

Stellar Resources

ASX Announcement



29 January 2018

Report for the quarter ended 31 December 2017

Highlights

- **Severn DDHs provide high grade tin intersections:**
ZS135 - 2m @ 1.9% tin from 263m
ZS139 - 1m @ 12.6% tin from 284m
- 3m @ 1.6% tin from 275m
High tin grade is related to north-south sulphide veins and increased intensity of alteration - important vectors for future resource definition
- **New Razorback EL contains advanced tin development options**
 - potential to recover cassiterite tin from a tailings dam
 - potential to define drill targets below the Razorback open pit
 - exploration potential along 3km fault that hosts Razorback tin deposit

Capital Structure

Shares: 374,513,489
Share Price (SRZ): A\$0.020

Listed Options: 59,142,857
Option Price (SRZO): A\$0.004
Unlisted Options: 15,000,000

Commodity

Tin Price: US\$22,005/t
Exchange Rate US\$ 0.80

Main Shareholders

European Investors 19.5%
Capetown SA 16.4%

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

Melanie J Leydin

Company Secretary

Corporate

- Cash balance of \$1.7m as at 31 December 2017
- Tin price recovery to US\$22,005/t on declining stock levels, improved outlook for global growth and a weaker US dollar

Targets for March Quarter 2018

- Results from Razorback tailings recovery test work
- 3D modelling of the Razorback tin deposit
- Ore sorting test results for Severn
- Update on Mining Lease applications for the Heemskirk Tin tailings pipeline route and the St Dizier tin deposit

ASX Code: SRZ

About Stellar:

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Melbourne Victoria 3000
Australia

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.

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HEEMSKIRK TIN PROJECT

Drilling Results

In December Quarter, infill drilling focused on the Severn deposit. Diamond drill holes (DDHs) ZS135 and ZS139 intersected high grade tin mineralisation in the upper part of Severn, within 200m of the surface. Table 1 summarises the most significant assay results from these DDHs.

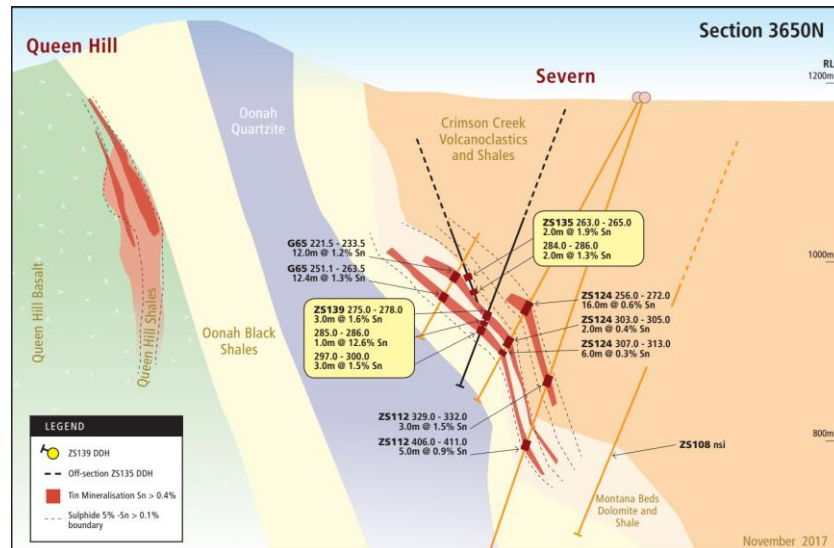
Table 1: Significant Tin Intersections

Hole No	From m	To m	Interval m	Total Sn %
ZS135	263	265	2	1.9
	284	286	2	1.3
ZS139	275	278	3	1.6
	285	286	1	12.6
	297	300	3	1.5

Reported in ASX Release 22 November 2017

As Figure 1 shows, the tin intersections are consistent with historical drilling results above and below ZS135 and ZS139. The mineralisation is broadly stratabound within shale and dolomite of the Montana Beds or volcanoclastic rocks of the Crimson Creek Formation. Apart from reactive host rock geochemistry, structure is also important with high tin grades related to north-south trending sulphide veins. These veins occur where there is an increased intensity of alteration within a broad stock-work that extends over 150m down hole.

