

Stellar Resources

ASX Announcement



30 January 2019

Report for the quarter ended 31 December 2018

Highlights

- St Dizier Mining Lease (ML10M/2017) granted with an initial term of 6 years
- Updated St Dizier 2015 Scoping Study - approximate NPV_{10%} of \$10.4m, IRR of 166% and an 8month payback at the current tin price (US\$20,000/t).
- Sampling of Razorback tailings for metallurgical test-work underway
- Exploration targets identified and drilling program costed for Montana Flats

Corporate

- Cash balance of \$0.9m as at 31st December 2018 – expenditure of \$0.2m expected in March quarter 2019
- LME tin price, out-performed other metals rising by 6% in January 2019 to US\$20,750/t following a decline in metal exchange stocks

Targets for March Quarter 2019

- Metallurgical testing of Razorback tailings
- Review of Razorback open pit mine

Managing Director Mr Peter Blight summed up the quarter as “an important step forward for Stellar’s tin strategy with a compelling case for inclusion of St Dizier into ore sourcing plans for Heemskirk. The company is also progressing exploration on new tenements in order to identify additional sources of open pit tin in the case of Razorback and deeper tin resources below existing mines at Montana Flats”.

Capital Structure

Shares: 374,513,489
Share Price (SRZ): A\$0.013
Listed Options: 59,142,857
Option Price (SRZO): A\$0.002
Unlisted Options: 15,000,000

Commodity

Tin Price: US\$20,760/t
Exchange Rate US\$ 0.72

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 continuing to review different options to advance the Heemskirk Tin Project to production in the most cost-effective and timely manner.

Previously the Company reported on the case for an exploration decline to access the Lower Queen Hill and Severn deposits. There are significant advantages to this approach and also risks given the level of capital investment to be funded. Attention has now turned to lower cost alternatives.

In the December quarter, the review of development options was broadened by advances achieved at the nearby St Dizier project. St Dizier is a potentially viable additional ore source that could be scheduled into the production plan at Heemskirk.

The 2019 exploration program planned for EL11/2017 Razorback and EL13/2018 Montana Flats also has the potential to identify additional ore sources for Heemskirk.

St Dizier

1) Mining Lease Granted

On 22 January 2019, the Directors of Stellar announced (see ASX Announcement: “St Dizier Tin Mining Lease Granted and Scoping Study Results”) that the Tasmania Minister for Resources had granted to the Company Mining Lease ML 10M/2017 which covers the wholly owned St Dizier tin deposit. The 2km² ML 10M/2017 provides Stellar with unencumbered title to extract tin and other metals from St Dizier for an initial period of 6 years.

St Dizier is located 20km to the northwest of Zeehan (see Figure 1). It is positioned within 1km of the all-weather Heemskirk Road which connects the project to Zeehan. The site is located in relatively flat heathland that is suitable for open pit mining. It also lies within 1km of the Tasman River, a potential water source, and a power transmission line.

Figure 1: location of St Dizier Mining Lease, West Coast Tasmania



2) Scoping Study Results

An internal Scoping Study undertaken in 2015 to support the St Dizier Mining Lease application has recently been updated to reflect the current tin price and current exchange rates. All other assumptions remain the same as the 2015 study. Refer to ASX Announcement “St Dizier Tin Mining Lease Granted and Scoping Study Results” dated 22 January 2019 for full disclosure of the study parameters and associated risks.

The updated St Dizier Scoping Study valuation has resulted in a base case NPV_{10%}, at current tin prices (US\$20,000/t), determined to an accuracy of $\pm 35\%$, of approximately A\$10.4m, an IRR of approximately 166% and a payback period of approximately 8 months. The project has a low capital investment estimated at A\$ 3.8m and can be bought into production within 3 months of receiving approvals providing flexibility to ensure that it is developed in a supportive tin price environment (see Table 1).

