

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 2012

Market cap: A\$14.5m (6.5c)
Cash (31 December): \$3.4 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

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For the period ended 31 December 2013

Highlights

- 1896 metres of diamond drilling completed at Heemskirk Tin.
- Down-plunge expansion potential demonstrated for Severn by ZS120.
- Three tin zones and continuity of Severn high grade zone shown by ZS123.

Best drilling results at Severn:

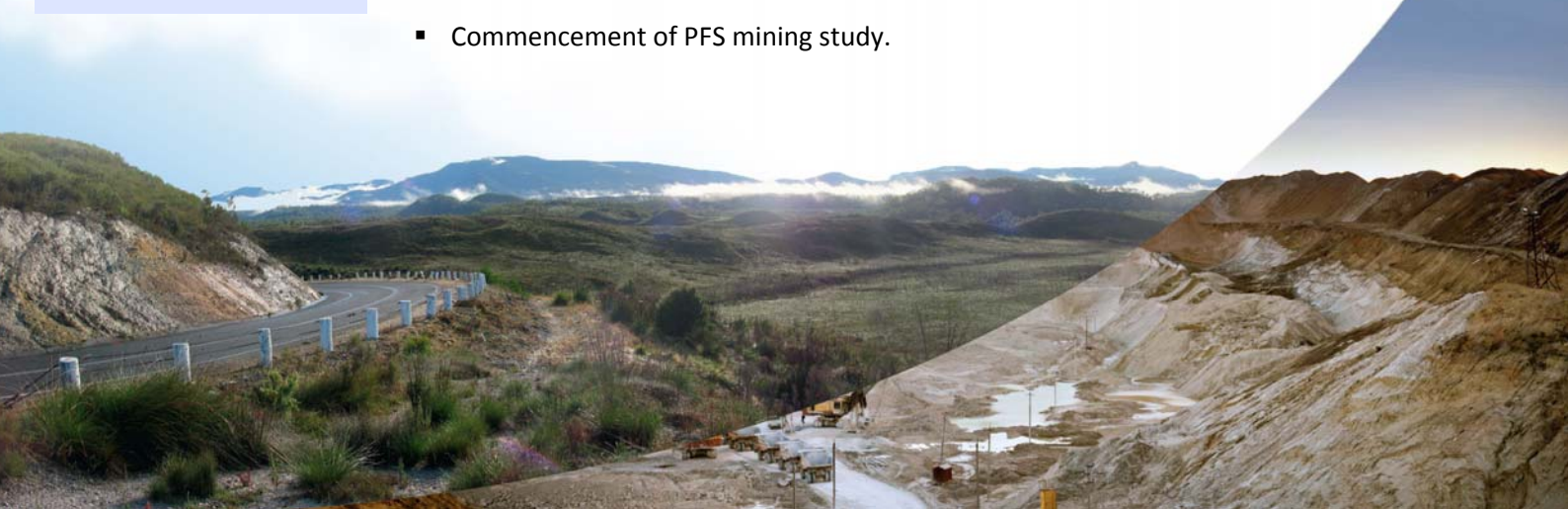
- ZS120 – 3 metres at 1.04% tin - Upper Zone
– 21 metres at 0.63% tin – Main Zone, including 7 metres at 0.85% tin
- ZS123 – 6 metres at 1.05% tin - Upper Zone
– 10 metres at 1.02% tin – Main Zone
– 2 metres at 2.13% tin – Lower Zone

Corporate

- Stellar held cash reserves of \$3.4 million as at 31 December 2012.

Targets for March Quarter

- Assay results for Severn diamond drill hole ZS124 and Queen Hill ZS125.
- New JORC resource for Heemskirk Tin.
- Diamond drilling of Heazlewood Hill copper target – SJ-01 underway.
- Infill and expansion drilling at Severn and Montana.
- Commencement of PFS mining study.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

Diamond drilling continued to focus on infill and expansion of the Severn deposit. In addition, targets to the south of Severn were tested for near-surface mineralisation. The drilling program was advanced by 1,896 metres during the December quarter taking the total drilled to 6,600 metres or 66% of the 10,000 metre program announced in March 2012.

At Severn, ZS120 extended the mineralised zone 100 metres down-plunge and, along with ZS107W, demonstrated that the deposit remains open to the north. This is consistent with the geological model that shows a tectonically generated north plunging dilation zone within Montana Beds as the most likely pathway for the mineralising fluids emanating from source rocks at depth (see Figure 1).