Figure 1: Interpretative Geological Cross-Section 3650N Showing ZS135 and ZS139 Intersections



Drilling Plan

The 2017 drilling program provided consistent infill results for the Lower Queen Hill deposit and highlighted the presence of high grade tin at Severn. Further drilling is planned to build on these results, better define the resource and provide more sample for metallurgical testing. The program is expected to follow testing of the recently acquired Razorback EL which has the potential to provide a faster path to tin production.

MOUNT RAZORBACK EXPLORATION LICENCE

On 10 January 2018, Stellar announced that it had received title to EL11/2017 which is located just 10km to the east of Zeehan and contains the historical Razorback and Grand Prize tin mines and a tailings dam. During the most significant period of tin production (1975 to 1978), the Razorback mine produced 153t of tin in concentrate valued at A\$4m at today's spot tin price.

EL11/2017 is serviced by unsealed roads that allow easy access to historical mines and exploration targets (see Figure 2). Any economic tin mineralisation discovered within the EL could be easily transported to a proposed processing facility at Zeehan or any other processing facilities in the area.

Figure 2: Tenement Map showing EL11/2017 and Heemskirk MLs



Exploration Potential and Work Program

Stellar plans to focus on the Razorback mine and associated targets with three opportunities identified to date.

- 1) **The economic recovery of tin from tailings.** Sampling and metallurgical testing of tailings should establish whether modern processing technology can improve on historical recovery to produce a saleable product. Initial sampling and tailings characterisation is to be completed in March quarter 2018.
- 2) **Identification of a resource below the open pit.** Diamond drilling by previous title holders both before and after Minops mining activity has shown that a resource exists below and down-plunge of the open pit. During March quarter 2018, Stellar plans to create a 3D model of historical drilling in order to identify drilling targets below the Razorback open pit.

In addition, the availability of an open pit will allow sampling across the pit floor to establish the distribution of mineralisation and access for the extraction of a bulk sample for metallurgical testing. Any improvement in recovery from the tailings test work should also have positive implications for the resource.

- 3) **Along-strike exploration.** The Razorback Fault extends for more than 3km to the north and south of the mine. It provides an attractive geological setting for repetition of the Razorback

mineralisation. In addition, surveys by previous explorers show elevated tin in soil in the vicinity of the fault. Historical diamond drilling to the north and south of the Razorback mine is sparse providing an opportunity for further exploration.

CORPORATE

As at 31 December, the company held cash and term deposits of \$1.7m. Expenditure for the quarter was \$0.5m.

TIN MARKET

The London Metal Exchange (LME) tin price averaged US\$19,846/t over the December quarter 2017 with a low level of volatility suggesting a balanced market. However, since early January 2018, the price has rallied 9% to US\$22,005/t out-performing prices for other LME metals (see Figure 3). The tin price backwardation has also increased from US\$100/t to US\$240/t suggesting short supply of metal for immediate delivery.

The evidence for a sustained tin price rally is beginning to build.

- LME tin stocks have declined 25% from a high of 2,450t on 21 December 2017 to the current level of 1,825t. Also the Shanghai Futures Exchange has reported a 56% decline in stocks from 10,540t on 12 September 2017 to the current level of 4,612t.
- Indonesian refined tin exports totalled 78kt in 2017, a 23% increase on the 64kt exported in 2016 (see Figure 4). The export increase occurred on a historically low base in response to the tin price rising back to US\$20,000/t. In 2018, Indonesian exports should rise again based on the current run-rate. However, the run rate achieved will depend on whether declining resource grade has a meaningful impact on production.
- Myanmar exported 14% or 8,000t more tin in concentrate to China in 2017 than it did in the previous year despite a 38% decline in tonnes of concentrate shipped (see Figure 5). In 2018, smelters in China are concerned that a continued decline in concentrate tonnes from Myanmar will not be offset by a further increase in concentrate grade resulting a shortage of imported tin.
- China's refined tin production was restricted in November and December due to smelter shutdowns for environmental inspections. Smelters are reporting that rolling environmental shutdowns in 2018 are likely and will restrict production further and increase costs. In addition, an increase in the price of imported concentrate, a new environment tax and rising wages are adding to smelter cost pressures.
- The macro environment for metal prices has generally improved in 2018 with upgrades to global economic growth estimates and a reduction in the value of the US dollar. In addition, the supply of a range of metals from China is likely to be restricted because of measures to improve environmental performance.

