

Stellar Resources

ASX Announcement



27 July 2018

Report for the quarter ended 30 June 2018

Highlights

- Study into an exploration decline to access the Lower Queen Hill and Severn deposits underway
- Razorback EL11/2017 expanded to include a further tin target
- Trench samples from the Razorback pit highlight potential at depth
- Tin tailings assays and preliminary metallurgy show potential for low cost gravity concentrate production

Corporate

- Cash balance of \$1.2m as at 30 June 2018
- Tin market fundamentals remain solid and support a strong price recovery from the current over-sold level

Targets for September Quarter 2018

- Bulk sample metallurgical test of Razorback tin tailings
- Petrographic characterisation of Lower Queen Hill and Montana cassiterite
- Development of tin targets along the Razorback and Grand Prize Faults
- Completion of St Dizier ML assessment

Managing Director Peter Blight said “Stellar is advancing its tin assets on several fronts. The Company is investigating opportunities for quicker access to tin production through exploration and metallurgical testing of the Razorback open pit and tailings dam. It is also considering the cost and benefits of accessing the Lower Queen Hill and Severn deposits with an exploration decline. In addition, the Company is focused on opportunities for additional investment in tin and other battery materials”

Capital Structure

Shares: 374,513,489
Share Price (SRZ): A\$0.015
Listed Options: 59,142,857
Option Price (SRZO): A\$0.005
Unlisted Options: 15,000,000

Commodity

Tin Price: US\$19,950/t
Exchange Rate US\$ 0.74

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

ASX Code: SRZ

About Stellar:

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

Stellar Resources (SRZ) is an exploration and development company with assets in Tasmania. 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

Stellar is undertaking an internal review of the previously reported Fast Start development proposal. The review is focussing on the economics, permitting and timing of an exploration decline into Lower Queen Hill and Severn. An exploration decline would provide underground access for a comprehensive drilling program and a bulk sample for confirmatory testing of metallurgical assumptions. In addition, it would provide actual mining costs on which to update the economic model and quicker access to production following a commitment to project development.

On site activity during the quarter focused on environmental monitoring. Severn diamond drill hole DDH138 was re-worked and converted into a piezometer to sample water to a depth of 402m. For comparison, a second piezometer was established near DDH138 to sample surface water to a depth of 10m. This is the first time that properly constructed groundwater bores have been used in the Zeehan tin field.

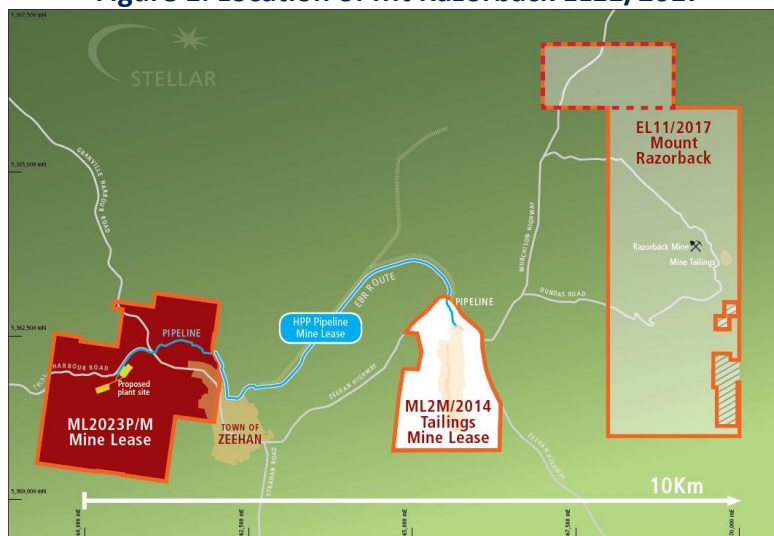
Water testing provided an excellent result for Heemskirk. It showed that two water regimes exist with no connection between surface and groundwater. Groundwater quality is good, with near neutral pH, making it an excellent source of process water. In contrast, the surface water result was typical of the area and reflected contamination from historical mining.

RAZORBACK EXPLORATION

Extension to Razorback Licence

Stellar added 2km² to northwest of the 10km² Mt Razorback EL11/2017 to include highly prospective vacant ground.

