



STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES

FINANCIAL REPORT
Half-year report for the half-year ended 31 December 2007

This half-year report is to be read in conjunction with the financial report for the year ended 30 June 2007

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This report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report should be read in conjunction with the annual report of Stellar Resources Limited for the year ended 30 June 2007. It is also recommended that this financial report be considered together with any public announcement made by Stellar Resources Limited and its controlled entities during the period ended 31 December 2007, in accordance with the continuous disclosure requirements of the Corporations Act 2001, lodged with the Australian Securities Exchange ("ASX").

Directors' report

For the half-year ended 31 December 2007

The directors submit their financial report on Stellar Resources Limited (“the company”) and its controlled entities (“the Group”) for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and details of the directors in office during or since the end of the half-year are:

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.

Principal activities

The principal activity of the Group during the half-year just ended continued to be mineral exploration with the objective of identifying and developing economic reserves.

Operating result

The net loss of the Group for the half-year period was \$(3,336,540) (2006: \$96,844 net profit after tax)

Review of operations

Exploration expenditure for the half year just concluded was \$1.45 million (2006: - \$1.46 million). Expenditure for the period, continued to be exploration and evaluation endeavours over its tenement projects located in Tasmania and South Eastern Australia. Drilling was conducted at a number of sites, including the Goldfinger project in New South Wales, Pernatty project in South Australia and the Alpine copper project in Tasmania.

The loss for the period was mainly attributable to \$2.22 million (2006: - \$0.013 million) of write downs in the carrying values of the Group’s exploration assets. The other notable impact was the fair value of options held in UraniumSA having decreased by \$308,008 and the value of options held in Gippsland Offshore Petroleum having decreased by \$165,481 (being a total decrease of \$473,489). These fair value decrements on options are recognised in the Income Statement.

Contingencies and commitments

No contingent liabilities have arisen since the date of the last Annual Financial Report issued as at 30 June 2007.

Dividends

No amounts have been paid or declared as dividends during the course of the half year period just concluded.

Environmental issues

The Group'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 significant breaches of mining and environmental regulations and legislation during the half-year period covered by this report.

Subsequent events

In the opinion of the directors of the company, there has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the Group during the remainder of the financial year.

Since the half-year reporting period, on 31 January 2008, the company issued a further 500,000 share options over ordinary shares under its employee option plan.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2007 has been received and can be found on page 3.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001 and dated this 6th March 2008.

On behalf of the directors



T J Burrowes
Chairman
Melbourne

The Board of Directors
Stellar Resources Ltd
Level 7, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

6 March 2008

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 half-year ended 31 December 2007, 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 or review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G R Sincock
Partner

Condensed consolidated income statement for the half-year ended 31 December 2007

		Consolidated	
		Half-year ended 31 Dec 2007	Half-year ended 31 Dec 2006
		\$	\$
Note			
Revenue			
	Interest	146,534	148,898
	Administration expenditure	(399,227)	(280,280)
	Employee expense	(81,916)	(87,188)
	Depreciation expenses	(20,515)	(17,051)
	Fair value loss on investment	(473,489)	-
	Exploration expenditure written off	(2,224,558)	(12,535)
	Loss before tax	(3,053,171)	(248,156)
	Income tax (expense)/benefit	(283,369)	345,000
	Profit/(loss) for the period	(3,336,540)	96,844
Earnings per share			
	Basic (cents per share)	(5.643)	0.165
	Diluted (cents per share)	(5.643)	0.165

Notes to the financial statements are included on pages 8 to 11.

