



STELLAR RESOURCES LIMITED

ACN 108 758 961

AND CONTROLLED ENTITIES

ANNUAL REPORT

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2008**

STELLAR RESOURCES LIMITED
ABN 108 758 961
AND CONTROLLED ENTITIES

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results. Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Australian securities authorities.

**STELLAR RESOURCES LIMITED
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CORPORATE GOVERNANCE STATEMENT

In March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council (Council) published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of ASX require Australian-listed companies to report on the extent to which they have complied with the Best Practice Recommendations during the reporting period. Where a company has not followed all the recommendations, it must identify the recommendations that have not been followed and give reasons for not adhering to them. If a recommendation has been followed for only part of the period, the company must state the period during which it has been followed.

In August 2007, following a major review of the operation of the Principles and Recommendations since they were issued, a second edition of the Corporate Governance Principles and Recommendations was published by the Council. However, Stellar Resources Limited (SRZ or the Company), is not required to report on its compliance with the revised Principles and Recommendations until it issues its 2009 annual report in relation to the financial year 1 July 2008 to 30 June 2009.

This Statement briefly outlines the main corporate governance practices of the Company. Unless otherwise stated, the Company's corporate governance practices were in place throughout the 2007/08 year and comply with the Council's best practice recommendations.

As recognised by the Council, corporate governance is "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations." It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the Company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. Corporate governance practices will evolve in the light of the changing circumstances of a company and must be tailored to meet those circumstances.

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 reviewing remuneration of Executive Directors and key staff;
- Approval of all significant business transactions including acquisitions, divestments and corporate restructures;
- Monitoring business risk exposures and risk management systems;
- Review and approval of financial and other reporting, including continuous disclosure reporting; and
- Reporting to shareholders.

On 5 February 2008, the Board appointed Mr Peter Blight to the office of Chief Executive Officer with immediate effect. This appointment was a first step in the process of bringing the Company's management structure more into line with the Council's best practice recommendations, including clearly delineating the roles of the Board and management.

Mr Blight's specific responsibilities include:

- Contributing to the formulation of the Company's strategic direction for approval by the Board and thereafter managing its implementation;
- Managing the day to day affairs of the Company within the guidelines set by the Board;
- Developing a range of potential partners for project development;
- Managing relationships with Government;
- Marketing the Company to existing and potential investors;
- Monitoring employee performance; and
- Managing costs at the direction of the Board.

With effect from 1 June 2008, Dr David Isles stepped down from his position as an Executive Director and assumed the role of a Non-Executive Director.

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Board Composition

The above change in board composition resulted in the Board presently having two Non-Executive Directors, both of whom are considered by the Board to be independent and two Executive Directors. The Board considers Dr David Isles to be independent, notwithstanding his recent executive role, because that role was not full time and, because he resided (and continues to reside) in Western Australia, tended to be project based. Furthermore, Dr Isles had little involvement as an executive with either the Tarcoola iron ore project or the proposed IPO of Columbus Metals Limited which are now the principal areas of the Company's focus. Dr Isles is a leading geophysicist and may be asked to provide specialist services to the Company from time to time. The Board does not consider this to be a relationship which could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of his judgment. The Board will regularly assess whether in its view Dr Isles continues to be independent. Details of the qualifications and experience of each Director are set out in the Directors' Report section of the Annual Financial Report following hereon.

Although the Guidelines recommend that the majority of the Board should comprise 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 against the need for skills, commitment and workable board size. The composition of the Company's Board is balanced with directors contributing a range of complementary skills and experience to its deliberations.

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 shares or other tradable securities in the Company. The current policy prohibits Board members, employees, consultants and contractors trading shares or other securities 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, employee, consultant or contractor in possession of market sensitive information to ensure that they comply with the spirit and the letter of insider trading laws. The Company ensures that this policy is made known to all directors and employees, and endeavours to ensure that it is communicated to consultants and contractors.

A copy of the Company's Share Trading Policy is available on the Company's website www.stellarresources.com.au.

Rights of Shareholders

The Board seeks to empower shareholders through effective communication by providing balanced and understandable information and encouraging participation at General Meetings. In addition, the external auditor is required by law to attend the AGM and answer shareholders' questions pertaining to, amongst other things, the conduct of the audit and the preparation and content of the auditor's report.

Integrity of Financial Reporting

It is an established requirement that the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) declare in writing to the Board (in accordance with section 295A of the Corporations Act 2001) that, in their opinion, the consolidated financial statements of the Company and its controlled entities for each half and full financial year present a true and fair view of the Group's financial position and performance and are in accordance with relevant accounting standards.

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CORPORATE GOVERNANCE STATEMENT

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 on the operations and results of the Company to make informed investment decisions.

A copy of the Company's Continuous Disclosure Policy and Procedures is available on the Company's website www.stellarresources.com.au.

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 is 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 (or equivalent in each case) have ultimate responsibility to the Board for the risk management and control framework.

It is an established requirement that the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) provide assurance to the Board that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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. The evaluation findings are intended to be compiled into a series of recommendations with the ultimate objective of enhancing performance.

Remuneration

The Board, within the limit pre-approved by shareholders, 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 levels that apply to similar positions in comparable companies in Australia and taking account 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 require approval by shareholders prior to their issue. Options or shares granted to senior executives who are not directors will be issued by resolution of the Board.

The Company's policies and details of Director and executive remuneration are set out in the Remuneration Report, which forms part of the Directors' Report.

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 are beneficial for all 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 providing 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.

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

Recommendation 2.1 A majority of the Board should be independent directors

Notification of Departure

The majority of the Board was not comprised of independent directors.

Explanation of Departure

The Board strongly endorses the position that boards 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 structure during the reporting period was appropriate to ensure independence of judgement (given the diverse background and experience of the executive and non-executive Directors) combined with the established procedure which empowers Directors to seek independent professional advice at the Company's 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 did not establish 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 a committee are presently dealt with by the full Board.

Recommendation 2.2 The chairperson should be an independent director
Recommendation 2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual

Notification of Departure

The chairperson was not an independent director.

The roles of Chairperson and Chief Executive Officer were exercised by the same individual until 5 February 2008, when Mr Peter Blight was appointed as Chief Executive Officer.

Explanation of Departure

While the current Chairperson (Mr T J Burrowes) was not an independent Director, the Board believes that his extensive industry experience and record as a Director of other listed companies made him the most appropriate person for the position of Chairperson and, until Mr Blight's appointment on 5 February 2008, Chief Executive Officer as well.

As stated above, Mr Blight's appointment was a first step in the process of bringing the Company's management structure more into line with the Council's best practice recommendations, including separating the roles of chairperson and chief executive officer. The change of Dr Isles' status on 1 June 2008 and contemporaneous reduction in the executive responsibilities of the chairperson was a further step in that process.

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Recommendation 3.1	Establish a code of conduct to guide the directors and key executives
Recommendation 10.1	Establish and disclose a code of conduct to guide compliance with obligations to stakeholders

Notification of Departure

The Company did not have a formal code of conduct during the reporting period.

Explanation of Departure

The policy of the Company during the reporting period (see under “Ethical and Responsible Decision-making” above) was known to all of the directors and key executives. In view of the limited number of those directors and key executives, a formal Code was not considered necessary to ensure their compliance with this policy or to ensure compliance with legal and other obligations to legitimate stakeholders. Since the end of the reporting period, the Board has adopted a formal Code of Ethics. The Code is available on the Company’s website www.stellarresources.com.au.

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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 2008.

Directors

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

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

* Executive Director until 1 June 2008

Company Secretary

The following person held the position of Company Secretary at the end of the financial period:

Mr Melvyn J Drummond – Bachelor of Arts & Commerce FCIS.

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 profit/(loss) of the Consolidated Entity for the financial period was (\$6,018,216) (2007: profit \$78,685).

Dividends Paid or Recommended

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

Review of Operations

During the year, the Consolidated Entity continued its active exploration and assessment on its extensive and diverse tenement portfolio, with a greater focus on more advanced projects in iron ore and tin during the second half of the year. The shift in strategy reflects a market driven preference for companies engaged in resource definition rather than greenfield exploration, the significant rise in iron ore and tin prices and an increase in interest from Chinese investors in these projects.

In March 2008, Stellar raised \$1.0 million via a placement of 5 million new shares to investors associated with Chinese interests. This allowed a new drilling program at the Tarcoola Iron Ore Project. Following a ground magnetic survey, drilling extended the width of the deposit by 60m to 260m and highlighted the potential for the discovery of high grade hematite. Ground gravity was also conducted and confirmed targets for follow-up testing of higher density rocks with hematite potential.

In April 2008, Stellar acquired a 60% share of the Heemskirk Tin Project (formerly known as Zeehan Tin) with a \$1.178 million offer of cash and shares. Over 25 years ago, previous joint venture partner Aberfoyle drilled a pre-JORC resource of 50,000 tonnes of contained tin, making this project the largest undeveloped high grade project in Australia. Heemskirk Tin Project will be the key asset in the proposed IPO of Columbus Metals, a tin focused development company.

Drilling at Pernatty and Cowell in South Australia during the year tested a number of greenfield Iron Ore Copper Gold Uranium prospects. The results confirmed the presence of low grade mineralisation but gave little indication that the grade would increase significantly with further drilling. Also in South Australia, the Sunshine gold prospect was tested by air core drilling and provided targets for follow-up work.

