Estrella Resources Limited and its controlled entities

ABN 39 151 155 207

Interim Financial Report

For the half year ended 31 December 2019

Contents

	Page
Directors' Report	3
Auditor's Independence Declaration	14
Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	24
Independent Auditor's Review Report	25
Corporate Directory	27

DIRECTORS' REPORT

The Directors present their report together with the financial report of Estrella Resources Limited ("the Company") and its wholly owned subsidiaries (together referred hereafter as "the Group" or "the consolidated entity") for the half-year ended 31 December 2019 and the independent auditors' review report thereon.

The Directors of the Company at any time during or since the end of the half-year are:

Leslie Pereira	- Non-executive Chairman
John Kingswood	- Non-executive Director
Stephen Brockhurst	- Non-executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the reporting period were to explore nickel and gold projects in Western Australia.

REVIEW OF OPERATIONS

Work Summary

The focus of fieldwork and studies during the half-year were the Carr Boyd Layered Complex (CLBC), Munda Gold and Spargovile Nickel Projects.

CARR BOYD LAYERED COMPEX (CLBC), WA 100%

The Company received laboratory assay results during the half-year from the drilling success at the T5 EM target within the Carr Boyd Nickel Project (Table 1 and Figure 1). The T5 Target is located approximately 1,000-1,200m North North West of the Carr Boyd Nickel Mine and is interpreted to be a significant new zone of nickel-copper sulphides discovered away from the known historic mineralisation. Modelling of the geological and geophysical data is supportive of mineralisation extending to the north, south, and at depth.

The Company completed two RC drill holes in late May 2019 (Figures 2 & 3) testing the T5 EM target which was previously identified by the Company in a ground Moving Loop Electro-Magnetic (MLEM) program[2]. Historic drilling[2] ~400m further to the south, intersected disseminated and matrix sulphides on the interpreted basal contact of the western ultramafic unit, returning 3.35m at 0.79% Ni & 0.35% Cu which included a higher-grade zone of 0.61m grading 2.12% Ni & 0.56% Cu from 100.89m in drill hole GD124. The MLEM survey identified the T5 Target zone to the north of this historic drilling within an area untested by deeper drilling.

Assay results returned from SGS Laboratories in Perth (Table 1) confirmed the presence and grade of the Ni-Cu sulphides intersected in the drilling. Both holes intersected the same basal contact as the historic drilling to the south, however the grades and width of the mineralisation in the Estrella holes are better than the historic drilling which are the most significant results returned to date from outside of the known Carr Boyd Mine area.

Table 1: Significant Intersection Results above 0.4% Ni cut-off grade.

Hole ID	From	To	Width	Ni%	Cu%	Co ppm
CBP042	**129m**	**137m**	**8m**	**1.11%**	**0.36%**	**507ppm**
Incl	**133m**	**137m**	**4m**	**1.60%**	**0.31%**	**689ppm**

CBP043	**126m**	**127m**	**1m**	**0.61%**	**0.57%**	**346ppm**



Figure 1. Sulphide mineralised samples within CBP042 at Carr Boyd. Black samples are the higher grade, sulphide rich matrix zone.

The host ultramafic sits against a primary basal contact (not sheared) and is underlain by a sequence of mafic basalts and felsic sediments to the west. The base of the ultramafic sequence comprises low-magnesium ultramafics which have a weakly to highly disseminated sulphide zone developing from the base upwards. This is overlain by a geochemically different, second pulse of ultramafic comprising the higher-grade matrix sulphides at the base of a thicker, magnesium-rich (20-25% MgO) host ultramafic which develops eastwards.

DHTEM clearly defines that the drilling intersected the T5 MLTEM conductor. Modelling of the geochemical and geophysical data potentially indicates a strong target zone to the north as well as below the current and historic drilling. The modelling of the data is supportive of mineralisation opening up along the length of the basal contact to the north, as well as at depth below the drilling to the north & south. Deep diamond core drilling has been planned targeting a zone 300m to the north and south of the current drilling and directly below T5 at a vertical target depth of 300-400m below surface. This planned drilling will be testing the basal contact over a greater strike length of ~700-800m providing critical geological and geochemical vectoring data. The drilling will also provide a platform for deep DHTEM geophysical testing for strengthening Ni-Cu sulphide mineralisation.

1: ASX:ESR-28/05/2019 Nickel Discovery Carr Boyd Rocks
2: ASX:ESR-26/11/2018 EM Confirms Two High Priority Targets at Carr Boyd

