Estrella Resources Limited

ABN 39 151 155 207

ASX Code: ESR

Board and Management

Chief Executive Officer
Christopher Daws (CEO)

Non-Executive Directors
Les Pereira
John Kingswood
Stephen Brockhurst

Company Secretary
David McEntaggart

Address
Level 11, London House
216 St Georges Terrace Perth
WA 6000
PO Box 2517 Perth WA 6831

Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103

info@estrellaresources.com.au
www.estrellaresources.com.au

QUARTERLY ACTIVITIES REPORT

Quarter ending 30 June 2020

ASX RELEASE 31 July 2020

HIGHLIGHTS

- **New nickel and gold targets identified at Carr Boyd Ni Project**
- **Diamond drilling contract signed with Topdrive Drillers Australia**
- **Planning commenced for further exploration of 5A Spargoville Ni**
- **A$1.75M Munda gold divestment**
- **New resource opportunities being investigated**

Estrella Resources Limited (ASX: ESR) **(Estrella** or **the Company)** is pleased to provide its Activities Report for the quarter ended 30 June 2020.

The focus of work during the quarter was the interpretation of assays from an extensive soil testing program at the Carr Boyd Layered Complex (CBLC), preparations for exploration of the T-5 nickel discovery, Munda gold project divestment and 5A exploration planning.



Figure 1. **Auger sampling Carr Boyd Nickel Project March 2020**

CARR BOYD NICKEL PROJECT (100%)

The Carr Boyd Layered Complex (CBLC), a 75km^2 layered mafic igneous complex, which hosts several occurrences of nickel and copper sulphides (Figure 2) is the Company's flagship asset. The most significant occurrence discovered to date is at the Carr Boyd Rocks nickel mine, where mineralisation is hosted by bronzitite breccias (pyroxenites) emplaced within the gabbroic sequence of the Complex. The CBLC intrusion is emplaced within the surrounding Archaean Volcano-Sedimentary Greenstone Belts which are host to numerous komatiite hosted nickel mines within the Kalgoorlie District.

Estrella has been actively exploring the CBNP since October 2017 and in 2019 the Company discovered new nickel-copper sulphide mineralisation at its T5 target, 1km NNW of the Carr Boyd Mine (ASX: Nickel Copper Discovery at Carr Boyd Rocks- 28 May 2019; and Assay Results Confirm New Sulphide Nickel Discovery Zone at Carr Boyd Rocks- 8 July 2019).

