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 June 2013

Market cap:	*A$10.7million (4.8c)*
Cash (30 June):	*$2.2million*
Shares:	*223,447,547*

Main Shareholders

JP Morgan Nominees	*29.1%*
Resource Capital Fund	*16.2%*
HSBC Nominees	*2.9%*

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
Markus Elsasser
Non-Executive Director
Peter G Blight
Chief Executive Officer
Christina R Kemp
Company Secretary

ASX Code: SRZ

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For the period ended 30 June 2013

Highlights

- PFS delivers financially viable Heemskirk Tin Project.
- Annual tin production of 4,327 tonnes is an 11% increase on the scoping study and represents 1.5% of global mine supply.
- Mining head grade of 1.06% tin is one of the highest of any potential new tin mine developments.
- Competitive mine gate cost of tin production of US$14,389/t compared with industry marginal cost of US$25,000/t.
- Capital cost of US$114 million benefits from availability of existing infrastructure.
- Pre-tax NPV of AU$61 million or 27 cents per Stellar share.

Corporate

- Stellar held cash of $2.2 million as at 30 June 2013.
- Gippsland Limited sold its 19.5% shareholding in Stellar. A German private investor acquired most of this stake and now has an 18.4% shareholding.
- Dr Markus Elsasser, a German financier and investor, joined the Stellar board as a Non-Executive Director.

Targets for September Quarter

- Diamond drilling results from below the Montana deposit.
- Three dimensional geological modelling of the St Dizier tin deposit.
- Continued metallurgical test work on Lower Queen Hill.

HEEMSKIRK TIN PROJECT (100% OWNED)

Overview

A significant milestone was achieved during the quarter with the completion of a Preliminary Feasibility Study (PFS). Importantly, the study showed that a Heemskirk tin mine development is both technically and economically viable at a mining rate of 600,000 annual tonnes which would produce 4,327 tonnes of tin in concentrate annually.

Drilling during the PFS increased confidence in both tonnage and grade of the Severn deposit which represents 60% of the upgraded Mineral Resource of 6.28 million tonnes grading 1.14% tin or 71,500 tonnes of contained tin. Heemskirk remains one of the highest grade potential new tin mine developments.

A Mining Inventory of 3.95 million tonnes was developed from the Mineral Resource after applying stope and development shapes and taking into account dilution, ore recovery factors and optimising to maximise grade.

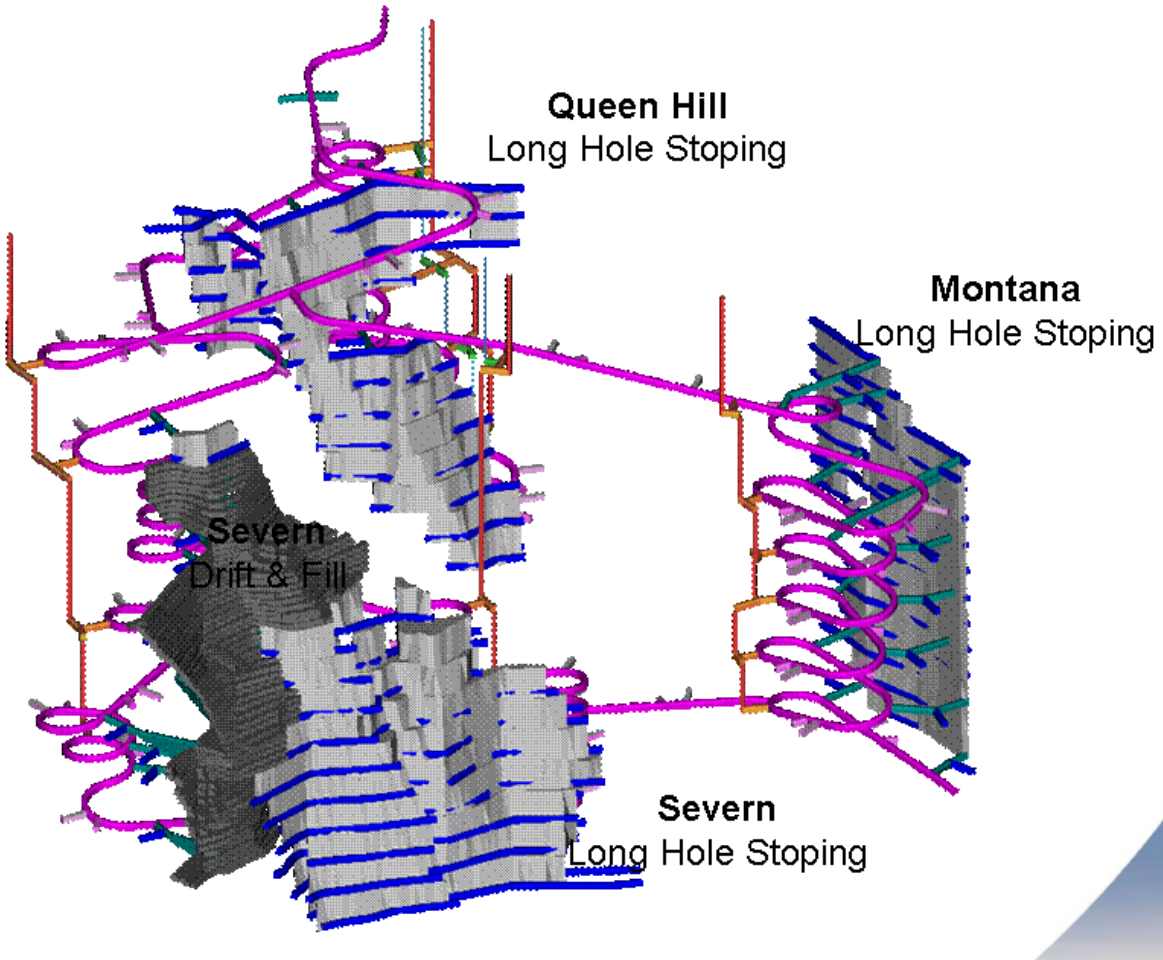


Figure 1: Fully Developed Underground Mine Plan

The optimised mining plans shown in Figure 1, increased the grade of ore to be delivered to the processing plant from the scoping study estimate of 0.93% to 1.06% tin. Laboratory scale metallurgical test work demonstrated average recovery of 70% over three ore-types and an average concentrate grade of 48% tin. These developments increased the estimate of annual tin production by 11% over the scoping study number to 4,327 tonnes (see Table 1). The initial mine life is 7 years.

Table 1: Heemskirk Tin – PFS Technical and Cost Summary

Description	Units	Value
Mining inventory [1]	Mt	3.95
Mined ore tin grade	%Sn	1.06
Average mill throughput	Mtpa	0.6
Initial mine life [2]	Years	6.75
Tin recovery	%	70
Average Concentrate grade	%	48
Average tin in concentrate production	tpa	4,327
Mine gate costs	US$/t tin in concentrate	14,389
Pre-production capital expenditure	US$M	114

[1] Mining inventory includes Indicated and Inferred Mineral Resources that have had mining dilution, recovery and economic factors applied to the mine design, creating an inventory of potential stope and development tonnes.
[2] There is potential to increase mine life within the current Mineral Resource if additional drilling of lower Severn results in an increase in average grade.

