

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 Dec 2016

Market cap: A\$9.6m (3.2c)
Cash (30 June): \$1.2 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

Thomas H Whiting

Non-Executive Director

Christina R Kemp

Company Secretary

ASX Code: SRZ

ABN 96 108 758 961
Level 17, 530 Collins Street
Melbourne Victoria 3000
Australia

Telephone +61 3 9618 2540
Facsimile +61 3 9649 7200

www.stellarresources.com.au

30 January 2017

Report for the quarter ended 31 December 2016

Highlights

- **JORC 2012 Mineral Resource** 6.35mt @ 1.13% Sn or 72,000t of contained tin – confirms significant grade advantage of the Heemskirk Tin Project
- **Ore Sorting test work** shows that the process can separate high density tin bearing particles from waste in Severn and Lower Queen Hill ore
- **EPA confirms extension of time for DPEMP submission** – timetable is now consistent with the schedule for DFS program
- **Tin market outlook continues to improve** – increased demand from the electronics sector is expected to add to the global tin market deficit in 2017

Corporate

- **Cash balance of A\$1.2m** as at 31 December 2016
- December quarter expenditure of A\$195,639

Targets for March Quarter 2017

- Complete Mining Lease application process
- Advance environmental permitting process
- Assess opportunities for higher tin grade

“Stellar has continued to advance the Heemskirk Tin Project through the quarter with the release of a JORC 2012 resource statement, some positive ore sorting results and positive consultation with the EPA on the permitting process” said Managing Director Peter Blight.

“It is also pleasing to note that tin market fundamentals are continuing to improve with increasing demand from the solder sector, the largest end-use market for tin, being the latest development ” he added.



Overview

Stellar Resources Limited (ASX:SRZ “**Stellar**” or the “**Company**”) owns 100% of the Heemskirk tin project which has a JORC Resource of 6.35mt at 1.13% tin. Heemskirk, in northwest Tasmania, is the highest grade and best located undeveloped tin project listed on the ASX.

Heemskirk is a world class tin project located near Zeehan in the prolific mining district of northwest Tasmania. It is located within 18 km of Australia’s oldest and largest tin mine Renison Bell and has access to excellent infrastructure and services (see Figure 1).

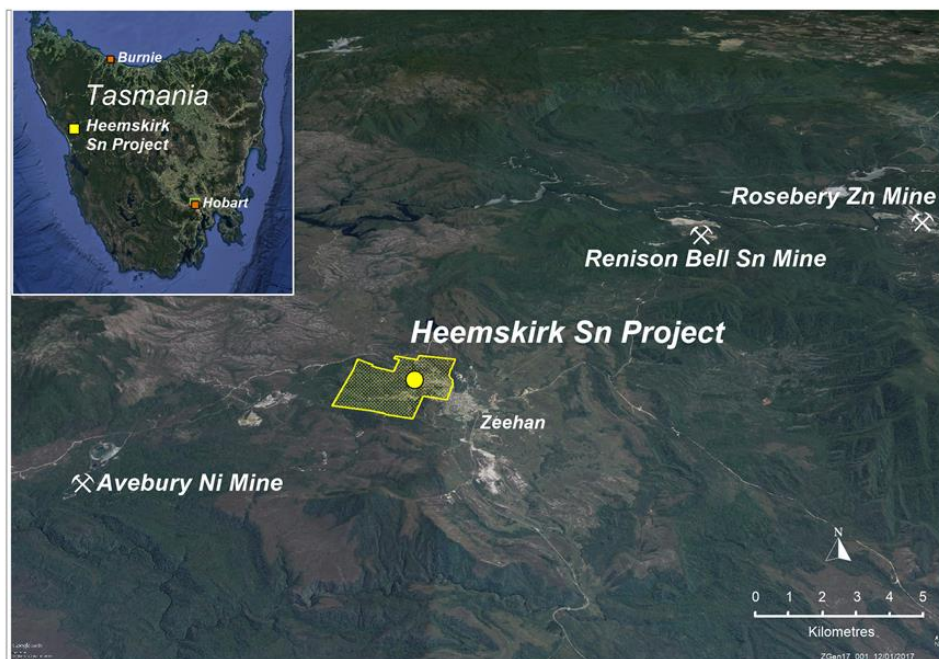
During the December quarter, the following outcomes were achieved:

- Mining lease application advanced
- Heemskirk Mineral Resource updated to JORC 2012
- Initial ore sorting test program completed with positive results
- Extension of time from EPA for the completion of a development proposal and environmental management plan

Mining Lease Application

Stellar has applied to Mineral Resources Tasmania for a Mining Lease over the yellow area shown in Figure 1 which contains the Zeehan tin deposits. The Company has supplied additional information as requested by MRT in support of its application and is now awaiting a decision.

Figure 1: Oblique aerial view of Heemskirk Tin ML application area



Mineral Resource Upgrade to JORC 2012

The JORC 2012 Mineral Resource estimate is summarised in Table 1 (see ASX release 29 November 2016 “Tin Mineral Resource Upgrade to JORC 2012” for details). The global Indicated and Inferred Resource estimate is 6.35mt grading 1.13% total Sn. Table 1 also identifies cassiterite as the dominant Sn mineral (97% on average) and includes grades of associated base metals to demonstrate geochemical differences between deposits. JORC 2012 is a more robust estimate compared with the previous JORC 2004 estimate, as it includes some additional drill holes and the results from mining, metallurgy and environmental studies.

Table 1: Mineral Resource Estimate, Zeehan Tin Deposits, JORC 2012

Classification	Deposit	Tonnage mt	Total Sn %	Contained Sn t	Cassiterite ¹ % of total Sn	Cu %	Pb %	Zn %	S %	SG mg/l
Indicated	Upper Queen Hill	0.47	1.15	5,000	91	0.12	1.3	0.81	13.80	3.72
	Lower Queen Hill	0.82	1.42	12,000	99	0.03	0.22	0.23	17.91	3.45
Total Indicated		1.29	1.32	17,000	96	0.06	0.61	0.44	16.55	3.55
Inferred	Lower Queen Hill	0.35	1.50	5000	98	0.04	0.14	0.09	16.9	3.31
	Severn	4.03	0.97	39000	99	0.06	0.03	0.05	8.34	3.18
	Montana	0.68	1.56	11000	96	0.07	0.72	1.18	17.8	3.68
Total Inferred		5.06	1.09	55000	98	0.06	0.13	0.25	10.23	3.26
Total Indicated + Inferred		6.35	1.13	72,000	97	0.06	0.23	0.29	11.48	3.32

1. cassiterite = (total Sn% - soluble Sn%)/total Sn%

2. block cut-off grade of 0.6% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology

Competent Persons Statement

The Information in this report that relates to Mineral Resources 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, who is a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”), has a minimum of five years’ experience in the estimation, assessment and evaluation of Mineral Resources of this style and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

Importantly, 64% of the Indicated Resource is in Lower Queen Hill which has an average grade of 1.42% Sn and represents an attractive stage 1 target for a multi-stage development of the project.

The mineral resource upgrade also stated that all deposits are open down plunge and contain significant exploration potential.

Tin Ore Sorting

During the quarter, Stellar completed an initial testing program using ¼ drill core from two Severn and one Lower Queen Hill diamond drill holes to trial ore sorting technology developed by TOMRA. The Severn and Lower Queen Hill samples were tested separately to consider the impact of the technology on different ore types.



Figure 2: TOMRA Ore Sorting Machine



TOMRA advised in its test report that sorting using a full size TOMRA COM XRT machine was “able to identify and separate high density tin bearing particles from waste. Different machine settings were used for each of the feed materials and both sets of samples showed significant amenability to upgrading the tin concentration.” See ASX release 12 January 2017 “Heemskirk Tin Ore Sorting Update” for more detail.

