

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 June 2014

Market cap: A\$12.3m (4.1c)
Cash (30 June): \$4.2 million
Shares: 300,227,775

Main Shareholders

JP Morgan Nominees 24.3%
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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For the period ended 30 June 2014

Highlights

- High grade near-surface mineralisation at St Dizier confirmed:
 - 40 metres @ 0.90% tin from 10.2 metres,
 - 29 metres @ 0.99% tin from 66 metres.
- Deeper drilling at Queen Hill completed – results pending.
- Validation and optimisation of Heemskirk process flow sheet well advanced.
- Polberro Consulting has commenced a scoping study on St Dizier.
- Submission of a Notice of Intent to the Tasmanian Environmental Protection Authority planned for December quarter.

Corporate

- Stellar held cash of \$4.2 million as at 30 June 2014.
- Board restructured to complete conditions of the Capetown S.A. share purchase agreement and reflect transition from explorer to developer.

Targets for September Quarter

- Assay results from Queen Hill diamond drilling program.
- Update on metallurgical testing program.
- Detailed geological/structural review of Severn and Queen Hill drill targets.



HEEMSKIRK TIN PROJECT (100% Owned)

Overview

Good progress was made on the diamond drilling program announced in the March quarter 2014 with 2,857 metres drilled.

At St Dizier, 5 drill holes were completed for a total of 974 metres. In addition, a single 73 metre diamond drill hole was completed at the Big H target which is located 2.5 km to the east of St Dizier. The results from this drilling program were reported during the quarter and are summarised later in this report.

Three diamond drill holes and a wedge hole were recently completed at Queen Hill. Geological interpretation and tin assays are pending.

Teale and Associates were engaged to review the relationships between geology, structure and geochemistry in order to better define drill targets. Diamond drilling will re-commence at Severn once this review is complete.

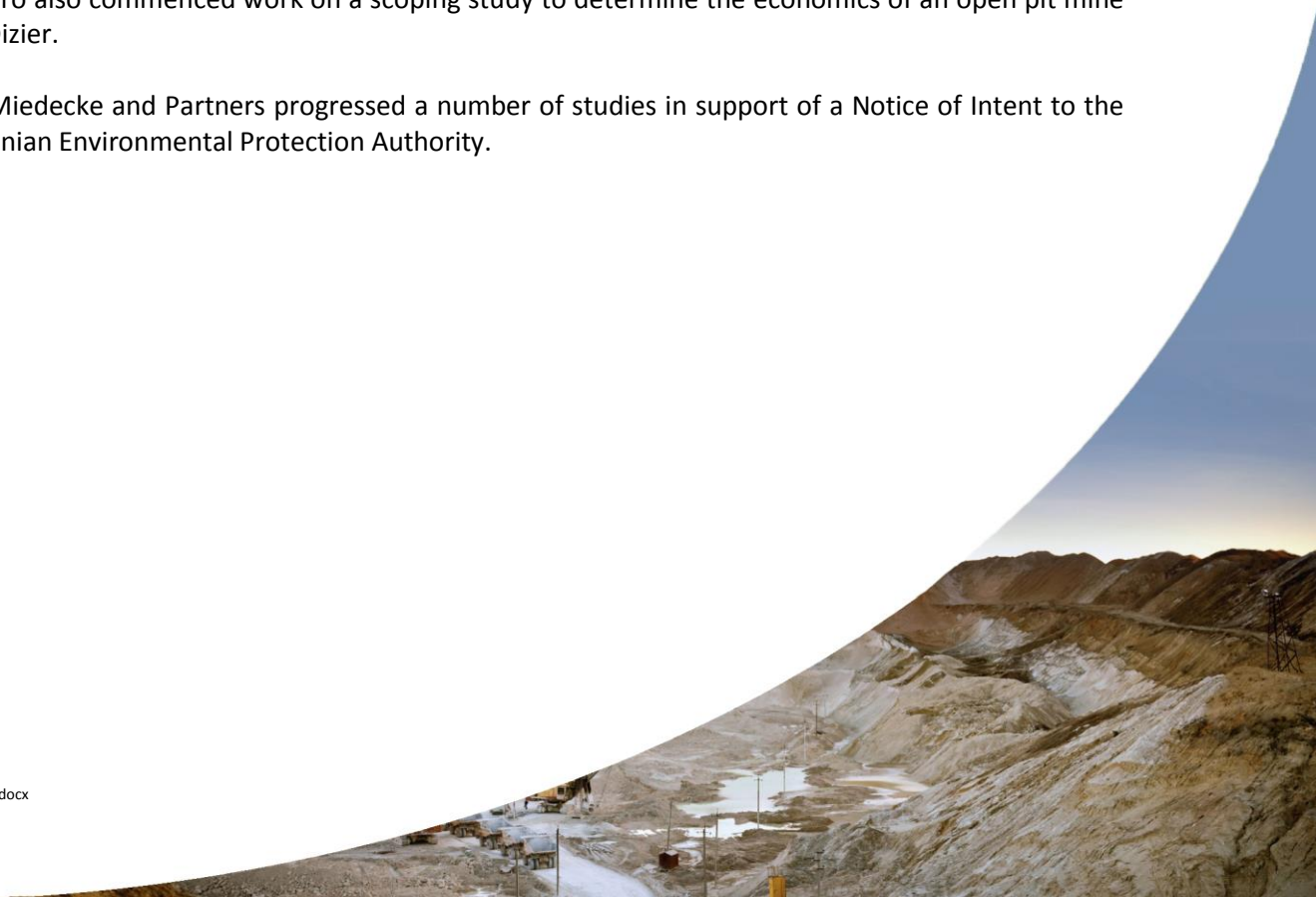
Metallurgical validation of Severn metallurgy using a large composite sample from a number of diamond drill holes remains in progress. Early results show potential improvements for the front-end of the processing circuit.