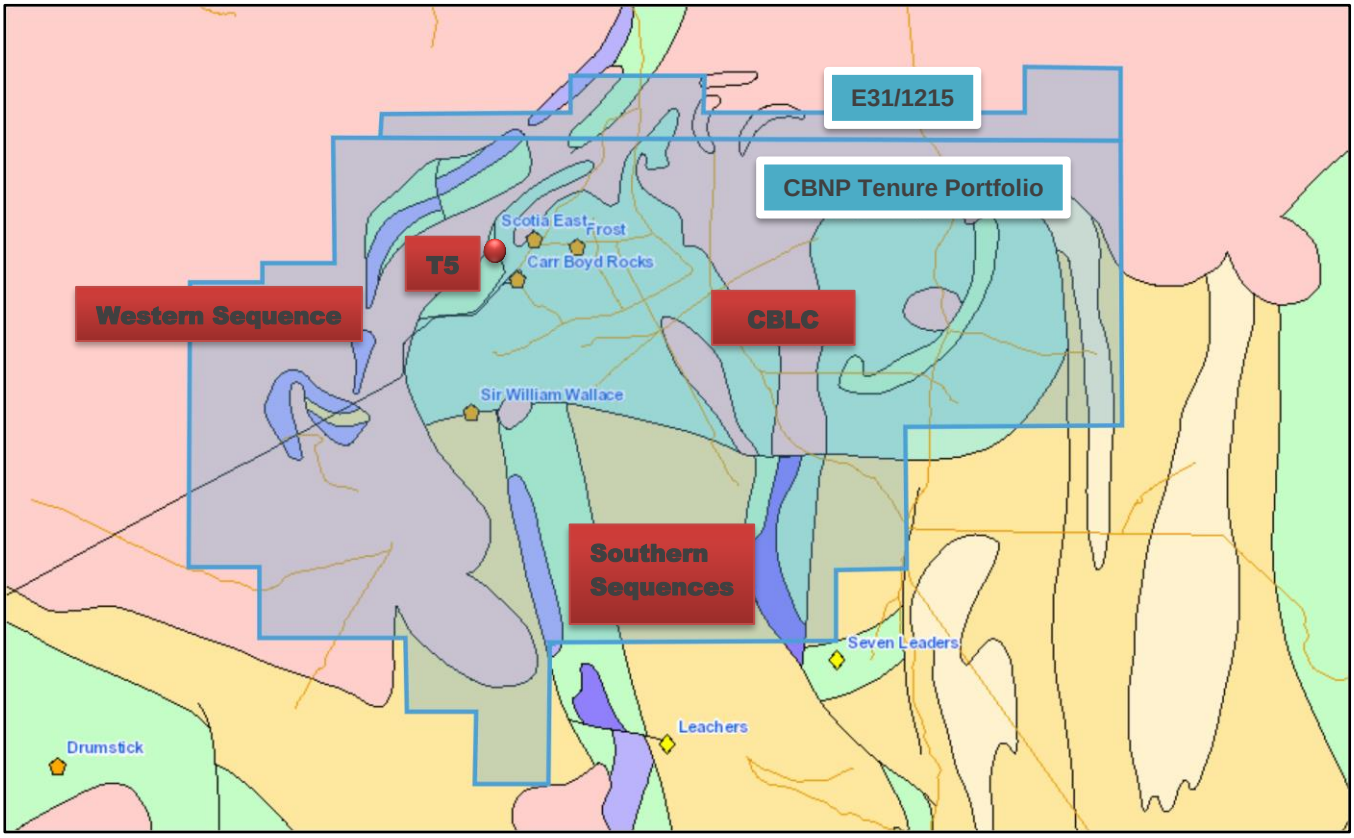

Figure 2. Interpreted geology underlying the Carr Boyd Nickel Project. The layered intrusion which host the Carr Boyd Rocks nickel mine and the recently discovered T5 nickel mineralisation extends into the centre of the recently granted tenure E 31/1215. In addition the largely untested western mafic-ultramafic sequence extends through the western portion of the tenement.

The Company has executed a diamond drilling contract with Topdrive Drillers Australia for a deep drilling program at T-5 which will commence during the September 2020 Quarter. Drilling will concentrate on expansion of the T-5 nickel sulphide discovery made by the Company in May 2019. Preparations for the upcoming program have been made including upgrading of the water storage infrastructure on site, drill pad access and sumps. The Company is also reviewing the historic work done by previous operators at the CBLC to see whether it can apply some modern day thinking and utilise modern technology to revisit previous target areas. One particular area of interest is a TEM anomaly targeted by a historic drill hole in 1997 (DD97CB043 drilled by Defiance Mining) which after review of historic DHTEM data has indicated an "off-hole" anomaly. This area was also identified by Estrella's own ground based high-powered moving loop electromagnetic survey undertaken in late 2018 which generated a conductive target (see ESR ASX release 26 November 2018) Due to the location, immediately west of the Carr Boyd Nickel Mine, it warrants further follow up. There is currently a heightened level of investor interest in nickel exploration Companies after a number of significant discoveries [Julimar (CHN), Mawson (LEG) and Sahara (WSA)] that have been made over past months that have seen significant wealth created

from those finds. The Company believes the CBLC holds excellent potential to replicate those significant discoveries.

The Company enlisted Gyro Australia to drill 536 shallow auger holes (plus QAQC samples) for multi-element geochemical analysis using a low-impact Landcruiser mounted auger drill rig. Drilling comprised of shallow 0.5-1.5m deep auger soil sample drill holes across the northwest tenements (M31/12, M31/109 & E31/726) at the CBNP. Drill spoil material (Figure 1) was sieved to -2mm and a 150g-600g sample (ave. 270g) was collected and submitted to SGS Laboratories in Perth for multi-element geochemical analysis.

