

Stellar Resources

Quarterly Report



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

As at 30 September 2012

Market cap: A\$19.2m (8.5c)
Cash (30 June): \$4.0 million
Shares: 223,447,547

Main Shareholders

Gippsland Limited 19.5%
Resource Capital Fund 16.2%
JP Morgan Nominees 9.5%

Board & Management

Phillip G Harman
Non-Executive Chairman
Thomas J Burrowes
Non-Executive Director
David J Isles
Non-Executive Director
Thomas H Whiting
Non-Executive Director
Peter G Blight
Chief Executive Officer
Christina R Kemp
Company Secretary

ASX Code: SRZ

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

Telephone +61 3 9618 2540
Facsimile +61 3 9649 7200

www.stellarresources.com.au

For the period ended 30 September 2012

Highlights

- Heemskirk Tin Project continues to deliver strong diamond drilling results.
- 47% or 4,726 metres of 10,000 metre program now complete.
- Diamond drilling focused on infill at Severn and step-out at Queen Hill.

Best Results:

- ZS113W – 31 metres at 1.05% tin, including 7 metres at 1.78% tin.
- ZS115 – 16 metres at 0.62% tin, including 4 metres at 0.95% tin.
- ZQ119 – 3 metres at 0.56% tin, 150 metres below deepest Queen Hill hole.

Corporate

- Stellar held cash reserves of \$4.0 million as at 30 September 2012.
- Sale of gold exploration assets at Tarcoola settled in October 2012.

Targets for December Quarter

- Drilling results for targets southwest of Severn – ZS121 due mid November.
- Severn infill drilling results – ZS120 due second half of November.
- PFS plant design and engineering completion by end of December.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

Two diamond drilling rigs worked continuously through the quarter advancing the program by 2,600 metres. Stellar has now completed 4,726 metres or 47% of its 10,000 metre drilling program and plans to complete the remainder of the program by April 2013.

Seven diamond drill holes and two wedge holes were completed during September quarter. Three of the primary drill holes and two wedge holes (ZS112, ZS112W, ZS113W, Z115, ZS116) provided in-fill results for the Severn deposit. Two (ZM114 and ZQ118) tested low order magnetic anomalies to the north of Queen Hill. ZQ117 tested Queen Hill at depth below the known resource and ZS119 tested a silver lead vein 50 metres down-dip from ZQ117 and within the Severn structure.

The preliminary feasibility study program continued with a focus on refining the metallurgical flow sheet and mass balance ahead of plant design and costing.

Environmental baseline data collection continued through the quarter. In addition, discussions were initiated with the Environmental Protection Authority to refine the study requirements for a Development Proposal and Environmental Management Plan.

Diamond Drilling Results

- ZS113W twinned and confirmed the excellent intersection for diamond drill hole ZS113. ZS113W intersected 31 metres grading 1.05% tin from 266 metres including a high grade zone of 7 metres grading 1.78% tin from 282 metres (see Table 1).
- ZS115 intersected 16 metres grading 0.62% tin from 465 metres including 4 metres grading 0.95% tin from 469 metres. It showed a thickening of the mineralised zone 50 metres down-dip of historic diamond drill hole G74 and 100 metres down plunge from ZS113 (see Table 1 and Figure 1).
- ZQ117 intersected 3 metres of 0.56% tin from 396 metres and showed continuity of the Queen Hill deposit 130 metres below the nearest historic diamond drill hole (see Figure 2).
- ZQ117 also intersected a silver lead vein, 150 metres up-dip from Severn. The 6 metre intersection grading 0.42% tin, 728g/t silver, 17.49% lead and 2.59% zinc possibly represents structural thickening of the narrow vein style of deposit that was commonly mined in the area over 100 years ago (see Figures 2 and 3).
- ZS119 also intersected a silver lead vein 50 metres down-dip from ZQ117. The 2 metre intersection averaged 0.23% tin, 43g/t silver, 1.78% lead and 2.58% zinc.

