

Stellar Resources

Quarterly Report



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

As at 31 December 2013

Market cap: A\$11.17m (5.0c)
Cash (31 December): \$1.1 million
Shares: 223,447,547

Main Shareholders

| | |
|-----------------------|-------|
| JP Morgan Nominees | 29.8% |
| 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
Peter G Blight
Chief Executive Officer
Christina R Kemp
Company Secretary

ASX Code: SRZ

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Australia

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For the period ended 31 December 2013

Highlights

- Drill strategy defined for further assessment work at Lower Queen Hill and Upper Severn.
- Geological computer modelling of historical St Dizier drilling completed.
- Drill targets along the St Dizier trend selected and prioritised.
- Drilling approvals process and contractor tendering underway.

Corporate

- Stellar held cash of \$1.1 million as at 31 December 2013.
- On 17 January 2014, \$2.6 million was raised in a placement of 50 million shares at 5.2 cps to a single investor.
- Following the placement, Capetown SA, an experienced operator in the tin recycling industry, became Stellar's largest shareholder with an 18.1% holding.
- Fund raising will allow completion of the optimisation program and progression to a Definitive Feasibility Study.

Targets for March Quarter

- Heemskirk tin deposits:
6 hole diamond drilling program to commence at Lower Queen Hill and Upper Severn and metallurgical testing program to resume.
- St Dizier tin prospect :
resource estimate from computer model of historical drilling, 6 hole diamond drilling program and metallurgical testing to commence.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

In the previous quarter, an optimisation program was outlined for Heemskirk Tin with the aim of increasing the project valuation ahead of a commitment to a definitive feasibility study in the second half of 2014.

The program included the following four projects:

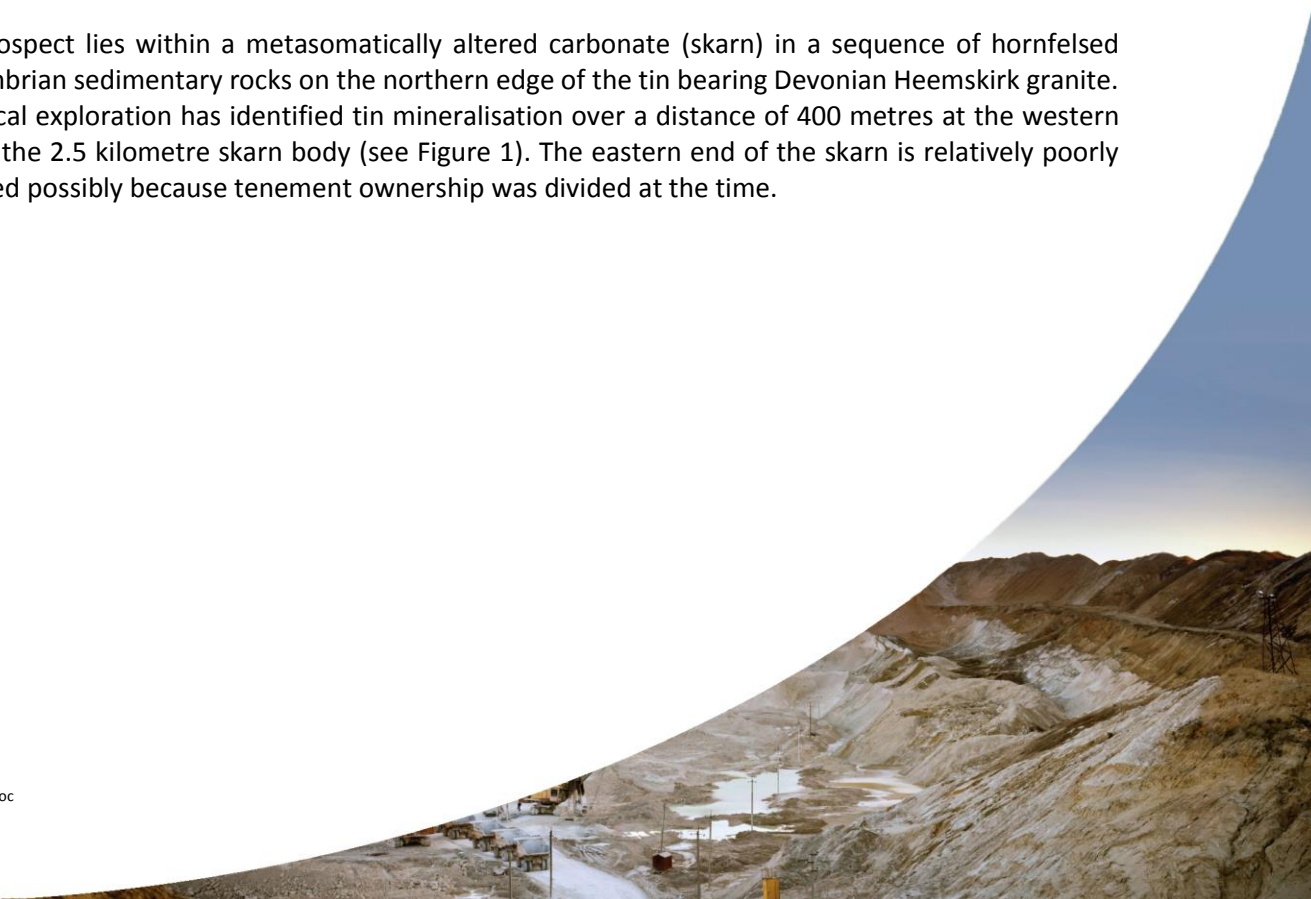
- 1) Identify an open-pit resource at the St Dizier tin prospect which is located on a sealed road 20 kilometres from the Heemskirk Project. If successful, St Dizier has the potential to add low cost tonnes and provide early cash flow to the project.
- 2) Targeted drilling on high grade zones within Lower Queen Hill and Upper Severn deposits with the aim of increasing resource grade and potentially lowering unit costs. Three drill holes are currently planned for each deposit.
- 3) Step-out drilling around Lower Severn and between the Severn and Montana deposits. The goal is to upgrade and add to existing resources in order to increase mine life.
- 4) Further metallurgical test work to enhance the process flow sheet, improve recovery and concentrate grade and to define metallurgical variability across all deposits.

