

STELLAR RESOURCES LIMITED

ACN 108 758 961

AND CONTROLLED ENTITIES

FINANCIAL REPORT

Half-year report for the half-year ended 31 December 2006

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2006

Directors' report

The directors of Stellar Resources Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report that the names of the Directors of the Company during or since the end of the half-year are:

Name

T J Burrowes
B E Laws
C G Anderson
D J Isles

The above named directors held office since the start of the financial period to the date of this report.

Review of operations

Exploration expenditure for the half year was \$1.46 million (6 months to 30 June 2006 - \$1.25 million). Expenditure for the period mainly focused on the Tasmanian and Goldfinger tenements with expenditure of \$0.7 million and \$0.5 million respectively. The Goldfinger tenement expenditure during the period also helped satisfy the entity's 51% interest earn-in obligations. The Company is now working towards increasing its Goldfinger project interest to 60%.

During the period the Company also implemented its uranium strategy. This strategy sought to farm-out the Company's uranium interest to well funded, capable and focused explorers who are prepared to commit significant funds whilst reserving meaningful project exposure without funding obligations to the entity. Uranium farm-outs concluded during the period include the Tarcoola palaeochannels and the Warrior tenement. Resulting from the Tarcoola palaeochannels farm-out agreement the Company has been issued with some 10.2 million UraniumSA Limited shares or 16% of the issued capital with a further 5.1 million "loyalty options" issued 1 February 2007.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors



T J Burrowes

Chairman

Melbourne, 23 February 2007

Auditor's Independence declaration

23 February 2007

Board Members
Stellar Resources Limited
Level 7 Exchange Tower
530 Little Collins Street
MELBOURNE VIC 3000

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 review of the financial statements of Stellar Resources Limited for the financial half-year ended 31 December 2006, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



G R Sincock
Partner
Chartered Accountants
Melbourne



Independent Auditor's Review Report to the Members of Stellar Resources Limited

We have reviewed the accompanying half-year financial report of Stellar Resources Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stellar Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stellar Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



G R Sincock

Partner

Chartered Accountants

Melbourne, 23 February 2007

Directors' declaration

The directors declare that:

- (a) 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
- (b) in the directors' opinion, the attached financial statements and notes thereto 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.

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

On behalf of the Directors



T J Burrowes
Chairman

Melbourne, 23 February 2007

**Consolidated income statement
for the half-year ended 31 December 2006**

	Consolidated	
	Half-year ended 31 Dec 2006 \$'000	Half-year ended 31 Dec 2005 \$'000
Revenue		
Interest	149	129
Administration expenses	(280)	(245)
Employee expense	(87)	(169)
Depreciation expenses	(17)	(5)
Exploration expenditure write-off	(13)	(204)
Loss before tax	(248)	(494)
Income tax credit	345	-
Profit/(Loss) for the period	97	(494)
Attributable to:		
Equity holders of the parent	97	(494)
Earnings per share		
From continuing operations:		
Basic (cents per share)	0.2	(1.0)
Diluted (cents per share)	0.2	(1.0)

The accompanying notes form part of these financial statements.

**Consolidated balance sheet
as at 31 December 2006**

		Consolidated	
		31 December 2006	30 June 2006
Note		\$'000	\$'000
Current assets			
	Cash and cash equivalents	3871	5,613
	Trade and other receivables	267	184
	Other	36	26
	Total current assets	4,174	5,823
Non-current assets			
	Other financial assets	3,203	-
4	Property, plant and equipment	143	139
5	Exploration expenditure	5,878	6,484
	Total non-current assets	9,224	6,623
	Total assets	13,398	12,446
Current liabilities			
	Trade and other payables	238	232
	Provisions	26	28
	Total current liabilities	264	260
	Total liabilities	264	260
	Net assets	13,134	12,186
Equity			
	Issued capital	13,605	13,605
	Reserves	1,148	297
	Retained earnings	(1,619)	(1,716)
	Total equity	13,134	12,186

The accompanying notes form part of these financial statements.

**Consolidated statement of change in equity
for the period ending 31 December 2006**

	Share capital	Equity-settled employee benefits reserve	Available-for-sale revaluation reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 Jul 2005	9,901	51	-	(535)	9,417
Issue of shares	512		-		512
Loss for the period			-	(495)	(495)
Recognition of share-based payments		117	-		117
Balance at 31 Dec 2005	10,413	168	-	(1,030)	9,551
Balance at 1 Jul 2006	13,605	297	-	(1,716)	12,186
Gain on available for sale investments			1,150		1,150
Deferred tax on gain			(345)		(345)
Profit for the period				97	97
Recognition of share-based payments		46			46
Balance at 31 Dec 2006	13,605	343	805	(1,619)	13,134

The accompanying notes form part of these financial statements.

