

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 2015

Market cap: A\$8.1m (2.7c)
Cash (30 Sept): \$1.8 million
Shares: 300,227,775

Main Shareholders

European Investors 26.0%
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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27 October 2015

Report for the quarter ended 30 September 2015

Highlights

- 62% increase in Heemskirk tin NPV to A\$99m
- Pre-production capital cost reduced by 12.9% to A\$110.3m
- Total operating cost lowered by 8.2% to A\$21,355/t Sn (US\$14,949/t)
- Total cost position reduced to second quartile on industry cost curve

Stellar Resources Limited (ASX: SRZ, "Stellar" or the "Company") is pleased with the outcome of its PFS optimisation studies. Apart from the significant increase in NPV, mine development will be quicker, recovery and tin in concentrate production will be higher and project return will be markedly better.

Corporate

- Cash balance of A\$1.8m as at 30 September 2015
- September quarter expenditure of A\$390,000
- A\$352,877 received from R&D tax incentive claim after 30 September 2015

Targets for December Quarter 2015

- Planning for DFS diamond drilling and engineering studies
- Environmental surveys in support of DPEMP

Managing Director Peter Blight said: "Completion of the Heemskirk optimisation study has demonstrated a 62% increase in NPV to A\$99m. This is a major milestone for the company and a strong base on which to move forward into a DFS. The company is in a sound financial position following the recent receipt of funds from an R&D tax incentive claim and well positioned to add value through DFS drilling."



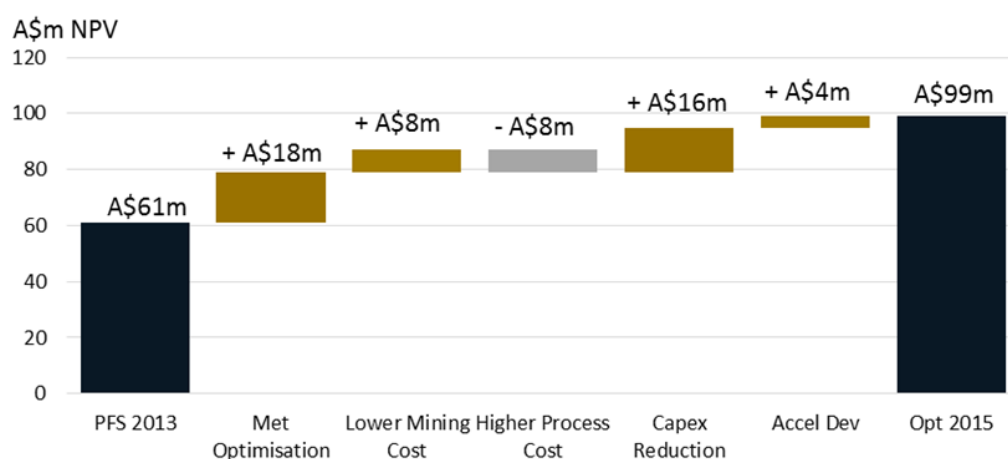
HEEMSKIRK TIN PROJECT (100% Owned)

Overview

Stellar Resources Limited (ASX:SRZ “**Stellar**” or the “**Company**”) announced the results of its PFS optimisation program during the quarter (ASX release: 23 September 2015, “Substantial increase in Heemskirk tin NPV”). The NPV of the Heemskirk tin project has been substantially upgraded to A\$99m, highlighting Stellar and its 100% owned project as the premier pre-production tin opportunity on the ASX.

The A\$38m or 62% increase in NPV was achieved following a cost review of all elements of the project (refer Figure1). Metallurgical optimisation increased average recovery by 4.5% and contributed A\$18 million of the NPV upgrade. Mining costs were also reduced, contributing A\$8m to the NPV gain. However, an increase in processing costs largely offset the mining gain. A reduction in pre-production capital also provided a A\$16m saving. Part of that saving came from accelerated development of the underground mine which also added A\$4m to the NPV by bringing cash flow forward in time.

Figure 1: NPV optimisation



Capital Cost

Pre-production capital was reduced by 12.9% or A\$16.3m to A\$110.3m as a result of the optimisation program. In US\$ terms, the favourable movement in the exchange rate from 0.90USD/AUD at the time of the PFS to 0.70USD/AUD today has reduced the pre-production capital requirement by 32.3% from US\$114.0m to US\$77.2m (refer Table 1). Simplification of the process plant, reduction in equipment costs, lower engineering and construction cost and faster mine development led to the reduction in pre-production capital.

