

THIS IS AN IMPORTANT DOCUMENT

AND REQUIRES YOUR ATTENTION

If you are in any doubt as to how to deal with it,
please consult your financial or other professional adviser.

STELLAR RESOURCES LIMITED

ABN 96 108 758 961

(‘Stellar’ or ‘Company’)

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY STATEMENT

The annual general meeting will be held:

- at Level 7, 530 Little Collins Street, Melbourne 3000;
- on 15 November 2006 at 10.30am.

You can vote by:

- attending and voting at the meeting; or
- appointing someone as your proxy to attend and vote at the meeting on your behalf, by completing and returning the proxy form to Stellar in the manner set out in the proxy form. The proxy form must be received by the Share Registry of Stellar no later than 10.30am on 13 November 2006.

STELLAR RESOURCES LIMITED
ABN 96 108 758 961

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of the members of **Stellar Resources Limited** will be held:

- on **Wednesday, 15 November 2006**
- at **10.30am**
- at **Level 7, 530 Little Collins Street, Melbourne 3000**

1. RESOLUTIONS

A. Financial statements and reports

To table the following statements and reports and provide members with the opportunity to raise any issues or ask questions generally of the directors concerning those financial statements or the business operations of the Company:

- (a) the financial report of the Company and of the consolidated entities for the year ended 30 June 2006;
- (b) the directors' report; and
- (c) independent auditor's report thereon.

B. Ordinary resolutions

To consider and, if thought fit, to pass the following resolutions each as an ordinary resolution:

Resolution 1: Adoption of Remuneration Report

"**THAT** the Remuneration Report for the year ended 30 June 2006 be adopted."

Resolution 2: Re-election of Director

"**THAT** Dr David J. Isles, a director retiring by rotation in accordance with rule 57.1 of the Company's Constitution, being eligible for re-election and having signified his candidature for the office, be re-elected as a director of the Company."

Resolution 3: Approval of previous issue of shares

"**THAT**, in accordance with Listing Rules 7.4 and 7.5 of the Listing Rules of Australian Stock Exchange Limited, the issue to clients of Bell Potter Securities Limited on 11 May 2006 of 7,500,000 fully paid ordinary shares in the capital of the Company at an issue price of 45 cents per share is hereby ratified and approved."

Resolution 4: Appointment of new auditor

"**THAT** Deloitte Touche Tohmatsu, having consented to act as auditor and having been nominated in writing by a member of the Company, be appointed as the auditor of the Company."

2. VOTING RESTRICTIONS

Resolution 3

For the purposes of resolution 3, the Company will disregard any votes cast by:

- (a) a person who participated in the issue; and
- (a) an associate of that person.

However, the Company need not disregard a vote in respect of resolution 3 if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. VOTING ENTITLEMENT

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, that the Company's shares quoted on Australian Stock Exchange Limited at 7.00pm AEST on 13 November 2006 will be taken for the purpose of the annual general meeting to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote (if not excluded) at the meeting.

4. HOW TO VOTE

Shareholders entitled to vote at the Annual General Meeting may vote by attending the Meeting in person, by attorney or proxy or, in the case of corporate shareholders, by a corporate representative.

5. VOTING IN PERSON OR BY ATTORNEY

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Persons are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the register and their attendance recorded. Shareholders intending to attend the Meeting by attorney must ensure that they have, not later than 48 hours prior to the time the Meeting is to commence, provided the original or a certified copy of the power of attorney to the Company, in the same manner prescribed below for the giving of proxy forms to the Company.

