

Stellar Resources Limited

ABN 96 108 758 961

Annual Report - 30 June 2019

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Directors	Phillip G Harman (Non-Executive Chairman) Peter G Blight (Managing Director) Thomas H Whiting (Non-Executive Director) Gary Fietz (Non-Executive Director)
Company Secretary	Melanie Leydin
Notice of annual general meeting	The Company will hold its annual general meeting of shareholders on 26 November 2019
Registered Office	Level 17 530 Collins Street Melbourne VIC 3000 Facsimile: (03) 9077 9233 Telephone: (03) 9692 7222
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: 1300 737 760
Auditor	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne VIC 3000
Bankers	National Australia Bank 800 Bourke Street Melbourne VIC 3000
Stock exchange listing	Stellar Resources Limited shares are listed on the Australian Securities Exchange (ASX code: SRZ and SRZO)
Website	www.stellarresources.com.au
Tax Agents and Advisors	Deloitte Private Pty Ltd 550 Bourke Street Melbourne VIC 3000

REVIEW OF OPERATIONS

Stellar's 100% owned tin assets are located near Zeehan in Tasmania in one of the most attractive tin provinces in the world. Stellar's flagship Heemskirk tin project is just 18km to the southwest of the Renison tin mine, the largest and most productive tin mine in Australia. During the year, Renison demonstrated the way forward by discovering two new deposits and increasing its contained tin resource by 22% and average grade by 15%. The Renison benchmark is a significant advantage for Stellar along with the locational benefits of excellent infrastructure, available power and water and competitive mining services in the supportive jurisdiction of Tasmania.

Figure 1:
Location of
Tasmanian Tin
Assets



Key Achievements

- Mining Lease granted over St Dizier tin deposit
- St Dizier Scoping Study updated
- Heemskirk Tin Mineral Resource updated
- Tin exploration target identified at Razorback Mine
- Tin exploration potential significantly increased with grant of Montana Flats EL13/2018
- Stellar awarded \$95,000 co-funding grant to explore two tin targets on EL13/2018

Strategy

In January 2019, Stellar conducted a strategic review of its tin assets. The review concluded that the Company should continue to advance all tin projects with a focus on those that could contribute to early production.

Near-surface tin deposits at St Dizier and the Razorback Mine are the most able to achieve this goal. During the year, Stellar completed a scoping study at St Dizier and identified an exploration target for follow-up drilling at Razorback.

The resource estimate for the Heemskirk tin deposits was also updated. Importantly, the update delivered a 64% increase in Indicated Resource. On the basis of the Indicated Resource increase and a number of technical studies completed in recent years, Stellar commenced a scoping study on Heemskirk.

Stellar also significantly increased lateral exploration potential through the grant of Montana Flats, EL 13/2018, which lies directly north of the Heemskirk tin deposits and includes the Oonah tin deposit.

Stellar continues to look for opportunities to acquire assets in order to broaden its development opportunities beyond its strong tin portfolio. Several assets were reviewed during the year.

Tin Market Outlook

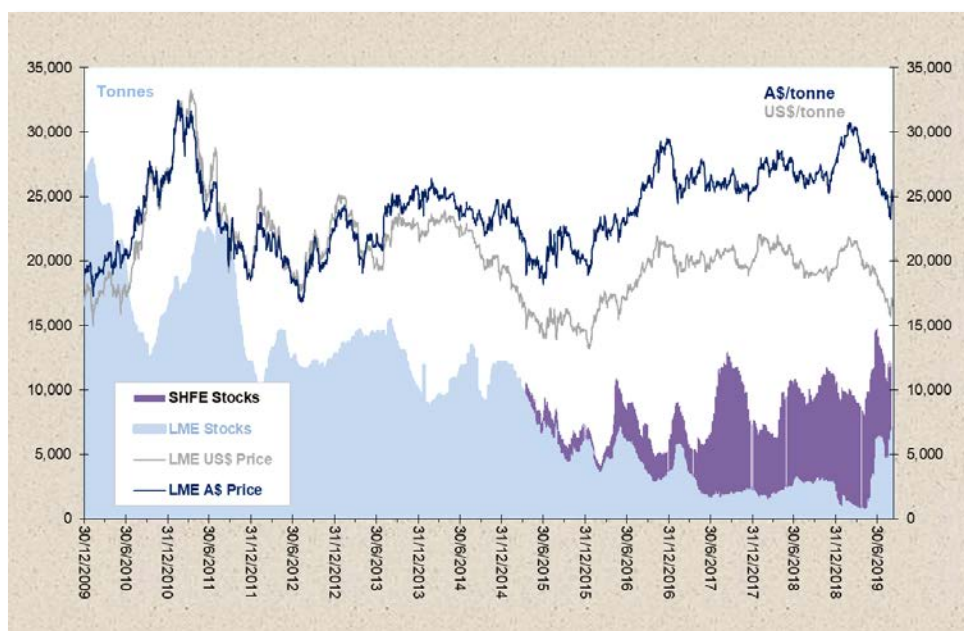
During 2019, demand growth is likely to have fallen below trend due to the escalation of trade tensions and the resulting weakening of global growth most evident in declining semi-conductor shipments and falling auto sales. However, tin is a new technology metal facing a growing number of new uses in the electric vehicle, energy generation and energy storage sectors that will drive growth over the next decade. The long-term outlook for tin demand remains positive with annual trend growth expected to be 2%.

China, the world's largest producer of tin, faced a growing shortage of concentrate and a resulting reduction in smelter production during the year. Some of this reduction was driven by tighter environmental performance requirements but the most telling factor was a reduction in supply from Myanmar. Lower grade, higher costs and falling prices saw shipments from Myanmar fall for a second straight year. During the year, lower tin production was also evident in the steady decline in Shanghai Futures Exchange stocks.

Indonesia, the second largest tin producer in the world has also reduced supply in the second half of 2019 in response to weaker tin prices. Government initiatives to regulate supply and promote the development of down-stream production, particularly production of electric vehicles, is viewed as a positive trend for the longer-term health of the industry.

Tin price weakness in 2019 is expected to be short-term due to the supply-side response. The strength of recovery is likely to be driven by the pace at which trade tensions unwind and measures to stimulate economic growth are applied.

Figure 2: Tin Price Bouncing Back from an Over-Sold Position



Operational Overview

1) St Dizier Secured by a Mining Lease (ML 10M/2017)

In January 2019, Stellar secured a 2 km² Mining Lease to develop an open pit mine over the St Dizier tin deposit. The ML application was supported by a 2015 internal scoping study.

St Dizier is located 20km to the northwest of Zeehan and within 1km of the all-weather Heemskirk Road. The ML provides Stellar with exclusive access to the site for open pit mining of tin and other metals for an initial period of 6 years.

Figure 3: Mining Leases granted for St Dizier satellite tin deposit

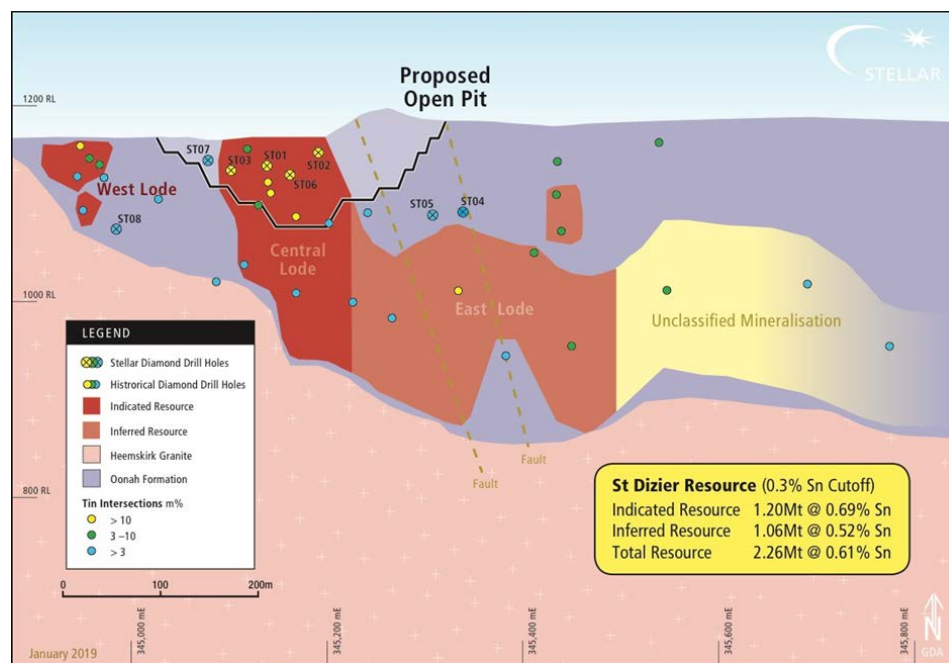


2) St Dizier Scoping Study

In January 2019, Stellar released an updated version of the 2015 internal scoping study to the ASX. The updated study, using a tin price of US\$20,000/t, an exchange rate of 0.72 AUDUSD and with an accuracy of $\pm 35\%$, resulted in a base case NPV_{10%} of approximately \$10.4m, an IRR of approximately 166% and a

payback period of approximately 8 months. The project has a low estimated capital investment of \$A\$3.8m (assuming processing on a toll basis) and can be bought into production within 3 months of receiving all approvals. St Dizier is being considered as a satellite deposit for development as part of the Heemskirk or Razorback mining schedules.