Table 1: Capital cost reduction through optimisation

Capital Item	PFS 2013 A\$m	Optimised 2015 A\$m	Change %	Comments
Mine	37.9	35.5	-6.5	Mine development reduced to 12 months
Process	88.7	74.8	-15.7	Plant simplification and lower cost sourcing
Total A\$m	126.6	110.3	-12.9	More productive development
Total US\$m	114.0	77.2	-32.3	Weak A\$ provides competitive advantage
Total US\$/tonne ore	190	129	-32.3	Annual throughput remains at 0.6mt

Accelerated Mine Development

The mine development timetable was reduced from 17 months to 12 months following a review of underground contractor advance rates by Polberro Consulting. In the examples considered, advance rates for single heading development were 200m/month or higher compared with 120m/month assumed in the PFS. In the optimisation study, an advance rate of 180m/month was assumed. The five months saved from the development timetable provided a pre-production labour cost saving and brought cash flow forward.

Another area of significant saving followed a review of stope fill methods and a recommendation by Polberro Consulting to consider paste fill over cemented aggregate fill. The use of paste fill in conjunction with transverse open stoping, where appropriate, is expected to increase scheduling flexibility and reduce mining costs by 8.7% or A\$6/t.

Simplified Process Flow Sheet

Metallurgical optimisation (ASX release: 24 March 2015 “Metallurgical optimisation upgrades Heemskirk NPV”) increased average recovery by 4.5% to 72.8% and increased planned annual tin production by 200 tonnes to 4,527 tonnes.

In addition, the recognition that sulphides could be effectively separated from cassiterite at coarser grind size ($P_{80} \sim 250\mu$) than was assumed in the PFS meant that the process circuit could be simplified by eliminating heavy media separation and reducing the size of the primary grind circuit. Another advantage of these changes was the 8% increase in tin recovered by lower cost gravity methods.

Operating Cost

Optimisation reduced mine gate cash operating costs (refer C1, Table 2) by 5% to A\$14,927/t of tin in concentrate and total cash costs (C2) by 4% to A\$18,156/t or US\$12,709/t at an exchange rate of 0.70USD/AUD. At today's bottom of the cycle LME spot tin price of US\$15,900/t, Heemskirk would be generating positive cash flow of US\$3,200/t of tin in concentrate and covering total unit cost (C3) by US\$950/t.

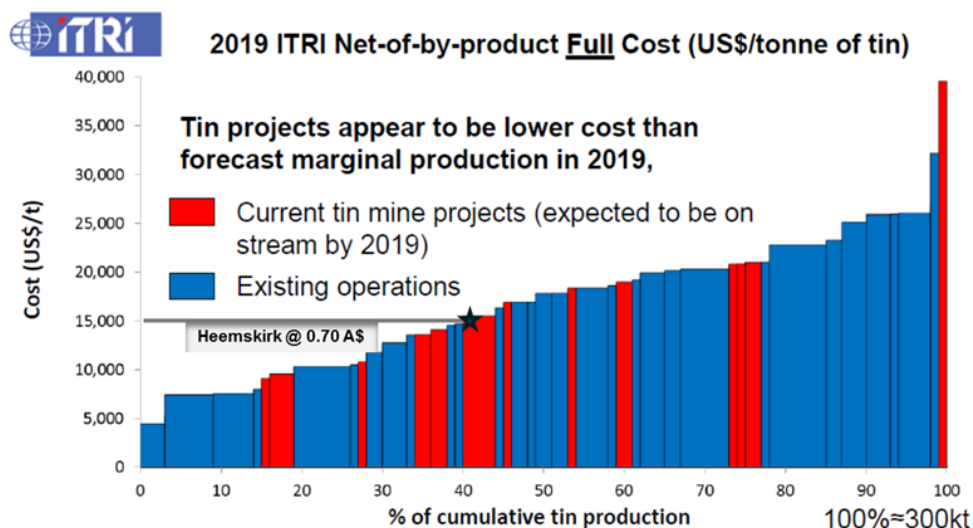
Table 2: Unit operating cost by activity

Activity	PFS 2013 A\$/t Sn	Opt 2015 A\$/t Sn	Change %	Opt 2015 US\$/t Sn 0.70USD/AUD
C1 mining, processing, admin	15,705	14,927	-5.0	10,449
+ tc/rc, transport, royalties	3,229	3,229	0.0	2,260
C2 cash operating cost	18,934	18,156	-4.1	12,709
+ depreciation & amortisation	4,335	3,199	-26.2	2,239
C3 total operating cost	23,269	21,355	-8.2	14,949

Competitive Cost Structure

The optimised total unit cost (C3) of US\$14,949/t of tin in concentrate, places Heemskirk in a competitive second quartile position on the ITRI (International Tin Research Institute) tin industry cost curve (refer Figure 2). This is a significant improvement from the PFS third quartile position.