At St Dizier, a first pass test of the bulk sample has defined process areas that require more detailed testing. In addition, first pass testing of primary mineralisation below the weathered bulk sample, from ST06 core, should also commence shortly.

Polberro Consulting reviewed underground access options for the proposed Heemskirk mine and concluded that decline access is superior to a shaft. Opportunities for quicker decline access are also under investigation.

Polberro also commenced work on a scoping study to determine the economics of an open pit mine at St Dizier.

John Miedecke and Partners progressed a number of studies in support of a Notice of Intent to the Tasmanian Environmental Protection Authority.



St Dizier Drilling Outcomes

Metallurgical diamond drill hole ST06, drilled within the centre of the deposit, intersected three zones of mineralisation and confirmed the high-grade nature of near-surface mineralisation at St Dizier (see Figure 1).

- 40 metres @ 0.90% tin from 10.2 metres, including 21 metres @ 1.27% tin from 10.2 metres.
- 29 metres @ 0.99% tin from 57 metres down hole, including 10 metres @ 1.41% tin from 66 metres.
- 8 metres @ 0.70% tin from 106 metres.

A surface bulk sample grading 0.83% tin was taken near the collar of ST06 for metallurgical testing and process circuit development. Metallurgical performance of the bulk sample will be used to formulate the process flow sheet and will also provide a baseline against which the test results for ST06 drill core can be measured.

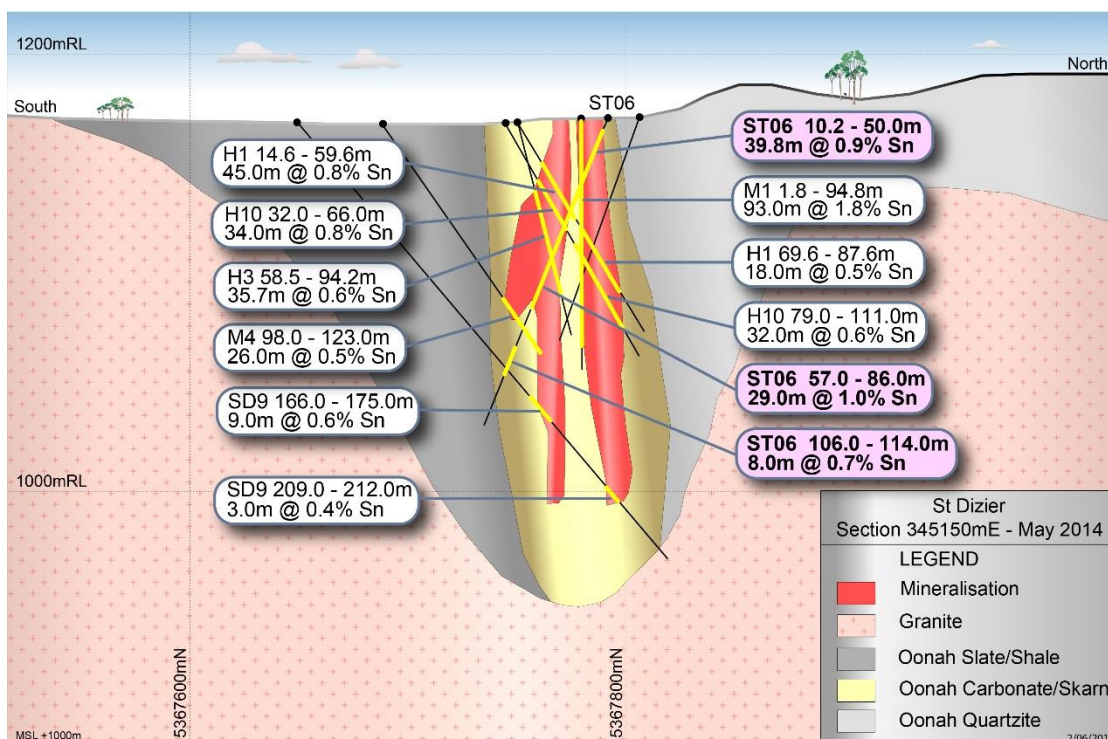


Figure 1: Cross-section through St Dizier deposit – 345150E

ST07, drilled 100 metres to the west of ST06 and beyond the mineral resource envelope, showed continuity of the three mineralised zones encountered in ST06. As Figure 2 shows, there is potential to expand the resource envelope west beyond ST07 if higher grades can be achieved. The three zones intersected in ST07 include:

- 4 metres @ 0.17% tin from 45 metres
- 2 metres @ 0.29% tin from 68 metres and
- 4 metres @ 0.33% tin from 159 metres.