Figure 1: Location of Mt Razorback EL11/2017

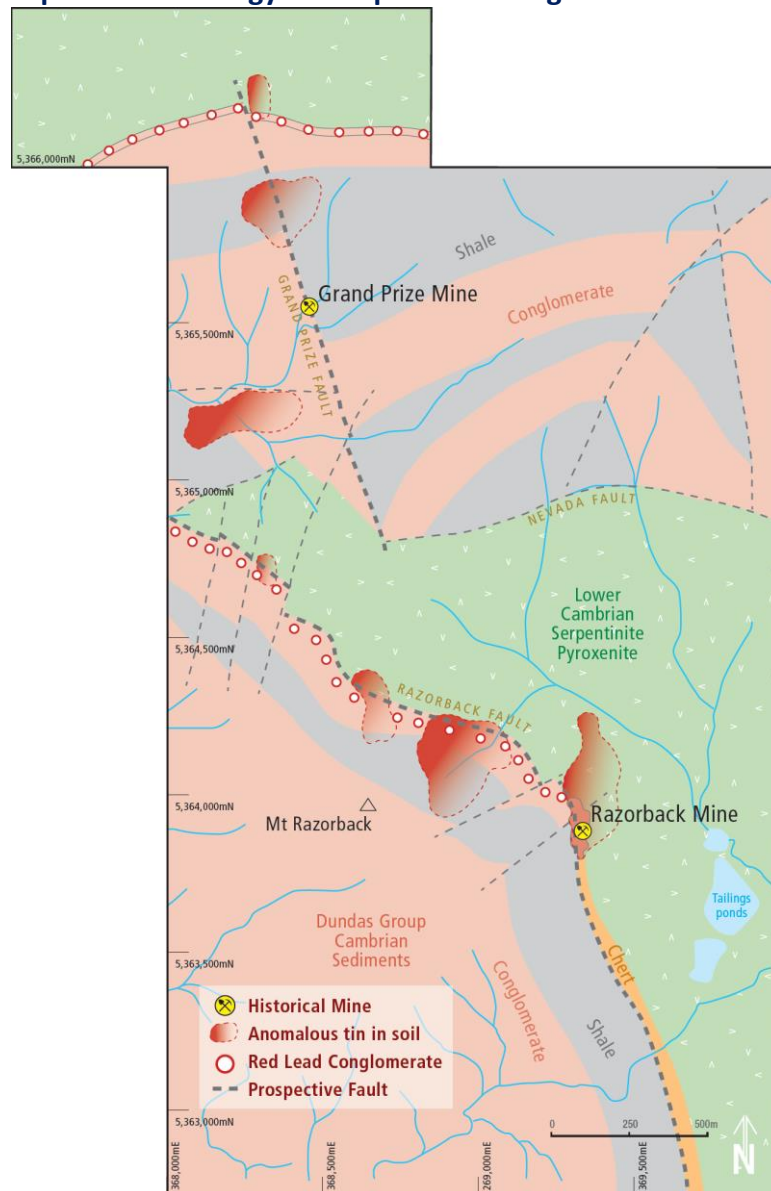


The focus of tin exploration on the Mt Razorback EL is along the major NW trending faults and particularly where these faults intersect the highly reactive Red Lead Conglomerate. As Figure 2 shows, the Razorback Fault is in contact with Red Lead Conglomerate for most of its 3km strike length. The Razorback tin mine at the southern end of the fault is the best example of the exploration model with tin bearing fluids interacting with sediments of the Red Lead Conglomerate

and Serpentinite to form the deposit. Further north along the fault, there are several zones of elevated tin in soil that remain to be drill tested.

The recently acquired area on the NW edge of EL11/2017 also contains an extension of the tin bearing Grand Prize Fault. Stellar is particularly interested in exploring the area of elevated tin in soil located adjacent to the intersection of the Grand Prize Fault and Red Lead Conglomerate (see Figure 2). Exploration is planned to get underway in the December quarter once weather-related access improves.

Figure 2: Interpretative Geology and Exploration Targets Mt Razorback EL11/2017



Razorback Mine and Tailings Dam Sampling

During the quarter, two trenches and a face across the floor of the Razorback pit were continuously sampled along their lengths from west to east in 1.0m intervals. The inset image in Figure 3 shows the location of the samples with Trench 1 20m south of the face sample and Trench 3 30m south of Trench 1. The assay results, shown in the inset image, exhibit good grade over mineable widths ranging from 10.5m to 12.5m. Grade increases from 0.45% tin at the face to 0.68% tin in Trench 3. The eastern end of Trench 3 recorded the highest grade of 1.22% tin over 3.0m.

