binding Term Sheet for the sale of EL6350 to AGE/SUPL was the Ministers approval of transfer of EL6350 to AGE/SUPL.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Future Developments

The Consolidated Entity will continue to pursue its objective of maximising value of its investments held in exploration assets through continued exploration of areas of interest and sale of interests in permits held.

The Consolidated Entity's focus for the coming periods will be on advancing its exploration projects, in particular advancing the Company's flagship Heemskirk Tin Project and tin exploration projects on the West Coast of Tasmania along with the North East Tasmania Gold Exploration Project.

Environmental Issues

The consolidated entity's exploration activities are subject to various environmental regulations under both state and federal legislation in Australia. The ongoing operation of these tenements is subject to compliance with the respective mining and environmental regulations and legislation.

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The Directors are not aware of any breaches of mining and environmental regulations and legislation during the financial year.

Information on Directors

| | |
|--------------------------------------|---|
| Name: | Simon O'Loughlin |
| Title: | Non-Executive Chairman |
| Qualifications: | BA(Acc), Law Society Certificate in Law |
| Experience and expertise: | Mr O'Loughlin is the founder of O'Loughlins Lawyers, an Adelaide based, specialist commercial law firm. He has extensive experience in the corporate and commercial law fields while practising in Sydney and Adelaide, and also holds accounting qualifications. Mr O'Loughlin has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and backdoor listing of numerous companies on the ASX. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division). He has extensive knowledge of and experience in the equity capital markets and the ASX and ASIC rules and regulations. He has held many non-executive directorships on ASX listed companies over the last 20 years. |
| Other current directorships: | Petratherm Limited (ASX: PTR) Bod Australia Limited (ASX: BDA) Chesser Resources Limited (ASX: CHZ) |
| Former directorships (last 3 years): | Oklo Resources Limited (ASX: OKU) (Resigned November 2019) Odin Metals Limited (ASX: ODM) (formerly Lawson Gold Limited) (Resigned February 2018) |
| Interests in shares: | 8,254,729 fully paid ordinary shares |
| Interests in options: | 1,350,000 unlisted options expiring 24 December 2022 |
| Interests in rights: | 461,465 - Non-Executive Director Share Rights vesting on 5 February 2022 |

| | |
|--------------------------------------|---|
| Name: | Thomas H Whiting |
| Title: | Non-Executive Director |
| Qualifications: | B.Sc (Hons) PhD, Grad Dip Fin, MASEG, MAICDs |
| Experience and expertise: | Dr Whiting has spent more than 40 years in the minerals exploration industry both as a geophysicist and an exploration manager. From 2000 to 2004 he was Vice President of Minerals Exploration for BHP Billiton. During his career with BHP Billiton he was associated with a number of discoveries, in particular the Cannington Pb/Zn/Ag mine in Queensland. He has been a non-executive director of a number of ASX listed and unlisted companies in the mining exploration industry and has played a major role in the mining exploration research space via non-executive roles in CRC's (Co-operative Research Centres). |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | Nil |
| Interests in shares: | 5,430,482 fully paid ordinary shares |
| Interests in options: | Nil |
| Interests in rights: | 2,181,987 Non-Executive Director Share Rights vesting on 5 February 2022 |

Name: Gary Fietz
Title: Executive Director
Experience and expertise: Mr Fietz was a former Managing Director and NED of ASX and foreign listed exploration and resource development companies. He has previously worked in tin, iron ore, coking coal and gold exploration and development in Australia, the UK, North and South America, Africa and India. Gary has over 30 years of technical and commercial experience including exploration management, mineral resource estimation, study management (Scoping, Pre-Feasibility, and Feasibility Studies), project generation and assessment, governance, corporate finance, mergers and acquisitions and strategic planning. Gary is currently a consultant providing project and corporate support to the mining industry.

Other current directorships: Nil
Former directorships (last 3 years): New Age Exploration Limited (ASX: NAE) (Resigned October 2018)
Interests in shares: 2,234,627 fully paid ordinary shares
Interests in options: 2,000,000 unlisted options expiring 10 May 2022
Interests in rights: 339,826 Non-Executive Director Share Rights vesting 5 February 2022

Name: Simon Taylor
Title: Non-Executive Director
Qualifications: B.Sc, MAIG, Gcert AppFin
Experience and expertise: Mr Taylor is a resource executive with over 25 years' experience in geology, management at CEO and Board levels and in the finance sector. He has had a diversified career as a resources professional providing services to resource companies and financial corporations at both a technical and corporate level. His experience spans a range of commodities including gold, fertilisers (phosphate and potash), base metals, nickel, uranium and coal. Whilst his experience includes Australia, a majority of his projects have been in international countries including Brazil, Mali, Turkey, Uganda, Tanzania, China, UK and North America. He also advises companies at the corporate level on capital management, acquisitions, promotion and opportunities to add shareholder value. He is the Managing Director of Oklo Resources and a Non-Executive Director of Chesser Resources. Simon is a Member of the Australian Institute of Geoscientists and a graduate of Sydney University.

Other current directorships: Oklo Resources Limited (ASX: OKU)
Chesser Resources Limited (ASX: CHZ)
Former directorships (last 3 years): Arc Exploration Limited (Resigned June 2019)
Bod Australia Limited (ASX: BDA) (Resigned November 2019)
Interests in shares: 9,549,277 fully paid ordinary shares
Interests in options: 2,000,000 unlisted options expiring 24 December 2022
Interests in rights: 339,826 Non-Executive Director Share Rights vesting 5 February 2022

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary **Mr Mathew Watkins**

Mr Watkins is a Chartered Accountant who has extensive ASX experience within several industry sectors including Biotechnology, Bioscience, Resources and Information Technology. He specialises in ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support. Mr Watkins is appointed Company Secretary on a number of ASX listed Companies as well as a number of public unlisted companies.

Mr Watkins is employed at Leydin Freyer, a professional Company Secretarial and Accounting firm. Leydin Freyer have vast experience working with listed entities and brings a strong background of working with growing companies within the resources sector.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

| | Full Board | |
|------------------|-------------------|-------------|
| | Attended | Held |
| Simon O'Loughlin | 7 | 7 |
| Thomas Whiting | 7 | 7 |
| Gary Fietz | 7 | 7 |
| Simon Taylor | 7 | 7 |

Held: represents the number of meetings held during the time the director held office.

Remuneration report

Names and Positions Held of Key Management Personnel in Office at any time during the Financial Period were:

| Director | Position held |
|------------------|---|
| Simon O'Loughlin | Non-Executive Chairman |
| Thomas H Whiting | Non-Executive Director |
| Gary Fietz | Executive Director (Appointed as an Executive Director from 13 August 2021) |
| Simon Taylor | Non-Executive Director |

Directors' and Executives' Compensation

Remuneration Policy

The Board is responsible for determining and reviewing the remuneration of the Directors including the Managing Director and executive officers of the Company, where applicable. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board seeks where necessary the advice of external advisers in connection with the structure of remuneration packages. The Board also recommends the levels and form of remuneration for non-executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non-executive Directors shall not exceed the sum fixed by members of the Company in a general meeting. Shareholders fixed the maximum aggregate remuneration for non-executive Directors at \$500,000.

The Company has implemented a Non-Executive Director Share Rights Plan (**NEDSP**). Under the plan the Directors may sacrifice certain amounts of their Directors' fees and receive Share Rights in the Company which will vest into fully paid ordinary shares 12 months from the grant date.

