

**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 26 November 2010 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 24 November 2010.

**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 **Friday, 26 November 2010**
- 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 controlled entities for the year ended 30 June 2010;
- (b) the directors' report; and
- (c) the 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 2010 be adopted.”

**Resolution 2: Re-election of Director**

“**THAT** Phillip G. Harman, a director retiring in accordance with clause 55.2 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: Exemption of issue of securities under scheme**

“**THAT** for the purposes of Rule 7.2 (Exception 9(b)) of the Listing Rules of ASX Limited, and all other purposes, approval is given to the issue of securities of the Company under the Stellar Employee Option Plan as an exception to Rule 7.1 of those Listing Rules.”

**Resolution 4: Issue of Options to Mr T. J. Burrowes**

“**THAT** in accordance with Listing Rule 10.11 of the Listing Rules of ASX Limited and Chapter 2E of the *Corporations Act 2001* (Cth), and for all other purposes, the Company is authorised to issue 1,000,000 options to subscribe for ordinary shares in the Company exercisable at \$0.20 each and expiring on 30 November 2013 to Mr T. J. Burrowes, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Statement.”

**Resolution 5: Issue of Options to Dr D. J. Isles**

“**THAT** in accordance with Listing Rule 10.11 of the Listing Rules of ASX Limited and Chapter 2E of the *Corporations Act 2001* (Cth), and for all other purposes, the Company is authorised to issue 1,000,000 options to subscribe for ordinary shares in the Company exercisable at \$0.20 each and expiring on 30 November 2013 to Dr D. J. Isles, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Statement.”

**Resolution 6: Issue of Options to Mr P. G. Harman**

“**THAT** in accordance with Listing Rule 10.11 of the Listing Rules of ASX Limited and Chapter 2E of the *Corporations Act 2001* (Cth), and for all other purposes, the Company is authorised to issue 1,000,000 options to subscribe for ordinary shares in the Company exercisable at \$0.20 each and expiring on 30 November 2013 to Mr P. G. Harman, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Statement.”

## C. Special Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

### Resolution 7: Renewal of proportional takeover provisions

“**THAT**, in accordance with section 648G(4) of the *Corporations Act 2001*, the proportional takeover provisions contained in clause 22A of the constitution of the Company be renewed for a period of three years from 26 November 2010.”

## 2. VOTING RESTRICTIONS

The Company will disregard any votes cast on:

- Resolution 4 by Mr T. J. Burrowes and any associate of Mr T. J. Burrowes;
- Resolution 5 by Dr D. J. Isles and any associate of Dr D. J. Isles; and
- Resolution 6 by Mr P. G. Harman and any associate of Mr P. G. Harman.

However, the Company need not disregard a vote if:

- 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
- 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 Directors of the Company have determined that the shareholding of each member for the purposes of ascertaining voting entitlements for the Annual General Meeting will be as it appears on the Register of Members at 7.00pm (Melbourne time) on 24 November 2010.

## 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 24 November 2010 by:

- Mail
- Hand delivery to: Stellar Resources Limited c/- Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000 or
- Fax to: Stellar Resources Limited C/- Registries Limited on +61 2 9290 9665 or
- Online at [www.registries.com.au/vote/stellaragm2010](http://www.registries.com.au/vote/stellaragm2010).

(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 2001*.
- (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) You are encouraged when completing the proxy form to direct the proxy by indicating a vote for either "For" or "Against" or "Abstain". If the abstention box 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 have been directed as to how to vote and may therefore vote as he or she thinks fit, or abstain from voting.
- (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, the company secretary or any directors of the Company intend 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, the company secretary or any directors 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.

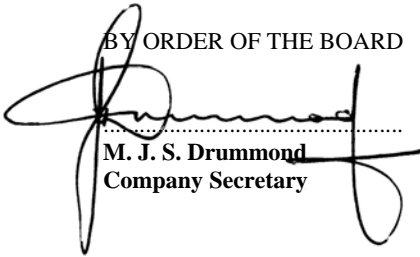
## 7. VOTING BY CORPORATE REPRESENTATIVE

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** 15 October 2010

BY ORDER OF THE BOARD



M. J. S. Drummond  
Company Secretary

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**

**EXPLANATORY STATEMENT**

**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 26 November 2010 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.