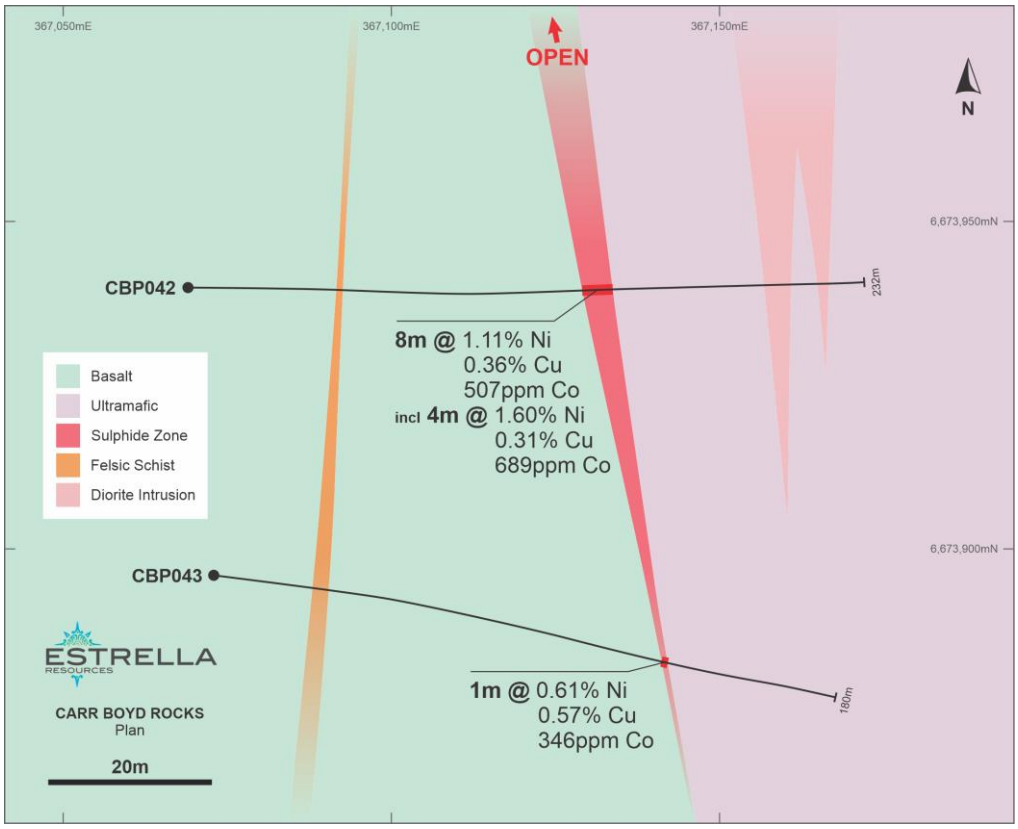

Figure 2: Plan showing drill hole locations and interpreted geology from the logging.

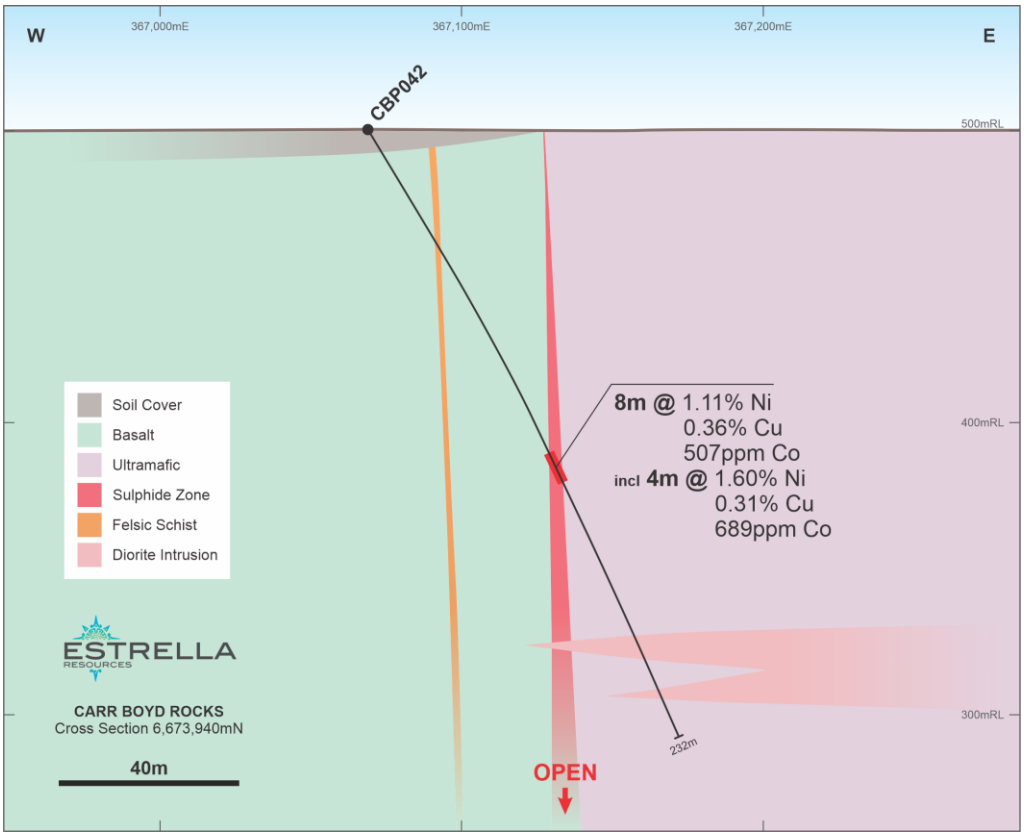

Figure 3: Cross-section with intersection results and interpreted geology in drill hole CBP042.