Figure 3: Razorback Sample Sites

In addition to pit floor sampling, 11 auger holes, each 20m apart in two lines 50m apart, were sampled across the Razorback tailings dam (see Figure 3 for locations). The results summarised in Table 1 show consistent grade distribution in the top 1.0m of tailings with slightly higher grade in the deeper samples from the centre of the dam. The higher grades reflect settling of cassiterite over time. The average grade across all samples is 0.23% tin.

Table 1: Auger Sampling Results – Razorback Tailings Dam

Sample Number	Northing MGA 5363	Easting MGA 369	RL m	Azimuth MGA	Dip deg	From m	To m	Depth m	Sn %
RT1	700	763	232	0	90	0.0	1.6	1.6	0.22
RT2	700	780	232	0	90	0.0	2.0	2.0	0.22
RT3	700	800	232	0	90	0.0	2.0	2.0	0.24
RT4	700	820	232	0	90	0.0	2.0	2.0	0.26
RT5	700	840	232	0	90	0.0	2.0	2.0	0.20
RT6	700	860	232	0	90	0.0	1.8	1.8	0.21
RT7	700	880	232	0	90	0.0	0.3	0.3	0.20
RT8	750	780	232	0	90	0.0	1.6	1.6	0.21
RT9	750	800	232	0	90	0.0	2.0	2.0	0.28
RT10	750	820	232	0	90	0.0	1.8	1.8	0.25
RT11	750	840	232	0	90	0.0	1.8	1.8	0.28
Average			232	0	90	0.0	1.7	1.7	0.23

Stellar has completed a size distribution analysis of the tailings sample to show a low level of tin in slimes ($P_{80} - 8\mu$) and low levels of coarse tin in the $P_{80} + 75\mu$ range (this material was recovered by the original processing plant). Importantly, sulphur and acid soluble tin content are low.

Most of the tin (up to 80%) lies in the $P_{80} - 75\mu$ to $+8\mu$ size range. ALS Burnie has conducted a bench scale gravity separation which has delivered encouraging results.

When weather conditions improve, a larger sample of tailings will be recovered to test the potential to produce a low-cost gravity concentrate.

CORPORATE

As at 30 June 2018, the Company held cash and term deposits of \$1.2m. Expenditure for the quarter was \$0.2m.

TIN MARKET

The London Metal Exchange tin price averaged US\$20,961/t over the June quarter, a modest decline of 1% over the US\$21,190/t March quarter average. However, since mid-June, the price has weakened a further US\$1,500/t due to speculative selling across all metals in response to increases in trade tariffs in the US, China and Europe. The International Tin Association (ITA) is reporting solid demand in China's solder sector, the area most vulnerable to lower growth, suggesting that tin fundamentals remain sound. Metal market commentators generally are also of the view that the sell-down in metal prices will be temporary.

- LME stocks have increased by 1,000t since the end of March from an unsustainably low level of 2,000t, anecdotally in response to an increase in shipments of refined tin from Indonesia. Given the record shipment of 12,330t from Indonesia in May, the modest stock increase is a positive sign of a strong market. The high May shipment was due to a release of metal held up by permitting delays with subsequent monthly shipments from Indonesia likely to return to the 6,000t level.
- In China, SHFE stocks increased through the quarter to peak at 8,175t in mid-June. Since that time, they have fallen to 7,003t possibly in response to reduced supply of tin concentrate from Myanmar. China is no-longer publishing import statistics making the trade with Myanmar difficult to measure. Anecdotal evidence suggests that imports from Myanmar will continue to decline due to increasing cost and regulatory pressure on tin smelters in Geijui to improve environmental performance.
- Tin in lead-acid batteries is rising according to the ITA. A recently published Exide patent shows an increase in the tin content of battery grid alloys from 1.5% to 2.0%. Panasonic have also patented a grid alloy of 2.3% tin to improve corrosion resistance in battery cells.
- FMC Corp, the world's largest integrated lithium producer, has published patents for tin and silicon containing lithium compounds for future electrode development. The focus on tin and silicon is to increase battery life towards its theoretical maximum. The ITA reports that these technologies are likely to be adopted in 2023 and beyond.