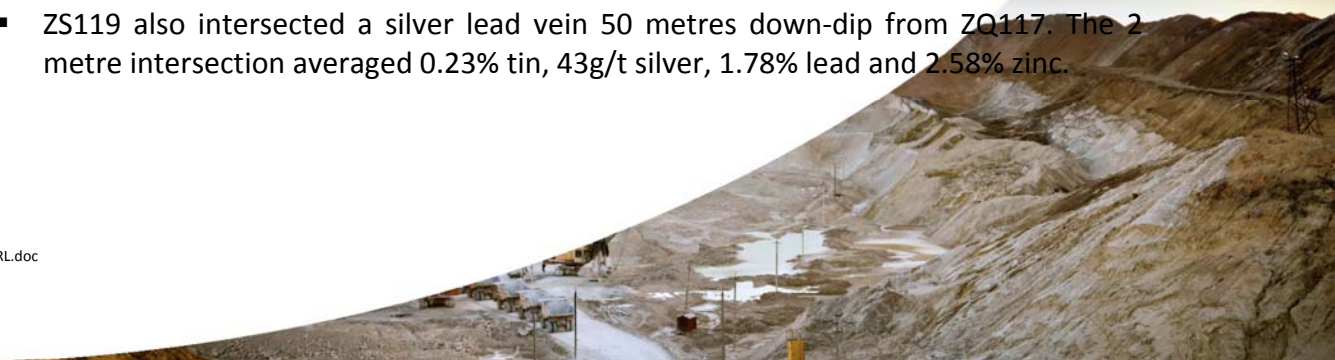


Table 1: Significant Assay Results

Hole No	From	To	Interval	Tin	Sol Tin	Silver	Lead	Zinc
Severn	m	m	m	%	%	ppm	%	%
ZS112	229.0	232.0	3.0	1.46	0.01			
	406.0	411.0	5.0	0.87	0.01			
ZS112W	339.0	344.0	5.0	0.81	0.01			
	355.0	357.0	2.0	1.41	0.01			
ZS113W	266.0	297.0	31.0	1.05	0.01			
including	282.0	289.0	7.0	1.78	0.01			
ZS115	465.0	481.0	16.0	0.62	0.01			
including	469.0	473.0	4.0	0.95	0.01			
ZQ117	105.0	111.0	6.0	0.43	0.02	728	17.49	2.59
	396.0	399.0	3.0	0.56	0.01			
ZS119	103.0	105.0	2.0	0.23	0.01	44	1.77	2.58