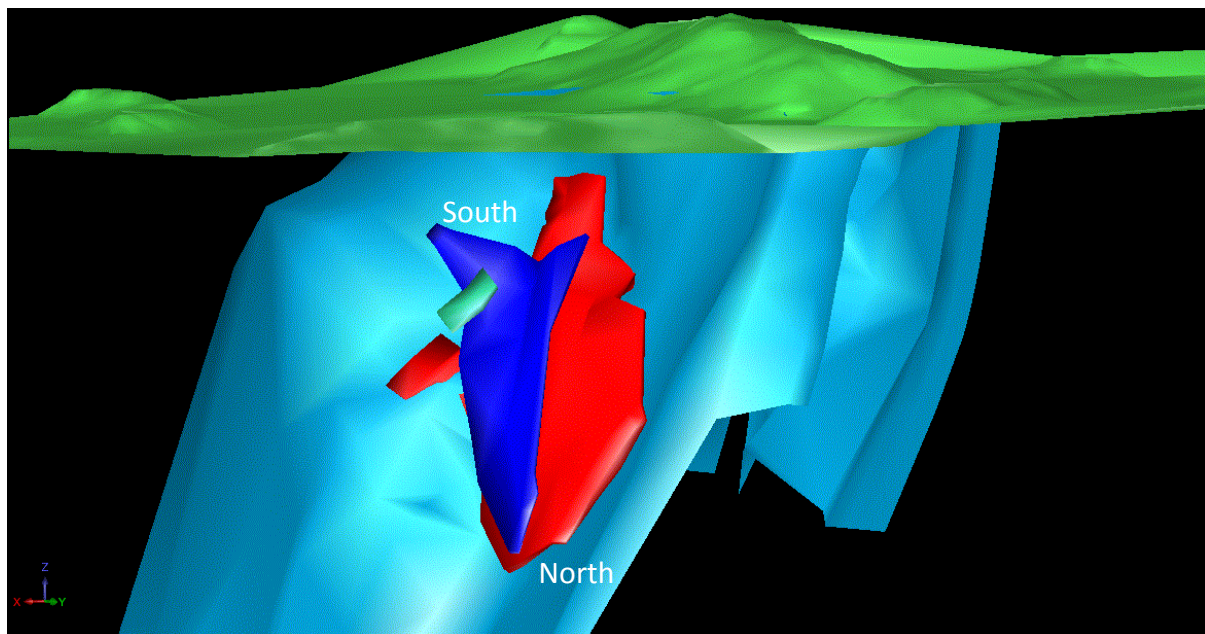


Figure 1: 3D Model of Severn Showing Two Zones of Tin Mineralisation

Further development of the geological and resource models was also undertaken during the quarter.

Preliminary feasibility study work continued with a review of tailings dam sites. Metallurgical testing confirmed good gravity results and continued to develop refinements to the tin flotation circuit.

The project is progressing against a background of rising tin prices driven by an improved outlook for tin demand and limited supply response.

Diamond Drilling Results

At Severn, good intersections were obtained in diamond drill holes ZS120 and ZS123 (Table 1 and Figure 2).

ZS120 intersected Severn 100 metres to the south of ZS107W (the deepest hole drilled to date) and 550 metres below the surface. It showed that the deposit remains open at depth and down plunge to the northeast. The best intersections were:

- 3 metres @ 1.04% tin from 514 metres – Upper Zone
- 21 metres @ 0.63% tin from 534 metres including 7 metres @ 0.85% tin from 535 metres – Main Zone

ZS123 was an important in-fill hole that demonstrated continuity of high grade mineralisation in the centre of Severn. It also showed development of two significant zones of tin mineralisation (Upper and Main) with a thinner higher grade lower zone. The best intersections were:

- 6 metres @ 1.05% tin from 288 metres – Upper Zone
- 10 metres @ 1.02% tin from 299 metres – Main Zone
- 2 metres @ 2.13% tin from 322 metres – Lower Zone

High grade tin mineralisation occurred in the Upper Zone with 288 to 289 metres averaging 4.65% tin, followed by cavity from 289 to 290.7 metres and 1.60% tin from 290.7 to 291.8 metres. The cavity was assigned a zero grade which suggests that the true average grade over the interval could be significantly higher than the 1.05% shown in Table 1.

Table 1: Significant Assay Results

Hole No	From	To	Interval	Tin	Sol Tin
Severn	m	m	m	%	%
ZS120	514.0	517.0	3.0	1.04	0.01
	534.0	555.0	21.0	0.63	0.01
including	535.0	542.0	7.0	0.85	0.01
ZS123	288.0	293.7	5.7	1.05	0.01
	299.0	309.0	10	1.02	0.01
	322.0	324.0	2	2.13	0.01

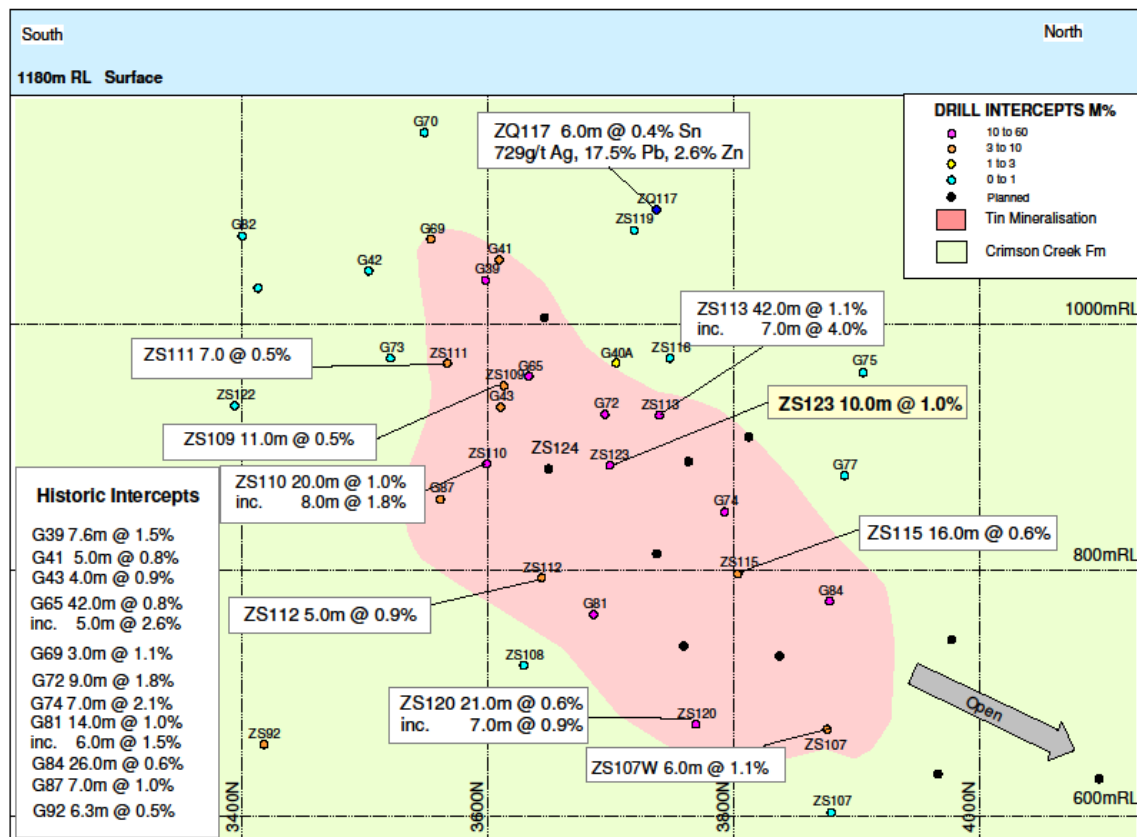


Figure 2: Severn Schematic Long-section Showing Proposed Drill Targets

ZS121 and ZS122 drilled low order near-surface magnetic targets (respectively 600 metres and 100 metres) to the south of Severn. No tin mineralisation of significance was interested by either hole. However, there are still untested targets 450 metres to the south of Severn where tin bearing sulphides occur at surface in host sequence Montana Beds. This area will be explored in future drilling campaigns.

