ASX Release

27 October 2008

Quarterly Report
For the period ended 30 September 2008

Highlights

Iron Ore (SA)

- Placement of new shares to an institutional investor raised $1.0 million to continue drill testing the Tarcoola Iron Ore Project.
- DTR testwork on PD007 drill core confirmed ore grade magnetite mineralisation and high recoveries within the magnetite zone**.**
- Drilling to test the lateral and depth extent of iron mineralisation at Coolybring commenced on 16th October 2008.

Tin (Tasmania)

- 25% AU$ tin price decline fails to recognise solid market fundamentals.
- Columbus Metals prospectus largely completed during the quarter.
- The decision to take Columbus Metals to IPO deferred until equity market conditions improve.

Exploration

- Sampling and Geophysical surveys commenced on the Panama Hat gold project in NSW, during the quarter (JV with Carpentaria Exploration Limited, ASX: CAP). Further work is planned by Carpentaria to evaluate high grade gold in rock chips from the "Williams" Prospect.

Activities Diary for December Quarter 2008

- **Tarcoola (Iron Ore) SA** – RC drilling program expected to continue through until mid-November.
- **Panama Hat (Gold) NSW** – Drilling to commence in December quarter.
- **Joint Ventures (Uranium) SA –** Exploration drilling planned by Toro Energy Limited (Warrior JV) and UraniumSA Limited (Kingoonya Palaeochannel JV) in next two quarters.

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CORPORATE

Financial Position
As at 30 September 2008, the Company held cash and near term securities of $2.5 million. Stellar also holds financial assets of 10.26 million shares in UraniumSA Limited (ASX: USA) valued at some $0.5 million and 6.667 million options in Gippsland Offshore Petroleum Limited (ASX: GOP) exercisable at 20 cents.

On the 12 September 2008, Stellar announced the placement of 7,142,857 new ordinary shares at 14 cents each to an institutional investor to raise $1.0 million. The funds are to be used principally for a drilling program to test the hematite potential and the extent of magnetite mineralisation at the company's 100% owned Tarcoola Iron Ore Project in South Australia.

MARKETS

Iron Ore
The iron ore spot market deteriorated in line with all other spot markets during the quarter and particularly in October. According to Macquarie Research, the cost and freight price for 62% iron ore fines declined from US$195/t in the March quarter to US$90/t in early October 2008. The decline reflects a fall in freight rates from US$40/t to US$8/t and a 50% fall in the spot iron ore price in response to cutbacks in steel production and a reduction in raw material stocks in China. The real test for the iron ore market will be the level of prices achieved by the major suppliers for the contract year beginning April 2009.

Tin
Tin prices declined by 25% to AU$18,000/t since the end of the June quarter in response to investor selling and a considerably stronger US$. The decline reflects similar price reductions for other LME metals. However, the fundamentals of the tin market remain intact with LME stocks declining from 6,700 tonnes in late June to 5,040 tonnes in mid October 2008.

PROJECTS

Tarcoola Iron Ore Project (Stellar 100%)

DTR Results PD007
As previously indicated, diamond drill hole PD007 intersected the eastern section of the Coolybring magnetite zone beginning at a buried topographic ridge in banded iron (86 metres down hole) and extending to a sheared footwall contact with meta-quartzite at 219 metres down hole (see Figure 1). The geological log from the end of the pre-collar is described as follows:

- 86 to 115 metres – brecciated magnetite-quartz banded iron.
- 115 to 158 metres – magnetite-quartz banded iron
- 158 to 188 metres – hematite-magnetite-quartz mineralisation
- 188 to219 metres – magnetite-quartz banded iron.

