ASX Release

31 January 2012

Quarterly Report
For the period ended 31 December 2011

Highlights

Heemskirk Tin Project (TAS)

- Stellar agreed terms to acquire Gippsland Limited's 40% joint venture interest.
- Potentially economic widths of ore grade mineralisation intersected well below historical drill intercepts at Severn.

Exploration

- Uranium assay results provide encouragement for more detailed drilling by Renaissance Uranium Limited on EL 3978, Pirie Basin (SA).
- Deep diamond drill hole completed by MMG on Rayne EL 49/2004 (TAS) magnetic target. Assay results pending.

Corporate

- Stellar held cash of $1.1 million at 31 December 2011

Targets for March Quarter 2012

- Heemskirk Tin Project
  - ✓ Deep drilling of Severn deposit to commence
  - ✓ Results from preliminary metallurgical work on Severn
  - ✓ Environmental baseline work to commence
- Complete the Heemskirk project acquisition.
- Joint venture partners' exploration results

About Stellar:

Stellar Resources (SRZ) is focusing on the development of its tin and base metal projects in Tasmania. The company holds a portfolio of tenements located in Tasmania, South Australia and New South Wales that have excellent development potential. Key projects include: Heemskirk Tin located near Zeehan in Tasmania and the Tarcoola Iron Ore Project in central South Australia. The company aims to create shareholder value by identifying and developing mature exploration properties.

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HEEMSKIRK TIN PROJECT

Stellar to Own 100% of Heemskirk

During the quarter, Stellar reached agreement to acquire the 40% interest in the Heemskirk Project owned by Gippsland Limited. The consideration for the purchase is 43.5 million Stellar shares and a royalty on future tin production. Subsequent to the end of the quarter, Gippsland and Stellar shareholders approved the transaction.

Moving to 100% ownership of the project creates greater certainty for Stellar and for potential new investors. The company believes that it is now better able to attract institutional investors and broaden the shareholder base. Furthermore, the status of the project has been elevated within the tin industry thereby increasing the range of funding possibilities that could help to realise a producing mine.

Severn Drilling Update

Diamond drill-hole ZS107 intersected low-grade tin mineralisation in a pyrrhotite/pyrite zone 150m below the deepest historical drill hole ZS84, thereby demonstrating continuity of Severn mineralisation at depth and the potential to increase the resource estimate.

Diamond drill hole ZS107A, was wedged from ZS107 and intersected the pyrrhotite/pyrite zone 20m up-plunge from ZS107. The assay results for ZS107A in Table 1, show that the pyrrhotite/pyrite zone contained a 6m interval of mineralisation grading 1.1% tin from 531m.

Table 1: Assay results from Deep Drilling at Severn

Hole No Severn	From m	To m	*Interval m	Sn %	Acid Sol Sn %
ZS084*	417.0	421.0	4.0	0.69	na
	432.9	443.0	10.1	0.84	na
including	438.0	443.0	5.0	1.13	na
ZS107A	427.0	428.0	1.0	1.20	ns
	531.0	**537.0**	**6.0**	**1.09**	**ns**
including	**536.0**	**537.0**	**1.0**	**2.24**	**ns**
	550.0	551.0	1.0	0.88	ns

*Historical drill intersection
na not available; ns not significant

Acid soluble tin grades are not significant. This indicates that cassiterite is likely to be the dominant tin mineral which could be conducive to good metallurgical recoveries.

Severn Schematic Long-section

The schematic long-section in Figure 1 shows the location of ZS107 and ZS107A to the northeast and 150m and 130m respectively below historical ore-grade tin intersections at Severn. A geological comparison between ZS107 and ZS107A shows that the increase in tin grade between the holes is accompanied by an increase in pyrite relative to pyrrhotite and increased chlorite alteration. These factors may be useful indicators for exploration.