During the December quarter, work focussed on St Dizier, the first stage of the optimisation program. Now that funding is in place, the other three stages will commence in March quarter 2014.

St Dizier

Following reporting of the pre-feasibility study results on 24 July 2013, the nearby St Dizier prospect was reviewed.

The prospect lies within a metasomatically altered carbonate (skarn) in a sequence of hornfelsed Precambrian sedimentary rocks on the northern edge of the tin bearing Devonian Heemskirk granite. Historical exploration has identified tin mineralisation over a distance of 400 metres at the western end of the 2.5 kilometre skarn body (see Figure 1). The eastern end of the skarn is relatively poorly explored possibly because tenement ownership was divided at the time.



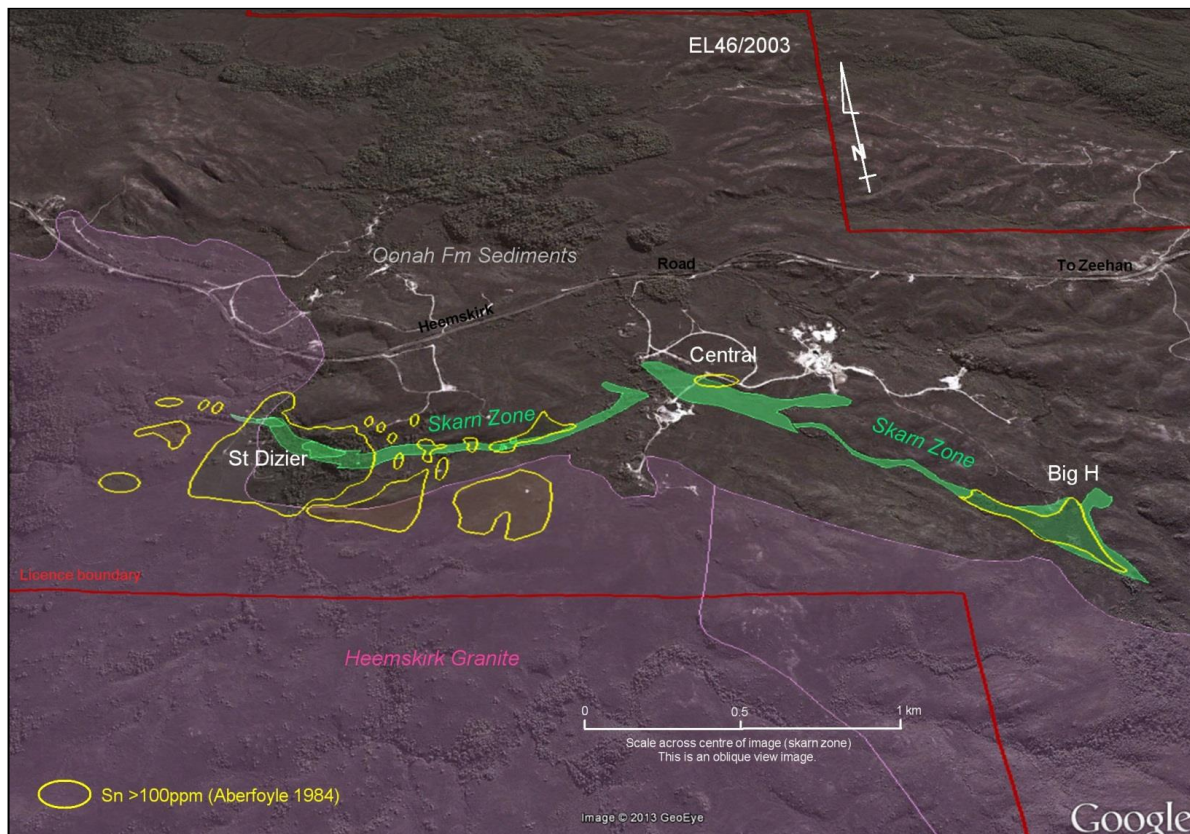


Figure 1: St Dizier Tin Skarn over 2.5km Strike Length

Apart from the St Dizier skarn, the surrounding Heemskirk granite also contains sporadic greisen style tin mineralisation. Alluvial tin deposits, formed in the creeks draining the Heemskirk granite, were the focus of numerous mining syndicates in the 1880s and more sporadically in the following years. Since 1880, more than 200 tonnes of tin in concentrate was extracted by alluvial miners from the North Heemskirk field.