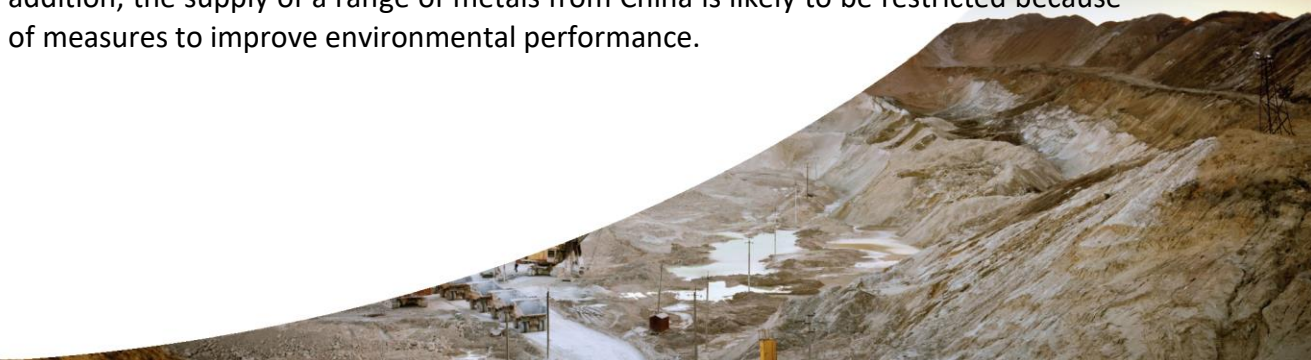


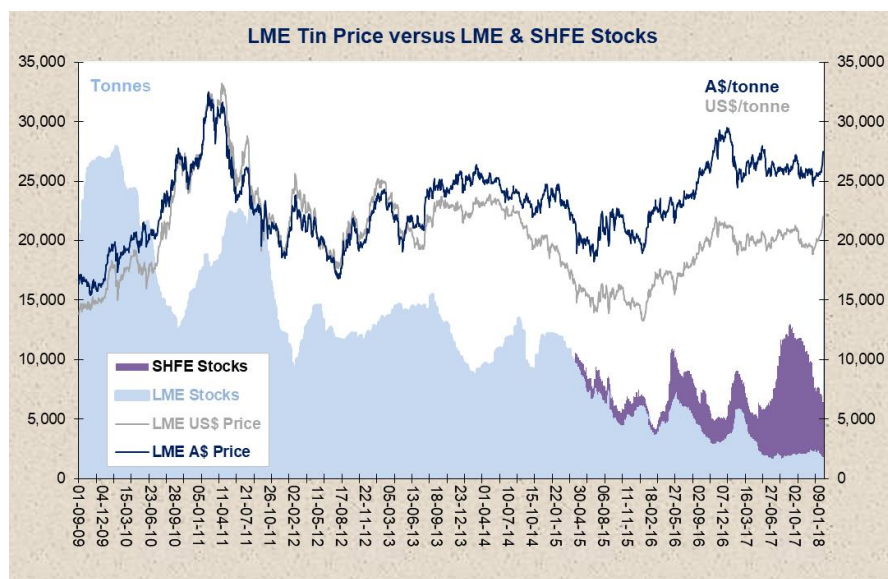
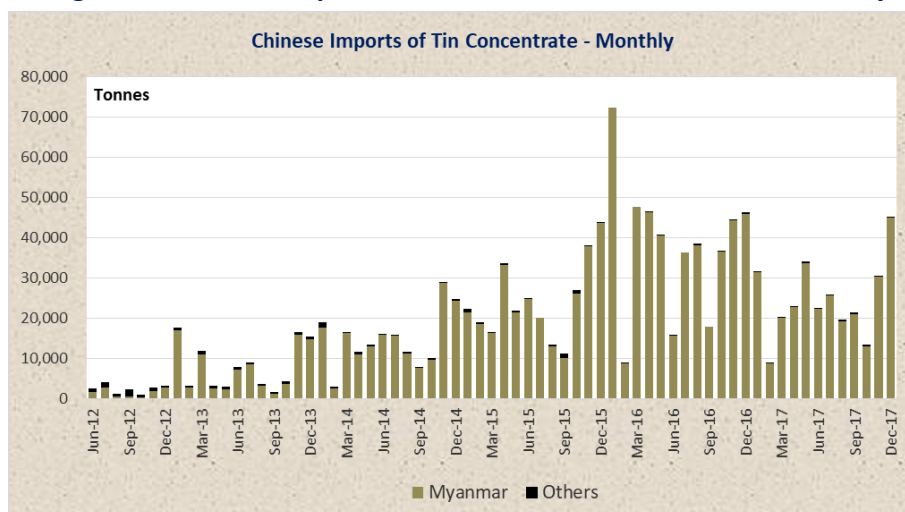
Figure 3: London Metal Exchange tin spot price and stocks – daily