Heemskirk Exploration Target

Geological modelling of the Heemskirk deposits was significantly advanced during the December quarter. The Severn deposit lies within a broad dilation zone in shales and dolomitic siltstones of the Montana Beds, a basal unit within the Crimson Creek Formation. This zone remains untested down-plunge to the north and represents an excellent exploration target for Severn. A convergence of this zone with down-plunge extensions of the Queen Hill and Montana deposits add to the exploration potential around the Montana Fault (see Figure 3). Other potential for untested repetitions of the dilation zone exists at depth below Severn and above the likely granite source rocks and to the south of Severn along the Severn fault.

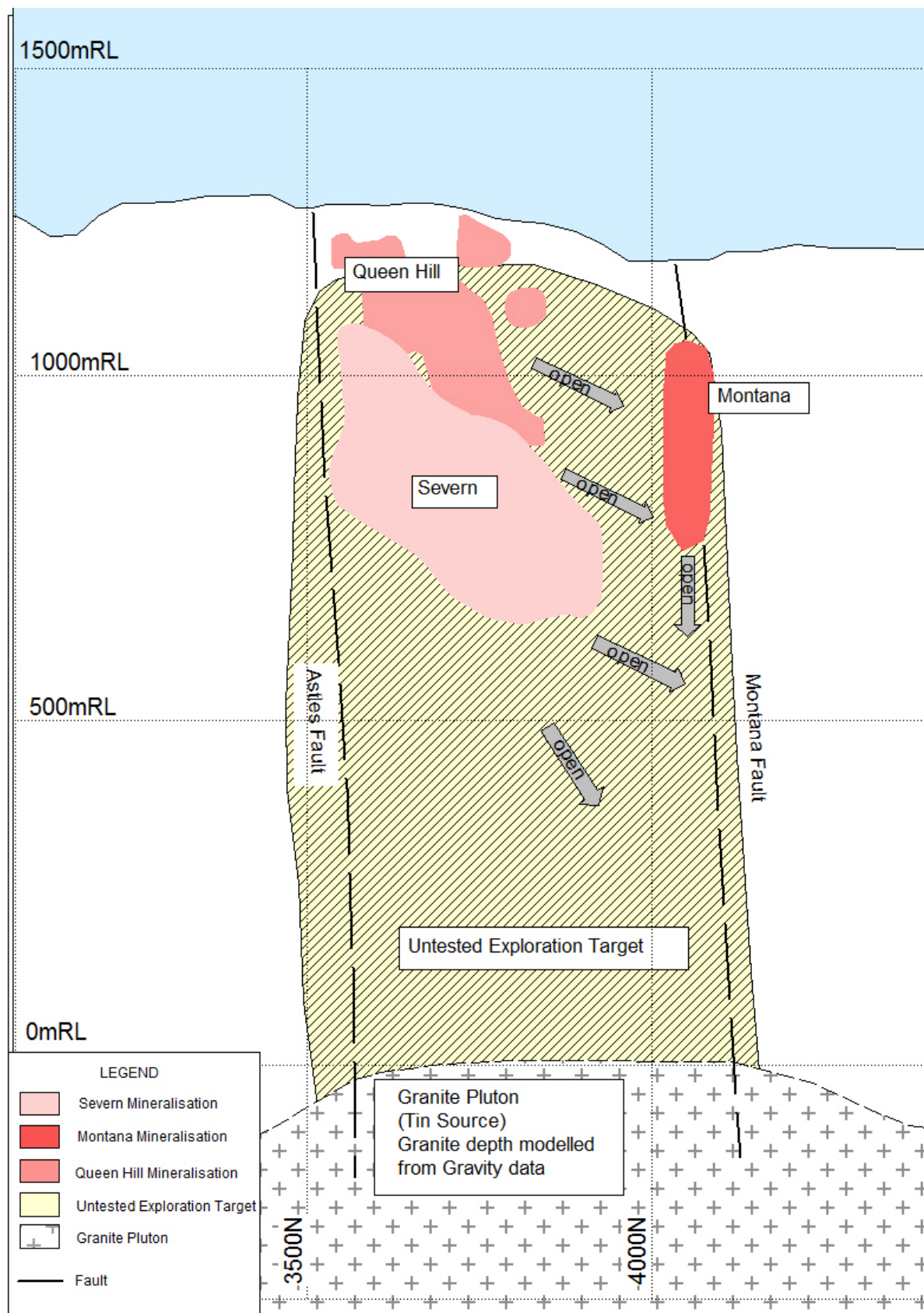


Figure 3: Schematic Composite Long Projection of Heemskirk Tin Field

Drilling Plan for 2013

Diamond drilling priorities over the next 12 months are as follows:

- Severn high grade zone
- Lower Queen Hill metallurgical test hole
- Montana resource expansion
- Queen Hill expansion
- Convergence zone between the three deposits
- Down-plunge drilling to extend Severn mineralisation
- Initial drilling of the St Dizier deposit.
- Second-order exploration targets on the retention licence.
- Exploration targets identified on Ramsay River tenement

Details of the program and the drilling priority will be developed following release of the new JORC resource and the identification of specific targets from the geological modelling work in late February. The program is likely to exceed the 6,600 metres drilled in 2012.

