

Stellar Resources plc

("Stellar" or the "Company")

Interim Results for the six months ended 30 June 2016

Stellar Resources plc announces its interim results for the six months ended 30 June 2016.

Stellar has a strong balance sheet with no debt and with current assets, including cash of £753,000, as at 30 June 2016 amounting to £2,006,000.

In February 2016, the Company announced it had raised £870,000 through the issue of 348 million new shares at a placing price of 0.25 pence per share. The funds are to be used for general working capital purposes and to assist in seeking further investment opportunities.

It has been a successful period for the Company on the oil exploration front. The Company owns two natural resource assets in the UK, being a 10% stake in Horse Hill Developments Limited ("HHDL"), and a 49% stake in Gold Mines of Wales Limited. We believe these investments will significantly enhance future shareholder value.

The planned testing at the Horse Hill-1 ("HH-1") discovery in the Weald Basin onshore UK was undertaken in early 2016 with exceptionally high oil flow rates being achieved in both the Kimmeridge Limestone and the Portland Sandstone reservoirs. Flow results from the HH-1 well at Horse Hill produced significant stable oil dry oil flow rates from initial flow tests of 1,688 barrels of oil per day through restricted choke settings, which are thought to be the UK's highest flow rates for any onshore discovery.

These confirm that a commercial discovery has been made and plans to develop the field will now proceed. The Company is awaiting proposals from Horse Hill Developments Limited ("HHDL") on the next phase of operations at Horse Hill, but the Company sees significant potential for commercial development of both the Portland and Kimmeridge intervals. The HH-1 Portland Sandstone discovery is now estimated to contain 21 million barrels of oil ("mmbbls") initially in place. The discovery made in the Jurassic Kimmeridgian, Oxfordian and Liassic limestones and mudstones has been extensively studied and attributed with very significant resource potential in separate studies by Nutech and Schlumberger.

At Horse Hill Oil Field, HHDL have advised that the way forward on the project will now involve seeking regulatory permissions to conduct extended production tests from all 3 oil zones at the site, followed by a horizontal side-track in the Kimmeridge limestones and a possible new Portland development well.

Gold Mines of Wales Limited (49% owned by Stellar Resources) in turn owns 100% of GMOW. GMOW is the UK entity that holds the exclusive Option from the Crown Estate over 107 km² of exploration area. The Option granted to GMOW is akin to what is known as an exploration licence in other jurisdictions, in that it gives GMOW the exclusive right to explore for gold and other minerals within the licence area for 6 years until 2021. The Option will be subject to review by the Crown of GMOW's progress and activities every two years.

Investments

Investment in Gold Mines of Wales: (49% interest in Gold Mines of Wales Limited)

Work programme

In late 2015, Gold Mines of Wales (Operations) Limited ("GMOW") commissioned SRK Exploration Services Ltd ("SRK ES") to prepare a Competent Person's Report on their mineral assets comprising an Exclusive Option Agreement ("Option Agreement") issued by the Crown Estates which covers part of the Dolgellau Gold Belt and adjacent exploration targets located in Wales.

In July 2016, the Company announced a summary of this report. The principal objectives of this report were to review the geology, mineralisation, mining history and exploration history of the area encompassed by the Option Agreement and assess the potential for it to host further gold mineralisation of economic significance, and where this was most likely to

be found. SRK ES also undertook a review of the land use, ownership and other key stakeholders in the area, and how these factors may influence exploration.

Broadly the outcomes of this report were positive and the exploration potential, in the opinion of SRK ES, is good. Given the location of the GMOW project licences it is important that all local and community stakeholders are actively engaged to ensure best practise. The long-term goal of the GMOW joint venture is to attain a mining licence to mine. In order to achieve this, they must secure a number of permits to further explore for and define resources. This will mean some ground-disturbing activities and as such must commence with a process of environmental base-line studies as a first step.

A summary of the key findings of the Competent Person's Report is set out below:

The Dolgellau Gold Belt has a long mining history. From the early 1800s to the late 1990s it has produced about 131,000 ounces of gold, by far the most of any region within the United Kingdom. Gold is principally derived from high grade, narrow veined mesothermal deposits. In turn, most of this gold (81,000 oz) has been exploited from historic Clogau St David's mine that lies within GMOW's Option Agreement. Gold production records are known from 12 mines, but there are over 300 smaller workings and trials in the area.

Despite its high prospectivity, the area is considered to be underexplored and most of it has yet to be subject to sustained modern exploration at a deposit scale. The most recent work outside of individual historic mine sites was a series of Government-funded reconnaissance programmes in the 1970s. Nonetheless, these programmes provided useful data to help identify new exploration targets. Welsh gold bullion is potentially worth a premium to the spot gold price which further enhances the attractiveness of the exploration in this area. This is a key factor in the viability of mining for the type of gold mineralisation found on the gold belt.