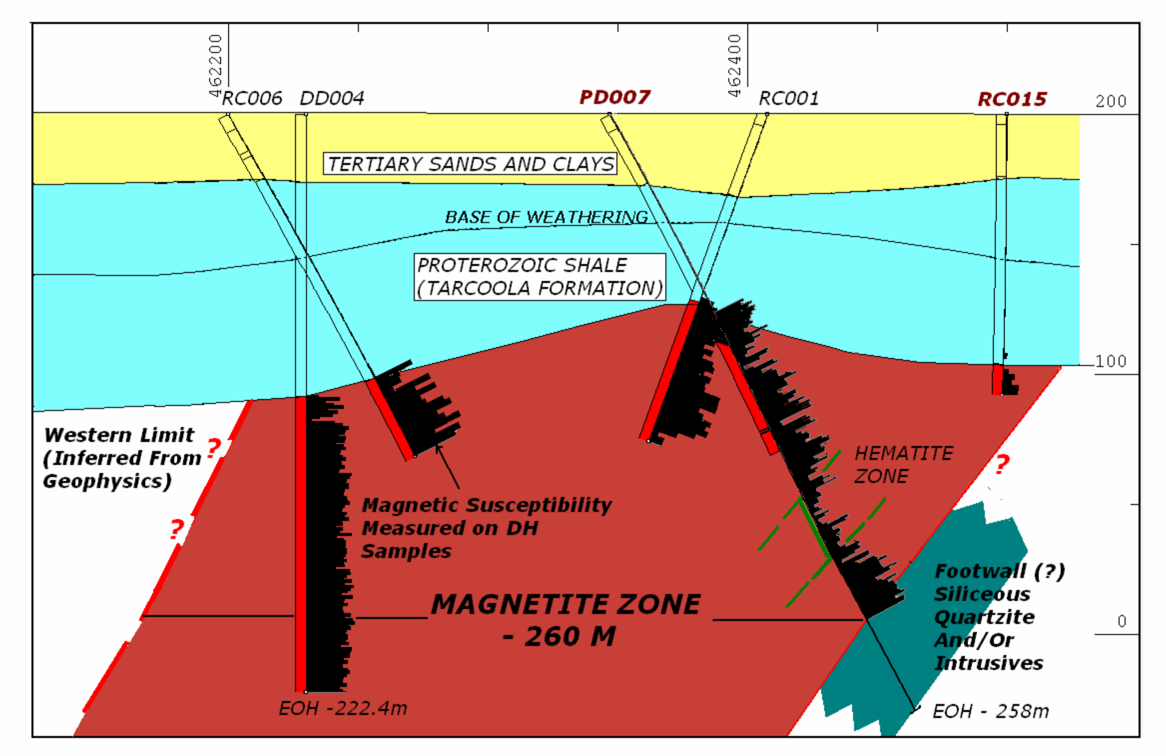

Figure 1 – Drill section 6609770N (MGA94), Tarcoola Iron Ore Project

XRF analysis of 3 metre composited samples throughout the magnetite zone shows that iron grade on average is relatively high at 33.5%. Even through the hematite zone, shown in Figure 1, iron grade is high at 35.7%. These results compare with even higher iron grades of 39% iron from DD04 and RC006 drilled 150 metres to the west of PD007.

Hole	Easting (m)	Northing (m)	Length (m)	From (m)	To (m)	Fe (%)	SiO_2 (%)
DD004	2230	9770	114	108	222	39.2	43.4
RC006	2200	9770	34	116	150	39.3	38.3
RC001	2408	9770	57	77	134	34.8	N/A
PD007	2347	9770	133	86	219	33.5	49.1

Table 1 – Iron and silica grades for drill samples across section 6609770N

DTR results for 3 metre composited samples from PD007 (excluding the hematite zone) show that a high quality iron ore concentrate can be produced grading 64% iron at a mass recovery of 42%. The hematite zone produces a high grade iron concentrate but at low mass recovery as most of the iron is in the form of non-magnetic hematite. Recovering hematite from this zone will probably require a non-conventional metallurgical approach.

Definition Drilling Program

On 16 October, Stellar announced the commencement of a reverse circulation drilling program at Coolybring with the following objectives:

1. To test for the presence of high grade iron ore below the significant gravity anomaly that lies along the western flank of the partially-drilled magnetite deposit;
2. To define the nature of magnetite mineralisation along the 1,500 metre strike length of the Coolybring magnetic anomaly.

Figure 2 shows the off-set relationship between the magnetic image (in colour) and gravity contour peaks at Coolybring. The location of the hematite and magnetite drill targets are shown as rectangles.

Initially, drilling will test the southern and northern hematite targets shown in Figure 2. Subsequent drilling will test the magnetite zone, particularly along its western boundary with the hematite targets.

