



STELLAR RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

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Introduction

This Corporate Governance Statement is current as at 31 August 2017 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company has, during the financial year ending 30 June 2017, followed the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed for any part of the reporting period have been identified and reasons provided for not following them along with what (if any) alternative governance practices were adopted in lieu of the recommendation during that period.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. The duties that would ordinarily be assigned to individual committees are currently carried out by the full Board.

Role of the Board, Chair, and Management

The primary responsibility of the Board is to protect and advance the interests of shareholders. To fulfil this role, the Board has overall responsibility for the corporate governance of the Company including matters such as strategic direction, setting of management goals and monitoring management performance against the set goals.

The primary responsibilities of the Board include:

- Formulation, review and approval of the Company's strategic direction and operational policies;
- Establishing management goals and monitoring management performance;
- Review and approval of the Company's Business Plan (incorporating its annual budget);
- Monitoring the performance and reviewing remuneration of senior executives and other key staff;
- Approval of all significant business transactions including acquisitions, investments, divestments and corporate restructures;
- Monitoring business risk exposures and risk management systems;
- Review and approval of financial and other reporting, including continuous disclosure reporting; and
- Reporting to shareholders.

The Chair is responsible for leading, facilitating and encouraging Board and management.

The responsibilities of the Chair include:

- Taking the Chair at Board meetings;
- Ensuring the proper working of the Board;
- Sometimes acting as the leading representative of the Company in its dealings with the outside world, including financial markets, regulators, the press, governments, interest groups and the community;
- Maintaining shareholder relations, both formally through the Annual General Meeting and reporting procedures, and informally with all major shareholders;
- Initiating policy decisions with the Managing Director and the Board;
- Ensuring the existence of an effective strategic planning system and the appropriate consideration of future development possibilities;
- Ensuring the Board plays an active role in strategic review and that development proposals and planning issues are referred to the Board for discussion and approval;
- Establishing basic priorities, ethical standards, policies and attitudes for the Company;
- Ensuring that probity is maintained in accounting, reporting and all other respects;
- Monitoring the Managing Director's performance against established criteria/measures of financial and operating performance, in conjunction with the Board;
- Deciding, together with the Managing Director, what matters should be of concern of the Board, and which are purely management matters, to be left to executive management;

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- Acting as counsellor, adviser and listener to the Managing Director and, where necessary, other members of the Board; and
- Ensuring a sound management structure through the appointment of the best management the Company can afford.

Mr Peter Blight continued in office as the Managing Director of the Company from the start of the reporting period to the end of the reporting period.

Mr Blight's specific responsibilities include:

- Contributing to the formulation of the Company's strategic direction for approval by the Board and thereafter managing its implementation;
- In conjunction with the Chief Financial Officer (or equivalent), designing and implementing the risk management and internal control system to manage the Company's material business risks and reporting to the Board on whether those risks are being managed effectively;
- Managing the day to day affairs of the Company within the guidelines set by the Board;
- Identifying and developing a range of potential partners for project development;
- Managing relationships with Government at all levels;
- Marketing the Company to existing and potential investors;
- Monitoring employee performance; and
- Managing costs at the direction of the Board.

Each of Mr Phillip Harman, Dr Tom Whiting and Mr Miguel Lopez de Letona were non-executive Directors of the Company during the whole of the reporting period.

Board Composition and Performance

From the start of the reporting period, the Board had three non-executive Directors (Mr P Harman, Dr T Whiting and Mr M Lopez de Letona) and one executive Director (Mr P Blight). Of the three non-executive Directors in office as at the end of the reporting period, three are considered to be independent (Mr P Harman, Dr T Whiting and Mr M Lopez de Letona).

Directors are initially appointed by the Board but must then stand for re-election by the shareholders at the next Annual General Meeting. No Director may hold office for more than three years following his or her last election by the shareholders and one third of the Directors must retire by rotation at each Annual General Meeting to ensure that this requirement is satisfied. A retiring Director may stand for re-election at the Annual General Meeting at which he or she retires.

The Company has guidelines for the appointment and selection of the Board. The Board ensures appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director.

The Company ensures that all material information relevant to a decision on whether or not to elect or re-elect a Director is provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect that Director.

The Board ensures that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. The Company has had written agreements in place with each of its Directors and senior executives for the past financial year.

The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.

The Board has adopted processes to measure its own performance and that of individual Directors. The annual performance evaluation reviews the performance of the Board against its responsibilities. It also reviews the contribution of each member of the Board. The annual performance evaluation also sets forth the goals and objectives of the Board for the following year.