Based on the outcomes of this review, and subject to the risks set out below, SRK ES concludes that there is a high potential within GMOW's Option Agreement to find unworked veins containing gold mineralisation of similar style and grade to that known in historic mines in the area. This includes near-mine exploration targets and new regional targets that have seen less mining activity but are still considered to be prospective.

Risks that may hinder or delay the exploration timeline and/or the detailed assessment of exploration target areas are considered to be:

- Obtaining permission from landowners to access land for exploration. 75% of land within the Option Agreement is owned by farmers, foresters and residents via freehold with the remainder being owned by the Crown Estate or the Welsh Government;
- Gaining the support of local stakeholders. Around 50 individual stakeholder groups have been identified;
- Exploration may be prohibited in sensitive areas such as Sites of Special Scientific Interest, Special Areas of Conservation and areas of cultural significance, of which there are a number in the Option Agreement; and
- Planning permission and environmental "permitted for" activities such as diamond drilling will need to be obtained, which may be more time-consuming or difficult due to the location within the Snowdonia National Park.

The success of the new exploration will depend on sound geological knowledge and the application of a detailed systematic exploration programme. SRK ES recommends that this should include stream sediment sampling, geological mapping, soil sampling, hand auger drilling and geophysical surveying, and considers the drilling targets could be provided within a 10-month period as a cost of £350,000 - 400,000. Following this, if the necessary planning and environmental permissions can be secured by GMOW, diamond drilling could be undertaken to support the presence of a potential deposit.

GMOW and SRKES will look to commence the physical on-the-ground works during the next year. GMOW is also currently working with its environmental consultants to commence environmental impact ("EIS") and conceptual planning studies.

Investment in Horse Hill Developments Limited: (10% interest in HHDL)

The Company currently owns a 10% interest in a special purpose company, Horse Hill Developments Limited, which is the operator and 65% interest holder in two Petroleum Exploration and Development Licences ("PEDL") PEDL 137 and 246 in the northern Weald Basin between Gatwick Airport and London. The PEDL137 licence covers 99.29 square kilometres (24,525 acres) to the north of Gatwick Airport in Surrey and contains the Horse Hill-1 ("HH-1") discovery and several other exploration leads. PEDL246 covers an area of 43.58 square kilometres (10,769 acres) and lies immediately adjacent and to the east of PEDL137.

The HH-1 well is located approximately 7.5 kilometres southeast of the producing Brockham oil field and approximately 15 kilometres southwest of the Palmers Wood oil field. The pre-drill primary target reservoir horizons were the Portland Sandstone, which is productive in the Brockham oil field, and the Corallian Formation, which is the producing horizon in the Palmers Wood oil field. Secondary targets for the well included the Triassic, which is productive in the nearby Wessex Basin and has previously tested gas in the Weald Basin, and the Greater Oolite Formation.

The HH-1 well commenced drilling operations in September 2014 and reached total depth at 8,770 feet MD in November 2014. Evaluation of electric logs and other data collected from the well resulted in the announcement on 24 October 2014 of a conventional Upper Portlandian Sandstone oil discovery. Subsequent analysis of the Kimmeridge, Oxfordian and Liassic sections in the well indicated that there was also substantial in place oil in the naturally fractured Kimmeridge Limestones and associated mudstones.

Approval for the testing of all three oil bearing zones was granted in late 2015 and the tests commenced in early February 2016. Tests lead to naturally flowing oil rates of the Kimmeridge Limestones at 460 bopd from the Lower interval and 900 bopd from the upper interval. The Portland Sandstone was placed on pump to stimulate flow and achieved a maximum stable rate in excess of 300 bopd. These flow rates substantially exceeded the expectations for the well and rank alongside some of the highest rates ever achieved on test for any UK onshore well.

Following the testing of the Portland Sandstone, when higher productivity and a lower than expected water cut were both observed, further analysis on the electric logs has led to a 200% increase in the anticipated oil in place at this stratigraphic level. Previous estimates of oil in place within the Portland Sandstone were 7.7 mmbbls per square mile and were increased to 22.9 mmbbls.

Based on analysis of published reports from all significant UK onshore discovery wells, the 1,688 bbl per day flow rate is likely the highest aggregate stable rate from any onshore UK discovery well.

The relevant licences have been extended to permit further work and UKOG has indicated that it hopes to perform long term testing on all three zones as part of a wider appraisal program that includes 3D seismic and further drilling. Planning permission is presently being sought for the next phase of testing which will establish the parameters of any development scheme and the commerciality of production from the various oil bearing intervals.