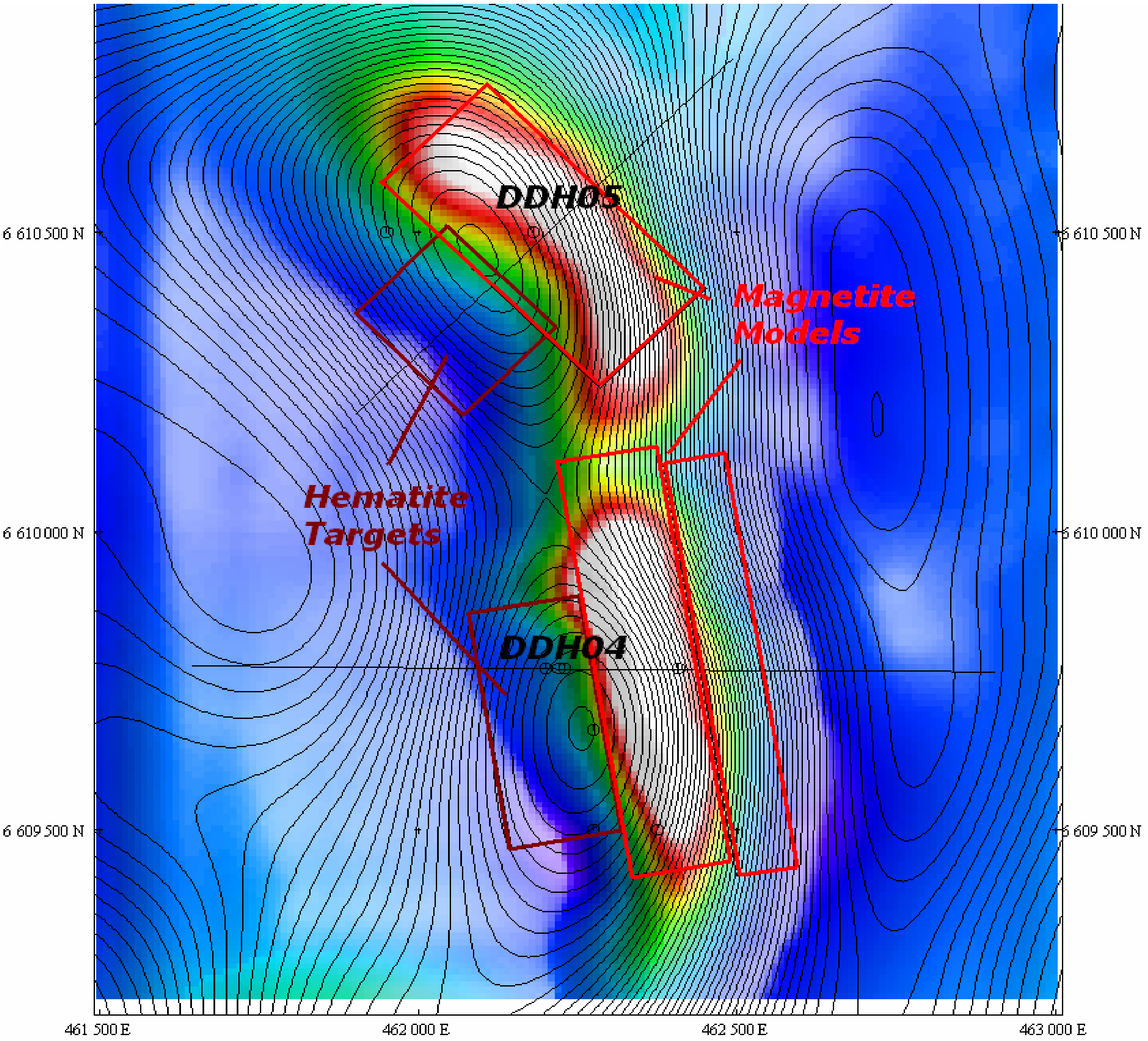

Figure 2 – Hematite and magnetite drill targets on Coolybring magnetic image

Columbus Metals (Stellar 100%)
During the quarter all work required to prepare a prospectus for the Columbus Metals IPO was completed. However, by the end of September equity market conditions had continued to deteriorate resulting in a decision by the Stellar board to defer the IPO. The float can be resurrected once a sustainable improvement in equity market conditions is evident. This is unlikely to occur until well into 2009. In the meantime, Stellar will consider alternative funding options in an effort to advance the highly prospective Heemskirk Tin project, located near Zeehan in Tasmania.

EXPLORATION UPDATE

There was no greenfield exploration drilling by Stellar during the quarter as the focus was on essential project work.

COPPER/GOLD

Robins Rise JV (SA) (Stellar 100%; Red Metal able to earn 60%)
Red Metal Limited have indicated their intention to drill test at least one outstanding target, when a suitable rig becomes available.