Modern exploration of the skarn commenced in the 1960s and continued until the mid 1980s when low tin prices ended activity. During this time 40 diamond drill holes totalling 6,992 metres were drilled, mostly at the western end of the skarn in and around the St Dizier mineralisation (see Figure 2). In 2006, Stellar drilled 3 confirmatory diamond drill holes totalling 317 metres.

During the December quarter, Stellar commenced collation of the drilling data into an Access Database to allow modelling of the mineralised domains using SurpacTM software. This work is on-going. A soil sampling program to better define historical geochemical targets and to provide data over previously untested magnetic and electromagnetic geophysical targets has also commenced.

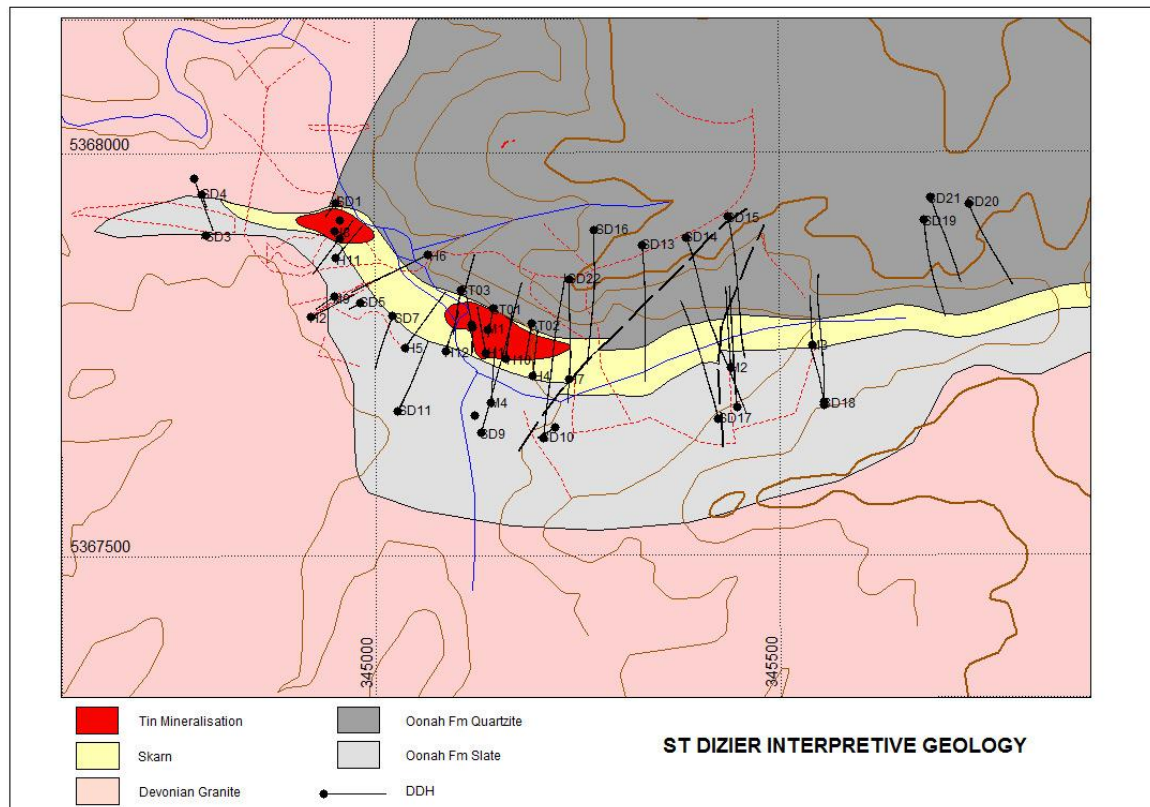


Figure 2: St Dizier Interpretative Geology and Drill Hole Locations

In the March quarter, Stellar expects to:

- 1) complete a JORC (2012) resource estimate of the St Dizier deposit using the geological computer model of historical diamond drilling data,
- 2) commence a six hole diamond drilling program to explore for extensions of known tin mineralisation,
- 3) commence metallurgical testing of the tin mineralisation.

Heemskirk Drill Targets

During the quarter, previous drilling results were reviewed in order to prioritise the future drilling program. The initial targets are possible extensions of the high grade zones within the Queen Hill deposit and along the upper edge of the Severn deposit. Secondary targets are extensions of the deposits at depth. As a third priority, a parallel structure to the south of Severn is also identified for drill testing.

Three proposed drill holes at Queen Hill are shown as white infilled circles in Figure 3. They will test for extensions of the high grade zone with the shallowest drilled first.