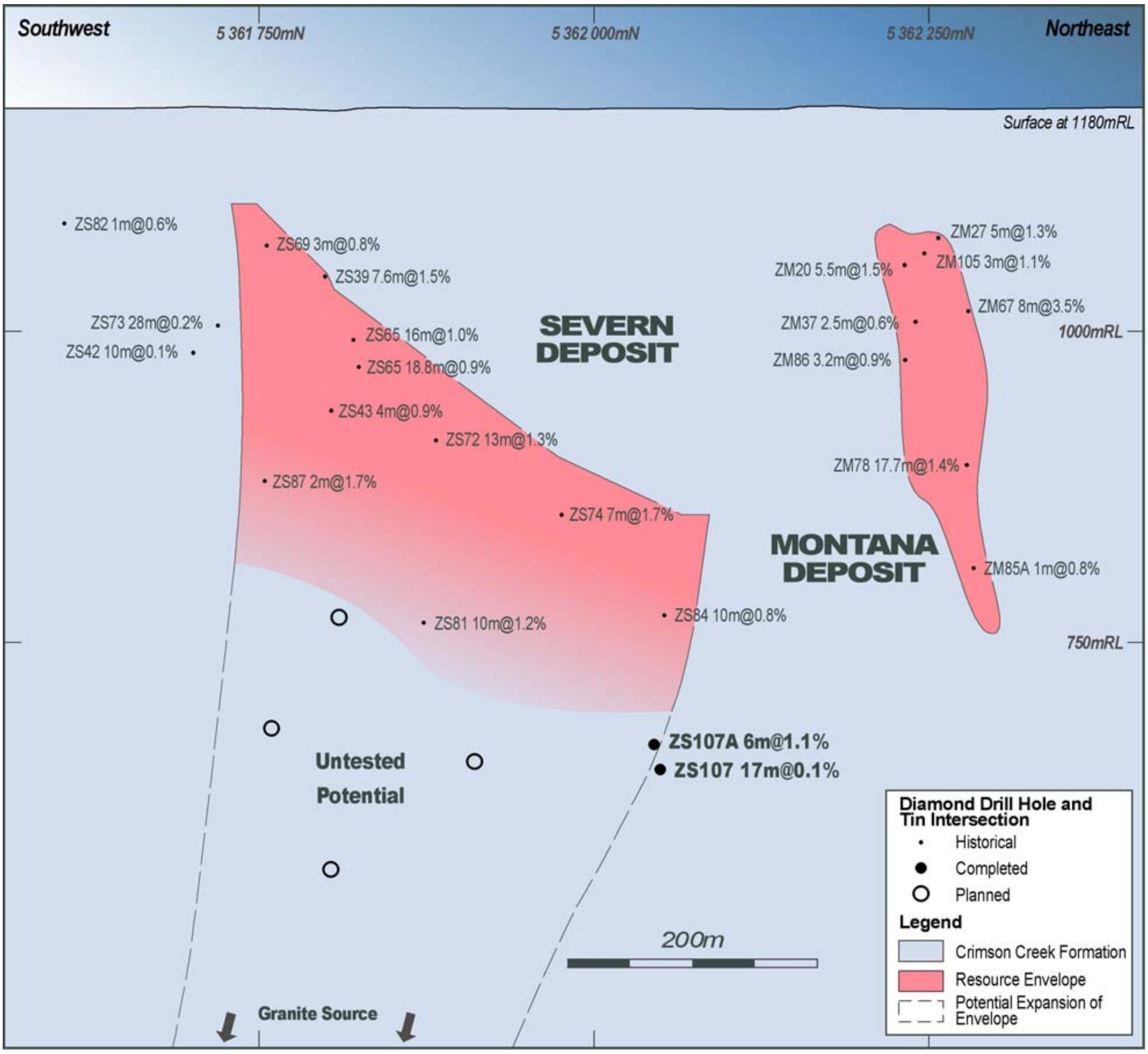


Figure 1: Interpretative Long-section, Showing Tin Mineralised Pierce Points, Severn Deposit

Tin grade in ZS107A is comparable with the assays received for historical ore-grade tin intersections at Severn. The drill hole intersections shown in Figure 1 also suggest that grades may potentially increase to the southwest of ZS107A. This would be consistent with a geological model of increasing tin grade and grain size at depths nearer to the likely deep-seated tin bearing granite source.

Future drilling will target the vertical extension below the highest grade mineralisation where the company believes there is potential to double the size of the Severn lode. Four holes are planned in the next stage of drilling.

EXPLORATION

Iron Ore (SA) (Stellar 100%)

The Tarcoola Iron Project is located 8 kilometres from the town of Tarcoola in South Australia. It also lies within 10 kilometres of the Trans-Australia railway which links the project to the proposed bulk commodity export terminal at Port Bonython. The project comprises Coolybring, with an exploration target of 700 million tonnes of magnetite banded iron and Hicks Hill, a magnetite prospect.

No exploration was conducted during the period.

Copper/Gold
AngloGold Ashanti Joint Venture (SA)

In October 2010, AngloGold Ashanti Australia Ltd (AGAA) agreed to joint venture into four Stellar exploration licences (Els 3752, 3753, 3655 and 4573) in the Gawler Craton of South Australia to explore for world-class iron oxide copper gold mineralisation. Under the terms of the agreement, AGAA has to spend $5 million within six years to earn a 75% interest in the tenements.

