



2022 ANNUAL REPORT



COMPANY INFORMATION

STELAR METALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 43 651 636 065

DIRECTORS

Stephen Biggins
(Non-executive Chairman)

Geoffrey Webster
(Non-executive Director)

William Dix
(Non-executive Director)

COMPANY SECRETARIES

Jack Rosagro

Nick Harding

REGISTERED OFFICE / PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTER

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Perth WA 6000

Telephone: +61 1300 554 474

AUDITOR

Grant Thornton Audit Pty Ltd

Central Park
Level 43, 152-158 St Georges Terrace
Perth WA 6000

SOLICITORS

Steinepreis Paganin

Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

PRINCIPAL BANKERS

Westpac Banking Corporation

275 Kent Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

Stelar Metals Limited shares are listed on the Australian Securities Exchange (ASX code: SLB)



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Stelar Metals has made considerable progress as a South Australian-focused critical minerals explorer.

LETTER FROM THE CHAIRMAN

Dear Fellow Shareholder,

Welcome to the 2022 Annual Report for Stelar Metals Limited (ASX: SLB), our first since listing on the Australian Securities Exchange in March this year. We have made considerable progress as a South Australian-focused critical minerals explorer in the months following our listing, and I am delighted to report on our achievements to date and provide an outlook for the year ahead.

Stelar Metals has established a portfolio of five highly prospective copper and zinc exploration projects, located in South Australia's Gawler Craton, Stuart Shelf and Adelaide Fold Belt, close to world-class producers such as BHP, OZ Minerals, IGO and Fortescue Metals Group (FMG). Having raised \$7 million before costs in our Initial Public Offering (IPO), we are well funded to advance exploration across these projects and excited to uncover their potential to draw value for our Shareholders.

We commenced an inaugural drilling program at the Evelyn Dam iron ore-copper-gold (IOCG) Project, focused on a large-scale geophysical target. Evelyn Dam is one of the largest untested gravity anomalies on the Gawler Craton and we completed a single deep diamond hole to a depth of 1,578.9 metres, with initial assay results from this drilling anticipated in the fourth quarter of CY2022.

At our 100%-owned Linda Zinc Project, which was previously explored by BHP and Perilya, we have already confirmed high-grade zinc mineralisation using portable XRF and "zinc-zap" chemical

field tests. Our work with CSA Global has confirmed the geological setting at Linda to be considered highly prospective for economic carbonate-hosted zinc, with Linda demonstrating elements of Irish-Type and Mississippi Valley Type (MVT) mineralisation styles. We recently received multi-element assays from rock-chip sampling which returned high-grade zinc and lead results up to 16.5% zinc and 8.5% lead. Additional follow-up field work has consequently been undertaken, with our aim to commence drilling at Linda once land access agreements are in place.

Subsequent to the FY22 year end, our project portfolio has been bolstered with the granting of our Baratta and Gunson tenement applications.

The Baratta tenement is adjacent to the historical Baratta copper mine, which produced copper more than 100 years ago, and displays some very interesting geology, similar to what we have seen at Linda. It looks to have some anomalies at surface but like Evelyn Dam, has never been drill-tested. Stelar has also submitted a separate application over the mine area for which we are awaiting approval, but in the interim the Company will be reprocessing available data as well as conducting geological mapping and soil and rock-chip sampling to gain a better understanding of the Project's geology.

Our Gunson Project is adjacent to a series of historical open-pit copper mines and deposits at Mount Gunson and is considered prospective for

Zambian-style sediment-hosted copper (SHCD) and Olympic Dam-style IOCG mineralisation. Stelar intends to undertake field work and use modern high-resolution geophysics to define targets for future drill programs.

This progress in such a short time is pleasing, and I thank our Shareholders for their support in our IPO which has enabled us to fund this exploration. I would also like to thank our management team and staff, led by CEO Colin Skidmore, who have worked together to make our IPO and ASX listing possible, allowing Stelar Metals to embark on this path as a publicly listed critical minerals explorer. Critical minerals are so important for the world's transition to renewable energy and we are determined to achieve exploration success.

We are excited about executing our upcoming exploration plans across our project portfolio, shaped by our team's considerable knowledge, and look forward to advancing our strategy for discovery in the year ahead. I hope you will share the journey with us.



Stephen Biggins
Chairman

Stelar Metals Limited

OPERATIONS OVERVIEW

Critical minerals explorer Stelar Metals Limited (ASX:SLB) has made considerable progress since successfully commencing trading on the Australian Securities Exchange (ASX) on 18 March 2022.

The Company listed with a strong portfolio of projects after successfully completing an initial public offering (IPO) which raised A\$7 million via the issue of 35M shares at A\$0.20 per share, giving an indicative market capitalisation of A\$10M upon listing.

Stelar Metals listed with a proven board and management with a combined experience of approximately 100 years of exploration and discovery knowledge.

Stelar Metals immediately began utilising its funds to test for battery metals across its portfolio of five highly prospective copper and zinc projects located in prospective mining regions – the Gawler Craton, Stuart Shelf and Adelaide Fold Belt.

Stelar Metals' project portfolio on listing included the ex-BHP and ex-Rio Evelyn Dam Project (EL 5792) and Torrens Project (EL 6572 & EL 6264), which are prospective for large-scale iron oxide copper-gold (IOCG) target types within the Olympic Province in the Gawler Craton; the Linda Zinc Project (EL 6263), which features zinc mineralisation initially discovered by BHP similar to the nearby high-grade Beltana Zinc Mine; the Gunson Copper Project (EL 6812 and EL 6824), which is adjacent to a series of historic open pit copper mines and deposits at Mount Gunson; and the Baratta Copper Project (EL 6803), which is prospective for Zambian-style sediment-hosted copper as well as zinc-lead mineralisation.

The South Australian projects provide the Company with significant exposure to battery metals at a time of growing market demand. Commodity prices for copper and zinc are projected to continue to increase beyond 2030, but to date, exploration has not kept up with demand as the transition to clean energy through electrification becomes an imperative.

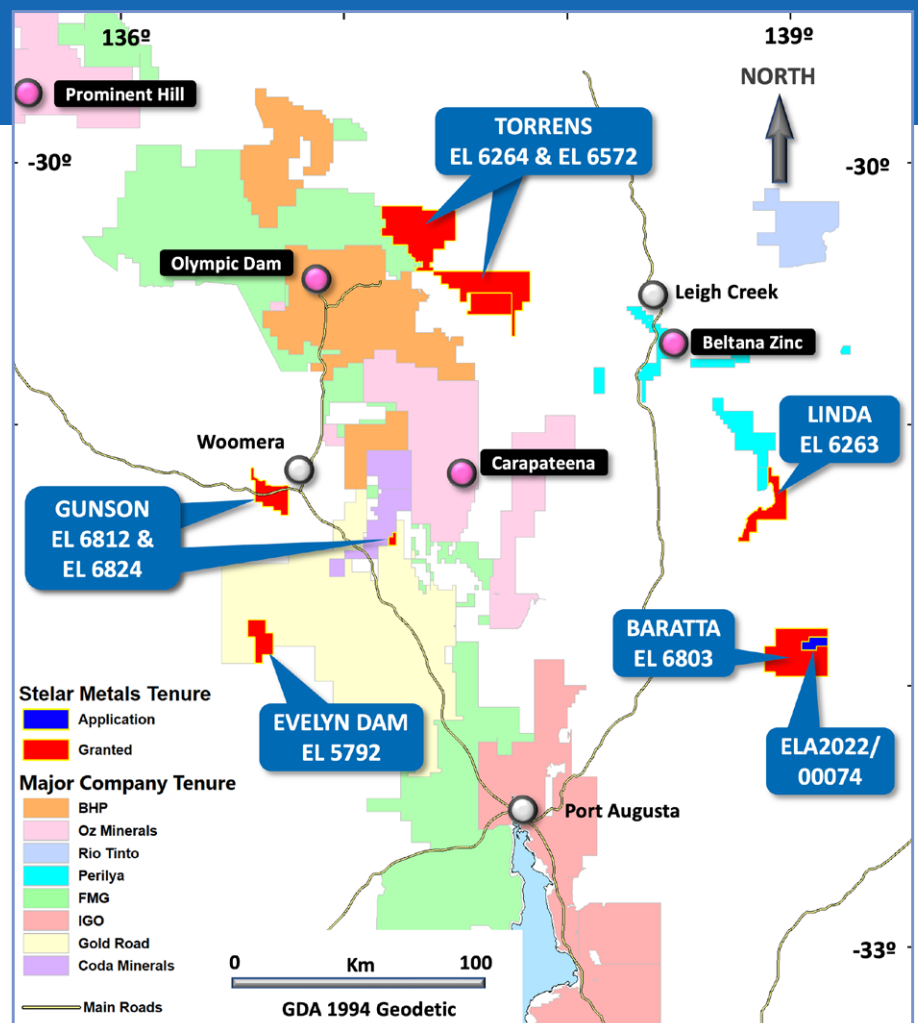
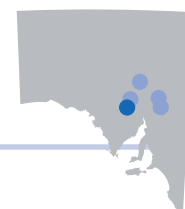


Figure 1 Stelar's exploration projects in South Australia.

Evelyn Dam is one of the largest untested gravity anomalies on the Gawler Craton.



EVELYN DAM IOCG PROJECT



Stelar Metals completed its inaugural deep diamond hole at Evelyn Dam and is currently awaiting assay results.

Evelyn Dam is one of the largest untested gravity anomalies on the Gawler Craton. Reprocessing of the gravity and magnetic datasets indicated this could be a large Olympic Dam style IOCG (iron-oxide copper gold) target and was therefore worthy of deep drill testing.

Two-thirds of Australia's copper production is derived from the Eastern Gawler Craton in South Australia from mines operated by BHP and OZ Minerals. The Evelyn Dam Project was previously owned by BHP who relinquished the tenure after completing only geophysical surveys and did not undertake any drilling. After BHP, Rio Tinto joint ventured into the Evelyn Dam Project prior to Stelar purchasing 100% of the Project by as part of its recent IPO. Rio Tinto completed one vertical diamond hole to 735.8m depth which intersected Gawler Range Volcanic basement at 430m depth. Zones of brecciation within

the basement contained sericite-chlorite-haematite alteration with pink-carbonate and fluorite veining. Traces of native copper were observed in the overlying haematised sandstone cover.

Evelyn Dam's 8 mGal gravity anomaly was reprocessed and 3D-inversion modelled by David McInnes of Montana Geoscience. The refined modelling, as illustrated in Figure 2, defines a large, dense body that is ~5km in diameter at depth with a pronounced and much shallower peak rising up on its western site to within range of being viably drill tested. Evelyn Dam is bisected by a number of later cross-cutting dykes that are part of the large Gardner Dyke Swarm that dominates the magnetic datasets in the Eastern Gawler Craton. The modelling of the magnetic and gravity datasets shows there is a disassociation between these two datasets in this location and that the later dykes were disturbed and altered when they cut through the Evelyn Dam high-density anomaly.

Stelar drilled EVE002 to 1,578.9m depth between 12 July and 7 August 2022. The hole successfully tested the target gravity anomaly as planned and encountered interesting geology including volcanic breccias with variable haematite-silica, sericite-chlorite and carbonate-fluorite alteration assemblages through the target zone typical of IOCG alteration (Figure 3). A summary of the hole is provided in Table 1. Core from the hole was sent to Euro Exploration Services in Adelaide for detailed logging and sampling for laboratory analysis. Results are anticipated in Q4 2022.