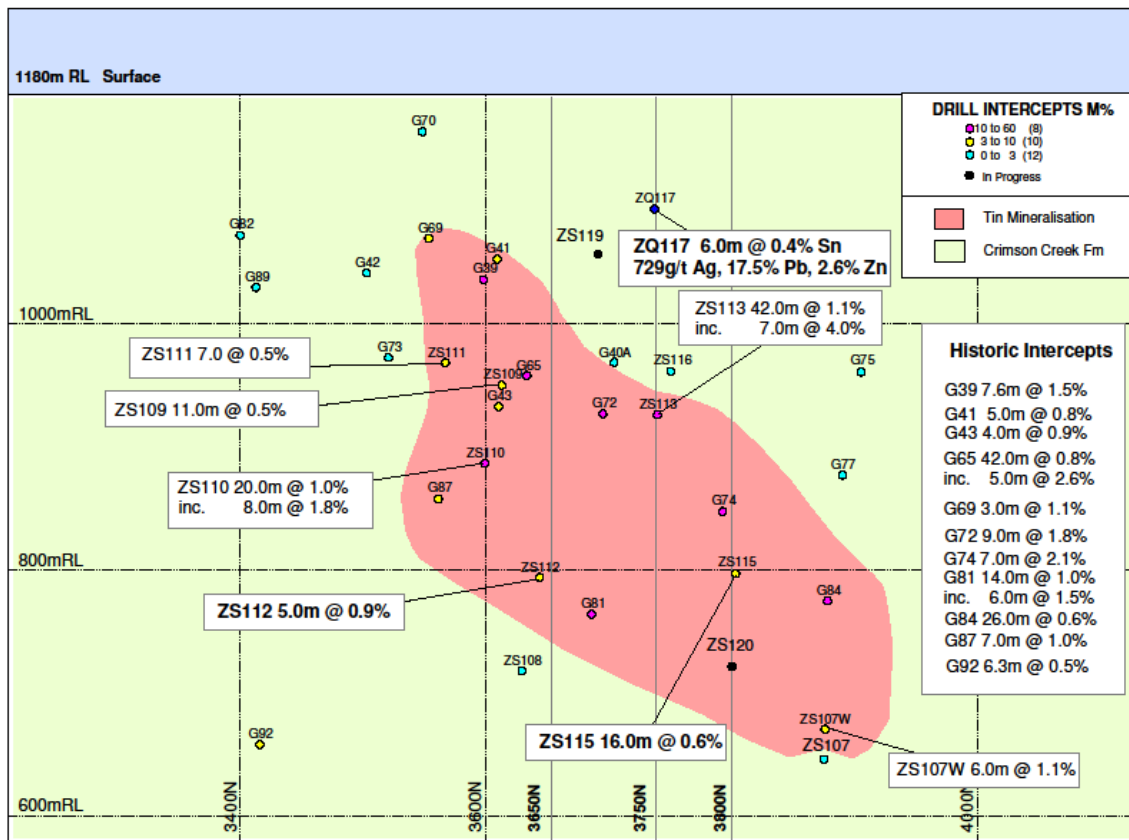
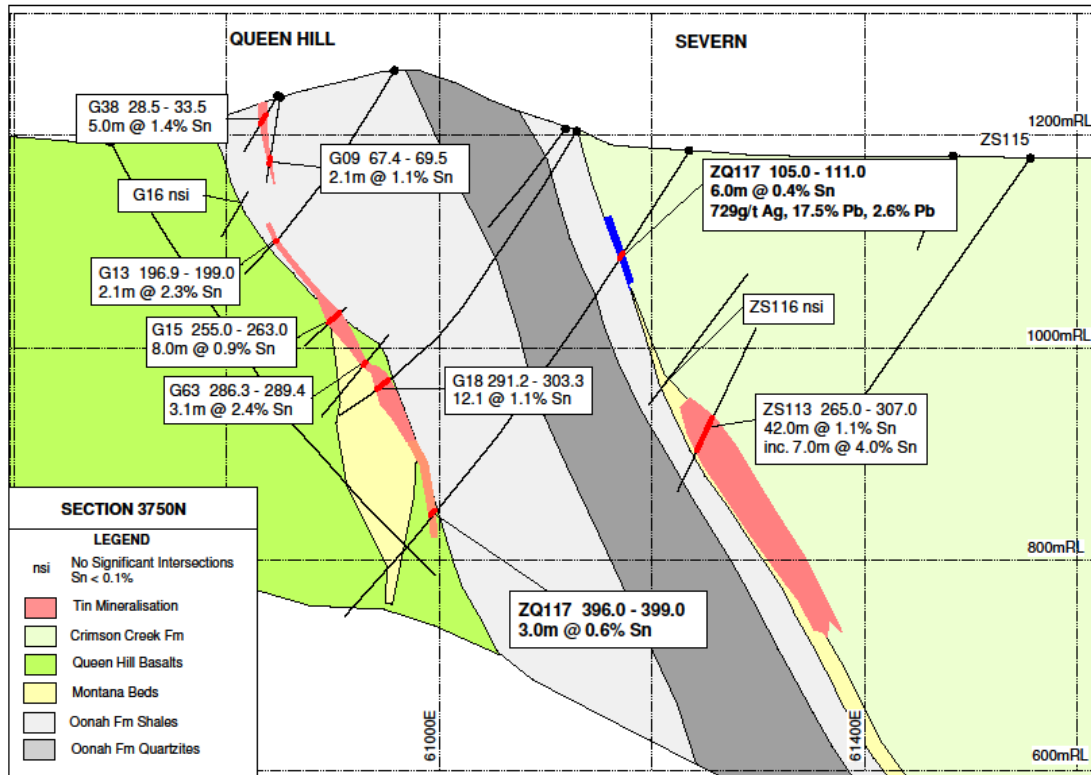


Figure 1: Severn Schematic Long-section Showing Cross-section Positions



(NB: partial traces of drill holes reflect the fact that the hole has deviated off-section. For example ZS115 was collared on Section 3750N but intersected Severn on Section 3800N)