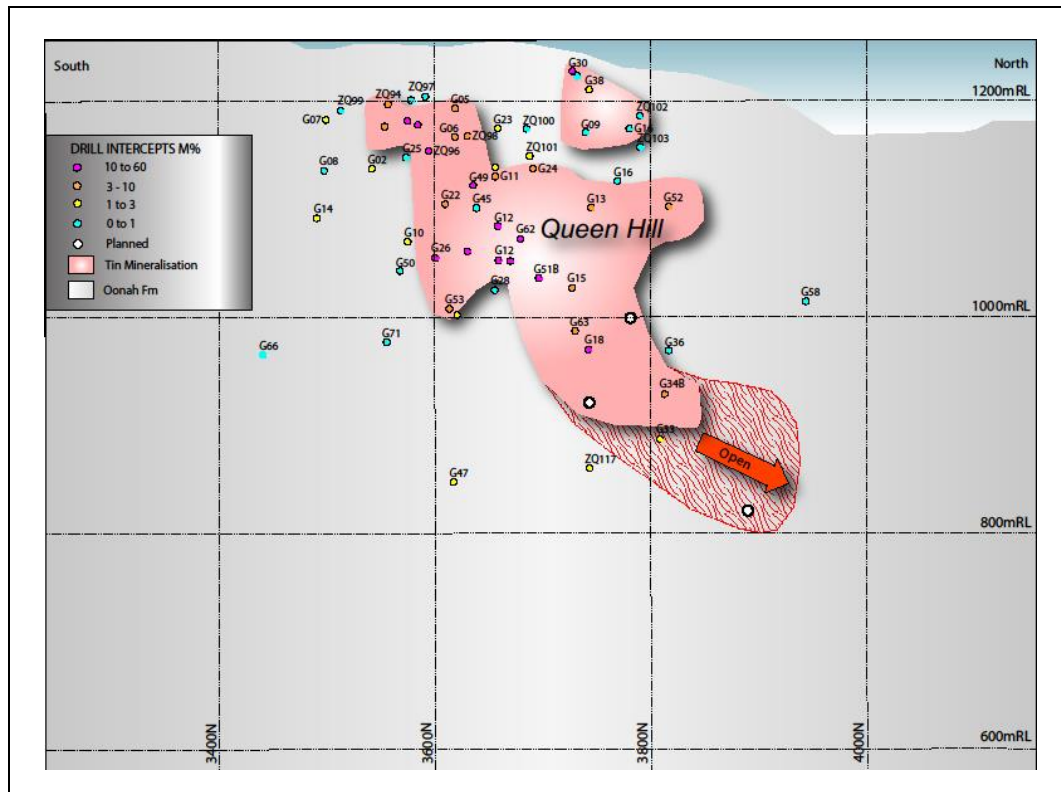


Figure 3: Queen Hill Schematic Long-section Showing Proposed Drill Sites (white circles)

In Figure 4, six identified drill targets are shown for the Severn deposit. The three nearest the surface will test for extensions of a zone of 10 metre percent tin mineralisation along the upper edge of the deposit. The deeper holes provide infill and extensional targets for Lower Severn mineralisation.

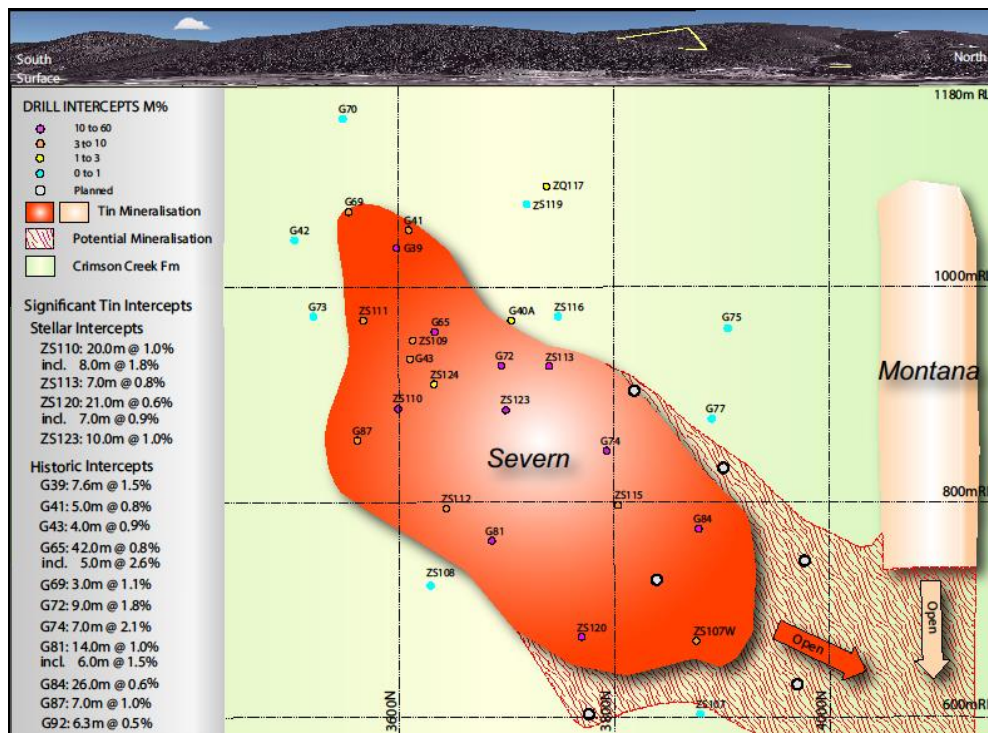


Figure 4: Severn Schematic Long-section Showing Proposed Drill Sites (white circles)

A separate tender for the drilling of these holes will be submitted to contractors in the first week of February with drilling expected to start in late February or early March.