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In Tasmania, drilling at the Alpine Copper prospect provided along strike intersections of sub-ore grade mineralisation. However, there was no repetition of the ore-grade intersection encountered in hole AP004 drilled in the previous year. A VTEM survey to the west of Alpine identified an anomaly that may represent a repetition of the Alpine style mineralisation for follow-up next year. Geological and geophysical assessment of the Ramsay and Dundas areas was also undertaken during the year.

Joint venture partners continued to work diligently on Stellar properties throughout the year. UraniumSA Limited and Toro Energy Limited tested uranium targets on Stellar's Tarcoola and Warrior leases while LIDDS Pty Ltd conducted metallurgical drill testing near the Perseverance gold mine at Tarcoola. Red Metal Limited also drilled a number of IOCGU targets on Stellar's Robins Rise project near Coober Pedy. Carpentaria Exploration Limited entered a joint venture to test Stellar's Panama gold property in NSW. In addition, Stellar was able to complete a tenement exchange with REX Minerals Limited that provided Stellar with 100% of two significant tenements in the Cowell area of South Australia.

Exploration was funded from cash reserves of \$5.17 million at the beginning of the year and a \$1.0 million placement of 5.0 million shares at 20 cents. Another 5.85 million shares were issued to Western Metals Limited during the year as part consideration for the Heemskirk Tin asset.

The consolidated profit/(loss) after tax of the Consolidated Entity for the financial year was (\$6,018,216) (2007: profit \$78,685). The Parent Company loss after tax for the financial year was (\$3,613,482) (2007: \$4,103,538).

The loss for the period was mainly attributable to \$2.23 million (2007: - \$0.26 million) of write downs in the carrying values of the Group's exploration assets. The other notable impact was the fair value of options held in UraniumSA Limited having decreased by \$605,751 and the value of options held in Gippsland Offshore Petroleum Limited having decreased by \$768,111. These fair value decrements on options are recognised in the Income Statement.

Financial Position

The net assets of the Consolidated Entity and Parent Company respectively as at 30 June 2008 were \$11.3 million (2007: \$16.0 million) and \$3.6 million (2007: \$5.1 million). 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 in the state of the affairs of the Company occurred during the financial period:

- On 12 March 2008, the Company issued 5,000,000 ordinary fully paid shares to JPC International Pty Ltd at an issue price of 20 cents being a placement to raise additional working capital;
- On 2 April 2008, the Company issued as tranche one, 3,795,725 ordinary fully paid shares to WML Investments Pty Ltd (a subsidiary of Western Metals Limited) at an issue price of 15 cents to purchase the 60% joint venture interest in the Zeehan Tin project;
- On 23 April 2008, the Company issued as tranche two, 2,057,608 ordinary fully paid shares to WML Investments Pty Ltd (a subsidiary of Western Metals Limited) at an issue price of 15 cents as final consideration to purchase the 60% joint venture interest in Zeehan Tin project.

After Balance Date Events

As previously announced, the IPO of Columbus Metals Limited, as a focused tin development company is progressing. On 25 July, 2008, Stellar Resources Limited ("Stellar") announced that an agreement had been reached with Gippsland Limited ("Gippsland") to merge their respective joint venture interests in the Tasmanian Heemskirk Tin project (formerly known as the Zeehan Tin project) into Stellar's subsidiary Columbus Metals Limited ("Columbus").

The agreement is conditional upon Columbus raising a minimum of \$10 million and being admitted to the ASX on or before 31 December 2008, or such later date as may be agreed.

The agreement prescribes that Gippsland will be issued with 15 million \$0.25cents fully paid ordinary shares or the same number of fully paid ordinary shares that Stellar will hold in Columbus at the time of its admission to the ASX, if that number is greater than 15 million.

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DIRECTORS' REPORT

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 an experienced, focused and success driven management team.

Where joint ventures seem appropriate and beneficial to the risk/reward profile of Stellar Resources, the Board has chosen to enter into joint ventures. This is as a means of reducing financial risk whilst maintaining meaningful involvement and equity in the project.

The Company is also prepared to sponsor or co-sponsor new IPO's – including those where company assets may be included. In such cases, shareholders may also be eligible and entitled to subscribe for shares in a new IPO.

The Company's prospects for future years depend very much on the rate of mineral discovery. The Company is an active minerals explorer and a good sized mineral discovery has the potential to add substantial value to Stellar. Against this, company funds must be expended in this exploration/discovery endeavour and the Board may decide to raise dilutionary new equity to replenish funds along the path.

Future Developments

The Company intends to continue to explore and, should a viable discovery be made, would then move that project towards the development phase – subject to completing full feasibility studies, financing and development studies.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

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.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the period ended 30 June 2008, and the number attended by directors were:

Director	Number of Meetings Held	Number Eligible to Attend	Number of Meetings Attended
T J Burrowes	5	5	5
B E Laws	5	5	5
D J Isles	5	5	5
C G Anderson	5	5	5

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Remuneration Report

(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	–	Non-executive Director (since 1 June 2008)
Christopher G Anderson	–	Executive Director
Peter G Blight	–	Chief Executive Officer
Melvyn J Drummond	–	Company Secretary

(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 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.

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 by 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.

(c) Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the four years to June 2008. As the table indicates, earnings have varied significantly over the past four financial years, due to the nature of exploration activities. It has been the focus of the board of directors to attract and retain management personnel essential to continue exploration activities.

	30 June 2008	30 June 2007	30 June 2006	30 June 2005
	\$	\$	\$	\$
Revenue	269,910	919,984	243,461	165,079
Net profit/(loss) before tax	(5,523,266)	(416,265)	(1,180,555)	(535,300)
Net profit/(loss) after tax	(6,018,216)	78,685	(1,180,555)	(535,300)
	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	\$0.29	\$0.28	\$0.18	\$0.20
Share price at end of year	\$0.18	\$0.29	\$0.28	\$0.18
Basic earnings per share (cents)	(8.55)	0.13	(2.29)	(2.14)
Diluted earnings per share	(8.55)	0.13	(2.29)	(2.14)

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Remuneration Report (cont'd)

(d) Remuneration of directors and senior management

2008	Short Term Benefits		Post-employment		Equity	Other	Total
	Salary & Fees	Non-monetary	Super-annuation	Other	Options	Benefits	
	\$	\$	\$	\$	\$	\$	\$
Director							
T J Burrowes	128,333	-	43,267	-	-	-	171,600
B E Laws	-	-	27,250	-	-	-	27,250
D J Isles	83,521	-	-	-	-	-	83,521
C G Anderson	171,000	-	-	-	-	-	171,000
Executive							
P G Blight	95,145	-	36,594	-	125,586	-	257,325
M J Drummond	-	-	-	-	46,832	-	46,832
B Michaelidis	9,474	-	-	-	-	-	9,474
	487,473	-	107,111	-	172,418	-	767,002
2007	Short Term Benefits		Post-employment		Equity	Other	Total
	Salary & Fees	Non-monetary	Super-annuation	Other	Options	Benefits	
	\$	\$	\$	\$	\$	\$	\$
Director							
T J Burrowes	86,833	-	103,167	-	21,881	-	211,881
B E Laws	14,583	-	12,667	-	10,341	-	37,591
D J Isles	75,000	-	-	-	21,881	-	96,881
C G Anderson	175,000	-	-	-	21,881	-	196,881
Executive							
B Michaelidis	73,500	-	16,500	-	-	-	90,000
	424,916	-	132,334	-	75,984	-	633,234

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 is paid respectively to CG Anderson & Associates and The Goongarrie Trust.

(e) Compensation Options: Granted and vested during the year

2008	Vested Number	Granted Number	Grant Date	Value of options granted at grant date	Terms and conditions for each grant			
					Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Director								
T J Burrowes	-	-	-	-	-	-	-	-
B E Laws	-	-	-	-	-	-	-	-
D J Isles	-	-	-	-	-	-	-	-
C G Anderson	-	-	-	-	-	-	-	-
Executive								
P G Blight	500,000	500,000	5/12/07	93,665	30 cents	30/11/10	1/06/08	30/11/10
P G Blight	408,145	500,000	12/02/08	39,270	25 cents	31/01/11	1/08/08	31/01/11
M J Drummond	250,000	250,000	5/12/07	46,832	30 cents	30/11/10	1/06/08	30/11/10
	1,158,145	1,250,000						

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DIRECTORS' REPORT

Remuneration Report (cont'd)

(e) Compensation Options: Granted and vested during the year (cont'd)

2007	Vested Number	Granted Number	Grant Date	Value of options granted at grant date	Terms and conditions for each grant			
					Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Director								
T J Burrowes	-	-	-	-	-	-	-	-
B E Laws	-	-	-	-	-	-	-	-
D J Isles	-	-	-	-	-	-	-	-
C G Anderson	-	-	-	-	-	-	-	-
Executive								
B Michaelidis	-	-	-	-	-	-	-	-
	-	-						

No options were granted in 2007.

(f) 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 granted to key management personnel during the year outlined 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.