Figure 2: Queen Hill and Severn Cross-section at 3750N

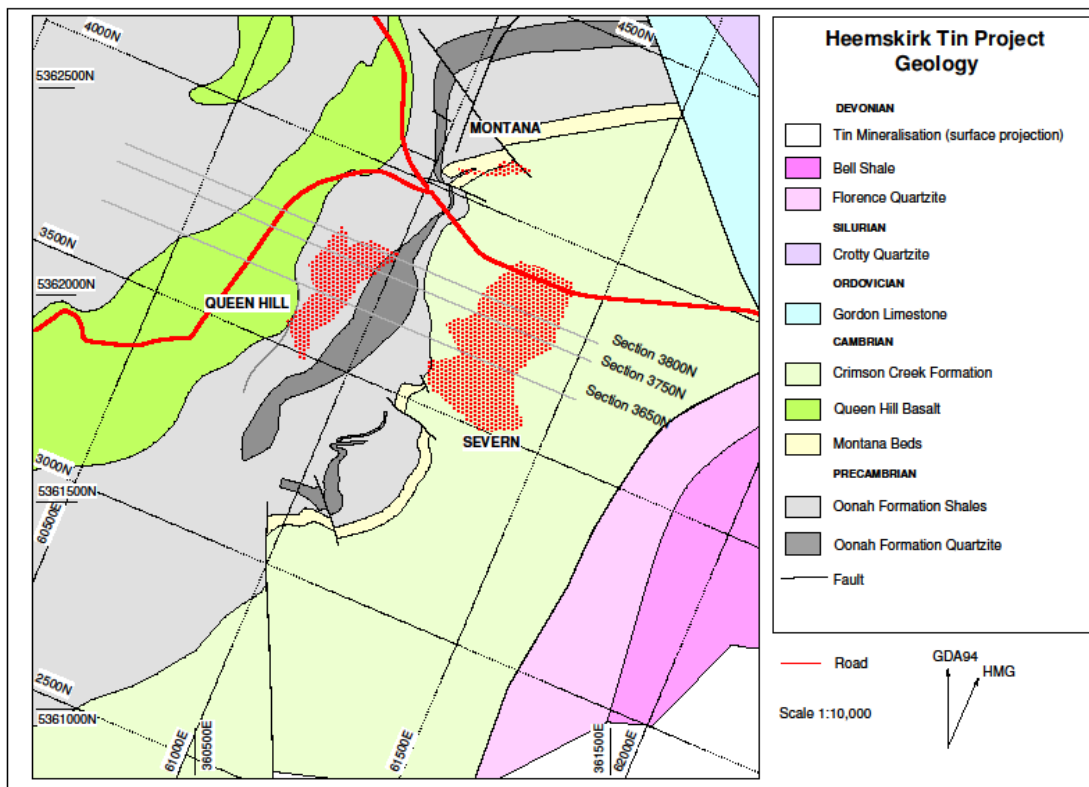
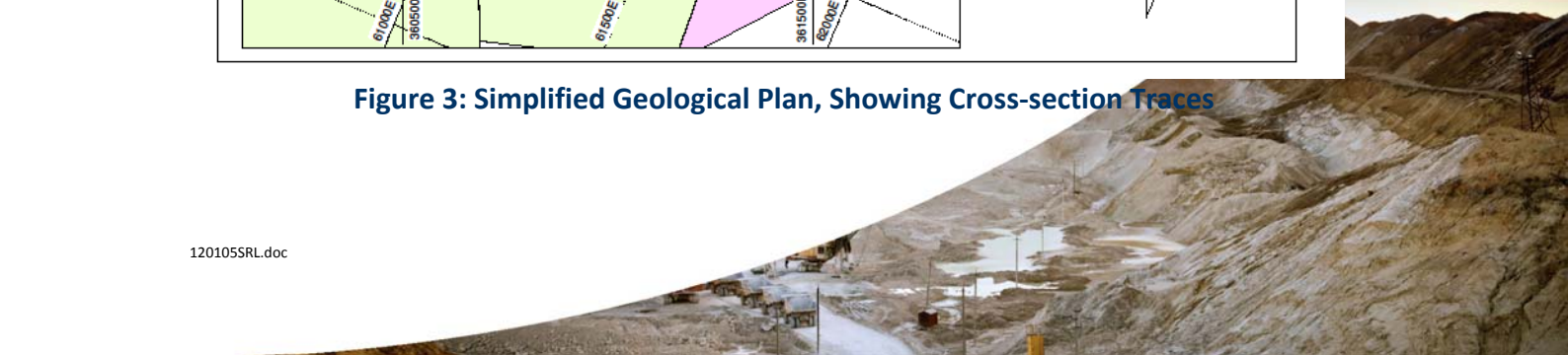


Figure 3: Simplified Geological Plan, Showing Cross-section Traces



Drilling Plan

Over the next 6 months, a further 12 diamond drill holes will be completed. The 5,000 metre program is summarised as follows.