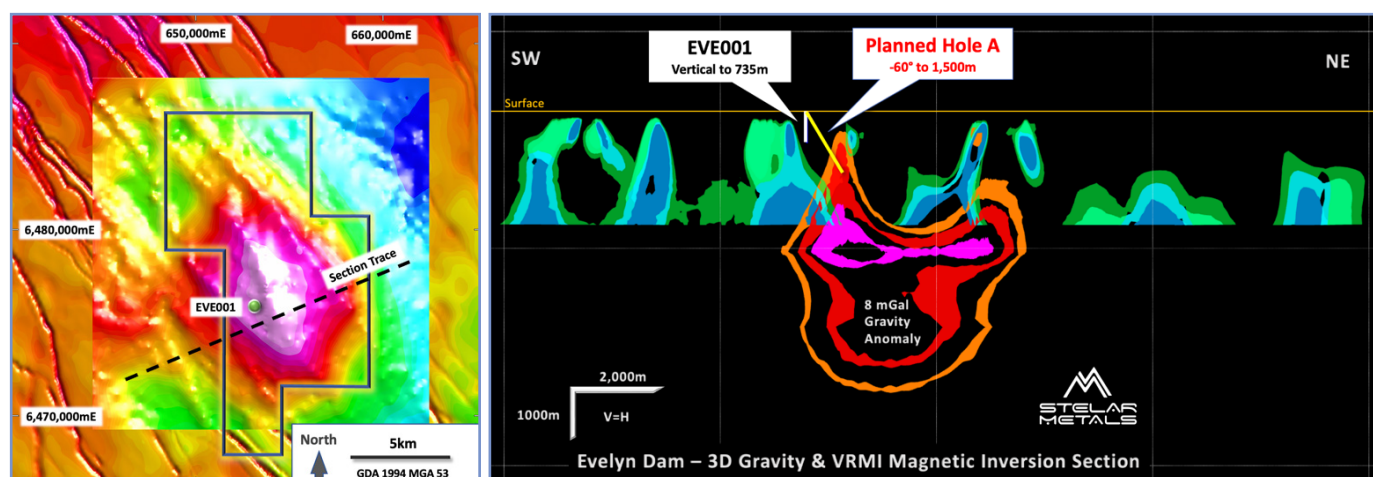


Figure 2 Plan and cross-section view of the Evelyn Dam Gravity anomaly showing the trace of EVE001 and Stelar's planned hole EVE002.

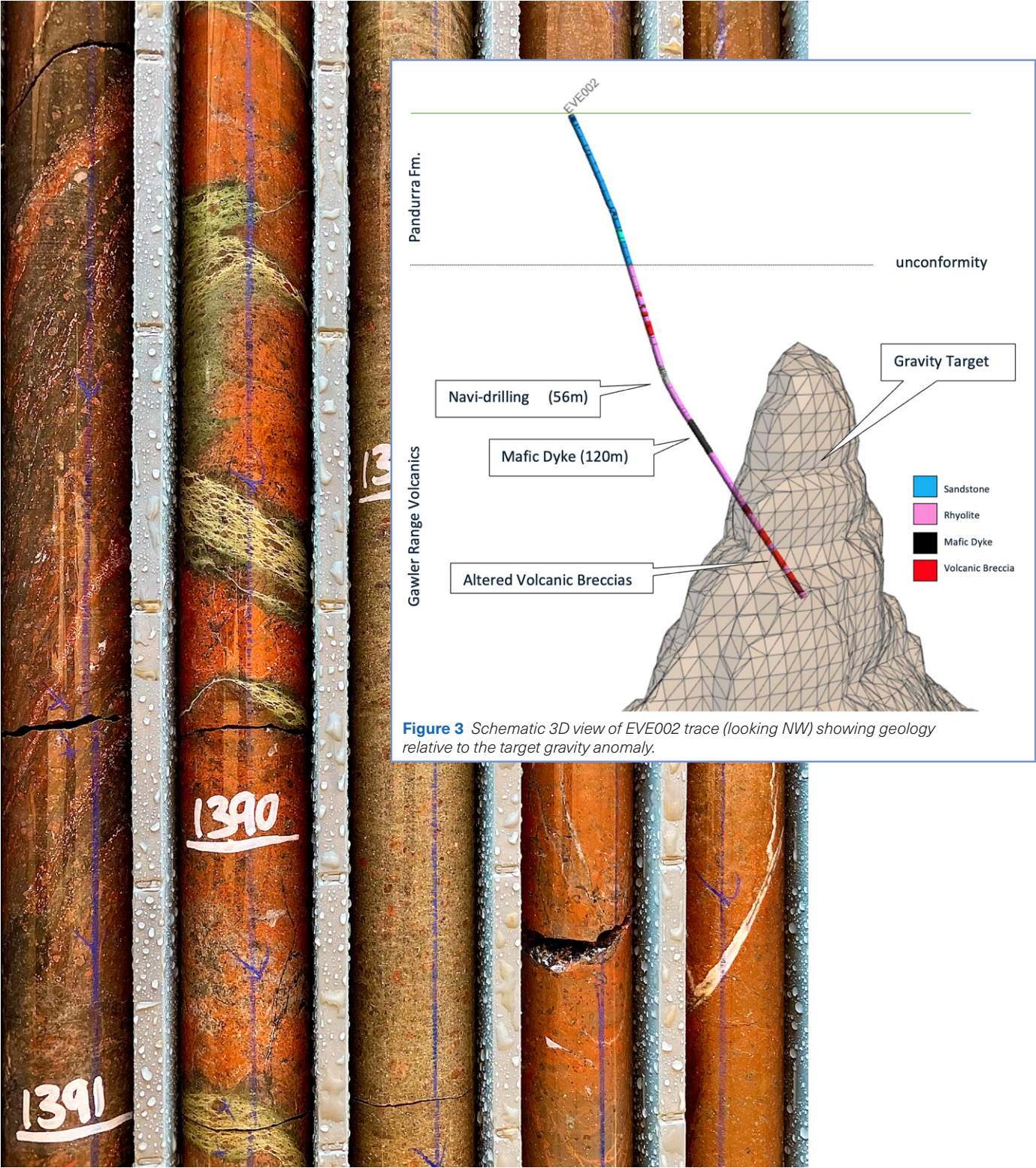
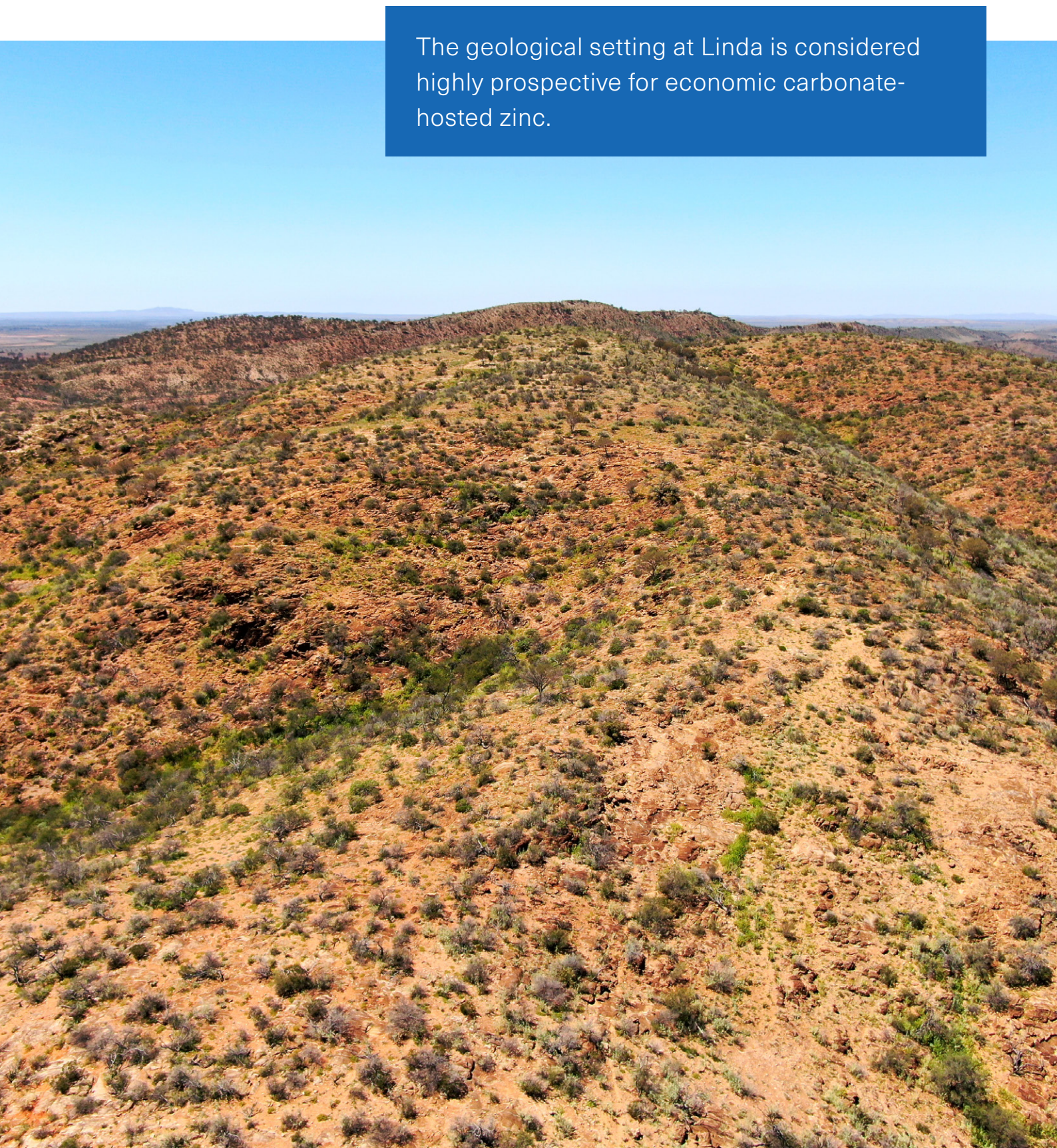


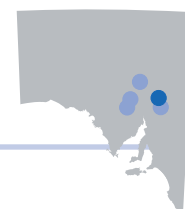
Table 1: Geological summary of EVE002.

0m – 488.45	Pandurra Formation	Competent sandstone with minor siltstone interbeds. Variably haematised with traces of localised sericite-chlorite alteration. Minor carbonaceous (reduced) bands at 21.8m with low level anomalous Cu returning up to 0.3% (pXRF).
488.45 – 489.2m	GRV-Breccia	Narrow band of brecciated rhyolite with a chert top on the unconformity.
489.2 – 664.8m	GRV-Rhyolite	Competent hard porphyritic rhyolite with variable but pervasive silica haematite alteration with localised zones of moderate to locally strong sericite-chlorite-potassic alteration. Minor hairline carbonate veining. Minor zones of brecciation. First visible sulphide mineralisation (11% Pb, 2% Cu, 7% Zn and 0.8% As [pXRF spot assay]) associated with Mn-carbonate infill at 642.7m depth in a 10mm vein.
664.8 – 705.45m	GRV-Breccia	Brecciated porphyritic rhyolite and rhyodacite with strong haematite and potassic alteration, localised zones of strong to intense sericite-chlorite alteration with Mn carbonate veining and clots. Probably representative of pyroclastic flow. Traces of fluorite often associated with orange Mn-carbonate from 690m.
705.45 – 980.4m	GRV-Rhyolite	Porphyritic rhyolite, un-brecciated, strong sericite chlorite alteration to 714m. Sericite-chlorite alteration decreased from 714m with persistent moderate haematite-silica alteration with patches of fluorite-carbonate infill.
980.4 – 1,092.8m	Mafic Dyke	Massive unaltered mafic dyke interpreted to be part of the regional NeoProterozoic Gairdner Dyke Swarm.
1,092.8 – 1,354m	GRV-Rhyolite	Porphyritic rhyolite with subordinate rhyodacite component and minor pyroclastic flow breccias.
1,354 – 1,400.5m	GRV-Breccia	Variably brecciated and altered GRV, localised areas of strong sericite and minor haematite-silica alteration and shearing (Figure 3 left).
1,400.5 – 1,425.4m	GRV-Rhyolite	Relatively unaltered porphyritic rhyolite.
1,425.4 – 1,524.7m	GRV-Breccia	Variably haematite and sericite-chlorite altered, bimodal volcanic breccias with carbonate-biotite-fluorite filled voids and localised silica flooding. Zones of high strain with intense sericite alteration and occasional sulphides (Figure 3).
1,525.4 – 1,578.9m	GRV-Rhyolite	Relatively unaltered porphyritic rhyolite with trace sulphides.