(g) Number of options held by key management personnel

2008	Balance 1/07/07	Granted as compen- sation	Options exercised	Net change other	Balance 30/06/08	Total vested 30/06/08	Total exerc- isable 30/06/08	Total unexerc- isable 30/06/08
Directors								
T J Burrowes	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
B E Laws	500,000	-	-	-	500,000	500,000	500,000	-
D J Isles	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
C G Anderson	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Executives								
P G Blight	-	1,000,000	-	-	1,000,000	908,145	500,000	408,145
M J Drummond	-	250,000	-	-	250,000	250,000	250,000	-
B Michaelidis	250,000	-	-	(250,000)	-	-	-	-
	3,750,000	1,250,000	-	(250,000)	4,750,000	4,658,145	4,250,000	408,145

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Remuneration Report (cont'd)

(g) Number of options held by key management personnel (cont'd)

2007	Balance 1/07/06	Granted as compen- sation	Options exercised	Net change other	Balance 30/06/07	Total vested 30/06/07	Total exerc- isable 30/06/07	Total unexerc- isable 30/06/07
Directors								
T J Burrowes	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
B E Laws	500,000	-	-	-	500,000	500,000	500,000	-
D J Isles	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
C G Anderson	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Executives								
B Michaelidis	250,000	-	-	-	250,000	250,000	250,000	-
	3,750,000	-	-	-	3,750,000	3,750,000	3,750,000	-

(h) Shares issued on exercise of compensation options

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

(i) Loans to key management personnel

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

(j) Number of shares held by key management personnel

2008	Balance 1/07/07	Received as Compensation	Options Exercised	Net change other	Balance 30/06/08
Directors					
T J Burrowes	1,086,112	-	-	-	1,086,112
B E Laws	75,000	-	-	425,000	500,000
D J Isles	73,612	-	-	-	73,612
C G Anderson	75,000	-	-	-	75,000
Executives					
P G Blight	-	-	-	625,977	625,977
M J Drummond	-	-	-	40,000	40,000
B Michaelidis	5,000	-	-	(5,000)	-
	1,314,724	-	-	1,085,977	2,400,701

2007	Balance 1/07/06	Received as Compensation	Options Exercised	Net change other	Balance 30/06/07
Directors					
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
Executives					
B Michaelidis	5,000	-	-	-	5,000
	1,314,724	-	-	-	1,314,724

* On 15 August 2007 Mr Laws purchased an additional 425,000 shares

**STELLAR RESOURCES LIMITED
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DIRECTORS' REPORT

Share Options

Share option issue

At the date of this report, no share options were granted to directors or employees of the company.

Shares under options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
10/12/2004	10/12/2008	\$0.30	3,500,000*
16/03/2006	19/08/2009	\$0.30	375,000
5/12/2007	30/11/2010	\$0.30	1,175,000
12/02/2008	31/01/2011	\$0.25	500,000

* Options were escrowed 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.

Options lapsed/cancelled

Options cancelled during the financial year.

Grant Date	Date of options cancelled	Exercise Price	Number under Option	Value of options at cancellation date
27/09/2005	14/12/2007	\$0.30	250,000	nil

Information on Directors and Executives

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 are 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 sixteen 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

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

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: 500,000
Option holding: 500,000

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

**STELLAR RESOURCES LIMITED
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DIRECTORS' REPORT

Information on Directors and Executives (cont'd)

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 30 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 2005:
Mineral Deposits Limited (December 2002 – Current)

Chief Executive Officer

Peter G Blight
BSc (Hons) (Adelaide),
MSc (USA)
Appointed 5 February 2008

Mr Blight has been involved in the exploration, mining and finance industries for the past twenty eight years. Prior to joining Stellar Resources, he was Director of Research at Russian aluminium giant UC Rusal where he was responsible for market analysis and business development in China and India. He also had a 14 year career with investment bank, UBS, as Executive Director of commodity analysis in London and prior to that as a mining company analyst in Melbourne. Mr Blight's wide range of experience from exploration to business development places him in a strong position to guide the commercialisation of Stellar's advanced projects.

Shareholding: 625,977
Option holding: 1,000,000

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

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
Option holding: 250,000

Directorships of other listed companies since 1 July 2005:
Cockatoo Ridge Wines Limited (September 2005 – Current)

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

Indemnifying Officers

The company has paid premiums to insure each of the Directors and the Company Secretary 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/officer 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 by the Company's auditors, Deloitte Touche Tohmatsu, during the financial period ended 30 June 2008.

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 30 June 2008 has been received and can be found on page 15 of the directors' report.

This Directors' Report is signed in accordance with a resolution of Directors' made pursuant to s.298(2) of the Corporations Act 2001 and dated this 29 August, 2008.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'T J Burrowes', is written over a light grey circular stamp.

T J Burrowes
Chairman
Melbourne

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

29 August 2008

Dear Board Members,

Stellar Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Stellar Resources Limited.

As lead audit partner for the audit of the financial statements of Stellar Resources Limited for the financial year ended 30 June 2008, 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



DELOITTE TOUCHE TOHMATSU



G R Sincock
Partner
Chartered Accountants

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

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) complying with Accounting Standards and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the financial position as at 30 June 2008 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 Finance Manager have 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. At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.
4. In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 21 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001 and dated this 29 day of August, 2008.



Thomas J Burrowes
Chairman
Melbourne

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED TO 30 JUNE 2008**

	Note	Consolidated Entity Year to 30 Jun 08	Consolidated Entity Year to 30 Jun 07	Company Year to 30 Jun 08	Company Year to 30 Jun 07
		\$	\$	\$	\$
Revenue	2	269,910	919,984	260,436	282,631
Administration expenditure		(1,262,301)	(750,328)	(1,242,248)	(750,327)
Depreciation and amortisation expenses	3	(46,695)	(37,145)	(46,046)	(36,558)
Exploration expenditure written off	10	(2,233,664)	(261,301)	-	-
Impairment in value of investments	3	-	-	-	(612,000)
Impairment of loans to subsidiaries	3	-	-	(2,585,624)	(2,987,284)
Fair value loss of financial assets	3	(2,250,516)	(287,475)	-	-
Loss before tax		(5,523,266)	(416,265)	(3,613,482)	(4,103,538)
Income tax (expense)/benefit	4	(494,950)	494,950	-	-
Profit/(loss) for the year		(6,018,216)	78,685	(3,613,482)	(4,103,538)
Earnings per share					
Basic (cents per share)	16	(8.551)	0.133	-	-
Diluted (cents per share)	16	(8.551)	0.133	-	-

Notes to the financial statements are included on pages 23 to 46.

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

**BALANCE SHEET
AS AT 30 JUNE 2008**

	Note	Consolidated Entity 2008 \$	2007 \$	Company 2008 \$	2007 \$
Current assets					
Cash and cash equivalents	5	2,175,047	5,252,181	2,175,047	5,252,181
Trade and other receivables	6	214,700	261,399	207,700	259,399
Other	7	26,275	4,699	26,275	4,699
Other financial assets	8	-	-	1,387,567	-
Total current assets		2,416,022	5,518,279	3,796,589	5,516,279
Non-current assets					
Other financial assets	8	1,282,126	4,832,588	-	-
Property, plant and equipment	9	206,634	130,414	85,816	67,606
Exploration expenditure	10	7,702,619	6,037,331	-	-
Total non-current assets		9,191,379	11,000,333	85,816	67,606
Total assets		11,607,401	16,518,612	3,882,405	5,583,885
Current liabilities					
Trade and other payables	11	236,088	473,302	236,088	473,302
Provisions	12	38,682	23,432	38,682	23,432
Total current liabilities		274,770	496,734	274,770	496,734
Total liabilities		274,770	496,734	274,770	496,734
Net assets		11,332,631	16,021,878	3,607,635	5,087,151
Equity					
Issued Capital	13	18,359,428	16,481,428	18,359,428	16,481,428
Reserves	14	628,589	1,177,620	628,589	372,623
Accumulated losses	15	(7,655,386)	(1,637,170)	(15,380,382)	(11,766,900)
Total equity		11,332,631	16,021,878	3,607,635	5,087,151

Notes to the financial statements are included on pages 23 to 46.

STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Consolidated Entity	Note	Issued capital	Employee equity-settled benefits reserve	Investments revaluation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$
Balance at 1 July 2006		13,605,098	296,639	-	(1,715,855)	12,185,882
Gain/(loss) on available for sale investments		-	-	804,997	-	804,997
Related income tax		-	-	-	-	-
Total income recognised directly in equity		-	-	804,997	-	804,997
Profit for the period	15	-	-	-	78,685	78,685
Total recognised income and expense		-	-	804,997	78,685	883,682
Issue of share capital	13	3,027,000	-	-	-	3,027,000
Cost of share issues	13	(150,670)	-	-	-	(150,670)
Issue of options under share option plan	14	-	75,984	-	-	75,984
Balance at 30 June 2007		<u>16,481,428</u>	<u>372,623</u>	<u>804,997</u>	<u>(1,637,170)</u>	<u>16,021,878</u>
Balance at 1 July 2007		16,481,428	372,623	804,997	(1,637,170)	16,021,878
Gain/(loss) on available for sale investments		-	-	(804,997)	-	(804,997)
Related income tax		-	-	-	-	-
Total income recognised directly in equity		-	-	(804,997)	-	(804,997)
Loss for the period	15	-	-	-	(6,018,216)	(6,018,216)
Total recognised income and expense		-	-	(804,997)	(6,018,216)	(6,823,213)
Issue of share capital	13	1,878,000	-	-	-	1,878,000
Cost of share issues	13	-	-	-	-	-
Issue of options under share option plan	14	-	255,966	-	-	255,966
Balance at 30 June 2008		<u>18,359,428</u>	<u>628,589</u>	<u>-</u>	<u>(7,655,386)</u>	<u>11,332,631</u>

Notes to the financial statements are included on pages 23 to 46.