- South Severn Targets - 3 diamond drill holes for a total of 900 metres
- Severn infill/extension – 5 diamond drill holes for a total of 2,100 metres
- Queen Hill extension – 3 diamond drill holes for 1,700 metres
- Heazlewood exploration target (copper/gold) – 1 diamond drill hole of 300 metres

ZS120, the first of the 12 holes, is a deep in-fill hole that is also testing the down-dip boundary of Severn (see Figure 1). It should be completed in the second half of November.

ZS121 is testing a magnetic and geochemical target 650 metres to the south of Severn. It should be complete by mid November 2012.

Metallurgical Update

Test work focussed on the Severn deposit using the flow sheet determined for Queen Hill mineralisation. Samples from two locations within Severn were tested and showed a significant increase in cassiterite recovery through the gravity circuit relative to Queen Hill (largely due to the coarser grained nature of Severn cassiterite).

The reduced volume of Severn cassiterite reporting to the tin float circuit required further modification of the float regime. The good results obtained from this work suggest that further enhancement of the Queen Hill float circuit is possible.

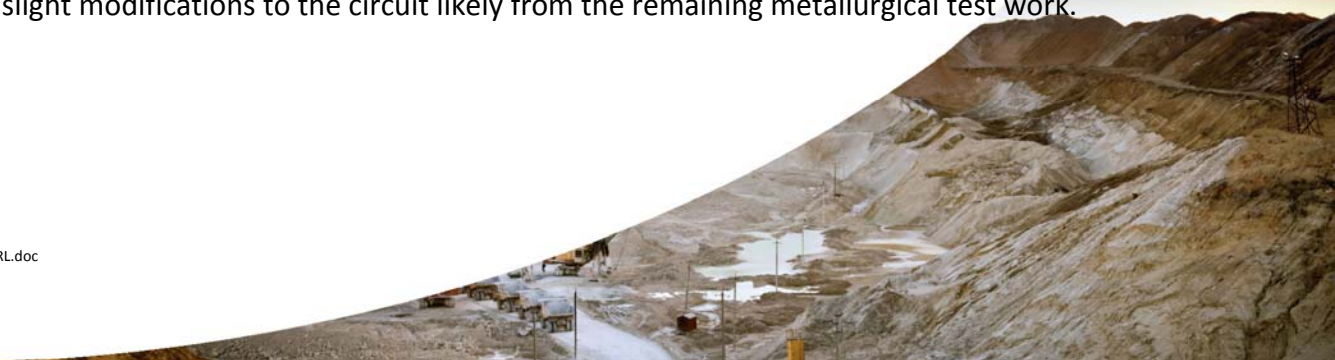
In December quarter, test work will focus on the impact of heavy media separation on Severn ore and the impact of modifications to the tin float circuit on ore from Queen Hill.

Environmental Update

Initial discussions with the Environmental Protection Authority indicated that the issues facing completion of a Development Proposal and Environmental Management Plan for the Heemskirk Tin Project are no different from the well established practices followed by a number of long-term mining operations in the area. Studies of flora, fauna, heritage and social impacts in conjunction with detailed mining and processing plans will be required to support a DPEMP. Baseline water quality data collection is already well established and a timetable for other studies is being prepared.

Preliminary Feasibility Study Progress

The processing flow sheet, mass balance and plant design are more than 80% complete with only slight modifications to the circuit likely from the remaining metallurgical test work.



Work on an equipment list is 50% complete and first pass pricing of some items is underway. Completion of plant layout and costing to a pre-feasibility standard is on track for the end of December 2012.

Work is continuing on geological modelling with an upgrade of the resource estimate expected in March quarter 2013. Mine design and integration with the processing plant should be completed in June quarter 2013.

EXPLORATION

Iron Ore

Tarcoola Iron Ore (SA) (Stellar 100%)

The Tarcoola Iron Project is located 8 kilometres from the town of Tarcoola in South Australia. It also lies within 10 kilometres of the Trans-Australia railway which links the project to the proposed bulk commodity export terminal at Port Bonython. The project comprises Coolybring, with an exploration target of 700 million tonnes of banded iron and Hicks Hill, a magnetite prospect.

No exploration was conducted during the period. The company continues to search for a joint venture partner.

Copper/Gold

EL40/2010 Heazlewood Hill (TAS) (Stellar 100%)

Further soil sampling, geological mapping and geophysical interpretation was conducted over the Jasper area in order to better define drill targets. Inspection of the drill sites by Mineral Resources Tasmania is scheduled for November 2012. This inspection will mark commencement of the approval process and all going to plan should enable drilling to commence before year end.