EXPLORATION

Tin

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

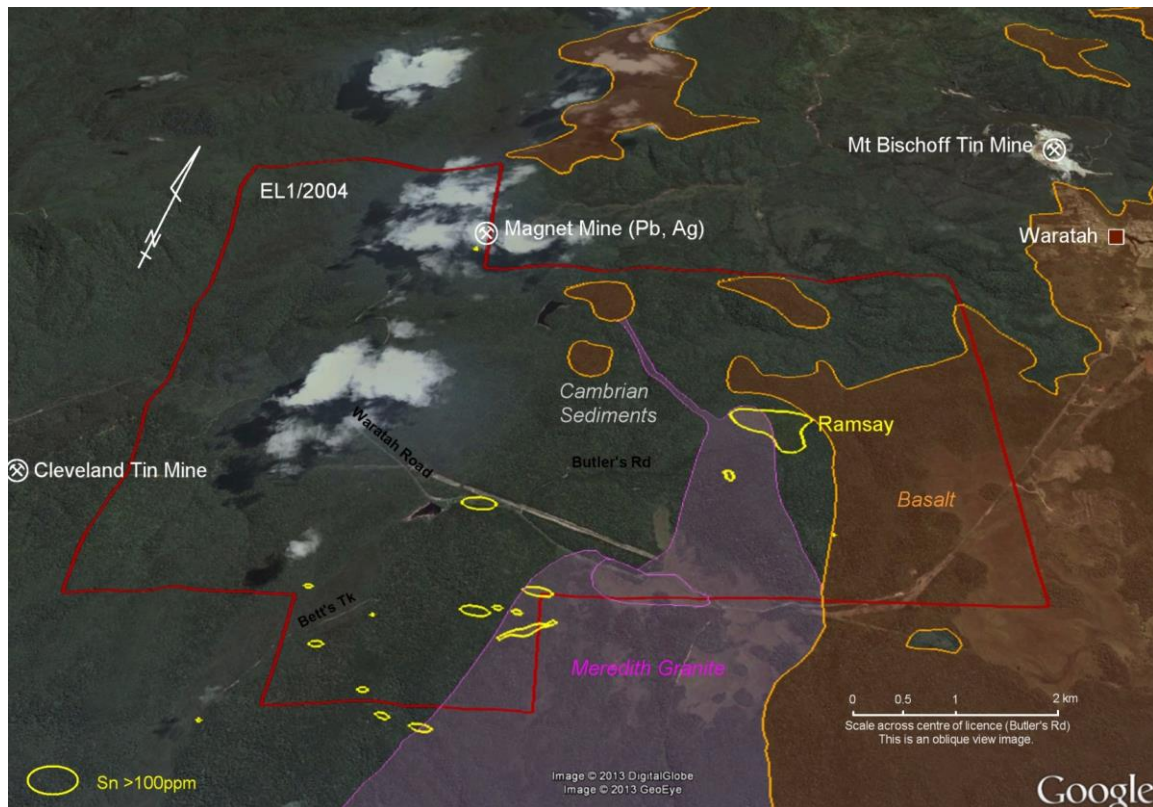


Figure 5: Ramsay Tenement and Main Geological Boundaries

The Ramsay tin in soil geochemical anomaly which overlaps the northern edge of the tin bearing Meredith Granite, is the main exploration target on this licence (see Figure 5). During the last field season, the anomaly was extended to the west and is now defined over a 400 metre strike length.

The granite margin and surrounding Cambrian aged black siltstones in this area contain significant evidence of hydrothermal alteration. Any tin mineralisation is more likely to be associated with tourmaline in the greisenised granite margin rather than within the siliceous sediments.

A third sampling program is due to commence in February. It will extend the survey area further west to cover an aplite dyke that runs from the granite, northwest towards the historical Magnet silver-lead-zinc mine. This program will test the aplite dyke for tin mineralisation and also provide infill of the previous sampling program in order to define any drill targets.

Copper/Gold

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

No work was conducted during the quarter.

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

These properties cover iron ore copper gold magnetic and gravity geophysical targets on the central Gawler Craton of South Australia.

Stellar subsidiary Hiltaba Gold Pty Ltd, is currently looking for joint venture partners to progress these properties.

Uranium

EL4242 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 remains suspended on this project pending a Warden's Court hearing in March 2014.

EL 5307 Cowell (SA) (Stellar 100%)

