

Stellar Resources

Quarterly Report



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

As at 31 March 2014

Market cap: A\$14.79m (5.0c)
Cash (31 March): \$5.0 million
Shares: 295,786,256

Main Shareholders

JP Morgan Nominees 24.3%
Capetown SA 20.8%
Resource Capital Fund 12.07%

Board & Management

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

ASX Code: SRZ

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For the period ended 31 March 2014

Highlights

- St Dizier Indicated and Inferred Resource of 2.26 mt @ 0.61% tin and 23% iron.
- Resource expansion diamond drilling underway at St Dizier.
- Bulk sample taken from St Dizier for metallurgical testing.
- Drilling re-commenced at Heemskirk Tin targeting Lower Queen Hill.
- Worley Parsons appointed to validate and optimise the process flow sheet.
- Polberro Consulting optimising the Heemskirk underground mine plan.
- John Miedecke and Partners managing environmental permitting.

Corporate

- Stellar held cash of \$5.0 million (inclusive of funds raised in a share placement and rights issue) as at 31 March 2014.
- 1 for 12 rights issue raised \$1.2 million before costs.
- Capetown SA now holds 20.8% of Stellar's issued capital and has invested \$3.2 million into the company since January 2014.

Targets for June Quarter

- Complete current round of drilling at Queen Hill.
- Complete diamond drilling program at St Dizier.
- Commence diamond drilling of Golf Course target.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

Optimisation diamond drilling commenced at the Lower Queen Hill deposit. This program will test zones close to known high grade mineralisation with the objective of upgrading the Queen Hill Indicated and Inferred Mineral Resource estimate of 1.6 million tonnes grading 1.30% tin (ASX Release 27 February 2013).

St Dizier was incorporated into the Heemskirk Tin Project following announcement of an Indicated and Inferred Mineral Resource of 2.26 million tonnes grading 0.61% tin and 23% iron (ASX Release 6 March 2014).

Diamond drilling commenced at St Dizier with the aim of extending the resource to the east and west of the planned open pit. Drilling will also test targets to the east of St Dizier along the 2.5 km length of skarn zone.

A bulk sample was extracted from St Dizier for metallurgical testing.

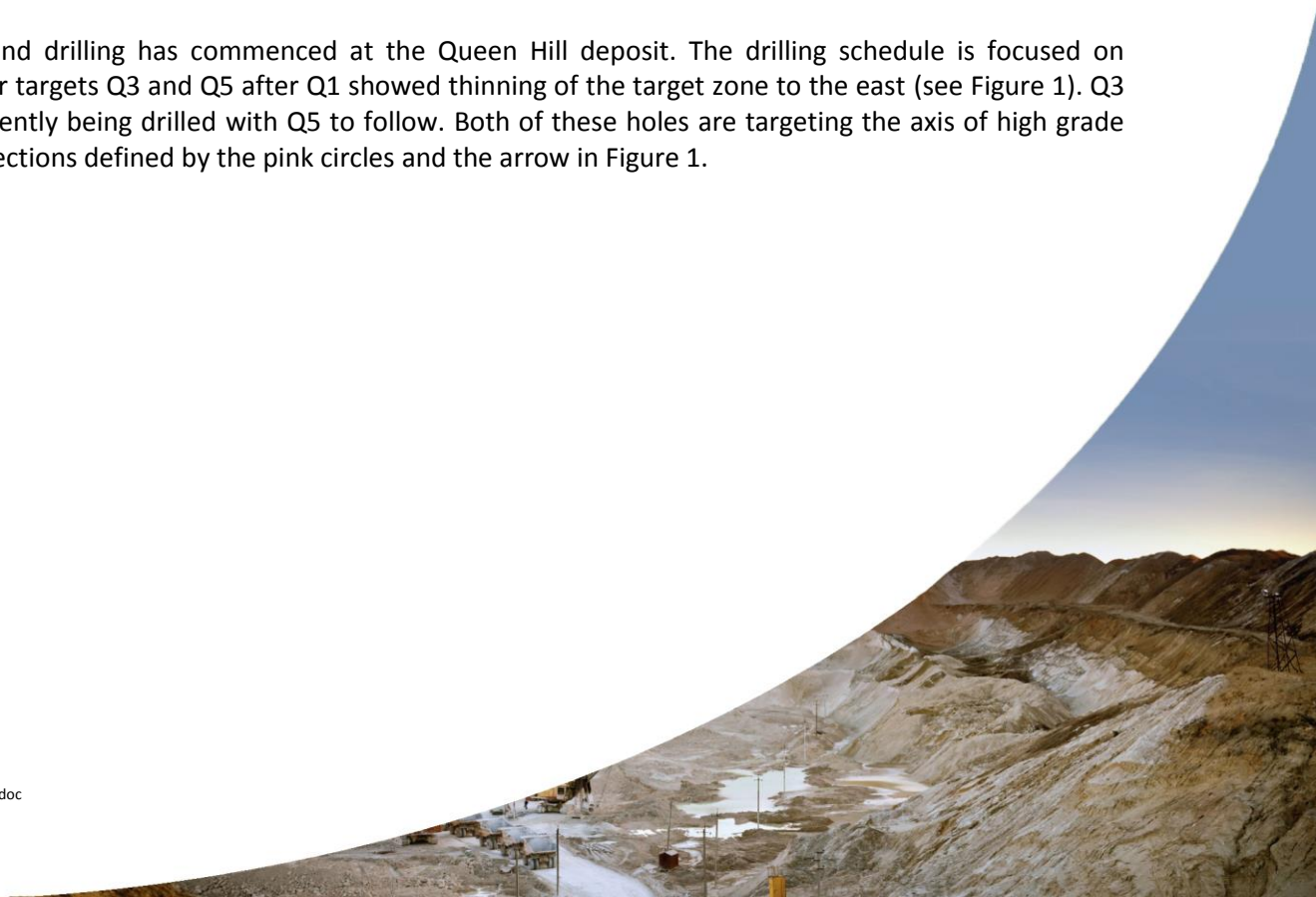
Worley Parsons was appointed to review the metallurgical work completed to date. They will validate results using larger sample sizes and optimise the process flow sheet. As with all previous test work, the program is being undertaken by ALS Amtec at its Burnie laboratory (specialists in tin metallurgy).