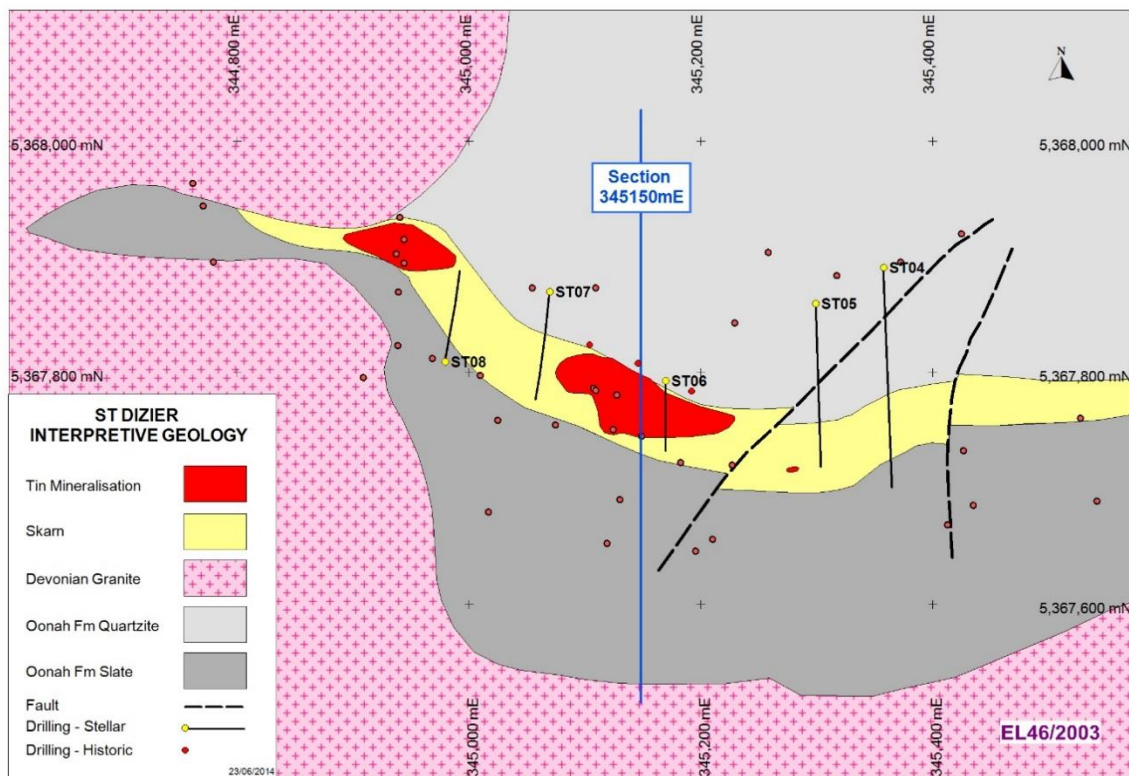


Figure 2: Plan view of St Dizier geology and drill hole locations

Diamond drill holes ST04 and ST05 tested for near-surface extensions of the mineralised zone to the east. However, the absence of significant tin and iron intersections suggests that St Dizier is closed off in this direction either by faulting or depletion of the iron rich metasomatic fluids that carried the tin mineralisation.

Two and a half kilometres to the east of St Dizier a vertical diamond drill hole tested the depth of magnetite skarn mineralisation at the Big H target. The drill hole intersected the granite contact at the relatively shallow depth of 50 metres with no significant tin mineralisation, thereby reducing the potential for discovering a significant tin body at Big H.

Drilling at St Dizier was completed in May with the focus shifting to metallurgy and open cut mine planning in order to complete a scoping study by the December quarter 2014. The study will consider the economics of an open pit designed to extract the Indicated Mineral Resource of 1.2 million tonnes grading 0.69% tin.

Golf Course Drilling

A single 207 metre diamond drill hole was drilled at the Golf Course target without encountering significant tin mineralisation. The presence of tin in sulphides at surface and the intersection of a silver-lead vein in the diamond drill hole suggests that the target was not fully tested. Further geological modelling of the surface mineralisation is required to determine whether a drill target can be defined.

Queen Hill Drilling

Queen Hill is a steeply east dipping and northeast plunging body of tin in sulphide mineralisation that occurs within brecciated meta-pelites and meta-volcanics of the Precambrian Oonah Formation.

A four hole diamond drilling program aimed at identifying extensions to the north and south of Queen Hill and at depth down plunge of the main body of mineralisation was recently completed. Once all assay results are available a full report on the outcomes of the drilling program will be provided.

Drilling Plan

Drilling will resume at the Severn deposit upon completion of a review of the geological model for the Queen Hill and Severn deposits. The review will involve a detailed examination of drill core with associated petrology in order to better define the relationship between structure and mineralisation. Teale and Associates were engaged to complete this study during the September quarter.