AngloGold Ashanti Joint Venture (SA)

In October 2011, AngloGold Ashanti Australia Limited (AGAA) agreed to joint venture into four Stellar exploration licenses (ELs 3752, 3753, 4882, and 4573) in the Gawler Craton of South Australia. Under the terms of the agreement AGAA can earn a 75% interest in the tenements.

Following completion of a gravity survey over EL 3752, AGAA identified a number of drill targets for follow-up. AGAA is currently in the process of applying for heritage clearance of the proposed drill sites.



EL36/2003 Whyte River (TAS) (Stellar earning 75%)

Stellar has entered a joint venture with Bass Metals Limited on EL36/2003 Whyte River in which it can earn a 75% interest.

Follow-up of initial reconnaissance exploration with soil sampling and geological mapping is planned for the December quarter 2012.

Uranium/Graphite

EL4242 Midgee (SA) (Stellar 100%)

Joint Venture partner UraniumSA Limited can earn a 73% interest in 40% of the tenement by identifying a JORC resource.

Land access issues continue to prevent UraniumSA Limited from conducting a rotary drilling program to test the sedimentary uranium potential of the tenement.

EL 3978 Cowell (SA) (Stellar 100%)

Renaissance Uranium Limited has the right to earn a 75% interest in the tenement by sole funding exploration.

Renaissance conducted a review of historical data in order to assess the graphite potential over the western portion of the Cowell tenement. The review identified untested potential within regional shear zones immediately north of the Wilklow graphite deposit, which is located in neighboring EL 4693. A subsequent airborne electromagnetic survey identified multiple zones of conductivity with two of particular interest as graphite targets along strike from the Wilklow graphite deposit. Shallow drill testing of these targets is planned.

Nickel

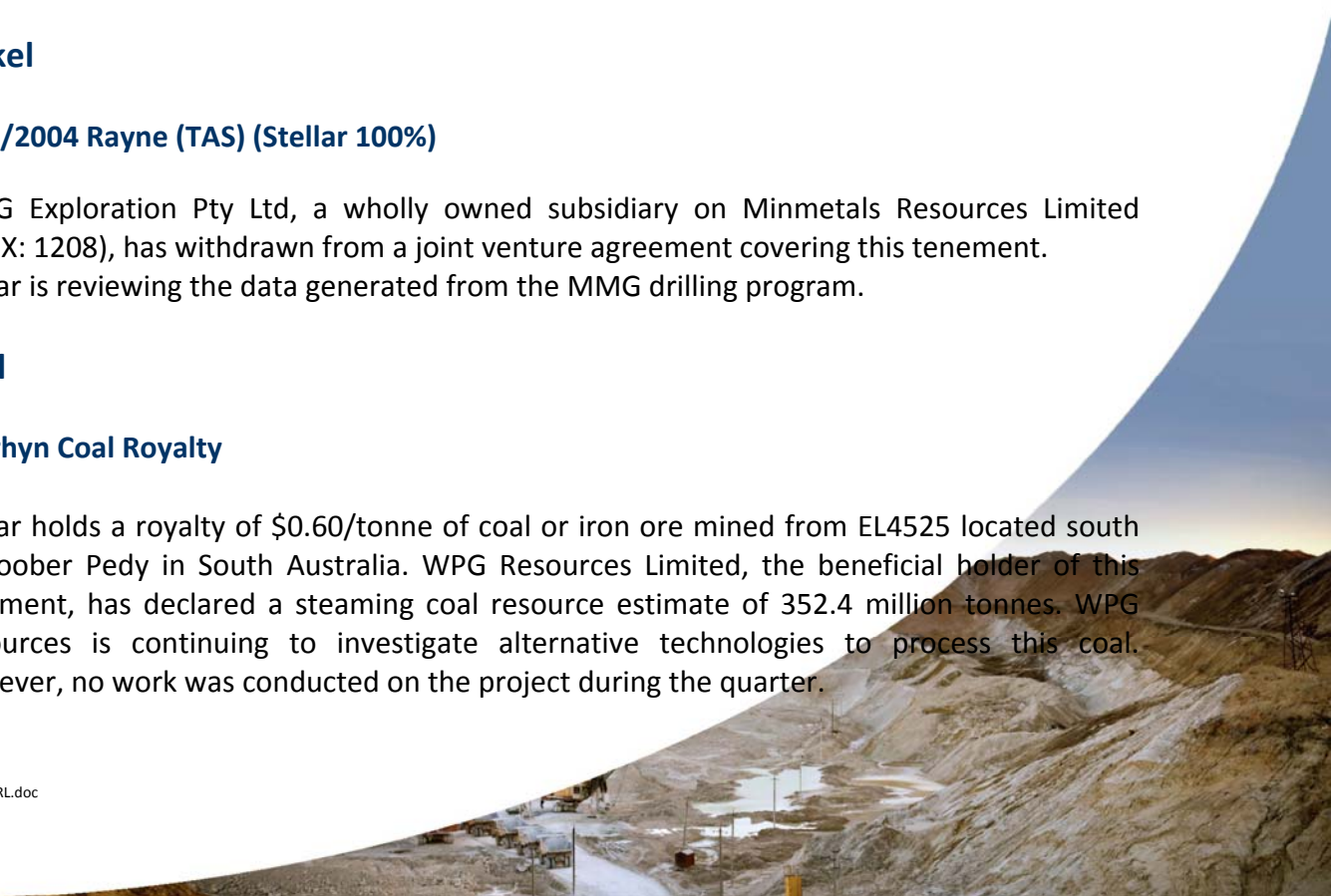
EL49/2004 Rayne (TAS) (Stellar 100%)