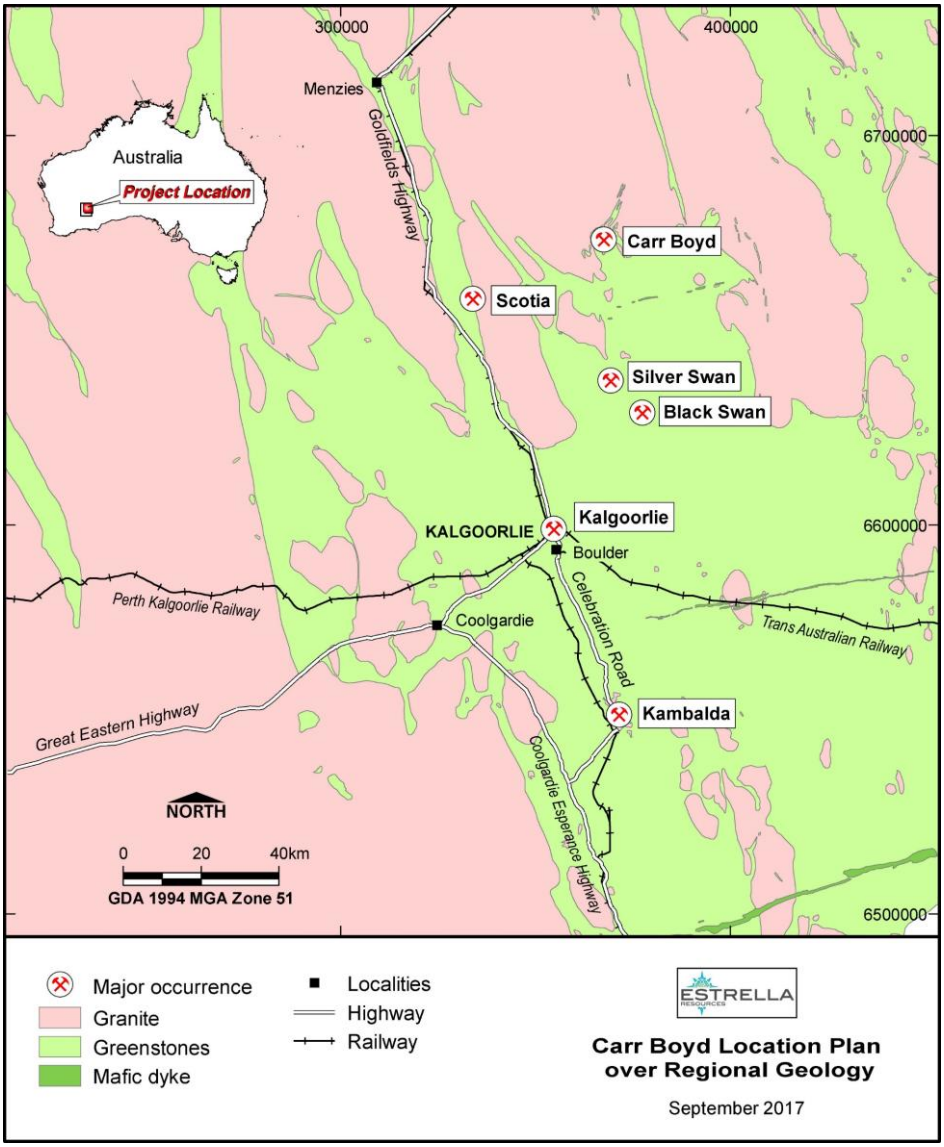

Figure 4. Location of Carr Boyd relation to commercial centres and other major Ni projects.

MUNDA GOLD PROJECT, WA 100%

The Company undertook diamond core drilling at the 100% owned Munda Gold Project at Widgiemooltha, 34km south-west of Kambalda, WA during the half-year 2019. Topdrive Drilling Australia (TDA) was contracted to complete 350-400m of HQ3 diamond core drilling to the immediate north of the historical Munda Gold Mine (Figure 5).



Figure 5. Topdrive Drilling Australia track-mounted diamond core rig setup and drilling at Munda Gold Project, Widgiemooltha WA.

Drilling was designed to target postulated high-grade gold shoots that had been 3D modelled by the Company using historical drilling completed by WMC, Titan Resources, Consolidated Minerals and Eureka (Figure 6). Partial mining of the open pit in 1999 by Resolute Gold Mines Limited occurred before mining ceased due to low gold prices. Evaluation of the historical RC drilling was inconclusive in determining the dominant structural direction required to confidently resource model the deposit for mining. However, 3D grade shell modelling of the gold data (Figure 7) provides a structurally controlled ladder vein/shoot model that required drill coring to collect orientated drill core for detailed structural and geological analysis. This has greatly assisted the Company in determining the orientation of the gold hosting vein system.