Since receiving the ore sorting results, Stellar has completed XRD determination of the mineralogy and grindability testing of the sorted streams. XRD showed that ore sorting does preferentially reduce silicates and micas while upgrading cassiterite and other dense minerals including sulphides and siderite in the product streams. Grindability testing added to the picture by showing a moderate reduction in product stream grinding energy for Lower Queen Hill with no material reduction for Severn.

In summary, test work to date is showing moderate gains from ore sorting that need to be measured against the cost of tin loss in the waste stream. The testing program is now focused on the tin loss question by measuring the recoverability of tin in the waste streams.

Once more drill core is available, a larger more representative sample of the two ore types can be tested to allow optimisation of ore sorter calibration and more accurate determination of the benefits and costs of the technology.

Environmental Permitting Update

Stellar has gained an extension of time to late 2017 for the submission of a development proposal and environmental management plan (DPMP) to the Tasmanian Environmental Protection Authority (EPA). The extension allows Stellar to coordinate outstanding survey work with other DFS activities during the year.

During the quarter, work was undertaken to compile data on surface water flow rates and chemistry for the Zeehan and St Dizier areas. The final report will be submitted to the EPA in March quarter.

Seasonal flora and fauna survey work was also completed for the St Dizier area during the December quarter.

EXPLORATION

Tin

EL46/2003 Heemskirk (TAS) (Stellar 100%)

The well-defined St Dizier tin-skarn deposit is located within this EL46/2003. Work during the quarter included a seasonal flora and fauna survey.

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

The Stonehenge EL lies immediately to the south of the Heemskirk deposits and contains similar geology and structure.

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. Stellar is seeking joint venture funding to finance a drilling program to test the geochemical target.

Uranium

EL 5426 Midgee (SA) (Stellar 100%)

Samphire Uranium Ltd 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.

EL 5307 Cowell (SA) (Stellar 100%)

This tenement is prospective for sedimentary uranium, copper-gold and graphite. No exploration was conducted during the period.

CORPORATE

Cash Position

As at 31 December 2016, Stellar Resources held cash and term deposits of A\$1.2 million. Expenditure during the quarter was A\$195,639.

TIN MARKET

The London Metal Exchange (LME) tin price rose strongly through the quarter to a high of US\$21,945/t in early November 2016. It has since traded back to US\$19,975/t as profit takers moved into the market. In A\$ terms, a tin price high of A\$29,493/t occurred in late December 2016 - the current price is A\$26,530/t.

Tin market fundamentals remain strong:

- Demand set to grow strongly in 2017 due to increased solder use following recovery in semi-conductor sales in the second half of 2016 according to Macquarie Research
- LME tin stocks are historically low at 5,450t (see Figure 3)
- Indonesia, the second largest tin producing country, reduced exports by 9.4% to 63,560t in 2016 – the fourth consecutive year of decline (refer Figure 4)
- Imports of tin ore and concentrates from Myanmar into China increased to 54,000t of contained tin in 2016. ITRI believe the export number is inflated by a stock reduction – if so, lower shipments are likely in 2017 (refer Figure 5)