Figure 4: St Dizier Scoping Study long-projection and proposed open pit outline



3) Updated Heemskirk Tin Mineral Resource

In May 2019, Stellar announced an updated Mineral Resource for Heemskirk of 6.6Mt @ 1.1% Sn or 70,930t of contained Sn – 0.2Mt more resource for a similar amount of contained tin. The estimate included the Queen Hill, Severn and Montana deposits and a maiden resource estimate of 0.6Mt @ 0.9% Sn for the recently acquired Oonah tin deposit.

Importantly, the update contained a 64% increase in Indicated Mineral Resource to 2.1Mt @ 1.1% Sn or 23,960t of contained Sn. The 64% increase arose from a 2017 program of closer spaced diamond drilling which led to definition of a maiden Indicated Resource of 1.2Mt @ 1.0% Sn for the Severn deposit.

A maiden Inferred Resource of 0.6Mt @ 0.9% Sn or 5,310t of contained tin was estimated for the recently acquired Oonah tin deposit.

Figure 5: Schematic geology cross-section 3700N, showing Queen Hill and Severn deposits

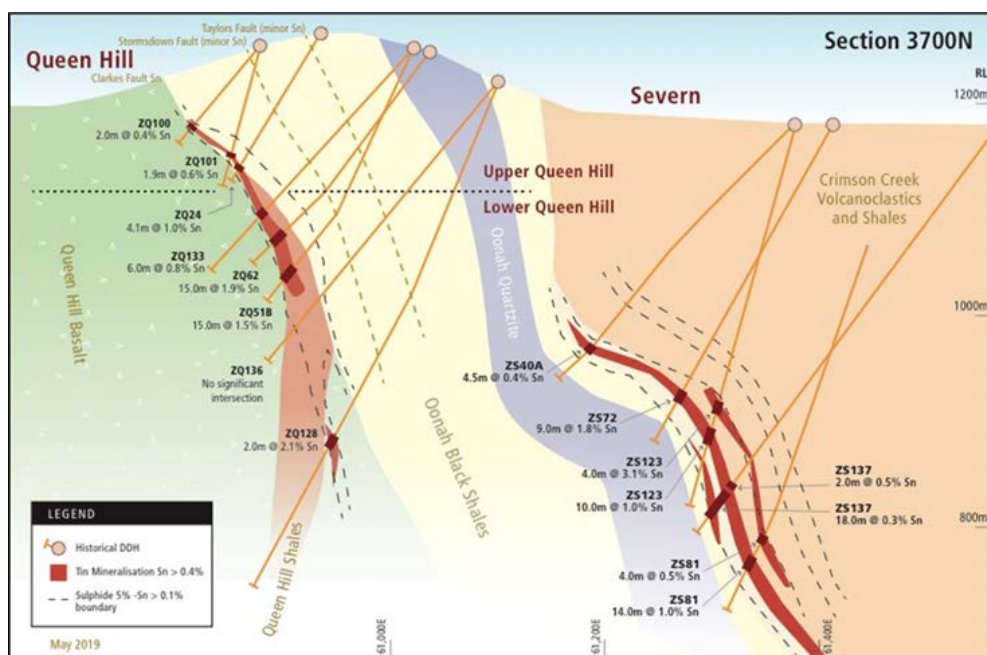


Figure 6: Heemskirk Tin Mineral Resource Statement 2019, JORC 2012

Classification	Deposit	Tonnage mt	Total Sn %	Contained Sn t	Cassiterite % of total Sn	Cu %	Pb %	Zn %
Indicated	Upper Queen Hill	0.32	1.0	3,230	87	0.2	2.1	1.0
	Lower Queen Hill	0.65	1.4	9,230	97	0.0	0.1	0.1
	Severn	1.15	1.0	11,500	99	0.1	0.0	0.1
	Total Indicated	2.12	1.1	23,960	97	0.1	0.4	0.2
Inferred	Upper Queen Hill	0.11	1.6	1,760	94	0.2	1.9	0.7
	Lower Queen Hill	0.36	1.4	5,040	97	0.0	0.2	0.0
	Severn	2.74	0.9	24,660	99	0.0	0.0	0.0
	Montana	0.68	1.5	10,200	96	0.1	0.7	1.4
	Oonah	0.59	0.9	5,310	36	0.8	0.1	0.1
	Total Inferred	4.48	1.0	46,970	90	0.1	0.2	0.3
Total Indicated + Inferred		6.60	1.1	70,930	92	0.1	0.3	0.3

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

4) Razorback Exploration Target

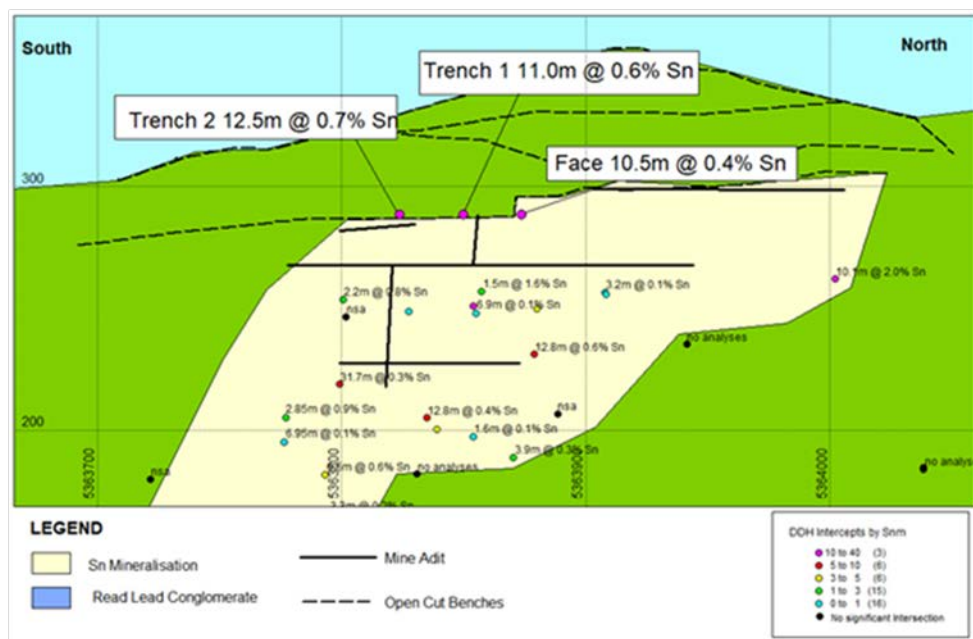
The Razorback Mine lies 10km east of Zeehan, within EL11/2017, and represents the second satellite tin deposit (St Dizier is the first) within Stellar's portfolio of tin assets.

In July 2019, Stellar announced an Exploration Target estimate for remaining material below the historical Razorback Mine of 180,000 – 220,000t @ 0.8 – 1.0% Sn down to a depth of 100m below the pit floor.

It should be noted that this Exploration Target is conceptual in nature. There has been insufficient exploration to define a Mineral Resource in this volume and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Exploration Target is based on 35 historical surface drillholes, 22 underground holes completed between 1958 and 1982 and samples from 3 costeans dug across the pit floor in 2018 by Stellar. Further validation of historical drilling and mining data is required in order to define an Inferred Mineral Resource.

Figure 7:
Razorback Mine
long-projection



Stellar also completed a second 15 augur hole sampling program across Razorback Tailings Dam 1 and submitted the sample to ALS metallurgical laboratories for pilot scale testing of low-cost gravity separation processes. The result showed overall recovery of 14% Sn into a concentrate grading 43% Sn with a high probability of increasing recovery by a further 15% by including a re-grind stage. The recovery outcome does not support a standalone tailings re-processing facility. However, it does suggest that a modern gravity plant could achieve significantly greater recovery than was the case for the historical processing plant at the Razorback Mine.

5) Montana Flats Exploration

In August 2018, Stellar was granted Montana Flats (EL13/2018), a 24 km² licence that is contiguous with the northern boundary of ML2023P/M, the host of the Heemskirk tin deposits (Queen Hill, Severn and Montana). Montana Flats contains the Oonah tin deposit which lies 500m to the north of Queen Hill, several historical basemetal mines and geological structures that trend to the northwest and connect all of the known deposits. Montana Flats adds significant lateral tin and basemetal prospectivity to Stellar's portfolio.

