

**STELLAR RESOURCES LIMITED**

**ABN 96 108 758 961**

**AND CONTROLLED ENTITIES**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED  
30 JUNE 2006**

**STELLAR RESOURCES LIMITED  
ABN 96 108 758 961  
AND CONTROLLED ENTITIES**

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**STELLAR RESOURCES LIMITED**  
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**CORPORATE GOVERNANCE STATEMENT**

The Board seeks, where appropriate, to adopt without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The following briefly outlines the main Corporate Governance practices of Stellar.

**Role of the Board and Management**

The primary responsibility of the Board is to protect and advance the interests of Shareholders. To fulfil this role, the Board has overall responsibility for the Corporate Governance of the Company including matters such as strategic direction, setting of management goals and monitoring management performance against the set goals.

The primary responsibilities of the Board include:

- Formulation, review and approval of the Company's strategic direction and operational policies;
- Establishing management goals and monitoring management performance;
- Review and approval of the Company's Business Plan;
- Monitoring the performance and review remuneration of Executive Directors and key staff;
- Approve all significant business transactions including acquisitions, divestments and corporate restructures;
- Monitoring business risk exposures and risk management systems;
- Review and approve financial and other reporting, including continuous disclosure reporting and
- Reporting to Shareholders.

**Board Composition**

The Board presently has one Non-executive Director, who is considered by the Board to be independent and three Executive Directors. Details of the qualifications and experience of each Director is set out in the Director's Report section of the annual accounts.

Although the Guidelines recommend that the majority of the board should be independent directors, and the Board endorses the position that boards need to exercise independence of judgement, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and workable board size. The composition of the Board is balanced with directors bringing a range of complementary skills and experiences to the Board.

**Ethical and Responsible Decision-making**

It is the policy of the Company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, public servants and the general communities in which it operates.

**Share Trading Policy**

Directors and employees are required to advise the Company Secretary prior to buying or selling securities in the Company. The current policy prohibits Board members, employees and contractors to trade shares in the Company in the month preceding the announcement of half yearly or annual results, publication of a quarterly report, or at any other time whilst in possession of price sensitive information.

It is the individual responsibility of each Director and employee in possession of market sensitive information to ensure that they comply with the spirit and the letter of insider trading laws.

**Rights of Shareholders**

The Board seeks to empower shareholders through effective communication by providing balanced and understandable information and encouraging participation at AGM. Similarly the Board request the external auditors to attend the AGM and be prepared to answer shareholders questions pertaining to conduct of audit and preparation and contents of the auditor's report.

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**CORPORATE GOVERNANCE STATEMENT**

**Integrity of Financial Reporting**

It is an established requirement that the chief executive officer (or equivalent) and chief financial officer (or equivalent) appointed will state in writing to the Board that to the best of their knowledge the Company's financial reports presents a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

**Continuous Disclosure to ASX**

The Board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approval of any proposed ASX announcement prior to release. The Board has appointed the Company Secretary as the designated person responsible for liaising with ASX. It is the policy of the Company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

**Risk Management**

The Board is responsible for overseeing of the Group's risk management and control framework. Management is required to ensure that assessed risks are managed with appropriate systems and controls. Effectiveness of risk management systems and controls are reviewed periodically by the Board. The Company's adopted policy framework seeks to identify and mitigate Company risks as much as practicable. The Chief Operating Officer and the Chief Financial Officer have ultimate responsibility to the Board for the risk management and control framework.

**Performance**

The Board is responsible for undertaking performance evaluation each year. The performance evaluation covers all of the Board members and key executives of the Company. It's proposed that the evaluation findings would be compiled into a series of recommendations with the ultimate objective of enhancing performance.

**Remuneration**

The Board, within the pre-approved shareholder guidelines, determines fees payable to individual non-executive directors. The remuneration level of any executive director will be determined by the Chairman after taking into consideration those that apply to similar positions in comparable companies in Australia and taking consideration of Directors' possible participation in any equity-based remuneration scheme. The Chairman may use industry-wide data gathered by independent remuneration experts annually as his point of reference. Options or shares issued to Directors pursuant to any equity based remuneration scheme requires approval by shareholders prior to their issue. Options or shares to senior executives who are not directors will be issued by resolution of the Board.

Details of Director and Executive remuneration are set out in the Directors Report and Notes to the Financial Statements.

**Interests of Stakeholders**

The Company's core objective is the effective management of its resources with a view to identifying and developing profitable and environmentally sound mineral projects that create wealth for stakeholders.

**Compliance with the Australian Stock Exchange Corporate Governance Best Practice Recommendations**

The ASX listing rules require listed entities to include in their annual report a statement disclosing the extent to which the entity has followed the ASX Corporate Governance Guidelines best practice recommendations during the reporting period, identifying the recommendations that have not been followed and provide reasons for any variance. If a recommendation has been followed for only part of the year the entity must state the period during which it has been followed.

During the reporting period, the Company has complied with each of ASX Corporate Governance best practice recommendations, other than in relation to the matters below:

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**CORPORATE GOVERNANCE STATEMENT**

**Recommendation 2.1      A majority of the Board should be Independent directors**

**Notification of Departure**

The majority of the Board are not Independent directors.

**Explanation of Departure**

The Board strongly endorses the need for Boards to exercise independence of judgement however this needs to be balanced with the need for skills, commitment and a workable board size. The Board considers that the current structure is sufficient to ensure independence of judgement (given the diverse background and experience of Directors) combined with the established procedure which empowers Directors to seek independent professional advice at the company expense.

**Recommendation 2.4      The Board should establish a nomination committee**  
**Recommendation 4.2      The Board should establish an audit committee**  
**Recommendation 9.2      The Board should establish a remuneration committee**

**Notification of Departure**

The Company has not established separate audit, remuneration and nomination committees.

**Explanation of Departure**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of separate board committees such as audit, remuneration and nomination committees. Accordingly, all matters that may be capable of delegation to the committees are dealt with by the full Board.

**Recommendation 2.2      The Chairperson should be an Independent Director**  
**Recommendation 2.3      The role of Chairperson and Chief Executive Officer should not be exercised by the same individual**

**Notification of Departure**

The Chairperson is not an Independent Director.  
The role of Chairperson and the Chief Executive Officer are exercised by the same individual.

**Explanation of Departure**

While the current chairperson is not an Independent Director and the role of Chairperson and Chief Executive Officer are held by the same person the Board believes that Mr Burrowes extensive industry experience and record as a director of other listed companies makes him the most appropriate person for the position. The Company will monitor this arrangement to ensure that the best interests of the Company and its stakeholders continue to be served in the future.

**STELLAR RESOURCES LIMITED**  
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**DIRECTORS' REPORT**

Your directors present their report on Stellar Resources Limited and its controlled entities for the year ended 30 June 2006.

**Directors**

The names of Directors of the Company in office at any time during or since the end of the period are:

<b>Director</b>	<b>Position Held</b>
Thomas J Burrowes	Executive Chairman
Barrie E Laws	Non-executive Director
David J Isles	Executive Director
Christopher G Anderson	Executive Director

**Company Secretary**

The following people hold the position of Company Secretary at the end of the financial period:

Mr Bill Michaelidis – Bachelor of Business (Economics) CPA. Mr Michaelidis was appointed Company Secretary in December 2004. Prior to that Mr Michaelidis held management positions in a number of multinational resource companies, over a period of thirty years.

Mr Melvyn Drummond – Bachelor of Business (Commerce) FCIS. He worked and resided in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorship) in both private and public companies in various business sectors, including resources, in Australasia and abroad between 1976 and since coming to Melbourne.

**Principal Activities**

The principal activity of the Consolidated Entity during the period was mineral exploration with the objective of identifying and developing economic reserves.

**Operating Result**

The net loss of the Consolidated Entity for the financial period was \$1,180,555 (2005: \$535,300).

**Dividends Paid or Recommended**

No amounts have been paid or declared as dividends during the course of the financial period.

**Review of Operations**

During the financial year, the Consolidated Entity continued to explore on its extensive and diverse exploration portfolio. In addition, the entity also finalised the purchase of Hillment Pty Ltd, for total consideration of \$612,000. Hillment is the registered owner of EL 3372, which contains the major portion of the "Warrior" palaeochannel hosted uranium deposit located in the west of Tarcoola in central South Australia.

In order to fund current and on-going exploration activities the Consolidated Entity raised an additional \$3.88 million. Of this amount, \$0.51 million was raised via a placement of 1.6 million ordinary fully paid shares to Peninsula Exploration Pty Ltd and the balance of \$3.37 million to sophisticated and professional investors at 45 cents each through Bell Potter Securities Limited. The Consolidated Entity incurred total exploration expenditure for the year of \$2.7 million (2005: \$2.1 million).

The consolidated loss after tax of the Consolidated Entity for the financial year was \$1,180,555 (2005: \$535,300). The Parent Company loss after tax for the financial year was \$2,986,455 (2005: \$4,676,907).