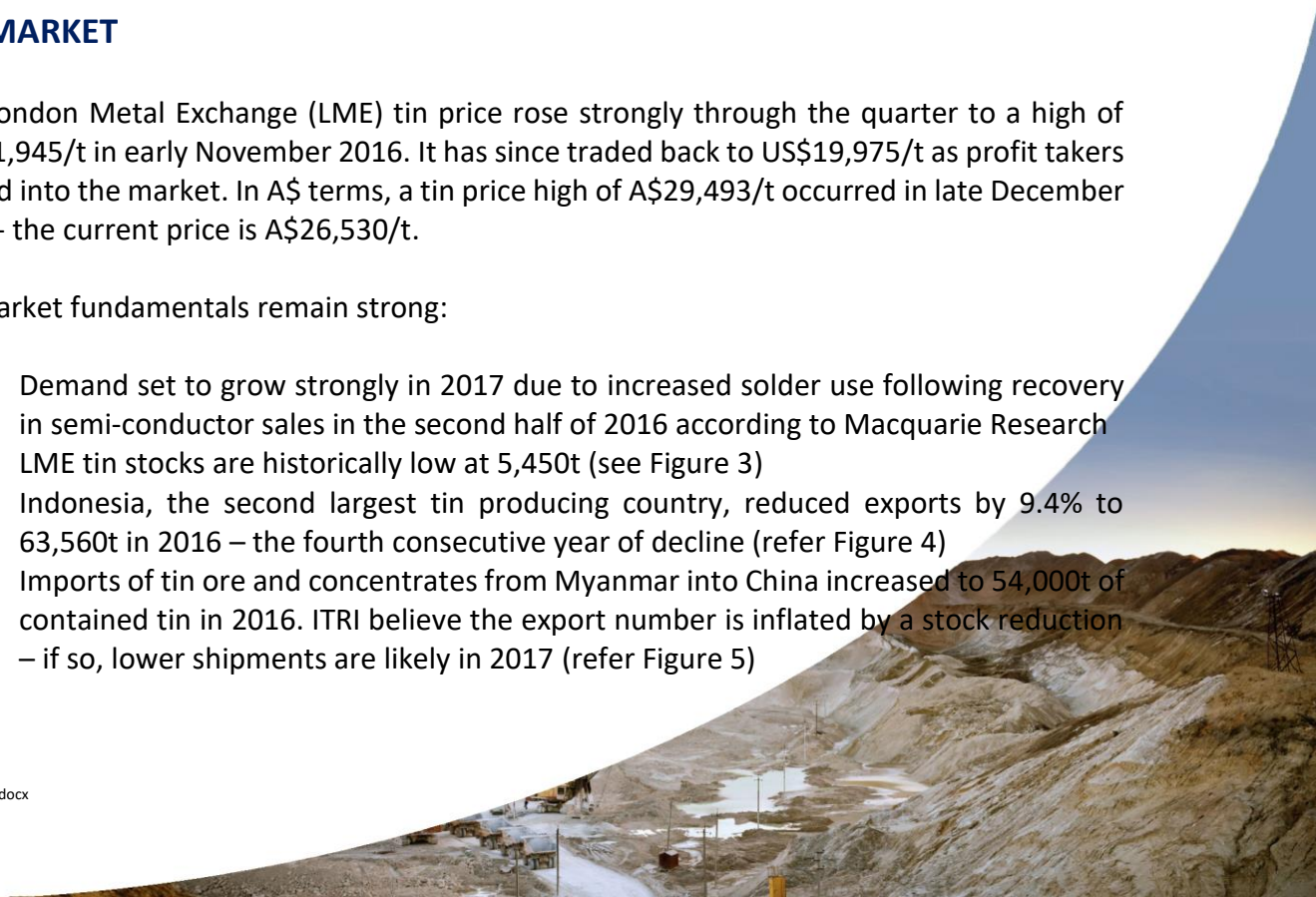


Figure 3: London Metal Exchange tin spot price and stocks – daily

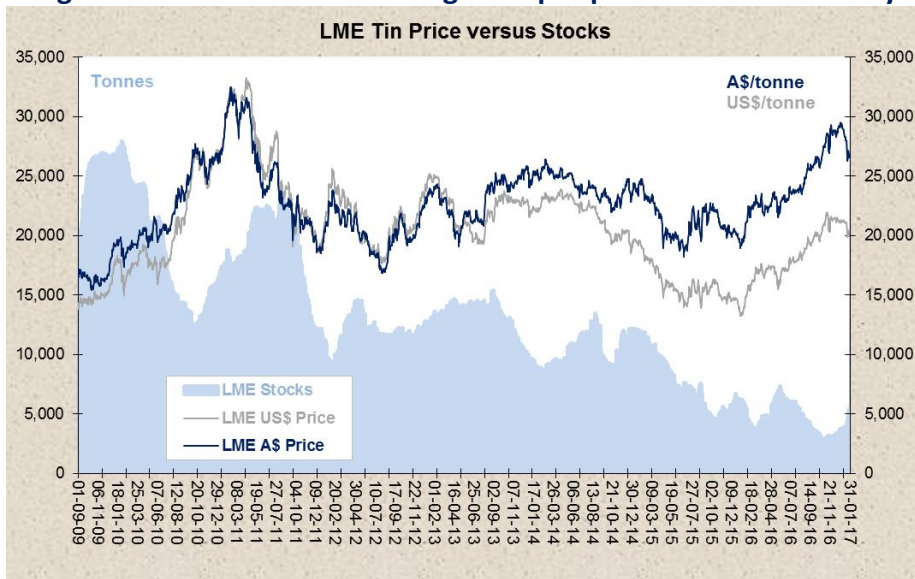
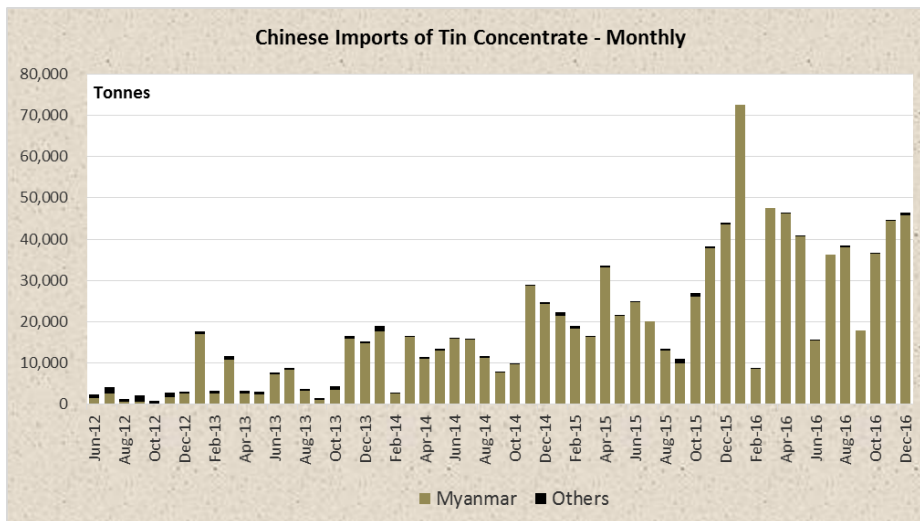


Figure 4: Indonesian refined tin exports – monthly



Figure 5: Chinese imports of tin ore and concentrates – monthly



TENEMENT REGISTER

Project	Licence Number	Tenement	Location	Interest held (%)
Development				
Heemskirk Tin	RL5/1997 ¹	Zeehan	Tasmania	100%
	2M/2014	Tailings Dam	Tasmania	100%
St Dizier	EL46/2003	Heemskirk	Tasmania	100%
Exploration				
Tin	EL1/2004	Ramsay River	Tasmania	100%
	EL6/2014	Stonehenge	Tasmania	100%
Uranium	EL5307	Cowell	South Australia	100%
	EL5426 ²	Midgee	South Australia	100%

¹ Mining Lease application pending over RL5/1997

² JV with Samphire Uranium Limited earning 73% in uranium interest

Forward Looking Statements

This report may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Stellar Resources Limited's planned activities and other statements that are not historical facts. When used in this report, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward-looking statements. Although Stellar Resources Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Stellar Resources Limited securities.

For further details please contact:

Peter Blight
 Managing Director
 Tel: 03 9618 2540
 Email: peter.blight@stellarresources.com.au

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

STELLAR RESOURCES LIMITED

ABN

96 108 758 961

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(78)	(146)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(125)	(255)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(196)	(379)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period	(196)	(379)
4.1 Cash and cash equivalents at beginning of period	1,394	1,577
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(196)	(379)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,198	1,198

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	38	34
5.2	Call deposits	1,160	1,360
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,198	1,394

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

35

-

Directors fees and remuneration.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	5
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Rent and outgoings, Melbourne, paid to Mineral Deposits Limited.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	106
9.2 Development	-
9.3 Production	-
9.4 Staff costs	68
9.5 Administration and corporate costs	46
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	220

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 24 January 2017

(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.