The key element of the NEDSP for current NEDs is that it provides the opportunity for NEDs to sacrifice part or all of their cash fees in favour of equity rights under this plan to build their shareholding in the Company.

The introduction of the NEDSP is also intended to remunerate individual NEDs for any material additional efforts that individual NEDs are required to deliver in progressing the Company's goals.

The NEDSP does not attach any performance measures to vesting. This is in line with best practice governance standards which recommend that non-executive directors generally should not receive equity with performance hurdles attached as it may lead to bias in decision-making and compromise their objectivity and in turn their independence.

The three key elements of Director and executive remuneration are:

- base salary and fees, which are determined by reference to the market rate based on payments by similar size companies in the industry;
- superannuation contributions; and
- equity-based payments, the value of which are dependent on the Company's share price and other factors.

Voting and comments made at the company's 19 November 2020 Annual General Meeting ('AGM')

The company received 99.68% of 'for' votes in relation to its remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2021. As the table indicates, earnings have varied significantly over the past five financial years, due to the nature of exploration activities. It has been the focus of the Board of Directors to attract and retain management personnel essential to continue exploration activities.

| | 30 June 2021 | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 4,726 | 3,295 | 17,775 | 37,853 | 48,431 |
| Net loss before tax | (720,479) | (496,004) | (7,170,591) | (690,492) | (681,874) |
| Net loss after tax | (720,479) | (496,004) | (7,170,591) | (690,492) | (681,874) |
| Share price at end of year (\$) | 0.02 | 0.01 | 0.01 | 0.02 | 0.02 |
| Basic and diluted earnings per share (cents per share) | (0.11) | (0.12) | (1.89) | (0.18) | (0.21) |

Remuneration of Directors and Senior Management

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

| | Cash salary and fees | Short-term benefits Other Compensation | Post-employment benefits Super-annuation | Share-based payments Equity-settled | Total |
|----------------------|-------------------------|--|--|---|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2021 | | | | | |
| <i>Directors:</i> | | | | | |
| Simon O'Loughlin (a) | 31,964 | - | 3,036 | 7,199 | 42,199 |
| Thomas Whiting (b) | 50,398 | - | 2,603 | 34,039 | 87,040 |
| Gary Fietz (c) | 261,995 | - | 2,603 | 5,301 | 269,899 |
| Simon Taylor (d) | 27,398 | - | 2,603 | 5,301 | 35,302 |
| | <u>371,755</u> | <u>-</u> | <u>10,845</u> | <u>51,840</u> | <u>434,440</u> |

- (a) On 5 February 2021, 461,465 NED Share Rights, vesting 12 months from grant date, were issued to Simon O'Loughlin in lieu of salary sacrificed for the period 1 July 2020 to 30 September 2020.
- (b) Included in the \$87,040 are \$46,000 for additional exploration related services provided by Mr Whiting to the Company. On 5 February 2021, 2,181,987 NED Share Rights, vesting 12 months from grant date, were issued to Thomas H Whiting in lieu of salary sacrificed for the period 1 July 2020 to 30 September 2020, plus \$23,000 exploration related services fee.
- (c) Included in the \$269,899 are \$234,597 of consulting services in relation to additional exploration and corporate services undertaken (subsequent to the resignation of Peter Blight and prior to Mr Fietz taking on this role, the Company had not retained executive management). The key terms of the service agreement are outlined within this Directors' Report. On 5 February 2021, 339,826 NED Share Rights, vesting 12 months from grant date, were issued to Gary Fietz in lieu of salary sacrificed for the period 1 July 2020 to 30 September 2020.
- (d) On 5 February 2021, 339,826 NED Share Rights, vesting 12 months from grant date, were issued to Simon Taylor in lieu of salary sacrificed for the period 1 July 2020 to 30 September 2020.

| | Short-term benefits Cash salary and fees \$ | Other Compensation \$ | Post- employment benefits Super- annuation \$ | Share-based payments Equity- settled (f) \$ | Total \$ |
|----------------------|--|-----------------------------|--|---|----------------|
| 2020 | | | | | |
| <i>Directors:</i> | | | | | |
| Simon O'Loughlin (a) | 1,614 | - | 1,587 | 15,094 | 18,295 |
| Thomas Whiting | 8,372 | - | 2,041 | 13,107 | 23,520 |
| Gary Fietz (b) | 90,396 | - | 1,671 | 11,651 | 103,718 |
| Simon Taylor (c) | 3,746 | - | 1,361 | 10,575 | 15,682 |
| Phillip Harman (d) | 9,713 | - | 1,423 | 5,265 | 16,401 |
| Peter Blight (e) | 108,722 | - | 4,843 | 16,094 | 129,659 |
| | <u>222,563</u> | <u>-</u> | <u>12,926</u> | <u>71,786</u> | <u>307,275</u> |

- (a) Miguel Lopez de Letona resigned as Non-Executive Director at 3 May 2019
- (b) Included in the \$90,936 are \$84,458 of consulting services in relation to additional exploration and corporate services undertaken (since the resignation of Peter Blight, the Company has not retained any executive management).
- (c) Simon Taylor appointed as Non-Executive Director at 24 December 2019
- (d) Phillip Harman resigned as Non-Executive Director at 24 December 2019
- (e) Peter Blight resigned as Managing Director at 24 December 2019 and salary included termination payments
- (f) Included \$9,406 in respect of 855,069 fully paid ordinary shares at a deemed issue price of \$0.011 per share to settle director fees for October and November 2019, \$8,588 in respect of 858,800 fully paid ordinary shares at a deemed issue price of \$0.01 per share to settle director fees for December 2019 and \$44,386 in respect of 5,161,190 rights at a deemed issue price of \$0.0086 per right issued on 27 July 2020 to settle director fees for the period January 2020 to June 2020

All key management personnel compensation is paid by Stellar Resources Limited. Key management personnel receive no remuneration from group subsidiary companies.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Non-Executive Directors:</i> | | | | | | |
| Simon O'Loughlin | 100% | 100% | - | - | - | - |
| Thomas Whiting | 100% | 100% | - | - | - | - |
| Gary Fietz | 100% | 100% | - | - | - | - |
| Simon Taylor | 100% | 100% | - | - | - | - |
| Phillip Harman (a) | - | 100% | - | - | - | - |
| <i>Executive Directors:</i> | | | | | | |
| Peter Blight (b) | - | 100% | - | - | - | - |

- (a) Phillip Harman resigned as Non-Executive Director at 24 December 2019
- (b) Peter Blight resigned as Managing Director at 24 December 2019

Details Concerning Share-based Remuneration of Directors

The Company's policy for determining the nature and amount of emoluments of Board members the Company is as follows:

The remuneration structure for Directors is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and Directors are on a continuing basis the terms of which are not expected to change in the immediate future. There are no termination benefits or incentives provided for in Directors' remuneration.