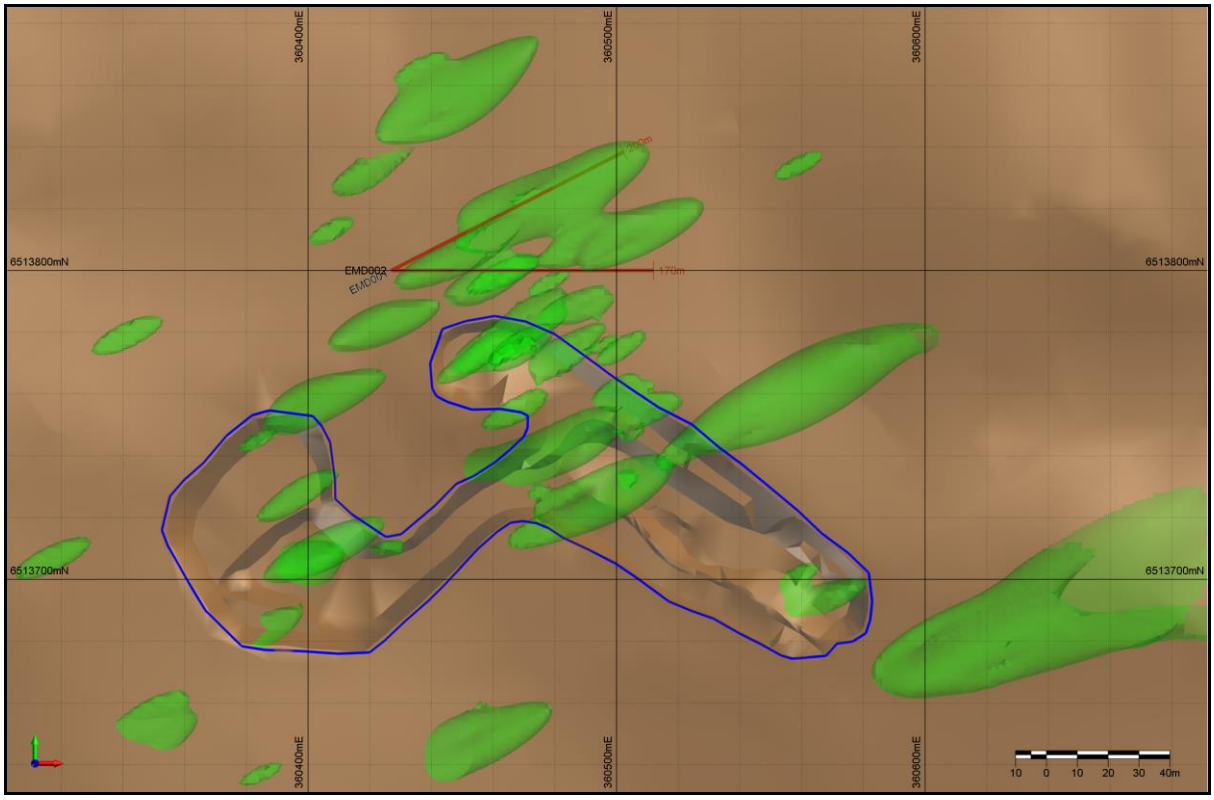

Figure 6: Plan view showing the historical Munda Gold Pit (BLUE) with the planned drilling (RED) and targetted gold shoots (GREEN).

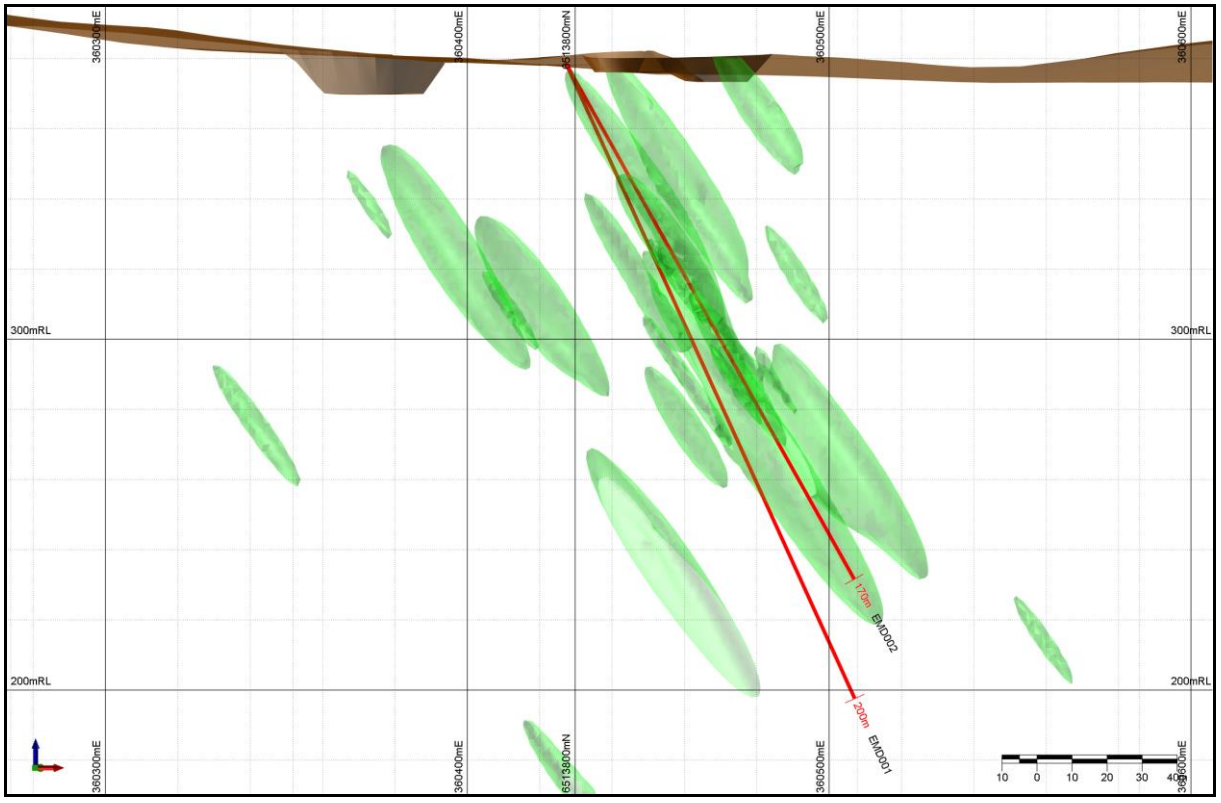

Figure 7: Oblique section view showing the planned drill holes (RED) north of the Munda pit and target gold shoots (GREEN).

Results exceeded the Company's expectations, returning numerous very high-grade mineralised zones which contained "Bonanza" grades as shown in Table 3 and Figure 8. The high grade plunging shoot interpretation was a new concept, significantly different to interpretations undertaken by previous explorers. The new drilling reported during the half confirmed the high grade plunging shoot interpretation. This will have a significant impact on future drill targeting, allow an update to the JORC 2012 Mineral Resource, provide confidence in the 3D geological models, and allow robust economic evaluations to occur for the first time on The Project.