Polberro Consulting was appointed to review the Heemskirk underground mine plan with a focus on optimising the schedule and lowering mining costs.

John Miedecke and Partners are coordinating the collection of data in support of environmental permitting.

Heemskirk Drilling Plan

Diamond drilling has commenced at the Queen Hill deposit. The drilling schedule is focused on deeper targets Q3 and Q5 after Q1 showed thinning of the target zone to the east (see Figure 1). Q3 is currently being drilled with Q5 to follow. Both of these holes are targeting the axis of high grade intersections defined by the pink circles and the arrow in Figure 1.



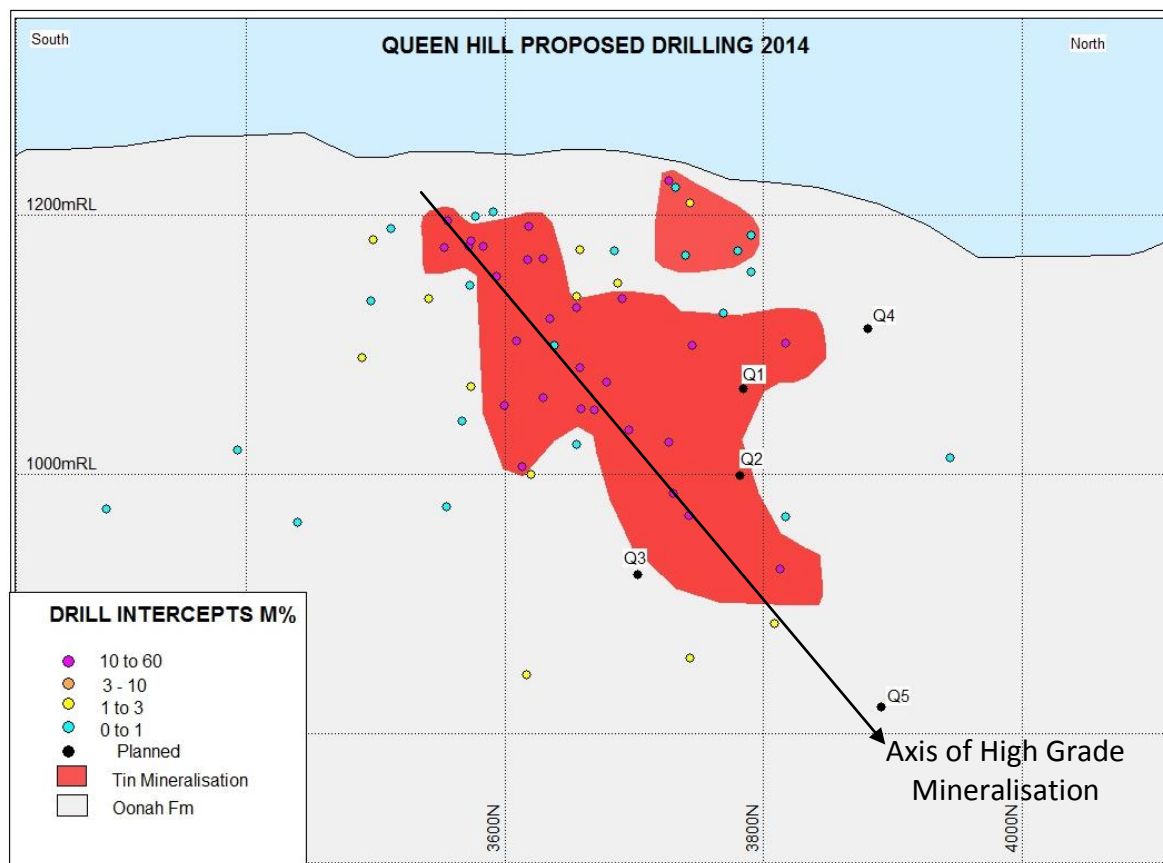


Figure 1: Queen Hill Long-Section Showing Planned Diamond Drilling Targets (Mine Grid)

The drilling program will follow the schedule in Table 1. On completion of the program at St Dizier, the second drilling rig will be moved to test new targets at Golf Course (500 metres to the south of Severn). Both rigs will then drill the Severn Upper and Lower targets.

Table 1: Estimated Drilling Schedule

Site	Drill Holes	Metreage	Drilling Completion	Assay Completion
St Dizier	7	1240	30-May	27-Jun
Queen Hill Lower	3	1200	30-May	27-Jun
Golf Course	2	400	27-Jun	31-Jul
Severn Upper	3	900	29-Aug	26-Sep
Severn Lower	2	1000	31-Oct	21-Nov
Totals	17	4740	31-Oct	21-Nov

St Dizier Open Pittable Resource

The St Dizier Indicated and Inferred Mineral Resource estimate shown in Table 2 was prepared by Resource and Exploration Geology in accordance with the 2012 edition of the JORC code. Refer to ASX release “Heemskirk Tin Project: New Open Pittable Resource at St Dizier” dated 6 March for detailed disclosure.

Table 2: St Dizier Inferred and Indicated Mineral Resource

Classification	Millions Tonnes	Sn%	Sol Sn%	WO ₃ %	Fe %	S%
Indicated	1.20	0.69	0.09	0.04	23.70	2.64
Inferred	1.06	0.52	0.22	0.05	22.22	1.81
Total Resource	2.26	0.61	0.15	0.04	23.00	2.25

1. block cut-off grade of 0.3% Sn
2. tonnes rounded to reflect uncertainty of estimate
3. estimate prepared by Resource and Exploration Geology

The Indicated Resource of 1.2 million tonnes grading 0.69% tin and 23.7% iron crops out at the western end of the 3.0 km St Dizier tin skarn. Importantly, the best grades are within 70 metres of the surface making St Dizier a potentially low cost open pit mine that could provide a faster path to production for the Heemskirk Tin Project.