Non-Executive Director share rights

During the year ended 30 June 2021, in accordance with the NEDSP, the Consolidated Entity issued share rights to Directors in lieu of cash settlement of their remuneration as follows:

| Grant date | Vesting date | Number of rights granted | Value per share rights granted \$ |
|-----------------|-----------------|--------------------------|-----------------------------------|
| 27 July 2020 | 27 July 2021 | 5,161,190 | 0.008 |
| 5 February 2021 | 5 February 2022 | 1,141,117 | 0.0156 |
| 5 February 2021 | 5 February 2022 | 2,181,987 | 0.0154 |

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|----------------------|---|
| Name: | Gary Fietz |
| Title: | Executive Director |
| Agreement commenced: | 13 August 2021 |
| Term of agreement: | 31 July 2022, extendable upon mutual agreement of the parties |
| Details: | Remuneration for the contract period consists of an estimated \$18,250 per month based on an estimated average of 3 days per week being worked. Payment is adjusted based on the actual number of days worked each month on a pro-rata basis. Either party may terminate the agreement by giving two months written notice to the other party at any time, for any reason. The Company may also elect to terminate this Agreement with immediate effect by making 2 months' payment in lieu of notice with the notice payment calculated based on the average monthly invoiced amount over the prior 6 month period at the time of such notice being given. |

Compensation Options: Granted and Vested during the Year

No compensation options were issued to Directors or executives during or since the year ended 30 June 2021.

Number of Shares held by Key Management Personnel

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration (a) | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|--------------------------------------|------------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| Simon O'Loughlin | 2,700,000 | 1,755,137 | 3,799,592 | - | 8,254,729 |
| Thomas Whiting | 2,264,129 | 1,172,864 | 1,993,489 | - | 5,430,482 |
| Gary Fietz | 879,373 | 1,003,504 | 351,750 | - | 2,234,627 |
| Simon Taylor | 4,000,000 | 1,229,685 | 4,319,592 | - | 9,549,277 |
| | 9,843,502 | 5,161,190 | 10,464,423 | - | 25,469,115 |

(a) Vesting of NED Share Rights into Fully Paid Ordinary Shares

Option holding

The number of options over ordinary shares in the company held during the financial year and to the date of this report by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Additions/ other | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|----------------------------------|------------------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | |
| Simon O'Loughlin | 1,350,000 | - | - | 1,350,000 |
| Simon Taylor | 2,000,000 | - | - | 2,000,000 |
| Gary Fietz | 2,000,000 | - | - | 2,000,000 |
| | 5,350,000 | - | - | 5,350,000 |

Non-Executive Director Share Rights

The number of rights over ordinary shares in the company held during the financial year and to the date of this report by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below. All rights shown below have been issued in lieu of cash settlement for Director remuneration:

| | Balance at the start of the year | Additions/ Other | Exercised | Expired/ Forfeited/ Other | Balance at the end of the year |
|------------------|--|---------------------|-------------|---------------------------------|--------------------------------------|
| Simon O'Loughlin | - | 2,216,602 | (1,755,137) | - | 461,465 |
| Thomas Whiting | - | 3,354,851 | (1,172,864) | - | 2,181,987 |
| Gary Fietz | - | 1,343,330 | (1,003,504) | - | 339,826 |
| Simon Taylor | - | 1,569,511 | (1,229,685) | - | 339,826 |
| | - | 8,484,294 | (5,161,190) | - | 3,323,104 |

Shares Issued on Exercise of Options

There were no ordinary shares of Stellar Resources issued on the exercise of options held by Directors and members of key management personnel during the year ended 30 June 2021 and up to the date of this report.

Loans to Key Management Personnel

There were no loans to key management personnel at any time during the current or prior financial year.

This concludes the remuneration report, which has been audited.

Share under option

Unissued ordinary shares of Stellar Resources under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|------------|-------------|----------------|---------------------|
| 10/05/2019 | 10/05/2022 | \$0.0200 | 2,000,000 |
| 24/12/2019 | 24/12/2022 | \$0.0150 | 27,800,000 |
| | | | <u>29,800,000</u> |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on exercise on share options

On 19 March 2021, the Consolidated entity completed the issue of 7,200,000 fully paid ordinary shares upon exercise of unlisted options in the Company at an exercise price of \$0.015 (1.5 cents) per share, raising \$108,000.

Expired options

During the financial year, nil options expired (2020: a total of 74,142,857 options expired).

Shares under rights

Unissued ordinary shares of Stellar Resources under Non-Executive Director Share Rights Plan at the date of this report are as follows:

| Grant date | Expiry date | Issue price | Number under rights |
|-----------------|-----------------|-------------|---------------------|
| 5 February 2021 | 5 February 2022 | \$0.0156 | 1,141,117 |
| 5 February 2021 | 5 February 2022 | \$0.0154 | 2,181,987 |
| | | | <u>3,323,104</u> |

No person entitled to exercise the rights had or has any right by virtue of the right to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of share rights

The following ordinary shares of Stellar Resources were issued in lieu of cash settlement for Director remuneration during the year ended 30 June 2021 and up to the date of this report on the exercise of performance rights granted:

| Date Non-Executive Director Share rights granted | Exercise price | Number of shares issued |
|--|----------------|-------------------------|
| 27 July 2020* | \$0.0000 | 5,161,190 |

* The rights were issued on 27 July 2020 for Director's fees salary sacrificed under the NEDSP for the period January 2020 to June 2020. The NEDSP was approved by Shareholders at the Company's General Meeting held on 10 June 2020.

Indemnity and insurance of officers

The Company has paid premiums to insure each of the Directors, Company Secretary and executive officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director/officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The terms and conditions of the insurance are confidential and cannot be disclosed.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

Non audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'S. O'Loughlin', written over a horizontal line.

Simon O'Loughlin
Non-Executive Chairman

21 September 2021
Melbourne

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF STELLAR RESOURCES
LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis

A. A. Finnis
Director

Melbourne, 21 September 2021

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Stellar Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



| | Note | Consolidated 2021 \$ | Consolidated 2020 \$ |
|--|------|----------------------------|----------------------------|
| Revenue | | | |
| Interest received | | 4,726 | 3,295 |
| Expenses | | | |
| Administration expenditure | | (541,114) | (487,581) |
| Depreciation and amortisation expenses | | (11,455) | (11,118) |
| Business development, licencing and other exploration related costs | 10 | (172,255) | - |
| Finance costs | | (381) | (600) |
| Loss before income tax expense | | (720,479) | (496,004) |
| Income tax expense | 5 | - | - |
| Loss after income tax expense for the year attributable to the owners of Stellar Resources | | (720,479) | (496,004) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax | | 397,205 | 19,442 |
| Other comprehensive income for the year, net of tax | | 397,205 | 19,442 |
| Total comprehensive income for the year attributable to the owners of Stellar Resources | | <u>(323,274)</u> | <u>(476,562)</u> |
| | | Cents | Cents |
| Basic loss per share | 26 | (0.11) | (0.12) |
| Diluted loss per share | 26 | (0.11) | (0.12) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Stellar Resources Limited
Consolidated statement of financial position
As at 30 June 2021