6. VOTING BY PROXY

- (a) Shareholders wishing to vote by proxy must complete, sign and deliver the enclosed personalised proxy form or forms, in accordance with the instructions on the form, prior to 10.30 am Melbourne time on 13 November 2006 by:
 - Post in the reply paid envelope provided
 - Hand delivery to: Stellar Resources Limited c/- Link Market Services Limited, Level 4, 333 Collins Street Melbourne 3000 or
 - Fax to: Stellar Resources Limited C/- Link Market Services Limited on +61 2 9287 0309.
- (b) A shareholder who is entitled to vote at the meeting may appoint:
 - (1) one proxy if the shareholder is only entitled to one vote; or
 - (2) one or two proxies if the shareholder is entitled to more than one vote.
- (c) If a shareholder appoints one proxy, that proxy may vote on a show of hands. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
- (d) Where the shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not do so, each proxy may exercise one-half of the votes, and any fraction of votes will be disregarded.
- (e) A proxy need not be a shareholder of the Company. In the case of joint holders, all should sign the proxy form. In the case of corporations, proxies must be executed in accordance with the Corporations Act.
- (f) To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
- (g) If the abstention box on the proxy form for the item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant shares will not be counted in calculating the required majority on a poll. If no box is marked, the proxy will not be directed as to how to vote and may vote as he or she thinks fit.
- (h) If the proxy form is signed by the shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Annual General Meeting, the chairperson of the Meeting may either act as proxy or complete the proxy by inserting the name of one or more Directors or the Company Secretary.
- (i) The chairperson of the Annual General Meeting intends to vote all undirected proxies from shareholders (who are eligible to vote in favour of the Resolutions) in favour of the Resolutions to be voted on at the Annual General Meeting. The chairperson will not vote any undirected proxies from shareholders ineligible to vote in favour of the Resolutions.
- (j) If you require an additional proxy form, the Company will supply it on request to the undersigned.

7. VOTING BY CORPORATE REPRESENTATIVE

Corporate shareholders wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from the Registry;
- (b) complete and sign the form in accordance with the instructions on it; and
- (c) bring the completed and signed form with them to the Annual General Meeting.

DATED 10 October 2006

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Bill Michaelidis', is written over a horizontal dotted line. The signature is stylized and extends above the line.

Bill Michaelidis
Company Secretary

STELLAR RESOURCES LIMITED
ABN 96 108 758 961

EXPLANATORY STATEMENT

1. INTRODUCTION

The purpose of this Explanatory Statement is to provide shareholders with an explanation of the business of the meeting and the Resolutions proposed to be considered at the Annual General Meeting on 15 November 2006 and to assist shareholders in determining how they wish to vote on those Resolutions. This Explanatory Statement should be read in conjunction with the Notice of Meeting and forms part of the Notice of Meeting.

2. BUSINESS OF THE MEETING - SUMMARY

- a. To table the financial statements of the Company for the period ended 30 June 2006 and to give the members the opportunity to raise issues and ask questions generally concerning the financial statements or business operations of the Company.
- b. To consider and vote on the following ordinary resolutions:

Resolution 1 - to adopt the Remuneration Report for the year ended 30 June 2006;

Resolution 2 - to re-elect Dr David J. Isles as a Director;

Resolution 3- to approve a previous issue of shares; and

Resolution 4- to appoint a new auditor.

3. WHY THE MEETING IS BEING HELD

a. Financial Statements and Reports

The Board is required to lay before the meeting the financial statements, Directors' report and independent auditor's report for the year ended 30 June 2006.

Copies of the Annual Report for the period ended 30 June 2006 are being despatched to shareholders with this Notice of Meeting on or about 13 October 2006.

A copy of the Annual Report incorporating the full financial report and the auditor's report will be tabled at the meeting. Shareholders can also request additional copies of the Annual Report by telephoning the Company Secretary, Mr Bill Michaelidis on (+61 3) 9909 7622.