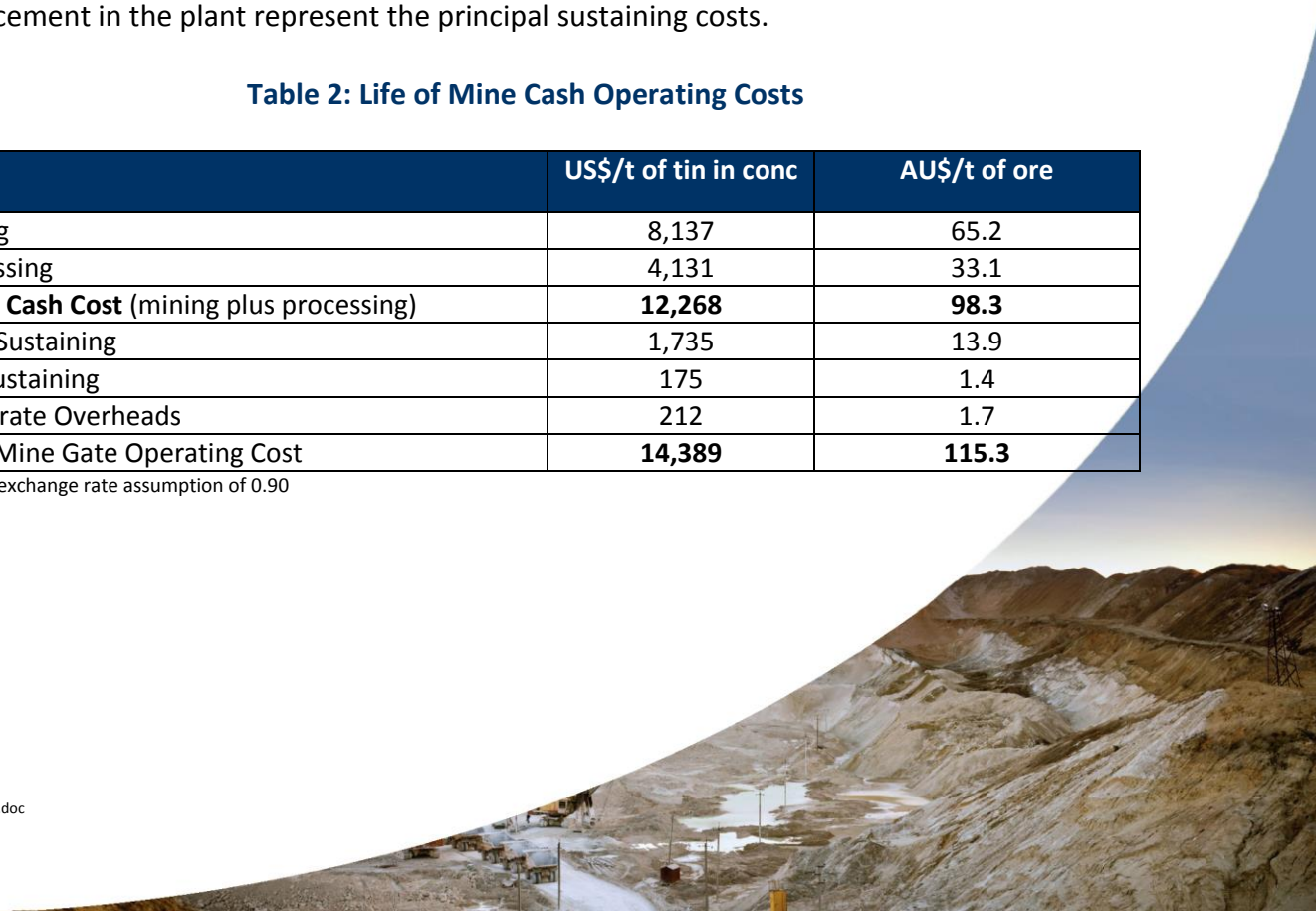
Operating Costs

Mining costs are based on current Australian contractor rates for an underground mine of similar size to Heemskirk. Some costs such as mine management, geology, engineering and supervision represent owner costs. Processing costs are based on current employee rates for owner operation on a 24/7 basis. Decline and stope development plus equipment replacement in the plant represent the principal sustaining costs.

Table 2: Life of Mine Cash Operating Costs

Item	US$/t of tin in conc	AU$/t of ore
Mining	8,137	65.2
Processing	4,131	33.1
Direct Cash Cost (mining plus processing)	**12,268**	**98.3**
Mine Sustaining	1,735	13.9
Site Sustaining	175	1.4
Corporate Overheads	212	1.7
Total Mine Gate Operating Cost	**14,389**	**115.3**

A$/US$ exchange rate assumption of 0.90



Direct mining and processing cash costs of US$12,268/t of tin in concentrate are 4% lower than the scoping study estimate of US$12,700/t. Adding mine and process plant sustaining expenditure and corporate overheads to these costs results in a competitive mine gate cost of US$14,386/t (see Table 2).

Heemskirk's mine gate cash operating cost places the project in a competitive position on the industry cash cost curve and 42% below the marginal cost of production at US$25,000/t (see Figure 2). Marginal cost is also viewed as the incentive price for greenfield tin projects.