Table 3: Significant Gold Intersections >1.0 g/t Au

Hole ID	From (m)	To (m)	Width (m)	Grade Au g/t	Comments
EMD002	57.00	65.00	8.00	3.3	Weathered and altered ultramafic above broken quartz vein zone from 64.5-67.0m
including	*57.00*	*58.00*	*1.00*	*19.6*	Weathered & bleached ultramafic
EMD002	102.00	118.00	16.00	21.6	Weakly altered & quartz veined basalt below contact
including	*102.00*	*103.00*	*1.00*	*9.5*	Thin quartz veinlets & weak alteration in basalt
& including	*107.00*	*116.00*	*9.00*	*35.9*	Quartz vein stockworks in weak-moderately altered basalt
which includes	*107.00*	*108.00*	*1.00*	*234.7*	Chlorite altered basalt with minor quartz veinlets & quartz sweats
	109.45	*109.70*	*0.30*	*24.6*	Qtz-sulphide vein with high grade remobilised Ni sulphide blebs.
	111.50	*111.75*	*0.25*	*53.4*	10cm wide quartz-chlorite vein in basalt
	113.00	*116.00*	*3.00**	*12.8*	Altered basalt with numerous cross-cutting quartz veinlets
EMD002	124.00	130.00	6.00*	2.0	Minor quartz veinlets with weak alteration in coarse grained basalt-dolerite
EMD002	134.00	138.00	4.00*	4.4	Minor quartz veinlets with weak alteration in coarse grained basalt-dolerite
EMD001	75.00	77.00	2.00	9.3	Altered and veined ultramafic
EMD001	84.10	91.00	6.90	4.8**	Sheared & quartz veined zone in ultramafic.
EMD001	125.00	140.00	15.00	2.6	Silicified & altered basalt below ultramafic contact
including	*125.00*	*126.00*	*1.00*	*15.7*	Quartz veined contact zone between units
& including	*135.00*	*136.00*	*3.00*	*3.8*	Narrow quartz veinlet in basalt with weak alteration
EMD001	143.00	144.00	1.00	1.4	Narrow quartz veinlets in basalt
EMD001	149.00	150.10	1.10	1.7	10cm wide quartz-sulphide vein in basalt near EOH.

**** Two meter composite samples. Requires 1m resampling.***

***** Core loss occurred in the middle of the zone between 85.9m-88.9m through a shear zone (35% recovery). Recovered sample (see Figure 2) from this interval grades 3.647g/t Au and has been used as the average grade of the entire 3m***