Historical samples which were collected from near surface, had limited geochemical elements tested for and had much higher detection limits. Modern laboratories provide 49 elements and much lower detection limits, providing a new insight into potential hidden mineralisation at depth. With this fresh approach, drilling was designed to target the basal contact north and south of the T5 Prospect at close spacing (on 100m x 200m grid) where RC drilling discovered Ni-Cu-Co mineralisation at depth (ASX: Nickel Copper Discovery at Carr Boyd Rocks- 28 May 2019; and Assay Results Confirm New Sulphide Nickel Discovery Zone at Carr Boyd Rocks- 8 July 2019).

The remainder of the program was drilled on 200m x 400m sample spacings to test along the strike of the mafic-ultramafic contacts of the largely untested Western Sequence which contains the Colreavy Prospect, as well as the northern contacts of the CBLC which includes the East Scotia and Schneider Prospects.

New Nickel and Gold geochemical targets have been generated from the assay results received from the completed auger drilling program (Figure 3). The targets were identified in the northwest portion of the Carr Boyd Nickel Project (CBNP or the Project) tenement package.

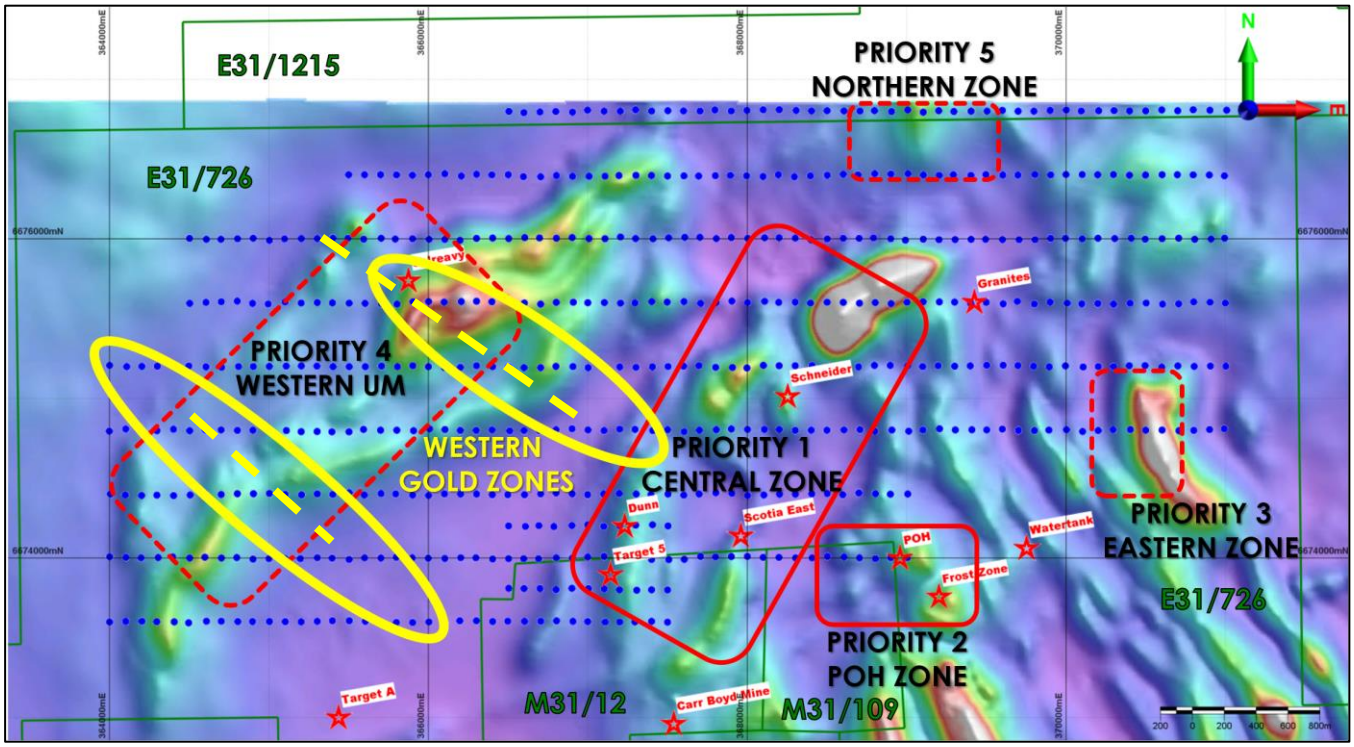

Figure 3. Auger sample sites (blue dots) across Estrella's Carr Boyd Nickel Projects NW tenure. The generated pathfinder Nickel (red) and Gold (yellow) vector target zones are shown over aeromagnetic image (TMI-RTP) along with previously identified prospects.