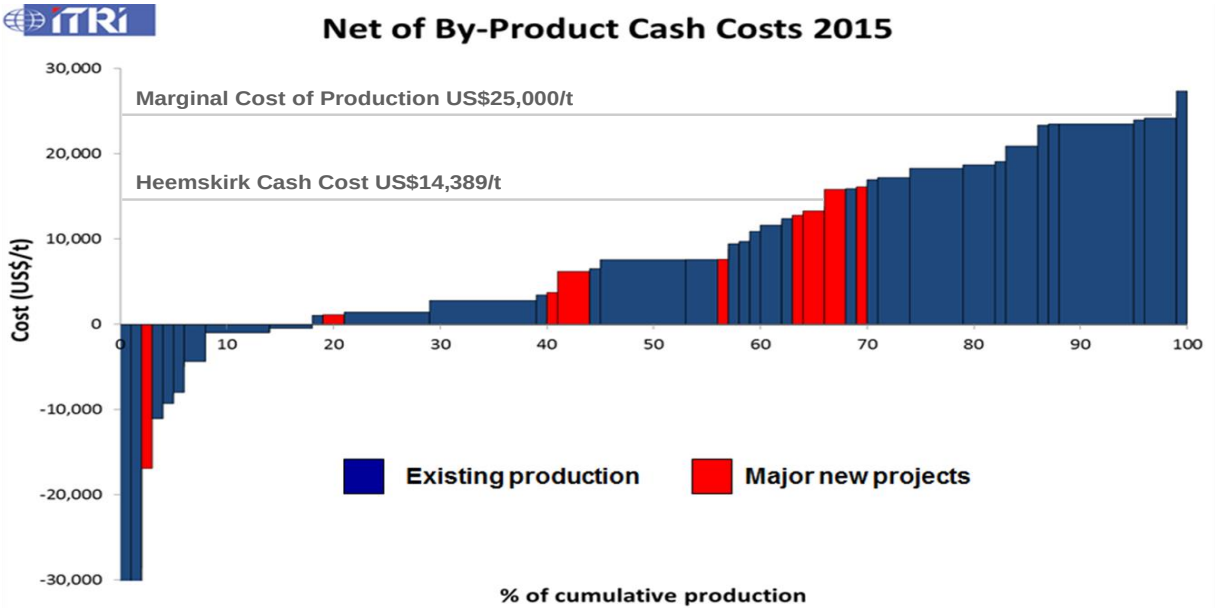


Figure 2: International Tin Research Institute Cash Operating Cost Curve

Capital Costs

The capital costs shown in Table 3 were developed with assistance from contractors Mining One, GR Engineering and GHD and include 2013 costs to a +/- 25% accuracy. Mine costs of $38 million include decline and stope development, ventilation rises and all other costs in the 18 months ahead of first ore delivery to the mill. Processing plant equipment is costed at current prices with EPC included in the total of $76 million. Stage 1 of the tailings dam, with capacity for the first three years production, is costed at $7 million. The total capital cost of $127 million (US$114 million) includes surface infrastructure and benefits from existing power, water and road infrastructure and close proximity to Zeehan for housing.

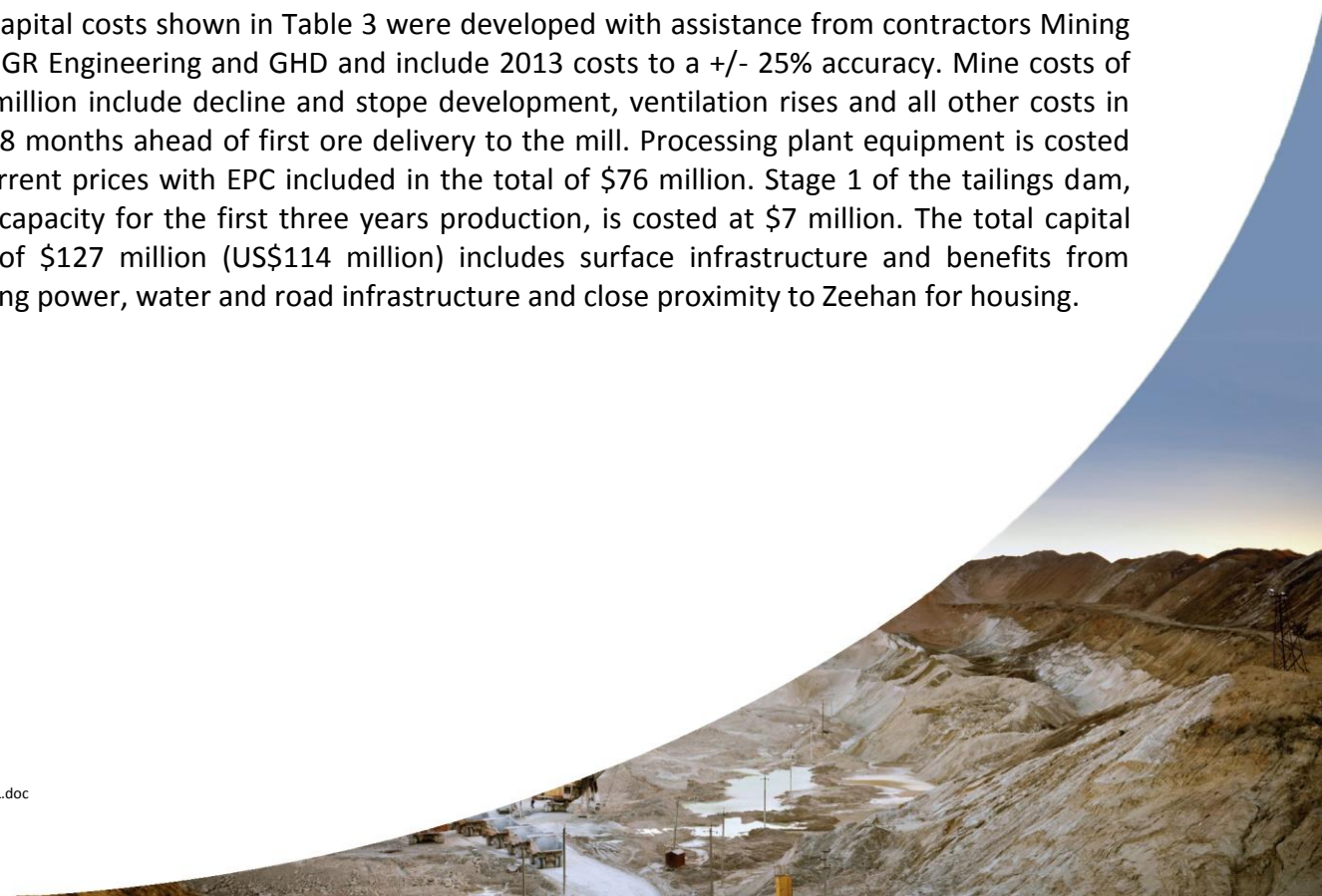


Table 3: Pre-Production Capital Expenditure

Item	US$ Million	AU$ Million
Mine	34.1	37.9
Process Facilities Including First Fills and Spares	68.0	75.5
Infrastucture Including Tailings Storage Facility	6.4	7.2
Owners Costs	1.4	1.5
Contingencies	4.0	4.5
Total Project Pre-Production Capital	**113.9**	126.6

A$/US$ exchange rate assumption of 0.90

Financial Summary

Under the base case, Heemskirk Tin generates a net present value of $61 million or 27 cents per Stellar share, before corporate income tax, at a consensus tin price of US$25,500/t and an AU$0.90 exchange rate (see Table 4).