Figure 4: Rio Tinto Rank's Tin as No 1 Technology Metal

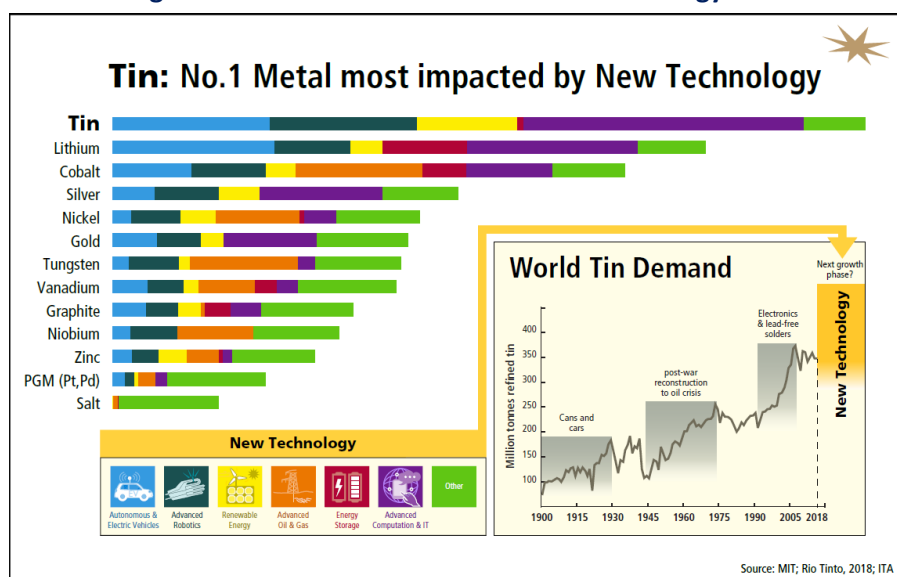


Figure 5: London Metal Exchange tin spot price and LME + SHFE stocks

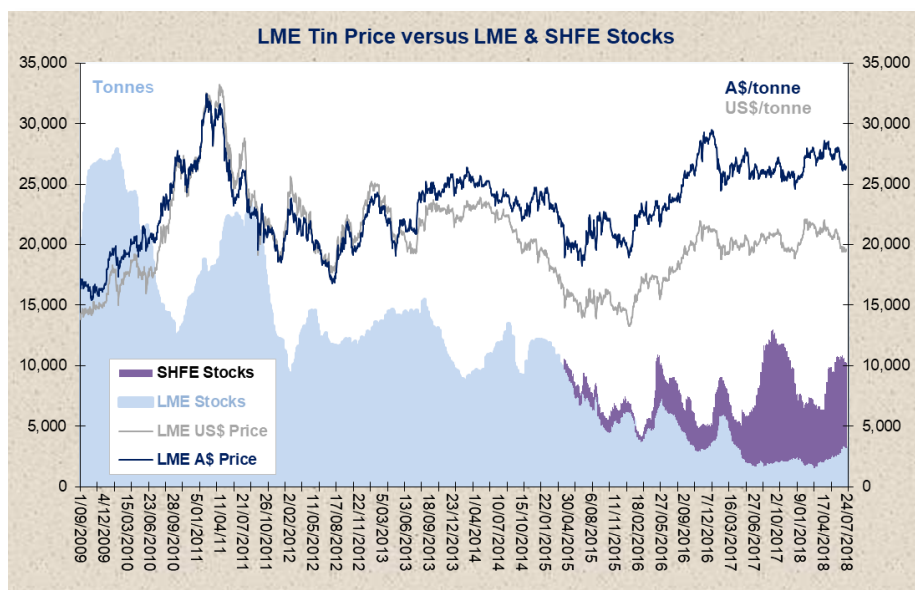
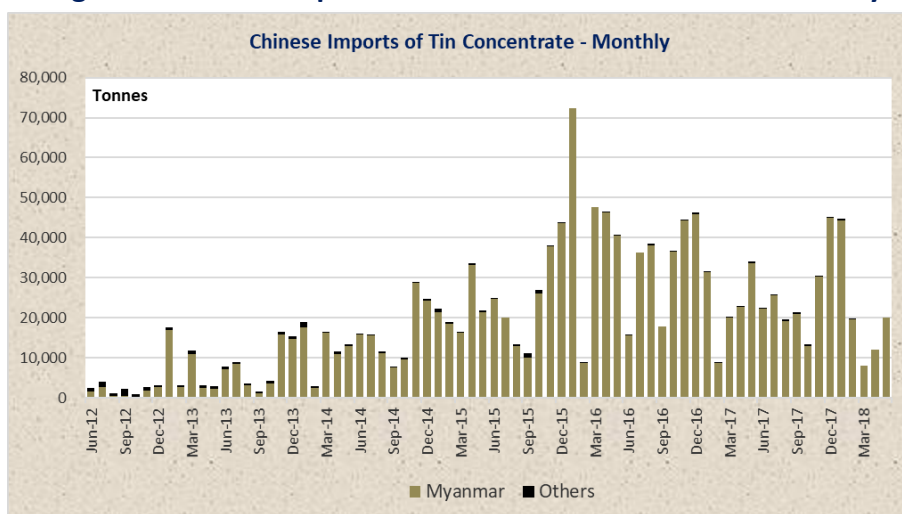