In May 2019, Stellar was awarded a \$95,000 exploration drilling grant under the Tasmanian Government's Exploration Drilling Grant Initiative Program (EDGI). The grant is for a program of two diamond drill holes targeting tin mineralisation below the Oonah deposit and one targeting tin below the Zeehan Western Silver Mine.

The Directors of Stellar Resources Limited ("the company") and its controlled entities ("the consolidated entity") submit herewith the financial report for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors of the company in office at any time during or since the end of the period are:

Director	Position held
Phillip G Harman	Non-Executive Chairman
Peter G Blight	Managing Director
Thomas H Whiting	Non-Executive Director
Miguel Lopez de Letona	Non-Executive Director - Resigned 3 May 2019
Gary Fietz	Non-Executive Director - Appointed 7 May 2019

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Principal activities

The principal activity of the consolidated entity during the year continued to be mineral exploration with the objective of identifying and developing economic reserves.

Operating Result

The net loss of the consolidated entity for the financial period was \$7,170,591 (2018: \$690,492).

The loss for the financial period was derived largely due to administration expenditure of \$463,545 (2018: \$555,142) from continuing operations and exploration expenditure and other costs written off in the amount of \$6,708,578 (2018: \$152,703).

Financial Position

The net assets of the consolidated entity decreased by \$7,166,795 to \$11,527,621 as at 30 June 2019 (2018: \$18,694,416). The movements during the year was largely due to the exploration expenditure written off.

Working capital, being current assets less current liabilities, decreased by \$642,565 to \$580,467 (2018: \$1,223,032). The consolidated entity had a net cash outflows from operating activities for the period of \$438,977 (2018: \$561,068).

The review of operations preceding this report outlines the exploration activities and corporate matters for the year.

Dividends Paid or Recommended

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

On 6 May 2019, the consolidated entity issued 615,244 fully paid ordinary shares at price of \$0.013 (1.3 cents) per share as settlement for a third party consultant.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Subsequent Events

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Business Strategies

The consolidated entity is committed to the corporate objective of:

“Enhancing shareholder wealth through mineral discovery”.

It seeks to meet this objective by:

- Utilising cutting edge exploration technology;
- Focusing on projects located within geological terrains hosting world-class ore bodies; and
- Utilising an experienced, focused and success driven management team.

Where joint ventures seem appropriate and beneficial to the risk/reward profile of Stellar Resources, the Board has chosen to enter such agreements. Joint ventures provide financing whilst maintaining meaningful involvement and equity in the project.

Stellar Resources Limited is also prepared to sponsor or co-sponsor new IPO's – including those where the consolidated entity's assets may be included. In such cases, shareholders may also be eligible and entitled to subscribe for shares in any new IPO.

The consolidated entity's prospects for future years depend very much on the rate of mineral discovery. The consolidated entity is an active minerals explorer and a material mineral discovery has the potential to add substantial value to the consolidated entity. Against this, company funds must be expended in this exploration/discovery endeavour and the Board may decide to raise new equity to replenish funds in order to advance its existing portfolio and seek additional opportunities.

Future Developments

The consolidated entity's activities will continue to focus on the Heemskirk Tin Project in Tasmania. In the forthcoming year, the consolidated entity plans to attract funding partners to continue exploration around the known Mineral Resource ahead of in-fill drilling, metallurgical testing and various studies to support preparation of a Definitive Feasibility Study.

The consolidated entity will also seek new opportunities to add to its current portfolio to add additional shareholder value.

Environmental Issues

The consolidated entity's exploration activities are subject to various environmental regulations under both state and federal legislation in Australia. The ongoing operation of these tenements is subject to compliance with the respective mining and environmental regulations and legislation.

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The Directors are not aware of any breaches of mining and environmental regulations and legislation during the financial year.

Information on Directors

Name:	Phillip G Harman
Title:	Chairman
Qualifications:	BSc (Hons) MAusIMM
Experience and expertise:	Mr Harman is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of roles both technical and managerial, both in Australia and overseas. Mr Harman was material in bringing BHP Billiton's proprietary FALCON® airborne gravity gradiometer technology to Gravity Capital Limited which was the precursor to Gravity Diamonds Limited in 2001.
Other current directorships:	Alice Queen Limited (ASX: AQX)
Former directorships (last 3 years):	Nil
Interests in shares:	2,779,704 fully paid ordinary shares
Interests in options:	5,000,000 unlisted options expiring 20 November 2019

Name: Peter G Blight
Title: Managing Director
Qualifications: BSc (Hons) (Adelaide), MSc (USA)
Experience and expertise: Mr Blight has been involved in the exploration, mining and finance industries for over 35 years. Prior to joining Stellar Resources, he was Director of Research at Russian aluminium giant UC Rusal where he was responsible for market analysis and business development in China and India. He also had a 14 year career with investment bank, UBS, as Executive Director of commodity analysis in London and prior to that as a mining company analyst in Melbourne. Mr Blight's wide range of experience from exploration to business development places him in a strong position to guide the commercialisation of the Heemskirk Tin Project.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 3,000,000 fully paid ordinary shares
Interests in options: 5,000,000 unlisted options expiring 20 November 2019

Name: Thomas H Whiting
Title: Non-Executive Director
Qualifications: BSc (Hons) PhD FINSIA
Experience and expertise: Dr Whiting is currently a consultant, having retired from BHP Billiton in 2008, after a distinguished career covering over 35 years. He is a widely respected explorer with profound insights on the need for innovation in the mineral exploration sector. Dr Whiting was Vice President of Minerals Exploration for BHP Billiton from 2000 to 2004. Earlier in his career, he led the use of innovative reconnaissance airborne geophysical techniques which led to the discovery of the Cannington lead-zinc-silver mine in North Queensland and the development and deployment of the FALCON® system, the world's first airborne gravity gradiometer.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: 2,000,000 fully paid ordinary shares
Interests in options: 2,500,000 unlisted options expiring 20 November 2019
1,170,000 quoted options expiring 18 May 2020

Name: Gary Fietz
Title: Non-Executive Director
Qualifications: Mr Fietz was a former Managing Director and NED of ASX and foreign listed exploration and resource development companies. He has previously worked in tin, iron ore, coking coal and gold exploration and development in Australia, the UK, North and South America, Africa and India. Gary has over 30 years of technical and commercial experience including; exploration management, mineral resource estimation, study management (Scoping, Pre-Feasibility, and Feasibility Studies), project generation and assessment, governance, corporate finance, mergers and acquisitions and strategic planning.

Experience and expertise:
Other current directorships:
Former directorships (last 3 years): New Age Exploration Limited (ASX:NAE) (Resigned 15 October 2018)
Interests in shares: 615,244 fully paid ordinary shares
Interests in options: 2,000,000 unlisted options expiring 10 May 2022

Name: Miguel Lopez de Letona
Title: Non-Executive Director (Resigned 3 May 2019)
Qualifications: BA (admin) (Brussels, Belgium)
Experience and expertise: Mr Lopez de Letona is an experienced Luxembourg based investment advisor and private investor in the natural resources industry across mining, oil and gas, as well as other sectors. For more than a decade, he was responsible for sourcing, structuring, negotiating and managing private equity investments for international clients. Prior to his investment advisory activities in Europe and South America, Mr Lopez de Letona was a management consultant and banker with leading financial institutions.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Interests in shares: Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Ms Melanie Leydin

Melanie Leydin is joint company secretary and has over 25 years' experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Securities Exchange. She is a Chartered Accountant and is a Registered Company Auditor. She Graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer, and Director of Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties for resources and biotechnology sectors.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board Attended	Held
P G Harman	5	5
P G Blight	5	5
T H Whiting	5	5
M Lopez de Letona	2	3
Gary Fietz	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report

Names and Positions Held of Key Management Personnel in Office at any time during the Financial Period were:

Director	Position held
Phillip G Harman	Non-Executive Chairman
Peter G Blight	Managing Director
Thomas H Whiting	Non-Executive Director
Miguel Lopez de Letona	Non-Executive Director (Resigned 3 May 2019)
Gary Fietz	Non-Executive Director (Appointed 7 May 2019)

Directors' and Executives' Compensation

Remuneration Policy

The Board is responsible for determining and reviewing the remuneration of the Directors including the Managing Director and executive officers of the Company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board seeks where necessary the advice of external advisers in connection with the structure of remuneration packages. The Board also recommends the levels and form of remuneration for non-executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non-executive Directors shall not exceed the sum fixed by members of the Company in a general meeting. Shareholders fixed the maximum aggregate remuneration for non-executive Directors at \$500,000.

The three key elements of Director and executive remuneration are:

- base salary and fees, which are determined by reference to the market rate based on payments by similar size companies in the industry;
- superannuation contributions; and
- equity-based payments, the value of which are dependent on the Company's share price and other factors.