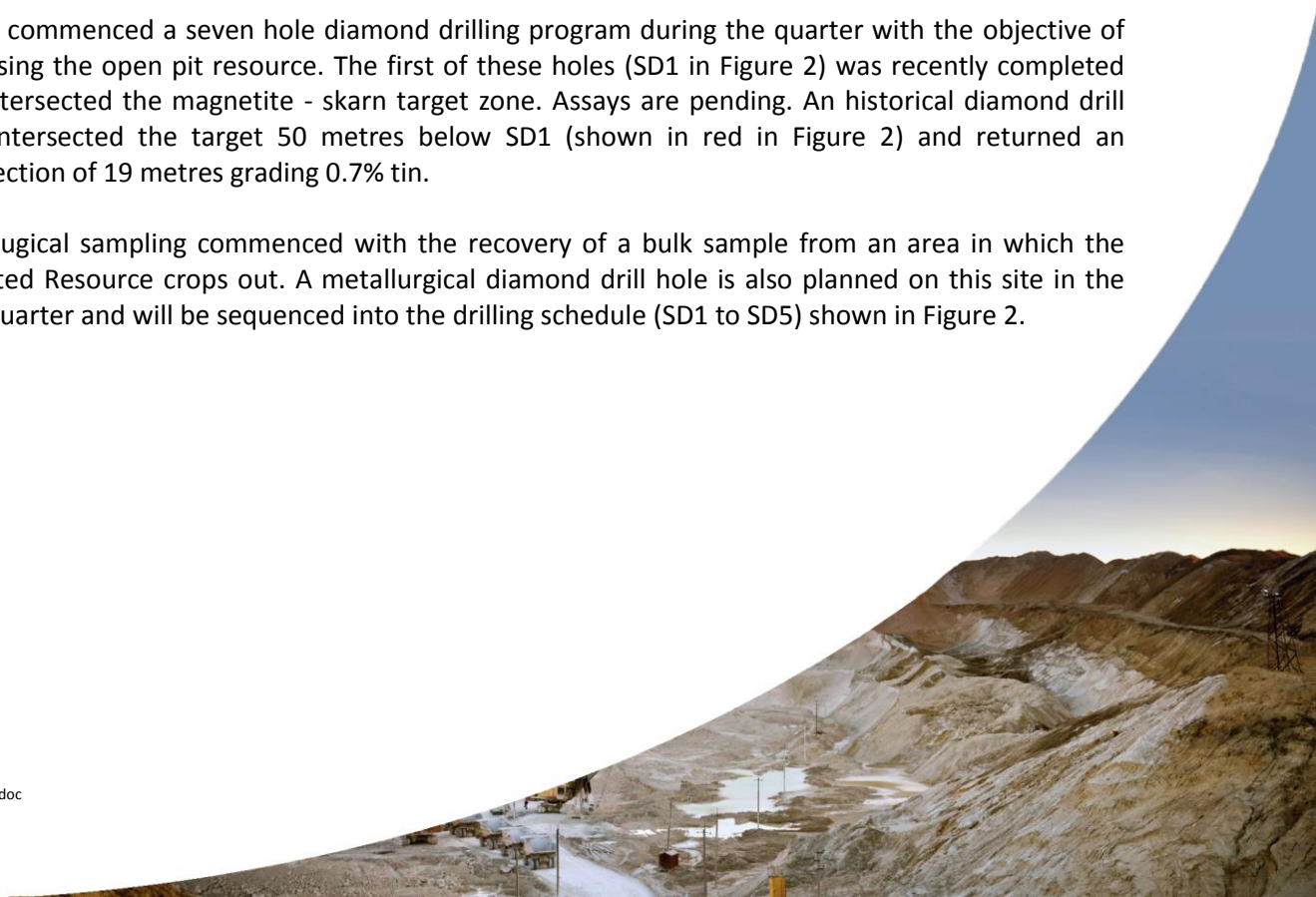
In addition, there are several other features of the deposit that are likely to add value to Heemskirk:

- addition of a magnetite by-product could generate a second revenue stream,
- an expanded mine life to nine years with a 30% upgrade and potentially greater depending on exploration results,
- lower capital cost per resource tonne with St Dizier mineralisation trucked 20 km on a sealed road for treatment in the Heemskirk plant,
- potential to lower the operating cost in the first two years of production.

St Dizier Drilling Plan

Stellar commenced a seven hole diamond drilling program during the quarter with the objective of increasing the open pit resource. The first of these holes (SD1 in Figure 2) was recently completed and intersected the magnetite - skarn target zone. Assays are pending. An historical diamond drill hole intersected the target 50 metres below SD1 (shown in red in Figure 2) and returned an intersection of 19 metres grading 0.7% tin.

Metallurgical sampling commenced with the recovery of a bulk sample from an area in which the Indicated Resource crops out. A metallurgical diamond drill hole is also planned on this site in the June quarter and will be sequenced into the drilling schedule (SD1 to SD5) shown in Figure 2.