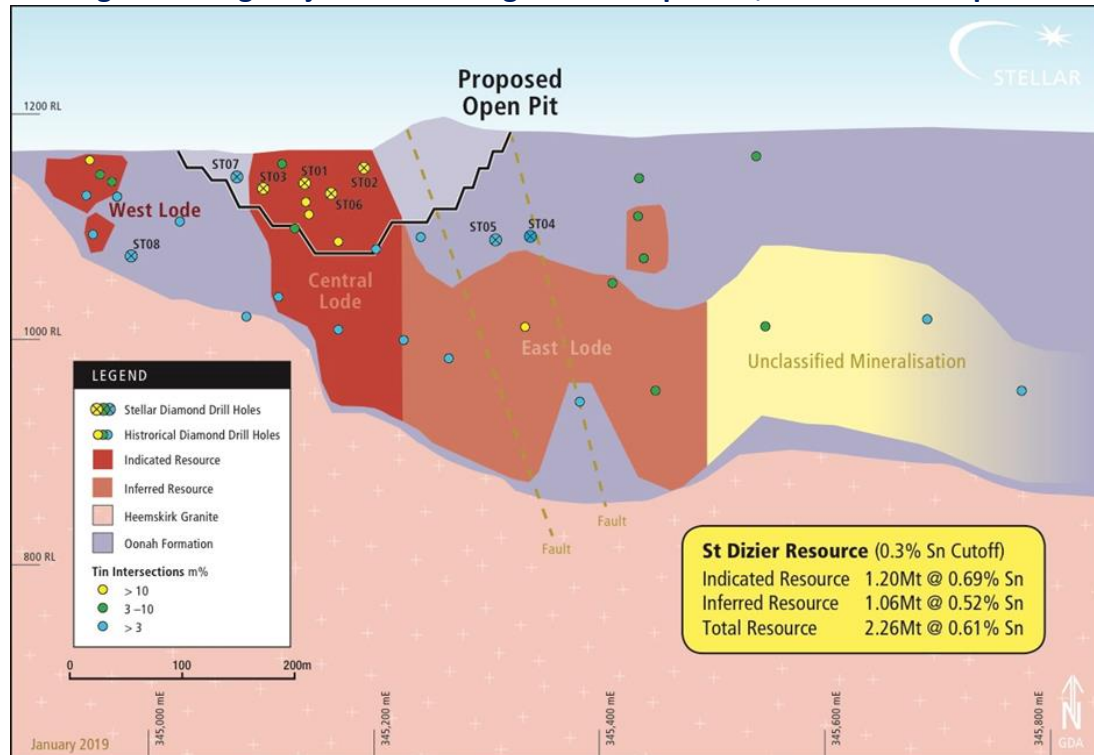
Table 1: St Dizier Project; Key Scoping Study Outcomes

Technical & Financial Parameters	Units	Base Case
Tin Price	US\$/t	20,000
Realisation Cost	US\$/t	2,500
Exchange Rate	US\$/A\$	0.72
Mine Life	months	30
Strip Ratio (dil)	x	4.7
Ore Mined (dil)	tonnes	409,179
Tin Grade (dil)	%	0.90
Tin Recovery	%	50
Tin in Concentrate	tonnes	1,841
Unit Cash Cost	US\$/t tin	10,539
Capital Expenditure	A\$m	3.8
NPV _{10% pre-tax}	A\$m	10.4
IRR	%	166
Payback	months	8

The 2015 St Dizier Scoping Study was based on the following key parameters:

- Global Indicated Resource of 1.20mt @ 0.69% tin (0.3% tin cut-off grade) - includes West and Central Lodes
- Open pit mine on the upper section of the Central Lode – a mineable resource of 409,179t @ 0.90% tin was defined as the in-situ resource within a design pit shell (see Figure 2)
- Contractor mining – pit dimensions set maximum annual ore mining rate at 163,000t
- Contractor ore haulage up to 20km to a processing plant
- Renison tin style processing flow sheet – crush, grind, magnetic separation, sulphide float, gravity separation, tin float and concentrate dressing to >50% tin in concentrate
- Concentrate shipped to Asia for smelting under industry treatment and refining terms

Figure 2: long Projection Showing Planned Open Pit, St Dizier Tin Deposit



EXPLORATION

An assessment of exploration targets within Razorback EL11/2017 is on-going and additional sampling of Razorback tailings has commenced.