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

Company	Note	Issued capital	Employee equity-settled benefits reserve	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2006		13,605,098	296,639	(7,663,362)	6,238,375
Gain/(loss) on available for sale investments		-	-	-	-
Related income tax		-	-	-	-
Total income recognised directly in equity		-	-	-	-
Loss for the period	15	-	-	(4,103,538)	(4,103,538)
Total recognised income and expense		-	-	(4,103,538)	(4,103,538)
Issue of share capital	13	3,027,000	-	-	3,027,000
Cost of share issues	13	(150,670)	-	-	(150,670)
Issue of options under share option plan	14	-	75,984	-	75,984
Balance at 30 June 2007		16,481,428	372,623	(11,766,900)	5,087,151
Balance at 1 July 2007		16,481,428	372,623	(11,766,900)	5,087,151
Gain/(loss) on available for sale investments		-	-	-	-
Related income tax		-	-	-	-
Total income recognised directly in equity		-	-	-	-
Loss for the period	15	-	-	(3,613,482)	(3,613,482)
Total recognised income and expense		-	-	(3,613,482)	(3,613,482)
Issue of share capital	13	1,878,000	-	-	1,878,000
Cost of share issues	13	-	-	-	-
Issue of options under share option plan	14	-	255,966	-	255,966
Balance at 30 June 2008		18,359,428	628,589	(15,380,382)	3,607,635

Notes to the financial statements are included on pages 23 to 46.

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

**CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Note	Consolidated Entity Year to 30 Jun 08 \$	Year to 30 Jun 07 \$	Company Year to 30 Jun 08 \$	Year to 30 Jun 07 \$
Cash flows from operating activities					
GST receipts from ATO		294,891	300,750	294,891	300,750
Payments to suppliers and employees		(1,202,248)	(996,234)	(1,201,535)	(996,234)
Interest received		291,093	266,631	291,093	266,631
Net cash used in operating activities	22	<u>(616,264)</u>	<u>(428,853)</u>	<u>(615,551)</u>	<u>(428,853)</u>
Cash flows from investing activities					
Payments for acquisition joint venture	21(a)	(300,000)	-	-	-
Payments for exploration expenditure		(3,024,687)	(2,771,245)	-	-
Payment for property, plant and equipment		(64,256)	(28,919)	(64,256)	(28,919)
Proceeds from sale of property, plant and equipment		9,474	-	-	-
Net cash used in investing activities		<u>(3,379,469)</u>	<u>(2,800,164)</u>	<u>(64,256)</u>	<u>(28,919)</u>
Cash flows from financing activities					
Advances to subsidiaries		-	-	(3,315,926)	(2,771,245)
Proceeds from share issues		1,000,000	2,940,000	1,000,000	2,940,000
Payment of share issue costs		-	(150,670)	-	(150,670)
Payments in relation to unmarketable parcel share sale		(920)	(1,607)	(920)	(1,607)
Net cash provided by financing activities		<u>999,080</u>	<u>2,787,723</u>	<u>(2,316,846)</u>	<u>16,478</u>
Net increase/(decrease) in cash and cash equivalents		(2,996,653)	(441,294)	(2,996,653)	(441,294)
Cash and cash equivalents at beginning of financial year		5,171,700	5,612,994	5,171,700	5,612,994
Cash and cash equivalents at the end of the financial year	5	<u>2,175,047</u>	<u>5,171,700</u>	<u>2,175,047</u>	<u>5,171,700</u>

Notes to the financial statements are included on pages 23 to 46.

**STELLAR RESOURCES LIMITED
ACN 108 758 961
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Stellar Resources Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 "Presentation of Financial Statements" (revised October 2006)
- AASB 7 "Financial Instruments: Disclosures"

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
ACN 108 758 961
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

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

(c) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(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
ACN 108 758 961
AND CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

Land and building are recognised at deemed cost. Plant and equipment, leasehold improvements and building 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 life, 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:

Class of Fixed Asset	Depreciation Period
Office furniture and equipment	2 to 5 years
Software	2.5 years
Buildings	40 years

(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.

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

(k) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(l) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as the "Group" in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statement of the Company, intra-group transactions ("common control transactions") are generally accounted for by reference to the existing (consolidated) book value of the items.

(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.

(n) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose term require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment write down in the Company financial statements.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Financial Assets (cont'd)

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that carrying amount to the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets, and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At balance date, the entity held the following available-for-sale financial assets:

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- has been acquired principally for the purpose of selling in the near future;
- is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(o) 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").

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Share-based Payments (cont'd)

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.

(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.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

- | | |
|---|---|
| - AASB 101 "Presentation of Financial Statements" (revised September 2007)" | Effective for annual reporting periods beginning on or after 1 January 2009 |
| - AASB Interpretation 12 "Service concession Arrangements" | Effective for annual reporting periods beginning on or after 1 January 2008 |
| - AASB Interpretation 14 "AASB 119 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" | Effective for annual reporting periods beginning on or after 1 January 2008 |
| - AASB Interpretation 13 "Customer Loyalty Programmes" | Effective for annual reporting periods beginning on or after 1 July 2008 |
| - AASB 123 "Borrowing Costs" (revised) | Effective for annual reporting periods beginning on or after 1 January 2009 |
| - AASB 2008-1 "Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations" | Effective for annual reporting periods beginning on or after 1 January 2009 |
| - AASB 2008-2 "Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation" | Effective for annual reporting periods beginning on or after 1 January 2009 |

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

- | | |
|--|---|
| - IFRS 3 "Business Combinations" and IAS 27 "Separate and Consolidated Financial Statements" | Effective for annual reporting periods beginning on or after 1 July 2009 |
| - Improvements to IFRSs (2008) | Effective for annual reporting periods beginning on or after 1 January 2009 |

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Issued Standards Not Early Adopted (cont'd)

Revised AASB 101 "Presentation of Financial Statements"

The impact of this standard will be on disclosure in the financial statements. All non-owner changes in equity must be presented in one statement of comprehensive income, or in a separate income statement and statement of comprehensive income. Components of comprehensive income may not be presented in the statement of changes in equity. Income tax and reclassification adjustments relating to each component of other comprehensive income have to be disclosed. The titles of financial statements will also change.

Interpretation 12 "Service Concession Arrangements"

This Interpretation addresses the appropriate accounting for service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities.

Interpretation 14 "AASB 119 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

This Interpretation deals with the following issues:

- when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119 "Employee Benefits";
- How a minimum funding requirements might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

Interpretation 13 "Customer Loyalty Programmes"

This Interpretation adopts a revenue allocation rather than cost accrual approach to accounting for customer loyalty programmes for entities that operate or otherwise participate in customer loyalty programmes for their customers. Loyalty awards are not seen as costs that directly relate to the goods or services already delivered, rather they are separate goods or services delivered at a later date.

AASB 123 "Borrowing Costs"

The Standard eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date.

AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'

The Standard clarifies for share-based payments what are vesting conditions and restricts the definition to include only service conditions and performance conditions. It also amends the definition of performance conditions to require the completion of a service period in addition to specified performance targets and to specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRS 3 "Business Combinations" and IAS 27 "Separate and Consolidated Financial Statements"

The Standard introduces greater emphasis on the use of fair value through increasing the judgement and subjectivity around business combination accounting and requiring greater involvement of valuation experts. Further volatility in the income statement will be introduced through the separate accounting for transaction costs, changes in the fair value of contingent consideration, settlement of pre-existing contracts and share-based payments.

Improvements to IFRSs (2008)

The Standard includes 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied.

The Standard also focuses on changes in control as a significant economic event, with requirements to remeasure interests to fair value on gaining or losing control, and to recognise all transactions between controlling and non-controlling shareholders whilst control is retained in retained earnings.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

(q) Jointly Controlled Assets

Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of each joint venture.

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
2. REVENUE				
Operating activities				
Interest received – bank deposits	260,436	282,631	260,436	282,631
Fair value gain of financial assets	-	637,353	-	-
Other revenue	9,474	-	-	-
Total Revenue	<u>269,910</u>	<u>919,984</u>	<u>260,436</u>	<u>282,631</u>

3. LOSS FOR THE YEAR

Loss for the year includes the following items of expenses

Loss on sales of property, plant and equipment	(9,868)	-	-	-
Depreciation – buildings, plant and equipment	(46,695)	(37,145)	(46,046)	(36,558)
Exploration expenditure written off	(2,233,664)	(261,301)	-	-
Rental expense	(55,708)	(28,039)	(55,708)	(28,039)
Impairment of investments	-	-	-	(612,000)
Equity-settled share based payments	(255,966)	(75,984)	(255,966)	(75,984)
Impairment of loans to subsidiaries	-	-	(2,585,624)	(2,987,284)
Fair value loss of financial assets – shares	(876,654)	(287,475)	-	-
– options	(1,373,862)	-	-	-

4. INCOME TAX

(a) Income tax recognised in profit or loss

Tax expense/(income) comprises:

Current tax expense/(benefit)	494,950	(494,950)	-	-
Deferred tax expense relating to origination and reversal of temporary differences	-	-	-	-
Total tax expense/(benefit)	<u>494,950</u>	<u>(494,950)</u>	<u>-</u>	<u>-</u>

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	(5,523,266)	(416,265)	(3,613,482)	(4,103,538)
Income tax expense/(benefit) calculated at 30%	(1,656,980)	(124,880)	(1,084,045)	(1,231,061)
Non-deductible expenses	(268,076)	(526,851)	826,840	1,047,292
Unused tax losses and tax offsets not recognised as deferred tax assets	1,430,106	156,781	257,205	183,769
Total tax expense/(benefit)	<u>494,950</u>	<u>(494,950)</u>	<u>-</u>	<u>-</u>

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.