During the quarter, airborne magnetic surveys were completed over target areas in all four exploration licenses. Ground gravity was also completed within ELs 3655 and 4573. However, land access issues related to the traditional owners, prevented ground gravity surveys from being conducted over ELs 3752 and 3753.

EL 36/2003 Whyte River (TAS) (Stellar earning 75%)

Stellar has entered into a joint venture with Bass Metals Limited on EL36/2003 Whyte River. Under the terms of the joint venture, Stellar can earn a 75% interest in all minerals apart from tin, tungsten and iron by sole funding the first $500,000 of exploration over the next three years.

No exploration was conducted during the quarter.

Uranium

EL 4242 Midgee (SA) (Stellar 100%)

Joint venture partner UraniumSA Limited can earn a 73% interest in 40% of the tenement by identifying a JORC resource before September 2012.

No exploration was conducted during the quarter.

EL 3978 Cowell (SA) (Stellar 100%)

Renaissance Uranium Limited has the right to earn a 75% interest in the tenement by sole funding $3.5 million of expenditure over five and a half years.

As previously reported, Renaissance has completed a program of regional rotary mud drilling across the eastern half of EL 3978 with follow-up diamond core holes to test uranium anomalism in granites on the eastern margin of the basement. Assay results shown in Figure 2 confirm the prospectivity for uranium mineralisation in the target Eocene sediments. In addition, the diamond drill holes also show anomalous uranium in the weathered clay zone above basement granites highlighting a secondary drill target.

Renaissance is now planning to focus the next phase of exploration drilling on the Moonabie, Franklin and Ulteralitera Plain prospects (see Figure 3). The drilling program is scheduled for later in 2012.

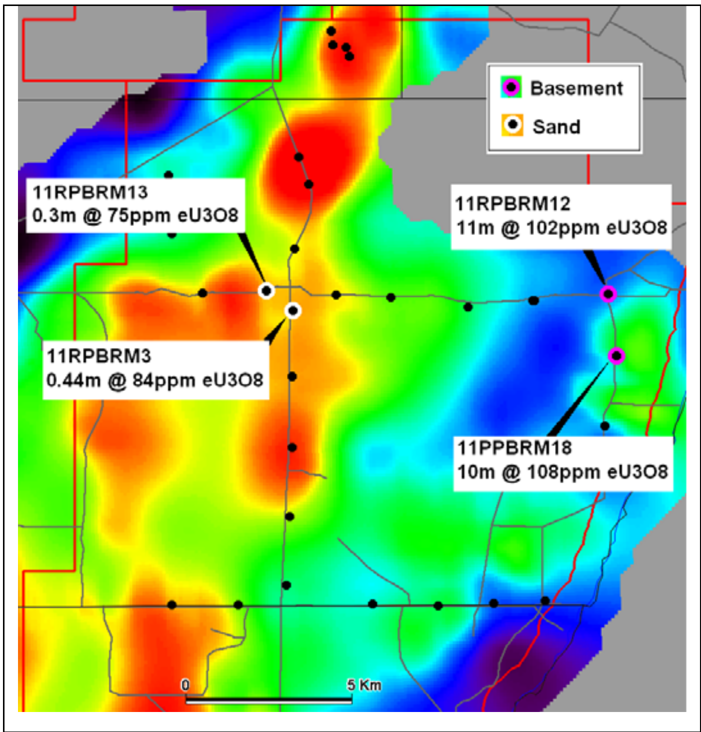


Figure 2: Drilling results EL 3978 (Source: RNU)

