

Stellar Resources

Quarterly Report



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

As at 30 September 2014

Market cap: A\$9.0m (3.0c)
Cash (30 September): \$3.5 million
Shares: 300,227,775

Main Shareholders

JP Morgan Nominees	24.3%
Capetown SA	20.8%
Resource Capital Fund	12.0%

Board & Management

Phillip G Harman

Non-Executive Chairman

Peter G Blight

Managing Director

Miguel Lopez de Letona

Non-Executive Director

Markus Elsasser

Non-Executive Director

Thomas H Whiting

Non-Executive Director

Christina R Kemp

Company Secretary

ASX Code: SRZ

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Australia

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www.stellarresources.com.au

For the period ended 30 September 2014

Highlights

- Drilling at Queen Hill extended ore-grade mineralisation at depth.
- Best intersections:
ZQ128: 2 metres @ 2.0% tin from 395 metres
ZQ129: 3 metres @ 1.0% tin from 412 metres
ZQ129W: 5 metres @ 0.5% tin from 411 metres
- Metallurgical tests achieve higher recovery and project revenue.
- Mining Licence application submitted over preferred tailings dam site.
- Permitting for the Heemskirk Tin Project commenced in September with submission of a Notice of Intent to the Environmental Protection Authority.

Corporate

- Stellar held cash of \$3.5 million as at 30 September 2014. Expenditure commitments will remain moderate in the December quarter.

Targets for next Quarter

- Completion of metallurgical validation and optimisation program.
- Finish geological review of Heemskirk as a base for future drilling program.
- Completion of the St Dizier scoping study.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

During the quarter, Stellar focused on increasing the project valuation by:

- extending the mineralised zone at Queen Hill,
- demonstrating the potential to improve metallurgical recovery and
- advancing the St Dizier scoping study.

Stellar also commenced the approval process for the development of the Heemskirk project by lodging a Notice of Intent with the Environmental Protection Authority.

Queen Hill Offers Potential for Resource Expansion

Three diamond drill holes ZQ127, ZQ128 and ZQ129 and wedge hole ZQ129W were completed at Queen Hill (see drill hole traces in Figure 1). ZQ127 tested the potential for a near surface extension of mineralisation to the north and above the main Queen Hill body. ZQ128 tested a zone to the south and below the north-plunging Queen Hill deposit. ZQ129 and ZQ129W targeted Queen Hill 150 metres down plunge from the existing mineral resource.