| | Note | Consolidated 2021 \$ | 2020 \$ |
|---|------|----------------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 5,409,191 | 524,796 |
| Trade and other receivables | | 24,809 | 5,158 |
| Financial assets at fair value through other comprehensive income | 7 | - | 21,774 |
| Prepayments | | 31,378 | 16,905 |
| | | <u>5,465,378</u> | <u>568,633</u> |
| Non-core tenement held for sale | 8 | 11,990 | - |
| Total current assets | | <u>5,477,368</u> | <u>568,633</u> |
| Non-current assets | | | |
| Tenement security deposits | | 231,500 | 102,049 |
| Property, plant and equipment | 9 | 118,659 | 117,797 |
| Right-of-use assets | | 6,769 | 16,933 |
| Exploration and evaluation assets | 10 | 11,256,239 | 10,912,579 |
| Total non-current assets | | <u>11,613,167</u> | <u>11,149,358</u> |
| Total assets | | <u>17,090,535</u> | <u>11,717,991</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 226,100 | 115,815 |
| Lease liabilities | | 4,102 | 10,066 |
| Total current liabilities | | <u>230,202</u> | <u>125,881</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 1,778 | 7,017 |
| Total non-current liabilities | | <u>1,778</u> | <u>7,017</u> |
| Total liabilities | | <u>231,980</u> | <u>132,898</u> |
| Net assets | | <u>16,858,555</u> | <u>11,585,093</u> |
| Equity | | | |
| Issued capital | 12 | 42,884,830 | 37,383,884 |
| Reserves | 13 | 136,880 | 81,754 |
| Accumulated losses | | <u>(26,163,155)</u> | <u>(25,880,545)</u> |
| Total equity | | <u>16,858,555</u> | <u>11,585,093</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Stellar Resources Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2019 | 36,875,488 | 1,750,387 | (27,098,466) | 11,527,409 |
| Loss after income tax expense for the year | - | - | (496,004) | (496,004) |
| Other comprehensive income for the year, net of tax | - | 19,442 | - | 19,442 |
| Total comprehensive income/(loss) for the year | - | 19,442 | (496,004) | (476,562) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 12) | 508,396 | - | - | 508,396 |
| Share-based payments (note 27) | - | 25,850 | - | 25,850 |
| Lapse of options | - | (1,713,925) | 1,713,925 | - |
| Balance at 30 June 2020 | <u>37,383,884</u> | <u>81,754</u> | <u>(25,880,545)</u> | <u>11,585,093</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2020 | 37,383,884 | 81,754 | (25,880,545) | 11,585,093 |
| Loss after income tax expense for the year | - | - | (720,479) | (720,479) |
| Other comprehensive income for the year, net of tax | - | 397,205 | - | 397,205 |
| Total comprehensive income/(loss) for the year | - | 397,205 | (720,479) | (323,274) |
| Disposal of investments (note 7) | - | (437,869) | 437,869 | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 12) | 5,500,946 | - | - | 5,500,946 |
| Share-based payments (note 27) | - | 95,790 | - | 95,790 |
| Balance at 30 June 2021 | <u>42,884,830</u> | <u>136,880</u> | <u>(26,163,155)</u> | <u>16,858,555</u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Stellar Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2021



| | | Consolidated | |
|---|-------------|-----------------------------|-----------------------------|
| | Note | 2021 | 2020 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (474,658) | (514,542) |
| Interest received | | 4,003 | 4,275 |
| Interest and other finance costs paid | | (381) | - |
| Business development, licencing and other exploration related costs | | (172,255) | - |
| | | <u> </u> | <u> </u> |
| Net cash used in operating activities | 25 | <u>(643,291)</u> | <u>(510,267)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 9 | (2,153) | - |
| Payments for exploration and evaluation costs | | (249,432) | (147,815) |
| Security and bond deposits (placed)/refunded | | (129,451) | 39,000 |
| Proceeds from disposal of investments | | 418,979 | 30,764 |
| | | <u> </u> | <u> </u> |
| Net cash from/(used in) investing activities | | <u>37,943</u> | <u>(78,051)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 5,887,952 | 504,360 |
| Payments of share issue costs | | (387,006) | - |
| Payments for lease liabilities | | (11,203) | (6,197) |
| | | <u> </u> | <u> </u> |
| Net cash from financing activities | | <u>5,489,743</u> | <u>498,163</u> |
| Net increase/(decrease) in cash and cash equivalents | | 4,884,395 | (90,155) |
| Cash and cash equivalents at the beginning of the financial year | | <u>524,796</u> | <u>614,951</u> |
| Cash and cash equivalents at the end of the financial year | 6 | <u><u>5,409,191</u></u> | <u><u>524,796</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Stellar Resources as a consolidated entity consisting of Stellar Resources and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Stellar Resources' functional and presentation currency.

Stellar Resources is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
96-100 Albert Road
South Melbourne VIC 3205

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 September 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year.

All new accounting standards required which are mandatory for current accounting period were adopted.

The adoption of all the new and revised Standards and Interpretations has not resulted in any material changes to the Consolidated Entity's accounting policies and has no material effect on the amounts reported for the current or prior years.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stellar Resources ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Stellar Resources and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current and are offset if legally enforceable right however they are unrecognised within the consolidated entity's financial statements .

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Segment information

Identification of reportable operating segments

The consolidated entity operates in the minerals exploration and evaluation segment, which is also the basis on which the board reviews the company's financial information.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In the current year the board reviews the consolidated entity as one operating segment being tin exploration within Australia.

All assets and liabilities and operations are based in Australia.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Income tax

| | Consolidated | |
|---|---------------------|-------------|
| | 2021 | 2020 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (720,479) | (496,004) |
| Tax at the statutory tax rate of 26% (2020: 27.5%) | (187,325) | (136,401) |
| Non-deductible expenses | - | 51,936 |
| Effect of deductible items not expensed in determining profit | - | (94,012) |
| Tax losses and tax offsets not recognised as deferred tax assets | 187,325 | 178,477 |
| Income tax expense | - | - |

Note 5. Income tax (continued)

| | Consolidated | |
|--|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| <i>The following deferred tax assets have not been brought to account as assets:</i> | | |
| Tax losses - revenue | 7,058,316 | 7,083,852 |
| Tax losses - capital | 801,739 | 801,671 |
| Capitalised exploration costs | (2,926,117) | (3,000,959) |
| Other | 75,968 | 7,921 |
| | <u>5,009,906</u> | <u>4,892,485</u> |
| Total tax benefit | <u>5,009,906</u> | <u>4,892,485</u> |

The above potential tax benefit for deductible temporary differences and carried forward tax losses have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The Company and all its wholly-owned Australian resident entities have formed a tax-consolidated group under Australian taxation law. Stellar Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Under the tax sharing arrangements, amounts will be recognised as payable or receivable between group companies in relation to their contribution to the tax benefits and amounts of tax paid or payable. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing arrangement is considered remote.

Tax Consolidation

Relevance of tax consolidation to the consolidation entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 October 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Stellar Resources Limited.

Nature of tax sharing agreements

Entities within the tax-consolidated group have entered into a tax sharing agreement with the head entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 5. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 6. Current assets - cash and cash equivalents

| | Consolidated | |
|-----------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Cash at bank | 2,909,191 | 224,796 |
| Cash on deposit | 2,500,000 | 300,000 |
| | <u>5,409,191</u> | <u>524,796</u> |

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Current assets - Financial assets at fair value through other comprehensive income

| | Consolidated | |
|--|---------------------|---------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Investment in Samphire Uranium Limited | <u>-</u> | <u>21,774</u> |

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

| | | |
|---|-----------|---------------|
| Opening fair value | 21,774 | 33,438 |
| Disposal of investment in Twenty Seven Co. Limited | - | (31,106) |
| Disposal of in investment in Samphire Uranium Limited | (58,324) | - |
| Acquisition of investment in Alligator Energy Limited | 58,324 | - |
| Revaluation of investments | 397,205 | 19,442 |
| Disposal of in investment in Alligator Energy Limited | (418,979) | - |
| Closing fair value | <u>-</u> | <u>21,774</u> |

Samphire Uranium Limited

Samphire Uranium Limited is an unlisted entity, which does not have a quoted price in an active market and whose fair value cannot be reliably measured. Prior to 1 July 2018 the investment was measured at cost. The Consolidated Entity reassessed the value of the investment and upon the in specie distribution of shares in Alligator Energy Limited below, recognised an increase in value equivalent to the fair value of the shares received in exchange for Samphire Uranium Limited shares.