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The Chairman conducts confidential discussions with each Director in relation to matters such as work programmes and perceived strengths and weaknesses of the Board. Ms C Kemp, the Company Secretary, is accountable to the Board, through the Chairman, on all governance and compliance matters and for liaison with ASX. After discussion between the Chairman and Ms C Kemp, any significant performance related issues identified, or changes recommended, are referred to the Board for action in its ongoing development programme. A performance evaluation of the Board and each Director, in accordance with the process disclosed, was completed before the end of the reporting period.

Skills Experience and Expertise of Directors

The skills, experience and expertise relevant to the position of Director held by each of them as at 30 June 2017, and the period of office held by each Director, are as follows:

Phillip G Harman – Non-Executive Chairman

Mr Harman is a graduate of Sydney University where he majored in Geology and Geophysics. He worked for BHP for over 30 years in the field of mineral exploration occupying a variety of technical and managerial positions in Australia and elsewhere in the world. In these positions, he gained broad experience in exploration management and was associated with a number of discoveries.

In 2001, he joined Grenfell Resources Limited for the specific purpose of introducing the FALCON® Airborne Gravity Gradiometer System, developed by BHP, to the Australian exploration scene. Grenfell subsequently evolved into Gravity Capital Limited which was later split into Gravity Diamonds Limited and Stellar Resources Limited, the latter retaining ownership of the non-diamond projects. Mr Harman remained as Managing Director of Gravity Diamonds which carried out diamond exploration in Australia and Democratic Republic of Congo, then subsequently merged with Mwana Africa in 2008.

Currently, Mr Harman is a non-executive Chairman of ASX listed Alice Queen Limited and non-executive Director of Laguna Gold Limited. He is also a non-executive Director of the Deep Exploration Technologies Cooperative Research Centre.

Mr Harman is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors as well as a number of other professional societies.

Period of office: 7 years.

Peter G Blight – Managing Director

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 producer UC Rusal where he was responsible for market analysis and business development in China and India. He has 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.

He is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Period of office: 3 years.

Thomas H Whiting – Non-Executive Director

Dr Whiting is a geophysicist by profession and has over 35 years' experience in the minerals exploration sector. From 2000 to 2004, he led BHP Billiton's global minerals exploration group as Vice President of Minerals Exploration. During his career with BHP Billiton he was associated with a number of discoveries and was at the forefront of promoting the development and application of new exploration technologies related to the search for ore deposits under cover. He is currently a consultant to a number of other mineral exploration companies.

Dr Whiting is a non-executive Director of ASX listed Mineral Deposits Limited and non-executive Chairman of the Deep Exploration Technologies Cooperative Research Centre.

He is a member of the Society of Exploration Geophysicists and the Australian Institute of Company Directors.

Period of office: 6 years.

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Miguel Lopez de Letona – Non-Executive Director

Mr Lopez de Letona is a Luxembourg based investment advisor and investor who has sourced, structured, negotiated and managed private equity investments in the natural resource industry for the past decade. Prior to his involvement in private equity, Mr Lopez de Letona was a management consultant and banker with leading financial institutions.

Period of office: 3 years.

Ethical and Responsible Decision-making

It is the policy of the Company for Directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, public servants and the general communities in which it operates.

The Company adopted a formal Code of Ethics with effect from 29 August 2008. The Code is available on the Company's website www.stellarresources.com.au/about-us/

Securities Trading Policy

The Company updated its Securities Trading Policy in March 2015.

A copy of the Company's Securities Trading Policy is available on the Company's website www.stellarresources.com.au/about-us/

Communications with Shareholders

The Board seeks to empower shareholders through effective communication by providing balanced and understandable information and encouraging participation at General Meetings. It is the policy of the Company to communicate with shareholders in an open, regular and timely manner so that the market has sufficient information on the operations and results of the Company to make informed investment decisions.

Mechanisms used to communicate with shareholders include:

- the statutory financial report is distributed to all shareholders who have chosen to receive it and otherwise made available in accordance with the *Corporations Act 2001*. The Board also ensures that the statutory financial report is provided to any shareholder requesting it at the Annual General Meeting;
- the half-yearly report as at 31 December contains condensed financial information and a review of the Consolidated Entity during the period. This financial report is sent to any shareholder requesting it;
- the quarterly report summarising activities on the Company's projects on a quarterly basis. This report is sent to any shareholder requesting it;
- preparation and circulation of regular Business Reviews;
- regular investor presentations by the Managing Director;
- facilitating effective two way communication between itself and investors via email communications; and
- maintaining a comprehensive website (www.stellarresources.com.au) which is user friendly and regularly updated.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Generally, every meeting of shareholders is followed by a presentation by the Managing Director and/or Directors.