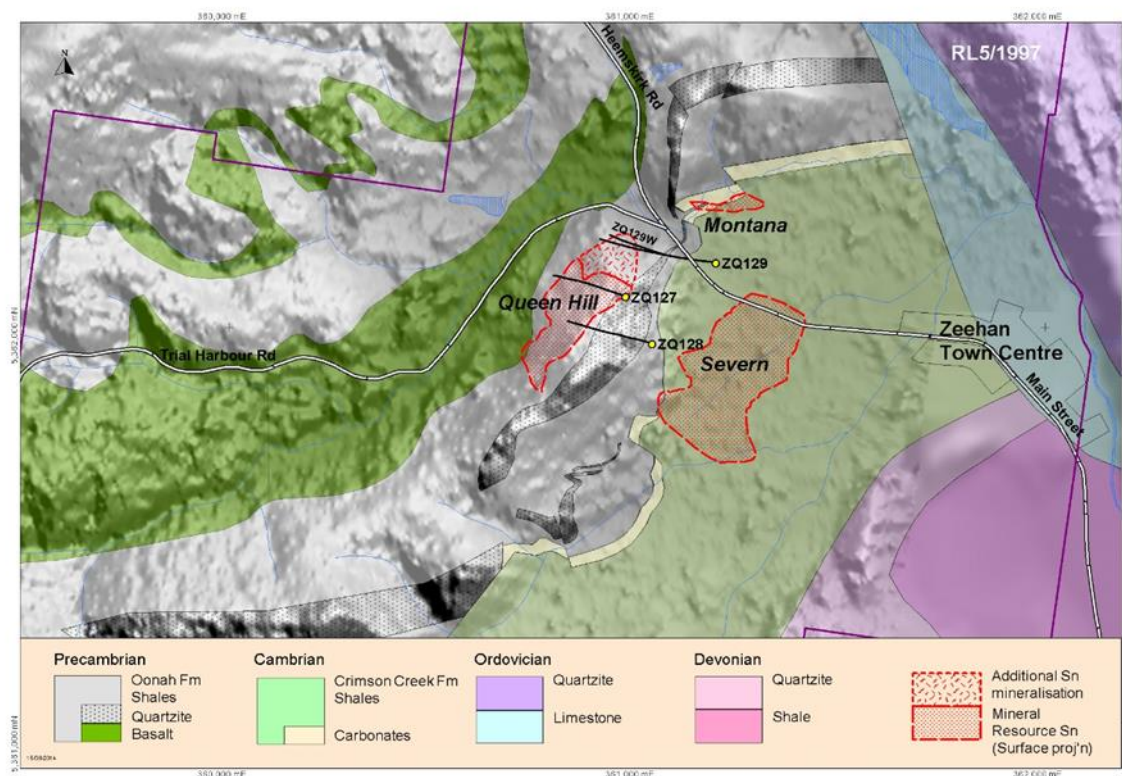


Figure 1: Simplified geology plan and recent drill traces, Heemskirk Tin Project

Diamond drill hole ZQ129 with 3m @ 1.0% tin from 412m and wedge hole ZQ129W with 5m @ 0.5% tin from 411m downhole (see Figure 2) indicate the potential to extend the mineral resource envelope down-plate for at least a further 150 metres.

Re-logging of the drill core, once the assay results were received, showed that the tin and associated sulphide mineralisation occurs between hydrothermally induced breccia zones that cross-cut stratigraphy. This implies that structure is influencing the distribution of tin mineralisation and points to potential for these structures to extend to great depth.

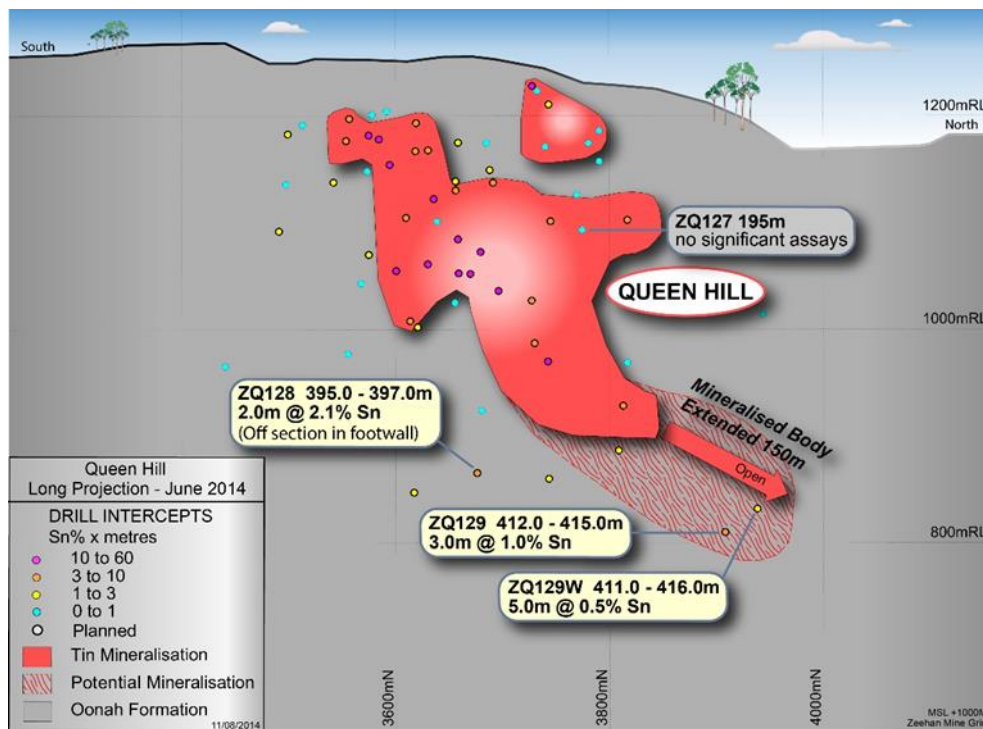


Figure 2: Geological Long-section Queen Hill deposit

The ZQ129W intersection occurs within 150 metres of the Montana deposit, which is interpreted to be a vertically dipping and east-west trending mineralised fault. The close proximity of Queen Hill to Montana and the potential convergence of their controlling structures greatly increases the prospect that further exploration drilling will lead to a resource increase.