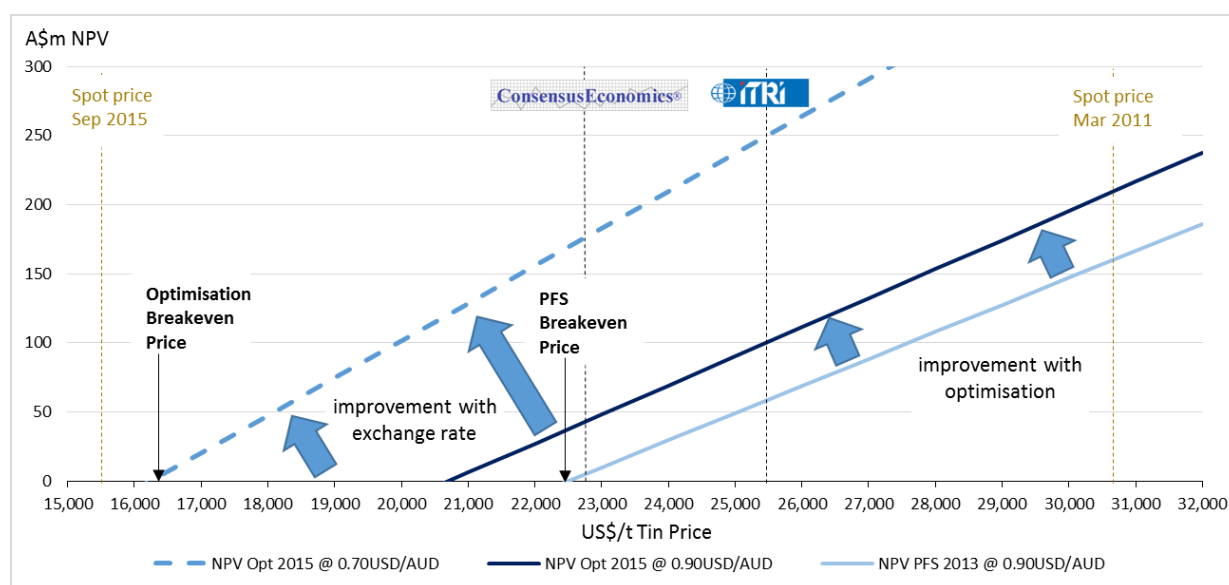
Figure 2: Heemskirk's strong competitive cost position



Next Steps

The optimisation program and the weaker AUD/USD exchange rate have lowered the breakeven NPV for the Heemskirk project by US\$6,000/t to US\$16,200/t relative to the PFS outcome of US\$22,500/t (refer Figure 3). Given the lower price hurdle and the considerable NPV upside once the tin price moves into the recovery phase the project is in a strong position to be financed through a definitive feasibility study (DFS) and into development.

Figure 3: NPV sensitivity to tin price and exchange rate



Planning is underway on DFS drilling to upgrade the mining inventory to an ore reserve.

Work is continuing on environmental studies in support of a Development Proposal and Environmental Management Plan.

EXPLORATION

Tin

EL6/2014 Stonehenge (TAS) (Stellar 100%)

The Stonehenge EL lies immediately to the south of the Heemskirk deposits and contains similar geology and structure. Inversion modelling of magnetic geophysical data covering the licence area has identified a target for ground checking in the December quarter.

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

Soil sampling has closed off a 600m by 300m zone containing tin in soil assays in excess of 300ppm. The tin in soil target covers a quartz-tourmaline altered granite porphyry which occurs on the northern edge of the Meredith Granite. Stellar is considering funding options to finance a drilling program to test the geochemical target.

Copper/Gold

EL 5125 Cleanskin Swamp and EL 5126 long Creek (SA) (Stellar 100%)

Stellar is seeking a joint venture partner to explore the iron sulphide copper gold potential of these Coober Pedy Ridge tenements. Four relatively shallow targets have been identified with only one partly drilled to date.