Table 4: Heemskirk Tin PFS – Tin Price Sensitivity

Description	Economic Outputs		
Tin price scenarios	-10%	Base Case	+10%
LME tin price US$/t	22,950	25,500 [1]	28,050
NPV $_{8\%}$ A$M [2]	11	61	102
IRR %	10	19	26
Payback years	4.7	3.7	3.1
Operating margin A$/t ore treated	51	70	86
Total cash surplus A$M	77	152	214

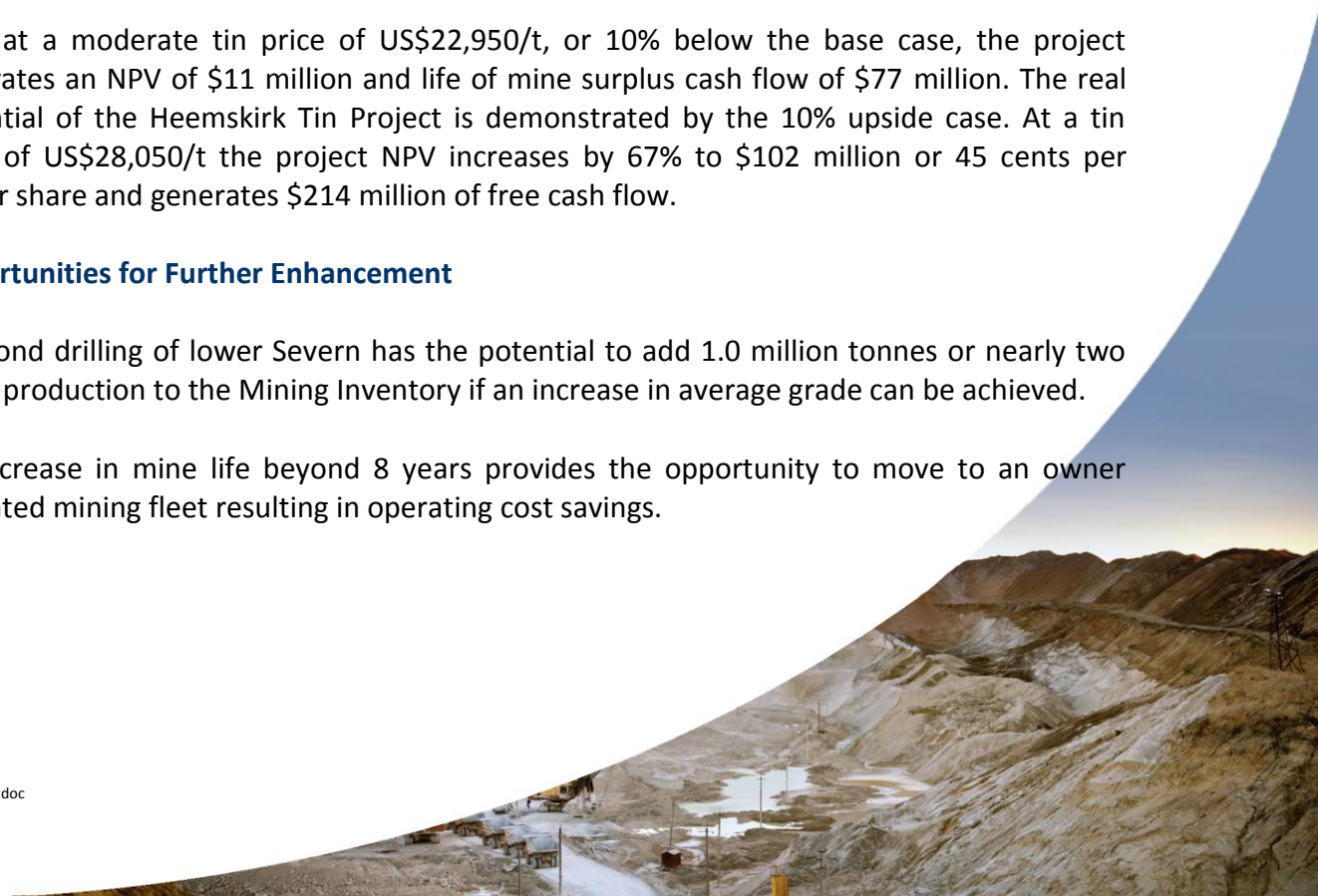
[1] Base case LME tin price is the median of nine analyst estimates for 2016 and beyond. It is also the marginal cost of tin production according to International Tin Research Institute cost curve analysis.
[2] A$/US$ exchange rate assumption of 0.9 is the median of nine analyst estimates

Even at a moderate tin price of US$22,950/t, or 10% below the base case, the project generates an NPV of $11 million and life of mine surplus cash flow of $77 million. The real potential of the Heemskirk Tin Project is demonstrated by the 10% upside case. At a tin price of US$28,050/t the project NPV increases by 67% to $102 million or 45 cents per Stellar share and generates $214 million of free cash flow.

Opportunities for Further Enhancement

Diamond drilling of lower Severn has the potential to add 1.0 million tonnes or nearly two years production to the Mining Inventory if an increase in average grade can be achieved.

An increase in mine life beyond 8 years provides the opportunity to move to an owner operated mining fleet resulting in operating cost savings.



Metallurgical test work on Lower Queen Hill showed that there are opportunities to improve recovery through the successful application of magnetic separation and flotation of fine gravity tails.

Targets for Next 12 Months

- Drilling around and below the known deposits with the objective of expanding the Mineral Resource – all deposits are open laterally and at depth.
- Additional drilling into lower Severn. An increase in average deposit grade could transfer 1.0 million tonnes from Mineral Resource to Mining Inventory.
- Continued refinement of the process flow sheet through metallurgical test work.
- Investigation of capital reduction alternatives including the use of other suitable processing plants in the area.
- Identification of a tin industry participant to help progress the project through DFS and into development.
- Commitment to a DFS as soon as possible.