The chairperson of the meeting will take shareholders' questions and comments about the management of the Company. The auditor of the Company will be available to take shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements or the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the meeting, written questions to the auditor about the content of the auditor's report or the conduct of the audit of the annual financial report to be considered at the meeting may be submitted not later than five business days before the meeting to:

The Company Secretary
Stellar Resources Limited
Level 7, 530 Little Collins Street
Melbourne Victoria 3000

Facsimile: +61 3 9909 7621

E-mail: Bill.Michaelidis@stellarresources.com.au

Copies of any questions received will be made available at the meeting. The chairperson of the meeting will allow the auditor to answer written questions submitted to the auditor before the meeting. If the auditor has prepared a written answer to a question, the chairperson of the meeting may permit the auditor to table that written answer. A written answer tabled at the meeting will be made reasonably available to members as soon as practicable after the meeting.

Shareholders are not required to pass any resolution in relation to the financial statements and reports (other than Resolution 1 being the adoption of the Remuneration Report for the year ended 30 June 2006).

b. Resolution 1 – Adoption of Remuneration Report for year ended 30 June 2006

The Directors' report in the Annual Report for the year ended 30 June 2006 contains (in a separate and clearly defined section) a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified executives and the non-executive Directors.

Recent amendments to the *Corporations Act 2001* require the Company to put to the vote at the annual general meeting a resolution that the Remuneration Report be adopted. The Company is also required to inform shareholders in the notice of the annual general meeting that a resolution to this effect will be put at the meeting.

Before calling for votes in relation to this resolution, the Chairman of the meeting will allow a reasonable opportunity for the members present to ask questions about, or make comments on, the Remuneration Report.

It should be noted that the vote on this resolution is advisory only and does not bind the Directors or the Company. Accordingly, the Company will not be required to alter any arrangements detailed in the Remuneration Report, should the Report not be adopted. However, notwithstanding the strict legal position, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy of the Company.

The Directors make no voting recommendation to shareholders in relation to Resolution 1. All of the Directors entitled to vote on Resolution 1 intend to vote in favour of the Resolution.

c. Resolution 2 - Re-election of Dr David J. Isles as a Director

Clause 57.1 of the Company's constitution provides that, at the close of each annual general meeting, one third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not more than one third of the Directors) must retire from office. The Directors retire by rotation, with the Director(s) who have been the longest in office since being appointed or re-appointed being the Director(s) who must retire in any year. If two or more Directors were elected or appointed on the same day, they are required to agree among themselves or determine by lot which of them must retire. The constitution ensures that no Director is able to remain in office for longer than three years without facing re-election. Under clause 57.4, a retiring Director is entitled to offer himself for re-election as a Director at the annual general meeting which coincides with his retirement.

Dr Isles is 53 and was elected as an executive Director of the Company at the first annual general meeting held on 10 December 2004. He is a geophysicist and recognised expert in aeromagnetic interpretation. He is a non-executive Director of Mineral Deposits Limited and was a Director of Gravity Capital Limited (now renamed Gravity Diamonds Limited, the former parent company of Stellar, for eight years. Further details of his experience and qualifications are set out on page 21 of the Annual Report.

Dr Isles will retire in accordance with the requirements of the Company's constitution at the close of the annual general meeting. As he is entitled to, and eligible for, re-election, he seeks re-election as a Director of the Company at the meeting.

The Directors (other than Dr Isles) recommend that you vote in favour of Resolution 2. Dr Isles makes no recommendation to shareholders. All of the Directors entitled to vote on Resolution 2 intend to vote in favour of the Resolution.

d. Resolution 3 – Approval of a previous issue of shares

Summary of proposal

On 2 May 2006 the Company announced to ASX that it had completed a placement of 7,500,000 fully paid ordinary shares at a price of \$0.45 per share to raise \$3,375,000 before costs of the issue. The Company had previously appointed Bell Potter Securities Limited to advise it in relation to this capital raising. The persons selected to apply for the subject shares were sophisticated and professional clients of Bell Potter Securities Limited capable of making investment decisions without the aid of a prospectus.

When these shares were issued on 11 May 2006 they comprised approximately 14.7% of the total number of ordinary shares of the Company then on issue. Accordingly, they were able to be issued by the Company without having to obtain prior shareholder approval.