The geological setting at Linda is considered highly prospective for economic carbonate-hosted zinc.



LINDA ZINC PROJECT



Stelar Metals has identified multiple high-grade zinc mineralisation at multiple locations at the 100% owned Linda Zinc Project in South Australia (Figure 4).

High-grade zinc and lead mineralisation at Linda is hosted within similar Cambrian limestone sequences as Perilya's Beltana Zinc Mine and Third Plain Zinc Project located only 10km along strike from Linda. Stelar Metals consider that the Linda EL is prospective for economic Mississippi Valley type

(MVT) and Beltana-Kipushi type zinc-lead mineralisation as well as Zambian-style copper mineralisation.

The Linda Project has a comparable geological setting to the high-grade copper-zinc mineralisation at Kipushi in the Central African Copper Belt. The Project is underlain by Neoproterozoic to early Cambrian sedimentary rocks on the margin of a regional graben structure between two diapiric breccia bodies. These diapirs and associated

faults are a potentially important fluid pathway for metal-bearing brines sourced from deep within the Adelaidean Geosyncline (Figure 6). The Cambrian Limestone sequence at Linda provides a suitable geological environment for the deposition of base-metals in open-fill in karst structures and as replacement mineralisation.

In the mid 1980s BHP undertook geological mapping of the Linda Zinc Project. Several locations mapped out zinc gossans and broad areas with visible base-metal mineralisation within the carbonate stratigraphy. BHP followed up with 20 shallow RC holes (~25m depth) and two deeper diamond holes into the central part of Linda however Stelar considers these holes were not optimally orientated and have not tested under the main anomalies. An inspection of the BHP diamond holes by Stelar at the Adelaide Core Library clearly indicated the presence of high-grade zinc mineralisation as coarse sphalerite infill (Figure 5). Subsequent soil surveys and mapping over the broader region by Perilya have extended the areas of zinc anomalism and to the east of the main prospect have mapped zinc anomalism associated with the margins of a diapiric breccia resulting in multiple targets for further testing.

Stelar has been active in the field since April and undertaken geological mapping, rock-chip and soil sampling over the broader Linda area. CSA Global were commissioned by Stelar to review the Linda Project and assist with mapping, interpretation, and planning. CSA confirmed that the geological setting at Linda is considered highly

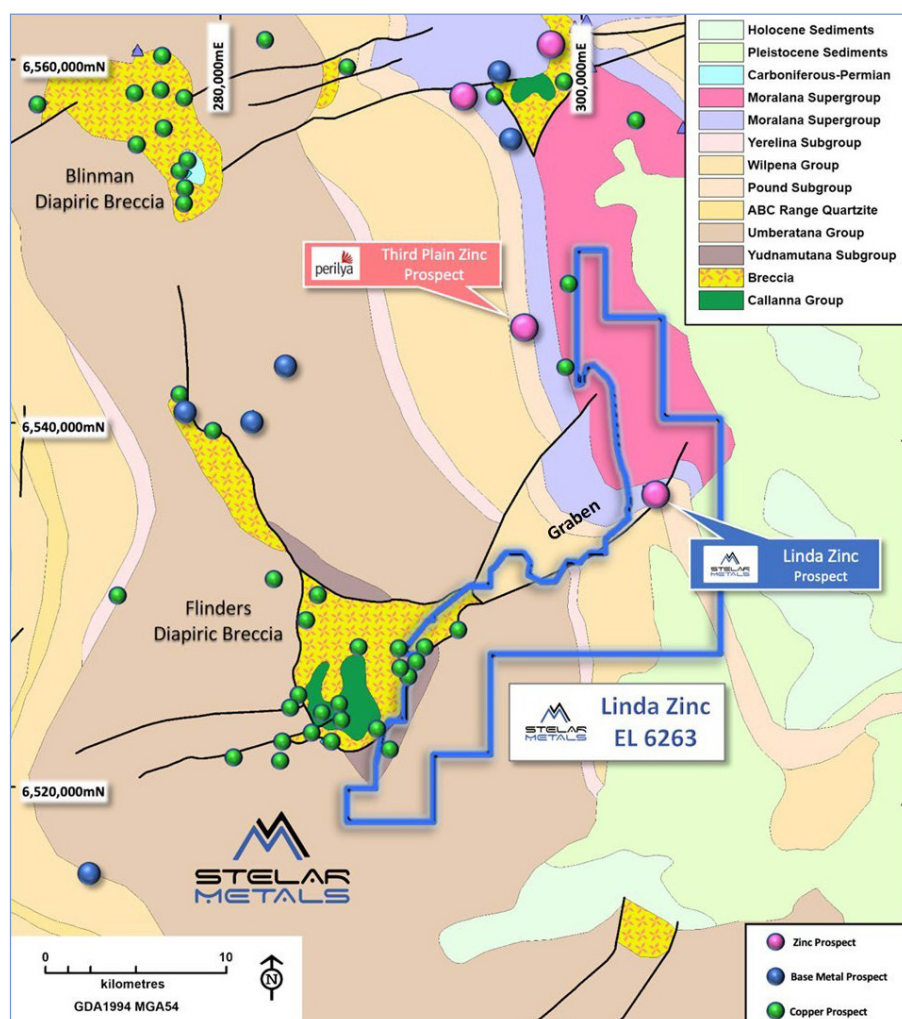


Figure 4 Regional geological setting of the Linda Project with major prospects.

prospective for economic carbonate-hosted zinc. CSA's study reports that the Linda Project has elements of Irish Type and MVT mineralisation styles and that the geological setting strongly supports the view that the area is prospective for Kipushi-Beltana Type mineralisation.

Stelar's first soil geochemical survey in May identified a large coherent zinc soil anomaly that extends 300m x 250m with values up to 0.7% zinc and up to 675ppm lead in soils (Figure 6) which remains open to the south and north (SLB ASX Announcement: 3rd June 2022). Additional rock-chip and soil sampling surveys have been undertaken along with detailed geological mapping. Petrological and X-ray Diffraction studies have determined the primary limestones have been fractured and infilled by CO_2 -S-Pb-Fe-Zn fluids depositing galena and sphalerite mineralisation which at surface has weathered to smithsonite (ZnCO_3) >> cerussite (PbCO_3) > hydrozincite ($\text{Zn}_5(\text{CO}_3)_2(\text{OH})_6$) and hydrated iron-oxides. Smithsonite was observed completely replacing galena grains and the iron-oxides. Laboratory assays of two selected rock-chips, which stained red with "zinc-zap" chemical stain returned high-grade zinc and lead assays (Figure 7) which are generally considered Direct-Shipping-Ore (DSO).

The location of these newly identified surface mineralisation and soil data reinforces that the historic BHP drilling did not adequately test the mineralisation potential of the Linda Prospect. Given there is visible sphalerite mineralisation in the historic core, the surface expression of this mineralisation recently identified by Stelar has weathered to zinc-carbonate and oxide species as observed.



Figure 5 Example of coarse sphalerite infill (black) in BHP's diamond hole DLP-1 (51.5m depth).

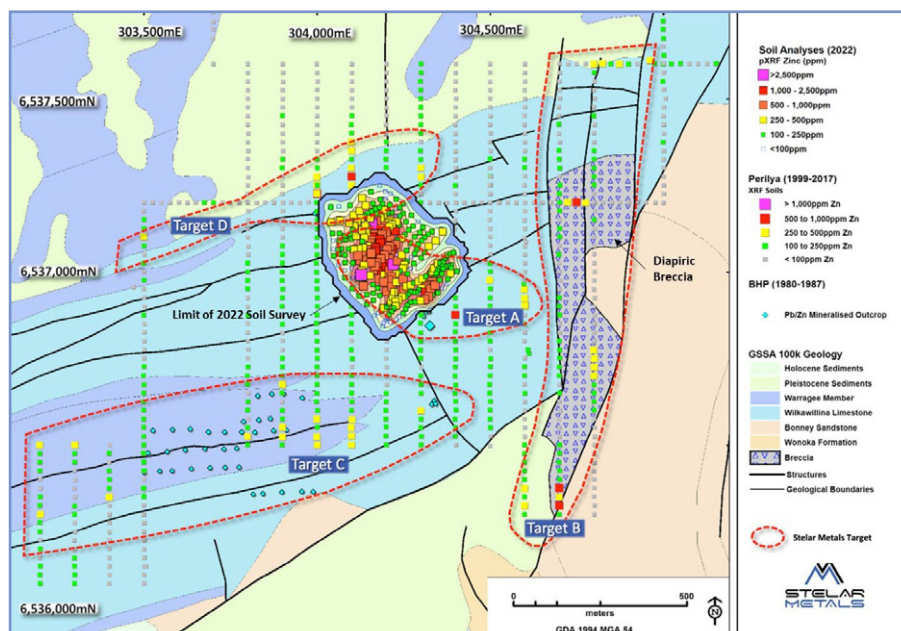


Figure 6 Geology map showing Stelar Metals' new zinc soil geochemistry combined with Perilya's zinc geochemistry. The breccia unit underlying part of Target B is interpreted as a diapiric structure and a potentially important mineralising control.

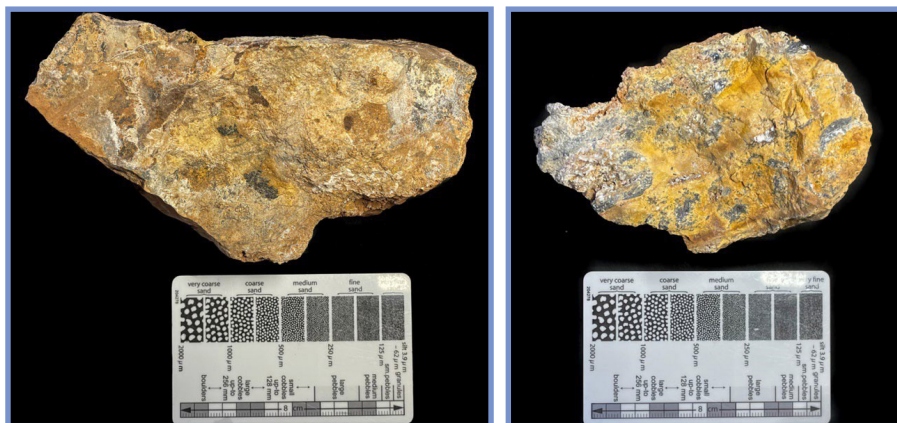
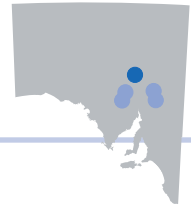


Figure 7 Left: Sample L00166 which reported 16.5% Zn and 1% Pb. Right: Sample L00167 which reported 14.1% Zn and 8.55% Pb

TORRENS IOCG PROJECT



Stelar Metals has reprocessed the historic geophysical datasets over its Torrens Project which comprises two granted exploration licences (Els 6264 and 6572) covering ~1,200km² in South Australia, located approximately 40km east of BHP's Olympic Dam Mine.