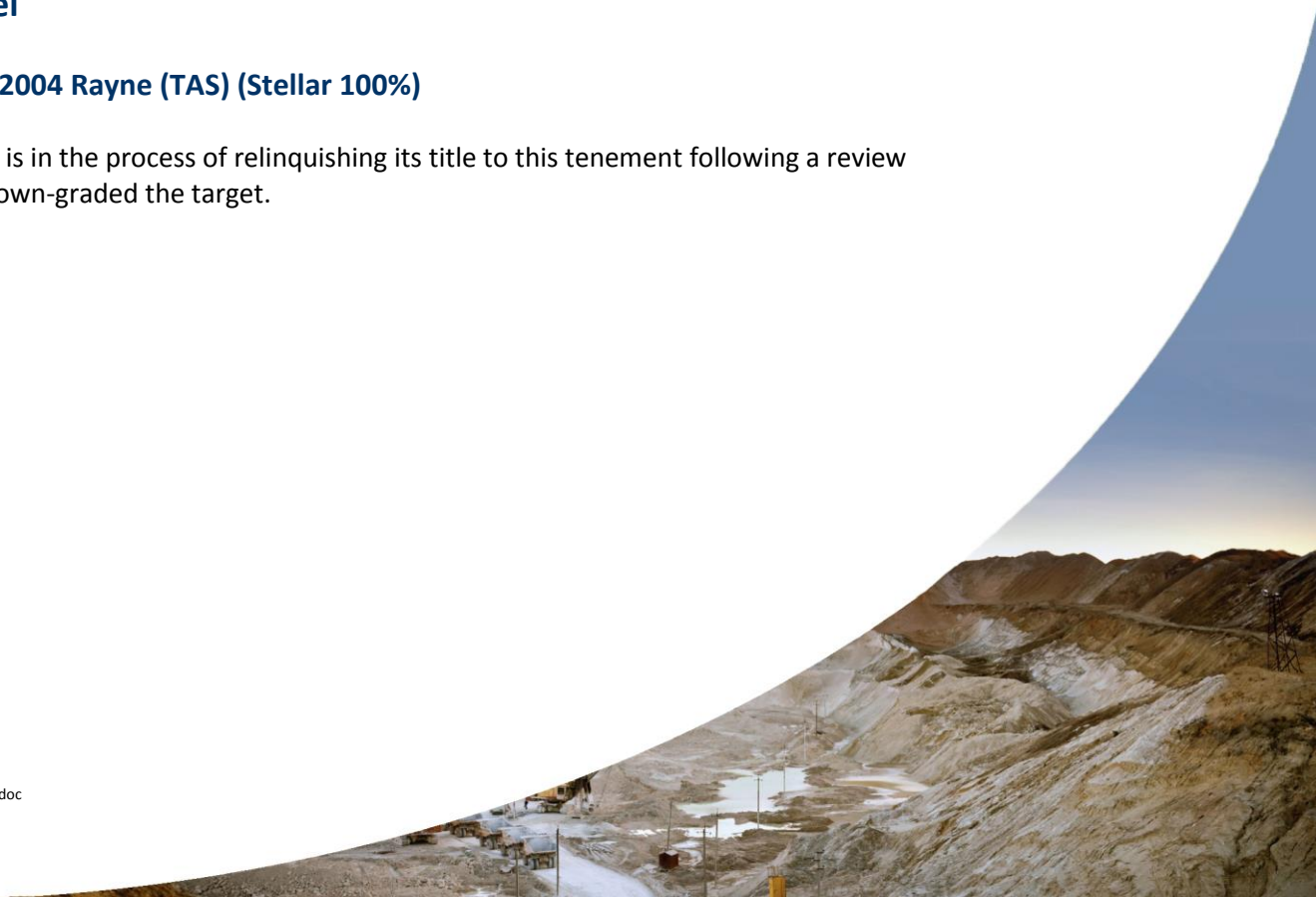
Renascor Resources Limited (formerly Renaissance uranium) (RNU) has the right to earn a 75% interest in the tenement by sole funding exploration.

No exploration was undertaken on the tenement during the quarter.

Nickel

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

Stellar is in the process of relinquishing its title to this tenement following a review that down-graded the target.



CORPORATE

At 31 December 2013, Stellar held cash and term deposits of \$1.1 million. 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 Renascor Resources Limited fair valued at \$190,515.

On the 17 January 2014, Stellar announced that it had raised \$2.6 million before costs via a placement of 50 million shares at 5.2 cents per share to Capetown SA.

Under the terms of the Share Subscription Agreement and subject to shareholder approval, Stellar has also agreed to issue to Capetown SA 25 million options to buy new shares at a price of 8 cents per share, exercisable within a period of three years.