Metallurgical Update

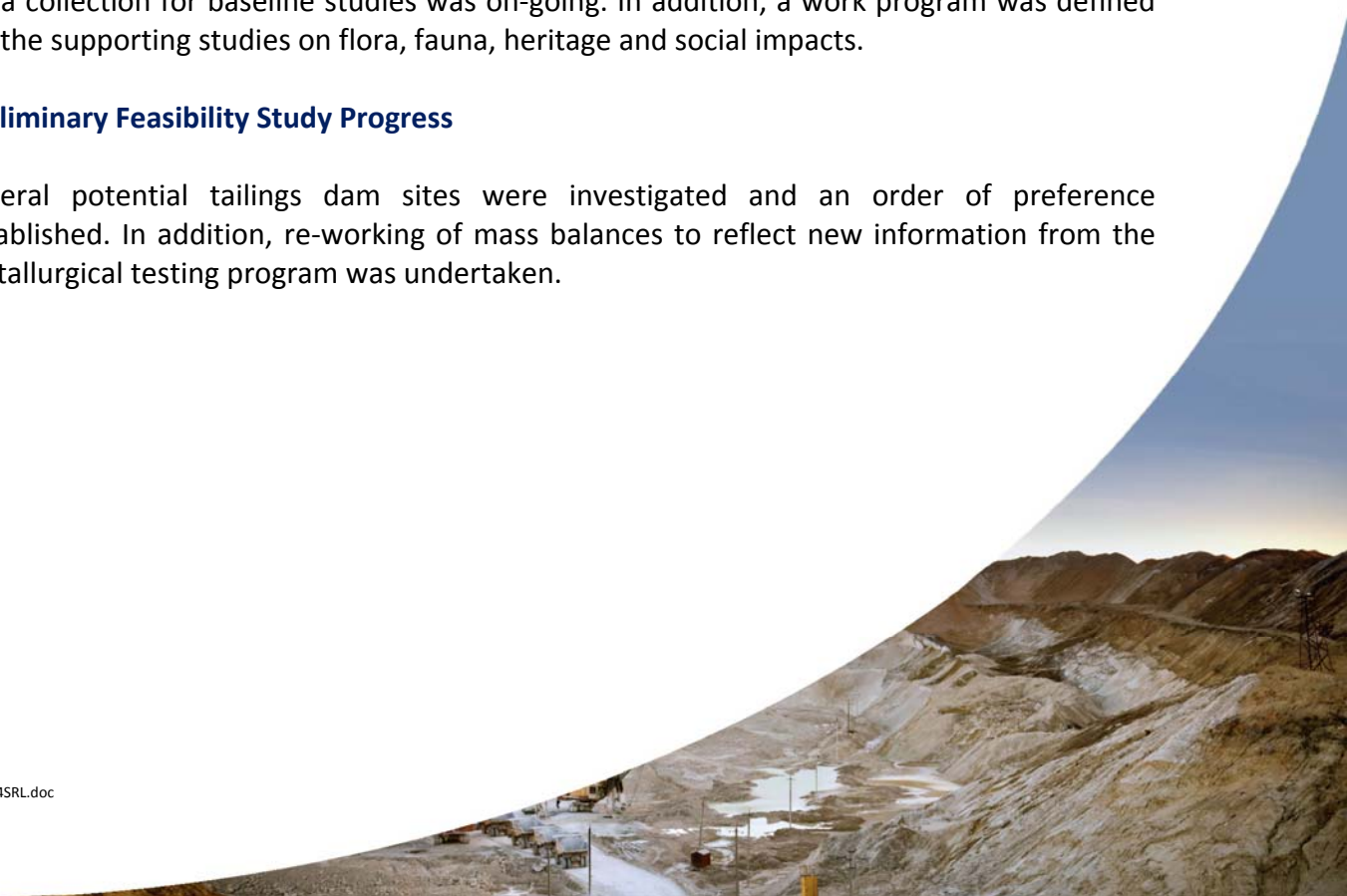
Test work on the gravity circuit continued to yield positive results for Severn suggesting that the next step should be to test a blend of Severn and Queen Hill ore to optimise the feed for the process circuit. Further testing of the tin float circuit was also undertaken during the quarter for both Queen Hill and Severn samples with further testing planned for the March quarter.

Environmental Update

Data collection for baseline studies was on-going. In addition, a work program was defined for the supporting studies on flora, fauna, heritage and social impacts.

Preliminary Feasibility Study Progress

Several potential tailings dam sites were investigated and an order of preference established. In addition, re-working of mass balances to reflect new information from the metallurgical testing program was undertaken.



EXPLORATION

Tin

EL 46/2003 Heemskirk (TAS) (Stellar 100%)

Collection and review of data covering historical exploration across the St Dizier tin deposit continued during the quarter in preparation for 3D modelling prior to drilling. Baseline sampling of water flows near the deposit also continued.

EL 40/2003 Ramsay (TAS) (Stellar 100%)

Previous soil sampling identified tin and base metal anomalism for 500 metres along the northern margin and within the Meredith granite. Also, a previous explorer drilled a single short hole into an electromagnetic target 500 metres to the southwest of the tin in soil anomaly and intersected 2.8 metres at 4.27% zinc, 0.71% lead, 0.18% tin and 71 g/t silver (see Figure 4).

During the quarter, a program of line cutting and sampling was started with a view to checking historical results and providing better definition of the orientation of the tin in soil anomalism ahead of identifying drill targets.