MMG Exploration Pty Ltd, a wholly owned subsidiary of Minmetals Resources Limited (HKEX: 1208), has withdrawn from a joint venture agreement covering this tenement. Stellar is reviewing the data generated from the MMG drilling program.

Coal

Penrhyn Coal Royalty

Stellar holds a royalty of \$0.60/tonne of coal or iron ore mined from EL4525 located south of Coober Pedy in South Australia. WPG Resources Limited, the beneficial holder of this tenement, has declared a steaming coal resource estimate of 352.4 million tonnes. WPG Resources is continuing to investigate alternative technologies to process this coal. However, no work was conducted on the project during the quarter.



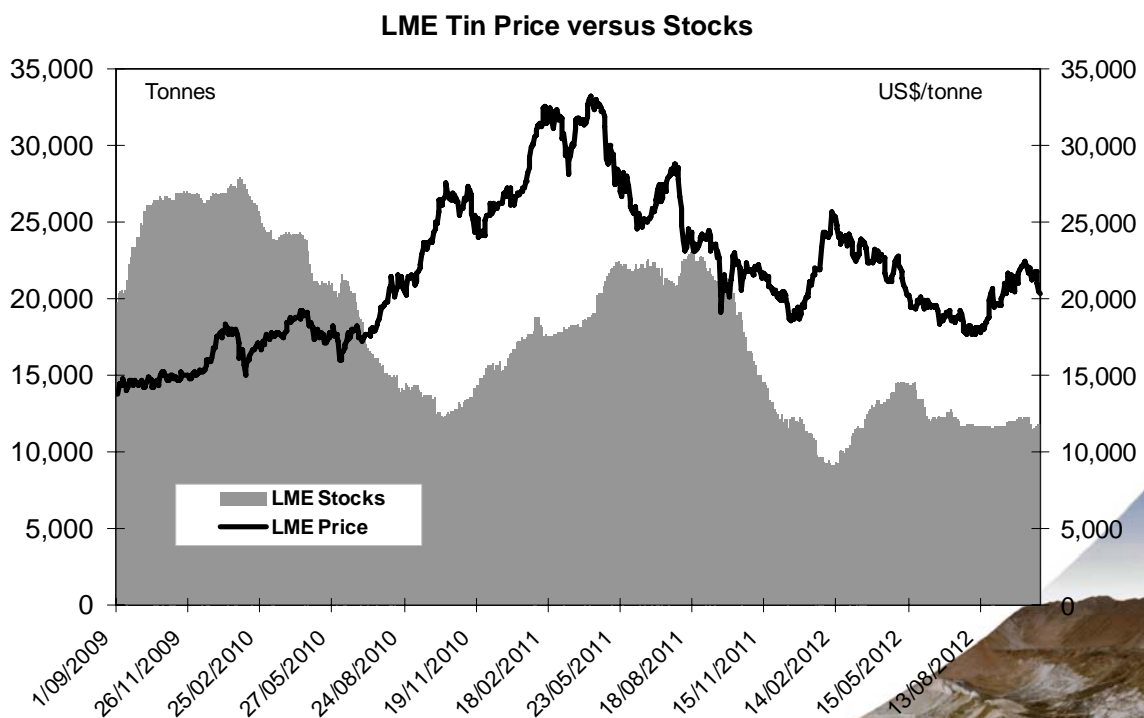
CORPORATE

At the 30 September 2012, the company held cash and term deposits of \$4.0 million. An R&D concessional tax refund for expenditure on metallurgical test work at the Heemskirk Tin Project added \$222,000 to cash reserves during the quarter. In addition to its cash reserves, Stellar also owns investments held in Hiltaba Gold Pty Ltd (a wholly owned subsidiary), notably 3.88 million shares in UraniumSA Limited valued at \$256,080, 1.50 million shares and 1.50 million unlisted options in Renaissance Uranium Limited valued at \$93,000.

Stellar subsidiary Hiltaba Gold Pty Ltd settled on the sale of its gold, silver and copper interests in Exploration Licence 4167 to a subsidiary of Mungana Goldmines Limited after the 30 September.

TIN MARKET

The LME tin price staged a modest recovery in the September quarter, rising to a peak of US\$22,455/t on 5 October from a low of US\$17,650/t on 2 August 2012. It has since fallen back to US\$20,375/t. The tin price increase largely reflected fund buying following the announcement of further quantitative easing by the US Federal Reserve Bank. Consumer buying was generally weak during the quarter. However, the International Tin Research Institute’s China office reported that it is seeing the first signs of a recovery in demand for tin solder. On the supply side, production continues to decline year on year, resulting in a low but stable level of LME stocks.



Competent Person Statement

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr R K Hazeldene (Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists) who is a Consultant of the Company. Mr Hazeldene has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr Hazeldene consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.

For further details please contact:

Peter Blight

CEO

Tel: 03 9618 2540

Email: peter.blight@stellarresources.com.au

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



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/2010.

Name of entity

STELLAR RESOURCES LIMITED

ABN

96 108 758 961

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,003)	(1,003)
(b) development	-	-
(c) production	-	-