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**DIRECTORS' REPORT**

During the financial year the following subsidiary was acquired:

<b>Entity</b>	<b>Date of Acquisition</b>	<b>Consideration</b>
Hillment Pty Ltd	3 October 2005	\$612,000

Detailed comments on operations are included separately in this Annual Report under Review of Operations.

**Financial Position**

The net assets and cash reserves of the Consolidated Entity as at 30 June 2006 were \$12.2 million (2005: \$9.4 million) and \$5.6 million (2005: \$5.2 million) respectively. The directors believe the Consolidated Entity is in a strong financial position to undertake its outlined exploration activities.

**Significant changes in the State of Affairs**

The following significant changes to the state of the affairs of the Company occurred during the financial period:

- On 20 October 2005 the Company issued 1,600,000 ordinary fully paid shares at 32 cents, to Peninsula Exploration Pty Ltd.
- On 11 May 2006 the Company issued 7,500,000 ordinary fully paid shares to sophisticated and professional investors at an issue price of 45 cents each through Bell Potter Securities Limited.

**After Balance Date Events**

On the 25 July 2006 the Consolidated Entity announced its intention to enter into a farm-out arrangement with Toro Energy Limited, a listed public company, in reference to exploration licence 3372 and 3369W.

On 26 July 2006 the Consolidated Entity entered into a farm-out arrangement with UraniumSA Limited, an unlisted public company, for uranium exploration on six exploration licences in the Tarcoola region of the central Gawler Craton. The tenements covered by the farm-out arrangements are exploration licences 2898, 3089, 3205, 3253, 3500 and easternmost block of exploration licence 3369.

The joint venture arrangement is subject to and conditional on UraniumSA completing a successful initial public offering by the end of this year.

**Business Strategies**

The Consolidated Entity is committed to the corporate objective of:

"Enhancing shareholder wealth, through mineral discovery"

It seeks to meet this objective by:

- Utilising cutting edge exploration technology;
- Focusing on projects located within geological terrains hosting world-class ore bodies; and
- Utilising experienced, focused and success driven management team.

**Environmental Issues**

The Consolidated Entity'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 period covered by this report.

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**DIRECTORS' REPORT**

**Meetings of Directors**

The number of meetings of the Company's Board of Directors held during the period ended 30 June 2006, and the number attended by directors were:

<b>Director</b>	<b>Eligible to Attend</b>	<b>Attended</b>
T J Burrowes	9	9
B E Laws	9	9
D J Isles	9	9
C G Anderson	9	9

**Remuneration Report**

*Remuneration policies*

The policy for determining the nature and amount of remuneration of Directors and executives is agreed by the board of directors as a whole. The board may obtain professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

For executive directors and executives, the Company provides a remuneration package that incorporates both cash-based and share-based remuneration. The contracts for services between the Company and directors and executives are on a continuing basis, the terms of which, are not expected to change in the immediate future. Share-based remuneration is conditional upon continuing employment, thereby aligning director and shareholder interests. The remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.

The company determines the maximum amount for remuneration, including threshold for share-based remuneration, for directors by resolution. Non-executive directors' remuneration is determined by shareholders of the Company at general meetings. Shareholders fixed the maximum aggregate remuneration of non-executive directors at \$500,000. Further details regarding components of directors' and executive remuneration are provided in the Notes to the Financial Statements.

The names and positions of each person who held the position of director at any time during the financial year are provided above. The names of executives in the company (other than Executive Directors) who received the highest remuneration for the financial year are:

<b>Executives</b>	<b>Position</b>
B Michaelidis	Company Secretary/CFO

The three key elements of director and executive remuneration are:

- base salary and fees, which are determined by reference to the market rate based on payments at similar size companies in the industry;
- superannuation contributions; and
- equity-based payments, the value of which are dependent on the Company's share price and other factors.

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**DIRECTORS' REPORT**

**(i) Directors' Remuneration**

2006	Short Term Benefits			Post-employment			Equity Options	Total
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Pre-scribed Benefits	Other		
	\$	\$	\$	\$	\$	\$	\$	\$
T J Burrowes	129,250	-	-	49,500	-	-	26,509 (12.9%)*	205,259
B E Laws	27,083	-	-	2,437	-	-	13,854 (31.9%)*	43,374
D J Isles	75,000	-	-	-	-	-	26,509 (26.1%)*	101,509
C G Anderson	150,000	-	-	-	-	-	26,509 (15.0%)*	176,509
	381,333	-	-	51,937	-	-	93,381	526,651

  

2005	Short Term Benefits			Post-employment			Equity Options	Total
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Pre-scribed Benefits	Other		
	\$	\$	\$	\$	\$	\$	\$	\$
T J Burrowes	70,500	-	-	12,000	-	-	14,610 (15.0%)*	97,110
B E Laws	13,798	-	-	1,258	-	-	7,305 (32.6%)*	22,361
D J Isles	31,250	-	-	-	-	-	14,610 (31.8%)*	45,860
C G Anderson	83,467	-	-	-	-	-	14,610 (14.9%)*	98,077
	199,015	-	-	13,258	-	-	51,135	263,408

\* Percentage value of each persons remuneration that consists of options is shown in brackets.

Directors' fees for Mr Anderson and Mr Isles are paid respectively to CG Anderson & Associates and The Goongarrie Trust.

No options were issued to Directors of the Company as part of their remuneration during the period.

**(ii) Executives' Remuneration**

During the year ending 30 June 2006 the Company did not employ any executive officers (excluding Executive Directors) other than, Mr Michaelidis and Mr Drummond.

2006	Short Term Employee Benefits			Post-employment			Equity Options	Total
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Pre-scribed Benefits	Other		
	\$	\$	\$	\$	\$	\$	\$	\$
B Michaelidis	68,250	-	-	13,000	-	-	70,765 (46.9%)*	152,015
M J Drummond	-	-	-	-	-	-	-	-
	68,250	-	-	13,000	-	-	70,765	152,015

  

2005	Short Term Employee Benefits			Post-employment			Equity Options	Total
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Pre-scribed Benefits	Other		
	\$	\$	\$	\$	\$	\$	\$	\$
B Michaelidis	42,000	-	-	8,000	-	-	-	50,000
M J Drummond	-	-	-	-	-	-	-	-
	42,000	-	-	8,000	-	-	-	50,000

\* Percentage value of each persons remuneration that consists of options is shown in brackets.

In accordance with the remuneration policy described above, options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments.

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**DIRECTORS' REPORT**

**(iii) Value of options issued to directors and executives**

The following table discloses the value of options granted, exercised or lapsed during the year:

	<b>Options granted Value at grant date</b>	<b>Options exercised Value at exercise date</b>	<b>Options lapsed Value at time of lapse</b>	<b>Total value of options granted, and exercised and lapsed (1)</b>	<b>Value of options included in remuneration for the year (2)</b>	<b>Percentage of total remuneration for the year that consists of options %</b>
	\$	\$	\$	\$	\$	
B Michaelidis	70,765	-	-	70,765	70,765	46.9

**Value of options – basis of calculation**

(1) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of the options at grant date multiplied by the number of options granted during the year; plus
- Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
- Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.

(2) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2.

No options previously granted as remuneration have lapsed or been exercised during the financial year.

**Share Options**

*Share option issue*

During and since the end of financial year an aggregate of 625,000 share options were granted to the following employees of the company:

	<b>Number of options granted</b>	<b>Issuing entity</b>	<b>Option expiry date</b>
B Michaelidis	250,000	Stellar Resources Limited	19/08/09
B Rava	150,000	Stellar Resources Limited	19/08/09
M Raetz	150,000	Stellar Resources Limited	19/08/09
A Rigg	75,000	Stellar Resources Limited	19/08/09

*Shares under options*

At the date of this report, the unissued ordinary shares of Stellar Resources Limited under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
10/12/2004	10/12/2008	\$0.30	3,500,000*
22/09/2005	19/08/2009	\$0.30	250,000
16/03/2006	19/08/2009	\$0.30	375,000

\* Options remain in escrow until 28 April 2007

*Shares issued on exercise on share options*

No shares were issued during or since the end of financial year as a result of exercise of a share option.

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**DIRECTORS' REPORT**

**Information on Directors and Company Secretary**

The qualifications, experience and special responsibilities of each person who has been a director of Stellar Resources Limited at any time during or since the end of the financial year is provided below, together with details of the company secretaries as at year end.

**Chairman**

Thomas J Burrowes  
B.Ec (Hons), MBA (Melb)  
Appointed 19 April 2004  
Resigned 20 April 2004  
Re-appointed 10 December  
2004

Mr Burrowes has extensive experience in all facets of Australian exploration and mining over the past fifteen years. After an initial career in funds management, he has held numerous directorships in ASX listed exploration and mining companies.