An on-going review of geology has shown that several mineralising events are responsible for the distribution of tin, with structure playing a key role. In the next stage of this work, focus will be on structural orientations within the Severn deposit to determine the optimum orientation for targeting high grade mineralisation in future drilling campaigns.

Metallurgy Provides Upside for Tin Recovery

Optimisation of the metallurgical process using a Severn composite sample of drill core continued through the quarter. Greater tin recovery along with simplification of the flow sheet was achieved by removing heavy media processing from the circuit and reducing tin losses in sulphide flotation to below 3% by further optimisation of flotation and regrind conditions. Recovery gains were also made by coarsening of the primary grind size (to 260 microns) and optimisation of the gravity circuit configuration, leading to a significant increase in the proportion of tin recovered by gravity. Gravity concentrate dressing test work has demonstrated that high grade tin concentrate, free of significant penalty elements, can be readily produced. The net result was that the proportion of run of mine tin recovered by gravity increased from 58% to 67% at a concentrate grade after dressing of 58% tin.

The next stage of the program, which is currently in progress, is focused on maximising overall tin recovery by optimising tin flotation of the gravity tail. In order to optimise the tin flotation outcome, several alternative approaches to pre-conditioning the gravity tail are under investigation. These include de-sliming, sulphide scavenger flotation, wet high intensity magnetic separation and Falcon (fine gravity) separation. Following pre-conditioning, the final stage is optimisation of tin flotation and upgrade of the flotation concentrate by leaching.

The full optimisation program at Heemskirk will be completed in December quarter.

Tailings Dam MLA Lodged

Stellar has completed and lodged a Mining Licence Application for its preferred tailings dam site with Mineral Resources Tasmania. Once the MLA is processed, work can progress on surveying the site, engineering studies, measuring water flows, flora and fauna studies and a more detailed geological assessment.