Condensed consolidated balance sheet as at 31 December 2007

	Note	Consolidated	
		31 December 2007 \$	30 June 2007 \$
Current assets			
Cash and cash equivalents		3,590,736	5,252,181
Trade and other receivables		171,186	261,399
Other		36,501	4,699
Total current assets		3,798,423	5,518,279
Non-current assets			
Other financial assets	3	3,414,537	4,832,588
Property, plant and equipment		119,553	130,414
Exploration expenditure	4	5,163,844	6,037,331
Total non-current assets		8,697,934	11,000,333
Total assets		12,496,357	16,518,612
Current liabilities			
Trade and other payables		434,974	473,302
Provisions		9,009	23,432
Total current liabilities		443,983	496,734
Total liabilities		443,983	496,734
Net assets		12,052,374	16,021,878
Equity			
Issued capital		16,481,428	16,481,428
Reserves		544,656	1,177,620
Accumulated losses		(4,973,710)	(1,637,170)
Total equity		12,052,374	16,021,878

Notes to the financial statements are included on pages 8 to 11.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2007

	Issued capital	Equity-settled employee benefits reserve	Investments revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2006	13,605,098	296,639	-	(1,715,855)	12,185,882
Gain on available for sale investments	-	-	1,150,000	-	1,150,000
Related income tax	-	-	(345,000)	-	(345,000)
Total income recognised directly in equity	-	-	805,000	-	805,000
Profit for the period	-	-	-	96,844	96,844
Total recognised income and expense	-	-	805,000	96,844	901,844
Issue of options under share option plan	-	46,200	-	-	46,200
Balance at 31 Dec 2006	13,605,098	342,839	805,000	(1,619,011)	13,133,926
Balance at 1 July 2007	16,481,428	372,623	804,997	(1,637,170)	16,021,878
(Loss) on available for sale investments	-	-	(944,563)	-	(944,563)
Related income tax	-	-	283,369	-	283,369
Total income recognised directly in equity	-	-	(661,194)	-	(661,194)
(Loss) for the period	-	-	-	(3,336,540)	(3,336,540)
Total recognised income and expense	-	-	-	(3,336,540)	(3,997,734)
Issue of options under share option plan	-	28,230	-	-	28,230
Balance at 31 Dec 2007	16,481,428	400,853	143,803	(4,973,710)	12,052,374

Notes to the financial statements are included on pages 8 to 11.

**Condensed consolidated cash flow statement
for the half-year ended 31 December 2007**

	Consolidated	
	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Cash flows from operating activities		
Receipts from Australian Taxation Office	145,387	163,608
Payments to suppliers and employees	(589,278)	(515,099)
Interest received	142,535	156,898
Net cash used in operating activities	(301,356)	(194,593)
Cash flows from investing activities		
Payment for property, plant and equipment	(9,653)	(21,065)
Payment for exploration expenditure	(1,269,955)	(1,526,933)
Net cash used in investing activities	(1,279,608)	(1,547,998)
Net decrease in cash and cash equivalents held	(1,580,964)	(1,742,591)
Cash and cash equivalents at the beginning of the period	5,171,700	5,612,994
Cash and cash equivalents at the end of the period	3,590,736	3,870,403

Notes to the financial statements are included on pages 8 to 11.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Reporting entity

Stellar Resources Limited (the “company”) is a company domiciled in Australia. The consolidated interim financial statements of the company as at and for the half-year ended 31 December 2007 comprises the company and its subsidiaries (together referred to as the “Group”).

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 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 2007 annual financial report for the financial year ended 30 June 2007, 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 2007 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.

2. Segment information

The Group only operates in the Australian mineral exploration sector where it is actively pursuing opportunities.

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3. Other financial assets

	\$
Balance as at 30 June 2007	4,832,588
Fair value net decrement	(1,418,051)
Balance as at 31 December 2007	<u>3,414,537</u>

Other financial assets comprise an investment of 10.2 million shares and 5.1 million options granted to Hiltaba Gold Pty Ltd (a wholly owned subsidiary of Stellar) when Uranium SA Limited listed, granting uranium exploration rights on six of Stellar's exploration licences in the Tarcoola region of the central Gawler Craton. The shares and options are held in escrow until October 2008.

At 31 December 2007, the investments in UraniumSA and Gippsland Offshore Petroleum were restated to fair value resulting in a decrement of \$1,418,051. A revaluation decrement of \$944,563 in relation to the available-for-sale shares in UraniumSA was recognised during the period, with the decrement recognised in the investments revaluation reserve. The fair value of options held in UraniumSA decreased by \$308,008 and the value of options held in Gippsland Offshore Petroleum decreased by \$165,481 (being a total decrease of \$473,489). These fair value decrements on options are recognised in the Income Statement.