Whilst the main exploration target is Iron-oxide Copper Gold in the Mesoproterozoic basement associated with modelled gravity and magnetic anomalies, Stelar also believes there is potential for Sediment-hosted Copper (SHCD) in the overlying Adelaidean sequences. This is supported by shallow historic copper anomalies at the Peninsular Prospect on the boundary of EL 6264.

The depth to Mesoproterozoic basement is poorly constrained but GSSA estimates depths of 600m in southeast and 1,200m in the northwest. The tenement area overlies the Torrens Hinge Zone. Very limited historic drilling with only four holes drilled on the tenure which generally failed to intersect the pre-Adelaidean basement.

Several large discrete magnetic and gravity anomalies have been modelled from historic geophysical datasets as illustrated in Figures 8 and 9.

Stelar is currently seeking a partner to assist with the collection of higher resolution airborne gravity to better resolve the West Well anomaly.

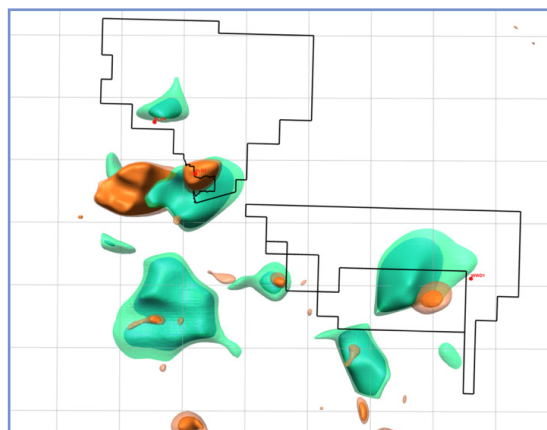
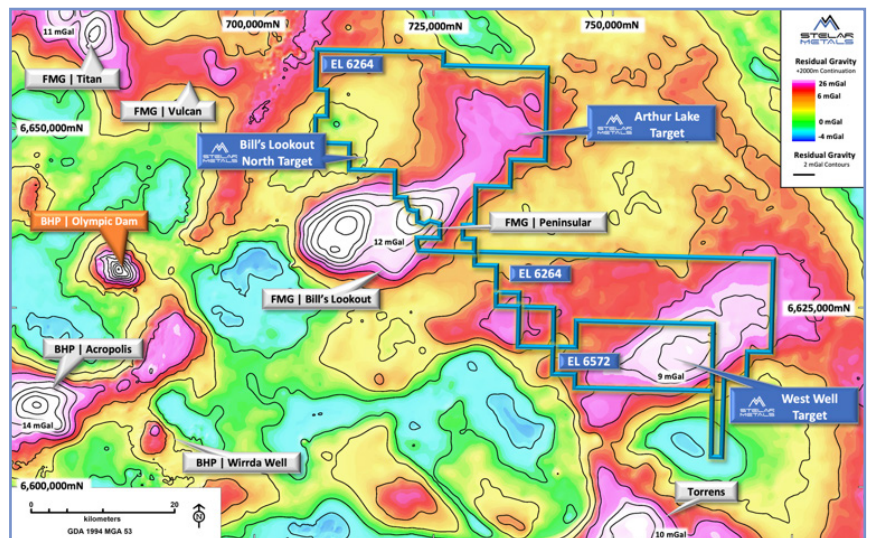
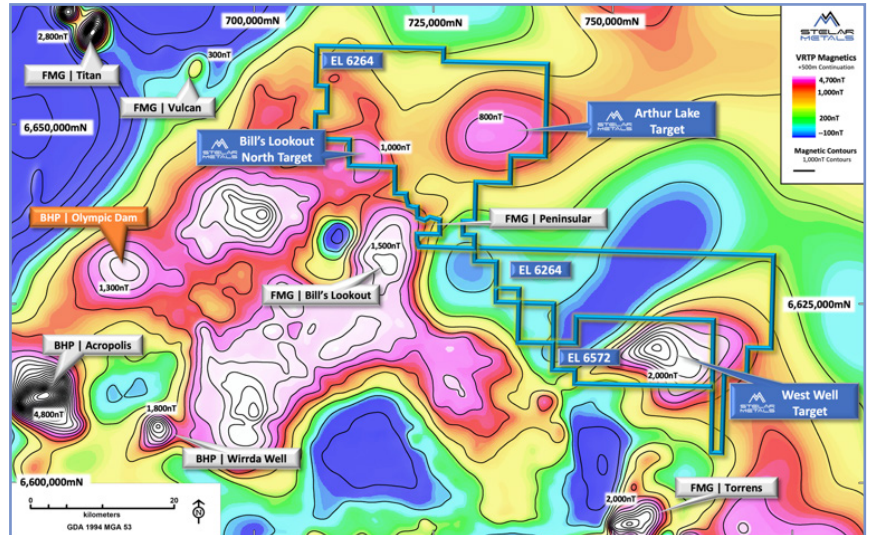


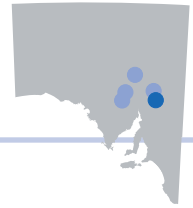
Figure 8, above Geophysical images of the Torrens Project. Top: residual gravity; Bottom: V RTP magnetics.

Figure 9, left 3D views of inversion modelled magnetics (green) and gravity (orange) showing tenement outlines on surface and historic drill hole traces.



Baratta Project has potential for Zambian-style copper mineralisation, as well as diapir-hosted mineralisation, MVT-style base metals and ionic-absorption Rare Earth Elements.

BARATTA COPPER PROJECT



Stelar Metals was granted its Baratta Project Exploration application in South Australia in August 2022 as EL 6803 (Figure 10). The Baratta Copper Project is underlain by rocks of the Adelaide Fold Belt that share important geological characteristics with the Central African Copperbelt. Stelar recognises the potential for Zambian-style copper mineralisation (sediment-hosted copper deposit – SHCD) as well as diapir-hosted mineralisation (Beltana-Kipushi type), MVT-style base metals and ionic-absorption Rare Earth Elements (REE). This is also supported by the recent discoveries made by Taruga Minerals at a number of prospects, directly west along strike from Stelar’s tenure.

The historic Baratta Copper Mine, adjacent to Stelar’s tenure, produced copper ore between 1896 and 1904 from a zone of workings 7.5km long on the northern limb of the Bibliando Dome. The same structure that is interpreted to control copper mineralisation at the Baratta mine is exposed over a significant strike length

in the eastern part of Stelar’s granted tenement and is considered prospective for copper, lead and zinc. Stelar has subsequently lodged an application over the Baratta Copper Mine itself (ELA 2022/00074).

Several copper and base-metal occurrences are also recorded within the Baratta tenement in the SA Government mineral occurrences dataset, including the Valley Well base-metal prospect to the west of Baratta copper and the Baratta Springs copper-silver-manganese and multiple copper occurrences at Windowwarta associated with the diapirs and breccias in the southern part of the tenement. The diapirs are also considered important conduits which might result in the concentration of REE in the surrounding geology.

Stelar plans to start mapping, and surface sampling at Baratta in Q4-2022 and is already reprocessing the available geophysical datasets.

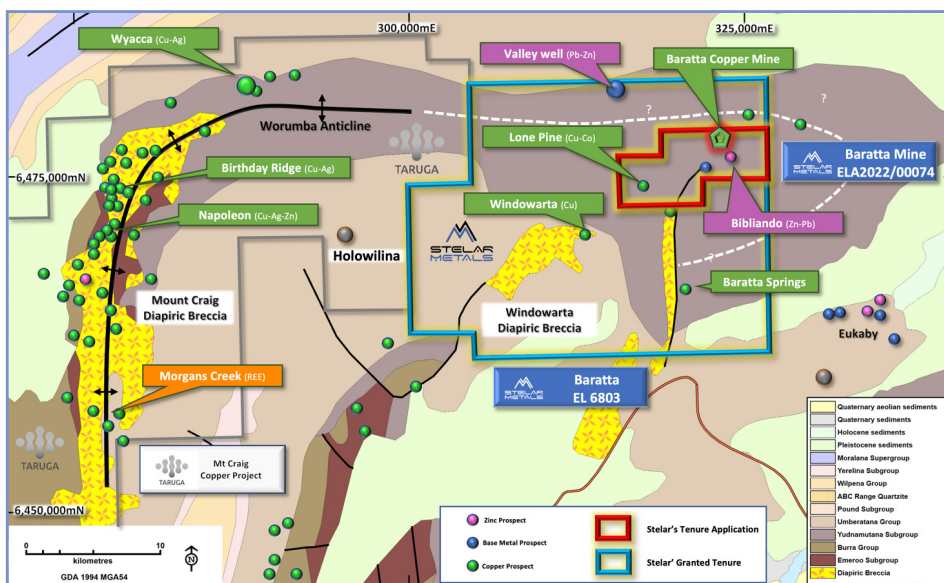
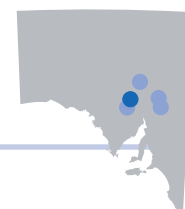


Figure 10 Regional geological setting of the Baratta Project showing major prospects.

Example of discarded copper ore at Baratta Copper Workings (brecciated quartz-siderite-hematite with secondary copper oxides).



GUNSON COPPER PROJECT



Stelar Metals was granted its Gunson Exploration application in northern South Australia in August 2022 as two separate exploration licences: EL 6812 and EL 6824 (Figure 11). The Gunson Project is considered prospective for Zambian-style sediment-hosted copper (SHCD) as well as Olympic Dam-style IOCG mineralisation.

Eastern tenement EL 6812 is close to a series of historic open pit copper mines and deposits at Mount Gunson which were periodically mined from 1875 through to 2006. Additionally, the tenement is neighboured by Coda Minerals' advanced copper projects including Windabout and MG14 SHCD projects and Coda's Elaine IOCG project.

Stelar Metals' exploration strategy for the Gunson project areas is to explore for Zambian-style SHCD copper mineralisation within the Adelaidean sequences on the Pernatty Culmination and Olympic Dam-style IOCG mineralisation in the underlying Mesoproterozoic basement (Figure 12).

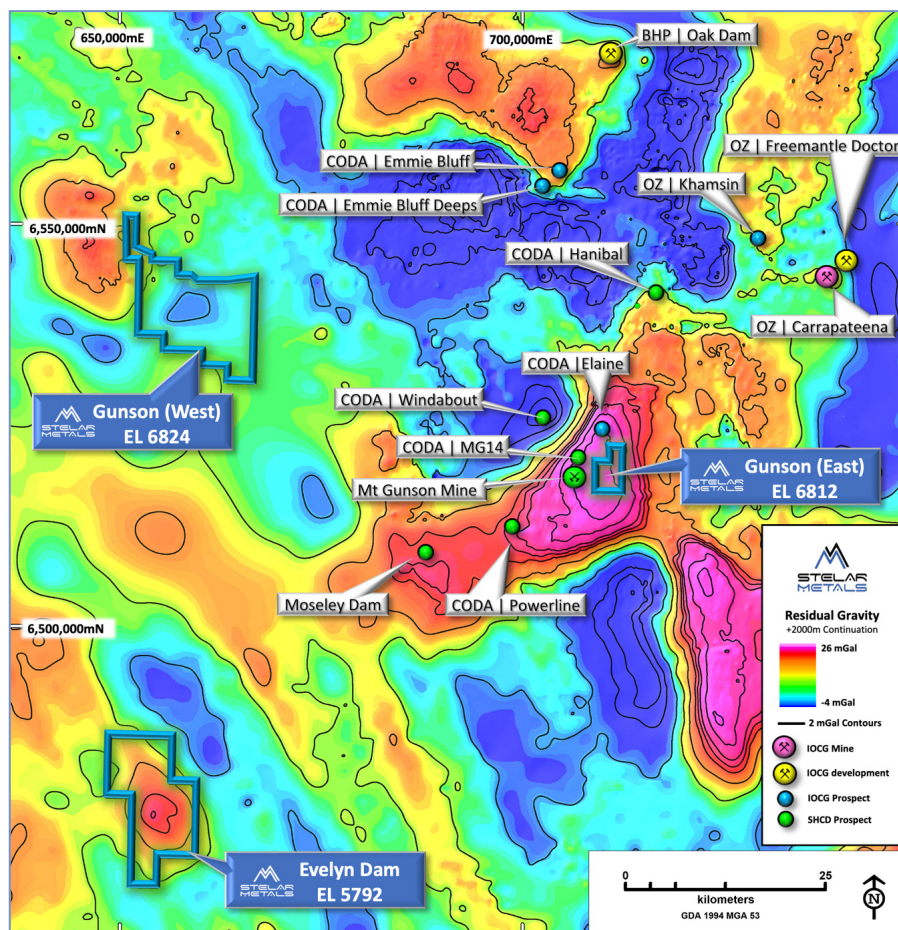


Figure 11 Regional residual gravity imagery showing the distribution of major advanced copper projects and the proximity of Carrapateena Mine to Stelar's Gunson Copper Project.