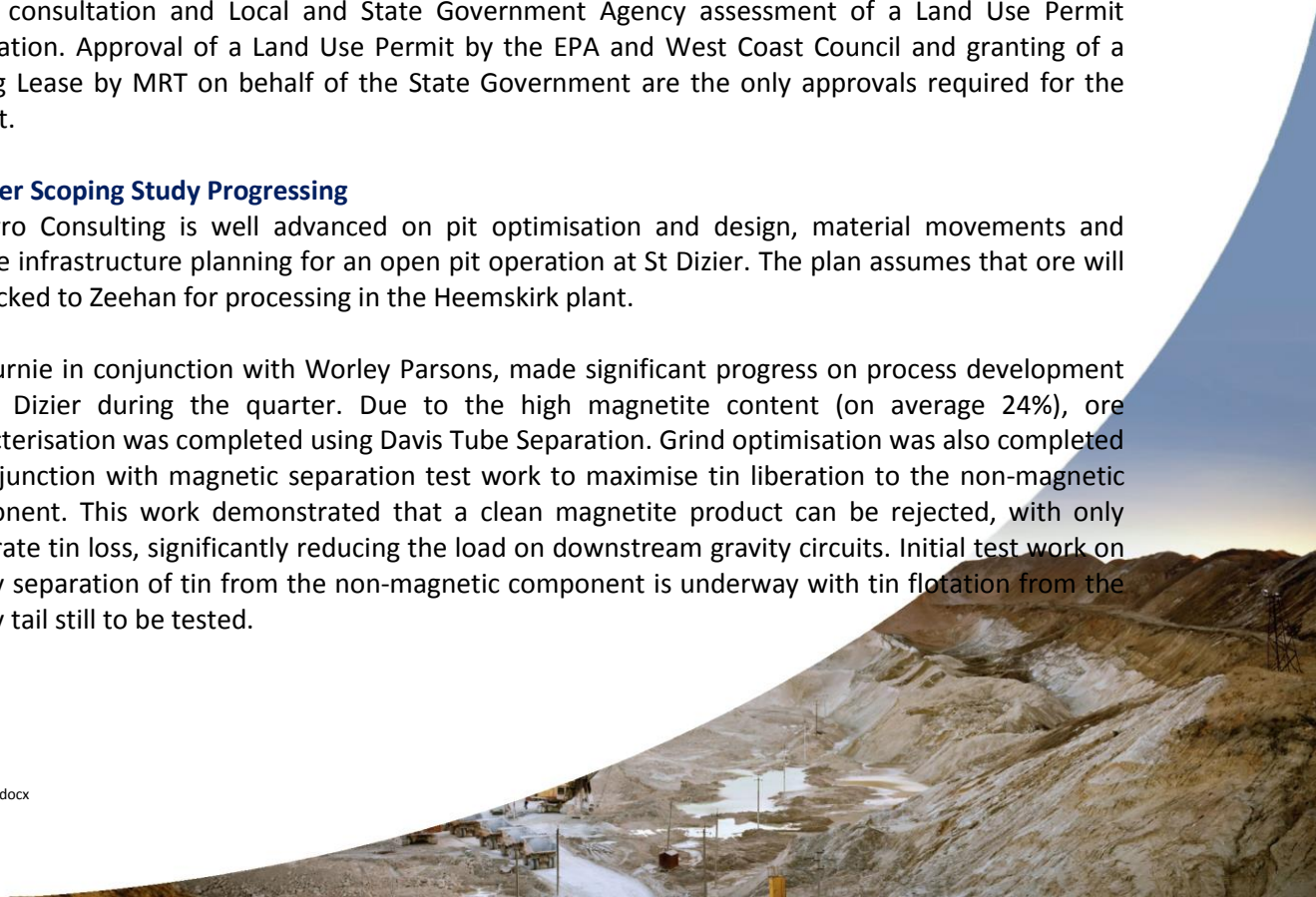
Notice of Intent Lodged

John Miedecke and Partners, on behalf of Stellar, have lodged a Notice of Intent with the Tasmanian Environmental Protection Authority covering the mining and processing plans for the Heemskirk Project and the satellite St Dizier deposit. Stellar expects to receive feedback from the EPA during the December quarter which will be incorporated into the preparation of a Development Proposal and Environmental Management Plan due for completion in 2015. The DPMP forms the basis for public consultation and Local and State Government Agency assessment of a Land Use Permit Application. Approval of a Land Use Permit by the EPA and West Coast Council and granting of a Mining Lease by MRT on behalf of the State Government are the only approvals required for the project.

St Dizier Scoping Study Progressing

Polberro Consulting is well advanced on pit optimisation and design, material movements and surface infrastructure planning for an open pit operation at St Dizier. The plan assumes that ore will be trucked to Zeehan for processing in the Heemskirk plant.

ALS Burnie in conjunction with Worley Parsons, made significant progress on process development for St Dizier during the quarter. Due to the high magnetite content (on average 24%), ore characterisation was completed using Davis Tube Separation. Grind optimisation was also completed in conjunction with magnetic separation test work to maximise tin liberation to the non-magnetic component. This work demonstrated that a clean magnetite product can be rejected, with only moderate tin loss, significantly reducing the load on downstream gravity circuits. Initial test work on gravity separation of tin from the non-magnetic component is underway with tin flotation from the gravity tail still to be tested.



EXPLORATION

Tin

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

During the quarter, data from a 250m x 250m tin in soil anomaly, identified earlier in the year, was reviewed to determine the next stage of exploration. Petrology was conducted on a panned stream sediment sample grading 2% tin – the highest grade achieved from sampling to date. The panned concentrate was taken from a stream cutting the western extremity of the 250m x 250m zone. Cassiterite in the sample was associated with quartz and tourmaline suggesting the provenance to be a variant of the Meredith Granite lying further to the west. In addition, an unusual abundance of chromite and ilmenite in the sample also suggests a change in the geology that may enhance tin prospectivity upstream. Further stream sediment sampling is planned to follow-up this result.

Nickel

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.

Copper/Gold

EL's 4573, 4882, 5125 and 5126 (SA) (Stellar 100%)

Stellar is seeking a joint venture partner to explore the iron ore copper gold potential of these central Gawler Range tenements.