Voting and comments made at the company's 28 November 2018 Annual General Meeting ('AGM')

The company received 97.48% of 'for' votes in relation to its remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2019. As the table indicates, earnings have varied significantly over the past five financial years, due to the nature of exploration activities. It has been the focus of the Board of Directors to attract and retain management personnel essential to continue exploration activities.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$
Revenue	17,775	37,853	48,431	54,256	110,048
Net profit/(loss) before tax	(7,170,591)	(690,492)	(681,874)	2,332	(2,383,200)
Net profit/(loss) after tax	(7,170,591)	(690,492)	(681,874)	2,332	(2,383,200)
	2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Share price at end of year (\$)	0.01	0.02	0.02	0.03	0.03
Basic and diluted earnings per share (cents per share)	(1.89)	(0.18)	(0.21)	-	(0.80)

Remuneration of Directors and Senior Management

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits		Post-employment benefits	Share-based payments	
	Cash salary and fees	Other Compensation	Super-annuation	Equity-settled	Total
	\$	\$	\$	\$	\$
2019					
<i>Non-Executive Directors:</i>					
P G Harman	31,134	-	2,958	-	34,092
T H Whiting	15,561	-	1,478	-	17,039
M Lopez de Letona*	15,620	-	-	-	15,620
G Fietz**	34,702	-	-	23,238	57,940
<i>Executive Directors:</i>					
P G Blight***	94,856	-	25,000	-	119,856
	191,873	-	29,436	23,238	244,547

* Miguel Lopez de Letona resigned as Non-Executive Director at 3 May 2019

** Gary Fietz was appointed as Non-Executive Director at 7 May 2019. Included in the \$34,702 are \$32,091 of consulting services in relation to additional exploration and corporate services undertaken and \$2,611 of director fees; included in the \$23,238 are \$7,998 of consulting services settled by shares and \$15,240 share options issued.

*** Peter Blight salary and fees included the annual leave and long service leave movements; Super included salary super sacrifice and super guarantee.

	Short-term benefits		Post-employment benefits	Share-based payments	
	Cash salary and fees	Other Compensation	Super-annuation	Equity-settled	Total
	\$	\$	\$	\$	\$
2018					
<i>Non-Executive Directors:</i>					
P G Harman	42,305	-	4,019	-	46,324
T H Whiting	21,151	-	2,009	-	23,160
M Lopez de Letona	23,160	-	-	-	23,160
<i>Executive Directors:</i>					
P G Blight	128,696	-	25,003	-	153,699
<i>Other Key Management Personnel:</i>					
C R Kemp *	32,900	-	-	-	32,900
	248,212	-	31,031	-	279,243

* C R Kemp retired as Company Secretary on 26 October 2017.

All key management personnel compensation is paid by Stellar Resources Limited. Key management personnel receive no remuneration from group subsidiary companies.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
P G Harman	100%	100%	-	-	-	-
T H Whiting	100%	100%	-	-	-	-
M Lopez de Letona	100%	100%	-	-	-	-
G Fietz	60%	-	40%	-	-	-
<i>Executive Directors:</i>						
P G Blight	100%	100%	-	-	-	-

Details Concerning Share-based Remuneration of Directors and Executives

The Company's policy for determining the nature and amount of emoluments of Board members and executives of the Company is as follows:

The remuneration structure for executive officers, including Directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and Directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. There are no termination benefits or incentives provided. Should the Company terminate the Managing Director's contract immediately, the Company shall pay an amount equal to the total remuneration for 12 months. Any options not exercised before or on the date of termination will lapse.

Compensation Options: Granted and Vested during the Year

On 10 May 2019, 2,000,000 Unlisted options exercisable at \$0.02 (2 cents) vesting immediately, expiring 10 May 2022 were issued to Gary Fietz as sign on incentive.

Number of Shares held by Key Management Personnel

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
P G Harman	2,779,704	-	-	-	2,779,704
P G Blight	3,000,000	-	-	-	3,000,000
T H Whiting	2,000,000	-	-	-	2,000,000
G Fietz*	-	-	615,244	-	615,244
	<u>7,779,704</u>	<u>-</u>	<u>615,244</u>	<u>-</u>	<u>8,394,948</u>

* Gary Fietz appointed as Non-executive Director at 7 May 2019

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
P G Harman	5,000,000	-	-	-	5,000,000
P G Blight	5,000,000	-	-	-	5,000,000
T H Whiting	3,670,000	-	-	-	3,670,000
M Lopez de Letona*	2,500,000	-	-	(2,500,000)	-
Gary Fietz**	-	2,000,000	-	-	2,000,000
	<u>16,170,000</u>	<u>2,000,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>15,670,000</u>

* Miguel resigned as Non-Executive director at 3 May 2019

** Gary Fietz appointed as Non-Executive Director at 7 May 2019

Shares Issued on Exercise of Compensation Options

There were no ordinary shares of Stellar Resources issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Loans to Key Management Personnel

There were no loans to key management personnel at any time during the current or prior financial year.

This concludes the remuneration report, which has been audited.

Share under option

Unissued ordinary shares of Stellar Resources under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
18/11/2014	20/11/2019	\$0.060	1,500,000
18/11/2014	20/11/2019	\$0.080	3,000,000
18/11/2014	20/11/2019	\$0.100	4,500,000
18/11/2014	20/11/2019	\$0.120	6,000,000
18/05/2017	18/05/2020	\$0.050	59,142,857
10/05/2019	10/05/2022	\$0.020	2,000,000
			<u>76,142,857</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on exercise on share options

No shares were issued during or since the end of financial year as a result of exercise of a share option.

Options expired

During the financial year, there were nil expired options (2018: nil options expired).

Indemnity and insurance of officers

The Company has paid premiums to insure each of the Directors, Company Secretary and executive officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director/officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The terms and conditions of the insurance are confidential and cannot be disclosed.

Dealing in the Company's Securities

The Company's share trading policy restricts Directors, executives, employees and contractors to only trade in the Company's securities during the 30 days (the "trade window") commencing immediately after each of the following occasions:

- the release by the Company of its quarterly report to the ASX;
- the release by the Company of its half-yearly results to the ASX;
- the release by the Company of its annual results to the ASX;

A Director, executives, employees or contractors may not trade in the Company's securities outside of the trading window unless approval is given in accordance with the share trading policy.

Prior to trading in (either buying or selling) the Company's securities, Directors, executives, employees and contractors must notify the appropriate person of their intention to trade and confirm that they are not in possession of any published price sensitive information. This requirement does not apply to the acquisition of securities through an incentive plan, nor to the exercise of any security that has vested in accordance with any incentive plan resulting in the holding of a listed security in the Company. However, the requirement does apply to the trading of the listed securities once they have been acquired.

The share trading policy requires the Company Secretary to maintain a register of all trades and holdings in Company securities by Directors, executives, employees and contractors. Directors, executives, employees and contractors must notify the Company Secretary of any trade in the Company's securities within 2 days of such trade occurring. The Company Secretary will comply with the ASX Listing Rule 3.19A requirement to notify the ASX of any change in a notifiable interest held by a Director.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

Non audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "P. Harman", written over a horizontal line.

Phillip G Harman
Non-Executive Chairman

30 September 2019
Melbourne

The Board of Directors
Stellar Resources Limited
Level 17, 530 Collins Street
Melbourne VIC 3000

30 September 2019

Dear Board Members

Stellar Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Stellar Resources Limited.

As lead audit partner for the audit of the financial statements of Stellar Resources Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants

Stellar Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019



	Note	Consolidated 2019 \$	2018 \$
Revenue			
Interest received		17,775	37,853
Expenses			
Administration expenditure		(463,545)	(555,142)
Depreciation and amortisation expenses		(15,860)	(19,154)
Exploration expenditure and other costs written off	11	(6,708,578)	(152,703)
Finance costs		(383)	(1,346)
Loss before income tax expense		(7,170,591)	(690,492)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Stellar Resources		(7,170,591)	(690,492)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax		(19,442)	15,888
Other comprehensive income/(loss) for the year, net of tax		(19,442)	15,888
Total comprehensive income for the year attributable to the owners of Stellar Resources		<u>(7,190,033)</u>	<u>(674,604)</u>
		Cents	Cents
Basic earnings per share	31	(1.89)	(0.18)
Diluted earnings per share	31	(1.89)	(0.18)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	6	614,951	1,222,238
Trade and other receivables	7	11,286	6,207
Financial assets at fair value through other comprehensive income	8	33,438	88,880
Prepayments		17,379	20,200
Total current assets		<u>677,054</u>	<u>1,337,525</u>
Non-current assets			
Trade and other receivables	9	140,841	157,470
Property, plant and equipment	10	119,045	134,905
Exploration and evaluation assets	11	10,692,819	17,188,699
Total non-current assets		<u>10,952,705</u>	<u>17,481,074</u>
Total assets		<u>11,629,759</u>	<u>18,818,599</u>
Liabilities			
Current liabilities			
Trade and other payables	12	51,338	60,538
Provisions	13	45,249	44,991
Other liabilities	14	-	8,964
Total current liabilities		<u>96,587</u>	<u>114,493</u>
Non-current liabilities			
Provisions	15	5,551	3,574
Other liabilities	16	-	6,116
Total non-current liabilities		<u>5,551</u>	<u>9,690</u>
Total liabilities		<u>102,138</u>	<u>124,183</u>
Net assets		<u>11,527,621</u>	<u>18,694,416</u>
Equity			
Issued capital	17	36,875,488	36,867,490
Reserves	18	1,750,387	1,754,589
Accumulated losses		<u>(27,098,254)</u>	<u>(19,927,663)</u>
Total equity		<u>11,527,621</u>	<u>18,694,416</u>