Metallurgical Testing

Good progress was made on testing the front end of the process flow sheet using a large composite sample from a wide range of Severn diamond drill holes. Grind optimisation testing showed that a coarser primary grind should result in an increase in tin available for recovery by the gravity circuit. Cost savings should also be available through lower energy consumption and the possibility of using a smaller grinding mill. In addition, tin losses were reduced through optimisation of the sulphide float circuit. Work is now focused on maximising recovery from the gravity circuit and optimising the tin float circuit.

Characterisation of the tin skarn mineralisation collected in a bulk sample from St Dizier was completed through a number of tests using magnetic and gravity separation. The next stage is to optimise grind size, magnetic separation and the gravity circuit ahead of testing tin flotation performance. Drill core from ST06 is also being prepared for a parallel testing program to determine variance between it and the surface bulk sample.

Mine Optimisation

Following a review of the preliminary feasibility study mine plan, Polberro Consulting identified areas to be considered for cost reduction during a definitive feasibility study. In addition, a study of shaft access versus a decline for the Severn deposit concluded that a decline was likely to provide the most flexible and lowest cost option. Opportunities for quicker decline access into the Severn deposit are currently under investigation.

Next quarter, Polberro Consulting will develop a scoping study open pit mine plan for the St Dizier deposit.

Environmental Permitting

John Miedecke and Partners progressed a number of studies in support of a Notice of Intent to the Tasmanian Environmental Protection Authority. Stellar plans to submit the NOI in December quarter 2014.



EXPLORATION

Tin

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

As previously reported, elevated tin in soil values ranging from 200ppm to a high of 3700ppm were identified over an area 250 metres by 250 metres along the tourmaline altered northern margin of the Meredith Granite. Further assessment of the tin in soil values is due to commence during March quarter 2015 in the summer field season.

Nickel

EL40/2010 Heazlewood Hill (TAS) (Stellar 100%)

EL40/2010 contains the southern end of the Heazlewood Ultramafic Complex and remains prospective for Avebury-style nickel mineralisation. Stellar is seeking a joint venture partner to advance exploration on this tenement.

Copper/Gold

EL's 4573, 4882, 5125 and 5126 (SA) (Stellar 100%)

Stellar is seeking a joint venture partner to explore the iron ore copper gold potential of these central Gawler Range tenements.

Uranium

EL4242 Midgee (SA) (Stellar 100%)

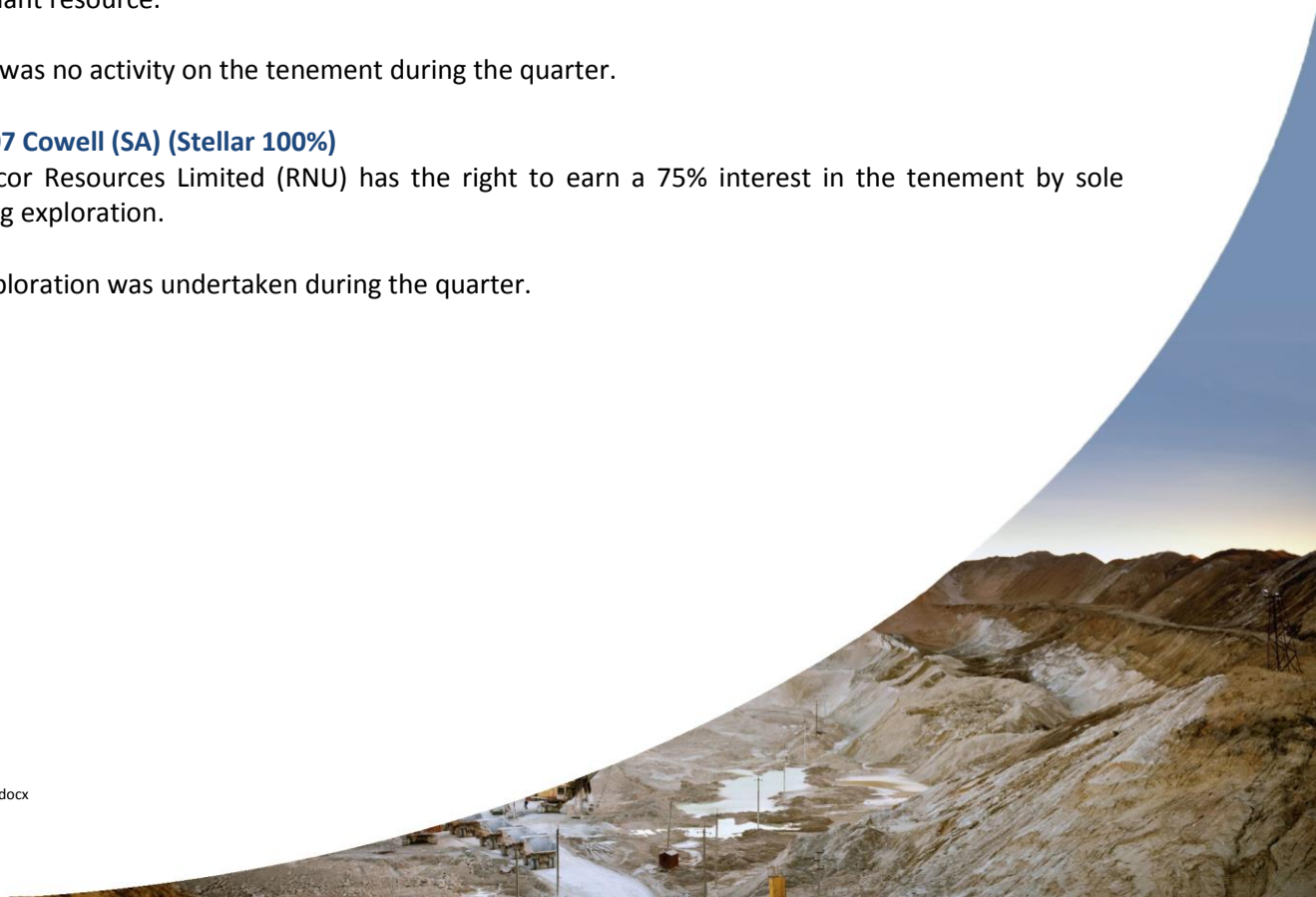
UraniumSA Limited has the right to earn a 73% interest in 40% of the tenement by identifying a JORC compliant resource.