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FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
4. INCOME TAX (cont'd)				
(b) Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Effect of revaluations of assets for taxation purposes				
Tax losses – revenue	2,982,523	759,063	2,982,523	759,063
Tax losses – capital	720,427	720,427	720,427	720,427
Total tax benefit	<u>3,702,950</u>	<u>1,479,490</u>	<u>3,702,950</u>	<u>1,479,490</u>

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	455,047	32,181	455,047	32,181
Term deposits	1,720,000	5,220,000	1,720,000	5,220,000
	<u>2,175,047</u>	<u>5,252,181</u>	<u>2,175,047</u>	<u>5,252,181</u>

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	2,175,047	5,252,181	2,175,047	5,252,181
Bank overdraft	-	(80,481)	-	(80,481)
	<u>2,175,047</u>	<u>5,171,700</u>	<u>2,175,047</u>	<u>5,171,700</u>

6. TRADE AND OTHER RECEIVABLES – CURRENT

Interest receivable	17,343	48,000	17,343	48,000
Other debtors	99,418	102,732	99,418	102,732
GST receivable	27,604	52,303	27,604	52,303
Tenement security deposit	70,335	58,364	63,335	56,364
	<u>214,700</u>	<u>261,399</u>	<u>207,700</u>	<u>259,399</u>

The average credit period for other debtors is 45 days. No interest is charged on outstanding amounts.

7. OTHER ASSETS – CURRENT

Prepaid workers compensation insurance	-	966	-	966
Prepaid insurance premium	26,275	3,733	26,275	3,733
	<u>26,275</u>	<u>4,699</u>	<u>26,275</u>	<u>4,699</u>

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	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
8. OTHER FINANCIAL ASSETS				
CURRENT				
Receivable from wholly owned subsidiaries	-	-	13,386,854	9,413,684
Accumulated impairment	-	-	(11,999,287)	(9,413,684)
	-	-	1,387,567	-
NON-CURRENT				
Shares in listed investment	4,832,558	4,832,588	-	-
Accumulated impairment	(3,550,432)	-	-	-
Shares in subsidiaries at cost	-	-	859,630	859,620
Accumulated impairment	-	-	(859,630)	(859,620)
	1,282,126	4,832,588	-	-
Movement in the allowance for impairment				
Balance at the beginning of the year	-	-	-	-
Impairment losses recognised on receivables	-	-	13,386,854	9,413,684
Amounts written off as uncollectible	-	-	(11,999,287)	(9,413,684)
	-	-	1,387,567	-

Other financial assets comprise an investment of 10.266 million shares and 5.133 million options granted to Hiltaba Gold Pty Ltd (a wholly owned subsidiary of Stellar) when Uranium SA Limited listed, granting uranium exploration rights on six of Stellar's exploration licences in the Tarcoola region of the central Gawler Craton. The shares and options are held in escrow until October 2008.

At 30 June 2008, the investments in UraniumSA and Gippsland Offshore Petroleum were restated to fair value resulting in a decrement of \$3,550,432. A revaluation decrement of \$2,176,600 in relation to the available-for-sale shares in UraniumSA was recognised during the year. Previous revaluation increments recognised in the investments revaluation reserve of \$804,997 were reversed and the remaining revaluation decrement of \$1,371,603 was recognised in the Income Statement. The company does not recognise deferred taxes in the Balance Sheet due to the recurring losses. The fair value of options held in UraniumSA decreased by \$605,751 and the value of options held in Gippsland Offshore Petroleum decreased by \$768,111. These fair value decrements on options are recognised in the Income Statement.

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

The shares in Uranium SA were classified as "available-for-sale" financial assets and therefore any movements in fair value are recognised in the investments revaluation reserve. In accordance with AASB 139, these financial assets are carried at their fair value at balance date, resulting in a net revaluation decrement of \$2,176,600 during the year.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

10. EXPLORATION EXPENDITURE

Balance at the beginning of the period	6,037,331	6,484,112	-	-
Expenditure incurred during the period	3,999,568	3,409,605	-	-
Expenditure written off during the period	(2,233,664)	(261,301)	-	-
Expenditure recoupment during the period	(100,616)	(3,595,085)	-	-
Exploration expenditure at the end of the period	7,702,619	6,037,331	-	-

(b) Joint venture interest

- Panama Hat
- Triako Joint Venture
- Gold exploration farm-out
- Base metal exploration farm-in whereby the Consolidated Entity has earned 51%

- Warrior Joint Venture
- Uranium exploration farm-out

- Cowell Joint Venture	- IOCG exploration farm-in whereby the Consolidated Entity can earn 75%
- Robins Rise Joint Venture	- IOCG exploration farm-out
- Tarcoola Uranium Joint Venture	- Uranium exploration farm-out

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10. EXPLORATION EXPENDITURE (cont'd)

(b) Joint venture interest (cont'd)

A wholly owned subsidiary, Columbus Metals Limited, has the following significant exploration joint venture interests:

- Heemskirk Tin Joint Venture – Tin exploration 60%

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
The Consolidated Entity's share of assets employed in the joint ventures are:				
Non-current assets				
Exploration expenditure	2,334,100	2,651,164	-	-

11. TRADE AND OTHER PAYABLES

Other creditors and accruals	236,088	473,302	236,088	473,302
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The average credit period on purchases is 30 days. No interest is charged on trade payables.

12. CURRENT PROVISIONS

Other – audit fees	20,702	-	20,702	-
Employee benefits	17,980	23,432	17,980	23,432
	38,682	23,432	38,682	23,432

	Consolidated Entity		Company	
	Annual	Audit	Annual	Audit
	Leave	Fees	Leave	Fees
Balance at 1 July 2007	23,432	-	23,432	-
Additional provisions recognised	43,384	20,702	43,384	20,702
Payments made	(48,836)	-	(48,836)	-
Balance at 30 June 2008	17,980	20,702	17,980	20,702

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
- Aggregate employee benefits liability	17,980	23,432	17,980	23,432
- Number of employees at year-end	4	6	4	6

13. ISSUED CAPITAL

(a) Issued capital

77,891,501 fully paid ordinary shares (2007: 67,038,168)	18,359,428	16,481,428	18,359,428	16,481,428
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 No.	2008 \$	2007 No.	2007 \$
13. ISSUED CAPITAL (cont'd)				
(b) Movements in shares on issue				
At the beginning of the reporting period	67,038,168	16,481,428	58,338,168	13,605,098
Shares issued during the period:				
Placement Market	5,000,000	1,000,000	8,400,000	2,940,000
Placement Discovery Nickel Limited	-	-	300,000	87,000
Placement WML Investments Pty Ltd	5,853,333	878,000	-	-
Share issue cost	-	-	-	(150,670)
At the end of the reporting period	<u>77,891,501</u>	<u>18,359,428</u>	<u>67,038,168</u>	<u>16,481,428</u>

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 14 March 2008 the Company issued 5,000,000 ordinary fully paid shares at an issue price of 20 cents to raise additional working capital.

On 4 and 29 April 2008 the company issued 3,795,725 and 2,057,608 ordinary fully paid shares at an issue price of 15 cents to WML Investments Pty Ltd in consideration for the acquisition of joint venture interest from Western Metals Limited.

(c) Share-based payments

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 2008, employees have options over 1,175,000 ordinary shares all of which are exercisable at 30 cents each and expire on 30 November 2010. In addition, on 12 February 2008, the CEO was granted 500,000 options to subscribe for ordinary shares at an exercise price of 25 cents each. These options are exercisable between 1 June 2008 and 30 November 2010.

At 30 June 2008, the Company had on issue the following options to acquire shares in the Company:

Nos.	Class
3,500,000	Unlisted Director Options
375,000	Unlisted Vested Employee Options expiring 19 August 2009
1,175,000 (iii)	Unlisted Vested Employee Options expiring 30 November 2010
500,000 (iv)	Unlisted Vested Employee Options expiring 31 January 2011

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13. ISSUED CAPITAL (cont'd)

(c) Share-based payments (cont'd)

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)	375,000	16/03/06	19/08/09	30 cents	\$81,358
Employee options (iii)	1,175,000	05/12/07	30/11/10	30 cents	\$220,112
Employee options (iv)	500,000	12/02/08	31/01/11	25 cents	\$39,270

- (i) Under the ASX listing rules, options issued to Directors in the year ending 30 June 2005 remained in escrow until 28 April 2007 and vested on that date.
- (ii) In accordance with the Company's Employee Option Plan, employee options issued on the 16 March 2006 fully vested on issue date.
- (iii) In accordance with the Company's Employee Option Plan, employee options issued on the 5 December 2007 fully vested on issue date.
- (iv) In accordance with the Company's Employee Option Plan, employee option issued on the 12 February 2008 vested on issue date.