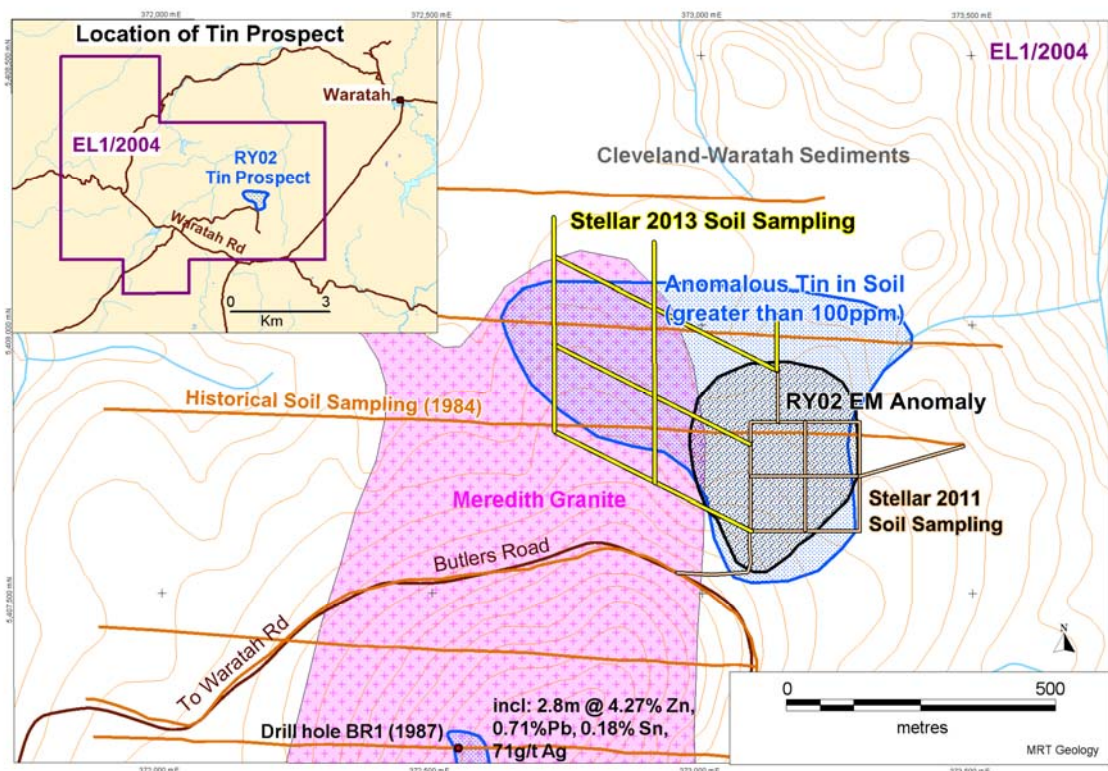


Figure 4: Tin in Soil Anomalism, Ramsay Tenement, Tasmania

Copper/Gold

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

Diamond drill hole SJ-01 has commenced on a copper gold target within Cambrian Volcanics of the Heazlewood Ultramafic-mafic Complex.

Soil sampling across the volcanic unit and to the west of the historical Jasper copper workings identified high levels of copper in soil in an area that has not had any previous drilling. The elevated soil assays are also coincident with an electromagnetic geophysical target interpreted to be a flat lying conductor at a depth of 200 metres from the surface (see Figure 5).

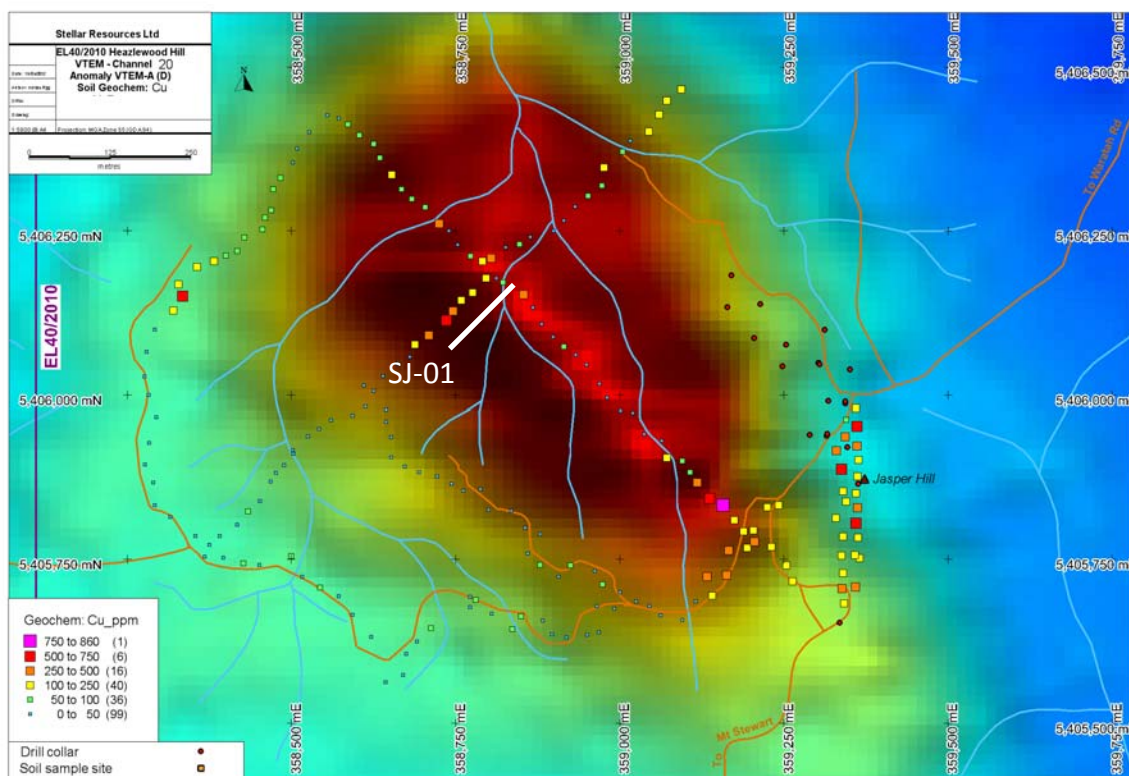


Figure 5: SJ-01 Drill Trace on Electromagnetic Image and Soil Geochemistry

The Jasper workings focused on copper mineralised volcanics that are considered to represent the margin of a larger mineralising system. SJ-01 is targeting that system 500m to the northwest of Jasper where a geological embayment in the Cambrian Volcanic unit coincides with electromagnetic and geochemical targets.

Drilling of SJ-01 is expected to be completed in mid February.

AngloGold Ashanti Joint Venture (SA)

In October 2011, AngloGold Ashanti Australia Limited (AGAA) agreed to joint venture into four exploration licences (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.