EXPLORATION

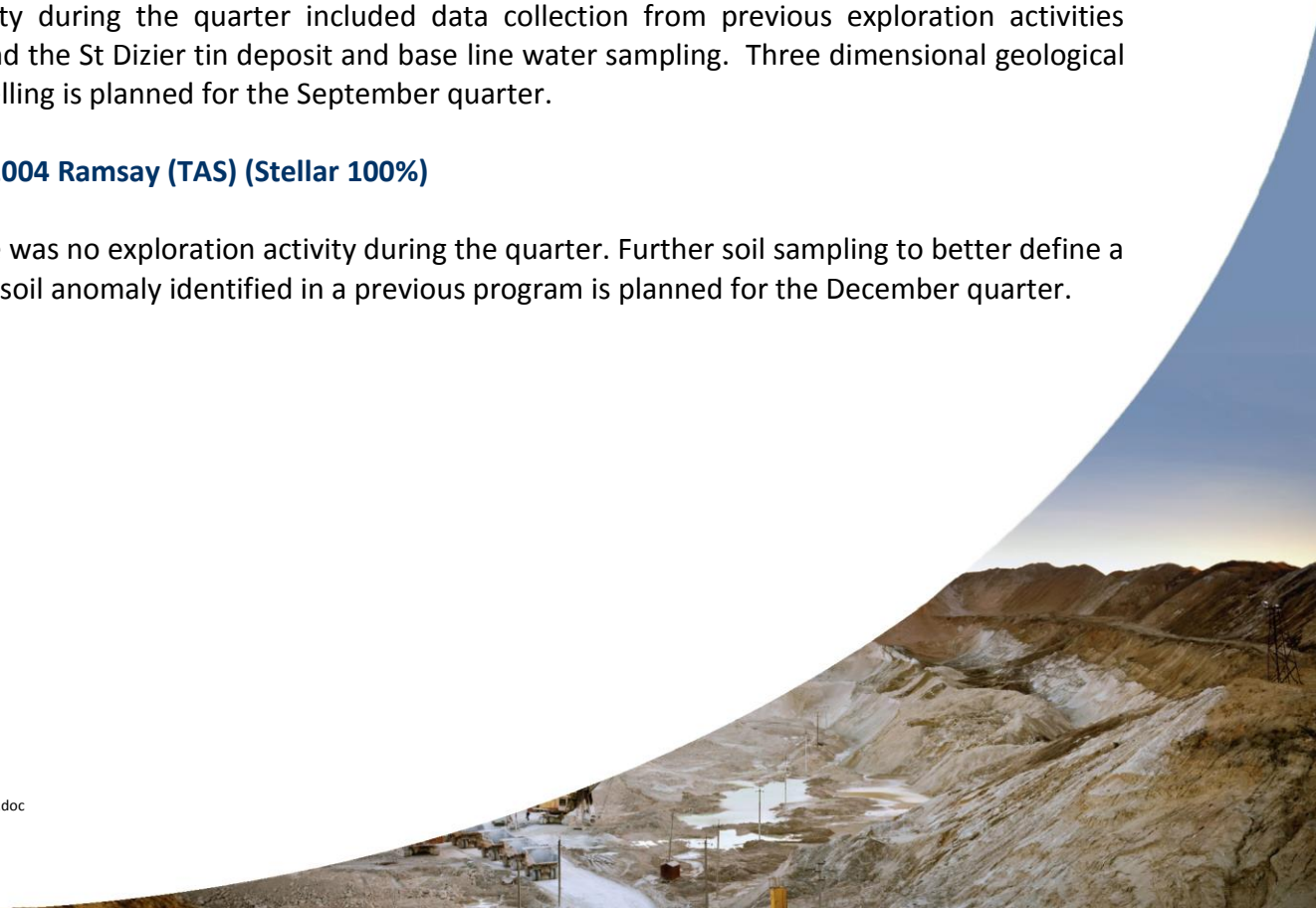
Tin

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

Activity during the quarter included data collection from previous exploration activities around the St Dizier tin deposit and base line water sampling. Three dimensional geological modelling is planned for the September quarter.

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

There was no exploration activity during the quarter. Further soil sampling to better define a tin in soil anomaly identified in a previous program is planned for the December quarter.



Copper/Gold

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

A down hole electromagnetic survey was completed for SJ-01 during the quarter. The purpose of the survey was to test for off-hole conductors and to confirm that the serpentinite intersected in the last 41 metres of the hole was responsible for the aero-electromagnetic (AEM) target on which SJ-01 was sited.

The survey did not identify any off-hole conductors indicating that SJ-01 has tested the target adequately. In addition, the down-hole electromagnetic signature of the serpentinite was consistent with the results from the AEM survey.

Stellar is now reviewing other AEM targets on the licence in view of the findings from SJ-01.

ELs 4573, 4882, 5125 and 5126 (SA) (Stellar 100%)

Stellar's subsidiary Hiltaba Gold Pty Ltd is seeking a joint venture partner to explore iron ore copper gold targets on these central Gawler Craton licences.

Uranium

EL 4242 Midgee (SA) (Stellar 100%)

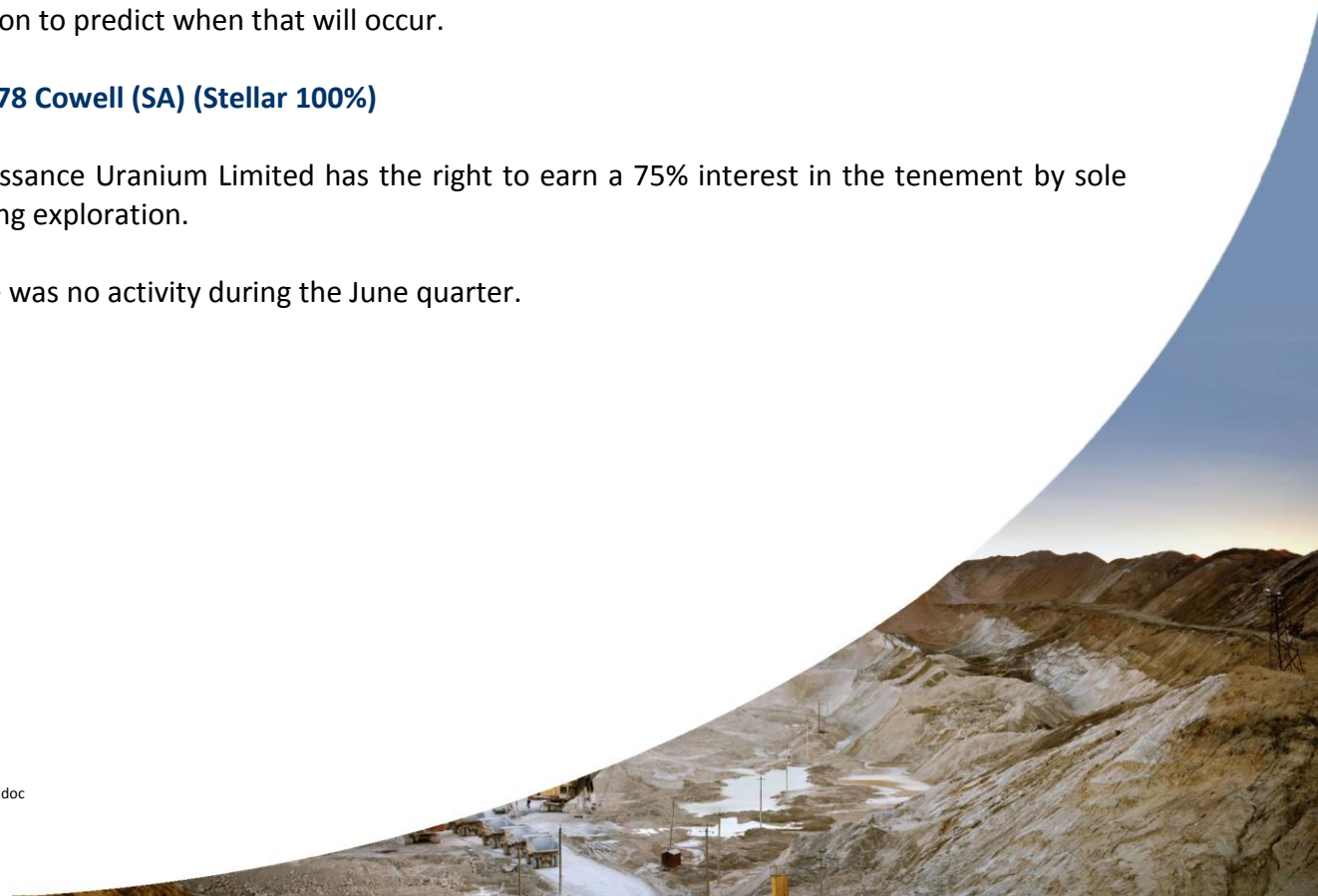
UraniumSA Limited (USA) has the right to earn a 73% interest in 40% of the tenement by identifying a JORC compliant resource.