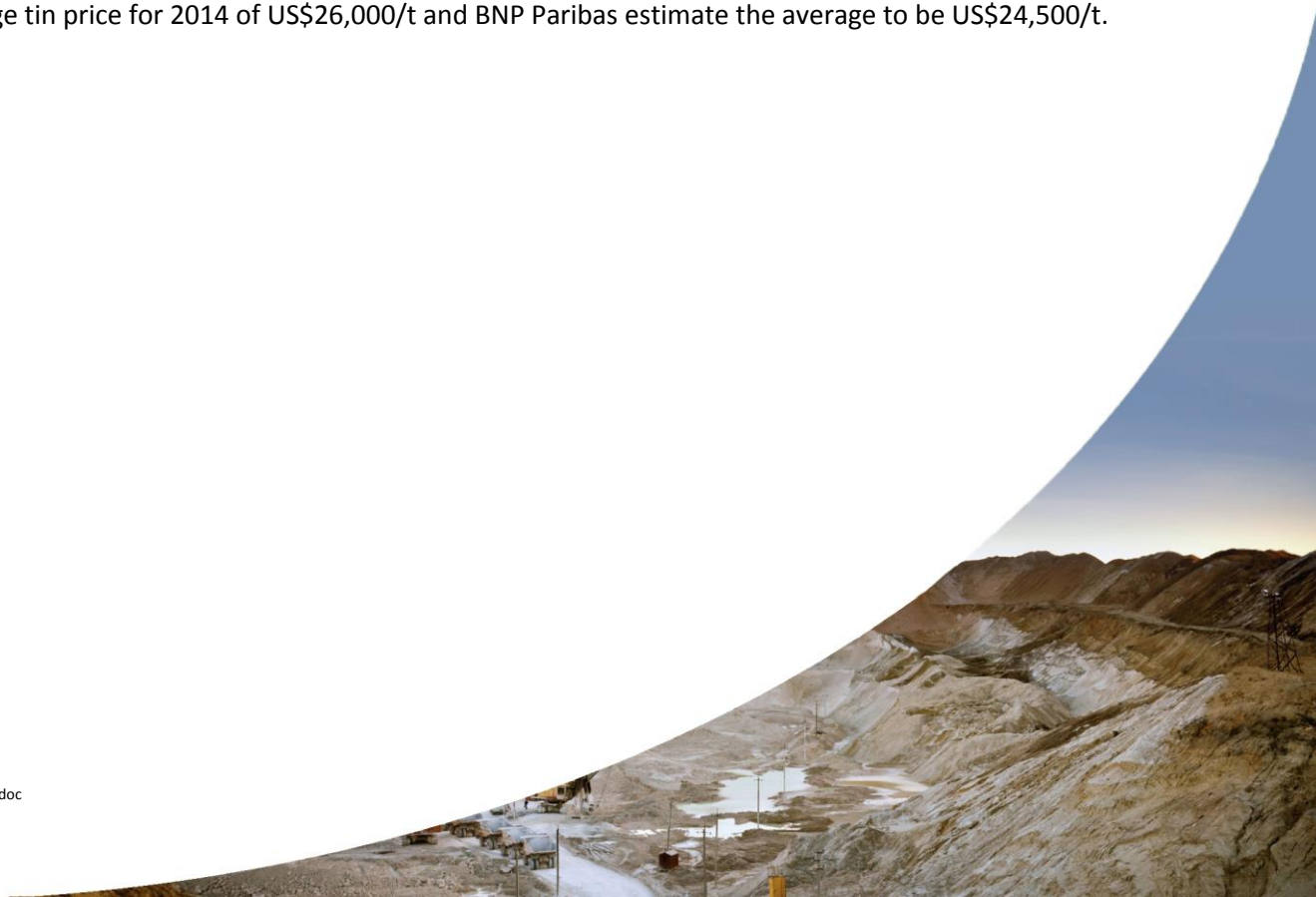
The shares were placed to Capetown SA, a private, family owned company based in Luxembourg. Over the last forty years, the owners of Capetown SA built a global non-ferrous metal recycling business that included Metallo Chimique, the eighth largest supplier of tin in the world. Having sold the recycling business in 2013, the family decided to remain invested in tin through Capetown SA and its shareholding in Stellar.

Capetown SA, conducted an extensive review of global tin development projects before selecting Stellar as its tin investment. The Stellar Board is very pleased to have attracted an investor of the calibre of Capetown SA and looks forward to a long and fruitful relationship.

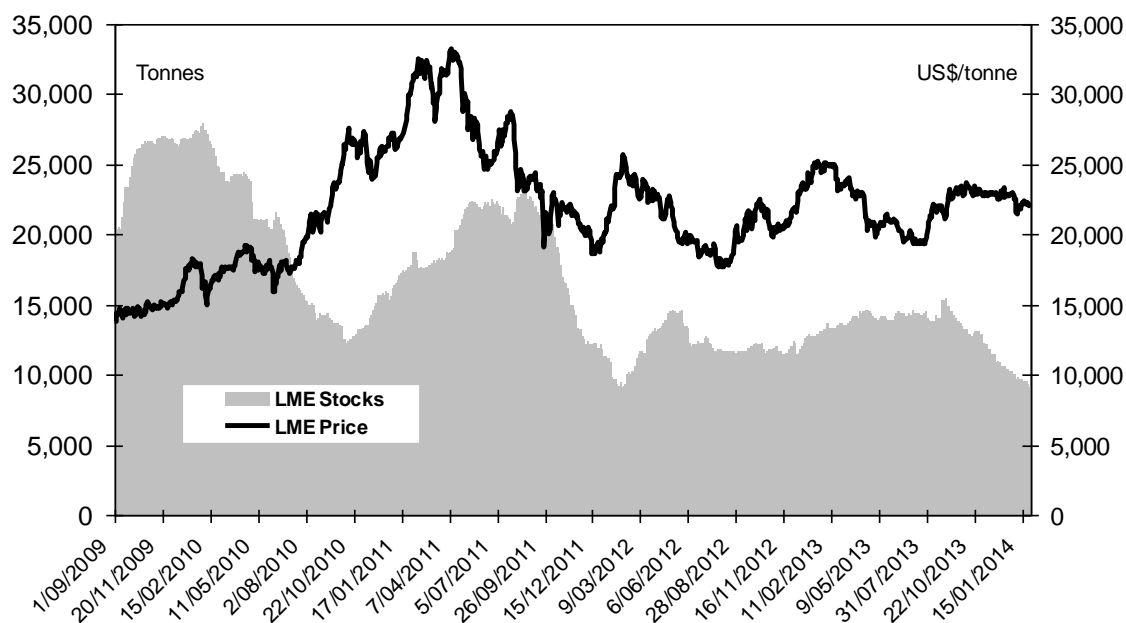
TIN MARKET

The LME tin price traded in a tight range of between US\$22,000/t and US\$23,000/t during the quarter, despite a 27% decline in LME stocks to 9,660 tonnes. LME stocks were last below 10,000 tonnes in February 2012, a time when the LME tin price was trading around US\$24,000/t.