There was no activity on the tenement during the quarter.

EL 5307 Cowell (SA) (Stellar 100%)

Renascor Resources Limited (RNU) has the right to earn a 75% interest in the tenement by sole funding exploration.

No exploration was undertaken during the quarter.



CORPORATE

Cash Position

As at 30 June 2014, Stellar Resources held cash and term deposits of \$4.2 million. The expenditure rate in the June quarter was higher than it will be in September quarter as the drilling program at St Dizier and Queen Hill is now complete.

Board Restructuring

Mr Miguel Lopez de Letona joined the board as a Non-Executive Director on 21 May 2014, as foreshadowed in the share subscription agreement with Capetown S.A. Mr Lopez de Letona is a Belgium based investment adviser in the natural resources industry and an advisor to the board of Capetown S.A.

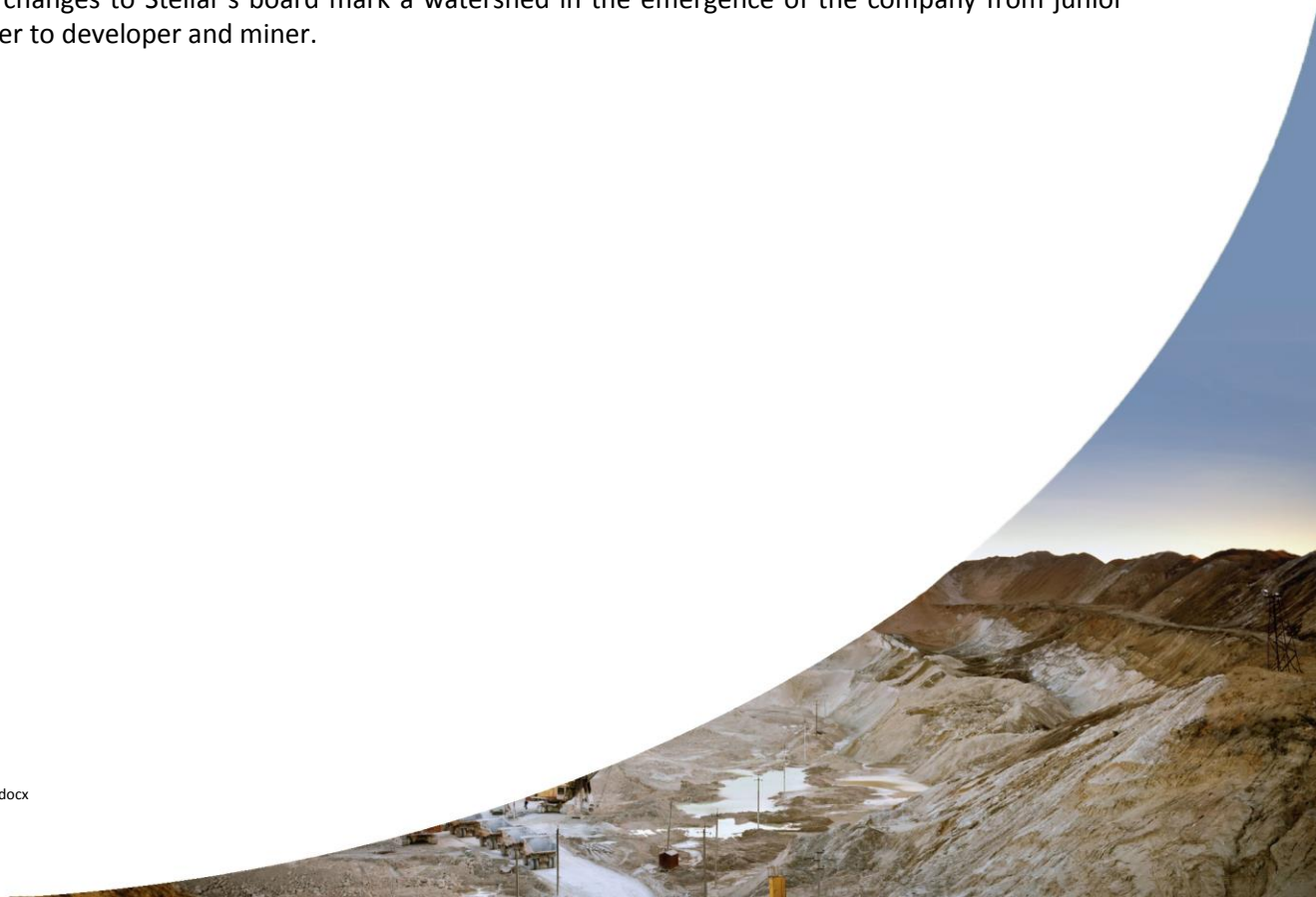
Mr Peter Blight also joined the board as Managing Director after holding the position of Chief Executive Officer since late 2007. During that time, he has successfully repositioned the company from explorer to developer of the Heemskirk Tin Project.