Note 7. Current assets - Financial assets at fair value through other comprehensive income
(continued)

On 7 October 2020 Alligator Energy Limited (ASX:AGE) completed an acquisition of the Samphire Uranium project from Samphire Uranium Ltd ("Samphire"). As part of the transaction, an in-specie distribution of AGE shares to Samphire shareholders took place. For every Samphire share held, shareholders received three AGE fully paid ordinary shares, as a result of which the Company's subsidiary Hiltaba Gold Pty Ltd received 11,664,714 fully paid ordinary shares in AGE, measured as fair value through other comprehensive income.

In May 2021, the shares in AGE were disposed for \$418,979.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose term require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Note 8. Current assets - non-core tenement held for sale

| | Consolidated | |
|-------------------------------------|---------------------|-------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Interests in tenement held for sale | <u>11,990</u> | <u>-</u> |

On 18 May 2021, the Company's 100% owned subsidiary, Hiltaba Gold Pty Ltd (Hiltaba) signed a binding term sheet, in accordance with which Hiltaba agreed to sell its non-core exploration licence EL6350 to Alligator Energy Ltd's (ASX: AGE) 100% owned subsidiary, S Uranium Pty Ltd (SUPL) for consideration of 7,105,263 AGE shares.

Alligator Energy Ltd is to assume all tenement expenditure commitments and liabilities in relation to EL6350 at the time the transaction completes and to cover annual rentals and other costs from the date of executing the Binding Terms Sheet. The sale is subject to obtaining the necessary Regulatory and Shareholder approvals. On 29 June 2021, AGE shareholders at an Extraordinary General Meeting, approved the issue of shares in favour of the Company in consideration for the proposed transfer of the Consolidated Entity's interest in EL6350.

As of 30 June 2021, the binding term sheet is subject to a number of conditions precedent being satisfied, including the approval of the renewal application lodged on 19 February 2021 by the South Australian Department for Energy and Mining (DEM), which was approved on 26 August 2021 and Ministerial approval of the transfer to SUPL.

Note 9. Non-current assets - property, plant and equipment

| | Consolidated | |
|-----------------------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Freehold land and buildings | 116,549 | 117,797 |
| Office equipment | 2,110 | - |
| | <u>118,659</u> | <u>117,797</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Freehold land and buildings \$ | Office Equipment \$ | Total \$ |
|-------------------------|--------------------------------------|---------------------------|----------------|
| Balance at 1 July 2019 | 119,045 | - | 119,045 |
| Depreciation expense | (1,248) | - | (1,248) |
| Balance at 30 June 2020 | 117,797 | - | 117,797 |
| Additions | - | 2,153 | 2,153 |
| Depreciation expense | (1,248) | (43) | (1,291) |
| Balance at 30 June 2021 | <u>116,549</u> | <u>2,110</u> | <u>118,659</u> |

Accounting policy for property, plant and equipment

Land and buildings are shown at fair value, based on periodic, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|--------------------|----------|
| Land and buildings | 40 years |
| Office equipment | 2 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 10. Non-current assets - exploration and evaluation assets

| | Consolidated 2021 \$ | 2020 \$ |
|-------------------------|----------------------------|-------------------|
| Exploration expenditure | <u>11,256,239</u> | <u>10,912,579</u> |

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | \$ |
|--------------------------------------|-------------------|
| Balance at 1 July 2019 | 10,692,819 |
| Expenditure during the year | <u>219,760</u> |
| Balance at 30 June 2020 | 10,912,579 |
| Expenditure during the year | 355,650 |
| Classified as held for sale (note 8) | <u>(11,990)</u> |
| Balance at 30 June 2021 | <u>11,256,239</u> |

Ultimate recovery of capitalised exploration expenditure is dependent upon success in exploration and development or sale or farm-in/farm-out of the exploration interests.

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward on the statement of financial position where rights to tenure are current and to the extent that costs are expected to be recouped through either the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant exploration activity in, or in relation to, the area is continuing. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest and are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The application of this policy requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Accumulated costs in relation to an abandoned area are written down in full in profit or loss during the period in which the decision to abandon the area is made.

Proceeds on sale or farm-out of an area within an exploration area of interest are offset against the carrying value of the particular area involved. Where the total carrying value of an area has been recouped in this manner, the balance of the proceeds is brought to account in profit or loss.

During the year ended 30 June 2021, the Consolidated Entity performed an assessment for indicators of an impairment of exploration and evaluation expenditure.

The assessment for indicators of impairment concluded that, based on the early stages of development, the increase in tin prices almost doubling to US\$33,460/t at 30 June 2021 and the majority of the capitalised costs being in respect of areas of interest with potential tin resources, that there is no need to recognise an impairment charge as of 30 June 2021 in respect of exploration and evaluation costs capitalised.

Note 10. Non-current assets - exploration and evaluation assets (continued)

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 11. Current liabilities - trade and other payables

| | Consolidated | |
|----------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Trade payables | 192,526 | 29,891 |
| Other payables | 33,574 | 85,924 |
| | <u>226,100</u> | <u>115,815</u> |

Refer to note 15 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 12. Equity - issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>828,818,332</u> | <u>442,714,441</u> | <u>42,884,830</u> | <u>37,383,884</u> |

Note 12. Equity - issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|-------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2019 | 380,328,733 | | 36,875,488 |
| Share issued to sophisticated investors | 24 December 2019 | 60,000,000 | \$0.0090 | 540,000 |
| Shares issued to Directors for services provided for October 2019 | 24 December 2019 | 671,839 | \$0.0140 | 9,406 |
| Shares issued to Directors for services provided for November 2019 | 24 December 2019 | 855,069 | \$0.0110 | 9,406 |
| Shares issued to Directors for services provided for December 2019 | 15 January 2020 | 858,800 | \$0.0100 | 9,406 |
| Less capital raising costs | | - | \$0.0000 | (59,822) |
| Balance | 30 June 2020 | 442,714,441 | | 37,383,884 |
| Share issued to sophisticated investors | 15 September 2020 | 27,272,727 | \$0.0110 | 300,000 |
| Share issued to existing shareholders for two new fully paid ordinary shares for every five existing fully paid ordinary shares | 13 October 2020 | 187,994,800 | \$0.0170 | 1,879,948 |
| Share issued upon exercise of unlisted options | 19 March 2021 | 7,200,000 | \$0.0150 | 108,000 |
| Share issued to raise capital | 24 March 2021 | 90,909,090 | \$0.0220 | 2,000,000 |
| Share issued to raise capital | 11 May 2021 | 72,727,274 | \$0.0220 | 1,600,000 |
| Less capital raising costs | | - | \$0.0000 | (387,002) |
| Balance | 30 June 2021 | <u>828,818,332</u> | | <u>42,884,830</u> |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The entity does not have a defined share buy-back plan.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies. The consolidated entity is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

Note 12. Equity - issued capital (continued)

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 13. Equity - reserves

| | Consolidated | |
|---|---------------------|---------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Equity settled share based payments reserve | 136,880 | 41,090 |
| Investment revaluation reserve | - | 40,664 |
| | <u>136,880</u> | <u>81,754</u> |

Investment revaluation reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets that have been recognised in other comprehensive income, net of amounts will not be reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Equity-settled share based payments reserve

The equity-settled share based payments reserve arises on the grant of securities for the performance of services.