Analysis comprised a 49 multi-element assay suite completed on the samples in order to evaluate the geochemistry using pathfinding vectors, particularly looking for nickel and gold target zones. The evaluation looked at the raw elemental assay results as well as combined key elemental associations in order to produce vector target maps over the sampling area (Figures 4 and 5). Table 1 displays the detection limits as well as the minimum and maximum key elemental assay results as displayed in this report.

Two high priority Ni-Co-Cu targets were identified at the Central and POH Zones (Figure 3). These target zones include previously identified smaller prospects; however, the soil sampling has extended the target zones over a much larger area of approximately 2.5km x 1.2km (Figure 4), identifying contacts which have had limited historical work completed on them. The geochemical maps clearly demonstrate the fertility of the NNW trending Central Zone which includes the Scotia East Ni-Co zone and the recently announced sulphide discovery at the Target 5 (T5) Prospect (ASX: Nickel Copper Discovery at Carr Boyd Rocks- 28 May 2019; and Assay Results Confirm New Sulphide Nickel Discovery Zone at Carr Boyd Rocks- 8 July 2019).

Ni-Co-Cu bearing sulphides were intersected in both drilled holes at T5 which comprised of disseminated to matrix sulphide mineralisation:

- **8m @ 1.11% Ni & 0.36% Cu returned from drill hole CBP042**
  - **Includes 4m @ 1.60% Ni & 0.31% Cu from matrix sulphide zone**
- **1m @ 0.61% Ni & 0.57% Cu returned from drill hole CBP043**

It was interpreted from the drill data that the mineralisation was developing towards the north and the results of the geochemical soil sampling supports this model, warranting further investigation along the length of this fertile ultramafic unit and its basal contact. A strong Cu associated anomaly was generated at the POH Zone (Figures 3 and 4) to the east of the Central Zone. Historic drilling has taken place at this prospect, however remodelling and reinterpretation of the data is warranted given the strength of the anomaly generated.

New secondary targets have been generated at what has been named the Eastern, Western and Northern Zones (dashed rectangles), each showing Ni-Co and Cr association supporting fertile ultramafic relationships (Figure 3 and 4). Of interest is the highly anomalous new Eastern Zone which is open to the south of the auger sampling area. It is located directly over a magnetic high ultramafic unit (Figure 3) and does not have a historical prospect located in this area.

Reassying of pulps testing for PGE elements within these target zones is now warranted. Further historical database and field investigation is also required to validate each of these target zones and determine the next phase of exploration works required i.e. infill/extensional auger soil sampling and/or deeper AC/RC drilling.