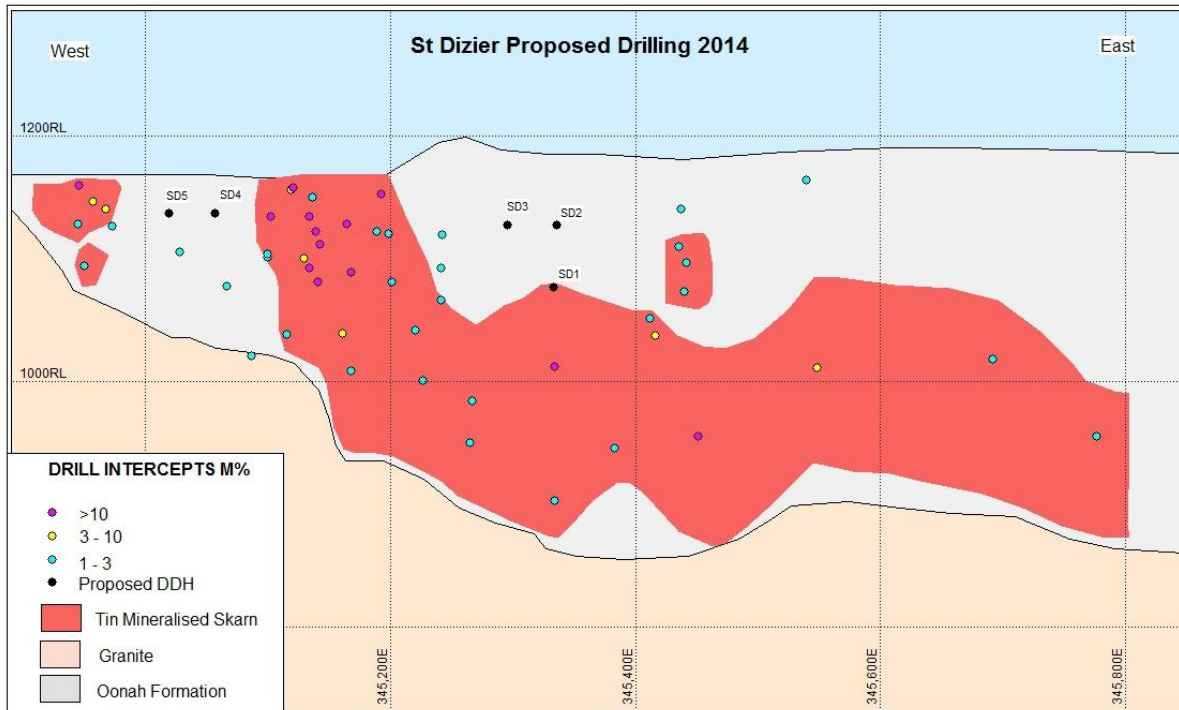


Figure 2: St Dizier Long-Section Showing Planned Diamond Drilling Targets (GDA94)

Exploration of the skarn zone to the east of St Dizier also commenced in the quarter. The initial focus is the Big H area where a recent diamond drill hole by Stellar showed the presence of magnetite bodies containing low level tin mineralisation. Re-interpretation of ground magnetic survey data is underway to better define targets.



Figure 3: Diamond Drilling at St Dizier

Metallurgical Testing

Worley Parsons was appointed to review previous test work, report on the completeness and reliability of the work and oversee future test work. Following completion of the review, Worley Parsons has recommended that ALS Ammtec Burnie undertake a program to:

- fill in gaps from the earlier work,
- select the most efficient options where multiple options exist,