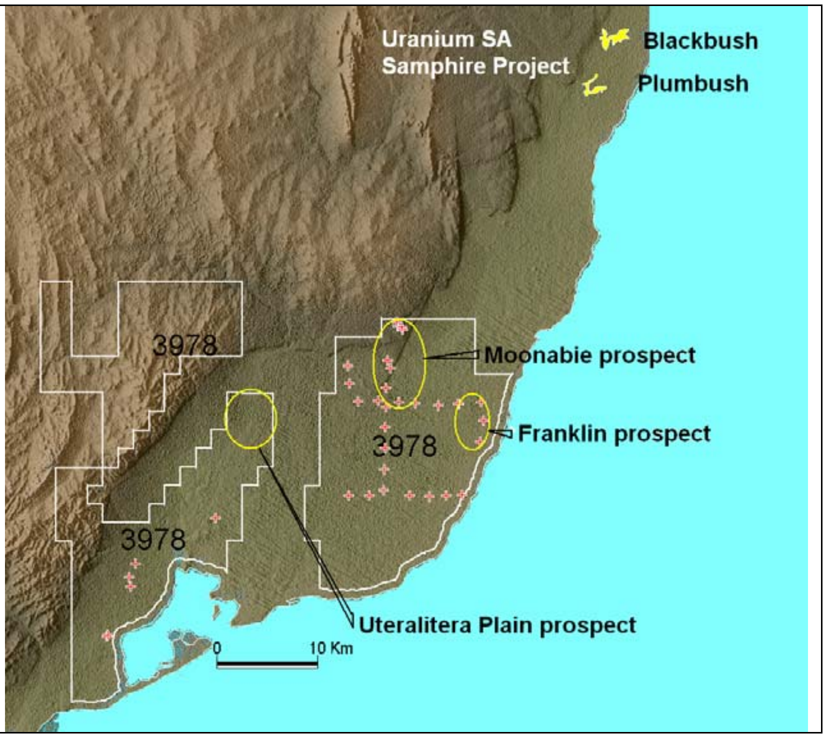


Figure 3: Exploration prospects (Source: RNU)

EL 4579 Warrior (SA) (Stellar 100%)

No exploration was conducted during the quarter

EL 4301 Pinding (SA) (Stellar 100%, USA earning 70%)

UraniumSA Limited can earn a 70% interest in sedimentary uranium mineralisation within the licence area by identifying a JORC resource.

Fourteen holes were completed to confirm palaeodrainage locations interpreted from airborne electromagnetic surveys previously flown in the area. Some minor anomalies were encountered in the drilling.

Lead/Zinc
Goldfinger (NSW) (Stellar 80%)

Discussions are continuing with potential partners for the project.

Nickel (TAS) (Stellar 100%)

MMG Exploration Pty Ltd, a wholly owned subsidiary of Minmetals Resources Limited (HKEX: 1208), is farming into Stellar's Rayne exploration licence 49/2004 on the west coast of Tasmania. The Rayne tenement is considered prospective for Voisey's Bay style nickel sulphide mineralisation.

During the quarter, MMG completed a 644m deep vertical diamond drill hole to test a deep magnetic anomaly. The drill hole intersected two zones of magnetite rich diorite with minor sulphide mineralisation over 2m from 446.6m and 6.5m from 595.9m. The next stage of the exploration program will be determined by the outcome of assay results and downhole geophysics.

Penrhyn Coal Royalty

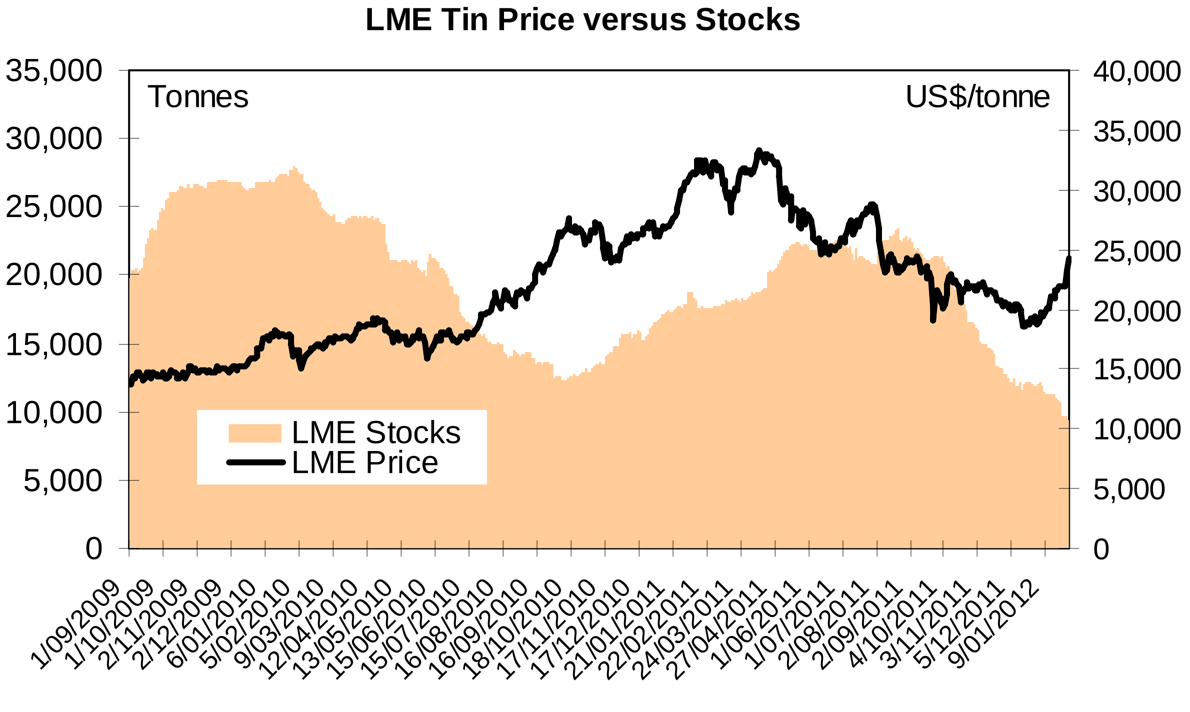
Stellar holds a royalty of $0.60/tonne of coal or iron ore mined from EL 4525 located south of Coober Pedy in South Australia. Southern Coal Holdings Pty Ltd is the holder of this tenement and has released a total coal resource estimate of 352.4 million tonnes following a program of resource definition drilling. Southern Coal is currently investigating alternative approaches to advance the project.