interval

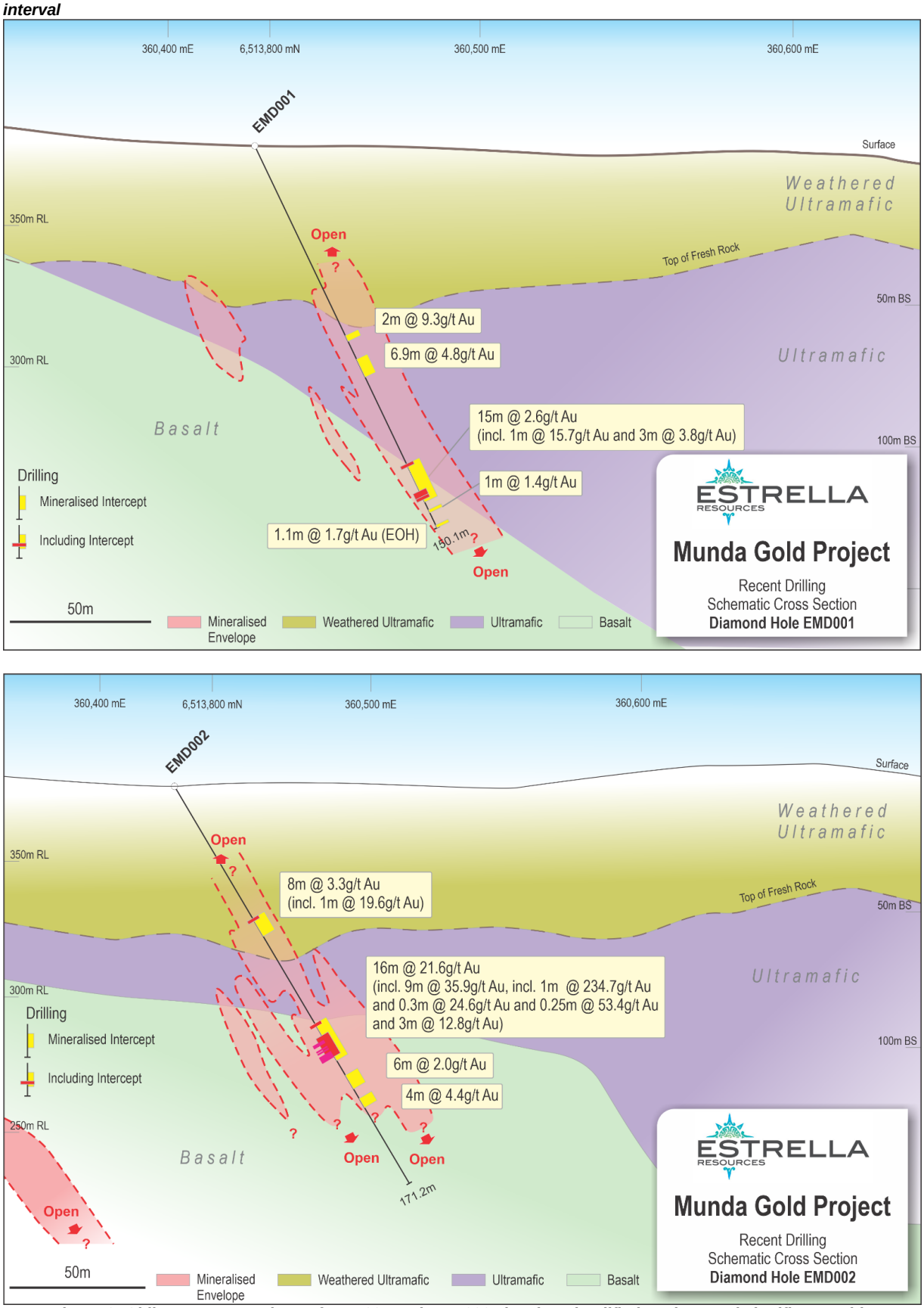

Figure 8: Oblique cross-sections of EMD001 and EMD002 showing simplified geology and significant gold intersections.

SPARGOVILLE NICKEL RIGHTS PROJECT, 100% WA

The Company reported to shareholders during the half-year its maiden 5A nickel sulphide Mineral Resource at the Spargoville Nickel Rights Project, located approximately 30km south-west of Kambalda, Western Australia. The maiden Mineral Resource stands at 127,000 tonnes at 1.9% Ni and 0.15% Cu for a contained nickel metal inventory of 2,370 tonnes and is reported in compliance with the JORC Code (2012). The Mineral Resource is shallow with the majority of nickel within 100m of surface and amendable to open pit mining. The maiden Mineral Resource followed a detailed assessment of historic drilling and the inclusion of significant high grade nickel sulphide drilling results achieved by the Company (see ASX release 18 December 2018) which included;

- **15m at 10.45% Ni, 0.78% Cu, 0.20% Co, 0.87g/t Pb, and 1.15g/t Pt from 20m**
- **5m at 11.32% Ni, 0.54% Cu, 0.21% Co, 0.42g/t Pd, and 0.22g/t Pt from 61m**
- **3m at 12.90% Ni, 1.37% Cu, 0.29% Co, 1.86g/t Pd, and 0.67g/t Pt from 69m**

Over 65% of the contained nickel tonnes in the 5A maiden Mineral Resource have been classified as Indicated with there being sufficient drill density and understanding of the mineralisation to satisfy this classification. The deposit is open at depth below the high grade nickel sulphide drill intercepts which allows potential for an increase in the current resource with further drilling.

In light of the recent strength in the nickel market and the positive outlook, the Company has undertaken steps towards commercialisation of the 5A nickel sulphide Mineral Resource with discussions ongoing regarding the treatment of potential high grade nickel sulphide ore recovered from shallow open pit mining.

The 5A nickel sulphide deposit is one of a number of significant nickel sulphide occurrences that make up the Company's 100% owned Spargoville Nickel Rights Project which was purchased at a time when nickel projects were not in favour and nickel prices were much lower.

5A Nickel Sulphide Deposit

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

Type	Indicated Mineral Resource				
	Tonnage	Ni	Cu	Ni	Cu
	kt	%	%	t	t
Disseminated	37	0.7	0.05	250	20
Matrix/Breccia	20	2.1	0.17	430	30
Semi-massive/Massive	12	8.1	0.63	950	70
Total	**69**	**2.4**	**0.19**	**1,630**	**130**

Type	Inferred Mineral Resource				
	Tonnage	Ni	Cu	Ni	Cu
	kt	%	%	t	t
Disseminated	41	0.7	0.10	270	40
Matrix/Breccia	17	2.5	0.13	410	20
Semi-massive/Massive	1	7.6	0.35	60	
Total	**58**	**1.3**	**0.11**	**730**	**70**

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**

Competent Person Statement

The information in this announcement relating to Exploration Results for the Carr Boyd Layered Complex (CLBC) and the Munda Gold Project 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.

The information in this announcement relating to the Spargoville 5A Mineral Resources is based on information compiled under supervision by Mr Shaun Searle of Ashmore Advisory Pty Ltd , who is a consultant to Estrella Resources, and a member of The Australasian Institute of Geoscientists.

Mr Hutchison and Mr Searle both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity they are 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".

Both Mr. Hutchison and Mr. Searle consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

RESULTS

The loss for the half year ended 31 December 2019 attributable to the Group was $345,886 (2018: $291,577).

CORPORATE

As at 31 December 2019 the Group had $3,014 in cash and the Company had the following securities on issue:

- 534,647,797 fully paid ordinary shares;
- 250,980,328 listed options exercisable at $0.05 on or before 27 June 2021;
- 8,250,000 unlisted options exercisable at $0.024 on or before 31 March 2020;
- 5,500,000 unlisted options exercisable at $0.05 on or before 15 May 2021; and
- 14,000,000 unlisted options exercisable at $0.03 on or before 20 November 2022.

EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2020 the Company completed the Placement of $450,000 in unsecured convertible notes. The notes have an interest rate of 12% per annum and a conversion price of $0.01 per share. The notes are convertible or repayable at the noteholders election 6 months from the issue date and can be repaid in either cash or shares at the Company's election 24 months from the execution date of the convertible note deed.