All of the reviews and reports mentioned above state that the OIP volumes estimated should not be construed as recoverable resources or reserves.

Investment in Fresho Pty Ltd ("Fresho"): (3.6% interest in Fresho)

On 22 September 2016, the Company announced that it had invested A\$300,000 (circa GBP £175,000) in Fresho Pty Ltd ("Fresho"), an unlisted Australian B2B company servicing the restaurant and food service industries, via a subscription for 1,111,111 new ordinary shares at A\$0.27 per share pursuant to a private placement by Fresho to raise circa A\$3m.

Following the completion of this funding round, Fresho will have approximately 32.8m shares in issue and a post-money valuation of approximately A\$8.4m. Funds raised will be used to expand the sales and marketing presence of Fresho, continued investment in its leading technology platform and for general working capital purposes.

Fresho is positioning itself as a leading Australian B2B company servicing the restaurant and food service industries. By aggregating and streamlining the food order process via Fresho's unique cloud-based platform, both customers and

suppliers are able to make savings in time, money and wastage and also generate powerful reporting and business data analytics.

To date Fresho's customer base has been located in Melbourne with many of Australia's most iconic restaurants and suppliers using the product, however they are now expanding into Australia's other cities.

The founders and management team of Fresho include several high-profile, banking and start-up individuals as well as food supply and service professionals. The advisory team includes a former director of the Commonwealth Bank of Australia, the CEO of Salta Capital and a former Director of Tasman Group Services, one of Australia's largest meat processors.

Existing annualised sales through the platform have expanded rapidly and are now in the tens of millions of Australian dollars. Recent expansion into other Australian cities should have a material impact on those volumes.

Whilst Fresho is a private Company it may consider a public listing in the future.

Financial Results

The operating loss was £115,000 (30 June 2015 - £80,000 loss). The net loss after tax was £156,000 (30 June 2015: £121,000). Current assets, including cash of £753,000, at 30 June 2016 amounted to £2,006,000 (30 June 2015: £1,370,000).

Outlook

The Board is encouraged by progress made on its investments over the period.

The Horse Hill-1 well has added significant additional value to the Company. It contains both a commercial conventional Portland Sandstone discovery and a major new play in the Kimmeridge Limestones that has very significant potential.

Following a prolonged period of depressed commodity prices, we are now witnessing a modest recovery and this is flowing through into the asset process and the willingness for investors to look at projects. The Company therefore continues to actively assess additional new investment opportunities in line with our investment policy and will make further investments in suitable ventures as and when it is considered appropriate.

The Board would like to take this opportunity to thank our shareholders, staff and consultants for their continued support.

Jeremy Taylor-Firth
Chairman
26 September 2016

Glossary

discovery	a discovery is a petroleum accumulation for which one or several exploratory wells have established through testing, sampling and/or logging the existence of a significant quantity of potentially moveable hydrocarbons
flow test	a flow test or well test involves testing a well by flowing hydrocarbons to surface, typically through a test separator. Key measured parameters are oil and gas flow rates, downhole pressure and surface pressure. The overall objective is to identify the well's capacity to produce hydrocarbons at a commercial flow rate
limestone	a sedimentary rock predominantly composed of calcite (a crystalline mineral form of calcium carbonate) of organic, chemical or detrital origin. Minor amounts of dolomite, chert and clay are common in limestones. Chalk is a form of fine-grained limestone

mean	or expected value, is the probability-weighted average of all possible values and is a measure of the central tendency either of a probability distribution or of the random variable characterised by that distribution
P50	a 50% probability that a stated volume will be equalled or exceeded
reservoir pressure depletion	a reduction in reservoir pressure as indicated by downhole pressure gauges positioned in the well close to the zone being tested
sandstone	a clastic sedimentary rock whose grains are predominantly sand-sized. The term is commonly used to imply consolidated sand or a rock made of predominantly quartz sand
OIP	oil in place - the quantity of oil or petroleum that is estimated to exist originally in naturally occurring accumulations before any extraction or production

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Condensed interim statement of comprehensive income

		6 months to 30 June 2016 Unaudited £'000	6 months to 30 June 2015 Unaudited £'000	Year to 31 December 2015 Audited £'000
Continuing operations				
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Share based payments		-	-	(60)
Administrative costs		(115)	(80)	(206)
Operating (loss)		(115)	(80)	(266)
(Loss) on available for sale asset		-	-	-
Finance expense		-	-	-
Share of loss of associate		(41)	(41)	(82)
(Loss) before tax		(156)	(121)	(348)
Taxation		-	-	-
(Loss) for the period		(156)	(121)	(348)
Other comprehensive income				
Transfer to income statement of available for sale reserve		-	-	-
Total Comprehensive Income for the year attributable to the owners of the parent company		(156)	(121)	(348)
<u>Loss per share:</u>				
Basic and diluted loss per share	2	(0.02)	(0.02)	(0.05)