Stellar also focused on an assessment of historical exploration and mining on its recently acquired Montana Flats EL 13/2018. Montana Flats lies immediately north of the Heemskirk tin deposits (ML2023P/M), as shown in Figure 1, and contains a number of historically important silver mines and the Oonah tin deposit.

1) Razorback (EL11/2017)

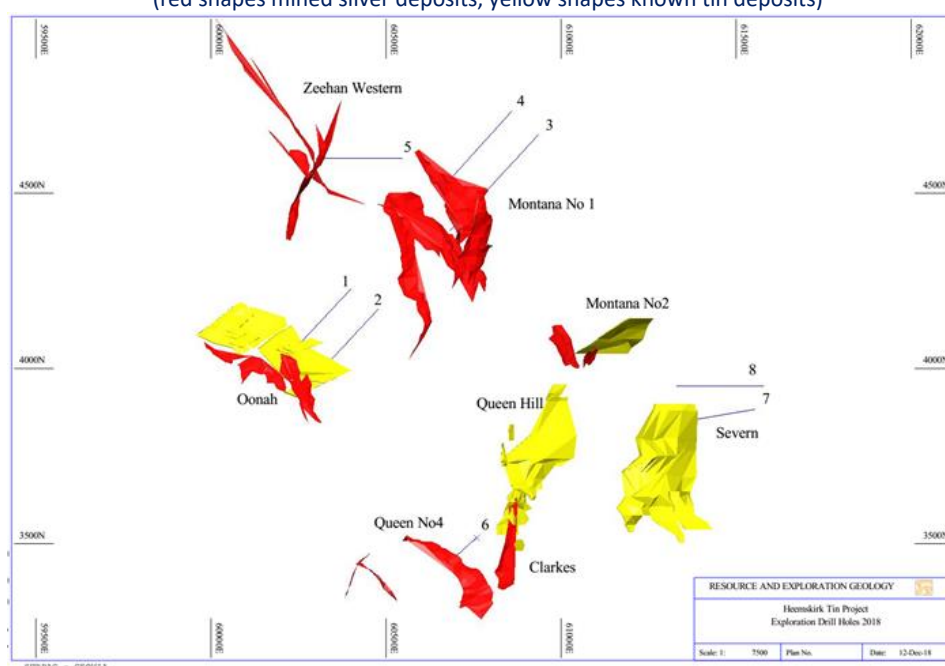
Access to the Razorback tailings dam improved during the December quarter after an unusually wet winter. Sampling of tailings commenced in January with bench-scale metallurgical test-work on the sample planned for March quarter 2019.

The primary objective of the test-work is to determine whether a low-cost fine gravity separation process can produce a saleable tin concentrate from Razorback tailings. The secondary objective will be to calculate a theoretical overall recovery for Razorback ore that can be used in an economic review of the Razorback open pit.

2) Montana Flats (EL13/2018)

An assessment of tin targets on the Montana Flats EL, focused on historical mines that have had little or no drilling at depth or in the case of silver mines no testing for associated tin lodes. The targets identified in Figure 3 are the Oonah, Montana No1 and Zeehan Western mines. (Other targets shown in Figure 3, occur to the south of EL11/2017 on Stellar's ML2023P/M)

Figure 3: Proposed Drill Targets on EL13/2017 Montana Flats
(red shapes mined silver deposits, yellow shapes known tin deposits)



The **Oonah silver mine** is an example of a zoned deposit in which the silver lode was mined from the surface until it graded into a tin lode (that remains unmined). Two diamond drill holes (1 and 2) are planned to test continuity of the tin mineralisation down dip to the NE and down plunge to the SE.

The **Montana No1 and Zeehan Western mines** produced silver from structurally controlled veins in a similar geological setting to the Oonah and Queen Hill deposits to the south. Three diamond drill holes (3,4 and 5) are planned to intersect a target 200m below the deepest mine level to test for continuity of mineralisation and potential zonation from silver to tin.