CORPORATE

At the 31 December 2011, the company held cash and term deposits of $1.1 million. Stellar also has investments held in Hiltaba Gold Pty Ltd (a wholly owned subsidiary); notably 3.88 million shares in UraniumSA Limited valued at $504,400; 0.75 million shares in Renaissance Uranium Limited valued at $37,500 and 0.75 million unlisted options in Renaissance Uranium Limited.

TIN MARKET

The LME tin price has rebounded by 31% from a low of US$18,610/t on 14 December to US$24,310/t on 27 January. LME tin stocks have also declined by 23% during this period to 9,365t. The price increase appears to be driven by a combination of speculative demand following the better economic outlook and increased imports by China. According to the International Tin Research Institute, consumers in China are arbitraging the gap between LME and significantly higher domestic prices which has also resulted in a reduction in domestic tin mine production.



Competent Persons Statement - Exploration

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr R K Hazeldene (Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists) who is a Consultant of the Company. Mr Hazeldene has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition). Mr Hazeldene 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.

For further details please contact:

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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, 1/6/2010.

Name of entity

STELLAR RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
96 108 758 961	**31 December 2011**

Consolidated statement of cash flows

Cash flows related to operating activities			Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		–	–
1.2	Payments for	(a) exploration and evaluation	(372)	(1,102)
		(b) development	–	–
		(c) production	–	–
		(d) administration	(104)	(188)
1.3	Dividends received		–	–
1.4	Interest and other items of a similar nature received		19	55
1.5	Interest and other costs of finance paid		–	–
1.6	Income taxes paid		–	–
1.7	Other – GST (paid)/recovered		33	96
	Net Operating Cash Flows		(424)	(1,139)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects	–	–
		(b) equity investments	–	–
		(c) other fixed assets	–	–
1.9	Proceeds from sale/deposit of:	(a) prospects	–	–
		(b) equity investments	–	–
		(c) other fixed assets	–	–
1.10	Loans to other entities		–	–
1.11	Loans repaid by other entities		–	–
1.12	Other: Payment security deposits on prospects		–	(10)
	Net investing cash flows		–	(10)
1.13	Total operating and investing cash flows (carried forward)		(424)	(1,149)

1.13	Total operating and investing cash flows (brought forward)	(424)	(1,149)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	–	–
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: Payment for share issue costs	–	–
	Net financing cash flows	–	–
	Net increase (decrease) in cash held	(424)	(1,149)
1.20	Cash at beginning of quarter/year to date	1,563	2,288
1.21	Exchange rate adjustments to item 1.20	–	–
1.22	Cash at end of quarter	1,139	1,139

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	51
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Directors fees and remuneration $41k; rent/office support, Melbourne, paid to Mineral Deposits Limited $10k

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	466
4.2	Development	–
4.3	Production	–
4.4	Administration	398
	Total	864

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	79	73
5.2	Deposits at call	1,060	1,490
5.3	Bank overdraft	–	–
5.4	Other	–	–
	Total: cash at end of quarter (item 1.22)	1,139	1,563

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	ELA2009/00339	Exploration Licence Application Lake Woorong, SA, application pending	Nil	Nil

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	108,821,858	108,821,858		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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	3,000,000	Nil	20 cents	SRZAK 30/11/2013
	Exec & Employees	3,125,000	Nil	20 cents	SRZAI 26/11/2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired/cancelled during quarter	250,000	Nil	20 cents	SRZAI 26/11/2013
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 Act or other standards acceptable to ASX (see note 5).

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

Sign here: .... Date: 24 January 2012
(Company Secretary)

Print name: C Kemp

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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