The 6.667 million options in Gippsland Offshore Petroleum Limited are held by Rilo Exploration Pty Ltd (a wholly owned subsidiary of Stellar). They are unlisted and were issued at the time of the initial listing and are exercisable by 30 November 2009.

4. Exploration expenditure

	\$
Balance as at 30 June 2007	6,037,331
Expenditure incurred in the period	1,451,687
Expenditure written off in the period	(2,224,558)
Recover from contribution of financial assets from a third party	(100,616)
Balance as at 31 December 2007	<u>5,163,844</u>

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

5. Available for sale revaluation reserve and deferred tax balances

The shares in Uranium SA were classified as "available-for-sale" financial assets and therefore any movements in fair value are recognised in the investments revaluation reserve. In accordance with AASB 139, these financial assets are carried at their fair value at balance date, resulting in a net revaluation decrement of \$944,563 during the period.

A deferred tax asset of \$283,369 has been recognised in respect of this revaluation decrement. In accordance with AASB 112 the income tax credit incurred in recognising this deferred tax asset has been taken directly to the investments revaluation reserve, resulting in a closing revaluation reserve balance of \$143,803.

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Furthermore, the Group has recognised previously unrecognised deferred tax liabilities. Consequently, an income tax expense of \$283,369 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.

6. Issuances, repurchases and repayments of equity securities

Stellar Resources Limited issued 1,225,000 share options (2006: nil) over ordinary shares under its employee option plan during the half-year reporting period. These share options have a fair value at grant date of \$0.30 cents per share option. None of these options may be exercised prior to 1 June 2008.

Since the half-year reporting period, on 31 January 2008, the company issued a further 500,000 share options over ordinary shares under its employee option plan.

Options cancelled

During the half-year reporting period, 250,000 share options were cancelled due to the termination of an employee.

There were no other movements in the ordinary shares capital or other issued capital of the company in the current half-year reporting period.

7. Contingencies and commitments

There has been no material change in contingent liabilities and commitments since the last annual reporting date, 30 June 2007.

8. Subsequent events

In the opinion of the directors of the company, there has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the Group during the remainder of the financial year.

Since the half-year reporting period, on 31 January 2008, the company issued a further 500,000 share options over ordinary shares under its employee option plan.

9. Related Party Transactions

During the half-year reporting 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 \$47,700 (six months ended 31 December 2006: \$42,208) in relation to these services.

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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.

Directors' declaration

The directors of the company 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 s.303(5) of the Corporations Act 2001.

On behalf of the directors



T J Burrowes
Chairman
Melbourne

Dated this 6th day of March 2008

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 2007, 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 as set out on pages 4 to 12.

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 establishing 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 half-year 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 2007 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 2007 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, 6 March 2008

CORPORATE DIRECTORY

Directors

Thomas J Burrowes (Chairman)
Barrie E Laws (Non-executive)
David J Isles (Executive)
Christopher G Anderson (Executive)

Company Secretary

Melvyn J Drummond

Registered Office

Level 7 Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone: (03) 9909 7618

Facsimile: (03) 9909 7621

E-mail: srzinfo@stellarresources.com.au

Website: www.stellarresources.com.au

Adelaide Office

63 King William Street
Kent Town SA 5067

Telephone: (08) 8363 1589

Share Registry

Link Market Services Limited
Level 9, 333 Collins Street
Melbourne VIC 3000

Telephone: 1300 554 474

Auditors

Deloitte Touche Tohmatsu
QV Building
180 Lonsdale Street
Melbourne VIC 3000

Legal Advisor

Bryan Cumming
Level 7 Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Bankers

National Australia Bank Limited
Level 2, 330 Collins Street
Melbourne VIC 3000

Stock Exchange

Australian Stock Exchange Limited
530 Collins Street
Melbourne VIC 3000

ASX code for shares: SRZ