Shareholding: 1,086,112  
Option holding: 1,000,000

Directorships of other listed companies since 1 July 2003:  
Buka Minerals Limited – (May 1999 - July 2003)

**Director**

Barrie E Laws  
B.Com, FS Fin, ASA, ACIS  
Appointed 10 December 2004

Mr Laws has experience in management with particular emphasis on funds management. He joined the Norwich Union Group in October 1991 and was appointed to the Board of Norwich Union Life Australia Limited in March 1993 and as its Chief Executive Officer in February 1997. He retired from full time employment with the Norwich Group in March 1998.

Shareholding: 75,000  
Option holding: 500,000

Mr Laws did not hold any other listed company directorships in the preceding three years.

**Director**

Christopher G Anderson  
B.Sc (Hons), Fellow AusIMM  
Appointed 19 April 2004  
Resigned 20 April 2004  
Appointed 10 December 2004

Mr Anderson is an exploration consultant with 29 years of experience in mineral exploration programs both in Australia and overseas. He is a graduate of Adelaide University, with an Honours degree in geophysics and geology. He has managed a contract geological and geophysical consultancy service company with particular expertise in the cost effective application of geophysics.

Shareholding: 75,000  
Option holding: 1,000,000

Mr Anderson did not hold any other listed company directorships in the preceding three years.

**Director**

David J Isles  
B.Sc (Hons) PhD, SEG,  
ASEG, AIG, MAusIMM  
Appointed 19 April 2004

Dr Isles is a geophysicist and recognised expert in aeromagnetic interpretation. He has worked in operational exploration with BHP Minerals and in the area of exploration technology development with World Geoscience Corporation.

Shareholding: 73,612  
Option holding: 1,000,000

Directorships of other listed companies since 1 July 2003:  
Gravity Diamonds Limited – (September 1996 – November 2004)  
Mineral Deposits Limited – (December 2002 – Current)

**Company Secretary/CFO**

Bill Michaelidis  
B.Bus, CPA  
Appointed 19 October 2004

Mr Michaelidis was appointed Company Secretary and CFO in October 2004. He is a qualified accountant with over 30 years experience in the resources sector.

Shareholding: 5,000  
Option holding: 250,000

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**DIRECTORS' REPORT**

Joint Company Secretary  
Melvyn J Drummond  
BA, B.Com, FCIS  
Appointed 19 April 2004

Mr Drummond worked and resided in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorships) in both private and public companies in various business sectors, including resources.

Shareholding: 40,000

**Indemnifying Officers**

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The terms and conditions of the insurance are confidential and cannot be disclosed.

**Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

**Non Audit Services**

No non-audit services were provided from the Company's auditors DTT Victoria (formerly BDO) during the financial period ended 30 June 2006.

**Auditor's Independence Declaration**

The lead auditor's Independence Declaration for the year ended 30 June 2006 has been received and can be found on page 11 of the directors' report.

DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.

This report is made in accordance with a resolution of the directors and dated this 29th day of September, 2006.



**T J Burrowes**  
Chairman

# DTT Victoria

The Directors  
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29 September 2006

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 audit of the financial statements of Stellar Resources Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**DTT Victoria**  
Chartered Accountants



**G R Sincock**  
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.  
All changes with effect from 14 August 2006.

**STELLAR RESOURCES LIMITED  
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**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the financial period ended on that date of the Company and the Consolidated Entity.
2. The Chief Executive Officer and the Chief Financial Officer have each declared that:
  - a) the financial records of the Company and the Consolidated Entity for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b) the financial statements and notes for the financial period comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial period give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors and dated this 29th day of September, 2006.



**Thomas J Burrowes**  
Chairman and Chief Executive Officer

**STELLAR RESOURCES LIMITED**  
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**INCOME STATEMENT**  
**FOR THE YEAR ENDED TO 30 JUNE 2006**

	Note	Consolidated Entity Year to 30 Jun 06 \$	Period from 19 Apr 04 to 30 Jun 05 \$	Company Year to 30 Jun 06 \$	Period from 19 Apr 04 to 30 Jun 05 \$
Revenues	2	243,461	165,079	243,461	165,079
Administration expenditure		(841,931)	(544,280)	(841,927)	(542,941)
Depreciation & amortisation expenses	3	(11,656)	(2,482)	(11,069)	(1,945)
Exploration expenditure write off	3	(570,429)	(153,617)	-	-
Impairment in value of investments	3	-	-	(247,620)	-
Impairment of loans to subsidiaries	8	-	-	(2,129,300)	(4,297,100)
<hr/>					
Loss before income tax expense		(1,180,555)	(535,300)	(2,986,455)	(4,676,907)
Income tax expense	4	-	-	-	-
<hr/>					
Loss for the period attributable to members of the parent entity		(1,180,555)	(535,300)	(2,986,455)	(4,676,907)
<hr/>					
Basic earnings per share (cents per share)	17	(2.29)	(2.14)	-	-
Diluted earnings per share (cents per share)	17	(2.29)	(2.14)	-	-

The accompanying notes form part of these financial statements.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**BALANCE SHEET**  
**AS AT 30 JUNE 2006**

	Note	Consolidated Entity		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	5,612,994	5,226,876	5,612,994	5,226,874
Trade and other receivables	6	183,941	168,499	171,941	156,499
Other	7	26,326	17,992	26,326	17,992
<b>TOTAL CURRENT ASSETS</b>		<b>5,823,261</b>	<b>5,413,367</b>	<b>5,811,261</b>	<b>5,401,365</b>
<b>NON CURRENT ASSETS</b>					
Loan receivables	8	-	-	-	-
Other financial assets	9	-	-	612,000	247,620
Property, plant and equipment	10	138,640	82,317	75,245	18,335
Exploration expenditure	11	6,484,112	4,313,243	-	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>6,622,752</b>	<b>4,395,560</b>	<b>687,245</b>	<b>265,955</b>
<b>TOTAL ASSETS</b>		<b>12,446,013</b>	<b>9,808,927</b>	<b>6,498,506</b>	<b>5,667,320</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	232,322	381,646	232,322	381,646
Provisions	13	27,809	10,134	27,809	10,134
<b>TOTAL CURRENT LIABILITIES</b>		<b>260,131</b>	<b>391,780</b>	<b>260,131</b>	<b>391,780</b>
<b>TOTAL LIABILITIES</b>		<b>260,131</b>	<b>391,780</b>	<b>260,131</b>	<b>391,780</b>
<b>NET ASSETS</b>		<b>12,185,882</b>	<b>9,417,147</b>	<b>6,238,375</b>	<b>5,275,540</b>
<b>EQUITY</b>					
Issued Capital	14	13,605,098	9,901,312	13,605,098	9,901,312
Reserves	15	296,639	51,135	296,639	51,135
Accumulated losses	16	(1,715,855)	(535,300)	(7,663,362)	(4,676,907)
<b>TOTAL EQUITY</b>		<b>12,185,882</b>	<b>9,417,147</b>	<b>6,238,375</b>	<b>5,275,540</b>

The accompanying notes form part of these financial statements.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Note	Consolidated Entity Year to 30 Jun 06 \$	Period from 19 Apr 04 to 30 Jun 05 \$	Company Year to 30 Jun 06 \$	Period from 19 Apr 04 to 30 Jun 05 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees		(627,726)	(428,169)	(627,722)	(426,830)
Interest received		243,461	133,079	243,461	133,079
Net cash used in Operating activities	24	(384,265)	(295,090)	(384,261)	(293,751)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for subsidiaries	23(a)	-	-	(612,000)	(120)
Payments for exploration		(2,899,328)	(1,696,239)	-	-
Payment for plant and equipment		(67,979)	(20,280)	(67,979)	(20,280)
Net cash used in Investing activities		(2,967,307)	(1,716,519)	(679,979)	(20,400)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances to Subsidiaries		-	-	(2,287,330)	(4,112,787)
Repayment of loan		-	(2,415,327)	-	-
Proceeds from share issues		3,887,000	9,944,597	3,887,000	9,944,597
Payment of share issue costs		(183,214)	(290,785)	(183,214)	(290,785)
Proceeds from unmarketable parcel share sale		177,259	-	177,259	-
Payments in relation to unmarketable parcel share sale		(143,355)	-	(143,355)	-
Net cash provided by Financing activities		3,737,690	7,238,485	1,450,360	5,541,025
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		386,118	5,226,876	386,120	5,226,874
Cash and cash equivalents at beginning of financial year		5,226,876	-	5,226,874	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	5	5,612,994	5,226,876	5,612,994	5,226,874

The accompanying notes form part of these financial statements.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2006**

Consolidated Entity	Note	Issued capital	Accumulated losses	Employee equity-settled benefits reserve	Total equity
		\$	\$	\$	\$
<b>At 19 April 2004</b>		-	-	-	-
Issue of share capital	14	10,192,097	-	-	10,192,097
Cost of share issues	14	(290,785)	-	-	(290,785)
Loss for the period*	16	-	(535,300)	-	(535,300)
Share-based payment expense	15	-	-	51,135	51,135
<b>At 30 June 2005</b>		9,901,312	(535,300)	51,135	9,417,147
Issue of share capital	14	3,887,000	-	-	3,887,000
Cost of share issues	14	(183,214)	-	-	(183,214)
Loss for the period*	16	-	(1,180,555)	-	(1,180,555)
Share-based payment expense	15	-	-	245,504	245,504
<b>At 30 June 2006</b>		13,605,098	(1,715,855)	296,639	12,185,882

Company	Note	Issued capital	Accumulated losses	Employee equity-settled benefits reserves	Total equity
		\$	\$	\$	\$
<b>At 19 April 2004</b>		-	-	-	-
Issue of share capital	14	10,192,097	-	-	10,192,097
Cost of share issues	14	(290,785)	-	-	(290,785)
Loss for the period*	16	-	(4,676,907)	-	(4,676,907)
Share-based payment expense	15	-	-	51,135	51,135
<b>At 30 June 2005</b>		9,901,312	(4,676,907)	51,135	5,275,540
Issue of share capital	14	3,887,000	-	-	3,887,000
Cost of share issues	14	(183,214)	-	-	(183,214)
Loss for the period*	16	-	(2,986,455)	-	(2,986,455)
Share-based payment expense	15	-	-	245,504	245,504
<b>At 30 June 2006</b>		13,605,098	(7,663,362)	296,639	6,238,375

\* The loss for the period is the recognised income and expense for the period.