In December quarter 2012, AGAA completed four diamond drill holes for a total of 1740 metres at Coronation Bore (ELs 3752 and 3753) which lies just to the southwest of Coober Pedy. The drill holes, located in Figure 6, were designed to test a Prominent Hill style basement target defined by a 4.5 mGal Bouguer gravity anomaly located adjacent to a magnetic high.

Initial geological logging of the drill holes shows that they intersected basement gneiss units containing occasional magnetite and garnet variants and localised granitoids and pegmatites. Completion of full logs and receipt of assay results are expected in March quarter 2013.

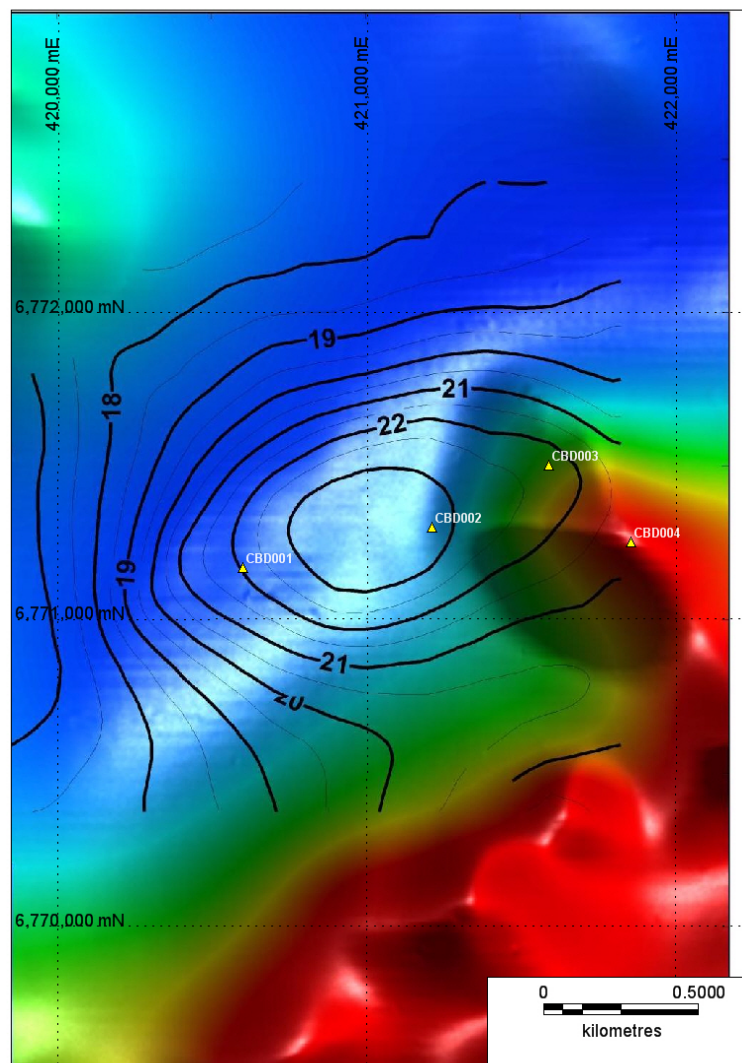


Figure 6: Bouguer Gravity Contours on TMI RTP Image

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 in all metals other than iron, tungsten or tin.

Due to the drilling program at Heazlewood Hill, reconnaissance exploration has been delayed until later in 2013.

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.

Exploration was again delayed in the December quarter and is likely to be delayed in March quarter 2013 due to unresolved land access issues. The matter is currently before the warden's court.

EL3978 Cowell (SA) (Stellar 100%)

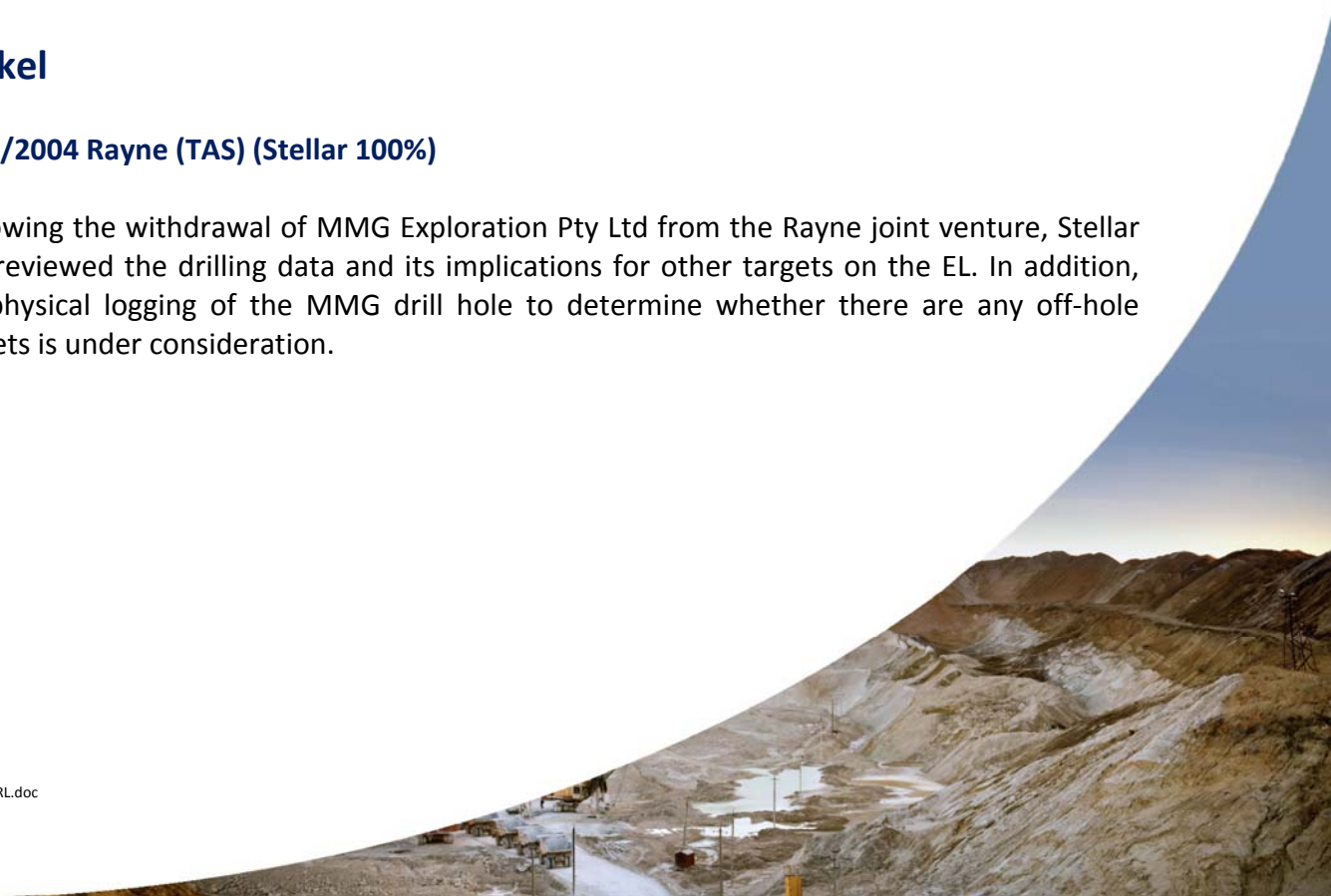
Renaissance Uranium Limited has the right to earn a 75% interest in the tenement by sole funding exploration.