Condensed interim statement of financial position

	30 June 2016	30 June 2015	31 December 2015
Notes	Unaudited £'000	Unaudited £'000	Audited £'000
ASSETS			
Non-current assets			
Available for sale assets	750	750	750
Investment in Associate	236	318	277
	986	1,068	1,027
Current assets			
Trade and other receivables	1,253	826	901
Cash and cash equivalents	753	544	317
	2,006	1,370	1,218
Total assets	2,992	2,438	2,245
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	15,222	15,188	15,188
Share premium account	32,211	31,432	31,426
Share based payment reserve	160	100	160
Retained earnings	(44,723)	(44,340)	(44,567)
Total equity	2,870	2,380	2,207
LIABILITIES			
Current liabilities			
Trade and other payables	122	58	38
Total liabilities	122	58	38
Total equity and liabilities	2,992	2,438	2,245

Condensed interim statement of changes in equity

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
Unaudited	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2014	15,188	31,432	100	(44,219)	2,501
<i>Other comprehensive income:</i>					
Loss for the year	-	-	-	(348)	(348)
Total comprehensive income for the year	-	-	-	(348)	(348)
Share issue costs	-	(6)	-	-	(6)
Share options exercised	-	-	60	-	60
Transactions with owners of the Company	-	(6)	60	-	54
Balance at 31 December 2015	15,188	31,426	160	(44,567)	2,207
<i>Other comprehensive income:</i>					
Loss for the period	-	-	-	(156)	(156)
Total comprehensive income for the period	-	-	-	(156)	(156)
Net proceeds from share issue	34	785	-	-	819
Transactions with owners of the Company	34	785	-	-	819
Balance at 30 June 2016	15,222	32,211	160	(44,723)	2,870

Condensed interim statement of cash flows

	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 December 2015
	Unaudited £'000	Unaudited £'000	Audited £'000
Cash flows from operating activities			
Operating (loss)	(115)	(80)	(266)
Adjustments for:			
Share based payment charge	-	-	60
Decrease/(increase) in trade and other receivables	(33)	26	217
(Decrease) in trade and other payables	84	(6)	(26)
Taxation (paid)	-	-	-
Net cash used in operating activities	(64)	(60)	(15)
Cash flows from investing activities			
Purchase of available for sale assets	-	-	-
Loan advanced to associate	(30)	-	(87)
Loan advanced to related party	(289)	-	(179)
Net cash (used in) investing activities	(319)	-	(266)
Cash flows from financing activities			
Proceeds from share issues	870	-	-
Share issue costs	(51)	-	(6)
Net cash from financing activities	819	-	(6)
Net change in cash and cash equivalents	436	(60)	(287)
Cash and cash equivalents at beginning of period	317	604	604
Cash and cash equivalents at end of period	753	544	317

Notes to the condensed interim financial statements

1. General Information

The Condensed interim financial information for the 6 months to 30 June 2016 does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006 and has not been audited or reviewed. No statutory accounts for the period have been delivered to the Registrar of Companies.

The Condensed interim financial information in respect of the year ended 31 December 2015 has been produced using extracts from the statutory accounts for that period. Consequently, this does not constitute the statutory information (as defined in section 434 of the Companies Act 2006) for the year ended 31 December 2015, which was audited. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under Sections 498 (2) or 498 (3) of the Companies Act 2006.

The Report was approved by the Directors on 26 September 2016 and will be available on the Company's website at www.stellar-resources.com.

Basis of preparation and accounting

The financial information has been prepared on the historical cost basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement. This statement also includes a summary of the Company's financial position and its cash flows.

These Condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union with the exception of International Accounting Standard ('IAS') 34 – Interim Financial Reporting. Accordingly the interim financial statements do not include all of the information or disclosures required in the annual financial statements and should be read in conjunction with the Company's 2015 annual financial statements.

2. Earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used are set out below.

	Six months to 30 June 2016 (Unaudited)	Six months to 30 June 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Net loss attributable to equity holders of the company (£'000)	(156)	(121)	(348)
Weighted average number of shares	1,005,164,552	762,549,167	762,549,167
Basic and diluted loss per share (pence)	(0.02)	(0.02)	(0.05)

3. Events after the reporting date.

There are no events after the reporting date to disclose other than those already mentioned in the Chairman's report.