The tin price has performed well relative to other LME metals during the period and should rebound strongly in 2014 assuming the current declining trend in LME stocks continues. ITRI is estimating an average tin price for 2014 of US\$26,000/t and BNP Paribas estimate the average to be US\$24,500/t.



LME Tin Price versus Stocks



TENEMENT REGISTER

| Project | Licence Number | Tenement | Location | Interest held (%) |
|---------------|----------------|-----------------|-----------------|-------------------|
| Heemskirk Tin | RL5/1997 | Zeehan | Tasmania | 100% |
| | EL46/2003 | Heemskirk | Tasmania | 100% |
| Exploration | | | | |
| Tin | EL1/2004 | Ramsay River | Tasmania | 100% |
| Uranium | EL5307 | Cowell | South Australia | 100% ¹ |
| | EL4242 | Midgee | South Australia | 100% ² |
| Iron Ore | EL5355 | Tarcoola | South Australia | 100% |
| | EL4389 | Hicks Hill | South Australia | 100% |
| Nickel | EL49/2004 | Rayne | Tasmania | 100% |
| Copper/Gold | EL40/2010 | Heazlewood Hill | Tasmania | 100% |
| | EL4882 | Kingoonya | South Australia | 100% |
| | EL4573 | Stony Top Hill | South Australia | 100% |
| | EL5125 | Cleanskin Swamp | South Australia | 100% |
| | EL5126 | Long Creek | South Australia | 100% |

¹ JV with Renascor Resources Limited earning 75% interest

² JV with UraniumSA Limited earning 73% in uranium interest

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 Heemskirk Tin Mineral Resources was last reported on 24th July 2013 in an ASX release titled "Pre-feasibility Study Advances Heemskirk Tin". The information 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 Australasian 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.

Stellar Resources confirms that it is not aware of any new information or data that materially affects the information included in the announcement dated 24th July 2013 "Pre-feasibility Study Advances Heemskirk Tin". In the case of Heemskirk Tin Mineral Resources, Stellar confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. In addition, Stellar Resources confirms that the form and context in which the Competent Person's findings are presented have not been materially modified.

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.

For further details please contact:

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CEO

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Email: peter.blight@stellarresources.com.au

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



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

96 108 758 961

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

| | | Current quarter | Year to date |
|---|--|-----------------|-----------------------|
| | | \$A'000 | (6 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 | (239) | (1,021) |
| | (b) development | — | — |
| | (c) production | — | — |
| | (d) administration | (95) | (178) |
| | (e) goods & services tax | 15 | 81 |
| 1.3 | Dividends received | — | — |
| 1.4 | Interest and other items of a similar nature received | 8 | 28 |
| 1.5 | Interest and other costs of finance paid | — | — |
| 1.6 | Income taxes paid | — | — |
| 1.7 | Other – R & D concessional tax refund | — | — |
| Net Operating Cash Flows | | (311) | (1,090) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: (a) prospects | — | — |
| | (b) equity investments | — | — |
| | (c) other fixed assets | — | — |
| 1.9 | Proceeds from sale 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 (provide details if material) | — | — |
| Net investing cash flows | | — | — |
| 1.13 | Total operating and investing cash flows (carried forward) | (311) | (1,090) |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | |
|------|--|-------|---------|
| 1.13 | Total operating and investing cash flows (brought forward) | (311) | (1,090) |
| | 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 | (311) | (1,090) |
| 1.20 | Cash at beginning of quarter/year to date | 1,406 | 2,185 |
| 1.21 | Exchange rate adjustments to item 1.20 | — | — |
| 1.22 | Cash at end of quarter | 1,095 | 1,095 |

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 | 57 |
| 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 \$16k | |

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

| |
|---|
| — |
|---|

+ See chapter 19 for defined terms.

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 | 327 |
| 4.2 Development | – |
| 4.3 Production | – |
| 4.4 Administration | 127 |
| Total | 454 |

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 | 107 | 118 |
| 5.2 Deposits at call | 988 | 1,288 |
| 5.3 Bank overdraft | – | – |
| 5.4 Other (provide details) | – | – |
| Total: cash at end of quarter (item 1.22) | 1,095 | 1,406 |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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 | EL4632 | Exploration Licence Rupee, NSW lapsed. | 60% | Nil |
| | | EL5355 (formerly EL4167) | Exploration Licence Tarcoola, SA area reduced to 1,183km ² | 100% | 100% |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | | | | |

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 | 223,447,547 | 223,447,547 | |
| | securities | | | |
| 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | | | |
|------|---|------------------------|------------|------------------------------|------------------------|
| 7.7 | Options | | | Exercise Price | Expiry Date |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |
| 7.10 | Expired during quarter | 3,125,000 3,000,000 | Nil Nil | \$0.20 cents \$0.20 cents | 26-Nov-13 30-Nov-13 |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |

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:



 (Company secretary)

Date: 31 January 2014

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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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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+ See chapter 19 for defined terms.