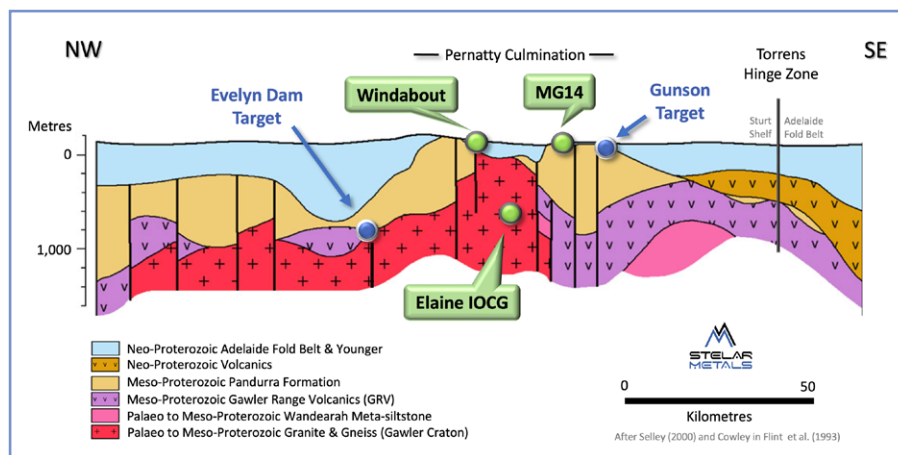


Figure 12 Regional E-W geological cross-section, contextualising the geology underneath the Gunson Project.

SCHEDULE OF TENEMENTS

As at 30 June 2022

Tenement	Tenement name	Area km ²	Registered holder or applicant	Nature of Company's Interest %
South Australia				
EL 5792	Evelyn Dam	134	Resource Holdings No.1 Pty Ltd	100
EL 6263	Linda	190	Resource Holdings No.1 Pty Ltd	100
ELA2021/00037 ¹	Baratta	455	BR1 Pty Ltd	0
ELA2021/00073 ²	Gunson East	15	BR1 Pty Ltd	0
ELA2022/00018 ³	Gunson West	157	BR1 Pty Ltd	0
EL 6264	Torrens – Bill's Lookout	992	Resource Holdings No.1 Pty Ltd	100
EL 6572	Torrens – West Well	222	Resource Holdings No.1 Pty Ltd	100

¹ On 9 August 2022 the tenement application was granted and became EL 6803. Currently being transferred to Resource Holdings No.1 Pty Ltd, a 100% wholly owned subsidiary of Stelar Metals Limited under the terms of the agreement with BR1 Pty Ltd as described in the Prospectus.

² On 30 August 2022 the tenement application was granted and became EL 6812. Currently being transferred to Resource Holdings No.1 Pty Ltd, a 100% wholly owned subsidiary of Stelar Metals Limited under the terms of the agreement with BR1 Pty Ltd as described in the Prospectus.

³ On 30 August 2022 the tenement application was granted and became EL 6824. Currently being transferred to Resource Holdings No.1 Pty Ltd, a 100% wholly owned subsidiary of Stelar Metals Limited under the terms of the agreement with BR1 Pty Ltd as described in the Prospectus.



CORPORATE GOVERNANCE

Stelar Metals and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th Edition) published by the ASX Corporate Governance Council.

The corporate governance statement for the year ended 30 June 2022 can be viewed on the Company's website at www.stelarmetals.com.au



COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Mr Colin Skidmore, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Skidmore is a full-time employee of Stelar Metals Limited. Mr Skidmore has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code (2012)). Mr Skidmore consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report includes information that relates to Exploration Results prepared and first disclosed under the JORC Code (2012) and extracted from the Company's initial public offering prospectus which was released on the ASX on 16 March 2022. A copy of this prospectus is available from the ASX Announcements page of the Company's website: www.stelarmetals.com.au

STATUTORY REPORTS

For the period 2 July 2021 (date of incorporation) to 30 June 2022

DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial report for Stelar Metals Limited (the "Company") and its controlled entities (the "Group") for the period 2 July 2021 (being the date of incorporation) to 30 June 2022.

DIRECTORS

The names of Directors in office at any time during or since the end of the period ended 30 June 2022 were as follows:

Name	Position	Date appointed	Date resigned
Stephen Biggins	Non-executive Chairman	2 July 2021	-
Geoffrey Webster	Non-executive Director	12 November 2021	-
William Dix	Non-executive Director	12 November 2021	-

PRINCIPAL ACTIVITIES

The principal activities of the Group are the exploration and development of its battery-metal copper and zinc projects located in South Australia and assessment of any other opportunities that are available that have a strategic fit for the Company with the intention of providing maximum value to Shareholders for their investment.

REVIEW OF OPERATIONS

Stelar Metals Limited was incorporated on 2 July 2021 as a holding company to complete the acquisition of six exploration licenses in South Australia from Resource Holdings Pty Ltd and BR1 Holdings Pty Ltd respectively, gain admission to the ASX Official List and to explore and evaluate the projects acquired.

Prior to listing, the Group raised seed capital and incurred mainly corporate and administration costs associated with company incorporation and pre-Initial Public Offer (IPO) activities.

On 8 March 2022, the Company acquired 100% of the issued capital of Resource Holdings No. 1 Pty Ltd and BR2 Pty Ltd following the issue of 6,200,000 fully paid ordinary shares at a price of \$0.20 per share to the vendors of Resource Holdings No. 1 Pty Ltd and 1,800,000 fully paid ordinary shares at a price of \$0.20 per share to the vendors of BR2 Pty Ltd, pursuant to the Consideration Offer.

Corporate

- Successfully raised \$7 million via an Initial Public Offer (IPO) by issuing 35,000,000 fully paid ordinary shares at \$0.20 per share resulting in listing on the Australian Securities Exchange (ASX) on 18 March 2022.
- A number of Board appointments occurred in the period, including the appointment of Mr Stephen Biggins as founding director on incorporation of the Company, and Mr Geoffrey Webster and Mr William Dix as Non-executive Directors in November 2021.
- Concurrent to the IPO and Consideration Offer, 4,000,000 options were issued to the Lead Manager (or nominees) pursuant to the Lead Manager Offer.

Operations

Following successfully listing on the ASX, Stelar Metals immediately began utilising its funds to test for critical metals in its portfolio of five highly prospective copper and zinc projects located in prospective mining regions of South Australia – the Gawler Craton, Stuart Shelf and Adelaide Fold Belt.

Stelar Metals' project portfolio on listing included the ex-BHP and ex-Rio Evelyn Dam Project (EL 5792) and the

Torrens Project (EL 6572 and EL 6264), which are prospective for large-scale iron oxide copper-gold (IOCG) target types within the Olympic Province in the Gawler Craton; and the Linda Zinc Project (EL 6263), which features zinc mineralisation initially discovered by BHP similar to the nearby high-grade Beltana Zinc Mine.

Subsequent to the end of the financial year, in August 2022 the Company was granted the Gunson Project (EL 6812 and EL 6824), which is adjacent to a series of historic open pit copper mines and deposits at Mount Gunson, and the Baratta Project (EL 6803), which is prospective for Zambian-style sediment-hosted copper as well as zinc-lead mineralisation.

The South Australian projects provide the Company with significant exposure to critical metals at a time of growing market demand. Commodity prices for copper and zinc are projected to continue to increase beyond 2030, but to date, exploration has not kept up with demand as the transition to clean energy through electrification becomes an imperative.

Evelyn Dam IOCG Project

In early June, Stelar Metals achieved a significant milestone when it commenced its inaugural diamond drilling program at the Evelyn Dam Iron Oxide Copper Gold (IOCG) Project. Evelyn Dam is one of the largest untested gravity anomalies on the Gawler Craton.

The drilling program initially comprised a single deep diamond hole to a nominal depth of 1500m and was located south of EVE001 previously drilled by Rio Tinto.

Stelar's hole was designed as an angle hole to intersect the high-level gravity peak at 1,500-1,800m drilled depth.

While there were some initial delays in the early stages of the program with navi-drilling required to reorientate the hole back towards the target gravity anomaly, core recovery was more than 99% reflecting the good, hard competent ground which geologically has been very similar to EVE001. Initial results from the hole are expected in Q4 CY2022.

Stelar believes that results from reprocessing of the gravity and magnetic surveys by BHP and others indicate Evelyn Dam has the potential to be a large Olympic Dam style IOCG (iron-oxide copper gold) target and worthy of deep drill testing.

Linda Zinc Project

Initial reconnaissance activity by Stelar Metals at the Linda Zinc Project included acquisition and processing of satellite imagery acquired and processed by CSA Global using principal component and cluster analysis to define spectral anomalies. This has resulted in several target areas being identified across the project area. The initial work also included fieldwork and relogging of historic 1984 BHP drill core located in the South Australian Core Library.

Mineralisation was observed in hand specimens and outcrop, confirming that the geological setting at Linda is considered highly prospective for economic carbonate-hosted zinc. A series of geological mapping, surface sampling and geochemical surveys were also undertaken in the lead up to Stelar's first drilling program on the Project planned for later in 2022.

Stelar Metals' initial soil geochemical survey identified a large coherent zinc soil anomaly extending 300m x 250m with values up to 0.7% zinc and up to 675ppm lead in soils. The anomaly remains open to the southeast and northwest. This survey undertaken over the Linda Project obtained 279 samples collected on nominal 10-20m centres and analysed using a portable XRF. The large magnitude of the zinc soil anomaly defined supports the view that the geological setting at Linda is considered highly prospective for economic carbonate-hosted zinc.

High-grade rock-chip samples assaying 16.5% Zn & 1% Pb (sample L00166) and 14.1% Zn & 8.5% Pb (sample L00167) were collected by Stelar from outcrop at the Linda Prospect during May. The Company believes Linda has a comparable geological setting to the high-grade copper-zinc mineralisation at Kipushi in the Central African Copper Belt and was previously explored by BHP in the 1980s following up anomalous stream-sediment anomalies.

High-grade zinc and lead mineralisation at Linda is hosted within similar Cambrian limestone sequences as Perilya's Beltana Zinc Mine and the historic Third Plain zinc resource located only 10km along strike from Linda.

Stelar is currently negotiating a Native Title Management Agreement with the Traditional Owners and plans to commence heritage clearance surveys soon with the aim of seeking drilling approval from the South Australian regulators.

Baratta Copper Project

Stelar added to its strong portfolio of assets in August 2022 when it was granted Exploration Licence (EL 6803) comprising the Baratta Copper Project in South Australia, which is considered prospective for both Zambian-style Sediment-hosted copper and MVT-style lead-zinc mineralisation.