Stellar Resources Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	36,867,490	2,236,127	(19,734,597)	19,369,020
Loss after income tax expense for the year	-	-	(690,492)	(690,492)
Other comprehensive income for the year, net of tax	-	15,888	-	15,888
Total comprehensive income/(loss) for the year	-	15,888	(690,492)	(674,604)
<i>Transactions with owners in their capacity as owners:</i>				
Lapse of options	-	(497,426)	497,426	-
Balance at 30 June 2018	<u>36,867,490</u>	<u>1,754,589</u>	<u>(19,927,663)</u>	<u>18,694,416</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	36,867,490	1,754,589	(19,927,663)	18,694,416
Loss after income tax expense for the year	-	-	(7,170,591)	(7,170,591)
Other comprehensive income for the year, net of tax	-	(19,442)	-	(19,442)
Total comprehensive income for the year	-	(19,442)	(7,170,591)	(7,190,033)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 17)	7,998	-	-	7,998
Share-based payments	-	15,240	-	15,240
Balance at 30 June 2019	<u>36,875,488</u>	<u>1,750,387</u>	<u>(27,098,254)</u>	<u>11,527,621</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Stellar Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2019



		Consolidated	
	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(438,977)	(561,068)
Net cash used in operating activities	30	(438,977)	(561,068)
Cash flows from investing activities			
Interest received		19,350	54,082
Payments for exploration expenditure		(225,210)	(1,146,511)
Security and bond deposit payments		-	(9,000)
Security and bond deposit refund		16,629	-
Proceeds from disposal of investments		36,000	-
Net cash used in investing activities		(153,231)	(1,101,429)
Cash flows from financing activities			
Payments for finance lease		(15,079)	(17,209)
Net cash used in financing activities		(15,079)	(17,209)
Net decrease in cash and cash equivalents		(607,287)	(1,679,706)
Cash and cash equivalents at the beginning of the financial year		1,222,238	2,901,944
Cash and cash equivalents at the end of the financial year	6	<u>614,951</u>	<u>1,222,238</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Stellar Resources as a consolidated entity consisting of Stellar Resources and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Stellar Resources's functional and presentation currency.

Stellar Resources is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 17
530 Collins Street
Melbourne VIC 3000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year.

All new accounting standards required which are mandatory for current accounting period were adopted.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior years.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The consolidated entity has not generated any revenue from contracts with customers. Therefore, there are no changes in the consolidated entity's revenue recognition which means there have been no adjustments made to the opening retained earnings balance.

Going concern

Stellar Resources Limited's consolidated financial statements are prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities and commitments in the normal course of business.

During the year ended 30 June 2019, the consolidated entity incurred a loss of \$7,170,591, had net cash outflows from operating activities of \$438,977, payments for exploration activities of \$225,210 and had accumulated losses of \$27,098,254 as at 30 June 2019. The continuation of the consolidated entity as a going concern is dependent upon its ability to generate sufficient cash from operating and financing activities and manage the level of exploration and other expenditure within available cash resources. The Directors consider that the going concern basis of accounting is appropriate for the following reasons:

As at 30 June 2019, the consolidated entity had cash assets of \$614,951, net working capital of \$580,467, including investments in Twenty Seven Co. (formerly UraniumSA Limited) of \$11,664 and Samphire Uranium Limited of \$21,774 which can be liquidated if and when required.

The most recently prepared cash flow forecast prepared by management and reviewed by the Directors indicates that the consolidated entity will require additional funding either through raising additional equity raising, debt funding and the sale of liquid investments in order to continue as a going concern. The cash flow forecast takes into account the consolidated entity's implementation of cost reviews which includes reductions in exploration activity and overhead expenditure. The Directors note that historically the entity has been successful in raising equity to fund its ongoing requirements.

In the short term, the consolidated entity will manage its cash reserves and expenditure by:

(i) the board of directors and employees have agreed that from October 2019, subject to shareholder approval, directors' fees and wages will be paid in shares instead of cash until further notice. Withholding tax payable in respect of the fees and wages under this arrangement, subject to shareholder approval, will be paid in cash by the company;

(ii) deferring exploration activities which are subject to the approval from the Department of State Growth – Mineral Resources Tasmania (the "Department") to maintain current rights to tenure to exploration and mining tenements.

In the event that the consolidated entity is unsuccessful in the matters set out above, a material uncertainty would exist that may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stellar Resources ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Stellar Resources and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 2. Significant accounting policies (continued)

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current and are offset if legally enforceable right however they are unrecognised within the consolidated entity's financial statements.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but no material impact is expected as the consolidated entity currently has no material leases.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in the notes to the financial statements, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Segment information

The consolidated entity operates in the Australian mineral exploration sector where it is actively pursuing opportunities for a number of mineral targets through various tenements all of which are currently at exploration stage and require further funding to proceed to revenue generation stages. As such the consolidated entity is required to prioritise its funding allocation and does so based on the assessment of the market sentiment and the potential of finding a viable mineral resource. Each exploration licence may be identified as a separate business activity that has revenue earning potential. However, licences of the same mineral exploration targets have been aggregated into the same segment based on similar economic characteristics. Various corporate and investing activities have been allocated to a corporate operating segment of the consolidated entity.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of resources held.

The following is an analysis of the consolidated entity's revenue and results from operations by reportable segment.

Note 4. Segment information (continued)

	Corporate \$	Tin \$	Other \$	Total \$
Consolidated - 2019				
Revenue				
Interest income	17,775	-	-	17,775
Total revenue	17,775	-	-	17,775
Expenses				
Administration expenditure	(463,544)	-	-	(463,544)
Depreciation and amortisation	(14,612)	(1,248)	-	(15,860)
Finance costs	(383)	-	-	(383)
Exploration expenditure and other costs written off	-	(6,702,638)	(5,941)	(6,708,579)
Loss before income tax expense	(460,764)	(6,703,886)	(5,941)	(7,170,591)
Income tax expense				-
Loss after income tax expense				(7,170,591)
Assets				
Segment assets	936,940	10,692,819	-	11,629,759
Total assets				11,629,759
Liabilities				
Segment liabilities	102,138	-	-	102,138
Total liabilities				102,138
Consolidated - 2018				
Revenue				
<i>Unallocated revenue:</i>				
Interest income				37,853
Total revenue				37,853
Expenses				
Administration expenditure	(555,142)	-	-	(555,142)
Depreciation and amortisation	(17,905)	(1,249)	-	(19,154)
Finance costs	(1,346)	-	-	(1,346)
Exploration expenditure and other costs written off	-	(149,735)	(2,968)	(152,703)
Loss before income tax expense	(536,540)	(150,984)	(2,968)	(690,492)
Income tax expense				-
Loss after income tax expense				(690,492)
Assets				
Segment assets	1,615,288	17,203,311	-	18,818,599
Total assets				18,818,599
Liabilities				
Segment liabilities	124,183	-	-	124,183
Total liabilities				124,183

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Income tax

	Consolidated	Consolidated
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(7,170,591)	(690,492)
Tax at the statutory tax rate of 27.5%	(1,971,913)	(189,885)
Non-deductible expenses	1,844,859	42,150
Effect of income that is exempt from taxation	-	4,622
Effect of deductible items not expensed in determining profit	(92,371)	(310,335)
Tax losses and tax offsets not recognised as deferred tax assets	215,234	453,448
Share based payment expense	4,191	-
Income tax expense	-	-
	Consolidated	Consolidated
	2019	2018
	\$	\$
<i>The following deferred tax assets have not been brought to account as assets:</i>		
Tax losses - revenue	6,865,496	6,701,773
Tax losses - capital	794,186	736,848
Capitalised exploration costs	(2,940,525)	(4,726,892)
Other	56,991	89,888
Total tax benefit	4,776,148	2,801,617

The above potential tax benefit for deductible temporary differences and carried forward tax losses have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The Company and all its wholly-owned Australian resident entities have formed a tax-consolidated group under Australian taxation law. Stellar Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Under the tax sharing arrangements, amounts will be recognised as payable or receivable between group companies in relation to their contribution to the tax benefits and amounts of tax paid or payable. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing arrangement is considered remote.