**Consolidated cash flow statement
for the half-year ended 31 December 2006**

	Consolidated	
	Half-year ended 31 Dec 2006 \$'000	Half-year ended 31 Dec 2005 \$'000
Cash flows from operating activities		
Receipts from Australian Taxation Office	163	136
Payments to suppliers and employees	(515)	(442)
Interest received	157	124
Net cash provided by operating activities	(195)	(182)
Cash flows from investing activities		
Payment for property, plant and equipment	(21)	(12)
Payment for exploration	(1,526)	(1,762)
Net cash used in investing activities	(1,547)	(1,774)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	512
Proceeds from unmarketable parcel sale	-	39
Net cash used in financing activities	-	551
Net decrease in cash and cash equivalents	(1,742)	(1,405)
Cash and cash equivalents at the beginning of the period	5,613	5,227
Cash and cash equivalents at the end of the period	3,871	3,822

The accompanying notes form part of these financial statements.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

(a) Exploration, Evaluation and Development Expenditure

The company's accounting policy in relation to exploration, evaluation and development expenditure is consistent with that disclosed in the 2006 annual report, and has been further clarified below:

Contributions received from third parties in exchange for participating interest in exploration and evaluation tenements (e.g. as part of farm-out arrangements) are netted off against the costs carried forward in respect of those tenements in which the third party acquires a participating interest.

(b) Financial assets

During the period, the company acquired an available-for-sale financial asset for the first time. The company's accounting policy in relation to financial assets is set out below.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, financial assets are classified as 'available-for-sale' financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Stellar Resources Limited and Controlled Entities

(c) Available-for-sale financial assets

Certain shares and convertible notes held by the company are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

(d) Fair value of financial assets

The fair value of financial assets traded on active liquid markets are determined with reference to the quoted market prices.

2. Segment information

The entity only operates in the Australian mineral exploration sector.

3. Results for the period

Profit for the period of \$0.094 million was an improvement of \$0.591 million over the corresponding period to December 2005. The improvement was in the main attributed to lower exploration expenditure write-off, lower employee option expense and recognition of previously unrecognised deferred tax assets.. In addition to the above results the entity also recorded a net \$0.8 million appreciation in the value of its listed investment in UraniumSA Limited in the period ending 31 December 2006 which is reported under reserve. The UraniumSA Limited investment has a market value of \$3.2 million at period end.

Exploration expenditure for the half-year increased by \$0.2 million to \$1.46 million however the carrying value of the exploration asset reduced by \$0.6 million substantially reflecting the impact of the exploration recovery received through the Uranium SA share issue.

4. Other financial assets

	\$'000
Balance as at 30 June 2006	-
Contribution of financial assets (note 5)	2,053
Fair value uplift	1,150
Balance as at 31 December 2006	<u>3,203</u>

Other financial assets comprise an investment of 10.2 million shares in Uranium SA Limited. These shares are held in escrow until October 2008.

5. Exploration expenditure

	\$'000
Balance as at 30 June 2006	6,484
Expenditure incurred in the period	1,460
Expenditure written off in the period	(13)
Recover from contribution of financial assets from a third party	(2,053)
Balance as at 31 December 2006	<u>5,878</u>

During the period, the group received 10.2 million shares valued at \$2,053,000 from Uranium SA Limited as part of a farm-out arrangement. This investment has been recognised at the fair value on date of receipt and netted off against the carried forward exploration expenses associated with the exploration tenements subject to the farm out arrangements.

6. Available for sale revaluation reserve and deferred tax balances

Upon the acquisition of shares in Uranium SA Limited (see Note 5), the shares were classified as “available-for-sale” financial assets. In accordance with AASB 139, these financial assets are carried at their fair value at balance date, resulting in a revaluation gain of \$1,150,000 during the period.

A deferred tax liability of \$345,000 has been recognised in respect of this uplift. In accordance with AASB 112 the expense incurred in recognising this deferred tax liability has been taken directly to the available-for-sale revaluation reserve, resulting in a closing available-for-sale revaluation reserve balance of \$805,000.

Furthermore, the group has recognised previously unrecognised deferred tax assets relating to tax losses to the extent that these losses would be used to meet any taxable profit arising from the sale of the financial assets. Consequently, an income tax credit of \$345,000 relating to the recognition of these previously unrecognised deferred tax assets is recognised in the income statement for the period.

The recognised deferred tax assets and liabilities are netted off, and therefore not shown in the balance sheet.

7. Contingencies and commitments

There has been no material change in contingent liabilities and commitments since the last annual reporting date, 30 June 2006.

8. Subsequent events

The company was issued some 5.13 million “loyalty” options in Uranium SA Limited (USA) on 1 February 2007 as a result of its pre-existing USA shareholding. These options are held in escrow until October 2008

9. Related Party Transactions

During the period, geological, geophysical and field services were provided at commercial rates by a director related entity, Euro Exploration Services Pty Ltd, of which Mr Anderson was both a director and shareholder. Euro Exploration Services Pty Ltd charged \$42,208 (six months ended 31 December 2005: \$132,719) in relation to these services.

During the period, Providence Gold and Minerals Pty Ltd (PGM) of which Mr Burrowes is a director and shareholder undertook exploration activities under a joint venture arrangement whereby exploration costs are borne on a 50/50 basis between PGM and the Company.