The budget required to complete the drilling program is summarised in Table 2. Timing of the program will depend on government approvals and the availability of funding.

Table 2: Proposed Exploration Drilling Budget for Montana Flats

Activity	Description	Timing months	Cost \$
Approvals/Site Prep	5 sites	1.5	25,000
Diamond Drilling	5 holes for 2,360m	7.5	472,000
Supervision	geologist and assistant	7.5	150,000
Assays/Interpretation	200 samples/ 3D modelling	1.5	20,000
Totals		10.0	667,000

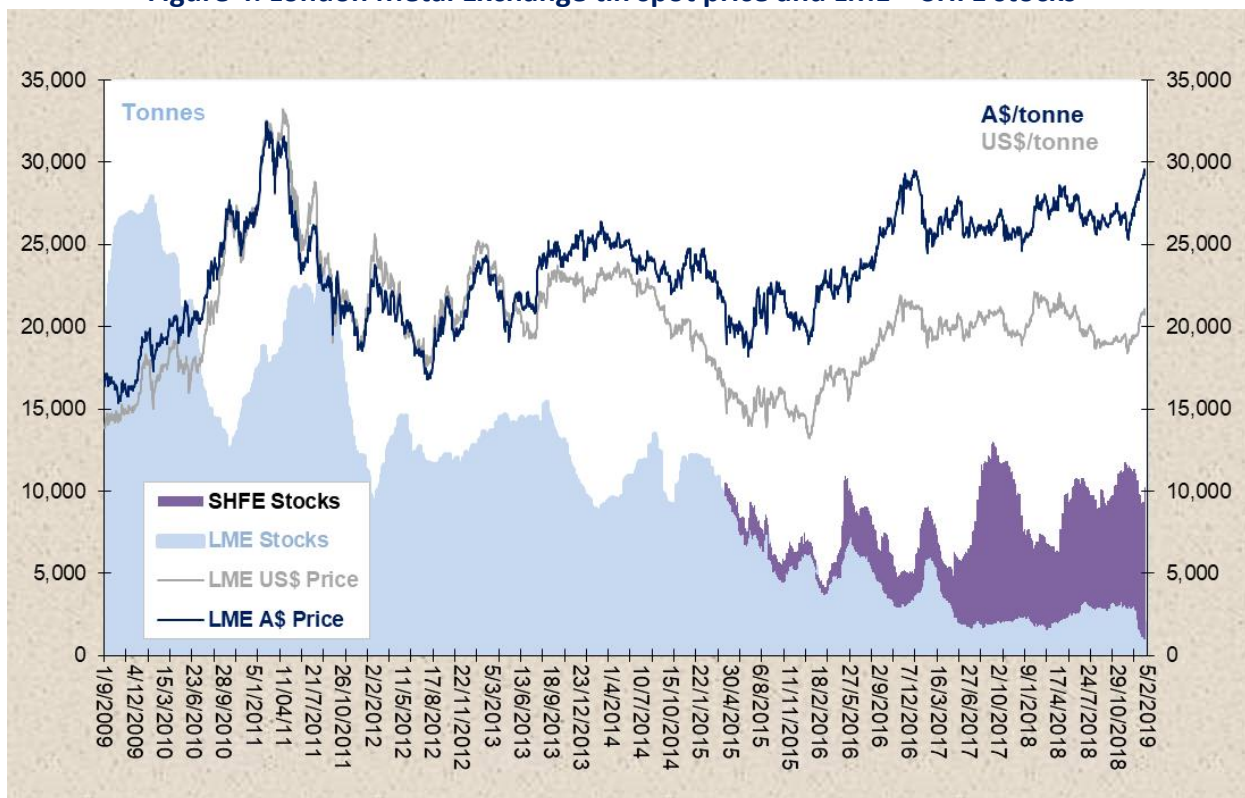
CORPORATE

As at 31st December 2018, the Company held cash and term deposits of \$0.9m. Expenditure for the quarter was \$0.2m. Stellar also received \$0.1m in an R&D income tax credit.