Tax Consolidation

Relevance of tax consolidation to the consolidation entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 October 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Stellar Resources Limited.

Nature of tax sharing agreements

Entities within the tax-consolidated group have entered into a tax sharing agreement with the head entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Note 5. Income tax (continued)

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	64,911	182,238
Cash on deposit	550,040	1,040,000
	<u>614,951</u>	<u>1,222,238</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 7. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Interest receivable	1,692	2,729
GST receivable	9,594	2,929
Other receivables	-	549
	<u>11,286</u>	<u>6,207</u>

Note 7. Current assets - trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 8. Current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	2019	2018
	\$	\$
Investment in Twenty Seven Co. Limited (formerly UraniumSA Limited)	11,664	31,106
Investment in Renascor Resources Limited	-	36,000
Investment in Samphire Uranium Limited	21,774	21,774
	<u>33,438</u>	<u>88,880</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Transfer of investments	88,880	72,991
Disposals of Investment in Renascor Resources Limited	(36,000)	-
Revaluation decrements of Investment in Twenty Seven Co. Limited	(19,442)	15,889
Closing fair value	<u>33,438</u>	<u>88,880</u>

Investment in Twenty Seven Co.

The consolidated entity owned 3,888,238 fully paid ordinary shares in Twenty Seven Co. (ASX:TSC) (formerly UraniumSA Limited (ASX:USA)). Prior to 1 July 2018 the investment in Twenty Seven Co. was measured at fair value valued in accordance AASB 13 - Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income. A revaluation decrement of \$19,442 was recognised in other comprehensive income.

Investment in Renascor Resources Limited

Note 8. Current assets - Financial assets at fair value through other comprehensive income
(continued)

The consolidated entity owned 1,500,000 fully paid ordinary shares in Renascor Resources Limited (ASX:RNU). Prior to 1 July 2018 the investment in was measured at fair value valued in accordance AASB 13 - Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income. The consolidated entity disposed of 1,500,000 fully paid ordinary shares in Renascor Resources Limited (ASX:RNU) during April 2019 for a cash consideration of \$36,000.

Samphire Uranium Limited

Samphire Uranium Limited is an unlisted entity, which does not have a quoted price in an active market and whose fair value can not be reliably measured. Prior to 1 July 2018 the investment was measured at cost. Upon adoption of AASB 9 on 1 July 2018 the consolidated group elected to reclassify the investment as fair value through other comprehensive income. The consolidated entity reassessed the investment and the valuation remains unchanged from 30 June 2018 in Samphire Uranium Limited (3,888,238 fully paid ordinary shares held) as the fair value can not be reliably measured.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose term require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Note 9. Non-current assets - Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Tenement security deposit	<u>140,841</u>	<u>157,470</u>

Accounting policy for financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Freehold land and buildings	119,045	120,293
Plant and equipment under lease	-	14,612
	<u>119,045</u>	<u>134,905</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Freehold land and buildings \$	Plant and equipment under lease \$	Office Furniture \$	Total \$
Balance at 1 July 2017	121,542	32,144	-	153,686
Additions	-	-	373	373
Depreciation expense	(1,249)	(17,532)	(373)	(19,154)
Balance at 30 June 2018	120,293	14,612	-	134,905
Depreciation expense	(1,248)	(14,612)	-	(15,860)
Balance at 30 June 2019	<u>119,045</u>	<u>-</u>	<u>-</u>	<u>119,045</u>

Accounting policy for property, plant and equipment

Land and buildings are shown at fair value, based on periodic, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Land and buildings	40 years
Plant and equipment under lease	2 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 11. Non-current assets - exploration and evaluation assets

	Consolidated	
	2019	2018
	\$	\$
Exploration expenditure	<u>10,692,819</u>	<u>17,188,699</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	\$
Balance at 1 July 2017	16,334,301
Expenditure during the year	1,007,101
Expenditure and other costs written off during the year	<u>(152,703)</u>
Balance at 30 June 2018	17,188,699
Expenditure during the year	212,698
Expenditure and other costs written off during the year	<u>(6,708,578)</u>
Balance at 30 June 2019	<u>10,692,819</u>

Ultimate recovery of capitalised exploration expenditure is dependent upon success in exploration and development or sale or farm-in/farm-out of the exploration interests.

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward on the statement of financial position where rights to tenure are current and to the extent that costs are expected to be recouped through either the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant exploration activity in, or in relation to, the area is continuing. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest and are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The application of this policy requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Accumulated costs in relation to an abandoned area are written down in full in profit or loss during the period in which the decision to abandon the area is made.

Proceeds on sale or farm-out of an area within an exploration area of interest are offset against the carrying value of the particular area involved. Where the total carrying value of an area has been recouped in this manner, the balance of the proceeds is brought to account in profit or loss.

Note 11. Non-current assets - exploration and evaluation assets (continued)

As a result of significant uncertainty around whether the consolidated entity will be in a position to incur substantive expenditure on further exploration for and evaluation of mineral resources, the Consolidated entity considered whether the recoverable value of the Heemskirk Tin Project, St Dizier and Mount Razorback project (within the Tin Segment) should be impaired. In assessing the recoverable value the consolidated entity engaged an Independent Expert to value the Heemskirk Tin Project, St Dizier and Mount Razorback on a Fair Value less cost to sell basis.

The independent expert assessed the fair value (less cost to sell) of the tenements as at 30 June 2019 using a combination of the following valuation methods:

1. Market base methods:
 - Valuation multiples (Purchase price/resources) implied by transactions involving comparable assets
 - Valuation multiples (Enterprise Value/resources) implied by listed companies comparable to Stellar
2. Income approach (applicable only for Heemskirk):
 - Discounted cash flow method

The results of the assessment has resulted an overall impairment loss for the assets of \$6.71 million, which reduced the carrying value of the assets to \$10.69 million from \$17.4 million. This impairment loss reflects the realisation of the risks disclosed for the consolidated entity in the consolidated financial report for the year ended 30 June 2019. The recoverable amount for all other assets exceeded their carrying value.

The key assumptions made within the valuations included the following:

- The current Mineral Resource Estimate (2019) containing a JORC (2012) Indicated Resource of 2.12Mt @ 1.1% Sn, 0.10% Cu and an Inferred resource of 4.48Mt @ 1.0% Sn, 0.1% Cu.
- Consideration of market based valuation multiples of comparable companies and transactions on a value per resources basis

The key assumptions used are based on the judgement and experience of the consolidated entity, taking into account current market and economic conditions, risks, uncertainties and opportunities as well as the current state of development of the tenements. A material change in current market or economic conditions may increase the risk of impairment in future periods.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	37,606	52,221
Other payables	13,732	8,317
	<u>51,338</u>	<u>60,538</u>

Refer to note 20 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 13. Current liabilities - Provisions

	Consolidated	
	2019	2018
	\$	\$
Annual leave	21,906	23,213
Long service leave	23,343	21,778
	<u>45,249</u>	<u>44,991</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 14. Current liabilities - other liabilities

	Consolidated	
	2019	2018
	\$	\$
Other current liabilities	<u>-</u>	<u>8,964</u>

The consolidated entity leased geological equipment under finance lease. The lease term was 2 years and expired on 31 March 2019. The consolidated entity has exercised the option to purchase the equipment at zero dollar at the end of the lease term. The consolidated entity's obligation under finance lease is secured by the lessor's title to the leased asset.

Interest rate underlying finance lease was fixed at 5.50% per annum.

Note 15. Non-current liabilities - Provisions

	Consolidated	
	2019	2018
	\$	\$
Long service leave	<u>5,551</u>	<u>3,574</u>

Accounting policy for other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 16. Non-current liabilities - Other liabilities

	Consolidated	
	2019	2018
	\$	\$
Lease liabilities	<u>-</u>	<u>6,116</u>

The consolidated entity leased geological equipment under finance lease. The lease term was 2 years and expired at 31 March 2019. The consolidated entity has exercised the option to purchase the equipment at zero dollar at the end of the lease term. The consolidated entity's obligation under finance lease is secured by the lessor's title to the leased asset.

Interest rate underlying finance lease was fixed at 5.50% per annum.

Note 17. Equity - issued capital

	2019	Consolidated		
	Shares	2018	2019	2018
		Shares	\$	\$
Ordinary shares - fully paid	<u>380,328,733</u>	<u>379,713,489</u>	<u>36,875,488</u>	<u>36,867,490</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	<u>379,713,489</u>		<u>36,867,490</u>
Balance	30 June 2018	379,713,489		36,867,490
FPO Shares issued	06 May 2019	<u>615,244</u>	\$0.013	<u>7,998</u>
Balance	30 June 2019	<u>380,328,733</u>		<u>36,875,488</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The entity does not have a defined share buy-back plan.