Renaissance has defined two significant electromagnetic targets within the western portion of EL 3978 which the company considers to be prospective for graphite. During the quarter, Renaissance reviewed data showing extensions to the target zone to the south and is currently considering the prioritisation of drill targets.

Nickel

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

Following the withdrawal of MMG Exploration Pty Ltd from the Rayne joint venture, Stellar has reviewed the drilling data and its implications for other targets on the EL. In addition, geophysical logging of the MMG drill hole to determine whether there are any off-hole targets is under consideration.



Iron Ore

Tarcoola Iron Ore (SA) (Stellar 100%)

The Tarcoola Iron Ore Project is located 8 kilometres from the township 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.

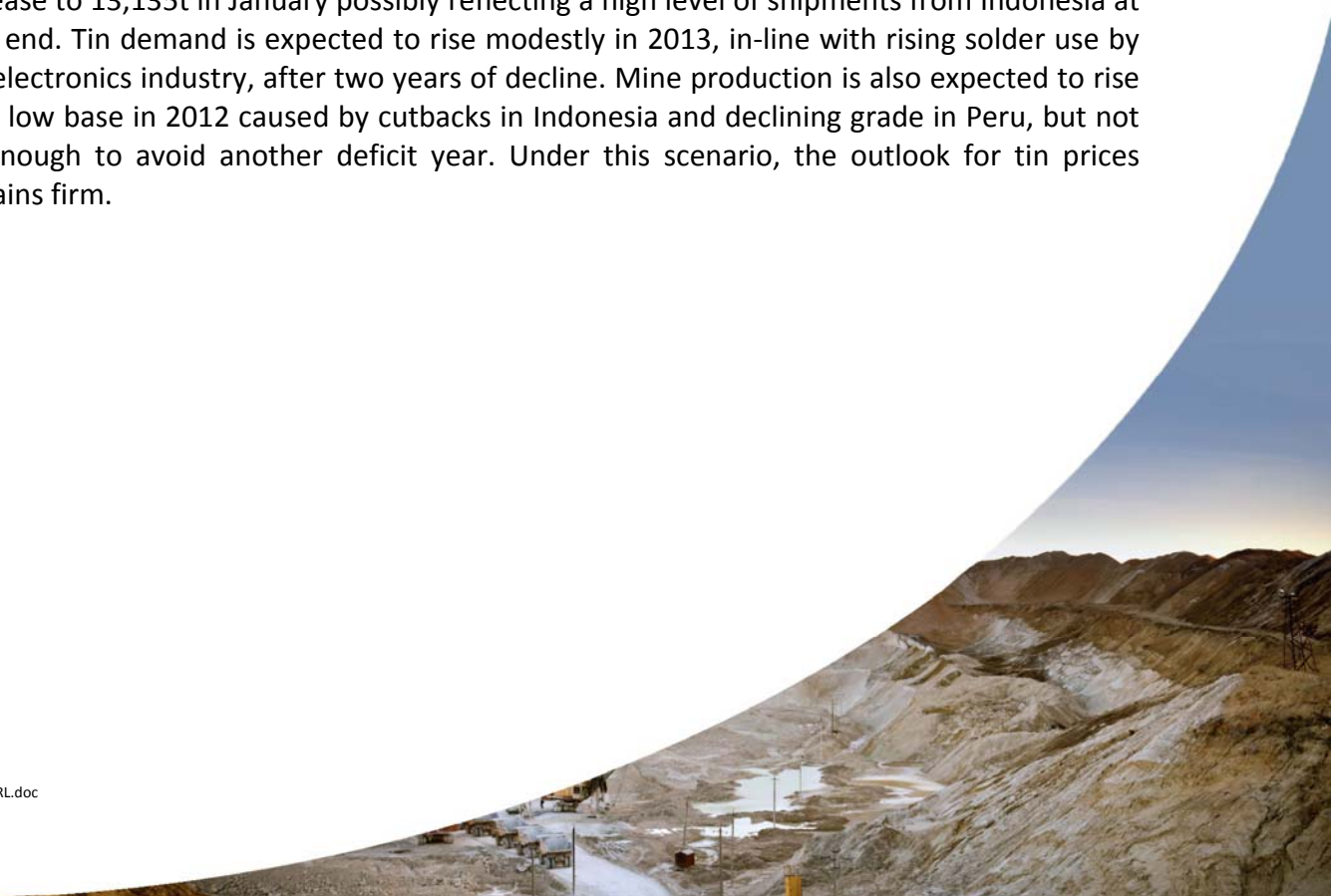
Stellar is in the process of transferring ownership of the iron ore properties into a special purpose subsidiary, Tarcoola Iron Pty Ltd. This restructuring will facilitate any future dealings with these properties.