- fully test and optimise the flowsheet using larger samples,
- and commence variability testing.

In parallel with the Heemskirk work, ALS Ammtec will also complete a test program for the St Dizier samples.

The Heemskirk program should be complete by August 2014.

Mine Optimisation Plan

Polberro Consulting is undertaking a review of the PFS underground mine plan with a view to identifying opportunities for optimisation and cost reduction.

Environmental Permitting

Several studies are underway as part of a Notice of Intent, the first submission to be lodged with the Environment Protection Authority Tasmania in support of developing the Heemskirk Tin Project. These include:

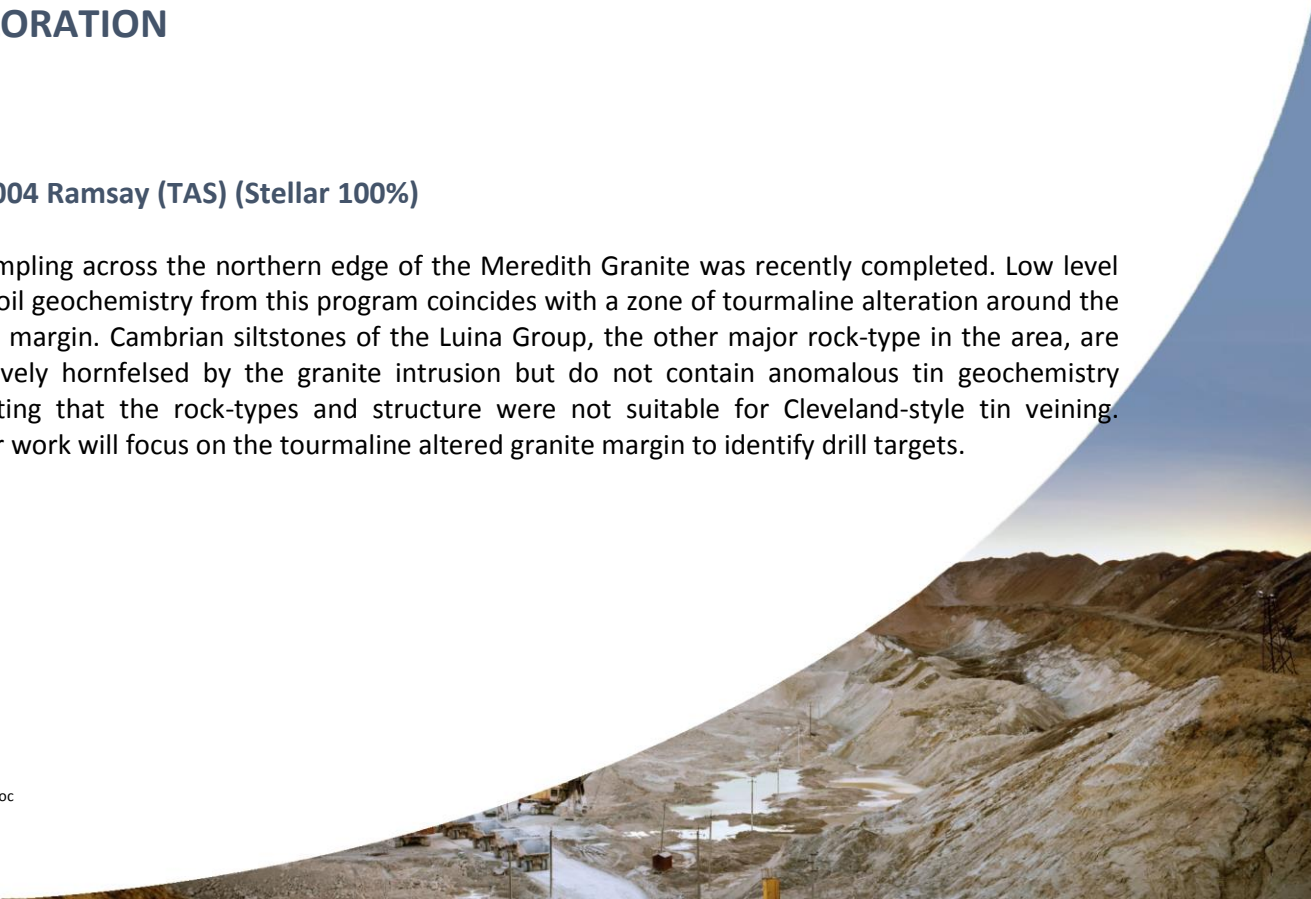
- Flora and fauna study of the mine site and tailings management system,
- Geological review of tailings dam site,
- Desktop review of the underground water regime.