Uranium

EL4242 Midgee (SA) (Stellar 100%)

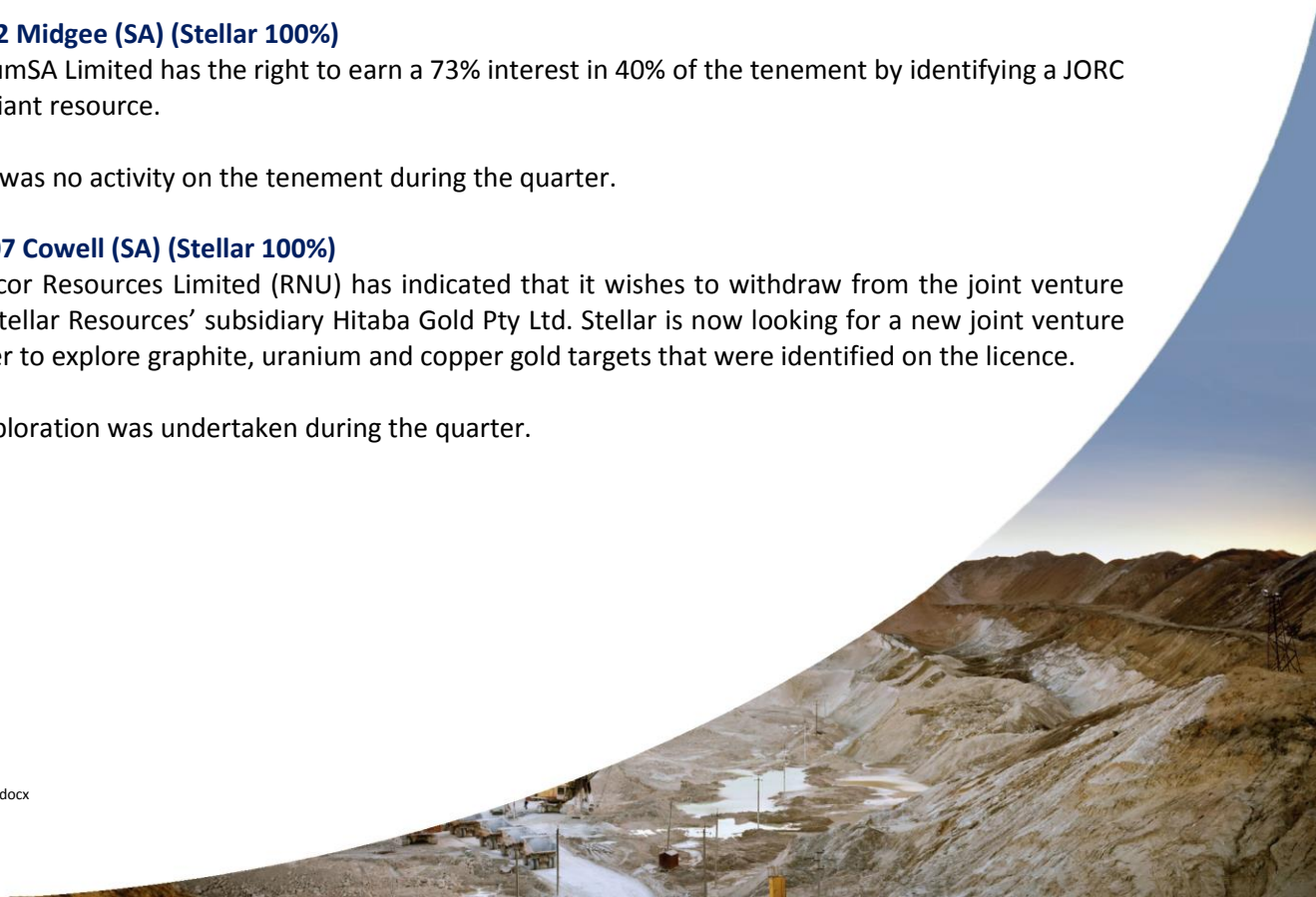
UraniumSA Limited has the right to earn a 73% interest in 40% of the tenement by identifying a JORC compliant resource.

There was no activity on the tenement during the quarter.

EL 5307 Cowell (SA) (Stellar 100%)

Renascor Resources Limited (RNU) has indicated that it wishes to withdraw from the joint venture with Stellar Resources' subsidiary Hitaba Gold Pty Ltd. Stellar is now looking for a new joint venture partner to explore graphite, uranium and copper gold targets that were identified on the licence.

No exploration was undertaken during the quarter.