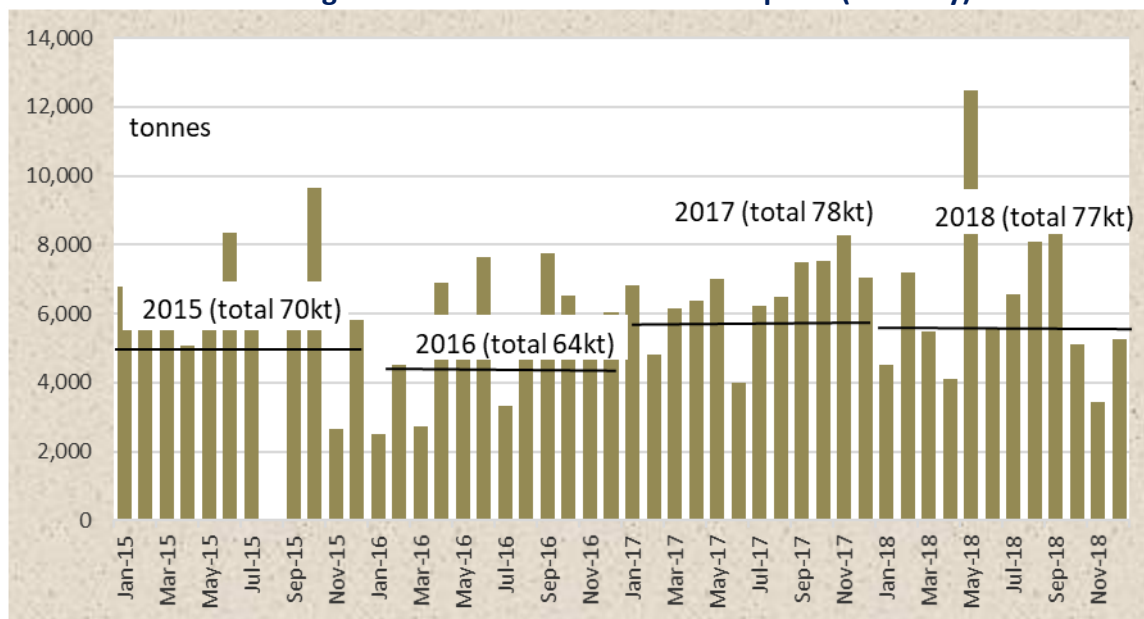
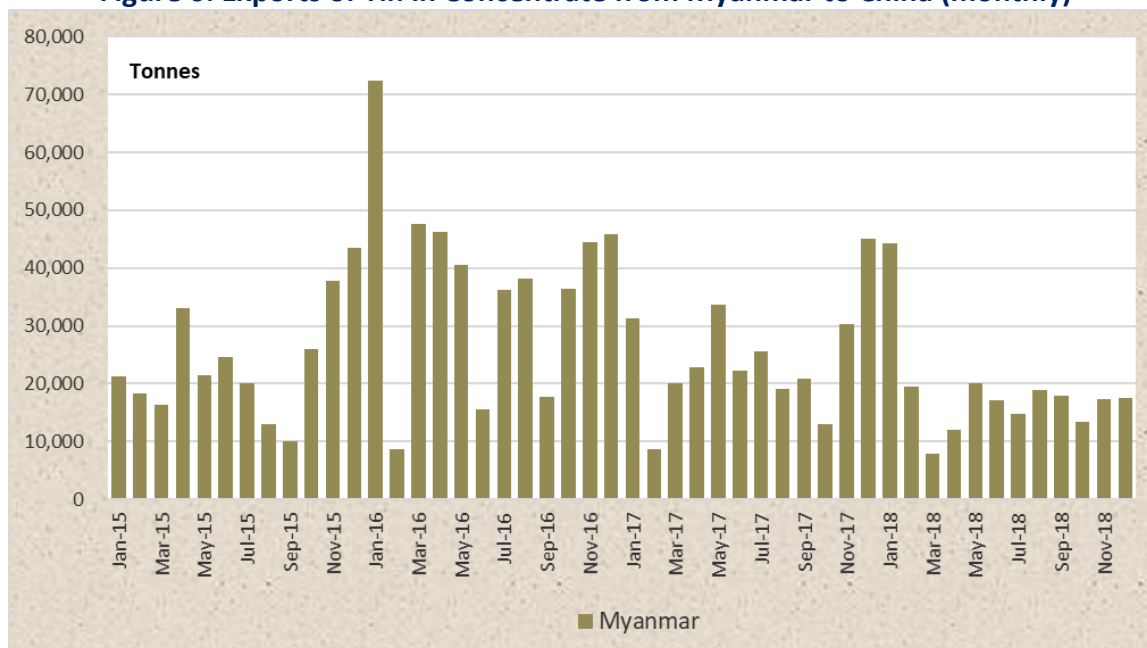
TIN MARKET