Options

The fair value of options granted has been determined on the basis of the Black Scholes valuation methodology. Amounts are transferred out of the reserve and into issued capital when the options are exercised. No options expired during the period. The balance at the end of the period represents options granted on 10 May 2019 to Directors and 5,000,000 options issued to Taylor Collison for capital raising services performed.

Share rights

On 27 July 2020, the Company issued 5,161,190 Non-Executive Director ("NED") Share Rights at a deemed issue price of \$0.0086. The NED Rights were issued for Director's fees salary sacrificed for the period of January 2020 to June 2020 under the Non-Executive Director Share Rights Plan (NEDSP), the deemed issue price being determined with reference to the VWAP for this period. The NEDSP was approved by Shareholders at the Company's General Meeting held on 10 June 2020. On 27 July 2021, the Company issued 5,161,190 shares upon vesting of the aforementioned NED Share Rights as disclosed in note 24.

On 5 February 2021, the Company issued 3,323,104 NED Share Rights for Director's fees salary sacrificed for the period July 2020 to December 2020. The deemed issue prices of \$0.0154 and \$0.0156 is determined for the respective recipients based on the VWAP for the period of service in respect of which they salary sacrificed, being in respect of the three months ended 30 September 2020 and six months ended 31 December 2020, respectively. The NED Rights vest on 5 February 2022.

Note 13. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Equity settled share based payments reserve \$ | Investment revaluation reserve \$ | Total \$ |
|---|---|--|---------------------|
| Balance at 1 July 2019 | 1,729,167 | 21,220 | 1,750,387 |
| Gain on financial assets at fair value through other comprehensive income | - | 19,444 | 19,444 |
| Options lapsed | (1,713,927) | - | (1,713,927) |
| Share based payments | 25,850 | - | 25,850 |
| Balance at 30 June 2020 | 41,090 | 40,664 | 81,754 |
| Gain on financial assets at fair value through other comprehensive income | - | 397,205 | 397,205 |
| Share based payments | 95,790 | - | 95,790 |
| Sale of financial assets | - | (437,869) | (437,869) |
| Balance at 30 June 2021 | 136,880 | - | 136,880 |

Refer to note 27 for details of share based payments arrangements.

Note 14. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 15. Financial instruments

Investments in shares

On 7 October 2020 Alligator Energy Limited (ASX:AGE) completed an acquisition of the Samphire Uranium project from Samphire Uranium Ltd ("Samphire"). As part of the transaction, an in-specie distribution of AGE shares to Samphire shareholders took place. For every Samphire share held, shareholders received three AGE fully paid ordinary shares, as a result of which the Company's subsidiary Hiltaba Gold Pty Ltd received 11,664,714 fully paid ordinary shares in AGE, measured as fair value through other comprehensive income.

In May 2021, the shares in AGE were disposed for \$418,979.

Financial risk management objectives

The consolidated entities activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the finance team ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Note 15. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure to credit risks are continuously monitored and controlled by counterparty limits that are reviewed and approved by management on a regular basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the consolidated entity's maximum exposure to credit risk.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

| | Consolidated | |
|---|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Categories of financial instruments | | |
| Financial assets and liabilities: | | |
| Trade and other receivables | 24,809 | 107,219 |
| Cash and cash equivalents | 5,409,191 | 524,796 |
| Financial assets at fair value through other comprehensive income | - | 21,774 |
| Lease Liabilities | (5,880) | (17,083) |
| Trade and other payables | (226,100) | (115,815) |
| Net financial instruments | <u>5,202,020</u> | <u>520,891</u> |

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

All material remaining financial instrument liabilities at 30 June 2021 and 2020 mature within twelve months of the date of the report.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 16. Key management personnel disclosures

Directors

The following persons were directors of Stellar Resources during the financial year:

| | |
|------------------|--|
| Simon O'Loughlin | Non-Executive Chairman |
| Thomas Whiting | Non-Executive Director |
| Gary Fietz | Executive Director (from 13 August 2021) |
| Simon Taylor | Non-Executive Director |

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Short-term employee benefits | 371,755 | 222,563 |
| Post-employment benefits | 10,845 | 12,926 |
| Share-based payments | 51,840 | 71,786 |
| | <u>434,440</u> | <u>307,275</u> |

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the company, and its network firms:

| | Consolidated | |
|---|---------------------|---------------|
| | 2021 | 2020 |
| | \$ | \$ |
| <i>Other services William Buck</i> | | |
| Audit or review of the financial statements | <u>26,500</u> | <u>24,000</u> |
| <i>Other services William Buck</i> | | |
| Tax compliance services | <u>600</u> | <u>-</u> |

Note 18. Contingent Liabilities

The consolidated entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 19. Commitments

| | Consolidated | |
|--------------------------------|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Exploration Commitments | | |
| Within one year | 348,818 | - |
| One to five years | 14,731 | 1,113,239 |
| | <u>363,549</u> | <u>1,113,239</u> |

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable. In case of not meet the commitments, the consolidated entity will seek the approval for extension from the Department of State Growth – Mineral Resources Tasmania to maintain current rights to tenure to exploration and mining tenements

Note 20. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 22.

There were no transactions with related parties during the current and previous financial year.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

| | Parent | |
|----------------------------|--------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Loss after income tax | <u>(1,420,335)</u> | <u>(682,151)</u> |
| Total comprehensive income | <u>(1,420,335)</u> | <u>(682,151)</u> |

Note 21. Parent entity information (continued)

Statement of financial position

| | Parent | |
|---|---------------|--------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Total current assets | 5,356,820 | 548,325 |
| Total assets | 5,469,141 | 644,258 |
| Total current liabilities | 230,201 | 125,881 |
| Total liabilities | 231,979 | 132,898 |
| Equity | | |
| Issued capital | 42,884,830 | 37,383,884 |
| Equity-settled share-based payments reserve | 136,880 | 41,090 |
| Accumulated losses | (37,784,548) | (36,913,614) |
| Total equity | 5,237,162 | 511,360 |

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|-----------------------------------|---|---------------------------|-------------|
| | | 2021 | 2020 |
| | | % | % |
| Hiltaba Gold Pty Ltd | Australia | 100% | 100% |
| Rubicon Min Tech Ventures Pty Ltd | Australia | 100% | 100% |
| Columbus Metals Limited | Australia | 100% | 100% |
| Tarcoola Iron Pty Ltd | Australia | 100% | 100% |

Note 23. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Stellar Resources Limited
Columbus Metals Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Stellar Resources, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Statement of profit or loss and other comprehensive income | | |
| Revenue | 4,726 | 3,295 |
| Administration expenditure | (541,103) | (487,579) |
| Depreciation and amortisation expenses | (11,455) | (11,118) |
| Business development, licencing and other exploration related costs | (172,255) | - |
| Finance costs | (381) | (600) |
| Impairment of loans to subsidiaries | (79,827) | 27,972 |
| Loss before income tax expense | (800,295) | (468,030) |
| Income tax expense | - | - |
| Loss after income tax expense | (800,295) | (468,030) |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive income for the year | (800,295) | (468,030) |
| | 2021 | 2020 |
| | \$ | \$ |
| Equity - accumulated losses | | |
| Accumulated losses at the beginning of the financial year | (25,864,566) | (27,110,463) |
| Loss after income tax expense | (800,295) | (468,030) |
| Transfer from options reserve | - | 1,713,927 |
| Accumulated losses at the end of the financial year | (26,664,861) | (25,864,566) |