Other than as outlined above, there are no other events subsequent to the end of the period that would have had a material effect on the company's financial statements at 31 December 2019.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration forms part of the directors' report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



Leslie Pereira
Chairman
12 March 2020

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Estrella Resources Limited for the half-year ended 31 December 2019, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM
RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 12 March 2020

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 $	31 December 2018 $
Interest Income	575	2,019
Other income	-	45,000
Personnel costs	(83,837)	(75,050)
Legal Fees	(9,834)	(16,750)
Exploration costs written off	-	(14,386)
Directors fees	(59,998)	(59,998)
Consulting fees	(48,960)	(61,040)
Share Based Payments	(63,970)	-
Depreciation	(3,597)	(5,453)
Other expenses	(76,266)	(105,919)
LOSS BEFORE INCOME TAX	(345,886)	(291,577)
Income tax benefit	-	-
LOSS FOR THE PERIOD	(345,886)	(291,577)
Other Comprehensive Loss	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(345,886)	(291,577)
Basic and diluted loss per share (cents)	(0.07)	(0.06)

The consolidated statement of profit or loss and other comprehensive Income should be read in conjunction with the attached notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
Current Assets			
Cash and cash equivalents		3,014	279,170
Trade and other receivables		41,244	22,847
Total Current Assets		44,257	302,017
Non-Current Assets			
Plant & equipment		18,239	21,836
Exploration and evaluation expenditure	2	4,438,962	4,332,162
Total Non-Current Assets		4,457,201	4,353,162
Total Assets		4,501,458	4,656,015
Current Liabilities			
Trade and other payables		234,844	181,910
Provisions		29,200	21,378
Borrowings	3	23,958	-
Total Current Liabilities		288,002	203,288
Total Liabilities		288,002	203,288
Net Assets		4,213,456	4,452,727
Equity			
Share capital	4	17,905,893	17,863,248
Reserves	4	702,304	723,034
Accumulated losses		(14,394,741)	(14,133,555)
Total Equity		4,213,456	4,452,727

The consolidated statement of financial position should be read in conjunction with the attached notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
	$	$	$	$
Balance at 1 July 2019	17,863,248	(14,133,555)	723,034	4,452,727
Comprehensive loss				
Loss for the period	-	(345,886)	-	(345,886)
Total comprehensive loss for the period	-	(14,479,441)	-	-
Transactions with owners, in their capacity as owners				
Shares issued	42,645	-	-	42,645
Share based payment	-	-	63,970	63,970
Options expired	-	84,700	(84,700)	-
Total transactions with owners, in their capacity as owners	42,645	-	(20,731)	-
Balance at 31 December 2019	17,905,893	(14,394,741)	702,304	4,213,456
Balance at 1 July 2018	17,032,787	(13,788,732)	774,854	4,018,909
Comprehensive loss				
Loss for the period	-	(291,577)	-	(291,577)
Total comprehensive loss for the period	-	(291,577)	-	(291,577)
Transactions with owners, in their capacity as				
Shares issued	500,000	-	-	500,000
Options issued	-	-	163,962	163,962
Share issue costs	(68,432)	-	-	(68,432)
Option Expired	-	277,320	(277,320)	-
Total transactions with owners, in their capacity as owners	431,568	277,320	(113,358)	595,530
Balance at 31 December 2018	17,464,355	(13,802,989)	661,496	4,322,862

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 $	31 December 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(244,216)	(356,777)
Interest received	575	2,019
NET CASH USED IN OPERATING ACTIVITIES	(243,641)	(354,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(306,473)	(421,301)
Receipts from exploration grants	-	24,000
Payment for plant and equipment	-	(7,720)
Proceeds from sale of exploration rights	250,000	-
NET CASH USED IN INVESTING ACTIVITIES	(56,473)	(405,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	500,000
Proceeds from issue of options	-	163,962
Proceeds from borrowings	23,958	-
Costs of issue of shares	-	(68,432)
NET CASH PROVIDED BY FINANCING ACTIVITIES	23,958	595,530
Net decrease in cash held	(276,156)	(164,249)
Cash at the beginning of the financial period	279,170	446,364
CASH AT THE END OF THE FINANCIAL PERIOD	3,014	282,115

The consolidated statement of cash flows should be read in conjunction with the attached notes to the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The consolidated half-year financial report does not include all of the information required for a full annual financial report. The half-year financial report is to be read in conjunction with the most recent annual financial report for the year ended 30 June 2019. This report must also be read in conjunction with any public announcements made by Estrella Resources Limited and its controlled entities during the half-year.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

These interim financial statements were authorised for issue on 12 March 2019.

(A) GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of $345,886 and had net cash outflows from operating and investing activities of $243,641 and $56,473 respectively for the half year ended 31 December 2019. As at that date, the consolidated entity had net current liabilities of $243,745. The consolidated entity has prepared budgets and forecasts for the following 12 months and has determined further capital will be required if the consolidated entity is to continue at the planned level of operations.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

1. As disclosed in Note 8, on 25 February 2020, the Company completed the issue of $450,000 in convertible notes with an interest rate of 12% per annum and a conversion price of $0.01 per share;
2. The Company expect to raise additional capital to fund working capital requirements. The Company has been successful in raising capital whenever it has approached the markets in the past and the directors are confident in the ability to continue to raise additional funds on a timely basis, as and when required; and
3. The consolidated entity has the ability to defer or scale back certain parts of their activities so as to conserve cash.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

(C) ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(D) NEW AND REVISED STANDARDS AND AMENDMENTS THEREOF AND INTERPRETATIONS EFFECTIVE FOR THE CURRENT HALF-YEAR THAT ARE RELEVANT TO THE CONSOLIDATED ENTITY

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior half-years. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2019 $	30 June 2019 $
Exploration and evaluation assets		
Balance at the beginning of period	4,332,162	3,794,667
Exploration costs capitalised	356,800	595,520
Disposal of Munda Nickel rights	(250,000)	-
Impairment of exploration expenditure	-	(58,025)
Balance at the end of reporting period	4,438,962	4,332,162

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or valuation phase is dependent on successful development, and commercial exploitation, or alternatively sale of the respective areas. The Company conducts impairment testing on an annual basis when indicators of impairment are present at the reporting date.