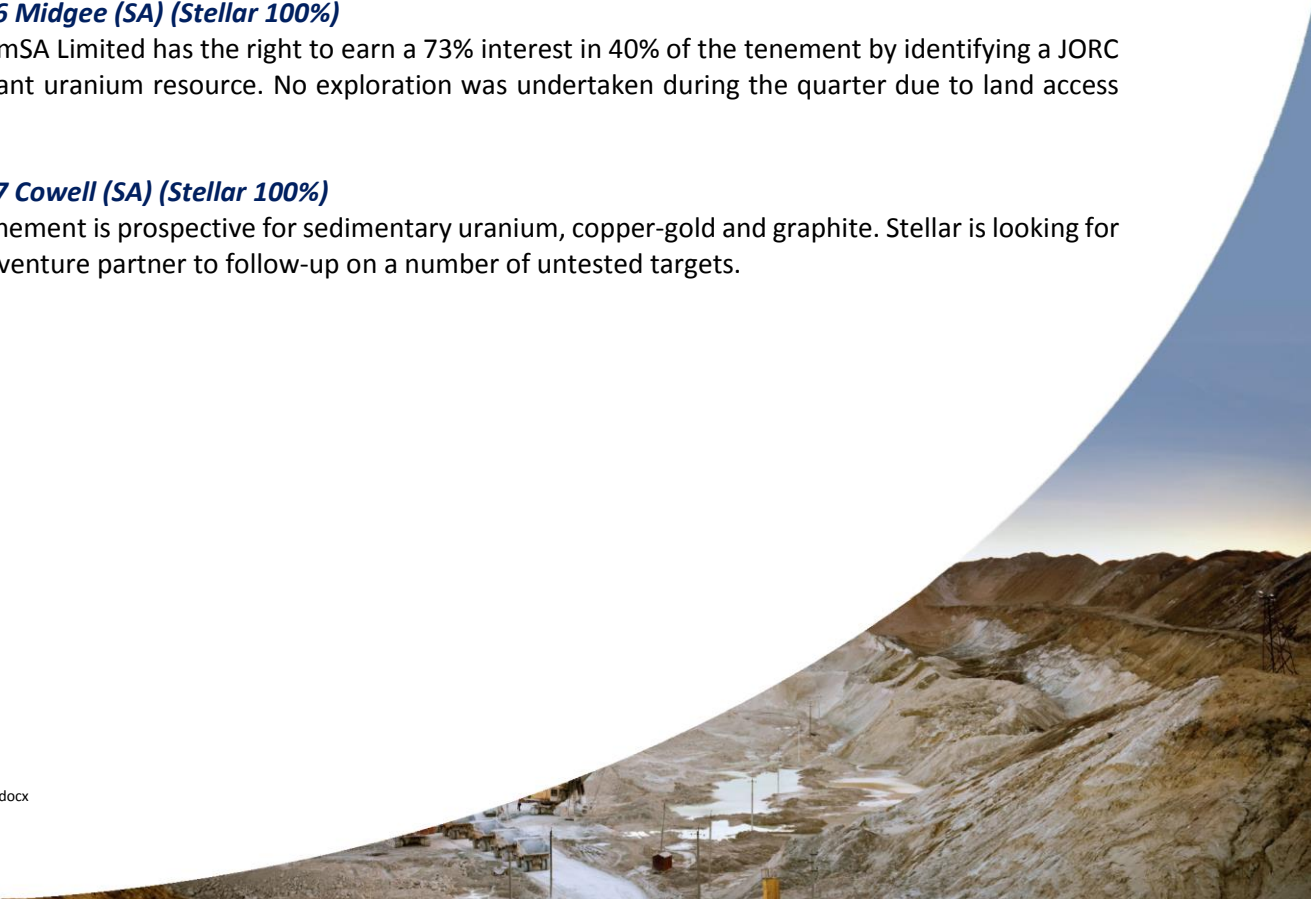
Uranium

EL 5426 Midgee (SA) (Stellar 100%)

UraniumSA Limited has the right to earn a 73% interest in 40% of the tenement by identifying a JORC compliant uranium resource. No exploration was undertaken during the quarter due to land access issues.

EL 5307 Cowell (SA) (Stellar 100%)

This tenement is prospective for sedimentary uranium, copper-gold and graphite. Stellar is looking for a joint venture partner to follow-up on a number of untested targets.



Iron ore

EL 5355 Tarcoola (SA) (Stellar 100%)

Stellar subsidiary Tarcoola Iron Pty Ltd disposed of its interest in EL 5355 to Tarcoola Gold Pty Ltd, a subsidiary of WPG Resources Limited, under the terms of an existing Exploration and Development Agreement.