Note 23. Deed of cross guarantee (continued)

| Statement of financial position | 2021 \$ | 2020 \$ |
|--|--------------------|--------------------|
| Current assets | | |
| Cash and cash equivalents | 5,409,191 | 524,795 |
| Trade and other receivables | 24,808 | 5,159 |
| Prepayments | 31,378 | 16,905 |
| | <u>5,465,377</u> | <u>546,859</u> |
| Non-current assets | | |
| Tenement security deposits | 101,500 | 102,049 |
| Property, plant and equipment | 118,659 | 117,797 |
| Right-of-use assets | 6,769 | 16,933 |
| Exploration and evaluation assets | 11,185,501 | 10,909,677 |
| | <u>11,412,429</u> | <u>11,146,456</u> |
| Total assets | <u>16,877,806</u> | <u>11,693,315</u> |
| Current liabilities | | |
| Trade and other payables | 226,098 | 115,814 |
| Lease liabilities | 4,102 | 10,066 |
| Intercompany loans | 288,979 | - |
| | <u>519,179</u> | <u>125,880</u> |
| Non-current liabilities | | |
| Lease liabilities | 1,778 | 7,017 |
| | <u>1,778</u> | <u>7,017</u> |
| Total liabilities | <u>520,957</u> | <u>132,897</u> |
| Net assets | <u>16,356,849</u> | <u>11,560,418</u> |
| Equity | | |
| Issued capital | 42,884,830 | 37,383,894 |
| Reserves | 136,880 | 41,090 |
| Accumulated losses | (26,664,861) | (25,864,566) |
| Total equity | <u>16,356,849</u> | <u>11,560,418</u> |

Note 24. Events after the reporting period

On 27 July 2021, NED Share Rights vested over a total of 5,161,190 fully paid ordinary shares and accordingly 5,161,190 fully paid ordinary shares were issued to Directors. The NED Rights were issued for Director's fees salary sacrificed for the period of January 2020 to June 2020 under the Non-Executive Director Share Rights Plan (NEDSP). The NEDSP was approved by shareholders at the Company's General Meeting held on 10 June 2020.

On 23 August 2021, the Consolidated Entity announced that 8 Exploration Licences (ELs) had been granted to Stellar's wholly owned subsidiary, Tarcoola Iron Pty Ltd, over an area of 1,899 km² in North East Tasmania, which is highly prospective for Victorian-style Orogenic Gold, Intrusive Related Gold Systems (IRGS) and additionally contains historical tin occurrences. The granting of the ELs results in the Consolidated Entity taking on additional capital expenditure commitments of approximately \$155,000 in the period through to 30 June 2022 and approximately \$600,000 in the period therefrom to 30 June 2026.

On 26 August 2021, EL6350 was renewed by the Department for Energy and Mining, South Australia. Following this, the only condition remaining to be fulfilled under the Binding Term Sheet for the sale of EL6350 to AGE/SUPL was the Ministers approval of transfer of EL6350 to AGE/SUPL.

Note 24. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Loss after income tax expense for the year | (720,479) | (496,004) |
| Adjustments for: | | |
| Depreciation and amortisation | 11,455 | 11,118 |
| Share-based payments | 95,790 | - |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | (19,651) | (44,920) |
| Increase in prepayments | (14,473) | 474 |
| Increase in trade and other payables | 4,067 | 68,735 |
| Increase/(decrease) in other provisions | - | (50,800) |
| Increase in right-of-use assets | - | (16,933) |
| Decrease/(Increase) in lease liabilities | - | 18,063 |
| Net cash used in operating activities | <u>(643,291)</u> | <u>(510,267)</u> |

Note 26. Loss per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Stellar Resources | <u>(720,479)</u> | <u>(496,004)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>634,953,427</u> | <u>412,580,802</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>634,953,427</u> | <u>412,580,802</u> |
| | Cents | Cents |
| Basic loss per share | (0.11) | (0.12) |
| Diluted loss per share | (0.11) | (0.12) |

The options held by option holders and share rights issued to Directors as part of the NED Share Rights Plan have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options are non-dilutive as the consolidated entity has generated a loss for the year.

Note 26. Loss per share (continued)

Accounting policy for loss per share

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of Stellar Resources, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 27. Share-based payments

Set out below are summaries of options granted and currently on issue:

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| 10/05/2019 | 10/05/2022 | \$0.0200 | 2,000,000 | - | - | - | 2,000,000 |
| 24/12/2019 | 24/12/2022 | \$0.0150 | 5,000,000 | - | - | - | 5,000,000 |
| | | | <u>7,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,000,000</u> |
| Weighted average exercise price | | | \$0.0164 | \$0.0000 | \$0.0164 | \$0.0000 | \$0.0164 |

2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---------------------------------|-------------|----------------|----------------------------------|------------------|-----------|---------------------------|--------------------------------|
| 10/05/2019 | 10/05/2022 | \$0.0200 | - | 2,000,000 | - | - | 2,000,000 |
| 24/12/2019 | 24/12/2022 | \$0.0150 | - | 5,000,000 | - | - | 5,000,000 |
| | | | <u>-</u> | <u>7,000,000</u> | <u>-</u> | <u>-</u> | <u>7,000,000</u> |
| Weighted average exercise price | | | \$0.0000 | \$0.0164 | \$0.0000 | \$0.0000 | \$0.0164 |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.45 years (2020: 2.45 years).

There is also 22.8 million free attaching unlisted options on issue at 30 June 2021, issued as part of a placement completed in December 2019. During the year, 7.2 million of these options were exercised, as a result of which 7.2 million fully paid ordinary shares were issued.

Share rights

On 27 July 2020, the Company issued 5,161,190 Non-Executive Director ("NED") Share Rights at a deemed issue price of \$0.0086. The NED Rights were issued for Director's fees salary sacrificed for the period of January 2020 to June 2020 under the Non-Executive Director Share Rights Plan (NEDSP), the deemed issue price being determined with reference to the VWAP for this period. The NEDSP was approved by Shareholders at the Company's General Meeting held on 10 June 2020. On 27 July 2021, the Company issued 5,161,190 shares upon vesting of the aforementioned NED Share Rights as disclosed in note 24.

On 5 February 2021, the Company issued 3,323,104 NED Share Rights for Director's fees salary sacrificed for the period July 2020 to December 2020. The deemed issue prices of \$0.0154 and \$0.0156 is determined for the respective recipients based on the VWAP for the period of service in respect of which they salary sacrificed, being in respect of the three months ended 30 September 2020 and six months ended 31 December 2020, respectively. The NED Rights vest on 5 February 2022.

Note 27. Share-based payments (continued)

| | Total share rights |
|---|---------------------------|
| Share rights over ordinary shares | |
| Opening balance at 1 July 2020 | - |
| Share rights issued on 27 July 2020 | 5,161,190 |
| Share rights issued on 5 February 2021 | 3,323,104 |
| | <hr/> |
| Balance of share rights at 30 June 2021 | 8,484,294 |
| | <hr/> |

A share-based payment expense was recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2021 of \$95,790 (30 June 2020: \$nil). Of the total expense for the year ended 30 June 2021 \$44,386 was recognised in respect of accrued Director fees for the year ended 30 June 2020. These fees were accrued in the prior year. Following the issuance of these share based payments the corresponding accrual was derecognised in the statement of profit or loss and other comprehensive income in the current year.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 27. Share-based payments (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

The Directors of the Company declare that:

- in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- in the Directors' opinion, the financial statements and notes hereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'S. O'Loughlin'.