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	2023P/M ¹	Zeehan	Tasmania	100%
	RL5/1997			
	2M/2014	Tailings Dam	Tasmania	100%
	2040P/M ²	Tailings Pipeline	Tasmania	100%
St Dizier	EL46/2003	Heemskirk	Tasmania	100%
Exploration				
Tin	EL1/2004	Ramsay River	Tasmania	100%
	EL6/2014	Stonehenge	Tasmania	100%
	EL11/2017	Razorback	Tasmania	100%
Uranium	EL5426 ³	Midgee	South Australia	100%

¹ Mining Lease 2023P/M granted over Heemskirk tin deposits; RL5/1997 maintained over private land holdings

² Under application

³ JV with Samphire Uranium Limited earning 73% in uranium interest
EL11/2017 granted and EL5307 relinquished during December quarter 2017

MINERAL RESOURCE STATEMENTS – HEEMSKIRK TIN PROJECT

Heemskirk Tin Deposits

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	1.30	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 under JORC 2012

St Dizier Tin Deposit

Classification	Tonnage mt	Total Sn %	Contained Sn t	Soluble Sn %	Cassiterite ¹ % of total Sn	WO ₃ %	Fe %	S %
Indicated	1.20	0.69	8,280	0.09	87	0.04	23.70	2.64
Inferred	1.06	0.52	5,512	0.22	58	0.05	22.22	1.81
Total Resource	2.26	0.61	13,786	0.15	75	0.04	23.00	2.25

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

2. block cut-off grade of 0.3% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology under JORC 2012

For further details please contact:

Peter Blight

Managing Director

Stellar Resources Limited

Tel: 03 9618 2540

Email: peter.blight@stellarresources.com.au

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



Figure 6: Tin Tenement Map – Western Tasmania



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.

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr R K Hazeldene (Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists) who is 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. It should be noted that the abovementioned exploration results are preliminary.

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.

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 2017

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	(354)	(902)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(146)	(342)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	39
1.5 Interest and other costs of finance paid	(4)	(9)
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	(486)	(1,214)

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 – security deposits	-	(9)
2.6	Net cash from / (used in) investing activities	-	(9)

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		
4.1	Cash and cash equivalents at beginning of period	2,165	2,902
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(486)	(1,214)

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)	-	(9)
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	1,679	1,679

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	189	205
5.2	Call deposits	1,490	1,960
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)	1,679	2,165

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**

70

-

Directors' fees and remuneration for the December 2017 quarter.

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

7

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

Add notes as necessary for an understanding of the position

**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.

Nil

9. Estimated cash outflows for next quarter

\$A'000

9.1 Exploration and evaluation

64

9.2 Development

-

9.3 Production

-

9.4 Staff costs

-

9.5 Administration and corporate costs

351

9.6 Other (provide details if material)

-

9.7 Total estimated cash outflows

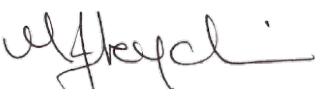
415

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	EL5307	Tenement relinquishment approved by the department	100%	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EL11/2017	Tenement application approved by the department	-	100%

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:


(Company secretary)

Date: 29 January 2018

Print name: Melanie Leydin

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.