Certain terms used in this Explanatory Statement and the Notice of Meeting of which it forms part are defined in section 3 of this Statement (Interpretation).

**1. BUSINESS OF THE MEETING – SUMMARY**

a. To table the financial statements of the Company for the period ended 30 June 2010 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;*

*Resolution 2 – to re-elect Phillip G. Harman as a Director;*

*Resolution 3 – to exempt from Listing Rule 7.1 the issue of any securities under the Stellar Employee Option Plan;*

*Resolution 4 – to authorise the issue of options to Mr T. J. Burrowes;*

*Resolution 5 – to authorise the issue of options to Dr D. J. Isles; and*

*Resolution 6 – to authorise the issue of options to Mr P. G. Harman.*

c. To consider and vote on the following special resolution:

*Resolution 7 – to renew the proportional takeover provisions of the constitution.*

**2. 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 2010.

Copies of the financial statements and abovementioned reports are contained in the Annual Report for the Financial Year ended 30 June 2010 which has been lodged with ASX and is available for shareholders to access and download from the Company's website [www.stellarresources.com.au](http://www.stellarresources.com.au).

Shareholders can also request a printed copy of the Annual Report by telephoning the Company Secretary, Mr Melvyn Drummond on (+61 3) 9909 7618. Shareholders who have opted in writing to receive a hard copy of the Annual Report will receive it in the mail with this Notice of Meeting.

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: [mel.drummond@stellarresources.com.au](mailto:mel.drummond@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 2010).

**b. Resolution 1 – Adoption of Remuneration Report for year ended 30 June 2010**

The Remuneration Report forms part of the statutory Annual Report for the year ended 30 June 2010 which is available for shareholders to access and download from the Company's website [www.stellarresources.com.au](http://www.stellarresources.com.au). The Remuneration Report sets out the remuneration policy of the Company and reports the remuneration arrangements in place for the executive Director (until his resignation on 7 June 2010), other specified executives and the non-executive Directors.

The Company is required by the Corporations Act to put to the vote at the annual general meeting a resolution that the Remuneration Report be adopted. But, it should be noted, 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 account when considering the remuneration practices and policy of the Company.

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

*The Directors make no voting recommendation to shareholders in relation to this resolution.*

**c. Resolution 2 - Re-election of Phillip G. Harman as a Director**

Clause 55.1 of the Company's constitution provides that, so long as the maximum permitted number of directors is not exceeded, the Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the Board. Clause 55.2 of the Company's constitution provides that, unless the Director is an Executive Director and the Listing Rules do not require the Director to be subject to retirement, a Director appointed under clause 55.1 will hold office until the end of the next annual general meeting of the Company, at which the Director may be re-elected.

Mr Phillip G. Harman was appointed by the Directors on 7 June 2010 to fill the casual vacancy created by the resignation of Mr Christopher Anderson on the same day.

Mr Harman is 60 and is a graduate of Sydney University where he majored in Geology and Geophysics. He worked over 30 years for BHP 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, Mr Harman 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 became Gravity Capital Limited and was later split into Gravity Diamonds Limited and Stellar, with the non-diamond projects being acquired by Stellar. Mr Harman remained as Managing Director of Gravity Diamonds, conducting diamond exploration in Australia and the Democratic Republic of the Congo, until it was acquired by Mwana Africa plc in 2008.

Currently, Mr Harman is a director of Callabonna Uranium Limited, an ASX listed entity and unlisted Flow Energy Limited (formerly Gippsland Offshore Petroleum Limited) and Predictive Discovery Limited, exploration companies. He 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.

Details of Mr Harman's qualifications and further details of his experience are contained in the Directors' Report forming part of the 2010 Annual Report.

Mr Harman will retire in accordance with the requirements of the Company's constitution at the close of the annual general meeting. He seeks re-election as a Director of the Company at the meeting.

*The Directors (other than Mr Harman) recommend that you vote in favour of this resolution. Mr Harman makes no recommendation to shareholders.*

**d. Resolution 3 – Exemption of issue of securities under scheme**

Rule 7.1 of the Listing Rules restricts the number of shares and options a listed entity can issue without shareholder approval. Put simply, without the approval of holders of ordinary securities, an entity may not in any 12 month period issue, or agree to issue, a number of shares and/or options exceeding 15 per centum of the number of fully paid ordinary shares on issue at the commencement of that period.