Simon O'Loughlin
Non-Executive Chairman

21 September 2021
Melbourne

Stellar Resources Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stellar Resources Limited (the Company) and the entities it controlled from time to time throughout the financial year (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the annual financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ACCOUNTANTS & ADVISORS

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| CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS | |
|---|---|
| Area of focus Refer also to notes 2 and 10 | How our audit addressed it |
| <p>The Group has incurred exploration costs for their Australian mining projects over a number of years. There is a risk that the accounting criteria associated with the capitalisation of exploration and evaluation expenditure may no longer be appropriate.</p> <p>Due to the nature of the mining industry, indicators of impairment could include:</p> <ul style="list-style-type: none"> — Changes to exploration plans; — Loss of rights to tenements; — Changes to reserve estimates; or — Costs of extraction and production. <p>Based on management's assessment the Australian exploration area continues to meet the requirements for capitalisation at 30 June 2021.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> — A review of the directors' assessment of the criteria for the capitalisation of exploration expenditure and their impairment assessment; — Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry; and — Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest. <p>We also assessed the adequacy of the Group's disclosures in respect of exploration costs in the financial report.</p> |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or they have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Stellar Resources Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136



A. A. Finnis
Director

Melbourne, 21 September 2021

The shareholder information set out below was applicable as at 15 September 2021.

| | Ordinary shares | Ordinary shares | Ordinary shares % of total shares issued | Options over ordinary shares Number of holders | Options over ordinary shares Number of units | Options over ordinary shares % of total of holders | Share Rights over ordinary shares Number of holders | Share Rights over ordinary shares Number of units | Share Rights over ordinary shares % of total of holders |
|-------------------|--------------------|--------------------|---|---|---|---|--|--|--|
| 1 to 1,000 | 233 | 76,457 | 0.01 | - | - | - | - | - | - |
| 1,001 to 5,000 | 358 | 999,708 | 0.12 | - | - | - | - | - | - |
| 5,001 to 10,000 | 164 | 1,300,276 | 0.16 | - | - | - | - | - | - |
| 10,001 to 100,000 | 818 | 37,068,816 | 4.44 | - | - | - | - | - | - |
| 100,001 and over | 690 | 794,534,265 | 95.27 | 16 | 29,800,000 | 100.00 | 4 | 3,323,104 | 100.00 |
| | 2,263 | 833,979,522 | 100.00 | 16 | 29,800,000 | 100.00 | 4 | 3,323,104 | 100.00 |

Holding less than a marketable parcel

811 holders holding 833,979,522 Fully Paid Ordinary Shares

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|--------------------|----------------------|
| | | % of total shares |
| | Number held | issued |
| BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 62,453,869 | 7.489% |
| CAPETOWN S A | 62,382,221 | 7.480% |
| BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 39,591,670 | 4.747% |
| WGS PTY LTD | 26,068,888 | 3.126% |
| MR MICHAEL ANDREW WHITING & MRS TRACEY ANNE WHITING <WHITING FAMILY S/F A/C> | 23,809,575 | 2.855% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 20,429,733 | 2.450% |
| GP SECURITIES PTY LTD | 13,750,000 | 1.649% |
| ELLIOTT SERVICES PTY LTD <THE ELLIOTT FAMILY A/C> | 12,000,000 | 1.439% |
| ROBERT NAIRN PTY LTD | 10,340,000 | 1.240% |
| PROVIDENCE GOLD & MINERALS PTY LTD | 10,139,183 | 1.216% |
| CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C> | 10,028,732 | 1.203% |
| NURRAGI INVESTMENTS PTY LTD | 10,000,000 | 1.199% |
| MR GREGORY JOHN HOWE & MS TRACIE LEE VELLA <TAG SUPER FUND A/C> | 10,000,000 | 1.199% |
| CLARKSON'S BOATHOUSE PTY LTD <CLARKSON SUPER FUND A/C> | 9,083,222 | 1.089% |
| MR ALNIS ERNST VEDIG & MRS RASMA VEDIG <VEDIG SUPER FUND A/C> | 8,500,000 | 1.019% |
| NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 8,338,001 | 1.000% |
| JIMZBAL PTY LTD <JIMZBAL SUPER A/C> | 8,319,592 | 0.998% |
| R J & A INVESTMENTS PTY LTD <MULLER MORVAN FAMILY A/C> | 8,000,000 | 0.959% |
| SITUATE PTY LTD | 8,000,000 | 0.959% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 7,614,024 | 0.913% |
| Total | 368,848,710 | 44.228% |

Unquoted equity securities

| | Number on issue | Number of holders |
|--|--------------------|----------------------|
| Options over ordinary shares issued | 29,800,000 | 16 |
| Share Rights over ordinary shares issued | 3,323,104 | 4 |

There are no persons holding 20% or more of unquoted equity securities not issued under the Company's Employee Incentive Plan.

Substantial holders

Substantial holders in the Company, are set out below:

| | Ordinary shares | |
|--|------------------------|---------------------------------|
| | Number held | % of total shares issued |
| BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | 62,453,869 | 7.489% |
| CAPETOWN S A | 62,382,221 | 7.480% |

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Unlisted options

The unlisted options on issue do not carry any voting rights.

Unlisted Share Rights

The unlisted share rights on issue do not carry any voting rights.

Director Nomination

The Company will hold its Annual General Meeting of shareholders on Tuesday, 16 November 2021. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is Tuesday, 5 October 2021. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on this date at the Company's Registered Office.

Buy-backs

The Company is not currently undertaking any on-market buy-backs.

Tenements

| Description | Tenement Number | Interest Owned (%) |
|---|-----------------|--------------------|
| Mining Lease - Zeehan, Tasmania | ML 2023P/M | 100 |
| Mining Lease - Tailing Dam, Zeehan, Tasmania | ML 2M/2014 | 100 |
| Mining Lease – Pipeline Route, Zeehan, Tasmania | ML 2040P/M | 100 |
| Retention Licence - Zeehan, Tasmania | RL 5/1997 | 100 |
| Mining Lease - St Dizier, Tasmania | ML 10M/2017 | 100 |
| Exploration Licence - Mt Razorback | EL 11/2017 | 100 |
| Exploration Licence - Montana Flats, Zeehan, Tasmania | EL 13/2018 | 100 |
| Exploration Licence - Midgee, South Australia | EL 6350 | 100 |
| Exploration Licence – Bridport Rd, NE Tasmania | EL11/2020 | 100 |
| Exploration Licence - Pipers River, NE Tasmania | EL12/2020 | 100 |
| Exploration Licence - Lilydale, NE Tasmania | EL13/2020 | 100 |
| Exploration Licence - Nunamara, NE Tasmania | EL14/2020 | 100 |
| Exploration Licence - Scottsdale, NE Tasmania | EL15/2020 | 100 |
| Exploration Licence - Camden Rd, NE Tasmania | EL16/2020 | 100 |
| Exploration Licence - Mt Saddleback, NE Tasmania | EL17/2020 | 100 |
| Exploration Licence - Peppermint Hill, NE Tasmania | EL18/2020 | 100 |