The accompanying notes form part of these financial statements.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Accounting standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS.

The financial statements were authorised for issue by the directors on 29 September 2006.

*Basis of preparation*

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 19 April 2004 (date of incorporation of the Company) as the date of transition. An explanation of how the transition from superseded policies to AIFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is discussed in Note 20.

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements is for the period ended 30 June 2005, and in the preparation of the opening AIFRS balance sheet at 19 April 2004 (as disclosed in Note 20), the consolidated entity's date of transition.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Income Tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or used tax losses and tax offsets can be utilised.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(a) Income Tax (cont'd)**

The company and all its wholly-owned Australian resident entities have formed a tax-consolidated group under Australian taxation law. Stellar Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Under the tax sharing arrangements, amounts will be recognised as payable or receivable between group companies in relation to their contribution to the tax benefits and amounts of tax paid or payable. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing arrangement is considered remote.

**(b) Revenue**

Interest revenue is recognised on a accrual basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

**(c) Cash**

For the purposes of the cash flow statement, cash includes cash on hand and in banks (including short term deposits), net of outstanding bank overdrafts.

**(d) Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**(e) Investments**

Non-current investments are carried at cost less impairment write down. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Gains or losses, whether realised or unrealised, are included in profit before income tax.

**(f) Impairment of Assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Impairment of Assets (cont'd)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(g) Property, Plant and Equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

<b>Class of Fixed Asset</b>	<b>Depreciation Period</b>	<b>Rates</b>
Office furniture and equipment	2 to 5 years	20% to 50%
Software	2.5 years	40%
Buildings	40 years	2.5%

**(h) Exploration, Evaluation and Development Expenditure**

*Costs carried forward*

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

**(i) Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

**(j) Payables**

Liabilities for trade payables and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**STELLAR RESOURCES LIMITED  
ABN 96 108 758 961  
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(k) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions, to defined contributions superannuation plans on behalf of employees and are expensed when incurred.

The Company operates an Employee Option Plan, details of which are provided in Note 14 to the financial statements.

**(l) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of subsidiaries appears in note 23 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

**(m) Goods and Services Tax (GST)**

Revenues, expenses and assets (except receivables) are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(n) Share-based Payments**

The entity provides benefits to employees (including directors) of the entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). These benefits are currently provided under the Employee Option Plan.

The cost of these equity-settled share-based payments that were unvested as of 1 January 2005 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Stellar Resources Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest because of the non-achievement of non-market based performance conditions.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(o) Comparatives**

The 2005 financial period comparatives, relate to the period 19 April 2004 (date of incorporation) to 30 June 2005.

**(p) Issued Standards Not Early Adopted**

The Directors have considered the impact of new accounting standards that are not yet applicable and do not believe they will have a material impact on the financial performance or state of affairs of the Company and Consolidated Entity.

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2. REVENUE</b>				
Operating activities				
Interest received – other persons	243,461	165,079	243,461	165,079
Total Revenue	243,461	165,079	243,641	165,079
<b>3. EXPENSES</b>				
Depreciation – Buildings, Plant and equipment	11,656	2,482	11,069	1,945
Exploration expenditure written off	570,429	153,617	-	-
Rental expense	28,250	17,500	28,250	17,500
Impairment of investments	-	-	247,620	-
Equity-settled share based payments	245,504	51,135	245,504	51,135
Impairment of loans to subsidiaries	-	-	2,129,300	4,297,100
<b>4. INCOME TAX</b>				
<b>(a) Income tax recognised in profit or loss</b>				
Tax expense comprises:				
Current tax expense	-	-	-	-
Deferred tax expense relating to origination and reversal of temporary differences	-	-	-	-
Total tax expense	-	-	-	-

**STELLAR RESOURCES LIMITED**  
**ABN 96 108 758 961**  
**AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>4. INCOME TAX (cont'd)</b>				
<b>(b) Income tax recognised in profit or loss (cont'd)</b>				
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from operations	(1,180,555)	(535,300)	(2,986,455)	(4,676,907)
Income tax expense/(benefit) calculated at 30%	(354,167)	(160,590)	(895,936)	(1,403,072)
Non-deductible expenses	73,651	15,560	615,420	1,304,470
Unused tax losses and tax offsets not recognised as deferred tax assets	280,516	145,030	280,516	98,602
Total tax expense/(benefit)	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

**(c) Unrecognised deferred tax balances**

The following deferred tax assets have not been brought to account as assets:

Tax losses – revenue	602,282	321,766	602,282	321,766
Tax losses – capital	720,427	720,427	720,427	720,427
Total tax benefit	1,322,709	1,042,193	1,322,709	1,042,193

**Tax consolidation**

*Relevance of tax consolidation to the consolidation entity*

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 October 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Stellar Resources Limited.

*Nature of tax sharing agreements*

Entities within the tax-consolidated group have entered into a tax sharing agreement with the head entity. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

**5. CASH AND CASH EQUIVALENTS**

Cash at bank	242,994	375,849	242,994	375,847
Term Deposits	5,370,000	4,851,027	5,370,000	4,851,027
	5,612,994	5,226,876	5,612,994	5,226,874

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalent	5,612,994	5,226,876	5,612,994	5,226,874
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**6. TRADE AND OTHER RECEIVABLES – CURRENT**

Other debtors	100,652	100,615	100,652	100,615
GST receivable	32,289	24,884	32,289	24,884
Tenement security deposit	51,000	43,000	39,000	31,000
	183,941	168,499	171,941	156,499

**STELLAR RESOURCES LIMITED**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>7. OTHER ASSETS – CURRENT</b>				
Prepaid workers compensation insurance	12,649	6,287	12,649	6,287
Prepaid insurance premium	13,677	11,705	13,677	11,705
	26,326	17,992	26,326	17,992
<b>8. LOAN RECEIVABLES – NON-CURRENT</b>				
Receivable from wholly owned subsidiaries	-	-	6,426,400	4,297,100
Accumulated impairment	-	-	(6,426,400)	(4,297,100)
	-	-	-	-
Loans to subsidiaries are non-interest bearing and are repayable on demand.				
Ultimate recovery of loan receivables is dependent upon success in exploration and development or sale or farm-out of the subsidiaries' exploration interests.				
<b>9. OTHER FINANCIAL ASSETS – NON-CURRENT</b>				
Shares in subsidiaries at cost	-	-	859,620	247,620
Accumulated impairment	-	-	(247,620)	-
Investments in wholly owned subsidiaries	-	-	612,000	247,620
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>				
Land & Buildings – at cost	64,519	64,519	-	-
Accumulated depreciation	(1,124)	(537)	-	-
	63,395	63,982	-	-
Office furniture & equipment – at cost	76,888	11,249	76,888	11,249
Accumulated depreciation	(9,148)	(1,086)	(9,148)	(1,086)
	67,740	10,163	67,740	10,163
Software	11,371	9,031	11,371	9,031
Accumulated depreciation	(3,866)	(859)	(3,866)	(859)
	7,505	8,172	7,505	8,172
Total property, plant and equipment	138,640	82,317	75,245	18,335
<b>(a) Movements in Carrying Amounts</b>				
Balance at the beginning of the period	82,317	-	18,335	-
Additions	67,979	20,280	67,979	20,280
Acquisition of subsidiaries	-	63,982	-	-
Depreciation expense	(11,656)	(1,945)	(11,069)	(1,945)
Carrying amount at the end of the period	138,640	82,317	75,245	18,335