CORPORATE

Cash Position

As at 30 September 2014, Stellar Resources held cash and term deposits of \$3.5 million. Expenditure commitments for the December quarter will remain moderate with the focus on permitting and completion of optimisation studies.

TIN MARKET

In recent weeks, the London Metal Exchange tin price declined by US\$3,000/t to US\$19,705/t after holding in a narrow trading range of US\$ 22,500/t to US\$23,500/t for most of the last 12 months. The tin price appears to be following the downward trend in base metal prices (caused by an appreciating US\$) more so than the fundamentals of the tin market. As Figure 3 shows, LME tin stocks have declined by 4,000 tonnes to 9,200 tonnes since mid-August. Assuming that the stock decline reflects a sustainable reduction in output from marginal producers, then a recovery in the tin price can be expected to follow.

LME Tin Price versus Stocks

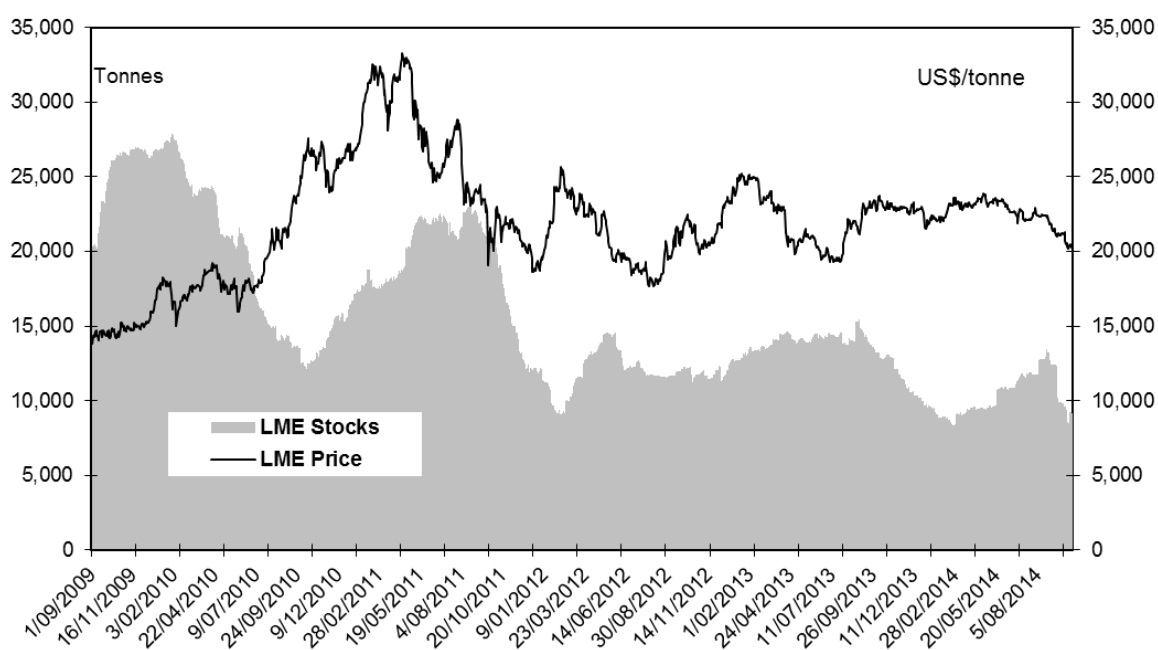


Figure 3: London Metal Exchange spot price versus LME traded stocks

A decline in exports from Indonesia since August 2014 is the most likely explanation for the reduction in LME tin stocks (see Figure 4). In addition, exports of tin from China are expected to decline over the rest of 2014 in response to the LME price falling below the price of tin in Shanghai. ITRI suggest that this is likely to be a meaningful reduction given that China exported 9,000 tonnes of refined tin in the January to August 2014 period.