The historic Baratta Copper Mine, adjacent to Stelar's tenure, produced copper ore between 1896 and 1904 from a zone of workings 7.5km long on the northern limb of the Bibliando Dome.

The same structure that is interpreted to control copper mineralisation at the Baratta mine is exposed over a significant strike length in the eastern part of Stelar's Baratta tenement and is considered prospective for copper, lead and zinc.

Exploration on EL 6803 has been very limited to date but has revealed some interesting anomalies and mapped out extensive tracts of mineralisation at surface. In its day, the adjacent historic Baratta Copper Mine was a significant project.

Stelar's initial work programmes will include geological mapping, soil sampling and rock-chip sampling focusing on the Tindelpina Shale Member and the diapiric structures to refine targets for future drill testing. The available existing geophysical datasets are also being compiled and reprocessed to assist in determining geology and the structural architecture. IP data collected by previous explorers is being re-compiled, inverted and modelled for targeting.

Gunson Copper Project

The Gunson Project tenements (EL 6572 and EL 6264) were granted in August 2022 and is located 2km from the Mt Gunson Copper Mine. The Pernatty Culmination has recently been the focus for explorers such as Coda Minerals and DGO Gold which have reported several significant sediment-hosted copper and IOCG discoveries and JORC resources such as Emmie Bluff, Emmie Bluff Deeps, MG14, Windabout, and Elaine.

Stelar Metals has started compiling historic datasets and reprocessing geophysical datasets in anticipation of field exploration later in 2022.

Torrens IOCG Project

The Torrens Project (EL 6264 & EL 6572) is located ~40km east of BHP's Olympic Dam Mine. It is an ex WMC project with multiple large-scale geophysical anomalies but hosts only four historic drill holes, with only one hole (BLD 3) reaching basement at 872m depth.

Stelar's primary target at Torrens is IOCG at depth related to coincident magnetic and gravity anomalies, while overlying Adelaidean and Cambrian Limestones are considered prospective for sediment-hosted copper and zinc mineralisation.

REVIEW OF RESULTS

The Group incurred a net loss after tax for the period ended 30 June 2022 of (\$759,248). As at 30 June 2022, the Group had a net asset position of \$7,738,000.

As at 30 June 2022, the Company held \$5,930,966 in cash and cash equivalents.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the events described in the Review of Operations above, there have been no other significant changes in the state of affairs of the Company during the period.

EVENTS SUBSEQUENT TO REPORTING PERIOD

On 9 August 2022, the Company announced that Exploration Licence EL6803 comprising the Baratta Copper Project, had been granted by the Government of South Australia.

On 30 August 2022, the Company announced that Exploration Licences EL6812 and EL6824 comprising the Gunson Copper Project, had been granted by the Government of South Australia.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Following completion of the acquisition of Resource Holdings No. 1 Pty Ltd and BR2 Pty Ltd, the IPO and ASX listing, the Company has continued to advance the Group's exploration strategy in relation to the acquired projects within South Australia.

DIRECTORS' DETAILS

Name	Stephen Biggins
Title	Non-executive Chairman
Experience	Mr Biggins has 25 years' experience as a geologist and as an executive in both the mining industry in Australia and internationally. Mr Biggins has applied his Honours Degree in Geology and MBA as the founding Managing Director of several ASX-listed companies. Mr Biggins has built prospective portfolios of lithium, gold, uranium and base metal exploration projects in Australia, Asia and Africa. Mr Biggins previously served as founding director of Southern Gold (ASX: SAU) from 2005 to 2010 and led the acquisition and discovery of the Cannon Gold Mine in Western Australia. Mr Biggins was also a founding director of Investigator Resources Ltd (ASX: IVR) which has discovered a high-grade Paris Silver resource in South Australia on its founding projects.
Interest in shares and options	9,000,001 fully paid ordinary shares 3,000,000 options exercisable at \$0.30 expiring 18 March 2025 (3 years after date of ASX quotation)
Other listed entity directorships	Current: Director of Core Lithium (ASX: CXO).

Name	Geoffrey Webster
Title	Non-executive Director
Experience	Mr Webster is a Chartered Professional Engineer, graduating with honours from the University of Adelaide, and is the director of a specialist engineering consultancy located in South Australia. He is a member of the Australian Institute of Company Directors and has been awarded a MBA through Latrobe University. With nearly 20 years' experience in the engineering sectors, Mr Webster has previously worked as the General Manager for ASX 200 listed company in a national capacity, as well as working as the project manager for a Hong Kong-based investment company. Mr Webster is currently the deputy chair of not-for-profit entity. Mr Webster has recently been appointed National President of a peak body for all stakeholders in the resource recovery industry.
Interest in shares and options	100,000 fully paid ordinary shares 1,000,000 options exercisable at \$0.30 expiring 18 March 2025 (3 years after date of ASX quotation).
Other listed entity directorships	None

Name	William Dix
Title	Non-executive Director
Experience	Mr Dix is a geologist with 23 years' experience in base metal, gold and uranium exploration and mining. Earlier in his career, he spent seven years with the highly successful international nickel producer LionOre Mining International in a variety of exploration, mining and management roles. He has a proven track record of successful project and team management and also has extensive experience in commercial activities including capital raisings, mergers, acquisitions and divestments. He holds a Bachelor of Science and Master of Science (Geology) from Monash University and is a member of AusIMM.
Interest in shares and options	350,000 fully paid ordinary shares 1,000,000 options exercisable at \$0.30 expiring 18 March 2025 (3 years after date of ASX quotation)
Other listed entity directorships	Current: Managing Director of Todd River Resources (ASX:TRT) Previous: Director of BBX Minerals Limited (ASX:BBX)

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

COMPANY SECRETARIES

Jack Rosagro is a Chartered Company Secretary, a Fellow of Governance Institute of Australia, and holds a Bachelor of Commerce majoring in Finance. He has 16 years' experience in capital markets, share registry, and governance. He is currently the company secretary for several ASX listed clients including Intra Energy Corporation Limited (ASX: IEC) and Harvest Technology Group Limited (ASX: HTG).

Nick Harding is a qualified accountant, company secretary and finance professional with over 30 years' experience working in the resources industry. After previously holding senior finance roles with WMC Resources, Normandy Mining and Newmont Australia, Nick has for the past 15 years provided consulting finance and company secretarial services to a number of ASX listed junior explorers and developers, the most recent being Andromeda Metals Limited (ASX:ADN).

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 30 June 2022 and the number of meetings attended by each director were:

	BOARD MEETING		AUDIT AND RISK MANAGEMENT / REMUNERATION AND NOMINATION COMMITTEE MEETINGS*	
	Eligible to attend	Attended	Eligible to attend	Attended
Stephen Biggins	3	3	-	-
Geoffrey Webster	3	3	-	-
William Dix	3	3	-	-

* these are conducted by the Board as a whole, as part of board meetings.

The Board also approved 21 circular resolutions during the period ended 30 June 2022 which were signed by all Directors of the Company.



REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and the Corporation Regulations 2001. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors.

The key management personnel of Stelar Metals Limited for the financial period consists of:

- **Stephen Biggins**
Non-executive Chairman
– appointed 2 July 2021
- **Geoffrey Webster**
(Non-executive Director
– appointed 12 November 2021
- **William Dix**
(Non-executive Director
– appointed 12 November 2021
- **Colin Skidmore**
(Chief executive Officer
– appointed 2 December 2021

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds where applicable.

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the

Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$250,000 per annum.

In addition, a Director may be paid fees or other amounts for example, and subject to any necessary Shareholder approval, non-cash performance incentives (such as Options and Performance Rights) as the Directors determine, where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. The Company has adopted an employee incentive scheme titled "Employee Securities Incentive Plan" (Plan).

Where agreed by the Board, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

As the Company was incorporated in the current period, the Company is yet to hold its first Annual General Meeting and hence, no previous Remuneration Report has been presented to shareholders for adoption.

The Company did not engage any remuneration consultants during the financial period.

REMUNERATION' REPORT CONTINUED

Service agreements

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

Colin Skidmore

Chief Executive Officer

Commenced employment

1 December 2021

(agreement executed 2 December 2021)

Term

Two year unless terminated with 3-months' notice by Employer or Executive

Remuneration

Base salary of \$218,182 (exclusive of superannuation). Executive may be entitled to a performance-based bonus, short-term incentive payment or long-term incentive payment as determined by the Board from time to time (cash, shares, options, performance rights or other securities) with due consideration of key performance indicators set by the Board. No termination payments are foreseen in the agreement.

Performance on shareholder wealth

	30 June 2022 \$
Earnings per share (cents)	(4.39)
Dividends	-
Net loss after tax	(759,248)
Share price	0.189

In accordance with the Company's performance evaluation policy, an annual review of the role of the Board will assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively. This review includes the evaluation of

the remuneration of the Company's senior executives. This evaluation must be based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

DETAILS OF REMUNERATION

Details of the remuneration of key management personnel of the Company are set out in the following table.

2022	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		Total
	Salary and fees	Cash bonus	Non-monetary	Superannuation	Equity-settled shares	Equity-settled options	\$
	\$	\$	\$	\$	\$	\$	\$
Directors							
Stephen Biggins ¹	20,036	-	-	2,004	-	25,579	47,619
Geoffrey Webster ²	12,944	-	-	1,294	-	25,579	39,817
William Dix ²	12,944	-	-	1,294	-	25,578	39,817
Key management personnel							
Colin Skidmore ³	127,273	-	-	12,727	-	-	140,000
	173,197	-	-	17,320	-	76,736	267,253

¹ Appointed on 2 July 2021

² Appointed on 12 November 2021

³ Appointed on 2 December 2021

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

2022	Fixed remuneration	At Risk – STI	At Risk – LTI
Directors			
Stephen Biggins ¹	100%	-	-
Geoffrey Webster ²	100%	-	-
William Dix ²	100%	-	-
Key management personnel			
Colin Skidmore ³	100%	-	-

¹ Appointed on 2 July 2021

² Appointed on 12 November 2021

³ Appointed on 2 December 2021

SHARE-BASED COMPENSATION

Options issued as remuneration

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial period are as follows.

2022	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price \$	Fair value per option \$
Directors						
Stephen Biggins	1,000,000	16-Nov-21	16-Nov-21	18-Mar-25	0.30	0.02558
Geoffrey Webster	1,000,000	16-Nov-21	16-Nov-21	18-Mar-25	0.30	0.02558
William Dix	1,000,000	16-Nov-21	16-Nov-21	18-Mar-25	0.30	0.02558
Key management personnel						
Colin Skidmore	-	-	-	-	-	-

On 17 November 2021, 3,000,000 share options were issued to the directors of the Company. The options are exercisable at \$0.30 per option by 18 March 2025 (3 years after the date of admission of the Company to the ASX Official List). The options were not subject to any underlying vesting conditions and vested immediately on grant date. The options were granted on formal appointment of the respective directors via Letters of Appointment as an incentive for being appointed to the Board.

Options granted carry no dividend or voting rights. All options were granted over unissued fully paid ordinary shares in the Company. The options were valued using the Black-Scholes model and vested immediately on grant date. Options are only exercisable by the holder after the escrow date (which is 18 March 2024 – 24 months after the date of admission of the Company to the ASX Official List). There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation are set out below:

	Value of options granted/vested during the period \$	Value of options exercised during the period \$	Value of options lapsed during the period \$	Remuneration consisting of options for the period %
Directors				
Stephen Biggins	25,579	-	-	54
Geoffrey Webster	25,579	-	-	64
William Dix	25,579	-	-	64
Key management personnel				
Colin Skidmore	-	-	-	-

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the Company held during the financial period ended 30 June 2022 by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

2022	Balance at the start of the period	Balance at appointment	Additions ¹	Other	Balance at the end of the period
Directors					
Stephen Biggins	-	-	9,000,001	-	9,000,001
Geoffrey Webster	-	-	100,000	-	100,000
William Dix	-	-	350,000	-	350,000
Key management personnel					
Colin Skidmore	-	-	-	-	-
	-	-	9,450,001	-	9,450,001

¹ Acquired for cash via Initial Public Offer (IPO) or pre-IPO seed.