Note 17. Equity - issued capital (continued)

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies. The consolidated entity is not subject to any externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 18. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Employee equity-settled benefits reserve	1,641,167	1,625,927
Listed option reserve	88,000	88,000
Investment revaluation reserve	21,220	40,662
	<u>1,750,387</u>	<u>1,754,589</u>

Investment revaluation reserve

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets that have been recognised in other comprehensive income, net of amounts will not be reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Share-based payments and option reserve

The employee equity-settled benefits reserve arises on the grant of share options to Directors and employees. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

The listed option reserve arises on unissued ordinary shares issued to Hunter Capital Advisors Pty Ltd in satisfaction of corporate advisory and capital raising services performed and in accordance with shareholder approval given on 10 April 2017.

Note 18. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Employee equity-settled benefits reserve \$	Option valuation reserve \$	Listed option reserve \$	Investment revaluation reserve \$	Total \$
Balance at 1 July 2017	1,625,927	497,426	88,000	24,774	2,236,127
Gain on financial assets at fair value through other comprehensive income	-	-	-	15,888	15,888
Cost of listed options	-	(497,426)	-	-	(497,426)
Balance at 30 June 2018	1,625,927	-	88,000	40,662	1,754,589
Loss on financial assets at fair value through other comprehensive income	-	-	-	(19,442)	(19,442)
Share based payments	15,240	-	-	-	15,240
Balance at 30 June 2019	<u>1,641,167</u>	<u>-</u>	<u>88,000</u>	<u>21,220</u>	<u>1,750,387</u>

Note 19. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. Financial instruments

Financial risk management objectives

The consolidated entities activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the finance team ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Price risk

The consolidated entity is exposed to price risk in relation to the shares that it holds in other listed and unlisted entities.

Consolidated - 2019	% change	Average price increase		Average price decrease		% change
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	
Shares in listed and unlisted entities	50%	<u>16,719</u>	<u>16,719</u>	(50%)	<u>(16,719)</u>	<u>(16,719)</u>

Note 20. Financial instruments (continued)

Consolidated - 2018	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Shares in listed and unlisted entities	50%	<u>44,440</u>	<u>44,440</u>	(50%)	<u>(44,440)</u>	<u>(44,440)</u>

Interest rate risk

The consolidated entity is not exposed to significant interest rate risk as deposits are held with established banks with interest rates that are in line with the RBA and other bank rates.

As at the reporting date, the consolidated entity had the following variable interest rates:

Consolidated	2019		2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	1.76%	614,951	1.80%	1,222,238
Lease liability	-	-	5.50%	(15,080)
Net exposure to cash flow interest rate risk		<u>614,951</u>		<u>1,207,158</u>

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash at bank for the 2018 and 2019 financial years. The impact would not be material on bank balances held at 30 June 2019. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

Consolidated - 2019	Basis points change	Basis points increase		Basis points change	Basis points decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Cash and cash equivalents	50	<u>3,075</u>	<u>3,075</u>	(50)	<u>(3,075)</u>	<u>(3,075)</u>

Consolidated - 2018	Basis points change	Basis points increase		Basis points change	Basis points decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Cash and cash equivalents	50	<u>6,111</u>	<u>6,111</u>	(50)	<u>(6,111)</u>	<u>(6,111)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure to credit risks are continuously monitored and controlled by counterparty limits that are reviewed and approved by management on a regular basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the consolidated entity's maximum exposure to credit risk.

Note 20. Financial instruments (continued)

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

	Consolidated	
	2019	2018
	\$	\$
Categories of financial instruments		
Financial assets and liabilities:		
Trade and other receivables	152,127	163,677
Cash and cash equivalents	614,951	1,222,238
Financial assets at fair value through other comprehensive income	33,438	88,880
Financial lease	-	(15,080)
Trade and other payables	(51,338)	(60,538)
Net financial instruments	<u>749,178</u>	<u>1,399,177</u>

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Key management personnel disclosures

Directors

The following persons were directors of Stellar Resources during the financial year:

Phillip G Harman	Non-Executive Chairman
Peter G Blight	Managing Director
Thomas H Whiting	Non-Executive Director
Miguel Lopez de Letona	Non-Executive Director (resigned 3 May 2019)
Gary Fietz	Non-Executive Director (appointed 7 May 2019)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	191,873	248,212
Post-employment benefits	29,436	31,031
Share-based payments	23,238	-
	<u>244,547</u>	<u>279,243</u>

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	32,850	31,900
<i>Other services - Deloitte Touche Tohmatsu</i>		
Preparation of the tax return	4,500	9,590
	<u>37,350</u>	<u>41,490</u>

Note 23. Contingent Liabilities

The consolidated entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Note 24. Commitments

	Consolidated	
	2019	2018
	\$	\$
Exploration Commitments		
Within one year	687,638	616,395
One to five years	1,739,263	1,489,211
	<u>2,426,901</u>	<u>2,105,606</u>

In order to maintain current rights to tenure to exploration and mining tenements, the consolidated entity has the above exploration expenditure requirements up until expiry of leases. These obligations, which may be varied from time to time and which are subject to renegotiation upon expiry of the lease are not provided for in the financial report and are payable. In case of not meet the commitments, the consolidated entity will seek the approval for extension from the Department of State Growth – Mineral Resources Tasmania to maintain current rights to tenure to exploration and mining tenements

Note 25. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 27.

Information on Directors and executives shares and option holdings is disclosed in the Directors' Report.

Other Transactions with Directors, Executives and their Related Entities

During the financial year ended 30 June 2019, technical assistance, office accommodation / facilities and administrative support were provided to the consolidated entity at commercial rates by Mineral Deposits Limited (ASX: MDL) of which Dr Thomas Whiting was both a Director and shareholder. Total charged was \$13,819 (2018: \$27,825) in relation to these services to 31 January 2019. It is advised that Dr Whiting resigned as a director of MDL during the year and as such MDL is no longer a related party.

Receivable from and payable to related parties

At 30 June 2019 nil (2018: \$288) was payable to Mineral Deposits Limited as noted above.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 25. Related party transactions (continued)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	(655,275)	(1,543,672)
Total comprehensive income	(655,275)	(1,543,672)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	643,614	1,248,644
Total assets	761,614	1,415,696
Total current liabilities	96,587	114,493
Total liabilities	102,138	124,183
Equity		
Issued capital	36,875,488	36,867,490
Employee equity-settled benefits reserve	1,641,167	1,625,927
Listed option reserve	88,000	88,000
Accumulated losses	(37,945,179)	(37,289,904)
Total equity	659,476	1,291,513

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Hiltaba Gold Pty Ltd	Australia	100%	100%
Rubicon Min Tech Ventures Pty Ltd	Australia	100%	100%
Columbus Metals Limited	Australia	100%	100%
Tarcoola Iron Pty Ltd	Australia	100%	100%

Note 28. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Stellar Resources Limited
Columbus Metals Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Stellar Resources, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2019 \$	2018 \$
Statement of profit or loss and other comprehensive income		
Revenue	17,775	37,853
Depreciation and amortisation expenses	(15,860)	(19,154)
Exploration expenditure and other costs written off	(10,594,182)	(143,791)
Finance costs	(383)	(1,346)
Share based payment	(463,546)	(553,559)
Impairment of loans to subsidiaries	426,523	(57,303)
Loss before income tax expense	(10,629,673)	(737,300)
Income tax expense	-	-
Loss after income tax expense	(10,629,673)	(737,300)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>(10,629,673)</u>	<u>(737,300)</u>

Note 28. Deed of cross guarantee (continued)

	2019	2018
	\$	\$
Equity - accumulated losses		
Accumulated losses at the beginning of the financial year	(21,372,335)	(21,132,461)
Loss after income tax expense	(10,629,673)	(737,300)
Transfer from options reserve	-	497,426
	<u>(32,002,008)</u>	<u>(21,372,335)</u>
Accumulated losses at the end of the financial year		
	<u>(32,002,008)</u>	<u>(21,372,335)</u>
	2019	2018
	\$	\$
Statement of financial position		
Current assets		
Cash and cash equivalents	614,951	1,222,238
Trade and other receivables	11,285	6,206
Prepayments	17,379	20,200
	<u>643,615</u>	<u>1,248,644</u>
Non-current assets		
Trade and other receivables	140,851	157,480
Property, plant and equipment	119,045	134,905
Exploration and evaluation assets	5,801,274	15,792,236
	<u>6,061,170</u>	<u>16,084,621</u>
Total assets	<u>6,704,785</u>	<u>17,333,265</u>
Current liabilities		
Trade and other payables	51,338	60,538
Provisions	45,249	44,991
Other liabilities	-	8,964
	<u>96,587</u>	<u>114,493</u>
Non-current liabilities		
Provisions	5,551	3,574
Other liabilities	-	6,116
	<u>5,551</u>	<u>9,690</u>
Total liabilities	<u>102,138</u>	<u>124,183</u>
Net assets	<u>6,602,647</u>	<u>17,209,082</u>
Equity		
Issued capital	36,875,488	36,867,490
Reserves	1,729,167	1,713,927
Accumulated losses	(32,002,008)	(21,372,335)
Total equity	<u>6,602,647</u>	<u>17,209,082</u>