All announcements made to the market and related information (for example, information provided to analysts during briefings), are placed on the Company's website after they have been released to ASX. These announcements include the full text of notices of meeting and explanatory material. The Company's website also contains Brokers' Reports on the Company and financial data for the last three years.

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Integrity of Financial Reporting

It is a requirement of the *Corporations Act 2001* that the Managing Director (or equivalent) and Chief Financial Officer (or equivalent) declare in writing to the Board (in accordance with section 295A of the *Corporations Act 2001*) that, in their opinion, the financial records have been properly maintained and the consolidated financial statements of the Company and its controlled entities for each half and full financial year present a true and fair view of the Consolidated Entity's financial position and performance and are in accordance with relevant accounting standards.

Both the Managing Director and Chief Financial Officer (or equivalent) of the Company have given declarations for each reporting period declaring that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Continuous Disclosure to ASX

The Board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approval of any proposed ASX announcement prior to release. The Board has appointed the Company Secretary as the designated contact person with ASX.

A copy of the Company's Continuous Disclosure Policy and Procedures is available on the Company's website www.stellarresources.com.au/about-us/

Risk Management

The Board is responsible for the oversight of the Consolidated Entity's risk management and control framework. Management is required to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively. The effectiveness of the risk management and internal control system is reviewed periodically (generally twice per year at Board Meetings) by the Board. The Managing Director and the Chief Financial Officer (or equivalent in each case) has ultimate responsibility to the Board for the risk management and control framework.

A report on safety (OHS&E) is an agenda item included in the Managing Director's report which is tabled for consideration at each board meeting.

Senior executives have reported to the Board as to the effectiveness of the Company's management of its material business risks and the Board has received assurance from the Managing Director (or equivalent) and Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company adopted a Risk Policy in July 2013. The policy is set out below and is available on the Company's website www.stellarresources.com.au/about-us/

Risk Policy

The Company recognises that there are many inherent risks involved in its activities that can impact on many aspects of its business. Some of these are beyond its direct control and require risk mitigation while others are directly within the Company's control and require operational and management procedures to address them. The major areas of risk have been identified as follows:

- **Operational:** could impact on the technical execution of a project and personal safety;
- **Community:** including environmental and community impacts caused by operations which could affect the Company's licence to operate;
- **Metal price and exchange rate variations:** could impact on the economic viability of Company's operations;
- **Market and financing:** could impact on the Company's ability to raise capital and debt to finance its development and mining activities; and
- **Governance risks:** relate to the effective, transparent and legal management of the Company's affairs.

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The Company acknowledges the scope of its activities will change when it moves from exploration to mining and marketing and the potential risks will change in nature and severity.

Stellar's Policy

Stellar recognises that it is impossible to identify every risk that may impact on its business. Nevertheless, it is the Company's policy to maintain an awareness of risk and be proactive in its mitigation. Stellar seeks to meet these objectives by:

- potential risks be identified and classified for potential impact on the business;
- identified risks be held in a Risk Register that is the responsibility of the Board;
- the Managing Director, in consultation with the Board, will develop remedial and operational plans and actions for the management of each identified risk;
- the Risk Register will be reviewed at least twice per year and where required be modified by the Board; and
- the Board and management be constantly aware of the changing environment and the changing scope of the Company's activities and respond accordingly.

Auditor

The Company continues to engage its current external auditor. External auditors are selected on the basis of professional skills, reputation, service levels and fees. The current policy of the external auditor is to rotate the audit engagement partner every 5 years.

The Board does its best to ensure that the Company's external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attended the Company's last Annual General Meeting during the past financial year.

Performance of Senior Executives

The Board is responsible for regularly reviewing the performance of senior executives against appropriate measures including the implementation of the Company's Business Plan. The annual performance evaluation covers the Managing Director and any other key executives of the Company. The Chairman is primarily responsible for arranging such reviews and canvasses the views of each of the other Directors before a formal decision of the Board is made.

A performance evaluation of senior executives, in accordance with the disclosed process, will be completed before this statement is published.