Option holding

The number of options over ordinary shares in the Company held during the financial period ended 30 June 2022 by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

2022	Balance at the start of the period	Granted	Other	Expired / forfeited / exercised	Balance at the end of the period
Directors					
Stephen Biggins	-	1,000,000	2,000,000 ¹	-	3,000,000
Geoffrey Webster	-	1,000,000	-	-	1,000,000
William Dix	-	1,000,000	-	-	1,000,000
Key management personnel					
Colin Skidmore	-	-	-	-	-
	-	3,000,000	2,000,000	-	5,000,000

¹ These options are free-attaching options relating to subscribed Seed Shares.

Other equity-related key management personnel transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to shareholdings and options.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND/OR THEIR RELATED PARTIES

There were no other transactions conducted between the Company and Key Management Personnel or their related parties, apart from those disclosed above, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

END OF REMUNERATION REPORT (AUDITED)

SHARE OPTIONS

At the date of this report, the unissued ordinary shares of the Company under option are as follows.

Number of options granted	Grant date	Expiry date	Exercise price \$
2,000,000 *	24 September 2021	18 March 2025	0.30
1,500,000 *	25 October 2021	18 March 2025	0.30
3,000,000	16 November 2021	18 March 2025	0.30
4,000,000	9 March 2022	18 March 2025	0.30

ENVIRONMENTAL REGULATION

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

NON-AUDIT SERVICES

The following non-audit services were provided by a related entity of the Group's auditor, Grant Thornton Audit Pty Ltd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Grant Thornton Corporate Finance Pty Ltd received the following amounts for the provision of non-audit services:

Grant Thornton Corporate Finance Pty Ltd received the following amounts for the provision of non-audit services:

	\$
Assurance related – Investigating accountants' report	15,000

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial period, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since the financial period.

PROCEEDINGS OF BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 has been received and immediately follows the Directors' Report.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended during the period ended 30 June 2022.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance Statement which is available on the Company's website.

Signed in accordance with a resolution of the Directors.



Stephen Biggins
Non-executive Chairman

23 September 2022

AUDITOR'S INDEPENDENCE DECLARATION



Grant Thornton Audit Pty Ltd

Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850
T +61 8 9480 2000

Auditor's Independence Declaration

To the Directors of Stellar Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Stellar Metals Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to be "L. A. Stella".

L. A. Stella
Partner – Audit & Assurance

Perth, 23 September 2022

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ACN-130 913 594

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2 Jul 2021 to 30 Jun 2022 \$
Expenses		
Depreciation		(773)
Employee expenses	2	(284,999)
Exploration expenses		(27,497)
Corporate and administration costs	3	(445,415)
Other expenses		(564)
Loss before income tax		(759,248)
Income tax expense		-
Loss after income tax for the period attributable to the owners		(759,248)
Other comprehensive income for the period, net of tax		-
Total comprehensive loss for the period attributable to the owners		(759,248)
Basic and diluted loss per share (cents)	14	(4.39)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 Jun 2022 \$
ASSETS		
Current assets		
Cash and cash equivalents	5	5,930,966
Trade and other receivables	6	110,021
Total current assets		6,040,987
Non-current assets		
Property, plant and equipment		119,629
Exploration and evaluation asset	7	2,035,650
Total non-current assets		2,155,279
Total assets		8,196,266
LIABILITIES		
Current liabilities		
Trade and other payables	9	447,448
Employee benefits	10	10,818
Total current liabilities		458,266
Total liabilities		458,266
Net assets		7,738,000
EQUITY		
Issued capital	11	8,089,230
Share-based payment reserve	12	408,018
Accumulated losses		(759,248)
Total equity		7,738,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 2 July 2021 (date of incorporation)		-	-	-	-
Loss after income tax expense for the period		-	-	(759,248)	(759,248)
Other comprehensive income for the period		-	-	-	-
Total comprehensive loss for the period		-	-	(759,248)	(759,248)
Transactions with owners in their capacity as owners:					
Issue of founder share	11	1	-	-	1
Issue of shares – corporate advisor	11	950	-	-	950
Issue of shares – promoter	11	25,000	-	-	25,000
Issue of shares – 2nd round seed capital	11	75,000	-	-	75,000
Issue of shares – pre-IPO seed capital	11	400,000	-	-	400,000
Initial public offer – public offer	11	7,000,000	-	-	7,000,000
Initial public offer – consideration offer	11	1,600,000	-	-	1,600,000
Issue of lead manager options	12	-	331,282	-	331,282
Issue of director options	12	-	76,736	-	76,736
Shares issue costs	11	(1,011,721)	-	-	(1,011,721)
Balance at 30 June 2022		8,089,230	408,818	(759,248)	7,738,000

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2 Jul 2021 to 30 Jun 2022 \$
Cash flows from operating activities		
Payments to suppliers and employees		(653,332)
Payments for exploration expenditure		(15,497)
Net cash (used in) operating activities	19	(668,829)
Cash flows from investing activities		
Payments for exploration expenditure		(131,688)
Payments for PPE		(89,028)
Net cash (used in) investing activities		(220,716)
Cash flows from financing activities		
Issue of shares		7,500,950
Share issue costs		(680,439)
Net cash provided by financing activities		6,820,511
Net increase in cash and cash equivalents		5,930,966
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	5	5,930,966

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1 SIGNIFICANT ACCOUNTING POLICIES

General

These consolidated financial statements present the financial information for Stelar Metals Limited (the "Company") and its controlled entities (the "Group") as at and for the period from 2 July 2021 (date of incorporation) to 30 June 2022. Stelar Metals Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are 22 Greenhill Road Wayville SA 5034. The financial report was authorised for issue by the Board on 23 September 2022.

Basis of preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Stelar Metals Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Except for cash flow information, the consolidated financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

The consolidated financial statements have been presented in Australian dollars (AUD), which is the functional currency of the Group.

The Company was incorporated on 2 July 2021 and hence the reporting period is from incorporation to 30 June 2022. As this is the Company's first financial report, no comparatives have been included.

New or amended accounting standards and interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Accounting pronouncements which have become effective from 2 July 2021 and that have been adopted, do not have a significant impact on the Company's financial results or position.

New accounting standards and interpretations not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Principles of consolidation

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

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

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

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

Income tax

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

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

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

Goods and services tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- Such costs are expected to be recouped through successful development and exploitation or from sale of the area: or
- Exploration and evaluation activities in the area have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Costs incurred, excluding acquisition costs, prior to the Group having rights to tenure are expensed as incurred.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Current and non-current classification

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Property, plant and equipment

Property, plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation

The depreciable amount of all fixed assets is depreciated over its useful life commencing from the time the asset is held ready for use. Depreciation is computed using the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Field equipment	3 years
IT equipment	3 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

There are no FVPL and FVOCI instruments for the Company.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the requirements included trade and other receivables.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include trade payables and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The Company does not hold any financial liabilities classified as fair value through profit or loss measurement category.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Trade and other payables

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

Employee benefits

Short-term benefits

Short-term employee benefit obligations, including accumulated compensated absences, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

The Company participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Other employee entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. Accruals are made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

Issued capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Basic loss per share is determined by dividing the operating profit / (loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share adjusts the amounts used in the determination of basic loss per share by taking into account unpaid amounts on ordinary shares and any reduction in loss per share that will probably arise from the exercise of options outstanding during the financial year.

Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Share-based payments

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

2 EMPLOYMENT COSTS

	30 Jun 2022 \$
Employee salaries and wages	133,573
Director fees	45,923
Employee superannuation	13,357
Director superannuation	4,592
Annual leave expense	10,818
Share-based payment expense (director fees)	76,736
Total employment costs	284,999

3 CORPORATE AND ADMINISTRATION COSTS

	30 Jun 2022 \$
ASIC fees	9,517
ASX and listing fees	87,719
Audit fees	29,468
Accounting and tax fees	43,827
Corporate advisory	99,209
Legal fees	50,744
Share registry	8,603
Insurance	16,754
Investor relations	45,700
Fees, permits and subscriptions	13,883
Marketing and advertising	5,196
Company secretarial	23,170
IT and website	9,162
Other corporate and administration costs	2,463
Total corporate and administration costs	445,415

4 INCOME TAX

	30 Jun 2022 \$
The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of X and the reported tax expense in profit or loss are as follows:	
a) Tax expense comprises:	
Current tax	(755,391)
Deferred income tax relating to origination and reversal of temporary differences	755,391
Deferred income tax relating to origination and reversal of tax losses	(423,440)
Non-recognition of deferred tax assets	423,440
Tax expense	-
b) Accounting profit / (loss) before tax	(759,248)
Tax at statutory of 25%	(189,812)
Non-deductible share-based payments	19,184
Non-deductible expenses	118
Deferred tax assets not brought to account	170,510
	-
c) Deferred tax assets and liabilities	
Trade and other receivables	(4,847)
Plant and equipment	(29,907)
Exploration and evaluation assets	(508,913)
Trade and other payables	6,667
Short-term provisions	2,704
Business related costs – P&L	202,344
Revenue losses	755,391
Unrecognised deferred tax assets and liabilities	423,440

The Company has tax losses of \$3,021,565 that are available indefinitely to be offset against the future taxable profits of the Company. The potential deferred tax assets, arising from tax losses (as disclosed above) are not brought to account as management is of the view that there is uncertainty in the realisation of the related tax benefits through future taxable profits. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

5 CASH AND CASH EQUIVALENTS

	30 Jun 2022 \$
Cash in bank	5,926,767
Virtual company cards	4,199
	5,930,966

6 TRADE AND OTHER RECEIVABLES

	30 Jun 2022 \$
GST receivable	90,632
Prepayments	19,389
	110,021

7 EXPLORATION AND EVALUATION EXPENDITURE

	30 Jun 2022 \$
Exploration and evaluation expenditure	2,035,650
Opening balance at the beginning of the period	-
Acquisitions ¹	1,600,000
Expenditure capitalised during the period ²	435,650
Closing balance at the end of the period	2,035,650

¹ On 8 March 2022, the Company acquired 100% of the issued capital of Resource Holdings No. 1 Pty Ltd and BR2 Pty Ltd following the issue of 6,200,000 fully paid ordinary shares at a price of \$0.20 per share to the vendors of Resource Holdings No. 1 Pty Ltd and 1,800,000 fully paid ordinary shares at a price of \$0.20 per share to the vendors of BR2 Pty Ltd. Resource Holdings No. 1 Pty Ltd held granted tenements comprising the Evelyn Dam, Linda Zinc and Torrens Projects (the latter comprising the Bill's Lookout and West Well projects) while BR2 Pty Ltd held tenement applications comprising the Gunson and Baratta Projects. These acquisitions were treated as asset acquisitions.