Work remained suspended during the quarter pending the company resolving land access issues. USA believes that it is moving towards a satisfactory outcome but is not yet in a position to predict when that will occur.

EL 3978 Cowell (SA) (Stellar 100%)

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

There was no activity during the June quarter.



Nickel

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

Preliminary discussions with geophysical consultants were held during the June quarter. The next opportunity to access the RYN001 site for a down-hole geophysical survey will be in the December quarter.

Iron Ore

Tarcoola Iron Ore (SA) (Stellar 100%)

Transfer of EL 4167 and EL 4389 from Hiltaba Gold Pty Ltd to wholly owned subsidiary Tarcoola Iron Pty Ltd was completed during the quarter. EL 4167 contains the Coolybring magnetite deposit while the Hicks Hill magnetite prospect is held in EL 4389.

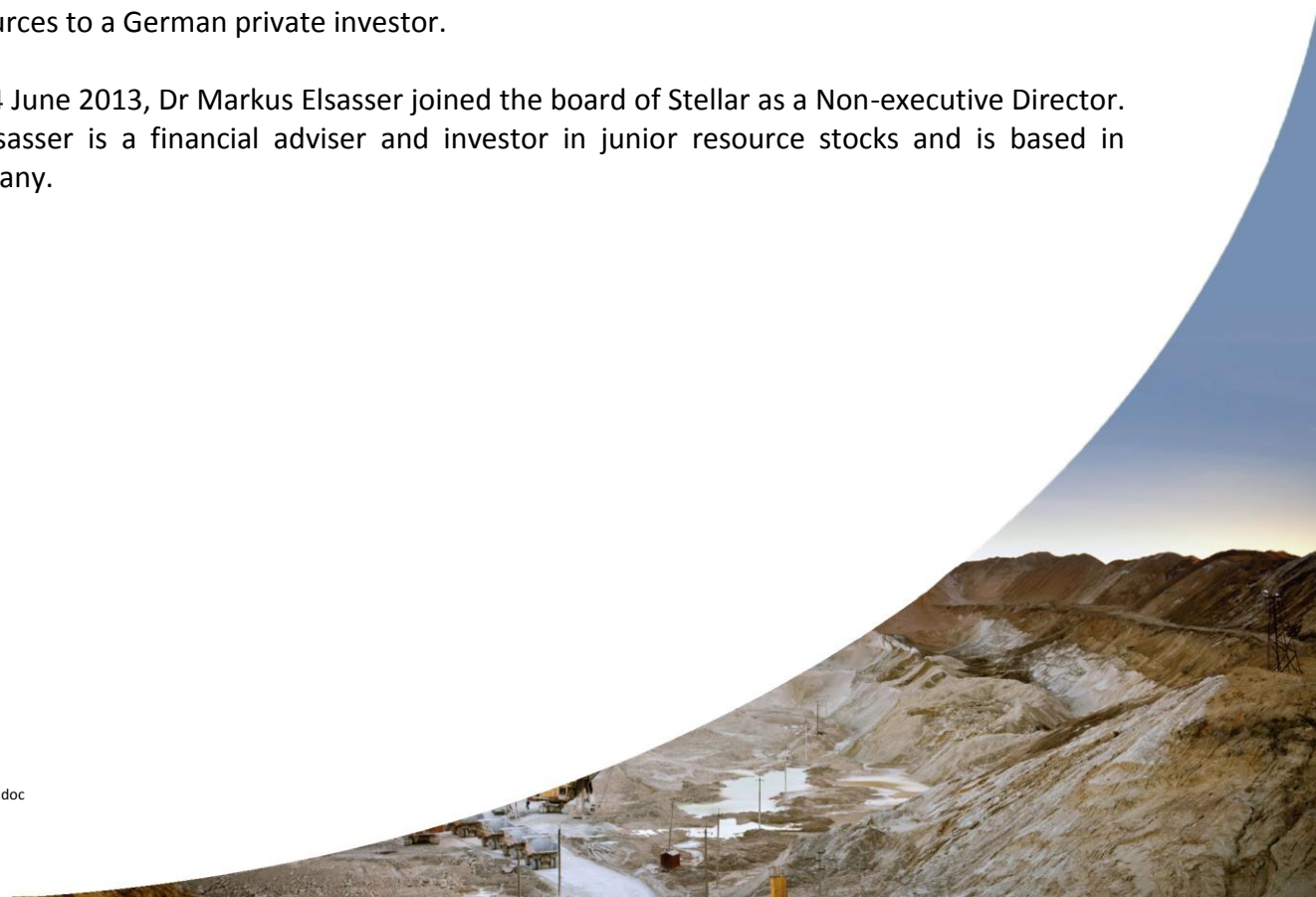
The formation of Tarcoola Iron Pty Ltd is designed to facilitate sale of the magnetite assets.

CORPORATE

At 30 June 2013, Stellar held cash and term deposits of $2.2 million which included a research and development concessional tax refund of $468,475 for expenditure in the year to 30 June 2012. In addition, wholly owned subsidiary Hiltaba Gold Pty Ltd held 3.88 million shares in UraniumSA Limited fair valued at $97,206 and 1.5 million shares and 1.5 million options in Renaissance Uranium Limited fair valued at $60,015.

On 29 May 2013, Gippsland Limited sold its remaining 18.4% shareholding in Stellar Resources to a German private investor.

On 14 June 2013, Dr Markus Elsasser joined the board of Stellar as a Non-executive Director. Dr Elsasser is a financial adviser and investor in junior resource stocks and is based in Germany.



TIN MARKET

The LME tin price is currently US$19,750/t, a similar level to that at the start of the quarter. LME stocks are 3% higher at 14,000/t (see Figure 3). Early signs of an improvement in demand for tin were reflected in the May global electrical goods production index which increased by 8% year on year. The only significant increase in tin production in recent months has come from Indonesia where smelters increased shipments ahead of the introduction of changes to export quality regulations on 1 July 2013. It is expected that Indonesian shipments will ease in the second half of 2013 which should provide some support for prices.