Figure 6: Indonesian refined tin exports – monthly



Figure 7: Chinese imports of tin ore and concentrate – 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	Tailings Pipeline	Tasmania	100%
St Dizier	EL46/2003	Heemskirk	Tasmania	100%
Exploration				
Tin	EL11/2017	Razorback	Tasmania	100%
Uranium	EL5426 ²	Midgee	South Australia	100%

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

² JV with Samphire Uranium Limited earning 73% on declaring a uranium resource

MINERAL RESOURCE STATEMENTS HEEMSKIRK TIN PROJECTS

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

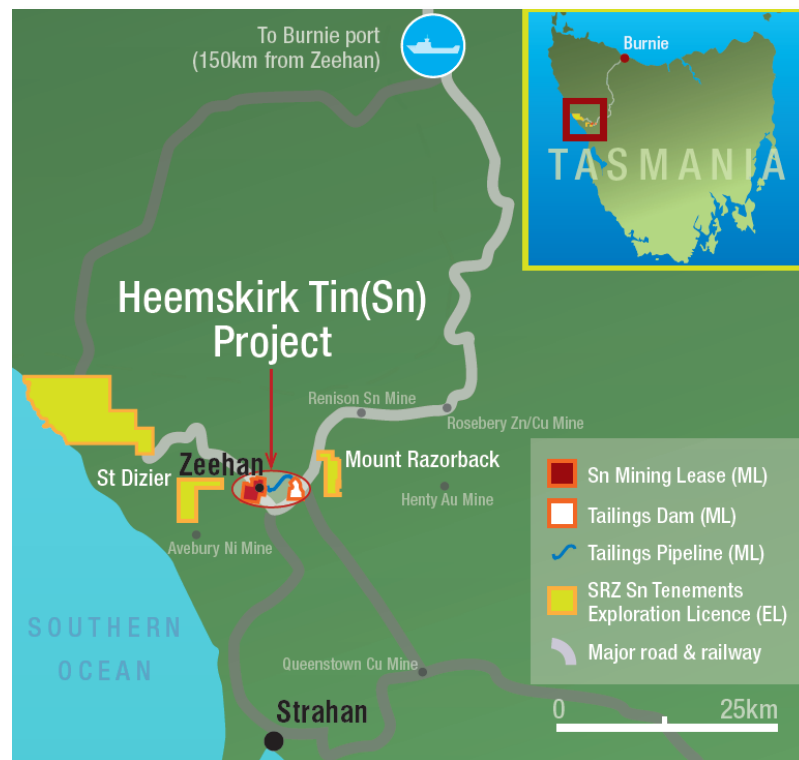
4. estimates prepared by Resource and Exploration Geology under JORC 2012

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 8: 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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(101)	(1,140)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(103)	(567)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	54
1.5 Interest and other costs of finance paid	(5)	(18)
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	(201)	(1,671)

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 (12 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	1,423	2,902
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(201)	(1,671)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	1,222	1,222

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	182	133
5.2	Call deposits	1,040	1,290
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)	1,222	1,423

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**

45

-

Directors' fees and remuneration for the June 2018 quarter.

7. Payments to related entities of the entity and their associates

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

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

**Current quarter
\$A'000**

5

-

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

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-

-

-

-

-

-

Nil

9. Estimated cash outflows for next quarter

\$A'000

9.1 Exploration and evaluation

60

9.2 Development

-

9.3 Production

-

9.4 Staff costs

-

9.5 Administration and corporate costs

240

9.6 Other (provide details if material)

-

9.7 Total estimated cash outflows

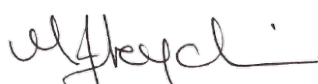
300

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	EL11/2017 - Tas	Tenement area increase from 10Sqkm to 12Sqkm	100%	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: 27 July 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.