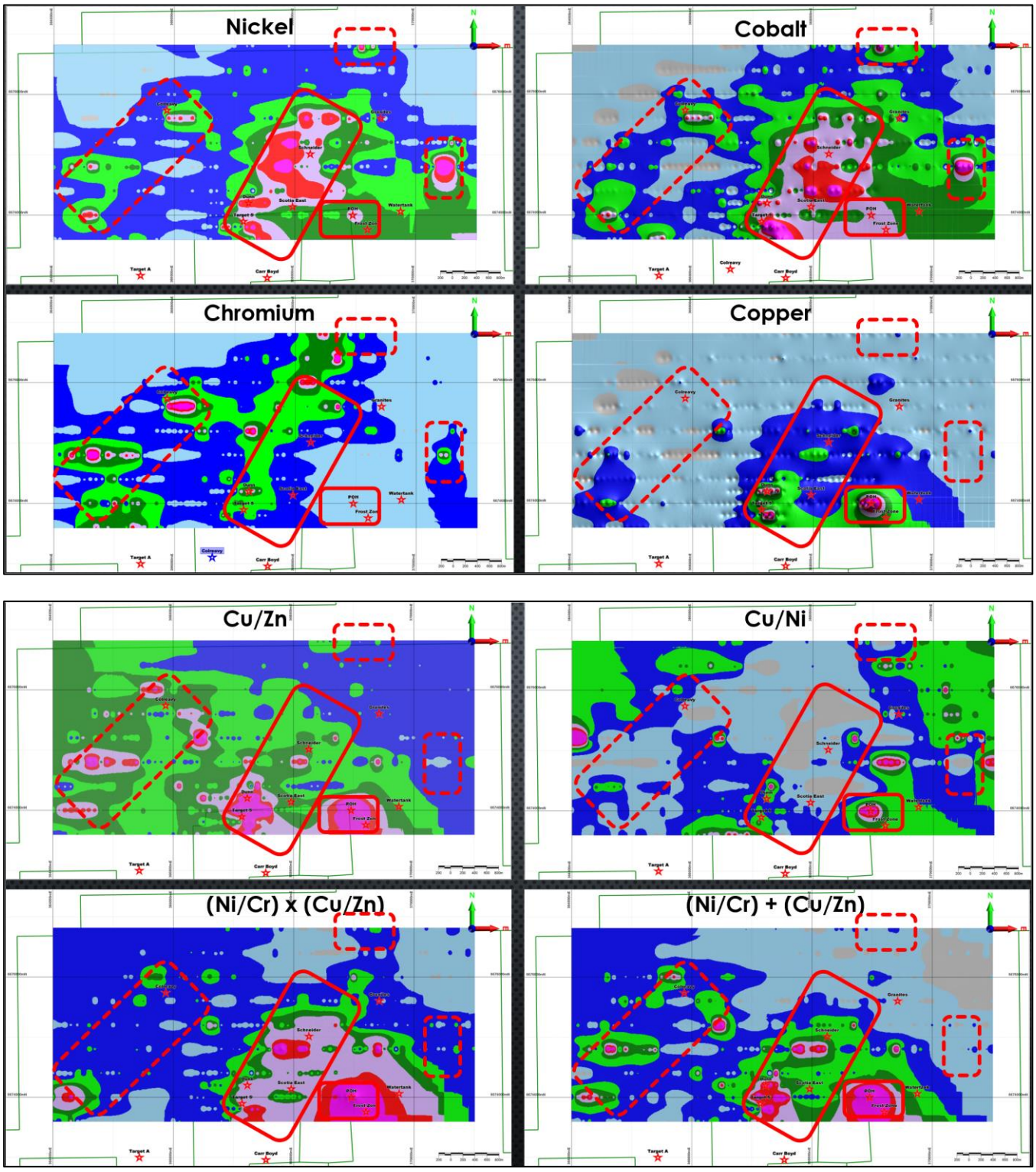

Figure 4: Key elemental and pathfinder vector plots identifying Nickel associated target zones (red rectangles). Primary targets have solid outlines and secondary targets have dashed outlines.

In addition to the Ni-Co-Cu targets, the geochemical vector analysis defined two parallel Gold pathfinder related trends over the Western greenstone sequence (Figure 4). The Au pathfinder targets are coincident with structural breaks in the aeromagnetics (Figure 1: yellow dashed line) supporting the potential for structurally controlled Au mineralisation to occur in the west of the project area.

Reassying of pulps testing for Gold & PGE elements within these structural target zones is now warranted. Further historical database and field investigations are required to validate each of these targets.