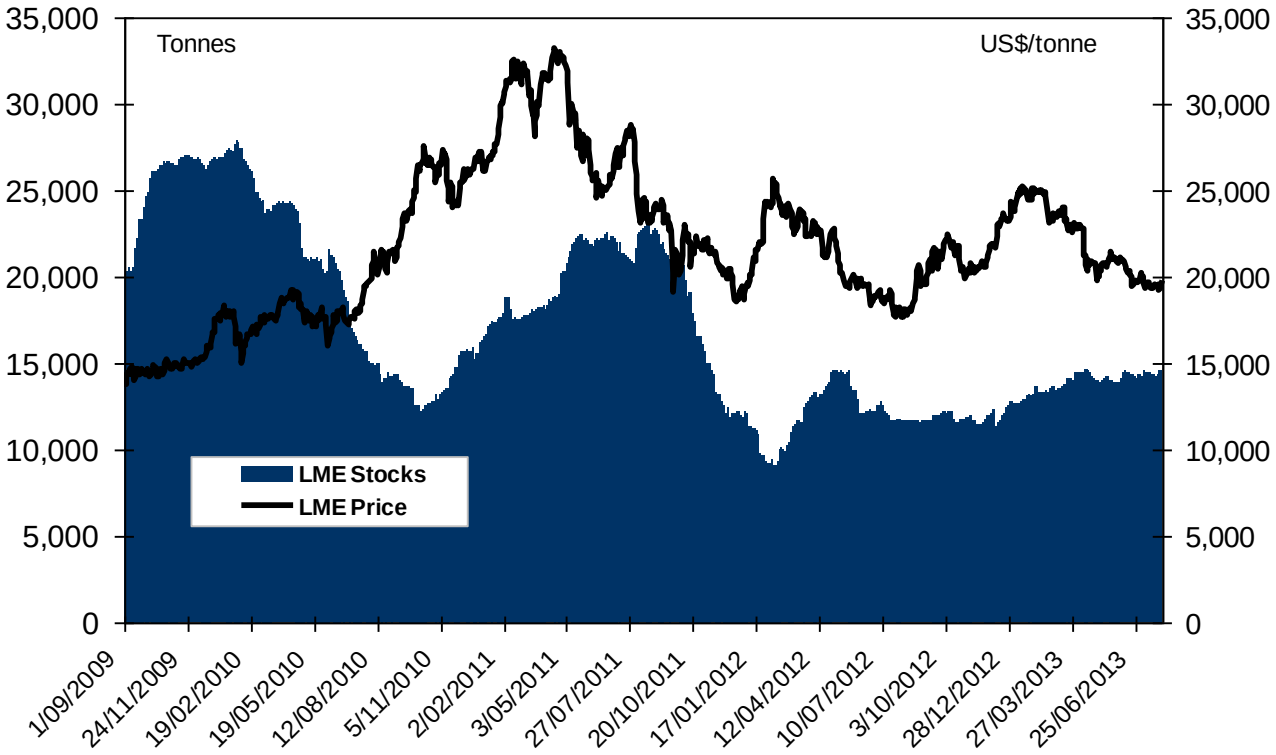
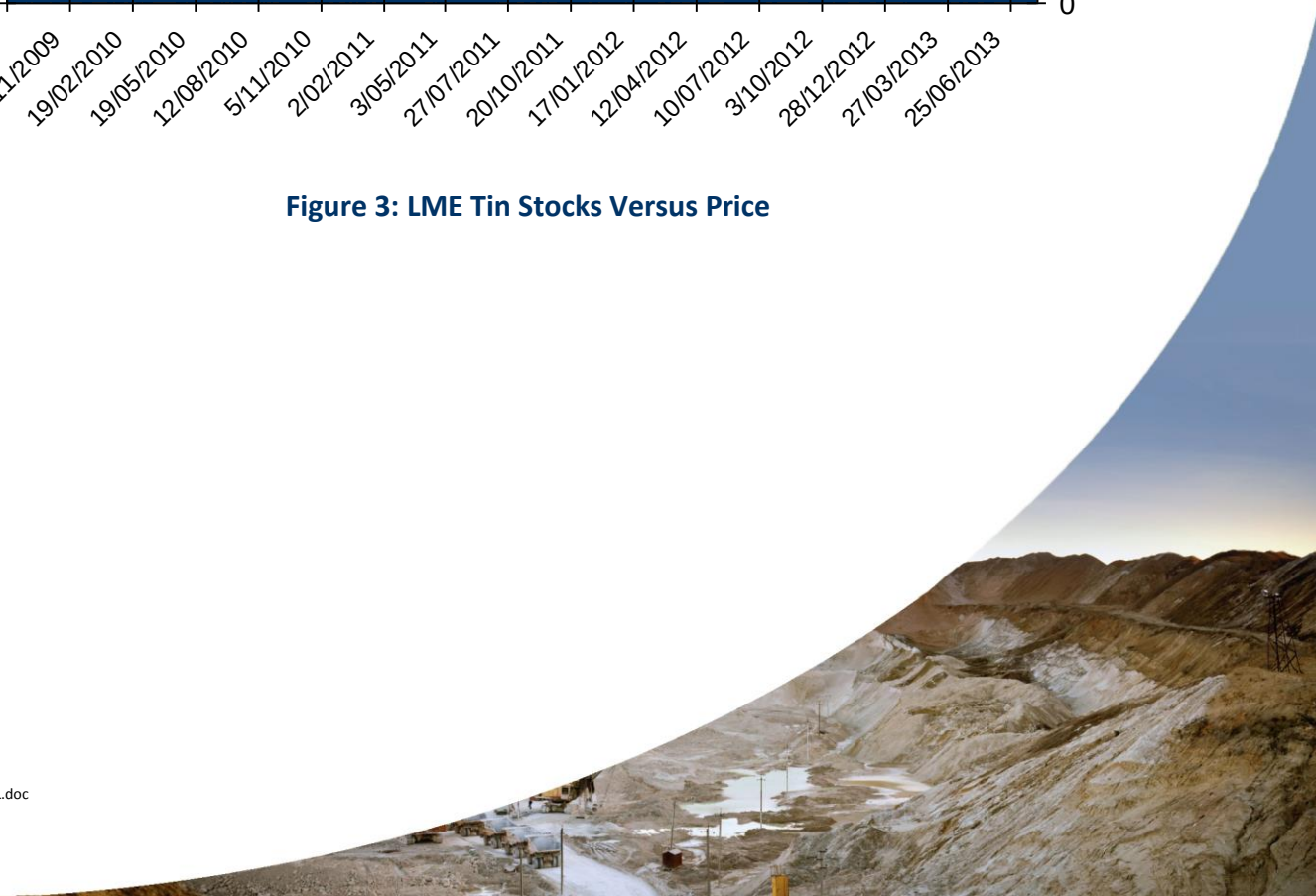


Figure 3: LME Tin Stocks Versus Price



Competent Person Statement

The information in this report that relates to Exploration Results is compiled by Mr R K Hazeldene who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists and 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 in this report.