EXPLORATION

Tin

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

Soil sampling across the northern edge of the Meredith Granite was recently completed. Low level tin in soil geochemistry from this program coincides with a zone of tourmaline alteration around the granite margin. Cambrian siltstones of the Luina Group, the other major rock-type in the area, are extensively hornfelsed by the granite intrusion but do not contain anomalous tin geochemistry suggesting that the rock-types and structure were not suitable for Cleveland-style tin veining. Further work will focus on the tourmaline altered granite margin to identify drill targets.



Copper/Gold

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

EL40/2010 contains the southern end of the Heazlewood Ultramafic Complex and remains prospective for Avebury style nickel mineralisation. Stellar is seeking a joint venture partner to advance exploration on this tenement.

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

The level of interest in iron ore copper gold (IOCG) exploration in South Australia is showing some signs of improvement. This is a positive development for Stellar's subsidiary Hiltaba Gold Pty Ltd which is continuing to search for a partner to explore its IOCG tenements.

Uranium

EL4242 Midgee (SA) (Stellar 100%)

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

There was no activity on the tenement during the quarter as land access issues remain to be resolved in the Wardens Court.

EL 5307 Cowell (SA) (Stellar 100%)

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

No exploration was undertaken during the quarter.



CORPORATE

As at 31 March 2014, Stellar held cash and term deposits of \$5.0 million. This funding will be sufficient to complete the Heemskirk Tin optimisation program over the next six months and to commence Definitive Feasibility Study drilling.

The increase in Stellar's cash position since 31 December 2013 is due to the following events:

- On the 17 January, \$2.6 million was raised via a placement of 50 million shares to Capetown SA.
- On the 27 March, another \$1.2 million was raised through a partly underwritten 1 for 12 non-renounceable rights issue.

As a result of capital raisings over the March quarter the top 20 shareholders now own 70.2% of issued capital with three major shareholders accounting for 47.8%. Capetown SA is now Stellar's largest shareholder with a 20.8% holding.