Tarcoola Ridge gold (SA) (Stellar100%)
Assay results for diamond drill samples acquired under the agreement with LIDDS Pty Ltd are still pending.

Panama Hat gold (NSW) (Stellar100%; Carpentaria Exploration able to earn 51%)
Following a program of detailed surface sampling and geophysical surveying, Carpentaria Exploration Limited has indicated that it is preparing a program of soil sampling and follow-up drilling to test the extent of the "Williams" gold prospect. As reported in Carpentaria's quarterly:

> *"Grab sample of gossanous quartz from small workings taken at the eastern end of the prospect returned the maximum result of 30 g/t gold (Au) with highly anomalous silver (Ag), bismuth (Bi) and copper (Cu) (see Figure 3). A number of other samples taken from the eastern end of the prospect mapped as gossanous quartz also returned highly anomalous Au, Ag, Cu results. The sampling suggests gold and base metal concentrations increase to the east of the exposed gossanous quartz vein where its projected strike extent is obscured by thin alluvial cover. The possible eastern strike extension of Au mineralised gossanous quartz vein, not previously explored, will be investigated by a C-horizon soil geochemical survey in the next quarter."*

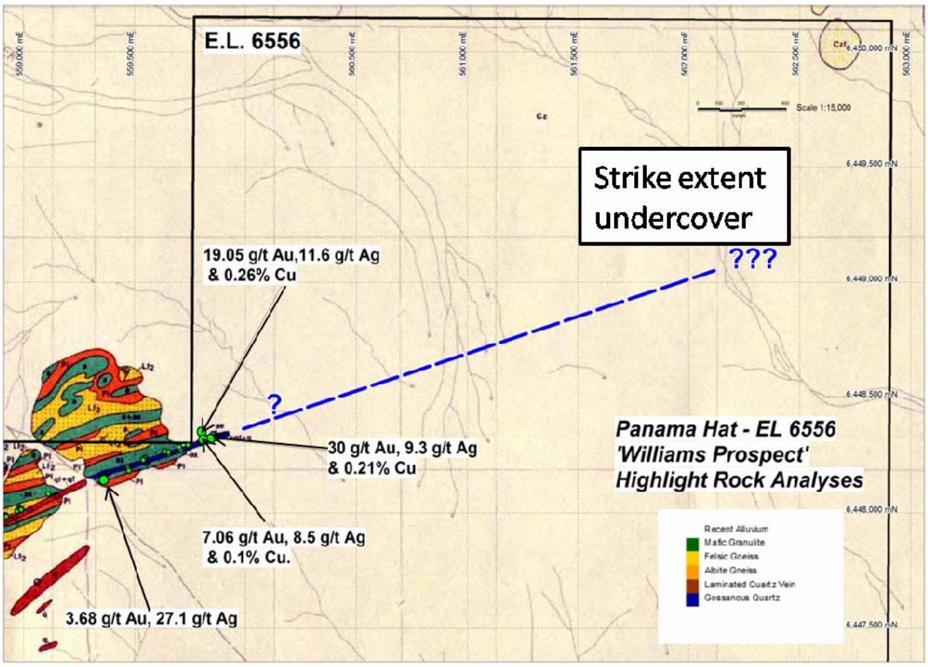

Figure 3 – Williams Prospect (EL 6556) rock chip results (from Carpentaria)

URANIUM

Kingoonya Palaeochannel (SA) (Stellar 100%; UraniumSA able to earn 70%)
UraniumSA has advised that Native Title agreements were finalised to allow initial drilling access into areas of the Kingoonya Palaeochannel within the Stellar JV tenements, south of the Trans-Continental railway, at Tarcoola. Drilling traverses are expected to commence in the March quarter.

Warrior (SA) (Stellar 100%; Toro Energy able to earn 70%)
Toro Energy have advised that 3 reconnaissance drill traverses each 3 kilometres long are planned to test the continuation of the "Warrior" palaeochannel into the southern EL 3369W (Figure 4).