The information in this report that relates to Mineral Resources was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Tim Callaghan of Resource and Exploration geology, who is a Member of The Australian Institute of Mining and Metallurgy ("AusIMM"), has a minimum of five years experience in the estimation and assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. This report accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

The information in this report that relates to Mining Inventory is based on information reviewed by Phil Bremner, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Bremner is an employee of Mining One Consultants Pty Ltd. Mr Bremner has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). This report accurately summarises and fairly reports his estimations and he consents to their use in the form and context in which they appear.

Forward Looking Statements

This report contains a number of forward looking statements with respect to the company's plans for mineral development. Known and unknown risks and uncertainties and factors outside of the company's control may cause the actual results, performance and achievements of the company to differ materially from those expressed or implied in this report. To the maximum extent permitted by law and stock exchange rules, the company does not warrant the accuracy, currency or completeness of the information in this report, nor the future performance of the company and will not be responsible for any loss or damage arising from use of the information.

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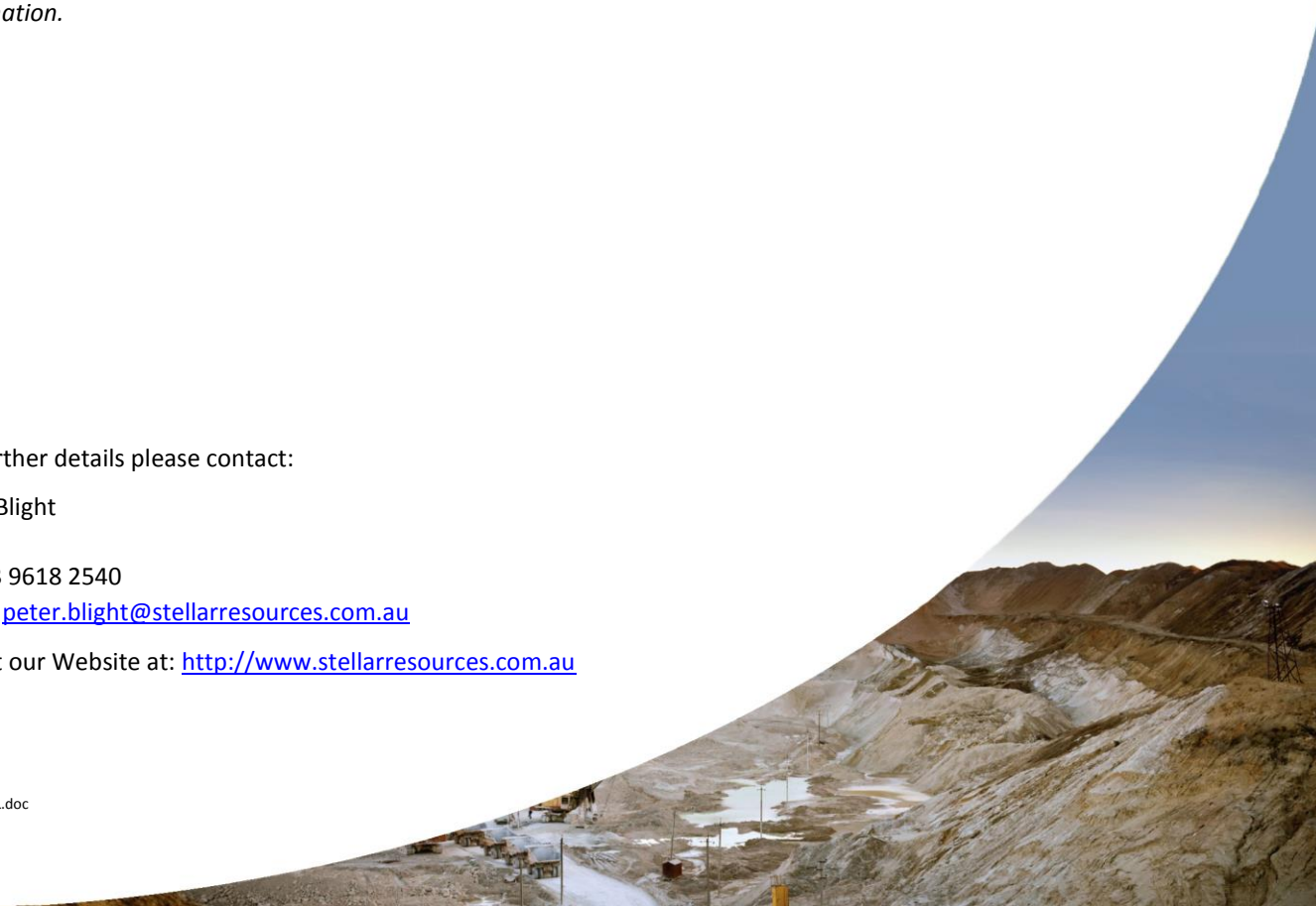

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

STELLAR RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
96 108 758 961	30 June 2013

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (12 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	–	–
1.2	Payments for (a) exploration & evaluation	(817)	(3,706)
	(b) development	–	–
	(c) production	–	–
	(d) administration	(207)	(448)
	(e) goods & services tax	70	270
1.3	Dividends received	–	–
1.4	Interest and other items of a similar nature received	35	173
1.5	Interest and other costs of finance paid	–	–
1.6	Income taxes paid	–	–
1.7	Other – R & D concessional tax refund	469	691
	Net Operating Cash Flows	(450)	(3,020)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	–	–
	(b) equity investments	–	–
	(c) other fixed assets	(4)	(7)
1.9	Proceeds from sale of: (a) prospects	–	350
	(b) equity investments	–	–
	(c) other fixed assets	–	–
1.10	Loans to other entities	–	–
1.11	Loans repaid by other entities	–	–
1.12	Other (provide details if material)	(2)	(17)
	Net investing cash flows	(6)	326
1.13	Total operating and investing cash flows (carried forward)	(456)	(2,694)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(456)	(2,694)
	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 (provide details if material)	–	–
	Net financing cash flows	–	–
	Net increase (decrease) in cash held	(456)	(2,694)
1.20	Cash at beginning of quarter/year to date	2,641	4,879
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	**Cash at end of quarter**	2,185	2,185

Payments to directors of the entity, associates of the directors, 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	59
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 $18k

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	884
4.2	Development	–
4.3	Production	–
4.4	Administration	171
	Total	1,055

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	70	101
5.2	Deposits at call	2,115	2,540
5.3	Bank overdraft	–	–
5.4	Other (provide details)	–	–
	Total: cash at end of quarter (item 1.22)	2,185	2,641

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	EL4707	Exploration Licence Carnding, SA sold to Renaissance Uranium Limited. Ministerial approval granted on transfer	Nil	Nil
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EL4167 & EL4389	Exploration Licence Tarcoola and Hicks Hill, SA transferred From Hiltaba Gold Pty Ltd to Tarcoola Iron Pty Ltd	100%	100%

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				

+ See chapter 19 for defined terms.

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 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: 31 July 2013
(Company secretary)

Print name: Christina R Kemp

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity 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 and petroleum 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 or petroleum 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.

+ See chapter 19 for defined terms.

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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