Rule 7.2 contains a number of exceptions to Rule 7.1. In particular, Rule 7.2 Exception 9(b) of the Listing Rules provides that Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue holders of ordinary securities have approved the issue of securities under the scheme as an exception to rule 7.1.

At the 2007 annual general meeting of the Company held on 28 November 2007, shareholders passed an ordinary resolution pursuant to Rule 7.2 Exception 9(b). The exemption from Listing Rule 7.1 conferred by that resolution will expire on 28 November 2010.

A new resolution pursuant to Rule 7.2 Exception 9(b) is now proposed in order to provide, if passed, a further exemption from Listing Rule 7.1 of issues under the Stellar Employee Option Plan a period of three years from the date of the 2010 annual general meeting.

Rule 7.2 Exception 9(b) of the Listing Rules provides that, when approval is sought under this Rule, the notice of meeting must include the following viz

(a) *a summary of the terms of the scheme, which follows:*

**Purpose**

The purpose of the Stellar Employee Option Plan is to encourage participation by Employees in the ownership of the Company through the opportunity afforded to acquire shares and to attract, motivate and retain Employees.

**Offers to Employees**

The Company may make offers to Employees to issue options to subscribe for unissued ordinary shares of the Company. Notwithstanding that he or she may be an employee in the strict sense, no Director may receive an offer under the Plan. An Employee must accept an offer of options within 10 business days of its receipt.

**Exercise Price**

The exercise price for options granted under the Plan will be fixed by the Board prior to the making of an offer to an Employee and specified in the offer.

**Vesting conditions**

The options granted under the Plan may be subject to such vesting conditions as may be fixed by the Board prior to the grant of the options and specified in the offer.

**Participation and other rights**

All shares issued upon the exercise of options will rank equally with all other issued ordinary shares and the Company will apply for quotation of all shares issued upon exercise. Options granted under the Plan do not confer any right to participate in dividends or rights issues until ordinary shares are allotted following the exercise of the options. The number of ordinary shares issued on exercise of the options will however be adjusted for bonus issues made prior to their exercise.

**Lapse of options**

The options will lapse upon the earlier of their expiry, 60 days after the Employee ceases to be an employee for any reason other than death, 12 months from the date the Employee dies or, where a takeover bid within the meaning of the Corporations Act has been made for the Company, the end of the bid period.

**Reorganisation of capital**

If the Company reorganises its capital before any options are exercised, the terms of the options will be changed to the extent necessary to comply with the ASX listing rules.

**Transfer**

Except with the prior written approval of the Board, options granted under the Plan are not transferable.

**5% cap**

The number of options that may be granted under the Plan when aggregated with:

- (a) the number of ordinary shares that would be issued if all options issued under all employee option plans of the Company were exercised; and
- (b) the number of ordinary shares issued by the Company during the preceding five years under any employee share plan and employee option plan

must not exceed 5% of the issued ordinary shares of the Company at the time the options are granted.

**Powers of the Board**

The Plan will be administered by the Board which will have an absolute discretion to resolve conclusively all questions of fact or interpretation arising in connection with the Plan.

(b) *the number of securities issued under the scheme since the last approval*

Since the previous approval by shareholders on 28 November 2007, the Company has issued 1,725,000 options under the scheme. As at the date of this Explanatory Statement, 1,575,000 options remain on issue.

(c) *a voting exclusion statement*

A voting exclusion statement is not required because no director is permitted to participate in the Plan.

*The Directors of the Company recommend that you vote in favour of this resolution.*

**e. Resolutions 4, 5 and 6 – Authority to issue options to Directors**

**1. Introduction**

The Directors have resolved to refer to members for approval the issue of 1,000,000 options to each of Mr T. J. Burrowes, Dr D. J. Isles and Mr P. G. Harman, each a Director of the Company, or their respective nominee, exercisable at \$0.20 each and expiring on 30 November 2013 (**Director Options**). The terms of the Director Options are set out in more detail below.

Approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rule 10.11 and Chapter 2E of the Corporations Act. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

A copy of this Explanatory Statement and the Notice of Meeting of which it forms part has been lodged with ASIC in accordance with section 218 of the Corporations Act.

**2. Director Option Terms**

A summary of the material terms of the Director Options is set out below:

- The securities to be issued to each option holder are options to subscribe for fully paid Shares.
- The Director Options are to be issued for no consideration.
- The exercise price of each Director Option is \$0.20 (**Exercise Price**).
- The Director Options will vest immediately and will expire and be forfeited on the earlier of (**Expiry Date**)
  - (a) 30 November 2013; and
  - (b) 3 months after the relevant Director ceases to be a Director of the Company.
- Shares issued on exercise of the Director Options will rank *pari passu* with all existing Shares from the date of issue.
- The Director Options may be exercised wholly or in part by notice in writing to the Company received at any time on or prior to the Expiry Date together with a cheque for the Exercise Price multiplied by the number of Director Options to which the notice relates.
- The Director Options will be unlisted but will be transferable.
- Upon allotment of Shares pursuant to the exercise of Director Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of ASX.
- Director Option holders do not have any right to participate in new issues of securities of the Company made to Shareholders generally. The Company will, where required by the Listing Rules, provide Director Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Director Options, in accordance with the requirements of the Listing Rules.
- Director Option holders do not participate in dividends or in bonus issues unless the Director Options are exercised and the resultant Shares are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - (a) the number of Director Options, the Exercise Price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Director Option holder which are not conferred on Shareholders; and
  - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Director Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which a Director Option is exercisable will be increased by the number of Shares which the Director Option holder would have received if the Director Options had been exercised before the record date for the bonus issue.
- If, during the life of any Director Option, there is a pro rata issue (except a bonus issue), the Exercise Price of a Director Option may be reduced in accordance with the following formula:

$$O^1 = O - \frac{E[P - (S + D)]}{N + 1}$$

Where

$O^1$  = the new exercise price of the Director Option



O = the old exercise price of the Director Option

E = the number of underlying securities into which one Director Option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex rights date or the ex entitlements date

S = the subscription price for a security under the pro rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security

- The terms of the Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve such change. However, the terms of the Director Options shall not be changed to reduce the Exercise Price, increase the number of Director Options or change any period for exercise of the Options.

### 3. Regulatory Requirements

#### *Chapter 2E of the Corporations Act*

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless the benefit falls within one of the various exceptions to the general prohibition. One of the exceptions is where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A “related party” is defined widely in Chapter 2E and includes a director of the public company and any entity controlled by that director.

A “financial benefit” also has a very wide meaning for the purposes of Chapter 2E. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing, rather than just the legal form. Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Resolutions 4, 5 and 6, if passed, will confer financial benefits upon Mr T. J. Burrowes, Dr D. J. Isles and Mr P. G. Harman, or their respective nominees, and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E. For this reason, and for all other purposes, the following information is provided to Shareholders.

(i) **The related party to whom Resolutions 4, 5 and 6 would permit the financial benefit to be given**

Each of Mr T. J. Burrowes, Dr D. J. Isles and Mr P. G. Harman, being Directors of the Company (or their nominees)

(ii) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- The issue of 1,000,000 Director Options to each of Mr T. J. Burrowes, Dr D. J. Isles and Mr P. G. Harman, or their respective nominee, as referred to in Resolutions 4, 5 and 6 respectively;
- The Director Options shall be issued for no consideration; and
- The Director Options shall be exercisable into fully paid Shares at an exercise price of \$0.20 each expiring on 30 November 2013.

(iii) **Directors’ recommendation**

With respect to Resolution 4, Dr D. J. Isles and Mr P. G. Harman recommend that Shareholders vote in favour of the Resolution. As Mr T. J. Burrowes is interested in the outcome of Resolution 4, he makes no recommendation to Shareholders in relation to it.

With respect to Resolution 5, Mr T. J. Burrowes and Mr P. G. Harman recommend that Shareholders vote in favour of the Resolution. As Dr D. J. Isles is interested in the outcome of Resolution 5, he makes no recommendation to Shareholders in relation to it.