The disposal of EL 5355 completes the exit of Tarcoola Iron from its magnetite iron ore interests in South Australia.

CORPORATE

Cash Position

As at 30 September 2015, Stellar Resources held cash and term deposits of A\$1.8 million. Expenditure during the quarter was \$390,000.

On 19 October 2015, Stellar Resources received a payment of \$352,877 before costs from the Australian Taxation Office in respect of a R&D tax incentive claim for 2014/15.

TIN MARKET

During the quarter, the LME tin spot price traded in a narrow range from US\$14,100/t to US\$16,360/t. The price is currently US\$15,900/t and has recovered from its 30 June low of US\$13,980/t (see Figure 4).

- LME tin stocks set a new 6 year low of 4,585 tonnes (see Figure 4) – most of this stock is held in the LME's Malaysian warehouse
- Indonesian refined tin exports were interrupted by new permitting requirements in August and remain 10% below the 2014 level (refer Figure 5)
- Imports of tin ore and concentrates from Myanmar into China declined to 9,984t in September, reflecting seasonal factors and possibly depletion effects (refer Figure 6)
- China's imports of refined tin have risen by 18.6% to 7,387 tonnes in 2015 and exports have fallen 87% to 65 tonnes
- According to ITRI, anecdotal evidence is suggesting that China's tin demand is weaker than the trade statistics suggest