(d) administration	(117)	(117)
(e) goods & services tax	37	37
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	42	42
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – R & D concessional tax refund	222	222
Net Operating Cash Flows	(819)	(819)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
1.9 Proceeds from sale/deposit of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other: payment for security deposit on prospects	(15)	(15)
Net investing cash flows	(16)	(16)
1.13 Total operating and investing cash flows (carried forward)	(835)	(835)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(835)	(835)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	–	–
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	–	–
1.17	Repayment of borrowings	–	–
1.18	Dividends paid	–	–
1.19	Other: Payment for share issue costs	–	–
	Net financing cash flows	–	–
	Net increase (decrease) in cash held	(835)	(835)
1.20	Cash at beginning of quarter/year to date	4,879	4,879
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	4,044	4,044

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	53
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Directors fees and remuneration \$41k; rent/office support, Melbourne, paid to Mineral Deposits Limited \$12k

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

–

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

–

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,230
4.2 Development	-
4.3 Production	-
4.4 Administration	203
Total	1,433

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	403	138
5.2 Deposits at call	3,641	4,741
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	4,044	4,879

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	See attachment A		
6.2	Interests in mining tenements acquired or increased	See attachment A		

Appendix 5B
Mining exploration entity quarterly report


Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	223,447,547	223,447,547		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options Directors Exec & Employees	3,000,000 3,125,000	Nil Nil	Exercise Price 20 cents 20 cents	Expiry Date SRZAK 30/11/2013 SRZAI 26/11/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 26 October 2012
(Company Secretary)

Print name: Christina Kemp

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Appendix 5B
Mining exploration entity quarterly report

Attachment A

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL26/2009	100%	Nil	
		EL4301	100%	Nil	
		ML4650, ML4667, ML5179, ML5300	Mining Leases Tarcoola, SA sold to Tunkillia Gold Pty Ltd. Transfer pending ministerial approval.	100%	Nil
		EL4570	Exploration Licence Warrior, SA sold to Renaissance Uranium Limited.	100%	Nil
		EL4167	See Note 1 below	See Note 1	See Note 1
6.2	Interests in mining tenements acquired or increased				

Note 1 Perseverance Gold area sold to Tunkillia Gold Pty Ltd. Excision from EL4167 pending approval.