The London Metal Exchange tin price averaged US\$19,166/t over the December quarter, in-line with the September quarter average of US\$19,336/t. However, in the three weeks since the end of the December quarter, the price has risen 6% to US\$20,750/t or A\$29,250/t. The price increase is reflecting a shortage of immediately available metal as shown in Figure 4 by the decline in LME and Shanghai stocks.

Figure 4: London Metal Exchange tin spot price and LME + SHFE stocks



- Tightness in the tin market in January 2019, was largely due to a reduction in exports of refined tin from Indonesia, the world's largest tin exporter. In December quarter 2018, Indonesian tin exports declined by 40% to 13,800t on year ago levels as the industry restructured supply to meet a new regulatory regime introduced by the Indonesian Government (see Figure 5).
- According to the International Tin Association (ITA), China, the world's largest tin producer reduced year on year refined tin output in the December quarter by 29%. The cut back was due to a shortage of tin concentrate. The worst affected area was Yunnan Province which underwent a program of concentrator relocations. In addition, smelters in Yunnan dependent on concentrate supply from neighbouring Myanmar also experienced raw material shortages.
- In the December quarter, exports of tin concentrates from Myanmar continued to decline in tonnes and grade as production becomes dependent on reworking lower-grade old mines and higher cost underground mines. ITA estimates that shipments of tin in concentrate from Myanmar to China declined by 48% to 11,100t in December quarter 2018 on year ago levels and by 20% to 53,800t in 2018 compared with 2017 (see Figure 6).

Figure 5: Indonesian Refined Tin Exports (monthly)

Figure 6: Exports of Tin in Concentrate from Myanmar to China (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%
	ML10M/2017 ²	St Dizier	Tasmania	100%
Exploration				
Tin	EL11/2017	Razorback	Tasmania	100%
	EL13/2018 ³	Montana Flats	Tasmania	100%
Uranium	EL5426 ⁴	Midgee	South Australia	100%

¹ML2023P/M granted over Heemskirk tin deposits; RL5/1997 maintained over private land holdings within ML2023P/M

²ML10M/2017 was granted on 20th December 2018

³EL13/2018 was granted on 11th December 2018

⁴EL5426 JV with Samphire Uranium Limited earning 73% on declaring a uranium resource

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 Deposits

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 9692 7222

Email: peter.blight@stellarresources.com.au

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

Figure 7: 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 (Principal Resource and Exploration Geology) , 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 2018

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	(26)	(79)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(69)	(135)
	(e) administration and corporate costs	(83)	(188)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	12
1.5	Interest and other costs of finance paid	(4)	(8)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	83	83
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(95)	(315)

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	(9)
2.6	Net cash from / (used in) investing activities	9	(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	984	1,222
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(95)	(315)

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	(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	898	898

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	153	191
5.2	Call deposits	745	793
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)	898	984

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**

41

-

Directors' fees and remuneration for the December 2018 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	-
7.2 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	
Nil	

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.		
Nil		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	80
9.5 Administration and corporate costs	60
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	260

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	EL13/2018 Tasmania ML10M/2017 Tasmania	Exploration Licence Mining Lease	-% -%	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: 30 January 2019

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.