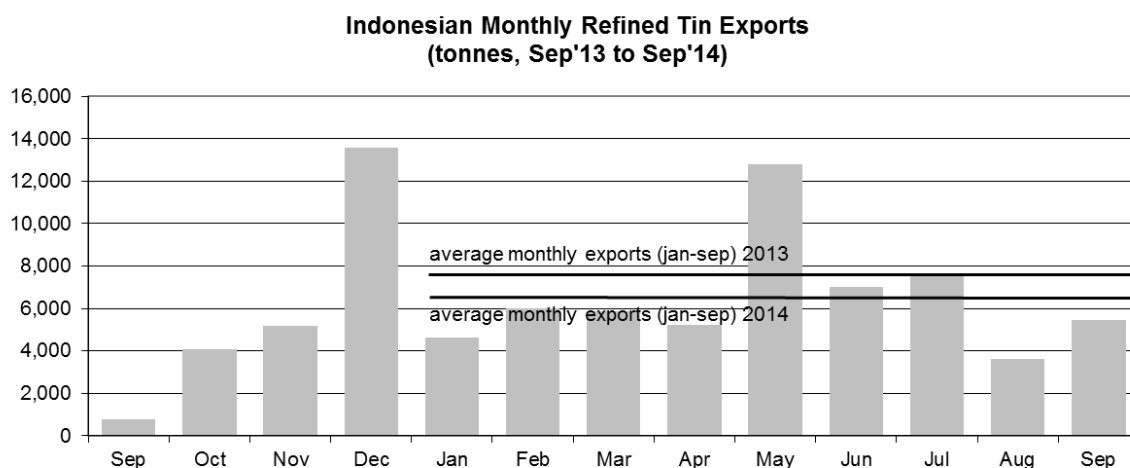


Figure 4: Indonesian monthly tin exports – September 2013 to September 2014

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

MINERAL RESOURCE STATEMENTS

Heemskirk Mineral Resource

Classification	Deposit	Tonnes millions	Grade % tin	Contained Tin tonnes
Indicated	All	1.41	1.26	17,790
Inferred	All	4.87	1.10	53,710
Total		6.28	1.14	71,500
Indicated	Queen Hill	1.41	1.26	17,790
Inferred	Queen Hill	0.19	1.63	3,090
	Severn	4.17	0.98	40,900
	Montana	0.51	1.91	9,710
Total		6.28	1.14	71,500

1. block cut-off grade of 0.6% tin
2. tonnes rounded to reflect uncertainty of estimate
3. estimates prepared by Resource and Exploration Geology

St Dizier Mineral Resource

Classification	Deposit	Tonnes millions	Grade % tin	% iron	Contained Tin tonnes
Indicated	St Dizier	1.20	0.69	23.70	8,280
Inferred	St Dizier	1.06	0.52	22.22	5,512
Total Resource		2.26	0.61	23.00	13,792

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



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 an employee 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 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' by Tim Callaghan of Resource and Exploration Geology. The information in this report that relates to the St Dizier Mineral Resource was announced on 12 March 2014 in an ASX release titled "Heemskirk Tin Project: New Open Pittable Resource at St Dizier". The information was prepared in accordance with the 2012 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. Tim Callaghan 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 Mineral Resource estimates reported on 24 July 2013 and 12 March 2014, 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:

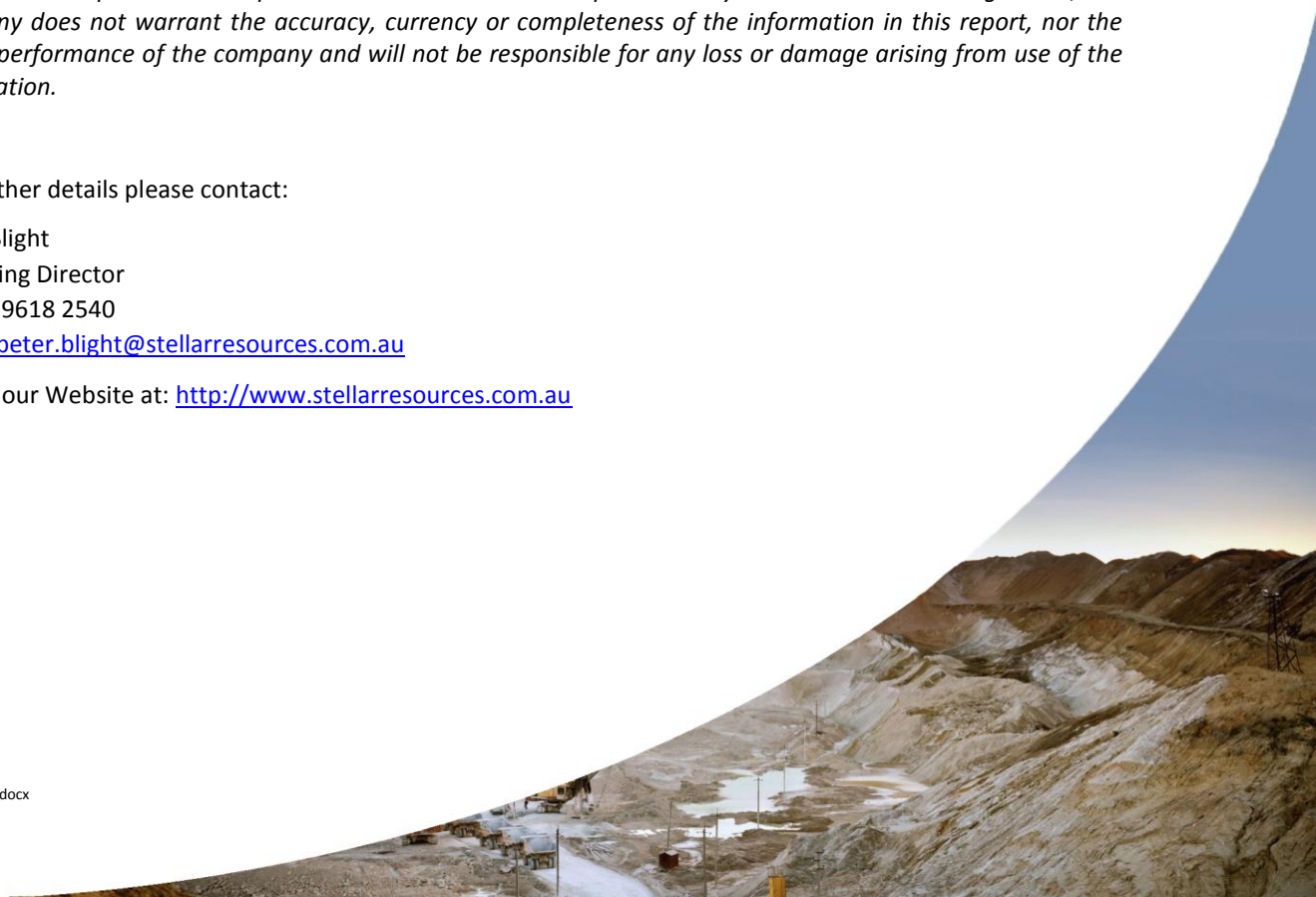
Peter Blight

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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")

30 September 2014

Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(3 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	(473)	(473)
	(b) development	—	—
	(c) production	—	—
	(d) administration	(289)	(289)
	(e) goods & services tax	50	50
1.3	Dividends received	—	—
1.4	Interest and other items of a similar nature received	32	32
1.5	Interest and other costs of finance paid	—	—
1.6	Income taxes paid	—	—
1.7	Other	—	—
Net Operating Cash Flows		(680)	(680)
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)	(680)	(680)

+ 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)	(680)	(680)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	—	—
1.15	Proceeds from sale of forfeited shares	—	—
1.16	Proceeds from borrowings	—	—
1.17	Repayment of borrowings	—	—
1.18	Dividends paid	—	—
1.19	Other (provide details if material)	—	—
	Net financing cash flows	—	—
	Net increase (decrease) in cash held	(680)	(680)
1.20	Cash at beginning of quarter/year to date	4,180	4,180
1.21	Exchange rate adjustments to item 1.20	—	—
1.22	Cash at end of quarter	3,500	3,500

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	112
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 \$96k; rent/office support, Melbourne, paid to Mineral Deposits Limited \$16k	

Non-cash financing and investing activities

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

—

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

—

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	672
4.2 Development	–
4.3 Production	–
4.4 Administration	171
Total	843

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	150	140
5.2 Deposits at call	3,350	4,040
5.3 Bank overdraft	–	–
5.4 Other (provide details)	–	–
Total: cash at end of quarter (item 1.22)	3,500	4,180

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	ML4650, ML4667, ML5179, ML5300	Mining Leases Tarcoola, SA sold to Tunkillia Gold Pty Ltd. Transfer approved.	Nil	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	300,227,775	300,227,775		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options	25,000,000	—	Exercise Price 8 cents	Expiry Date SRZAI 26/02/2017
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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: 17 October 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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