Remuneration of Directors and Senior Executives

It is the policy of the Company that, except in special circumstances, non-executive Directors normally be remunerated by way of fixed fees, should not receive bonus and should not be provided with retirement benefits other than statutory superannuation.

The Board, within the limit pre-approved by shareholders, determines fees payable to individual non-executive Directors. The remuneration level of any executive Director or other senior executive (such as the Managing Director) is determined by the Board after taking into consideration levels that apply to similar positions in comparable companies in Australia and taking account of the individual's possible participation in any equity-based remuneration scheme. The Board may use industry-wide data gathered by independent remuneration experts annually as its point of reference. Options or shares issued to any Director pursuant to any equity-based remuneration scheme require approval by shareholders prior to their issue. Options or shares granted to senior executives who are not Directors are issued by resolution of the Board.

It is the policy of the Company that persons to whom options have been issued should not enter into any transaction in any associated product which is designed to limit the economic risk of participating in unvested entitlements under an equity-based remuneration scheme.

There are no schemes for retirement benefits, other than the payment of the statutory superannuation contribution, for non-executive Directors.

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The Company's policies and details of Director and executive remuneration are set out in more detail in the Remuneration Report, which forms part of the Directors' Report.

Interests of Stakeholders

The Company's core objective is the effective management of its resources with a view to identifying and developing profitable and environmentally sound mineral projects on its own or in conjunction with joint venture partners that are beneficial for all stakeholders.

Diversity

The Company adopted a Diversity Policy on 15 June 2012. The policy is set out below and is available on the Company's website www.stellarresources.com.au/about-us/

Vision

The Company recognises the benefits arising from employee and Board diversity including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. The Company values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably.

Objectives

The Company has a number of objectives in place to continually work towards its Vision including:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity.

Strategy

The Company seeks to achieve its Objectives by:

- recruiting and managing on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- providing equal opportunities based on merit;
- fostering a culture that empowers people to act in accordance with this policy;
- fostering an inclusive, supportive and respectful culture to enable all personnel to reach their full potential;
- respecting the unique attributes that each individual brings to the workforce; and
- establishing and reviewing measurable objectives, particularly on gender diversity.

Application

The Board and Managing Director of the Company are responsible for monitoring and ensuring this policy is implemented. In addition, the Board and Managing Director will review progress against the Objectives as a key performance indicator in its annual performance assessment. The Board will include in its Annual Report each year measurable objectives, if any, set by the Board and progress against the objectives.

The Board has not yet set measurable objectives for achieving gender diversity.

As at 30 June 2017, the Company had the following employee workforce profile:

	Female	Female %	Male	Male %
Board of Directors	0	0	3	100
Executive Management	1	50	1	50
Other	0	0	3	100

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Compliance with the Australian Securities Exchange Corporate Governance Principles and Recommendations

The ASX listing rules require listed entities to include in their Annual Report a statement disclosing the extent to which the entity has followed the ASX Corporate Governance Principles and Recommendations during the reporting period, identifying the recommendations that have not been followed and providing reasons for any variance. If a recommendation has been followed for only part of the year, the entity must state the period during which it has been followed.

During the reporting period, the Company complied with each of ASX Corporate Governance best practice recommendations, other than in relation to the matters below:

Recommendation 1.5(c) Measurable objectives in relation to diversity policy

The Board did not set measurable gender diversity objectives for the past financial year, because:

- the Board did not anticipate there would be a need to appoint any new Directors or senior executives due to the limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and
- if it became necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit.

Recommendation 2.1 The Board should establish a nomination committee

The Company did not have a Nomination Committee for the past financial year as the Board did not consider the Company would benefit from its establishment. The Board carries out the duties that would ordinarily be carried out by a Nomination Committee, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:

- devoting time at least annually to discuss Board succession issues and ensuring the Company's Board skills are appropriate; and
- all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

Recommendation 2.2 The Board should have and disclose a Board skill matrix

The Board has not prepared a skills matrix, which is a departure from Recommendation 2.2. The Board considers that, given its current size, it is able to identify and address any gaps in skills without such a matrix.

Recommendations 4.1 and 7.1 The Board should establish an audit and risk committee

The Company did not have an Audit and Risk Committee for the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. The Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under a Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:

- the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors;
- the Board devotes time at quarterly Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures; and

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- all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.

Recommendation 8.1

The Board should establish a remuneration committee

The Company did not have a Remuneration Committee for the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. The Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under a Remuneration Committee Charter. Please refer to this Corporate Governance Statement at "Remuneration of Directors and Senior Executives" for further details.