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	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>11. EXPLORATION EXPENDITURE</b>				
<b>(a) Carrying values</b>				
Balance at the beginning of the period	4,313,243	2,347,142	-	-
Acquisition of subsidiaries (Note 23(a))	611,998	-	-	-
Expenditure incurred during period	2,129,300	2,119,718	-	-
Expenditure written off during period	(570,429)	(153,617)	-	-
Exploration expenditure carried forward	6,484,112	4,313,243	-	-
Ultimate recovery of capitalised exploration expenditure is dependent upon success in exploration and development or sale or farm-out of the exploration interests.				
<b>(b) Joint venture interest</b>				
A wholly owned subsidiary, Balrone Holdings Pty Ltd has the following significant exploration joint venture interests:				
North Bendigo Joint Venture	– Gold exploration 50%			
Triako Joint Venture	– Base metal exploration farm-in whereby the Consolidated Entity can earn between 51% and 60%			
The Consolidated Entity's share of assets employed in the joint ventures are:				
<b>NON-CURRENT ASSETS</b>				
Exploration expenditure	1,477,625	944,496	-	-
<b>12. TRADE AND OTHER PAYABLES</b>				
Other creditors and accruals	232,322	381,646	232,322	381,646
<b>13. CURRENT PROVISIONS</b>				
Employee benefits	27,809	10,134	27,809	10,134
- Aggregate employee benefits liability	27,809	10,134	27,809	10,134
- Number of employees at year-end	6	6	6	6
<b>14. ISSUED CAPITAL</b>				
<b>(a) Issued capital</b>				
58,338,168 fully paid ordinary shares (2005: 49,238,168)	13,605,098	9,901,312	13,605,098	9,901,312

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**14. ISSUED CAPITAL (cont'd)**

**(b) Movements in shares on Issue**

	2006 No.	2006 \$	2005 No.	2005 \$
At the beginning of the reporting period	49,238,168	9,901,312	-	-
Shares issued during the period -				
Placement Gravity Capital Limited	-	-	38,238,168	7,944,597
Placement Rubicon	-	-	1,000,000	247,500
Placement Market	7,500,000	3,375,000	10,000,000	2,000,000
Placement Hillment	1,600,000	512,000	-	-
Share issue cost	-	(183,214)	-	(290,785)
At the end of the reporting period	58,338,168	13,605,098	49,238,168	9,901,312

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 3 October 2005 the company issued 1,600,000 ordinary fully paid shares at an issue price of 32 cents to fund the acquisition of Hillment Pty Ltd.

On 11 May 2006 the Company issued 7,500,000 ordinary fully paid shares at an issue price of 45 cents to sophisticated and professional investors through Bell Potter Securities Limited.

**(c) Share Options**

The Company has in place an Employee Option Plan under which employees of the Company, including executive and non-executive directors can be offered both short term and long term incentives. Under the Plan each option is to subscribe for one share and, when issued, these shares rank equally with other shares. Options issued under the Employee Option Plan are not transferable. As at 30 June 2006, employees have options over 625,000 ordinary shares all of which are exercisable at 30 cents each and expire on 19 August 2009. In addition, on 10 December 2004, the Company's Directors were granted 3,500,000 options to subscribe for ordinary shares at an exercise price of 30 cents each. These options are exercisable between 28 April 2007 and 10 December 2008.

(i) At 30 June 2006, the Company had on issue the following options to acquire shares in the Company:

Nos.	Class
3,500,000	Unlisted Director Options - Escrowed until 28 April 2007
625,000	Unlisted Vested Employee Options expiring 19 August 2009

The following share-based payment arrangements were in existence during the period.

Option series	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Director options (i)	3,500,000	10/12/04	10/12/08	30 cents	\$220,500
Employee options (ii)	250,000	22/09/05	19/08/09	30 cents	\$70,765
Employee options (iii)	375,000	16/03/06	19/08/09	30 cents	\$81,358

(i) Under the ASX listing rules, options issued to Directors in the year ending 30 June 2005 remain in escrow until 28 April 2007 and vest on that date.

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**14. ISSUED CAPITAL (cont'd)**

**(c) Share Options (cont'd)**

(ii)(iii) In accordance with the Company's Employee Option Plan, employee options issued on the 22 September 2005 and 16 March 2006 fully vest on issue date.

The weighted average fair value of the share options granted during the financial year is 24.3 cents (2005: 6.3 cents). Options were priced using the Black-Scholes Options Pricing Model. Share price volatility is based on the historical share price volatility for the period from ASX listing to option issue date.

Inputs into the model	Director options (i)	Employee options (ii)	Employee options (iii)
Grant date share price	20 cents	40 cents	30 cents
Exercise price	30 cents	30 cents	30 cents
Volatility	30.70%	88.78%	111.11%
Option life	4 years	3.9 years	3.43 years
Dividend yield	Nil	Nil	Nil
Risk-free interest rate	5.30%	5.30%	5.39%

The following reconciles the outstanding options at the beginning and end of the financial year.

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise prices
Balance at the beginning of the financial year	3,500,000	30 cents	-	-
Granted during the financial year	625,000	30 cents	3,500,000	30 cents
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of the financial year	4,125,000	30 cents	3,500,000	30 cents
Exercisable at the end of the financial year	4,125,000	30 cents	3,500,000	30 cents

(i) Exercised during the financial year  
No share options issued under the employee option plan were exercised during the year.

(ii)(iii) Balance at end of the financial year  
The share options outstanding at the end of the financial year had an exercise price of 30 cents and weighted average remaining contractual life of 932 days.

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$

**15. RESERVES**

**Employee equity-settled benefits reserve**

Balance at beginning of financial year	51,135	-	51,135	-
Share-based payment	245,504	51,135	245,504	51,135
Transfer to share capital	-	-	-	-
Balance at end of financial year	296,639	51,135	296,639	51,135

The employee equity-settled benefits reserve arises on the grant of share options to directors and employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in Notes 14 and 18 to the financial statements

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	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>16. ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the period	(535,300)	-	(4,676,907)	-
Loss for the period	(1,180,555)	(535,300)	(2,986,455)	(4,676,907)
Accumulated losses at the end of the financial period	(1,715,855)	(535,300)	(7,663,362)	(4,676,907)

**17. EARNINGS PER SHARE**

(a) Reconciliation of Earnings to Net Loss

Net Loss	1,180,555	535,300
Net Loss used in calculation of basic EPS	1,180,555	535,300
Net Loss used in calculation of diluted EPS	1,180,555	535,300

(b) Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS	51,449,127	24,965,296
Weighted average number of ordinary shares outstanding during the period used in calculation of dilutive EPS	51,449,127	24,965,296

(c) Diluted EPS

As the Company incurred a net loss in each of 2005 and 2006, the effect of potential ordinary shares such as options is not dilutive.

**18. KEY MANAGEMENT PERSONNEL COMPENSATION**

**(a) Names and positions held of key management personnel in office at any time during the financial period are:**

Thomas J Burrowes	-	Executive Chairman
Barrie E Laws	-	Non-executive Director
David J Isles	-	Executive Director
Christopher G Anderson	-	Executive Director
Bill Michaelidis	-	Company Secretary/CFO

**(b) Directors' and Executives' Compensation**

*Remuneration Policy*

The Board is responsible for determining and reviewing the remuneration of the directors including the managing director and the executive officers of the Company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board seeks where necessary the advice of external advisers in connection with the structure of remuneration packages. The Board also recommends the levels and form of remuneration for non-executive directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the Company in general meeting. Shareholders fixed the maximum aggregate remuneration for non-executive directors at \$500,000.

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**18. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)**

**(b) Directors' and Executives' Compensation (cont'd)**

The three key elements of director and executive remuneration are:

- base salary and fees, which are determined by reference to the market rate based on payments at similar size companies in the industry;
- superannuation contributions; and
- equity-based payments, the value of which are dependent on the Company's share price and other factors.

**Key Management Personnel Compensation**

2006	Short Term Benefits			Post-employment		Equity Options	Other Benefits	Total
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Other			
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Director</b>								
T J Burrowes	129,250	-	-	49,500	-	26,509	-	205,259
B E Laws	27,083	-	-	2,437	-	13,854	-	43,374
D J Isles	75,000	-	-	-	-	26,509	-	101,509
C G Anderson	150,000	-	-	-	-	26,509	-	176,509
<b>Executive</b>								
B Michaelidis	68,250	-	-	13,000	-	70,765	-	152,015
	<b>449,583</b>	<b>-</b>	<b>-</b>	<b>64,937</b>	<b>-</b>	<b>164,146</b>	<b>-</b>	<b>678,666</b>
<b>2005</b>								
	Salary & Fees	Bonus	Non-monetary	Super-annuation	Other	Equity Options	Other Benefits	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Director</b>								
T J Burrowes	70,500	-	-	12,000	-	14,610	-	97,110
B E Laws	13,798	-	-	1,258	-	7,305	-	22,361
D J Isles	31,250	-	-	-	-	14,610	-	45,860
C G Anderson	83,467	-	-	-	-	14,610	-	98,077
<b>Executive</b>								
B Michaelidis	42,000	-	-	8,000	-	-	-	50,000
	<b>241,015</b>	<b>-</b>	<b>-</b>	<b>21,258</b>	<b>-</b>	<b>51,135</b>	<b>-</b>	<b>313,408</b>

All key management personnel compensation is paid by Stellar Resources Limited. Key management personnel receive no remuneration from group subsidiary companies.