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

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise prices
Balance at the beginning of the financial year	4,125,000	30 cents	4,125,000	30 cents
Granted during the financial year	1,675,000	27.5 cents	-	30 cents
Forfeited during the financial year	(250,000)	-	-	-
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of the financial year (ii)	5,550,000	27.5 cents	4,125,000	30 cents
Exercisable at the end of the financial year	5,550,000	30 cents	4,125,000	30 cents

- (i) Exercised during the financial year
No share options issued under the employee option plan were exercised during the year.
- (ii) 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 25 cents and a weighted average remaining contractual life of 318 days (2007: 567 days).

14. RESERVES

Employee equity-settled benefits reserve

	Consolidated Entity		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at the beginning of the financial year	372,623	296,639	372,623	296,639
Share-based payment	255,966	75,984	255,966	75,984
Transfer to share capital	-	-	-	-
Balance at the end of the financial year	628,589	372,623	628,589	372,623

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14. RESERVES (cont'd)

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investments revaluation reserve				
Balance at the beginning of the financial year	804,997	-	-	-
Cumulative (loss) transferred to the income statement on impairment of financial assets	(804,997)	804,997	-	-
Deferred tax liability arising on revaluation	-	-	-	-
Balance at the end of the financial year	-	804,997	-	-

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 Note 13 to the financial statements.

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is impaired it is then recognised in profit or loss.

15. ACCUMULATED LOSSES

Accumulated losses at the beginning of the period	(1,637,170)	(1,715,855)	(11,766,900)	(7,663,362)
Profit/(loss) for the period	(6,018,216)	78,685	(3,613,482)	(4,103,538)
Accumulated losses at the end of the financial period	(7,655,386)	(1,637,170)	(15,380,382)	(11,766,900)

16. EARNINGS PER SHARE

	Consolidated Entity	
	2008	2007
	Cents	Cents
	per share	per share
Basic earnings per share	(8.551)	0.133
Diluted earnings per share	(8.551)	0.133

	Consolidated Entity	
	2008	2007
	\$	\$
(a) Reconciliation of earnings to net loss		
Net profit/(loss)	(6,018,216)	78,685
Earnings used in the calculation of basic and diluted EPS	(6,018,216)	78,685
(b) Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted EPS	70,379,946	59,128,853

The options on issue throughout 2007 and 2008 are not dilutive in effect, as the consolidated entity recorded a net loss in 2008.

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17. 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	–	Non-executive Director (since 1 June 2008)
Christopher G Anderson	–	Executive Director
Peter G Blight	–	Chief Executive Officer
Melvyn J S Drummond	–	Company Secretary

(b) Directors' and Executives' Compensation

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employees benefits	487,473	424,916	487,473	424,916
Post-employment benefits	107,111	132,334	107,111	132,334
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	172,418	75,984	172,418	75,984
	767,002	633,234	767,002	633,234

(c) Number of options held by key management personnel

2008	Balance 1/07/07	Granted as compensation	Options exercised	Net change other	Balance 30/06/08	Total vested 30/06/08	Total exerc- isable 30/06/08	Total unexerc- isable 30/06/08
Directors								
T J Burrowes	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
B E Laws	500,000	-	-	-	500,000	500,000	500,000	-
D J Isles	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
C G Anderson	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Executives								
P G Blight	-	1,000,000	-	-	1,000,000	908,145	500,000	408,145
M J Drummond	-	250,000	-	-	250,000	250,000	250,000	-
B Michaelidis	250,000	-	-	(250,000)	-	-	-	-
	3,750,000	1,250,000	-	(250,000)	4,750,000	4,658,145	4,250,000	408,145
2007	Balance 1/07/06	Granted as compensation	Options exercised	Net change other	Balance 30/06/07	Total vested 30/06/07	Total exerc- isable 30/06/07	Total unexerc- isable 30/06/07
Directors								
T J Burrowes	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
B E Laws	500,000	-	-	-	500,000	500,000	500,000	-
D J Isles	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
C G Anderson	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Executives								
B Michaelidis	250,000	-	-	-	250,000	250,000	250,000	-
	3,750,000	-	-	-	3,750,000	3,750,000	3,750,000	-

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17. KEY MANAGEMENT PERSONNEL COMPENSATION (cont'd)

(d) Shares issued on exercise of compensation options

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

(e) Loans to key management personnel

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

(f) Number of shares held by key management personnel

2008	Balance 1/07/07	Received as Compensation	Options Exercised	Net change other	Balance 30/06/08
Directors					
T J Burrowes	1,086,112	-	-	-	1,086,112
B E Laws	75,000	-	-	425,000	500,000
D J Isles	73,612	-	-	-	73,612
C G Anderson	75,000	-	-	-	75,000
Executives					
P G Blight	-	-	-	625,977	625,977
M J Drummond	-	-	-	40,000	40,000
B Michaelidis	5,000	-	-	(5,000)	-
	<u>1,314,724</u>	<u>-</u>	<u>-</u>	<u>1,085,977</u>	<u>2,400,701</u>
2007	Balance 1/07/06	Received as Compensation	Options Exercised	Net change other	Balance 30/06/07
Directors					
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
Executives					
B Michaelidis	5,000	-	-	-	5,000
	<u>1,314,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,314,724</u>

* On 15 August 2007 Mr Laws purchased an additional 425,000 shares

18. REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports of the Company
Other services

29,200	24,000	29,200	24,000
-	9,000	-	9,000
<u>29,200</u>	<u>33,000</u>	<u>29,200</u>	<u>33,000</u>

19. COMMITMENTS FOR EXPENDITURE

Exploration Commitments 1,825,447 1,547,951 - -

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 1,825,447 1,547,951 - -

Exploration commitments later than one year are dependent on management assessment of prospectivity and desirability of retaining the current suite of exploration projects.

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20. 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	–	Non-executive Director (since 1 June 2008)
Christopher G Anderson	–	Executive Director

Remuneration Benefits

Information on remuneration benefits of Directors is disclosed in the Directors' Report.

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:

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Ordinary shares	-	-	1,734,724	1,309,724
Options over ordinary shares	-	-	3,500,000	3,500,000

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 \$160,597 (inclusive of GST) (2007: \$95,000) in relation to these services.

Other Transactions with Directors and Director – Related Entities (cont'd)

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 were \$2,821 (inclusive of GST) (2007: \$36,631).

21. SUBSIDIARIES

	Country of Incorporation	Percent Owned (%)	
Company:		2008	2007
Stellar Resources Limited	Australia	-	-
Subsidiaries of Stellar Resources Limited:			
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%	100%
Columbus Metals Limited	Australia	100%	-

Columbus Metals Limited a wholly-owned subsidiary was incorporated on 14 September 2007, has entered into a deed of cross guarantee with Stellar Resources Limited pursuant to ASIC Class Order 98/1418 dated 19 June 2008 and is relieved from the requirement to prepare and lodge an audited financial report.

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21. SUBSIDIARIES (cont'd)

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are:

Income Statement	Consolidated 2008 \$
Revenue	<u>260,436</u>
Administration expenditure	(1,242,238)
Depreciation and amortisation expenses	(46,254)
Impairment of loans to subsidiaries	<u>(2,585,624)</u>
Loss before tax	(3,613,680)
Income tax (expense)/benefit	<u>-</u>
Profit/(loss) for the year	<u>(3,613,680)</u>
 Balance Sheet	 Consolidated 2008 \$
Current assets	
Cash and cash equivalents	2,175,047
Trade and other receivables	212,700
Other	<u>26,275</u>
Total current assets	<u>2,414,022</u>
Non-current assets	
Property, plant and equipment	163,608
Exploration expenditure	<u>1,304,577</u>
Total non-current assets	<u>1,468,185</u>
Total assets	<u>3,882,207</u>
Current liabilities	
Trade and other payables	236,088
Provisions	<u>38,682</u>
Total current liabilities	<u>274,770</u>
Total liabilities	<u>274,770</u>
Net assets	<u>3,607,437</u>
Equity	
Issued Capital	18,359,428
Reserves	628,589
Accumulated losses	<u>(15,380,580)</u>
Total equity	<u>3,607,437</u>

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21. SUBSIDIARIES (cont'd)

Accumulated Losses	Consolidated 2008 \$
Accumulated losses as at beginning of the financial year	(11,766,900)
Net (loss)	(3,613,680)
Accumulated losses as at end of the financial year	<u>(15,380,580)</u>

(a) Joint venture interest acquired

	Date Acquired	Cost of Acquisition	Percentage Acquired
--	--------------------------	--------------------------------	--------------------------------

The following joint venture interest was acquired during the period:

2008

Western Metals Limited	02/04/08	\$1,178,000	60%
------------------------	----------	-------------	-----