Mr Tom Burrowes and Mr David Isles have resigned from the Stellar board. The on-going members of the board thank them for their long-standing and significant contributions to the company.

Mr Burrowes was the founding Executive Chairman of Stellar and served on the board for the past 10 years. He brought a portfolio of Tasmanian exploration projects to the company including the 2008 acquisition of a 60% interest in the Heemskirk Tin Project and skilfully guided the company during its phase as a mineral explorer.

Mr Isles was a founding Director of Stellar and served on the board for the last 10 years. He was instrumental in the spin-out of Stellar from its predecessor company and brought considerable exploration experience, wisdom and enthusiasm to Stellar's exploration activities.

These changes to Stellar's board mark a watershed in the emergence of the company from junior explorer to developer and miner.



TIN MARKET

The London Metal Exchange tin price has held up well, ending the quarter at US\$22,000/tonne despite a 19% build-up in LME stocks to 11,400 tonnes – LME stocks have increased by 3,000 tonnes since the late February low of 8,365 tonnes (see Figure 3).

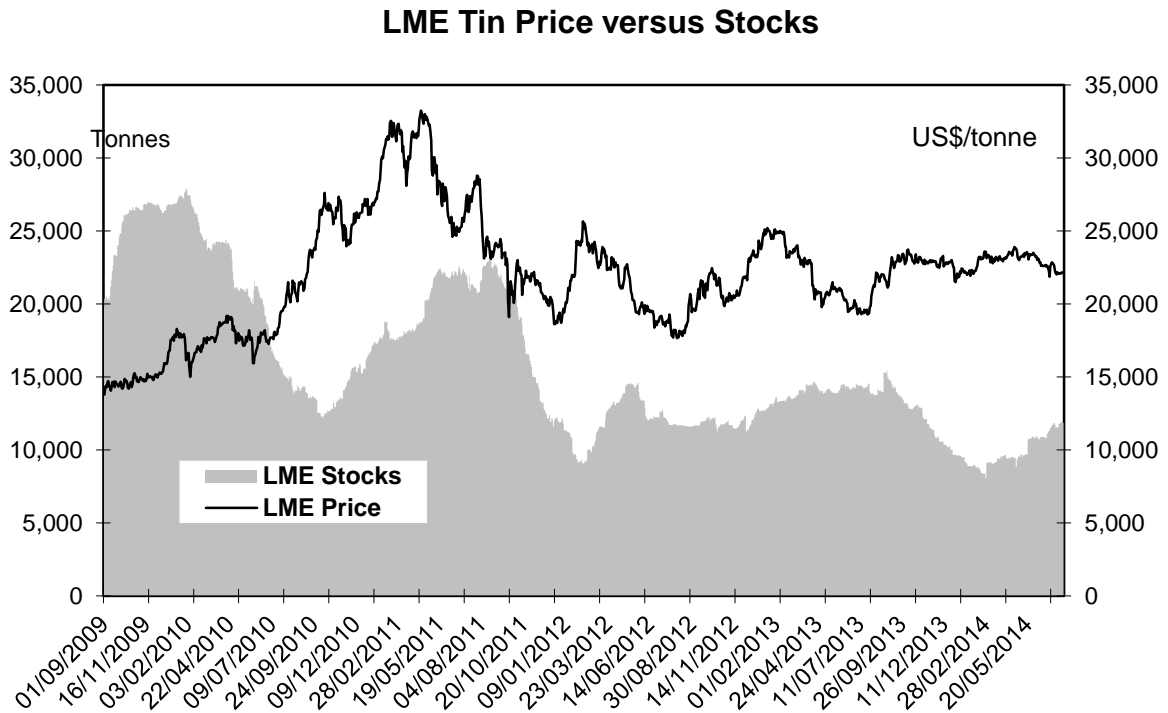
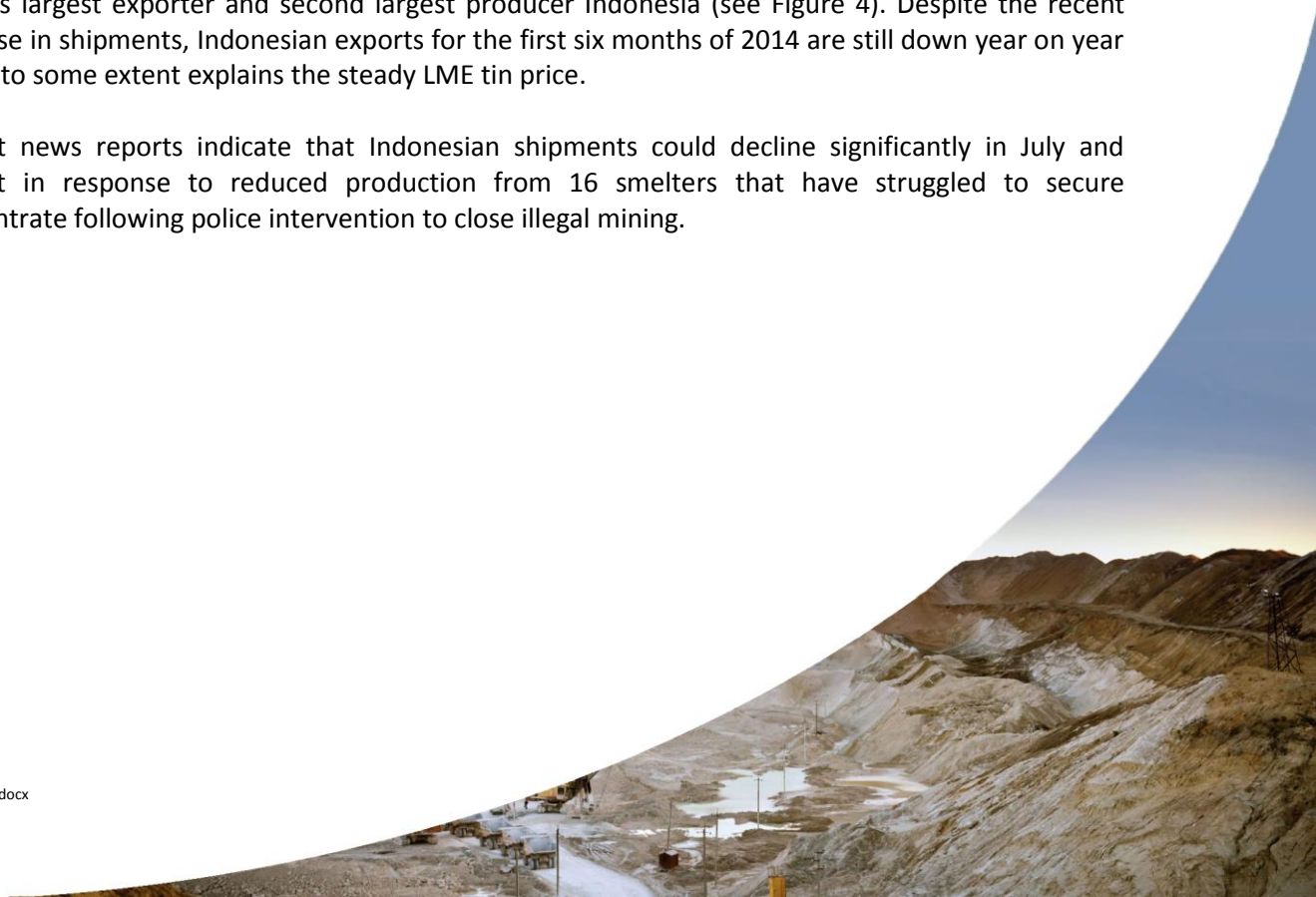


Figure 3: London Metal Exchange spot price versus LME traded stocks

The increase in LME stocks is largely the result of increased shipments in May and June from the world’s largest exporter and second largest producer Indonesia (see Figure 4). Despite the recent increase in shipments, Indonesian exports for the first six months of 2014 are still down year on year which to some extent explains the steady LME tin price.

Recent news reports indicate that Indonesian shipments could decline significantly in July and August in response to reduced production from 16 smelters that have struggled to secure concentrate following police intervention to close illegal mining.