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 30. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax expense for the year	(7,170,591)	(690,492)
Adjustments for:		
Depreciation and amortisation	15,860	18,781
Share-based payments	23,238	-
Interest income received	(19,350)	(37,853)
Exploration expenditure and other costs written off	6,708,578	152,703
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(4,542)	31,071
(Increase) in other operating assets	2,821	(2,201)
Decrease/(increase) in other financial assets	-	(15,888)
Increase/(decrease) in trade and other payables	2,774	(18,348)
Increase in other provisions	2,235	1,159
Net cash used in operating activities	<u>(438,977)</u>	<u>(561,068)</u>

Note 31. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of Stellar Resources	<u>(7,170,591)</u>	<u>(690,492)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>379,806,197</u>	<u>379,713,489</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>379,806,197</u>	<u>379,713,489</u>
	Cents	Cents
Basic earnings per share	(1.89)	(0.18)
Diluted earnings per share	(1.89)	(0.18)

The options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options are non-dilutive as the consolidated entity has generated a loss for the year.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Stellar Resources, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The Directors of the Company declare that:

- in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- in the Directors' opinion, the financial statements and notes hereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 28 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "P. Harman", written over a horizontal line.

Phillip G Harman
Non-Executive Chairman

30 September 2019
Melbourne

Independent Auditor's Report to the members of Stellar Resources Limited

Opinion

We have audited the financial report of Stellar Resources Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$7,170,591, and had a net cash outflow from operating activities of \$438,977 during the year ended 30 June 2019. As stated in the Note 2, these events or conditions, along with other matters set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management in relation to events and conditions that may impact the assessment on the Group's ability to continue as a going concern;
- Challenging the assumptions contained in management's cash flow forecast in relation to the Group's ability to continue as a going concern;
- Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances;
- Considering whether any additional information has become available since the date on which management made its assessment;
- Assessing the adequacy of the disclosure related to going concern in Note 2.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Accounting for exploration and evaluation costs	
<p>The Group incurred \$212,698, in exploration and evaluation (E&E) costs during the period which has been capitalised as disclosed in Note 11.</p> <p>Significant judgement is required in determining whether the criteria for capitalisation are met, in particular whether E&E costs are expected to be recouped through successful development and exploitation of the area of interest or by future sale or that the activities in the area of interest have not reached the point that a reasonable assessment of economically recoverable reserves can be made.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key processes associated with the allocation of E&E costs between capital and expense, • Confirming the licences for the areas of interest are current and challenging management's consideration of the ability to recoup the capitalised costs through future development or sale of the area of interest, • Reviewing documents confirming whether exploration activities for the area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed, and • Testing a sample of E&E expenditure to confirm the nature of the costs incurred, and the appropriateness of the classification between asset and expense. This included an assessment as to whether the capitalised amounts meet the required criteria under the relevant accounting standards. <p>We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.</p>

Recoverability of exploration and evaluation assets

As at 30 June 2019, the carrying amount of E&E assets is \$10,692,819 after a write-off of the asset of \$6,708,578, as disclosed in Note 11.

An exploration valuation expert has been engaged by the management to perform an independent valuation on the existing E&E assets, which has also been considered to form the view on assets impairment as at 30 June 2019.

Management judgement is applied in determining on the carrying amount of the exploration and expenditure assets and the key assumptions used in the impairment assessment.

Our audit procedures included, but were not limited to:

- Obtaining an understanding of management's processes surrounding the evaluation of the facts and circumstances that may suggest the carrying value of E&E assets exceeds the recoverable amount,
- Challenging management's consideration of the facts and circumstances that may suggest E&E assets are not fully recoverable, including, but not limited to:
 - Testing licenses for the areas of interest to determine whether the license has expired during the period or will expire in the near future with no expectation to be renewed.
 - Assessing management's assertion that an indicator of impairment exists, being that there is significant uncertainty as to whether the entity will be in a position to incur substantive expenditure on further exploration for and evaluation of mineral resources in the specific area.
 - Challenging management to understand the current status and future intention for each asset given the status of technical feasibility and commercial viability of extraction are not yet demonstrable across any exploration assets.
 - Engaging valuation specialists to review the independent valuation report and assessing the expertise of independent valuation expert which conducted the valuation.

We have also assessed the appropriateness of the disclosures in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stellar Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU



Ryan Hansen
Partner
Chartered Accountants
Melbourne, 30 September 2019

The shareholder information set out below was applicable as at 16 September 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Size of holding	Number of holders of unlisted options	Number of holders of listed options	Number of holders of ordinary shares
1 to 1,000	-	2	236
1,001 to 5,000	-	-	369
5,001 to 10,000	-	1	172
10,001 to 100,000	-	17	637
100,001 and over	4	56	387
	4	76	1,801
Holding less than a marketable parcel	-	2	163

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Name	Number held	Ordinary shares % of total shares issued
J P Morgan Nominees Australia Limited	72,828,284	19.15
Capetown S A	62,382,221	16.40
WGS Pty Ltd	8,088,888	2.13
Mr Gregory John Howe	6,250,000	1.64
Mr Stephen Cansdell Hirst	5,287,694	1.39
Fountain Oaks Pty Ltd (LIMBS Family Super Fund)	5,245,000	1.38
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient Drp)	4,939,913	1.30
Octifil Pty Ltd	3,978,855	1.05
HSBC Custody Nominees (Australia) Limited	3,741,000	0.98
Calama Holdings Pty Ltd (Mambat Super Fund A/C)	3,500,000	0.92
Mr Michael Andrew Whiting & Mrs Tracey Anne Whiting (Whiting Family S/F A/C)	3,336,050	0.88
Mr Angus William Johnson & Mrs Lindy Johnson (The Dena Super Fund A/C)	3,129,167	0.82
Jetosea Pty Ltd	3,119,905	0.82
Mr Norman Colburn Mayne (N C Mayne Family Fund A/C)	3,000,000	0.79
LJ Investments Tas Pty Ltd	3,000,000	0.79
Maestro Capital Pty Ltd (Maestro Capital Super A/C)	2,841,449	0.75
Ms Kate Thomson	2,742,500	0.72
Mr Henryk Solanikow & Mr Henry Peter Solanikow (Solanikow Super Fund A/C)	2,225,524	0.59
Mr David Corley	2,000,000	0.53
Mr Kerry Peter Jelbart	2,000,000	0.53
	203,636,450	53.56

Twenty largest listed option holders

Name	Number of options held	%
LTL Capital Pty Ltd (LTL Capital A/C)	14,200,000	24.01
Jetosea Pty Ltd	9,044,999	15.29
A & J Tannous Nominees Pty Ltd (Assad Tannous A/C)	3,291,429	5.57
Ms Serene Lim & Mr Nicholas Russell Ward (Serene Lim Superfund A/C)	3,000,000	5.07
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient Drp)	3,000,000	5.07
Mr Alfredo Varela	2,000,000	3.38
Ms Kate Melinda Gengoult - Smith	1,500,000	2.54
Mr Maxwell Evan Davies	1,500,000	2.54
Spinite Pty Ltd	1,285,714	2.17
Mr Phillip John King & Mrs Marion King	1,271,428	2.15
Mr Peter Aaron Munro & Mrs Jennifer May Munro (Munro Family A/C)	1,000,000	1.69
Mr Gregory Stephen Smith	1,000,000	1.69
Mrs Maria Barbara Griep	900,000	1.52
Ms Lan Tho Quach	891,000	1.51
Lawrence Crowe Consulting Pty Ltd (L C Super Fund A/C)	750,000	1.27
SACCO Developments Australia Pty Ltd (The Sacco Family A/C)	714,286	1.21
Mr David Ridley Gray	714,286	1.21
HSBC Custody Nominees (Australia) Limited	642,857	1.09
Mr Stephen Charles Pickles	600,000	1.01
Boston First Capital Pty Ltd	571,429	0.97
	47,877,428	80.96

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	14,500,000	4

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia Limited	72,828,284	19.15
Capetown S A	62,382,221	16.40

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Tenements

Description	Tenement number	Interest owned %
Retention Licence - Zeehan, Tasmania	RL5/1997	100
Mining Lease - Zeehan, Tasmania	2023P/M	100
Mining Lease - Tailing Dam, Zeehan, Tasmania	2M/2014	100
Mining Lease - Zeehan, Tasmania	2040P/M	100
Exploration Licence - Mt Razorback	EL11/2017	100
Exploration Licence - Midgee, South Australia (JV with Samphire Uranium Limited earning 73% in uranium interest)	EL6350 (formerly EL5426)	100
Exploration Licence - Montana Flats, Zeehan, Tasmania	EL13/2018	100
Mining Lease - St Dizier, Tasmania	ML 10M/2017	100