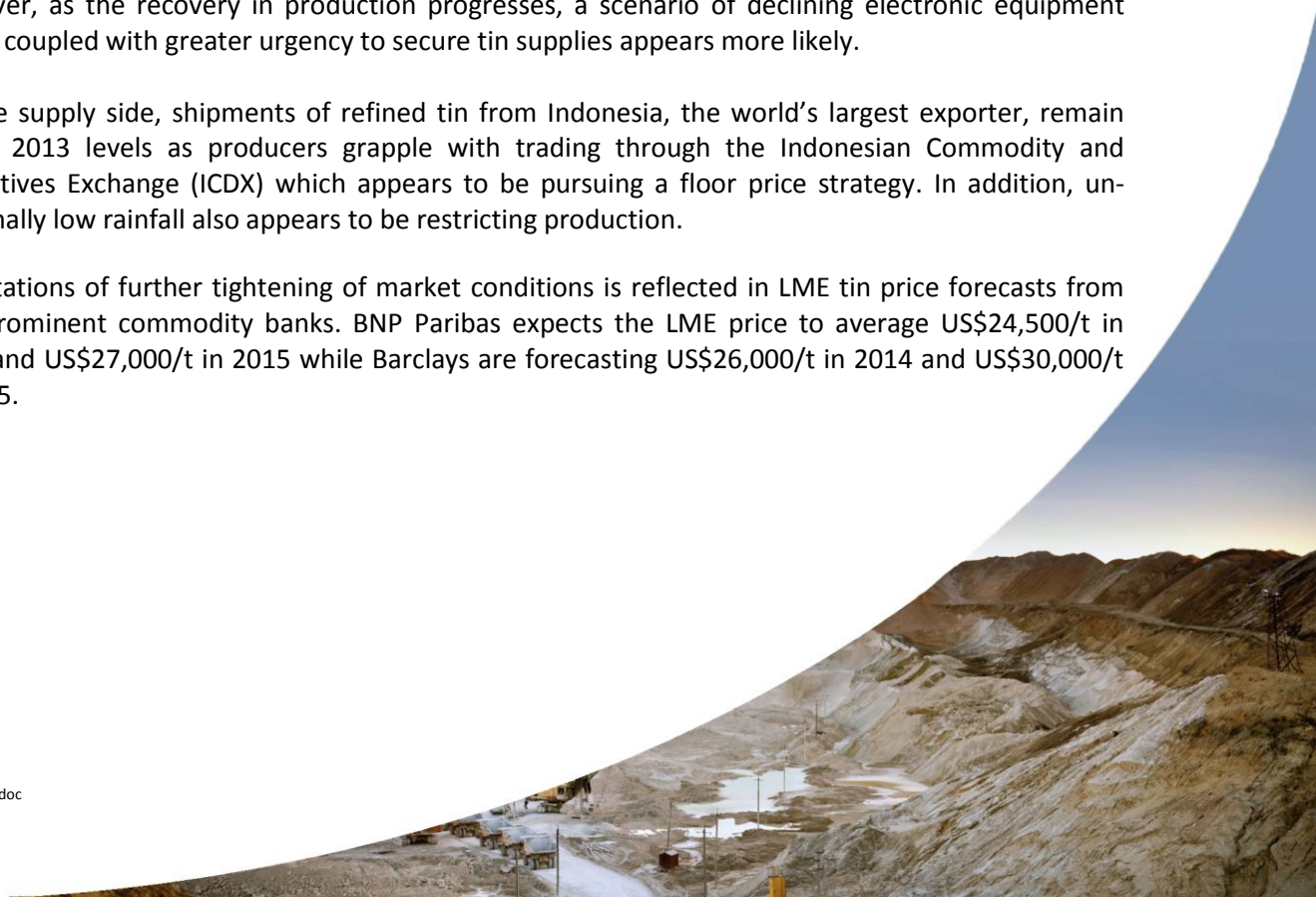
TIN MARKET

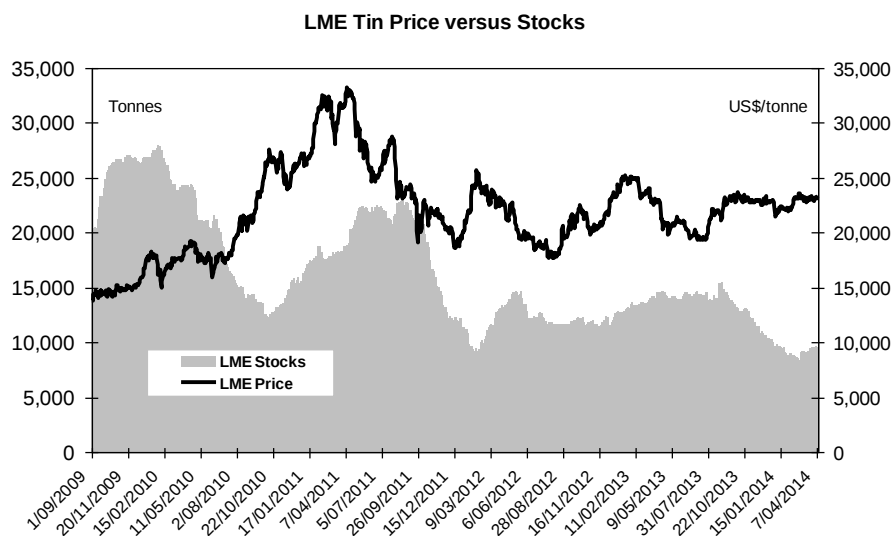
The London Metal Exchange tin price continued to trade in a tight range around US\$23,000/t in the March quarter. The decline in LME tin stocks also continued with a five year low of 8,365 tonnes achieved in late February. Stocks have increased by 1,000 tonnes since February but remain at historically low levels.