² Expenditure capitalised during the period relates to the Evelyn Dam, Linda Zinc and Torrens Projects over which tenure has been held since acquisition date of 8 March 2022 (see foot note above)

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

8 PROPERTY, PLANT AND EQUIPMENT

	Field equipment \$	IT equipment \$	Motor vehicles \$	Total \$
Cost	69,478	7,565	43,995	121,038
Less: accumulated depreciation	(471)	(215)	(723)	(1,409)
	69,007	7,350	43,272	119,629
Cost				
Balance at 2 July 2021	-	-	-	-
Additions	69,478	7,565	43,995	121,038
Disposals	-	-	-	-
Balance at 30 June 2022	69,478	7,565	43,995	121,038
Accumulated depreciation				
Balance at 2 July 2021	-	-	-	-
Depreciation	(471)	(215)	(723)	(1,409)
Disposals	-	-	-	-
Balance at 30 June 2022	(471)	(215)	(723)	(1,409)

9 TRADE AND OTHER PAYABLES

	30 Jun 2022 \$
Trade payables	383,434
Accrued expenses	46,347
Payg withholding payable	12,212
Superannuation payable	5,454
Total trade and other payables	447,447

Trade payables are due to third parties, unsecured, interest-free and repayable according to credit terms of 15-30 days. The carrying amounts of trade payables approximate their fair value.

10 EMPLOYEE BENEFITS

	30 Jun 2022 \$
Annual leave provision	10,818

11 ISSUED CAPITAL

2022	No. of shares	\$
Fully paid ordinary shares	50,450,001	8,089,230

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. There is no current on-market share buy-back.

Movements in ordinary share capital

	Date	No. of Shares	Issue price (\$)	\$
Balance at incorporation 2 Jul 2021		-		-
Founder share ¹	02-Jul-21	1	1.000	1
Corporate advisor shares ²	27-Sep-21	950,000	0.001	950
Promoter seed ³	29-Sep-21	1,000,000	0.025	25,000
Second round seed ⁴	25-Oct-21	1,500,000	0.050	75,000
Pre-IPO seed ⁵	18-Nov-21	4,000,000	0.100	400,000
Initial public offer – public offer ⁶	9-Mar-22	35,000,000	0.200	7,000,000
Initial public offer – consideration offer ⁷	9-Mar-22	8,000,000	0.200	1,600,000
Share issue costs				(1,011,721)
Balance at 30 June 2022		50,450,001		8,089,230

¹ Upon incorporation of the Company on the 2 July 2021, 1 share was issued at \$1 per share.

² On 27 September 2021, 950,000 shares were issued at \$0.001 per share to the Company's corporate advisers, pursuant to a subscription agreement and corporate advisory placement.

³ On 29 September 2021, 1,000,000 shares were issued at \$0.025 per share, pursuant to a subscription agreement and promoter seed placement.

⁴ On 25 October 2021, 1,500,000 shares were issued at \$0.05 per share, pursuant to a subscription agreement and seed capital raise.

⁵ On 18 November 2021, 4,000,000 shares were issued at \$0.10 per share, pursuant to a pre-IPO capital raise.

⁶ On 9 March 2022, 35,000,000 fully paid ordinary shares were issued pursuant to the Public Offer.

⁷ Concurrently with the Public Offer, 8,000,000 fully paid ordinary to the Vendors (or nominees) were issued pursuant to the Consideration Offer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

12 RESERVES

	30 Jun 2022 \$
Share based payment reserve	408,018

Share based payment reserve

The share-based payment reserve arises from share options issued to directors and employees under the terms and conditions set out in the relevant offer letters and share options issued to a corporate adviser under the terms and conditions set out in their mandate letter.

	Number of options	\$
Balance at 2 July 2021		
Issue of promoter seed options ¹	3,500,000	-
Issue of director options (see Note 13)	3,000,000	76,736
Issue of lead manager options (see Note 13)	4,000,000	331,282
Balance at 30 June 2022	10,500,000	408,018

¹ These options are free-attaching options relating to subscribed Seed Shares.

13 SHARE BASED PAYMENTS

On 17 November 2021, 3,000,000 share options were issued to the directors of the Company. The options are exercisable at \$0.30 per option by 18 March 2025 (3 years after the date of admission of the Company to the ASX Official List).

On 9 March 2022, 4,000,000 options were issued to the Lead Manager (or nominees) pursuant to the Lead Manager Offer. The options are exercisable at \$0.30 per option by 18 March 2025 3 years after the date of admission of the Company to the ASX Official List.

The options were valued using the Black-Scholes model and vested immediately on grant date. The valuation model inputs used to determine the fair value at the grant date, are as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/11/2021	18/03/2025	\$0.10	\$0.30	80%	0%	0.23%	\$0.02558
9/3/2022	18/03/2025	\$0.20	\$0.30	80%	0%	0.23%	\$0.08282

All the above options had vested by the end of the period but were not exercisable as they were under escrow

14 LOSS PER SHARE

The following reflects the loss and data used in the calculations of basic and diluted loss per share:

	30 Jun 2022 Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	17,289,808
	\$
Loss for the period used in calculating operating basic and diluted loss per share	(759,248)
Basic and diluted loss per share (cents)	(4.39)

As the Company incurred a loss for the period, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 10,500,000 share options which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current period presented.

15 AUDITORS' REMUNERATION

	30 Jun 2022 \$
Audit services – Grant Thornton Audit Pty Ltd	
Audit of the financial statements (period ended 30 June 2022)	21,500
Review of the financial statements (period ended 31 December 2021)	7,500
	29,000
Other services – Grant Thornton Corporate Finance Pty Ltd	
Independent accountant's report	15,000
Total auditor's remuneration	44,000

16 RELATED PARTIES

	30 Jun 2022 \$
Key management personnel	
Short term employee benefits	173,197
Post-employment benefits	17,320
Share based payment benefits	76,736
	267,253

There were no other transactions conducted between the Company and Key Management Personnel or their related parties, apart from those disclosed above, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

17 SEGMENT REPORTING

The Company is considered to be one operating segment based on geographical location of operations. The Board has identified its operating segments based on the internal reports that are used by the Board in assessing performance and in determining the allocation of resources. The information presented in the consolidated financial statements approximates the information of the operating segment.

18 FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign exchange risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or category of receivables under financial instruments entered into by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Liquidity risk

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

The following tables detail the Group's contractual maturity for its financial assets and liabilities:

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$
Financial assets			
Cash and cash equivalents	5,930,966	5,930,966	5,930,966
	5,930,966	5,930,966	5,930,966
Financial liabilities			
Trade and other payables	429,781	429,781	429,781
	429,781	429,781	429,781

Fair value

Due to their short-term nature, the carrying amount of the financial assets and financial liabilities is assumed to approximate their fair value.

19 RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH NET LOSS FOR THE PERIOD

	30 Jun 2022 \$
Loss for the period	(759,248)
Adjustments	
Depreciation	773
Share based payment expense	76,736
Movements in assets/liabilities	
Increase in trade and other receivables	(110,021)
Increase in trade and other payables	112,113
Increase in employee benefits	10,818
Cash flows (used in) operations	(668,829)

20 CONTINGENT ASSETS AND LIABILITIES

The Group did not have any contingent assets or liabilities as at 30 June 2022.

21 COMMITMENTS

The Group has minimum exploration expenditure commitments of \$154,258 at 30 June 2022.

There were no other commitments noted as at 30 June 2022.

22 INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1. Details of the parent's subsidiaries at the end of the reporting period are as follows:

Name	Principal place of business / country of incorporation	2022 %
Stellar Metals Exploration Pty Ltd	Australia	100%
Resource Holdings No. 1 Pty Ltd	Australia	100%
BR2 Pty Ltd	Australia	100%

23 PARENT ENTITY DISCLOSURES

	Company 30 Jun 2022 \$
Financial position	
Total current assets	6,040,986
Total non-current assets	2,155,279
Total assets	8,196,265
Total current liabilities	(458,265)
Total liabilities	(458,265)
Net assets	7,738,000
Issued capital	8,089,230
Share based payment reserve	408,018
Accumulated losses	(759,248)
Total equity	7,738,000
Financial performance	
Loss for the period	(759,248)
Other comprehensive income	-
Total comprehensive loss	(759,248)

The Parent Entity has no capital or other commitments and has not entered into a deed of cross guarantee nor are there any contingent liabilities at the period end.

24 EVENTS SUBSEQUENT TO REPORTING PERIOD

On 9 August 2022, the Company announced that Exploration Licence EL6803 comprising the Baratta Copper Project, had been granted by the Government of South Australia.

On 30 August 2022, the Company announced that Exploration Licences EL6812 and EL6824 comprising the Gunson Copper Project, had been granted by the Government of South Australia.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Stelar Metals Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of Stelar Metals Limited for the financial period ended 30 June 2022 are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the period ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the board



Stephen Biggins

Non-executive Chairman

23 September 2022

AUDITOR'S REPORT



Grant Thornton Audit Pty Ltd

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Independent Auditor's Report

To the Members of Stelar Metals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Stelar Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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AUDITOR'S REPORT

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets - Note 7	
During the period, the Group capitalised \$2.036 million of costs relating to exploration and evaluation assets. At balance date, the carrying value of the Group's exploration and evaluation assets are \$2.036 million. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.	Our procedures included, amongst others: • obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's area of interest considerations against AASB 6; • conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: – tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; – enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; – understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and • reviewing the appropriateness of the related disclosures within the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

AUDITOR'S REPORT

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 27 to 30 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Stelar Metals Limited, for the year ended 30 June 2022 complies with section 300A of the Corporations Act 2001.

Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 23 September 2022

ADDITIONAL SHAREHOLDER INFORMATION

As at 23 September 2022

SUBSTANTIAL SHAREHOLDERS

	Number of ordinary shares
RESOURCE HOLDINGS PTY LTD	7,075,000
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,500,000

TOP 20 SHAREHOLDERS OF ORDINARY SHARES

	Number of ordinary shares	% shares
RESOURCE HOLDINGS PTY LTD	7,075,000	14.02%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,500,000	8.92%
BR1 HOLDINGS PTY LTD	1,800,000	3.57%
CITICORP NOMINEES PTY LIMITED	1,204,677	2.39%
FURINKAZAN CAPITAL PTY LTD	775,000	1.54%
DALTON CORPORATE PTY LIMITED	605,000	1.20%
FIFTEENTH SONMAR PTY LTD	590,307	1.17%
NAUTICAL HOLDINGS WA PTY LTD	500,000	0.99%
JAPL NOMINEES PTY LTD	500,000	0.99%
MR BENJAMIN WECHSLER	500,000	0.99%
MRS BEVERLEY RUTH CLENCH	440,000	0.87%
MR BRETT ROBERT MORGAN	435,000	0.86%
SBV CAPITAL PTY LTD	425,000	0.84%
CELERY PTY LTD	425,000	0.84%
TML GLOBAL PTY LTD	400,000	0.79%
MR PAUL GREGORY BROWN & MRS JESSICA ORIWIA BROWN	400,000	0.79%
6466 INVESTMENTS PTY LTD	378,322	0.75%
KING CORPORATE PTY LTD	375,000	0.74%
MR ARIEL EDWARD KING	360,000	0.71%
HAPTELL PTY LTD	350,575	0.69%
KELVERLEY PTY LTD	300,000	0.59%
FURINKAZAN CAPITAL PTY LTD	275,000	0.55%
JALAVAR PTY LTD	252,500	0.50%
BNP PARIBAS NOMS PTY LTD	251,888	0.50%
Total of top 20 shareholdings	23,118,269	45.82%
Other holdings	27,331,732	54.18%
Total fully paid ordinary shares issued	50,450,001	100.00%

DISTRIBUTION OF SHAREHOLDERS

	Number of holders	Number of ordinary shares
100,001 and over	77	32,351,438
10,001 to 100,000	430	16,421,046
5,001 to 10,000	120	1,035,576
1,001 to 5,000	196	637,820
1 to 1,000	17	4,121
Total	840	50,450,001

There were 95 shareholders with less than an unmarketable parcel of 2703 shares.

UNLISTED OPTIONS

	Number of options
Exercise price of \$0.30 and expiry date of 18 March 2025	10,500,000