CORPORATE

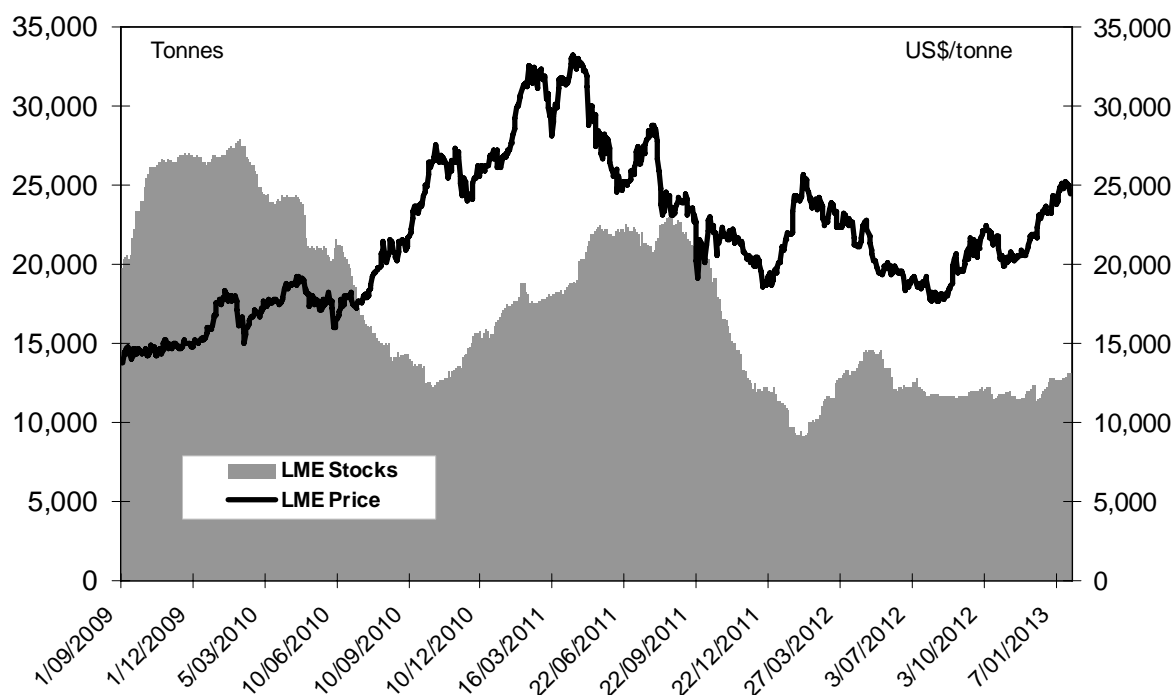
At the 31 December 2012, Stellar held cash and term deposits of \$3.4 million. Proceeds from the sale of the Tarcoola gold assets added \$315,000 to cash reserves. Stellar also owns investments held in Hiltaba Gold Pty Ltd (a wholly owned subsidiary), notably 3.88 million shares in UraniumSA Limited valued at \$279,953, 1.50 million shares and 1.5 million unlisted options in Renaissance Uranium Limited valued at \$127,515.

TIN MARKET

The LME tin price has continued to rally through the December quarter after bottoming in August 2012 at US\$17,710/t. It is now at US\$ 24,450/t and appears to be forming a base at this level. LME stocks have remained low and stable through this period with a slight increase to 13,135t in January possibly reflecting a high level of shipments from Indonesia at year end. Tin demand is expected to rise modestly in 2013, in-line with rising solder use by the electronics industry, after two years of decline. Mine production is also expected to rise off a low base in 2012 caused by cutbacks in Indonesia and declining grade in Peru, but not by enough to avoid another deficit year. Under this scenario, the outlook for tin prices remains firm.



LME Tin Price versus 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:

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CEO

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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")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	–	–
1.2	Payments for (a) exploration and evaluation	(718)	(1,721)
	(b) development	–	–
	(c) production	–	–
	(d) administration	(363)	(480)
	(e) goods & services tax	43	80
1.3	Dividends received	–	–
1.4	Interest and other items of a similar nature received	74	116
1.5	Interest and other costs of finance paid	–	–
1.6	Income taxes paid	–	–
1.7	Other – R & D concessional tax refund	–	222
Net Operating Cash Flows		(964)	(1,783)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	–	–
	(b) equity investments	–	–
	(c) other fixed assets	–	(1)
1.9	Proceeds from sale/deposit of: (a) prospects	350	350
	(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)
Net investing cash flows		350	334
1.13	Total operating and investing cash flows (carried forward)	(614)	(1,449)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(614)	(1,449)
	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	(614)	(1,449)
1.20	Cash at beginning of quarter/year to date	4,044	4,879
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	3,430	3,430

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	60
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 \$19k

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	1,300
4.2 Development	–
4.3 Production	–
4.4 Administration	300
Total	1,600

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	340	403
5.2 Deposits at call	3,090	3,641
5.3 Bank overdraft	–	–
5.4 Other	–	–
Total: cash at end of quarter (item 1.22)	3,430	4,044

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		

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 <i>(description)</i>				
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 <i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			Exercise Price	Expiry Date
Directors	3,000,000	Nil	20 cents	SRZAK 30/11/2013
Exec & Employees	3,125,000	Nil	20 cents	SRZAI 26/11/2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired/cancelled during quarter				
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: 30 January 2013

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	Exploration Licence Huskisson, TAS, relinquished, application pending approval.	100%	Nil
	ML4650, ML4667, ML5179, ML5300	Mining Leases Tarcoola, SA sold to Tunkillia Gold Pty Ltd. Transfer pending ministerial approval.	100%	Nil
	EL4167	See Note 1 below	See Note 1	See Note 1
	EL4707	Exploration Licence Carnding, SA sold to Renaissance Uranium Limited. Transfer pending ministerial approval	100%	Nil
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.