With respect to Resolution 6, Mr T. J. Burrowes and Dr D. J. Isles recommend that Shareholders vote in favour of the Resolution. As Mr P. G. Harman is interested in the outcome of Resolution 6, he makes no recommendation to Shareholders in relation to it.

The reasons for the above recommendations include:

- (i) the issue of the Director Options will provide the Directors with reward and incentive for future services they will provide to the Company to further the progress the Company;
  - (ii) the Director Options are not intended as a substitute for Directors' fees or as a means of compensating the Directors for past services; and
  - (iii) in the Company's circumstances as they existed as at the date of this Explanatory Statement, the Directors considered that the issue of the Director Options would provide a cost effective and efficient incentive as opposed to alternative forms of incentives (eg increased cash fees).
- (iv) **Recipients' interest and other remuneration**

***Resolution 4 – Mr T. J. Burrowes***

Mr T. J. Burrowes has a material personal interest in the outcome of Resolution 4, as it is proposed that the 1,000,000 Director Options be issued to him or his nominee.

As at the date of this Explanatory Statement, Mr T. J. Burrowes and entities controlled by him hold 1,211,112 Shares and neither Mr Burrowes nor any corporation controlled by him holds any options to subscribe for Shares.

Mr Burrowes currently receives directors' remuneration of \$65,400 per annum (including superannuation) for his services as Non-Executive Chairman of the Company.

***Resolution 5 – Dr D. J. Isles***

Dr D. J. Isles has a material personal interest in the outcome of Resolution 5, as it is proposed that the 1,000,000 Director Options be issued to him or his nominee.

As at the date of this Explanatory Statement, Dr D. J. Isles and entities controlled by him hold 98,612 Shares and neither Dr Isles nor any corporation controlled by him holds any options to subscribe for Shares.

Dr Isles currently receives directors' remuneration of \$32,700 per annum (including superannuation) for his services as a Non-Executive Director of the Company.

***Resolution 6 – Mr P. G. Harman***

Mr P. G. Harman has a material personal interest in the outcome of Resolution 6, as it is proposed that the 1,000,000 Director Options be issued to him or his nominee.

As at the date of this Explanatory Statement, Mr P. G. Harman and entities controlled by him hold 152,848 Shares and neither Mr Harman nor any corporation controlled by him holds any options to subscribe for Shares.

Mr Harman currently receives directors' remuneration of \$32,700 per annum (including superannuation) for his services as a Non-Executive Director of the Company.

***Directors' Interests in Shares***

If all of the Director Options issued are exercised by Mr Burrowes, Dr Isles and Mr Harman, or their respective nominees, the following will be the effect on their holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Shareholder	Current Share Holding	% of Total Share Capital (94,821,858 Shares on issue)	Shares held upon exercise of Director Options <sup>1, 2, 3</sup>	% of Total Share Capital (97,821,858 Shares on Issue) <sup>1,2,3</sup>
Current Shareholders (other than Directors)	93,359,286	98.46%	93,359,286	95.44%
Mr T. J. Burrowes	1,211,112	1.28%	2,211,112	2.26%
Dr D. J. Isles	98,612	0.10%	1,098,612	1.12%
Mr P. G. Harman	152,848	0.16%	1,152,848	1.18%
<b>Total</b>	<b>94, 821,858</b>	<b>100.00%</b>	<b>97,821,858</b>	<b>100.00%</b>

*Notes:*

1. Assuming that no other Shares are issued.
2. Assuming each of Mr Burrowes, Dr Isles and Mr Harman, or their nominees, exercise all of their Director Options.
3. Assuming that no other options to subscribe for Shares are exercised.