Legal and Regulatory Requirements

ASX Listing Rule 7.1

Under Listing Rule 7.1, the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities, when aggregated with securities issued by the Company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that, where a company in general meeting ratifies a previous issue of equity securities, the issue will be treated as having been made with the requisite approval for the purpose of Listing Rule 7.1, thereby enabling the company to issue further securities without exceeding the 15% in 12 months limitation. This will allow the Company to raise further capital without the delay involved with the requirement to seek prior shareholder approval, so that the Company can readily take advantage of opportunities as and when they arise.

If approved, Resolution 3 will ratify and approve the previous issue of 7,500,000 ordinary shares as set out in the Resolution.

ASX Listing Rule 7.5

ASX listing Rule 7.5 requires the Notice of Meeting, at which shareholders are required to consider Resolution 4 pursuant to Listing Rule 7.4, to include certain specified information in relation to the equity securities that have been issued. This information is set out below:

- (a) *the number of securities allotted:* 7,500,000 ordinary shares;
- (b) *the price at which the securities were issued:* 45 cents per share.
- (c) *the terms of the securities:* the securities are fully paid ordinary shares ranking equally in all respects with the other fully paid ordinary shares of the Company on issue;
- (d) *the basis upon which the allottees were determined:* the allottees were sophisticated and professional clients of Bell Potter Securities Limited selected by Bell Potter Securities Limited with the approval of the Company.
- (e) *the use (or intended use) of the funds raised:* the funds raised have been used, and will continue to be used, for the Company's ongoing exploration activities, particularly its Alpine, Heemskirk and Ramsay projects in Tasmania and Goldfinger project in New South Wales and to provide working capital.
- (f) *a voting exclusion statement:* this statement is included in the Notice of Meeting of which this Explanatory Statement forms part.

The Directors recommend that you vote in favour of Resolution 3. All of the Directors entitled to vote on Resolution 3 intend to vote in favour of the Resolution.

e. Resolution 4 – Appointment of new auditor

As a result of the recent merger of BDO with Deloitte Touche Tohmatsu, the auditor's report for the year ended 30 June 2006 has been signed by DTT Victoria. DTT Victoria is the new name of BDO and is a continuation of the Victorian BDO partnership. The audit for the financial period was required to be completed by the auditor appointed for that financial year.

As from 1 August 2006, the partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu. DTT Victoria has advised the Company that, due to the merger, it is required to resign as auditor of the Company. The Company has been requested to appoint Deloitte Touche Tohmatsu as auditor in lieu of DDT Victoria.

As required by the *Corporations Act 2001*, DDT Victoria (formerly BDO) has applied to the Australian Securities and Investments Commission for consent to resign as auditor of the Company. It expects to receive such consent before the 2006 annual general meeting is held and has stated that it will then resign as auditor as soon as possible. Such resignation will of course cause a vacancy to arise in the office of auditor.

The *Corporations Act 2001* provides that a public company must appoint an auditor at its first annual general meeting and to fill any vacancy in the office of auditor at any subsequent annual general meeting.

A public company is not permitted to appoint an auditor at an annual general meeting unless the auditor has consented to act as auditor and has been nominated for appointment by a member of the company. Deloitte Touche Tohmatsu has consented to act as the Company's auditor if appointed at the meeting and a member of the Company has, within the time prescribed by the *Corporations Act 2001*, nominated Deloitte Touche Tohmatsu for appointment as auditor. A copy of the written nomination of Deloitte Touche Tohmatsu by a member of the Company is included with this Notice as required by the *Corporations Act 2001*.

The Directors recommend that you vote in favour of Resolution 4. All of the Directors entitled to vote on Resolution 4 intend to vote in favour of the Resolution.

4. QUERIES

If you have any queries about the meeting, the Resolutions to be put to the meeting or the proposals being considered, please contact the Company Secretary, Mr Bill Michaelidis, on (03) 9909 7622.