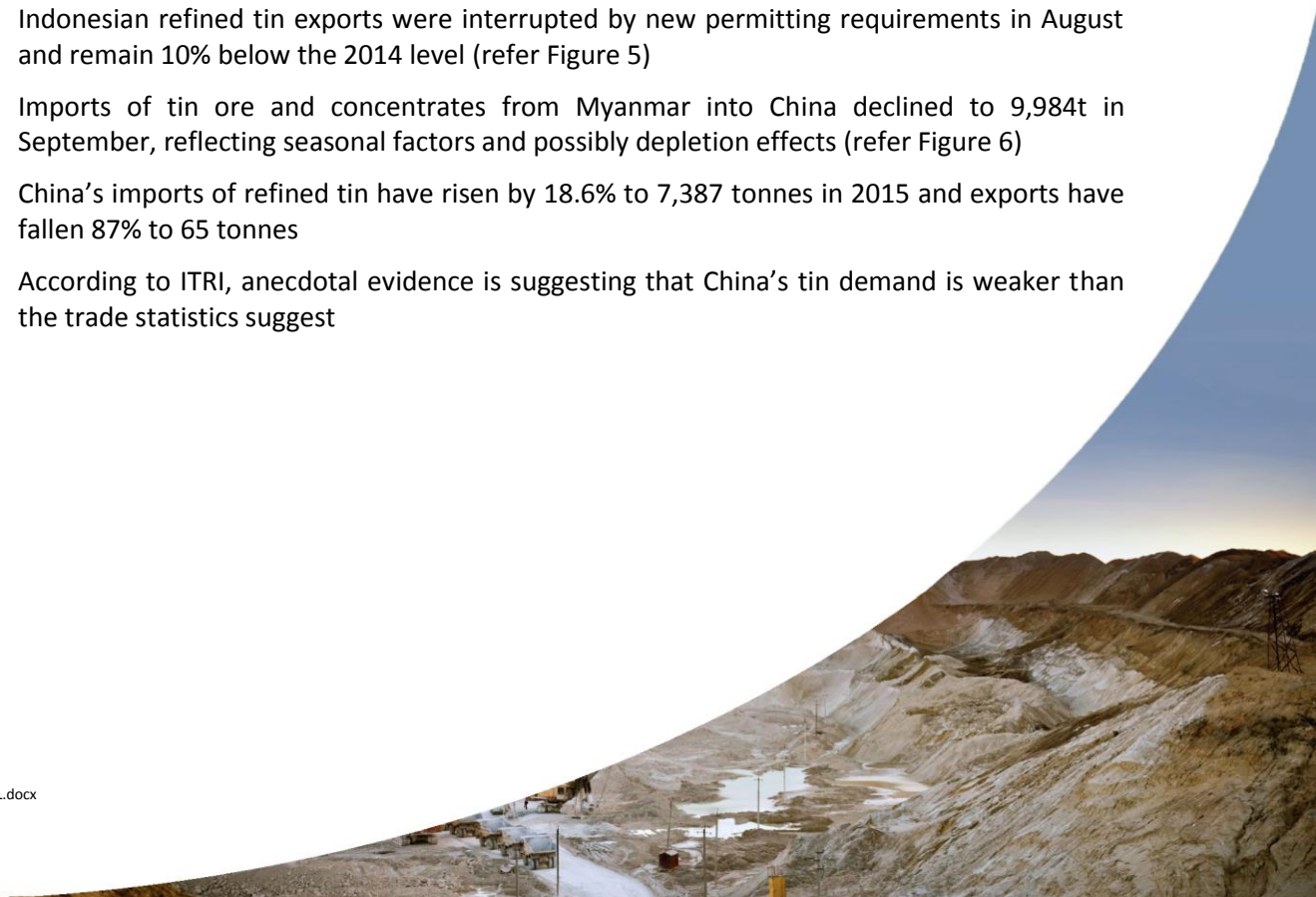


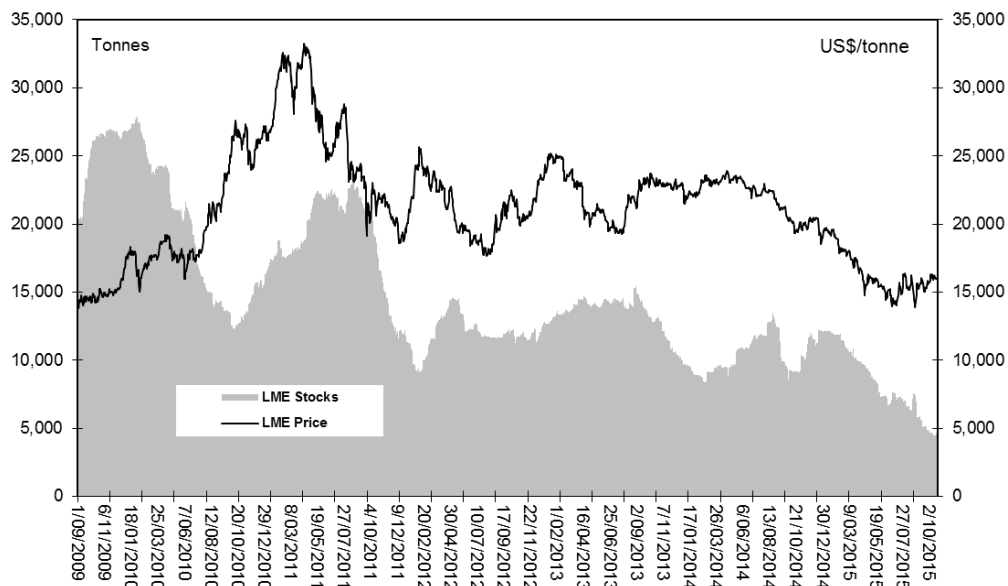
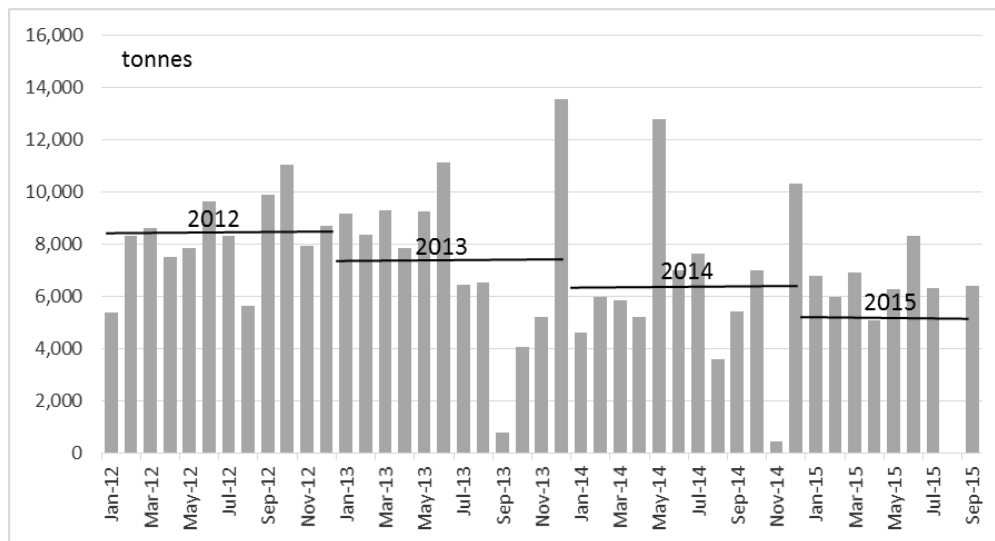