There are currently 1,575,000 options to subscribe for Shares on issue held by executives of the Company (**Executive Options**). In the event that all Executive Options and all Director Options are exercised, the following will be the effect on the Directors' holdings in the Company and the dilutionary impact on current Shareholders of the Company:

Shareholder	Current Share Holding	% of Total Share Capital (94,821,858 Shares on issue)	Shares held upon exercise of all Executive Options and Director Options (99,396,858 Shares on issue) <sup>1,2,3</sup>	% of Total Share Capital (99,396,858 Shares on issue) <sup>1,2,3</sup>
Current Shareholders (other than Directors)	93,359,286	98.46%	94,934,286	95.51%
Mr T. J. Burrowes	1,211,112	1.28%	2,211,112	2.22%
Dr D. J. Isles	98,612	0.10%	1,098,612	1.11%
Mr P. G. Harman	152,848	0.16%	1,152,848	1.16%
<b>Total</b>	<b>94,821,858</b>	<b>100.00%</b>	<b>99,396, 858</b>	<b>100.00%</b>

Notes:

1. Assuming that no other Shares are issued.
2. Assuming each of Mr Burrowes, Dr Isles and Mr Harman, or their nominees, exercise all of their Director Options.
3. Assuming all Executive Options are exercised.

(v) **Valuation**

The Director Options will not be quoted on the ASX and as such will have no market value. The Director Options each grant the holder a right to subscribe for one Share upon exercise of the Director Option and payment of the Exercise Price. Accordingly, the Director Options may have a present value at the date of their issue.

The Director Options may acquire future value dependent upon the extent to which the market value of the Shares exceeds the Exercise Price during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated),

and so on.

The Company sought an independent valuation of the proposed Director Options from Nexia ASR Pty Ltd details of which are summarised herein. The method used to value the Director Options was the Hull & White enhanced (binomial) valuation model, which is considered the most relevant method for pricing these Director Options.

On this basis, the respective values of the Director Options to be issued pursuant to Resolutions 4, 5 and 6 are as follows:

- Mr T. J. Burrowes or his nominee – \$72,000
- Dr D. J. Isles or his nominee – \$72,000
- Mr P. G. Harman or his nominee – \$72,000

being 7.2 cents per option employing the following additional inputs:

Option Life	3 years
Share price volatility	115%
Risk free interest rate	4.84%
Dividend yield	0%
Employee exit rate	0%
Exercise multiple	2.5

(vi) **Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors that is reasonably required by Shareholders to make a decision with respect to Resolutions 4, 5 and 6 save and except as follows:

*Market Price Movement*

The Director Option valuation noted above assumes a market price of the Shares on the date of issue of the Director Options of \$0.14 per Share, being the most recent market price of the Shares prior to the date of this Explanatory Statement. There is however a possibility that the market price of the Shares on the date of issue of the Director Options will be different from this and that the market price of the Shares will change up to the date of the Annual General Meeting to approve the issue.

*Opportunity Costs*

The Company may have been able to issue the Director Options to a third party for a price. In addition, by issuing the Director Options to Mr Burrowes, Dr Isles and Mr Harman, or their respective nominees, there is a potentially dilutionary impact on the issued share capital of the Company, in the event that the Director Options are exercised. Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that a price may have been obtained from a third party and that upon their exercise the dilutionary impact caused by the issue of Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of skilled Directors on appropriate incentive terms.

It is also considered that the potential increase in the value of the Director Options is dependent upon a concomitant increase in the value of the Company generally.

*Taxation Consequences*

No stamp duty will be payable as a result of the issue of the Director Options. No GST will be payable by the Company in relation to the issue of the Director Options (or if it is it will be recoverable as an input tax credit). The issue of the Director Options will not have any adverse income tax consequences for the Company.

**Listing Rule 10.11**

Listing Rule 10.11 requires an entity to obtain the approval of Shareholders to an issue of securities to a related party. Each of Mr Burrowes, Dr Isles and Mr Harman, being a Director of the Company, is a related party of the Company. Accordingly, because the issue of the Director Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum total number of Director Options to be issued to Mr Burrowes, Dr Isles and Mr Harman, or their respective nominees, is 3,000,000 Director Options (being 1,000,000 Director Options to each Director or his nominee)
- The Director Options are intended to be issued as soon as possible following the Annual General Meeting, but in any event no later than one (1) month after the date of the Meeting
- The Director Options are being issued for nil consideration and
- No funds are being raised by the issue of the Director Options.

**f. Resolution 7 – Renewal of clause 22A of constitution**

Summary of proposal

The constitution of the Company was amended at the first annual general meeting of the Company held on 10 December 2004 so as to include a new clause 22A entitled “Proportional takeover bid”. Prior to that, the constitution of the Company did not include proportional takeover provisions. Clause 22A ceased to apply on 10 December 2007 but was reinstated by shareholders by special resolution at the 2007 annual general meeting held on 28 November 2007.