Compensation for Mr Anderson and Mr Isles are paid respectively to CG Anderson & Associates and The Goongarrie Trust.

On 22 September 2005, 250,000 unlisted options were granted to Mr Michaelidis. The options to subscribe for ordinary shares at an exercise price of 30 cents each are exercisable on or before 19 August 2009 and have been valued at \$70,765.

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**18. KEY MANAGEMENT PERSONNEL REMUNERATION (cont'd)**

**(c) Compensation Options: Granted and vested during the year (consolidated)**

2006	Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant			
					Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
<b>Director</b>								
T J Burrowes	-	-	-	-	-	-	-	-
B E Laws	-	-	-	-	-	-	-	-
D J Isles	-	-	-	-	-	-	-	-
C G Anderson	-	-	-	-	-	-	-	-
<b>Executive</b>								
B Michaelidis	250,000	250,000	22/09/05	28 cents	30 cents	19/08/09	22/09/05	19/08/09
	250,000	250,000						
<b>2005</b>								
2005	Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant			
					Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
<b>Director</b>								
T J Burrowes	-	1,000,000	10/12/04	6.3 cents	30 cents	10/12/08	28/04/07	10/12/08
B E Laws	-	500,000	10/12/04	6.3 cents	30 cents	10/12/08	28/04/07	10/12/08
D J Isles	-	1,000,000	10/12/04	6.3 cents	30 cents	10/12/08	28/04/07	10/12/08
C G Anderson	-	1,000,000	10/12/04	6.3 cents	30 cents	10/12/08	28/04/07	10/12/08
<b>Executive</b>								
B Michaelidis	-	-	-	-	-	-	-	-
	-	3,500,000						

All grants of options are exercisable within four years. Employee options, other than director options, vest immediately. Options issued to directors remain in escrow and vest on 28 April 2007.

**(d) Details concerning share-based remuneration of directors and executives**

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Any options not exercised before or on the date of termination will lapse.

The objective of the share-based schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders. Options were granted during the year to executives as outline in Note 18(c) above.

The Board is responsible for the review and operation of the Stellar Option Plan including terms and conditions for all options issued. The number of options offered under the plan is limited to less than 5% of the total number of shares on issue at the time of the offer.

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**18. KEY MANAGEMENT PERSONNEL REMUNERATION (cont'd)**

**(e) Number of options held by key management personnel (consolidated)**

<b>2006</b>	<b>Balance 1/07/05</b>	<b>Granted as compensation</b>	<b>Options exercised</b>	<b>Net change other</b>	<b>Balance 30/06/06</b>	<b>Total vested 30/06/06</b>	<b>Total exercisable 30/06/06</b>	<b>Total unexercisable 30/06/06</b>
<b>Directors</b>								
T J Burrowes	1,000,000	-	-	-	1,000,000	-	-	1,000,000
B E Laws	500,000	-	-	-	500,000	-	-	500,000
D J Isles	1,000,000	-	-	-	1,000,000	-	-	1,000,000
C G Anderson	1,000,000	-	-	-	1,000,000	-	-	1,000,000
<b>Executives</b>								
B Michaelidis	-	250,000	-	-	250,000	250,000	250,000	-
	<b>3,500,000</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>3,750,000</b>	<b>250,000</b>	<b>250,000</b>	<b>3,500,000</b>
<b>2005</b>	<b>Balance 19/04/04</b>	<b>Granted as compensation</b>	<b>Options exercised</b>	<b>Net change other</b>	<b>Balance 30/06/05</b>	<b>Total vested 30/06/05</b>	<b>Total exercisable 30/06/05</b>	<b>Total unexercisable 30/06/05</b>
<b>Directors</b>								
T J Burrowes	-	1,000,000	-	-	1,000,000	-	-	1,000,000
B E Laws	-	500,000	-	-	500,000	-	-	500,000
D J Isles	-	1,000,000	-	-	1,000,000	-	-	1,000,000
C G Anderson	-	1,000,000	-	-	1,000,000	-	-	1,000,000
<b>Executives</b>								
B Michaelidis	-	-	-	-	-	-	-	-
	<b>-</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>

**(f) Shares issued on exercise of compensation options (consolidated)**

No shares were issued to directors or executives on exercise of compensation options during the financial year.

**(g) Loans to key management personnel (consolidated)**

There were no loans to key management personnel at anytime during the current or prior financial year.

**(h) Number of shares held by key management personnel**

<b>2006</b>	<b>Balance 1/07/05</b>	<b>Received as Compensation</b>	<b>Options Exercised</b>	<b>Net change other</b>	<b>Balance 30/06/06</b>	<b>Held Nominally</b>
<b>Directors</b>						
T J Burrowes	1,086,112	-	-	-	1,086,112	-
B E Laws	75,000	-	-	-	75,000	-
D J Isles	73,612	-	-	-	73,612	-
C G Anderson	75,000	-	-	-	75,000	-
<b>Executives</b>						
B Michaelidis	5,000	-	-	-	5,000	-
	<b>1,314,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,314,724</b>	<b>-</b>

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**18. KEY MANAGEMENT PERSONNEL REMUNERATION (cont'd)**

**(h) Number of shares held by key management personnel (cont'd)**

2005	Balance 19/04/04	Received as Compensation	Options Exercised	Net change other	Balance 30/06/05
<b>Directors</b>					
T J Burrowes	-	-	-	1,086,112	1,086,112
B E Laws	-	-	-	75,000	75,000
D J Isles	-	-	-	73,612	73,612
C G Anderson	-	-	-	75,000	75,000
<b>Executives</b>					
B Michaelidis	-	-	-	5,000	5,000
	-	-	-	1,314,724	1,314,724

	Consolidated Entity		Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>19. REMUNERATION OF AUDITORS</b>				
Remuneration for audit or review of the financial reports of the Company	16,560	8,500	16,560	8,500
	16,560	8,500	16,560	8,500

**20. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Consolidated Entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards', with 19 April 2004 (date of incorporation) as the date of transition.

An explanation of how the transition from superseded policies to AIFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**(a) Reconciliation of equity as presented under superseded AGAAP to that under AIFRS**

	Consolidated Entity		Company	
	30 Jun 05	19 Apr 04	30 Jun 05	19 Apr 04
	\$	\$	\$	\$
<b>Issued Capital</b>				
Share capital under AGAAP	9,901,312	-	9,901,312	-
Issued capital under AIFRS	9,901,312	-	9,901,312	-
<b>Reserves</b>				
Reserves under AGAAP	-	-	-	-
Recognition of share-based payments	(i) 51,135	-	51,135	-
Reserves under AIFRS	51,135	-	51,135	-
<b>Accumulated Losses</b>				
Prior period loss after tax under AGAAP	(503,858)	-	(328,672)	-
Recognition of share-based payments	(i) (51,135)	-	(51,135)	-
Write-back of goodwill amortisation	(ii) 19,693	-	-	-
Recognition of provision for loan receivables	(iii) -	-	(4,297,100)	-
Accumulated loss after tax under AIFRS	(535,300)	-	(4,676,907)	-
<b>Total equity under AGAAP</b>	9,397,454	-	9,572,640	-
<b>Total equity under AIFRS</b>	9,417,147	-	5,275,540	-

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**20. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)**

**(b) Reconciliation of loss for the period as presented under superseded AGAAP to under AIFRS**

	<b>Consolidated Entity</b>	<b>Company</b>
	<b>Period from 19 Apr 04</b>	<b>Period from 19 Apr 04</b>
	<b>to 30 Jun 05</b>	<b>to 30 Jun 05</b>
	<b>\$</b>	<b>\$</b>
Loss for the period under AGAAP	(503,858)	(328,672)
Recognition of share-based payment expense (i)	(51,135)	(51,135)
Write-back of goodwill amortisation (ii)	19,693	-
Recognition of provision for loan receivables (iii)	-	(4,297,100)
Loss for the period Under AIFRS	(535,300)	(4,676,907)

*Effect of AIFRS on the cash flow statement for the financial period from 19 April 2004 to 30 June 2005*

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under the superseded policies.

*Notes to the reconciliations of equity and income*

(i) Share-based payments

For the financial period ended 30 June 2005, share-based payments of \$51,135 (included in the 'administration expenditure') which were not recognised under the superseded policies were recognised under AIFRS, with a corresponding increase in the employee equity-settled benefits reserve. These adjustments had no tax effect as the amounts are not deductible for taxation purposes.

(ii) Goodwill

Goodwill, which was amortised under superseded policies, is not amortised under AIFRS from the date of transition. The effect of the change is an increase in the carrying amount of goodwill by \$19,693 (company: nil) and a decrease in net loss of \$19,693 for the financial period from 19 April 2004 to 30 June 2005. There is no tax effect as deferred taxes are not recognised for temporary differences arising from goodwill for which amortisation is not deductible for tax purposes.