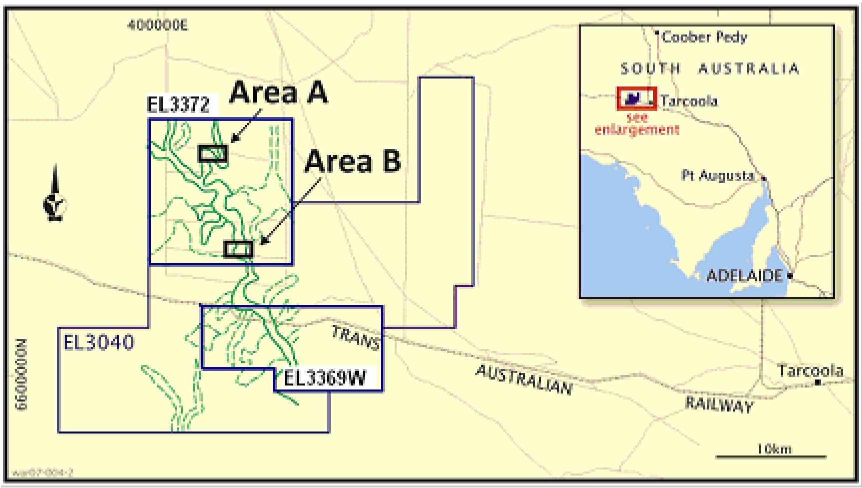

Figure 4 – Warrior JV area showing two areas of confirmed U mineralisation and inferred continuation of the Warrior Palaeochannel into EL3369W

ZINC

Goldfinger (NSW) (Stellar 80%)
Stellar has deferred its previously announced 2,000m RAB/Hammer drill program from 2008 to 2009. The program will investigate areas within the extensive Goldfinger and Galena Hill geochemical trends for shallow, high grade silver, lead, zinc mineralisation.

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr. C.G. Anderson (Fellow of the Australasian Institute of Mining and Metallurgy) who is a Director of the Company with more than twenty years experience in the field of activity being reported. Mr. Anderson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.

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About Stellar Resources
The company is focused on adding value to projects through resource definition and development. In South Australia, the 100% owned Tarcoola Iron Ore Project comprises a large magnetite deposit (with potential for high grade hematite) located within 10 kilometres of the Trans-Australia railway line. In Tasmania, Stellar owns 60% of the Heemskirk Tin Project, the largest undeveloped high-grade historic tin resource in Australia.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

STELLAR RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
96 108 758 961	**30 September 2008**

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors		–	–
1.2	Payments for	(a) exploration and evaluation	(537)	(537)
		(b) development	–	–
		(c) production	–	–
		(d) administration	(200)	(200)
1.3	Dividends received		–	–
1.4	Interest and other items of a similar nature received		37	37
1.5	Interest and other costs of finance paid		–	–
1.6	GST (paid)/recovered		63	63
1.7	Other –		–	–
	Net Operating Cash Flows		(637)	(637)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects	–	–
		(b) investments	–	–
		(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of:	(a) prospects	–	–
		(b) investments	–	–
		(c)other fixed assets	–	–
1.10	Loans to other entities		–	–
1.11	Loans repaid by other entities		–	–
1.12	Other: –		–	–
	Net investing cash flows		(1)	(1)
1.13	Total operating and investing cash flows (carried forward)		(638)	(638)

1.13	Total operating and investing cash flows (brought forward)	(638)	(638)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,000	1,000
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	–	–
1.17	Repayment of borrowings	–	–
1.18	Dividends paid	–	–
1.19	Other – cost of issue	(2)	(2)
	Net financing cash flows	998	998
	Net increase (decrease) in cash held	360	360
1.20	Cash at beginning of quarter/year to date	2,175	2,175
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	2,535	2,535

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	79
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Remuneration and directors fees for the quarter

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

–

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

–

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	–	–
3.2	Credit standby arrangements	–	–

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	–
	Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	55	455
5.2	Deposits at call	2,480	1,720
5.3	Bank overdraft	–	–
5.4	Other	–	–
	Total: cash at end of quarter (item 1.22)	2,535	2,175

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	–	–	–	–
6.2	Interests in mining tenements acquired or increased	–	–	–	–

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	85,034,358	85,034,358		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,142,857	7,142,857	14 cents	14 cents
7.5	+Convertible debt securities *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options			Exercise Price	Expiry Date
	Directors	3,500,000	Nil	30 cents	SRZAK 10/12/2008
	Employees	375,000	Nil	30 cents	SRZAM 19/08/2009
	Exec & Employees	1,175,000	Nil	30 cents	SRZAO 30/11/2010
	Exec & Employees	500,000	Nil	25 cents	SRZAA 31/01/2011
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired/cancelled during quarter				
7.11	Debentures *(totals only)*				
7.12	Unsecured notes *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 24 October 2008
(Company Secretary)

Print name: M J S Drummond

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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