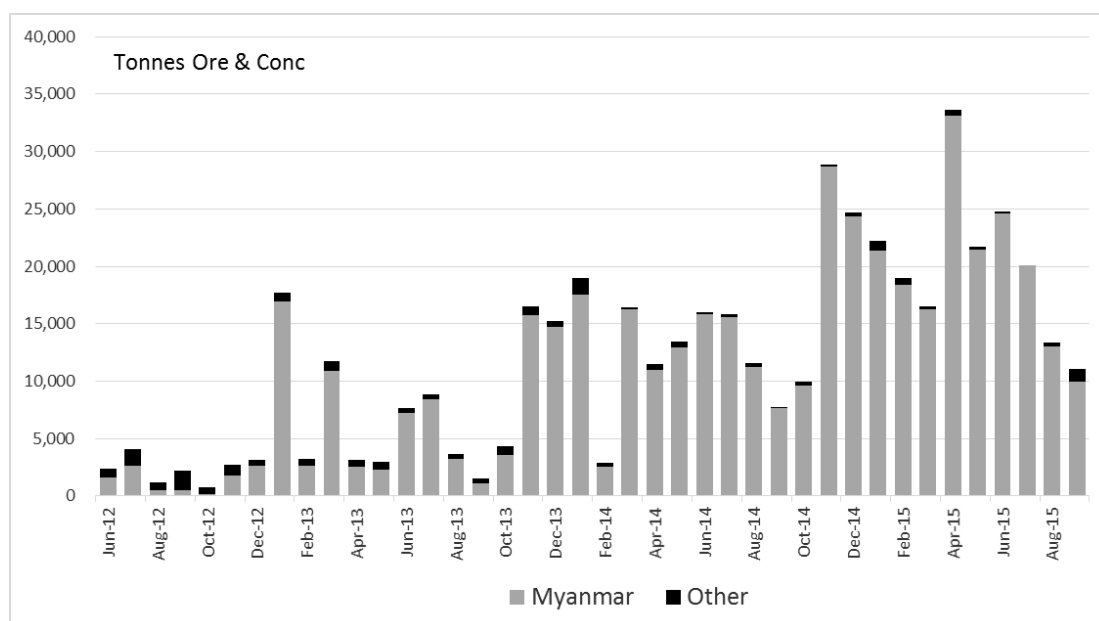
Figure 4: London Metal Exchange tin spot price and stocks daily