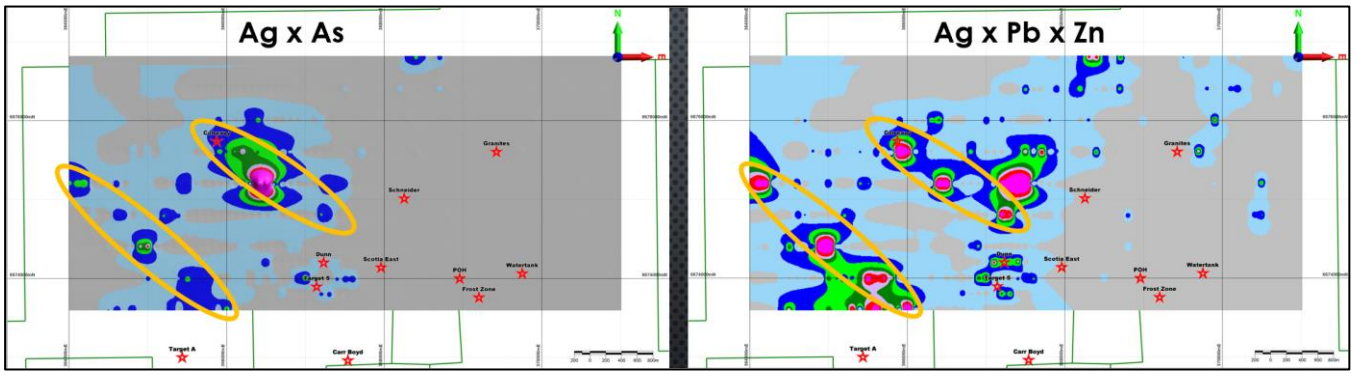

Figure 5: Pathfinder vector plots identifying Gold associated target zones (orange ovals).

Table 1. Minimum & Maximum Key Displayed Elemental Assay Results

Minimum & Maximum Key Displayed Elemental Assay Results			
Element	**Detection Limit (ppm)**	**Minimum Assay Result (ppm)**	**Maximum Assay Result (ppm)**
Ni	2	26	2000
Co	0.1	4.1	154
Cu	2	9	486
Cr	10	50	5940
Ag	0.05	<0.05	0.8
As	1	<1	167
Pb	1	2	41
Zn	5	<5	152

Company Chief Executive Officer, Chris Daws said, *"Recent market successes have spurned us on to find the next world class nickel discovery, Carr Boyd could potentially be the next big success story and I look forward to the upcoming round of deep drilling to see what it may unveil."*

MUNDA GOLD PROJECT

A decision was made to divest the Munda Gold Project to allow the Company to concentrate exploration efforts on its substantial nickel projects. An independent sale process was run by Geolithic Pty Ltd and subsequent to the quarter's end the Company entered into a binding agreement to sell Munda to Auric Mining for A$1.75M (see ASX release dated 13 July 2020). Proceeds are expected to be received in the current quarter on satisfaction of various conditions to the sale including shareholder approval.

SPARGOVILLE NICKEL PROJECT (100%)

The Company has over the June quarter continued to work up a development strategy for the high-grade nickel resource at the Spargoville 5A nickel project. The strategy involves the development of a small open cut mine at the 5A to access the high-grade nickel oxide and transitional nickel ore for transportation to a near-by treatment facility. Commercial discussions for the delivery and payment of nickel ore have progressed. The Company is currently planning to explore the metallurgical characteristics more closely by obtaining a 3,000-tonne exploration sample from within the 5A resource.

Table 2: Spargoville JORC Mineral Resource 5A Nickel Sulphide Deposit

October 2019 Mineral Resource Estimate - Min Type (0.5% Ni Cut-off)

Type	**Total Mineral Resource**				
	Tonnage	**Ni**	**Cu**	**Ni**	**Cu**
	kt	**%**	**%**	**t**	**t**
Disseminated	78	0.7	0.08	520	60
Matrix/Breccia	37	2.3	0.16	840	60
Semi-massive/Massive	13	8.0	0.61	1,000	80
Total	**127**	**1.9**	**0.15**	**2,370**	**190**

CORPORATE

The Company continues to look for opportunities to realise or create value through the Company's existing assets and is actively undertaking due diligence on new domestic resource project opportunities. The Company is currently in a trading halt pending a capital raising with further details expected to be released Monday 3 August 2020.

The Company continues to hold exposure to future financial upside from the sale of the Mt Edwards Lithium Project to Neometals Limited (see ESR ASX release dated 15 March 2018) via milestone payments of A$2,000,000 and a royalty on future lithium bearing ore processed.

The Company is pleased to report the direct impacts from Covid-19 continue to be minimal at this time. Our staff and contractors have implemented working from home protocols and are adhering to the Government directives.

