



22 May 2006

Dear fellow Shareholders,

2006 is proving to be a very busy year for Stellar, as we accelerate our exploration and discovery endeavor. Already we have been active at a number of projects, including, most importantly:

- Drilling at Goldfinger, NSW
- Drilling three diamond holes at Alpine Copper, Tasmania, after one hole at East Granville
- Drilling at Uno and Soyuz, South Australia
- Drilling at the North Bendigo JV, Victoria
- Commenced drilling at Warrior

We recently completed a share placement of 15% of the existing share capital to professional investors and are pleased to welcome new supporters of Stellar Resources. The funds raised (\$3m) will be applied to more aggressively exploring our portfolio of quality projects and for working capital purposes.

Uranium – Warrior Project

Importantly, Stellar's focus on uranium has increased with the acquisition of the Warrior uranium project late last year. The recent float of Toro Energy has raised investor awareness in the uranium sector – and especially in South Australia. This is a very uranium friendly state in which to operate, as there are already two uranium mines in operation and the S.A. Government remains most supportive.

Since acquiring Warrior, we have been pro-active in collating data from prior work and collecting our own new geophysical data. **An initial round of drilling has commenced.** Your directors are excited about the prospects here.

Expert opinion is that the outlook for the energy sector will continue to be well supported into 2006 and beyond. We look forward with optimism to a successful outcome for Stellar.

“Prominent Hill style” (IOCG)

Also in South Australia, Stellar holds ground in the highly prospective areas which host the Prominent Hill (“IOCG”) style targets. Our targets at Robins Rise, in particular, have received PACE funding subsidy for drilling approval from the S.A. Government.

Drilling is scheduled this quarter, we are awaiting the arrival of a suitable drilling rig.

STELLAR RESOURCES LIMITED

ABN 96 108 758 961

Level 7 Exchange Tower
530 Little Collins Street
Melbourne Victoria 3000

Tel + 61 3 9909 7618 Fax + 61 3 9909 7621

Goldfinger Zinc Project, Broken Hill district.

Goldfinger continues to represent a priority project for Stellar. Three holes completed have now intersected highly anomalous zinc in the central gravity zone and, whilst not of economic grade, demonstrate the technical importance and value of the FALCON® airborne gravity data. Further processing is underway prior to the next round of drilling, which to date has only tested a relatively short length of the overall system.

In particular, the western portion of the Goldfinger gravity anomaly remains untested.

Drilling has also been conducted on other target areas which are described more fully in the March 2006 Quarterly Report.

Importantly, whilst it is drilling that discovers ore bodies, there is valuable and essential work we conduct prior to any drilling program. Stellar has been active in:

- a) acquiring ground gravity data at Robins Rise (IOCG targets)
- b) further processing the gravity data over Goldfinger
- c) further assessment at North Bendigo basement gold targets
- d) generation of the Tasmanian base metal projects
- e) Flying heli-EM and data compilation of the prior drilling at Warrior .

Stellar is a dynamic company – having recently acquired the Panama and Pernatty projects. Pernatty is favorably located near the Carapateena copper discovery of 2005 – and we are working to bring it to drill ready status. A gravity survey is planned at Panama.

Alpine Copper, Tasmania

Alpine has very recently been elevated in priority after the recent intersection of a plus 20m downhole of 1.23% copper, from a relatively shallow depth.

Interestingly, this intercept was contained within a much wider zone of 95m @ 0.45% Cu. The hole finished in copper mineralization and further drilling is scheduled once permits are finalised and drill rig availability and weather allow.

As usual, Stellar shareholders are promised much activity, with drilling scheduled on a number of our projects, despite the continuing tightness of drill rigs. Our goal of enhancing shareholder wealth through mineral discovery remains intact.

On behalf of the Board, I acknowledge the high quality work of our dedicated staff and consultants and I thank you, the shareholders, for your ongoing interest and support.

Yours sincerely,

Tom Burrowes
Chairman