Western Metals Limited

Net assets acquired	Book value \$	Fair value adjustment \$	Fair value on acquisition \$
Current assets:			
Exploration expenditure	1,100,000	-	1,100,000
Non-current assets:			
Property, plant and equipment	78,000	-	78,000
	<u>1,178,000</u>	<u>-</u>	<u>1,178,000</u>

Net cash flow on acquisition

	2008 \$
Total purchase consideration	1,178,000
Less: non-cash consideration – issuance of equity instruments in Stellar Resources Limited	<u>(878,000)</u>
Consideration paid in cash	<u>300,000</u>

2008

No subsidiaries were acquired during the period

2007

No subsidiaries were acquired during the period

(b) Subsidiaries disposed

No subsidiaries were disposed during the period

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	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
22. CASH FLOW INFORMATION				
Reconciliation of cash flow from operations with loss after Income Tax				
Profit/(loss) for the year	(6,018,216)	78,685	(3,613,482)	(4,103,538)
Depreciation of property, plant and equipment	46,695	37,145	46,046	36,558
Loss on sale of property, plant and equipment	19,341	-	-	-
Exploration expenditure write off	2,233,664	261,301	-	-
Employee equity-settled benefits	255,966	75,984	255,966	75,984
Diminution in investments	-	-	-	612,000
Provision for subsidiary loan receivables	-	-	2,595,099	2,987,284
Income tax expenses	652,980	(494,950)	-	-
Fair value (gains) on financial assets	-	(349,877)	-	-
Fair value loss on financial assets	2,092,486	-	-	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	45,883	(36,074)	45,883	(36,074)
(Increase)/decrease in prepayments	(21,576)	21,627	(21,576)	21,627
Increase/(decrease) in payables	51,738	(18,317)	51,738	(18,317)
Increase/(decrease) in employee entitlements	4,073	(4,377)	4,073	(4,377)
Increase/(decrease) in provisions	20,702	-	20,702	-
Cash flows used in operations	<u>(616,264)</u>	<u>(428,853)</u>	<u>(615,551)</u>	<u>(428,853)</u>

The shares in listed investments of \$1,282,126 (Note 8) do not constitute an operating or financing activity due to their nature and, therefore, are not shown in the cash flow information above. This amount is represented by a combination of shares and options in UraniumSA Limited and options in Gippsland Offshore Petroleum Limited issued to the company as follows:

- 6,666,667 Gippsland Offshore Petroleum Limited options were granted to Rilo Exploration Pty Ltd (a wholly owned subsidiary of Stellar) in consideration for rights held in certain petroleum tenements.
- 10,266,980 shares were granted to Hiltaba Gold Pty Ltd (a wholly owned subsidiary of Stellar) on the successful listing of UraniumSA Limited pursuant to a Joint Venture with UraniumSA Limited granting uranium exploration rights on six of Stellar's exploration licenses in the Tarcoola region of the central Gawler Craton.

23. 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 2008, the Company does not have in place any commodity contracts.

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23. FINANCIAL INSTRUMENTS (cont'd)

(c) Credit risk exposure

The company does not have any credit risk exposure.

(d) Categories of financial instruments

	Consolidated Entity		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial assets:				
Fair value through profit or loss (FVTPL):				
Derivative instruments (i)	255,330	1,629,192	-	-
Loans receivable	-	-	1,387,567	-
Other receivables	241,700	261,399	207,700	259,399
Cash and cash equivalents	2,175,047	5,252,181	2,175,047	5,252,181
Available-for-sale financial assets (ii)	1,026,796	3,203,396	-	-
Financial liabilities:				
Other payables and accruals	236,088	473,302	236,088	473,302

(i) Derivative instruments include options in UraniumSA and Gippsland Offshore Petroleum, companies listed on the Australian Stock Exchange.

(ii) Available-for-sale financial assets includes shares in UraniumSA and Gippsland Offshore Petroleum.

(e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of cash and cash equivalents and equity holders of the parent, comprising issued capital, reserves and accumulated losses disclosed in notes 13, 14 and 15.

None of the Group's entities are subject to externally imposed capital requirements.

(f) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates (refer note (d)).

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(g) Interest rate risk management

The company and the Group are exposed to interest rate risk on cash and cash equivalents.

The company and the Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

(h) Interest rate sensitivity analysis

The Group's sensitivity to interest rates has decreased during the current period mainly due to a decrease in the level of cash and cash equivalents at balance date.

(i) Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

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23. FINANCIAL INSTRUMENTS (cont'd)

(j) Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if the equity prices had been 5%p.a. higher or 5%p.a. lower:

- net losses for the year ended 30 June 2008 would have increased/decreased by \$51,335 (2007: net loss for the year would have been unaffected as the equity investments classified as available-for-sale would not have decreased below the previous revaluation increments).
- Investment revaluation reserve would have still been nil at 30 June 2008 (2007: investment revaluation reserve would have increased/decreased by \$160,165).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

(k) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and is limited because the Group has no trade receivables as the Group is still exploring for minerals rather than producing.

(l) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient cash balances.

(m) Liquidity and interest risk tables

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

(n) 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:

Consolidated	Weighted Average Effective Interest Rate %	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
		\$	\$	\$	\$	\$
2008						
Financial assets						
Non-interest bearing	7.80%	214,700	-	-	-	-
Financial liabilities						
Non-interest bearing		236,088	-	-	-	-
2007						
Financial assets						
Non-interest bearing	6.28%	261,399	-	-	-	-
Financial liabilities						
Non-interest bearing		473,302	-	-	-	-

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23. FINANCIAL INSTRUMENTS (cont'd)

(n) Interest rate risk exposure (cont'd)

Company	Weighted Average Effective Interest Rate %	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
		\$	\$	\$	\$	\$
2008						
Financial assets						
Non-interest bearing	7.80%	207,700	-	-	-	-
Financial liabilities						
Non-interest bearing		236,088	-	-	-	-
2007						
Financial assets						
Non-interest bearing	6.28%	266,098	-	-	-	-
Financial liabilities						
Non-interest bearing		473,302	-	-	-	-

(o) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of derivative instruments are calculated using quoted prices and option pricing models.

Quoted prices

Financial assets in this category include shares in UraniumSA a company listed on the Australian Stock Exchange.

Derivatives

Derivatives include options in UraniumSA and Gippsland Offshore Petroleum, companies listed on the Australian Stock Exchange.

24. STATEMENT OF OPERATIONS BY SEGMENTS

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

25. EVENTS SUBSEQUENT TO REPORTING DATE

As previously announced, the IPO of Columbus Metals Limited, as a focused tin development company is progressing. On 25 July, 2008, Stellar Resources Limited ("Stellar") announced that an agreement has been reached with Gippsland Limited ("Gippsland") to merge their respective joint venture interests in the Tasmanian Heemskirk Tin project (formerly known as the Zeehan Tin project) into Stellar's subsidiary Columbus Metals Limited ("Columbus").

The agreement is conditional upon Columbus raising a minimum of \$10 million and being admitted to the ASX on or before 31 December 2008 or such later date as may be agreed.

The agreement prescribes that Gippsland will be issued with 15 million \$0.25cents fully paid ordinary shares or the same number of fully paid ordinary shares that Stellar will hold in Columbus at the time of its admission to the ASX, if that number is greater than 15 million.

Independent Auditor's Report to the members of Stellar Resources Limited

We have audited the accompanying financial report of Stellar Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 46.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Stellar Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Stellar Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

G R Sincock
Partner
Chartered Accountants
Melbourne, 29 August 2008

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ACN 108 758 961
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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 77,891,501 ordinary shares fully paid as at 18 August 2008, of which all are listed on the Australian Stock Exchange. In addition, the company has on issue 5,050,000 unlisted options to acquire shares at an exercise of 30 cents per share at any time up to 30 November 2010 and 500,000 unlisted options to acquire shares at an exercise of 25 cents per share at any time up to 31 January 2011.

(a) Distribution of Shareholder Numbers

Size of Holding	Number of Shareholders	Units	%	Number of Optionholders	Units	%
1 – 1,000	229	93,505	11.63	-	-	-
1,001 – 5,000	553	1,645,562	28.09	-	-	-
5,001 – 10,000	326	2,770,980	16.56	-	-	-
10,001 – 100,000	763	27,489,973	38.75	2	150,000	2.70
100,001 and over	98	45,891,481	4.98	9	5,400,000	97.30
	1,969	77,891,501	100.00	11	5,550,000	100.00

There were 603 shareholders who held less than a marketable parcel (912,634 shares) based on the market price of 14.5 cents.