Global electronic equipment production, responsible for more than 50% of tin demand, has rebounded strongly with growth rates approaching 10% in the March quarter according to Henderson Electronic Market Forecast. This growth is coming off a low base in an industry in which stocks have only recently peaked. Hence the impact on tin demand so far is relatively modest. However, as the recovery in production progresses, a scenario of declining electronic equipment stocks coupled with greater urgency to secure tin supplies appears more likely.

On the supply side, shipments of refined tin from Indonesia, the world's largest exporter, remain below 2013 levels as producers grapple with trading through the Indonesian Commodity and Derivatives Exchange (ICDX) which appears to be pursuing a floor price strategy. In addition, unseasonally low rainfall also appears to be restricting production.

Expectations of further tightening of market conditions is reflected in LME tin price forecasts from two prominent commodity banks. BNP Paribas expects the LME price to average US\$24,500/t in 2014 and US\$27,000/t in 2015 while Barclays are forecasting US\$26,000/t in 2014 and US\$30,000/t in 2015.





TENEMENT REGISTER

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

¹ JV with Renascor Resources Limited earning 75% interest

² JV with UraniumSA Limited earning 73% in uranium interest

18 Feb 2014

NOTES:-

EL46/2003 – Renewed to 10 Feb 2015 – reduced area to 142km²

EL49/2004 – Surrender of licence approved on 14 February 2014

Competent Person Statement

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

The information in this report that relates to Heemskirk Tin Mineral Resources was last reported on 24th July 2013 in an ASX release titled "Pre-feasibility Study Advances Heemskirk Tin". The information was prepared in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") by Tim Callaghan of Resource and Exploration Geology, who is a Member of The Australasian Institute of Mining and Metallurgy ("AusIMM"), has a minimum of five years experience in the estimation and assessment and evaluation of Mineral Resources of this style and is the Competent Person as defined in the JORC Code. This report accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

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

Forward Looking Statements

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

For further details please contact:

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



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

STELLAR RESOURCES LIMITED

ABN

96 108 758 961

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	—	—
1.2	Payments for (a) exploration & evaluation	(320)	(1,341)
	(b) development	—	—
	(c) production	—	—
	(d) administration	(294)	(472)
	(e) goods & services tax	22	103
1.3	Dividends received	—	—
1.4	Interest and other items of a similar nature received	13	41
1.5	Interest and other costs of finance paid	—	—
1.6	Income taxes paid	—	—
1.7	Other – R & D concessional tax refund	833	833
Net Operating Cash Flows		254	(836)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	—	—
	(b) equity investments	—	—
	(c) other fixed assets	—	—
1.9	Proceeds from sale of: (a) prospects	—	—
	(b) equity investments	—	—
	(c) other fixed assets	—	—
1.10	Loans to other entities	—	—
1.11	Loans repaid by other entities	—	—
1.12	Other (provide details if material)	—	—
Net investing cash flows		—	—
1.13	Total operating and investing cash flows (carried forward)	254	(836)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	254	(836)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3,577	3,577
1.15	Proceeds from sale of forfeited shares	—	—
1.16	Proceeds from borrowings	—	—
1.17	Repayment of borrowings	—	—
1.18	Dividends paid	—	—
1.19	Other (provide details if material)	—	—
	Net financing cash flows	3,577	3,577
	Net increase (decrease) in cash held	3,831	2,741
1.20	Cash at beginning of quarter/year to date	1,095	2,185
1.21	Exchange rate adjustments to item 1.20	—	—
1.22	Cash at end of quarter	4,926	4,926

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	62
1.24	Aggregate amount of loans to the parties included in item 1.10	—
1.25	Explanation necessary for an understanding of the transactions	
	Directors fees and remuneration \$44k; rent/office support, Melbourne, paid to Mineral Deposits Limited \$18k	

Non-cash financing and investing activities

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

—

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

—

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	898
4.2 Development	–
4.3 Production	–
4.4 Administration	200
Total	1,098

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,288	107
5.2 Deposits at call	3,638	988
5.3 Bank overdraft	–	–
5.4 Other (provide details)	–	–
Total: cash at end of quarter (item 1.22)	4,926	1,095

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	EL49/2004	Exploration Licence Rayne, TAS lapsed	100%	Nil
6.2 Interests in mining tenements and petroleum tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	223,447,547	223,447,547		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	72,338,709	72,338,709		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options			Exercise Price	Expiry Date
7.8 Issued during quarter	25,000,000	Nil	\$0.08 cents	SRZAI 26/02/2017
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here:


(Company secretary)

Date: 28 April 2014

Print name: Christina R Kemp

Notes

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

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