Figure 5: Indonesian refined tin exports – monthly


Figure 6: Chinese imports of tin ore and concentrates – monthly



TENEMENT REGISTER

Project	Licence Number	Tenement	Location	Interest held (%)
Heemskirk Tin	RL5/1997	Zeehan	Tasmania	100%
	ML 2M/2014	Tailings Dam	Tasmania	100%
	EL46/2003	Heemskirk	Tasmania	100%
Exploration Tin	EL1/2004	Ramsay River	Tasmania	100%
	EL6/2014	Stonehenge	Tasmania	100%
Uranium	EL5307	Cowell	South Australia	100%
	EL4242	Midgee	South Australia	100% ¹
Copper/Gold	EL5125	Cleanskin Swamp	South Australia	100%
	EL5126	Long Creek	South Australia	100%

¹ 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		Contained Tin tonnes
			% tin	% iron	
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 24th 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.

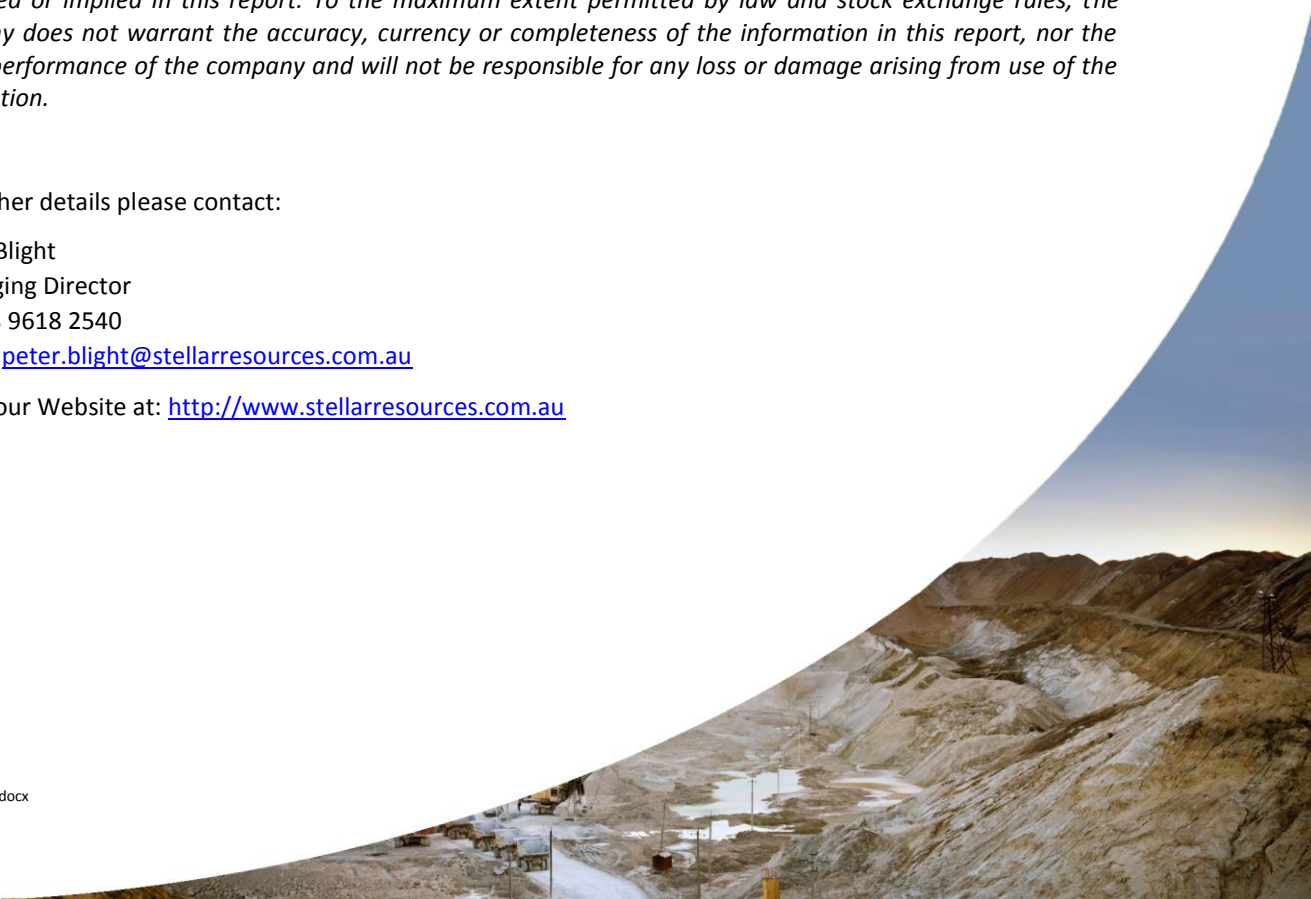
Forward Looking Statements

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:

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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")

30 September 2015

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	(242)	(242)
	(b) development	—	—
	(c) production	—	—
	(d) administration	(193)	(193)
	(e) goods & services tax	26	26
1.3	Dividends received	—	—
1.4	Interest and other items of a similar nature received	19	19
1.5	Interest and other costs of finance paid	—	—
1.6	Income taxes paid	—	—
1.7	Other – R & D concessional tax refund	—	—
Net Operating Cash Flows		(390)	(390)
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)	(390)	(390)

+ 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)	(390)	(390)
	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	(390)	(390)
1.20	Cash at beginning of quarter/year to date	2,217	2,217
1.21	Exchange rate adjustments to item 1.20	—	—
1.22	Cash at end of quarter	1,827	1,827

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	75
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 \$62k; rent & outgoings, Melbourne, paid to Mineral Deposits Limited \$13k	

Non-cash financing and investing activities

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

—

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

—

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	260
4.2 Development	–
4.3 Production	–
4.4 Administration	130
Total	390

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	77	107
5.2 Deposits at call	1,750	2,110
5.3 Bank overdraft	–	–
5.4 Other (provide details)	–	–
Total: cash at end of quarter (item 1.22)	1,827	2,217

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	EL 5355	Exploration Licence Tarcoola, South Australia sold and licence transfer completed.	100%	0%
6.2 Interests in mining tenements and petroleum tenements acquired or increased	EL 32/2014 EL 6/2014	Exploration Licence, McLean Creek, Tasmania consolidated with. Exploration Licence, Stonehenge Creek, Tasmania	100% 100%	0% 100%

+ 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 17,500,000	Nil Nil	Exercise Price 8 cents Various Prices	Expiry Date SRZAI 26/02/2017 SRZAA 20/11/2019
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:  Date: 26 October 2015
(Company secretary)

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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