Unless renewed by a further special resolution, clause 22A will be omitted from the constitution of the Company on 28 November 2010.

Legal and Regulatory Requirements

Section 648G of the Corporations Act provides that a company may renew its proportional takeover provisions in the same manner as that in which the company could alter its constitution to insert proportional takeover provisions.

Section 648G(5) of the Corporations Act provides that, with every notice that specifies the intention to propose a resolution to renew a company's proportional takeover provisions and is sent to a person who is entitled to vote on the resolution, the company must send a statement that:

- explains the effect of the provisions proposed to be renewed; and
- explains the reasons for proposing the resolution and sets out the factual matters and principles underlying those reasons;
- states whether, as at the date on which the statement is prepared, any of the directors of the company is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the company and, if so, explains the extent (if any) to which the proposal has influenced the decision to propose the resolution; and
- for a proposed resolution to renew proportional takeover provisions – reviews both the advantages, and disadvantages, of the provisions proposed to be renewed for the directors and the company's members during the period during which the provisions have been in effect; and
- discusses both the potential advantages, and the potential disadvantages, of the provisions proposed to be renewed for the directors and the company's members.

#### Effect of proportional takeover provisions

Clause 22A of the constitution requires that, if a proportional takeover bid is made, the directors must convene a meeting of shareholders to vote on a resolution to approve the bid. The meeting must be held, and the resolution voted on, before the approving resolution deadline which is defined in the Corporations Act as the 14th day before the last day of the bid period. The clause does not apply to full takeover offers.

Clause 22A provides that, for a resolution to be approved, it must be passed by a majority of votes at the meeting, excluding votes by the bidder and its associates.

If no resolution to approve the bid has been voted on in accordance with clause 22A as at the end of the 14th day before the end of the bid period, a resolution approving the bid will be deemed by the Corporations Act to have been passed, thereby allowing the bid to proceed.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded, and all unaccepted offers and offers failing to result in binding contracts are taken to be withdrawn.

If the resolution is approved, the relevant transfers of shares will be registered, provided they comply with the other provisions of the constitution and otherwise with the Corporations Act.

#### Reasons for proposing renewal of clause 22A

The Directors consider that shareholders should continue to have the opportunity to vote on a proposed proportional takeover bid. A proportional takeover bid for the Company may enable control of the Company to be acquired by a party holding less than a majority interest and without shareholders having the opportunity to dispose of all of their shares. This may mean that shareholders could be at risk of being left as part of a minority interest in the Company. Clause 22A, if renewed, would enable shareholders to decide whether a proportional takeover bid should be permitted to proceed.

#### Present Acquisition Proposals

At the date of this Explanatory Statement, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

#### Review of Advantages and Disadvantages of clause 22A while previously in effect

The Directors consider that there have been no advantages or disadvantages for them during the last three years as they remained free to make a recommendation on whether a proportional takeover bid should be accepted. No proportional takeover bid having been made during the last three years, the Directors do not consider that there have been any advantages of clause 22A for the members of the Company during this period. Whilst the Directors consider it unlikely, and have no reason to believe that such is the case, they cannot guarantee that the existence of clause 22A has not prevented a potential bidder from making a proportional takeover bid which might have been advantageous to members.

#### Potential Advantages and Disadvantages of renewal of clause 22A

The Directors consider that there are no such advantages or disadvantages for them as they remain free to make a recommendation on whether a proportional takeover bid should be accepted. The renewal of the clause will ensure that all members continue to have an opportunity to study a proportional takeover bid, if made, and then attend or be represented by proxy at a meeting called specifically to vote on the proposal. A majority of shares voted at the meeting, excluding the shares of the bidder and its associates, will be required for the resolution to be passed, following which shareholders will be able to decide whether to accept the bid which may result in a change of control of the Company.

This will enable shareholders to prevent a proportional takeover bid proceeding if they believe that control of the Company should not be permitted to pass under the bid and, accordingly, the terms of any future proportional takeover bid are likely to be structured in a manner that is attractive to a majority of shareholders.