(b) Substantial shareholder as at 18 August 2008

	Name	Number of Shares Held	%
1	WML Investments Pty Ltd	5,560,666	7.14
2	JPC International Pty Ltd	5,000,000	6.42
		10,560,666	13.56

(c) 20 Largest Shareholders – Ordinary Shares

	Name	Number of Shares Held	%
1	WML Investments Pty Ltd	5,560,666	7.14
2	JPC International Pty Ltd	5,000,000	6.42
3	L J Thomson Pty Ltd	3,750,000	4.81
4	AWJ Investments Pty Ltd	2,425,000	3.11
5	J P Morgan Nominees Australia Limited	2,005,000	2.57
6	Mr David John Lauritz & Mrs Deborah Mad <Lauritz Super Fund A/C>	1,600,000	2.05
7	Fountain Oaks Pty Ltd <Limbs Family Super Fund>	1,245,000	1.60
8	Providence Gold and Minerals Pty Ltd	1,000,000	1.26
9	Mr Alvise Pase	879,136	1.13
10	Carojon Pty Ltd <Imbruglia S/F A/C>	750,000	0.96
11	Dr Leon Eugene Pretorius	750,000	0.96
12	Batavia Oil & Gas Pty Ltd	700,000	0.90
13	Toad Facilities Pty Ltd <JP Nettleton/Toad S/F A/C>	667,500	0.86
14	UBS Wealth Management Australia Nominees Pty Ltd	645,977	0.83
15	Octifil Pty Ltd	600,000	0.77
16	Calama Holdings Pty Ltd <Mambat Super Fund A/C>	600,000	0.77
17	ANZ Nominees Limited <Cash Income A/C>	599,170	0.77
18	F H Nominees Pty Ltd	508,406	0.65
19	Mr Alvise Pase <A Pase Super fund A/C>	500,100	0.64
20	Dreammaster Pty Ltd <Carlyon Super Fund A/C>	500,000	0.64
		30,285,955	38.84

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(d) Largest Optionholders

	Name	Number of Options Held	%
1	T J Burrowes	1,000,000	18.00
2	C G Anderson	1,000,000	18.00
3	D J Isles	1,000,000	18.00
4	P G Blight	1,000,000	18.00
5	B E Laws	500,000	9.20
6	M J S Drummond	250,000	4.60
7	T H Whiting	250,000	4.60
8	B F Rava	250,000	4.60
		5,250,000	95.00

(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.
- 1,000,000 options are on issue to the Chief Executive Officer. 500,000 options are exercisable up to 30 November 2010 at an exercisable price of 30 cents. An additional 500,000 options are exercisable up to 31 January 2011 at an exercisable price of 25 cents.
- 375,000 options are on issue to Stellar employees. These options are exercisable up to 19 August 2009 at an exercisable price of 30 cents each.
- 675,000 options are on issue to Stellar Employees. These options are exercisable up to 30 November 2010 at an exercisable price of 30 cents each.

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SCHEDULE OF TENEMENTS

Area (km²)	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
Exploration Licence EL4632 - Triako Joint Venture, New South Wales					
61	51	Anglogold Ashanti Australia Limited, Triako Resources Limited (now CBH Resources Limited)	21/12/1993	20/12/2007 Renewal for two years lodged on 21/11/2007, still pending as at 3/07/2008	Note 1
Exploration Licence EL6556 - Panama Hat, New South Wales					
38	100	Balrone Holdings Pty Ltd	11/04/2006	10/04/2010	Note 7
Mining Lease ML4650 - Tarcoola Project, South Australia					
15.61 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
Mining Lease ML4667 - Tarcoola Project, South Australia					
4.49 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
Mining Lease ML5179 - Tarcoola Project, South Australia					
4.68 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
Mining Lease ML5300 - Tarcoola Project, South Australia					
2.89 ha	100	Hiltaba Gold Pty Ltd	11/01/2005	10/01/2010	
Exploration Licence EL4167 - Tarcoola, South Australia					
1249	100	Hiltaba Gold Pty Ltd	30/07/2008	29/07/2009	Note 2
Exploration Licence EL3205 - Pinding, South Australia					
500	100	Hiltaba Gold Pty Ltd	10/05/2004	9/05/2009	Note 2
Exploration Licence EL3253 - Hierns Well, South Australia					
427	100	Hiltaba Gold Pty Ltd	29/09/2004	28/09/2009	Note 2
Exploration Licence EL3336 - Robins Rise, South Australia					
818	100	Hiltaba Gold Pty Ltd	9/05/2005	8/05/2007	Note 6
Exploration Licence EL3369 - Carnding, South Australia					
263	100	Hiltaba Gold Pty Ltd	4/07/2005	3/07/2007	Note 2
Exploration Licence EL3372 - Warrior, South Australia					
165	100	Hillment Pty Ltd	8/07/2005	7/07/2007	Note 3
Exploration Licence EL3436 - Lake Woorong, South Australia					
889	100	Hiltaba Gold Pty Ltd	20/10/2005	19/10/2006	

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SCHEDULE OF TENEMENTS

Area (km²)	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
Exploration Licence EL3500 - Kychering, South Australia					
91	100	Hiltaba Gold Pty Ltd	18/01/2006	17/01/2007	Note 2
Exploration Licence EL3583 - Pernatty, South Australia					
598	100	Hiltaba Gold Pty Ltd	21/06/2006	20/06/2009	
Exploration Licence EL3752 - Cleanskin Swamp, South Australia					
637	100	Hiltaba Gold Pty Ltd	19/04/2007	18/04/2012	
Exploration Licence EL3753 - Long Creek, South Australia					
927	100	Hiltaba Gold Pty Ltd	19/04/2007	18/04/2012	
Exploration Licence EL3799 - Cooladding, South Australia					
58	100	Hiltaba Gold Pty Ltd	12/06/2007	11/07/2012	Note 2
Exploration Licence EL3850 - Carriewerloo, South Australia					
272	100	Hiltaba Gold Pty Ltd	23/07/2007	22/07/2012	
Exploration Licence EL3978 - Cowell JV, South Australia					
840	0	Avoca Resources Limited, managed by Hiltaba Gold Pty Ltd	23/09/2002	22/08/2007	Note 4
Exploration Licence EL3148 - Cowell JV, South Australia					
312	0	Avoca Resources Limited, managed by Hiltaba Gold Pty Ltd	26/11/2003	25/11/2008	Note 4
Exploration Licence EL3418 - Cowell JV, South Australia					
85	0	Avoca Resources Limited, managed by Hiltaba Gold Pty Ltd	16/09/2005	15/09/2010	Note 4
Exploration Licence EL4125 - West Wirrida, South Australia					
426	100	Hiltaba Gold Pty Ltd	24/04/2008	23/04/2013	
Exploration Licence EL46/2003 - Heemskirk, Tasmania					
193	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
Exploration Licence EL1/2004 - Ramsay River, Tasmania					
90	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
Exploration Licence EL21/2004 - Dundas, Tasmania					
13	100	Rubicon Min Tech Ventures Pty Ltd	26/06/2004	25/06/2009	Note 5
Exploration Licence EL49/2004 - Rayne, Tasmania					
28	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	
Exploration Licence EL50/2004 - Ewart Creek, Tasmania					
32	100	Rubicon Min Tech Ventures Pty Ltd	3/02/2005	9/02/2010	

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SCHEDULE OF TENEMENTS

Area (km ²)	Stellar interest held (%)	Registered title holder	Date granted	Expiry on / payment due	Notes
Exploration Licence EL21/2006 - Hangman's Creek, Tasmania					
8	100	Rubicon Min Tech Ventures Pty Ltd	9/10/2006	8/10/2011	
Exploration Licence EL44/2006 - Corinna, Tasmania					
125	100	Rubicon Min Tech Ventures Pty Ltd	17/04/2007	16/04/2012	
Retention Licence RL5/1997 - Zeehan, Tasmania					
6	60	Columbus Metals Limited, Gippsland Limited	5/06/2008	19/06/2009	Note 8
Exploration Licence EL4525 - North Bendigo, Victoria					
374	50	Providence Gold and Minerals Pty Ltd, Stellar Resources Limited	11/01/2001	10/01/2009	Note 9
Exploration Permit for Petroleum EPP Vic/P47 - Gilbert Block, Gippsland Basin, Bass Strait, Victoria					
230	3	Moby Oil & Gas Ltd, Bass Strait Oil Company Limited, Eagle Bay Resources NL	28/05/2001	27/12/2008	

Notes:

- Note 1 Stellar has earned its 51% interest and has elected to sole fund a 60% interest.
- Note 2 UraniumSA Limited earning 70% in uranium interest
- Note 3 Stellar retained 100% interest in BHP Billiton Falcon Access Areas
- Note 3 Memorandum of Understanding for farm-out to Toro Energy Limited
- Note 4 Stellar has a right to earn 75% interest
- Note 5 Purchased from Discovery Nickel Limited (now Discovery Metals Limited)
- Note 6 Earn-in agreement with Red Metal Limited and Phelps Dodge Australasia, Inc.
- Note 7 Pending renewal approval
- Note 8 Columbus Metals Limited 60%, Gippsland Limited 40%
- Note 9 Reduced interest to an entitlement of 2% royalty on gross production over the defined surveyed area

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Melvyn J Drummond

CHIEF EXECUTIVE OFFICER

Peter G Blight

REGISTERED OFFICE

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

Telephone: (03) 9909 7618
Facsimile: (03) 9909 7621
E-Mail: srzinfo@stellarresources.com.au
Website: www.stellarresources.com.au

Registers of unlisted employee and other options held at this address

ADELAIDE OFFICE

63 King William Street
Kent Town SA 5067

Telephone: (08) 8363 1589

LEGAL ADVISOR

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

AUDITOR

Deloitte Touche Tohmatsu
QV Building
180 Lonsdale Street
Melbourne VIC 3000

BANKERS

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

HOME STOCK EXCHANGE

Australian Stock Exchange Limited
530 Collins Street
Melbourne VIC 3000

ASX code for shares: SRZ

SHARE REGISTRY

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

Register of listed ordinary shares held at this address