(iii) Provision for loan receivables

Ultimate recovery of loan receivables is dependent upon success in exploration and development or sale or farm-out of the subsidiaries' exploration interests. Therefore, ultimate recovery is in doubt.

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>21. COMMITMENTS FOR EXPENDITURE</b>				
<b>Exploration Commitments</b>	1,204,461	1,019,410	-	-

In order to maintain current rights of tenure to exploration tenements, the Company has minimum exploration expenditure requirements up until the expiry of leases. These obligations, which are subject to renegotiation upon expiry of leases, are not provided for in the financial statements and are payable:

Not later than one year	1,204,461	1,019,410	-	-
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Exploration commitments later than one year are dependent on management assessment on prospectivity and desirability of retaining current suite of exploration projects.

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**22. RELATED PARTIES**

**Directors**

The names of the persons who were directors of Stellar Resources Limited at any time during the financial period are as follows:

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

**Remuneration Benefits**

Information on remuneration benefits of Directors is disclosed in Note 18.

**Transaction of Directors and Director – Related Entities Concerning Shares or Share Options**

Directors and Director related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Consolidated Entity:

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
Ordinary shares	-	-	1,309,724	1,309,724
Options over ordinary shares	-	-	3,500,000	3,500,000

Since 30 June no directors have acquired any additional shares.

**Other Transactions with Directors and Director – Related Entities**

During the period, geological, geophysical and field services were provided at commercial rates by a director related entity, Euro Exploration Services Pty Ltd, of which Mr Anderson, was both a Director and shareholder. Euro Exploration Services Pty Ltd charged \$232,656 (2005: \$222,017) in relation to these services.

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

**23. SUBSIDIARIES**

	<b>Country of Incorporation</b>	<b>Percent Owned (%)</b>	
		<b>2006</b>	<b>2005</b>
<b>Company:</b>			
Stellar Resources Limited	Australia	-	-
<b>Subsidiaries of Stellar Resources Limited:</b>			
Balrone Holdings Pty Ltd	Australia	100%	100%
Rilo Explorations Pty Ltd	Australia	100%	100%
Bridgedale Holdings Pty Ltd	Australia	100%	100%
Hiltaba Gold Pty Ltd	Australia	100%	100%
Rubicon Min Tech Ventures Pty Ltd	Australia	100%	100%
Hillment Pty Ltd	Australia	100%	-

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**23. SUBSIDIARIES (cont'd)**

**(a) Subsidiaries Acquired**

The following subsidiaries were acquired during the period:

<b>2006</b>	<b>Date Acquired</b>	<b>Purchase Consideration</b>	<b>Percentage Acquired</b>
Hillment Pty Ltd	3/10/05	\$612,000	100%
<b>2005</b>	<b>Date Acquired</b>	<b>Purchase Consideration</b>	<b>Percentage Acquired</b>
Balrone Holdings Pty Ltd	22/04/04	\$2	100%
Rilo Explorations Pty Ltd	22/04/04	\$16	100%
Bridgedale Holdings Pty Ltd	22/04/04	\$2	100%
Hiltaba Gold Pty Ltd	22/04/04	\$100	100%
Rubicon Min Tech Ventures Pty Ltd	28/10/04	\$247,500	100%

**Hillment Pty Ltd**

<b>Net assets acquired</b>	<b>Book value</b>	<b>Fair value adjustment</b>	<b>Fair value on acquisition</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets:			
Cash and cash equivalents	2	-	2
Exploration expenditure	-	611,998	611,998
	<u>2</u>	<u>611,998</u>	<u>612,000</u>

**(b) Subsidiaries Disposed**

No subsidiaries were disposed during the period

**24. CASH FLOW INFORMATION**

Reconciliation of Cash Flow from Operations with  
Loss after Income Tax

	<b>Consolidated Entity</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,180,555)	(535,300)	(2,986,455)	(4,676,907)
Non-cash flows in loss from ordinary activities				
Depreciation of fixed assets	11,656	2,482	11,069	1,945
Amortisation formation cost	-	735	-	-
Exploration expenditure write off	570,429	153,617	-	-
Employee equity-settled benefits	245,504	51,135	245,504	51,135
Diminution in investments	-	-	247,620	-
Provision for subsidiary loan receivables	-	-	2,129,300	4,297,100
Changes in assets and liabilities				
(Increase)/decrease in receivables	-	(32,000)	-	(32,000)
(Increase)/decrease in prepayments	(19,041)	(18,727)	(19,041)	(17,992)
Increase/(decrease) in payables	(29,933)	72,834	(29,933)	72,834
Increase/(decrease) in employee entitlements	17,675	10,134	17,675	10,134
Cash flows used in operations	<u>(384,265)</u>	<u>(295,090)</u>	<u>(384,261)</u>	<u>(293,751)</u>

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**25. FINANCIAL INSTRUMENTS**

**(a) Off-balance sheet derivative instruments**

The Company does not utilise any off-balance sheet derivative instruments.

**(b) Commodity contracts**

As at 30 June 2006, the Company does not have in place any commodity contracts.

**(c) Credit risk exposure**

The credit risk on financial assets of the Company, which have been recognised in the income statement, is generally the carrying amount, net of any provisions for doubtful debts.

**(d) Interest rate risk exposure**

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

	Weighted Average Effective Interest Rate	Floating interest rate	Fixed interest maturing			Non interest bearing	Total
			1 yr or less	Over 1 yr to 5 yrs	More than 5 yrs		
		\$	\$	\$	\$	\$	\$
<b>2006</b>							
Financial assets							
Cash	6.03%		5,612,994	-	-	-	5,612,994
Receivables	-		-	-	-	183,941	183,941
Total financial assets			5,612,994	-	-	183,941	5,796,935
Financial liabilities							
Trade and other creditors			-	-	-	232,322	232,322
Total financial liabilities			-	-	-	232,322	232,322
Net financial assets			5,612,994	-	-	(48,381)	5,564,614

	Weighted Average Effective Interest Rate	Floating interest rate	Fixed interest maturing			Non interest bearing	Total
			1 yr or less	Over 1 yr to 5 yrs	More than 5 yrs		
		\$	\$	\$	\$	\$	\$
<b>2005</b>							
Financial assets							
Cash	5.55%		5,226,876	-	-	-	5,226,876
Receivables	-		-	-	-	168,499	168,499
Total financial assets			5,226,876	-	-	168,499	5,395,375
Financial liabilities							
Trade and other creditors			-	-	-	381,646	381,646
Total financial liabilities			-	-	-	381,646	381,646
Net financial assets			5,226,876	-	-	(213,147)	5,013,729

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**25. FINANCIAL INSTRUMENTS (cont'd)**

**(e) Fair value of financial assets and liabilities**

The fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying amounts.

**26. STATEMENT OF OPERATIONS BY SEGMENTS**

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

**27. EVENTS SUBSEQUENT TO REPORTING DATE**

On the 25 July 2006 the Consolidated Entity announced its intention to enter into a farm-out arrangement with Toro Energy Limited, a listed public company, in reference to exploration licence 3372 and 3369W.

On 26 July 2006 the Consolidated Entity entered into a farm-out arrangement with UraniumSA Limited, an unlisted public company, for uranium exploration on six exploration licences in the Tarcoola region of the central Gawler Craton. The tenements covered by the farm-out arrangements are exploration licences 2898, 3089, 3205, 3253, 3500 and easternmost block of exploration licence 3369.

The joint venture arrangement is subject to and conditional on UraniumSA completing a successful initial public offering by the end of the year.

The financial effect of this transaction has not been brought to account in the 2006 financial report.

**28. COMPANY DETAILS**

The registered office and principal place of business of the Company is:

Level 7, 530 Little Collins Street, Melbourne





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**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following additional information is required by Australian Stock Exchange Limited in respect of listed public companies.

**1. Shareholding**

The issued capital of the company was 58,338,168 ordinary shares fully paid as at 26 September 2006, of which 56,900,944 are listed on the Australian Stock Exchange. In addition, the company has on issue 4,125,000 unlisted options to acquire shares at an exercise of 30 cents per share at any time up to 19 August 2009.

**(a) Distribution of Shareholder Numbers**

Size of Holding	Number of Shareholders	Units	%	Number of Optionholders	Units	%
1 – 1,000	219	94,975	0.16	-	-	-
1,001 – 5,000	574	1,697,585	2.91	-	-	-
5,001 – 10,000	363	3,121,199	5.35	-	-	-
10,001 – 100,000	821	28,197,998	48.34	1	75,000	1.82
100,001 and over	83	25,226,411	43.24	7	4,050,000	98.18
	2,060	58,338,168	100.00	8	4,125,000	100.00

There were 324 shareholders who held less than a marketable parcel (2,000 shares) based on the market price of 25 cents.