It may be argued that the renewal of the clause reduces the possibility of a successful proportional takeover bid and that, as a result, proportional takeover bids for the Company will be discouraged. This, in turn, may reduce opportunities that shareholders may have to sell some of their shares at an attractive price to persons seeking control of the Company and may reduce any 'takeover speculation' element in the Company's share price. It may also be said that the provisions constitute an additional restriction on the ability of individual shareholders to deal freely with their shares.

The Directors consider that the renewal of clause 22A of the constitution is in the interests of shareholders as it allows the majority of shareholders to determine whether a proportional takeover bid should proceed.

*The Directors recommend that you vote in favour of this resolution.*

### 3. INTERPRETATION

In this Explanatory Statement and Notice of Meeting of which it forms part:

**ASIC** means the Australian Securities and Investments Commission

**ASX** means ASX Limited ACN 008 624 691

**Company** means Stellar Resources Limited ABN 96 108 758 961

**Corporations Act** means Corporations Act 2001 (Cth)

**Director Options** means the 3,000,000 options to subscribe for Shares to be issued to the Directors, subject to the passing of Resolutions 4, 5 and 6 in the Notice of Meeting

**Directors** means the directors of the Company being, as at the date of this Explanatory Statement, Mr T. J. Burrowes, Dr D. J. Isles and Mr P. G. Harman

**Executive Options** means the 1,575,000 current options to subscribe for Shares issued prior to the date of this Explanatory Statement and held by executives of the Company

**Listing Rules** means the listing rules of the ASX

**Shareholder** means a holder of a Share

**Share** means a fully paid ordinary share in the capital of the Company and

**Stellar** means Stellar Resources Limited ABN 96 108 758 961

### 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 Melvyn Drummond, on (03) 9909 7618.



FOR ALL ENQUIRIES CALL:  
(within Australia) 1300 737 760 (outside Australia) +61  
2 9290 9600

FACSIMILE  
+61 2 9290 9655

## Name and Address

ALL CORRESPONDENCE TO:

Registries Limited  
GPO Box 3993  
Sydney NSW 2001  
Australia

### Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10.30 am  
(ADST) WEDNESDAY 24th NOVEMBER 2010

## TO VOTE ONLINE

Reference Number: <HIN/SRN>



STEP 1 : VISIT [www.registries.com.au/vote/stellaragm2010](http://www.registries.com.au/vote/stellaragm2010)

STEP 2: Enter your holding/Investment type

STEP 3: Enter your Reference Number and VAC: <VAC NUMBER>

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy  
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **10.30am on Friday, 26<sup>th</sup> November 2010**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxies may be lodged using the reply paid envelope or:**

**BY MAIL** - Share Registry – Registries Limited, GPO Box 3993,  
Sydney NSW 2001 Australia

**BY FAX** - + 61 2 9290 9655

**IN PERSON** - Share Registry – Registries Limited,  
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

Vote online at:

[www.registries.com.au/vote/stellaragm2010](http://www.registries.com.au/vote/stellaragm2010)  
or turnover to complete the Form →

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

<BARCODE>

<Address 1>  
 <Address 2>  
 <Address 3>  
 <Address 4>  
 \_\_\_\_\_ <Address 5>

**STEP 1 - Appointment of Proxy**

I/We being a member/s of **Stellar Resources Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Stellar Resources Limited to be held at Level 7, 530 Little Collins Street, Melbourne Vic 3000 on Friday, 26<sup>th</sup> November 2010 at 10.30 am** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the Meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called. The Chair intends to vote all undirected proxies in favour of the resolutions.

**STEP 2 - Voting directions to your Proxy – please mark  to indicate your directions**

Ordinary Business		For	Against	Abstain*
Resolution 1	To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To re-elect Phillip G Harman as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To exempt from Listing Rule 7.1 the issue of any securities under the Stellar Employee Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To authorise the issue of options to Mr T J Burrowes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To authorise the issue of options to Dr D J Isles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To authorise the issue of options to Mr P G Harman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Business				
Resolution 7	To renew the proportional takeover provisions of the constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intentions advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3 - PLEASE SIGN HERE** This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ..... Contact Daytime Telephone ..... Date / / 2010