Payments to related parties and their associates

The total amount paid to related parties of Estrella and their associates, as per item 6.1 of the Appendix 5B, was $49k. Included in this amount is $26k for Directors fees and $23k paid to Mining Corporate, an entity controlled by Stephen Brockhurst for bookkeeping, accounting and company secretarial fees.

Other ASX Requirements

ASX Listing Rule 5.3.1: Exploration and Evaluation expenditure during the Quarter was $73k primarily focussed on the auger drilling program at the Carr Boyd Nickel Project.

ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

CAPITAL

The Company's cash balance as at 30 June 2020 was $36,000. Subsequent to 30 June 2020 the Company announced the sale of the Munda gold project for A$1.75M and is currently undertaking a further capital raising, both will place the Company in a much stronger financial position to conduct robust exploration activities in the near-term.

Table 3: Estrella Capital structure as at 30 June 2020

Fully Paid Ordinary Shares	534,647,797
Listed options exercisable	$0.05 on or before the 27 June 2021 – 250,980,328
Unlisted options exercisable	$0.03 on or before 20 November 2022 – 14,000,000
	$0.05 on or before 15 May 2021 – 5,500,000
Convertible Notes	Unlisted Convertible Notes (unsecured) with an aggregate face value of $450,000 and a maturity date of 2 years from the date of issue. Convertible into fully paid ordinary shares in the capital of the Company at a conversion price $0.01 per share. A maximum of 56,448,000 fully paid ordinary shares may be issued on conversion of the Convertible Notes on the terms announced to ASX on 31 January 2020.

Competent Person Statement

The information in this announcement relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neil Hutchison of Geolithic Geological Services, who is a consultant to Estrella Resources and a member of The Australasian Institute of Geoscientists. Mr Hutchison has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Hutchison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ENDS

The Board of Directors of Estrella Resources Limited authorised this announcement to be given to ASX.

FURTHER INFORMATION CONTACT

Christopher J. Daws
Chief Executive Officer
Estrella Resources Limited

info@estrellaresources.com.au
P: +61 (08) 9481 0389

Appendix 1 – Tenement Information as Required by Listing Rule 5.3.3.

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
Australia	WA	Carr Boyd Nickel Project	E29/1012	-	100
Australia	WA	Carr Boyd Nickel Project	E29/0982	-	100
Australia	WA	Carr Boyd Nickel Project	L24/0186	-	100
Australia	WA	Carr Boyd Nickel Project	E31/0726	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1124	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0012	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0109	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0159	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1215	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1162	-	100
Australia	WA	Munda Nickel & Gold Project	M15/87	-	100^ **
Australia	WA	Spargoville Nickel Project	M15/395	-	100*
Australia	WA	Spargoville Nickel Project	M15/703	-	100*
Australia	WA	Spargoville Nickel Project	M15/1828	-	100*
Australia	WA	Spargoville Nickel Project	L15/128	-	100*
Australia	WA	Spargoville Nickel Project	L15/255	-	100*

**Nickel rights only*

***Lithium & Nickel rights held by third parties.*

^Gold rights only

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity	
Estrella Resources Limited	
ABN	**Quarter ended ("current quarter")**
39 151 155 207	30 June 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(43)	(192)
	(e) administration and corporate costs	(22)	(293)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(65)**	**(484)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(73)	(459)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	250
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(73)**	**(209)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	450
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	36
3.6	Repayment of borrowings	-	(36)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**450**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	174	279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(65)	(484)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(209)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	450

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**36**	**36**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	36	174
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**36**	**174**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(65)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(73)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(138)
8.4	Cash and cash equivalents at quarter end (item 4.6)	36
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	-
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.3

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes, the Company expects to have negative operating cash flows for the time being as it is in the exploration stage.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, the Company is in the process of realising value through divesting its non-core asset, the Munda Gold Project, as announced on 13 July 2020. The Board also have the option to raise additional funds via equity placements and expects to announce details of a capital raising on 3 August 2020 as per the Company's announcement on 30 July 2020 requesting a trading halt for this purpose.

8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: Yes, for the reasons noted above in 8.8.2.	

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

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

Date: 31 July 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.