**(b) Substantial shareholder as at 26 September 2006**

Name	Number of Shares Held	%
L J Thomson Pty Ltd	3,350,000	5.74

**(c) 20 Largest Shareholders – Ordinary Shares**

Name	Number of Shares Held	%
1 L J Thomson Pty Ltd	3,350,000	5.74
2 ANZ Nominees Limited <Cash Income A/C>	1,678,900	2.88
3 Peninsula Exploration Pty Ltd	1,297,787	2.22
4 Fountain Oaks Pty Ltd <Limb Family Super Fund A/C>	1,195,000	2.05
5 Providence Gold and Minerals Pty Ltd	1,016,112	1.74
6 Ankaa Springs Pty Ltd	700,000	1.20
7 Mr Arnold Olschyna	580,000	0.99
8 Temtor Pty Ltd	520,000	0.89
9 Mannwest Group Pty Ltd	500,000	0.86
10 Gilventures Pty Ltd	455,000	0.78
11 UBS Wealth Management Australia Nominees Pty Ltd	427,824	0.73
12 Carojon Pty Ltd <Imbruglia Super Find A/C>	425,000	0.73
13 Tatwin Pty Ltd <Bitcon Super Fund A/C>	379,028	0.65
14 Somnus Pty Ltd	350,000	0.60
15 Bartlet Holdings Limited	300,000	0.51
16 Evergem Pty Ltd	300,000	0.51
17 New Privateer Holdings Ltd <Trading No 2 A/C>	300,000	0.51
18 Noscita Dion Pty Ltd	300,000	0.51
19 Mishkan Pty Ltd	300,000	0.51
20 Wythenshawe Pty Ltd	300,000	0.51
	14,674,651	25.12

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**(d) Largest Optionholders**

	<b>Name</b>	<b>Number of Options Held</b>	<b>%</b>
1	T J Burrowes	1,000,000	24.24
2	C G Anderson	1,000,000	24.24
3	D J Isles	1,000,000	24.24
4	B E Laws	500,000	12.12
5	B Michaelidis	250,000	6.06
6	B Rava	150,000	3.64
7	M Raetz	150,000	3.64
8	A M Rigg	75,000	1.82
		<b>4,125,000</b>	<b>100.00</b>

**(e) Voting Rights**

Voting rights of members are governed by the company's Constitution. In summary, on the show of hands, every member present in person or by proxy shall have one vote and, upon a poll, every such attending member shall be entitled to one vote for every share held.

**(f) Unquoted and Restricted Securities**

Options over un-issued Shares

- 3,500,000 options are on issue to four Stellar Directors. These options are exercisable up to 10 December 2008 at an exercisable price of 30 cents.
- 625,000 options are on issue to Stellar employees. These options are exercisable up to 19 August 2009 at an exercisable price of 30 cents each.

Restricted Shares

- 1,437,224 shares issued to five current and former Stellar Directors (or related parties) are in escrow until 28 April 2007.

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**SCHEDULE OF TENEMENTS**

Area (km <sup>2</sup> )	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
<b>Exploration Licence EL4632 - Triako Joint Venture, New South Wales</b>					
61	51	Anglogold Ashanti Australia Limited, Triako Resources Limited	21/12/1993	20/12/2007	Note 1
<b>Exploration Licence EL6556 - Panama Hat, New South Wales</b>					
38	100	Balrone Holdings Pty Ltd	11/04/2006	10/04/2008	
<b>Mining Lease ML4650 - Tarcoola Project, South Australia</b>					
15.61 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
<b>Mining Lease ML4667 - Tarcoola Project, South Australia</b>					
4.49 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
<b>Mining Lease ML5179 - Tarcoola Project, South Australia</b>					
4.68 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
<b>Mining Lease ML5300 - Tarcoola Project, South Australia</b>					
2.89 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
<b>Exploration Licence EL2898 - Cooladding, South Australia</b>					
74	100	Hiltaba Gold Pty Ltd	5/03/2002	4/03/2007	Note 2
<b>Exploration Licence EL3089 - Tarcoola, South Australia</b>					
1249	100	Hiltaba Gold Pty Ltd	2/06/2003	1/06/2008	Note 2
<b>Exploration Licence EL3204 - Uno, South Australia</b>					
107	100	Vintage Exploration and Mining Pty Ltd	5/05/2004	4/05/2009	Note 3
<b>Exploration Licence EL3205 - Pinding, South Australia</b>					
500	100	Hiltaba Gold Pty Ltd	10/05/2004	9/05/2009	Note 2
<b>Exploration Licence EL3253 - Hierns Well, South Australia</b>					
427	100	Hiltaba Gold Pty Ltd	29/09/2004	28/09/2009	Note 2
<b>Exploration Licence EL3336 - Robins Rise, South Australia</b>					
818	100	Hiltaba Gold Pty Ltd	9/05/2005	8/05/2007	
<b>Exploration Licence EL3369 - Carnding, South Australia</b>					
263	100	Hiltaba Gold Pty Ltd	4/07/2005	3/07/2007	Note 2

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**SCHEDULE OF TENEMENTS**

Area (km <sup>2</sup> )	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
<b>Exploration Licence EL3372 - Warrior, South Australia</b>					
165	100	Hillment Pty Ltd	8/07/2005	7/07/2007	Note 4
<b>Exploration Licence EL3436 Lake Woorong, South Australia</b>					
889	100	Hiltaba Gold Pty Ltd	20/10/2005	19/10/2006	
<b>Exploration Licence EL3500 Kychering, South Australia</b>					
91	100	Hiltaba Gold Pty Ltd	18/01/2006	17/01/2007	Note 2
<b>Exploration Licence EL3583 Pernatty, South Australia</b>					
598	100	Hiltaba Gold Pty Ltd	21/06/2006	20/06/2007	
<b>Exploration Licence Application ELA298/06 - Cleanskin Swamp, South Australia</b>					
637	100	Hiltaba Gold Pty Ltd			Note 6
<b>Exploration Licence Application ELA299/06 - Long Creek, South Australia</b>					
927	100	Hiltaba Gold Pty Ltd			Note 6
<b>Exploration Licence EL46/2003 - Heemskirk, Tasmania</b>					
193	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
<b>Exploration Licence EL1/2004 - Ramsay River, Tasmania</b>					
90	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
<b>Exploration Licence EL49/2004 - Rayne, Tasmania</b>					
28	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
<b>Exploration Licence EL50/2004 - Ewart Creek, Tasmania</b>					
32	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
<b>Exploration Licence Application ELA21/2006 - Hangman's Creek, Tasmania</b>					
8	100	Rubicon Min Tech Ventures Pty Ltd			Note 5
<b>Exploration Licence EL4525 - North Bendigo, Victoria</b>					
374	50	Providence Gold and Minerals Pty Ltd, Stellar Resources Limited	11/01/2001	10/01/2007	
<b>Petroleum Exploration Permit PEP155 - Marlo Block, Gippsland Basin, Victoria</b>					
1000	3	Petro Tech Pty Ltd	29/08/2000	16/02/2007	

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**SCHEDULE OF TENEMENTS**

Area (km <sup>2</sup> )	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
<b>Exploration Permit for Petroleum EPP Vic/P40(V) - Gippsland Basin, Bass Strait, Victoria</b>					
400	9.8	Petro Tech Pty Ltd	20/04/2004	19/04/2010	
<b>Exploration Permit for Petroleum EPP Vic/P47 - Gilbert Block, Gippsland Basin, Bass Strait, Victoria</b>					
230	3	Moby Oil & Gas Ltd, Bass Strait Oil Company Limited, Eagle Bay Resources NL	28/05/2001	27/02/2008	

**Notes:**

- Note 1 Stellar has right to earn 51% and 60% interest
- Note 2 UraniumSA Limited earning 70% in uranium interest  
Stellar retained 100% interest in BHP Billiton Falcon Access Areas
- Note 3 Stellar option to acquire 100%
- Note 4 Memorandum of Understanding for farm-out to Toro Energy Limited
- Note 5 Application date 1/05/2006
- Note 6 Application date 19/06/2006

**STELLAR RESOURCES LIMITED  
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**CORPORATE DIRECTORY**

**DIRECTORS**

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

**COMPANY SECRETARY**

Bill Michaelidis  
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](mailto:srzinfo@stellarresources.com.au)  
Website: [www.stellarresources.com.au](http://www.stellarresources.com.au)

*Registers of unlisted employee and other options held at this address*

**ADELAIDE OFFICE**

63 King William Street  
Kent Town SA 5067

Telephone: (08) 8636 1589

**SHARE REGISTRY**

Link Market Services Limited  
Level 4, 333 Collins Street  
Melbourne VIC 3000

*Register of listed ordinary shares held at this address*

**LEGAL ADVISERS**

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

**AUDITOR**

DTT Victoria  
QV Building  
180 Lonsdale Street  
Melbourne VIC 3000

**BANKERS**

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

**PRINCIPAL STOCK EXCHANGE**

Australian Stock Exchange Limited  
530 Collins Street  
Melbourne VIC 3000

ASX code for shares: SRZ