Indonesian Monthly Refined Tin Exports (tonnes, Jun'13 to Jun'14)

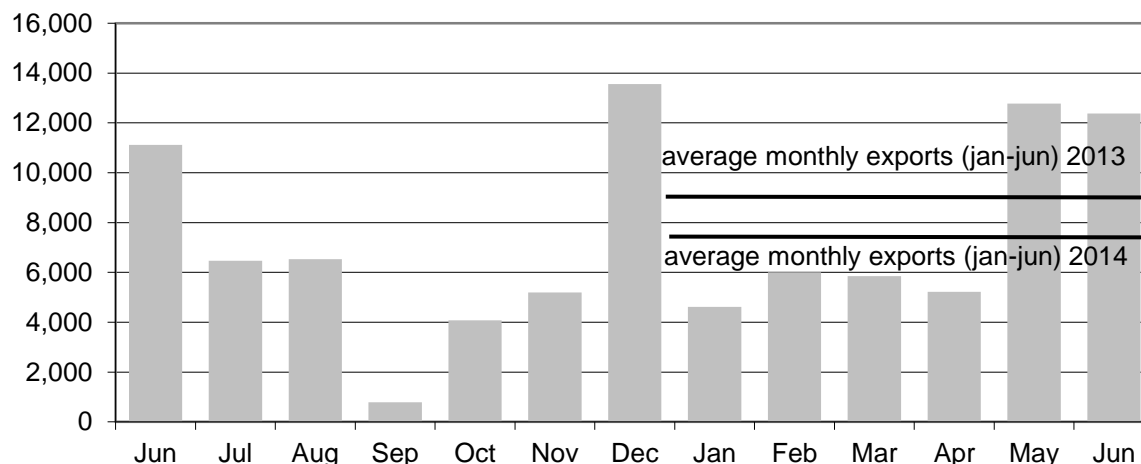


Figure 4: Indonesian monthly tin exports – June 2013 to June 2014

The International Tin Research Institute has just published its “Outlook to 2018 and Beyond” and concludes in that publication “There is a high probability of a tin shortage developing within the next five years, even if growth in usage is slow”. ITRI believes that the tin market will remain in deficit until 2018 with a cumulative shortage in supply of 60,000 tonnes after assuming a decline in demand growth from an annual rate of 2.5% to 1.0%. The deficit could be significantly larger if demand growth does not decline as ITRI suggests.

TENEMENT REGISTER

| Project | Licence Number | Tenement | Location | Interest held (%) |
|---------------|----------------|-----------------|-----------------|-------------------|
| Heemskirk Tin | RL5/1997 | Zeehan | Tasmania | 100% |
| | EL46/2003 | Heemskirk | Tasmania | 100% |
| Exploration | | | | |
| Tin | EL1/2004 | Ramsay River | Tasmania | 100% |
| Uranium | EL5307 | Cowell | South Australia | 100% ¹ |
| | EL4242 | Midgee | South Australia | 100% ² |
| Iron Ore | EL5355 | Tarcoola | South Australia | 100% |
| | EL4389 | Hicks Hill | South Australia | 100% |
| Copper/Gold | EL40/2010 | Heazlewood Hill | Tasmania | 100% |
| | EL4882 | Kingoonya | South Australia | 100% |
| | EL4573 | Stony Top Hill | South Australia | 100% |
| | EL5125 | Cleanskin Swamp | South Australia | 100% |
| | EL5126 | Long Creek | South Australia | 100% |

¹ JV with Renascor Resources Limited earning 75% interest

² JV with UraniumSA Limited earning 73% in uranium interest

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 24 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:

Peter Blight

Managing Director

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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

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 June 2014

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12 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 | (948) | (2,289) |
| (b) development | – | – |
| (c) production | – | – |
| (d) administration | (118) | (590) |
| (e) goods & services tax | 82 | 185 |
| 1.3 Dividends received | – | – |
| 1.4 Interest and other items of a similar nature received | 43 | 84 |
| 1.5 Interest and other costs of finance paid | – | – |
| 1.6 Income taxes paid | – | – |
| 1.7 Other – R & D concessional tax refund | – | 833 |
| Net Operating Cash Flows | (941) | (1,777) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | – | – |
| (b) equity investments | – | – |
| (c) other fixed assets | (4) | (4) |
| 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) | 6 | 6 |
| Net investing cash flows | 2 | 2 |
| 1.13 Total operating and investing cash flows (carried forward) | (939) | (1,775) |

+ 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) | (939) | (1,775) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 193 | 3,770 |
| 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 | 193 | 3,770 |
| | Net increase (decrease) in cash held | (746) | 1,995 |
| 1.20 | Cash at beginning of quarter/year to date | 4,926 | 2,185 |
| 1.21 | Exchange rate adjustments to item 1.20 | – | – |
| 1.22 | Cash at end of quarter | 4,180 | 4,180 |

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 | 80 |
| 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 \$65k; rent/office support, Melbourne, paid to Mineral Deposits Limited \$15k | |

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

| |
|---|
| – |
|---|

+ See chapter 19 for defined terms.

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 | 756 |
| 4.2 Development | – |
| 4.3 Production | – |
| 4.4 Administration | 167 |
| Total | 923 |

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 | 140 | 1,288 |
| 5.2 Deposits at call | 4,040 | 3,638 |
| 5.3 Bank overdraft | – | – |
| 5.4 Other (provide details) | – | – |
| Total: cash at end of quarter (item 1.22) | 4,180 | 4,926 |

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 | – | – | – |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | – | – | – |

+ 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 <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 295,786,256 | 295,786,256 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 4,441,519 | 4,441,519 | | |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options | | | Exercise Price | Expiry Date |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Expired during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ 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: 29 July 2014
(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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