3. BORROWINGS

	31 December 2019 $	30 June 2019 $
Unsecured loan	23,958	-
	23,958	-

During the period the Company entered into a Loan Agreement with Mr Christopher Daws, the Company's Chief Executive Officer. Under this agreement Mr. Daws agreed to lend the Company up to $50,000 unsecured interest free loan. As at 31 December 2019, the Company had drawn down $23,598 of this facility.

4. SHARE CAPITAL & RESERVES

		31 December 2019 $	30 June 2019 $
Issued capital	(a)	17,905,893	17,863,248
Option reserve	(b)	702,304	723,034

(a) Reconciliation of movement during the period:

	Shares	$
Opening balance	530,383,292	17,863,248
Shares issued in lieu of services 16 August 2019	3,464,505	34,645
Shares issued in lieu of services 20 August 2019	800,000	8,000
	534,647,797	17,905,893

(b) Movement in option reserve	31 December 2019 $
Opening balance	723,034
Share based payments	63,970
Options expired	(84,700)
Closing Balance	702,304

(c) Outstanding Share Options

As at 31 December 2019 the company had the following share options outstanding:

Expiry Date and Price	Type	Number
OPTIONS EXP 31/03/20 @ $0.024	Unlisted Option	8,250,000
OPTIONS EXP 15/05/21 @ $0.05	Unlisted Option	5,500,000
OPTIONS EXP 20/11/22 @ $0.03	Unlisted Option	14,000,000
OPTIONS EXP 27/06/21 @ $0.05	Listed Option	250,980,328
		278,730,328

5. SHARE BASED PAYMENTS

There were the following share based payments during the period:

	31 December 2019	31 December 2018
	$	$
Options		
11,500,000 Options issued to KMP pursuant to the ESOP (a)	52,547	-
2,500,000 Options issued to employees pursuant to the ESOP (a)	11,423	-
Ordinary Shares		
4,264,505 Ordinary shares at a deemed issue price of $0.01 per share to suppliers in lieu of services	42,645	-

The fair value of ordinary shares issued were determined by reference to the market price.

a) Employee share option plan

The Employee Share Option Plan (**ESOP**) was approved by shareholder on 26 April 2018. During the reporting period, 14,000,000 options were issued under the ESOP (2018: nil).

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument $	Value $
Unlisted options issued to directors exercisable at $0.03 on or before 20 November 2022	9,000,000	19/11/2019	0.00457	41,130
Unlisted options issued to key management personnel exercisable at $0.03 on or before 20 November 2022	2,500,000	21/11/2019	0.00457	11,423
Unlisted options issued to employees exercisable at $0.03 on or before 20 November 2022	2,500,000	21/11/2019	0.00457	11,423

The options issued during the period were calculated using the Black-scholes option pricing model with the following inputs:

	Options granted
Expected volatility (%)	100%
Risk free interest rate (%)	0.8%
Weighted average expected life of options (years)	3
Expected dividends	-
Option exercise price ($)	$0.03
Share price at grant date ($)	$0.011

Fair value of option ($)	$63,969
Number of options	14,000,000
Expiry date	20/11/2022

The options issued were deemed to vest immediately and there were no other vesting conditions.

6. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The consolidated entity operates in one segment, being exploration for mineral resources. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the consolidated entity. The consolidated entity operates in Australia.

7. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of the directors, there were no significant changes in commitments or contingent liabilities during the period ended 31 December 2019.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2020 the Company completed the Placement of $450,000 in unsecured convertible notes. The notes have an interest rate of 12% per annum and a conversion price of $0.01 per share. The notes are convertible or repayable at the noteholders election 6 months from the issue date and can be repaid in either cash or shares at the Company's election 24 months from the execution date of the convertible note deed.

Other than as outlined above there are no other events subsequent to the end of the period that would have a material effect on the company's financial statements at 31 December 2019.

9. INTEREST IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in note 1:

Controlled entities	**Country of incorporation**	**Percentage owned 31 December 2019**	**Percentage owned 30 June 2019**
WA Nickel Pty Ltd	Australia	100%	100%
Carr Boyd Nickel Pty Ltd	Australia	100%	100%
Estrella Resources (Chile) SpA	Chile	100%	100%

DIRECTORS' DECLARATION

In the opinion of the Directors of Estrella Resources Limited:

(a) The attached financial statements and notes:

(i) comply with Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of the consolidated entity's performance, for the half-year ended on that date.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.



Leslie Pereira
Chairman
12 March 2020

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ESTRELLA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Estrella Resources Limited which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Estrella Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Estrella Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Estrella Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of $345,886 and had net cash outflows from operating and investing activities of $243,641 and $56,473 respectively for the half-year ended 31 December 2019. As at that date, the consolidated entity had net current liabilities of $243,745. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS

A Whyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 12 March 2020

CORPORATE DIRECTORY

DIRECTORS
Leslie Pereira (Non-Executive Director)
John Kingswood (Non-Executive Director)
Stephen Brockhurst (Non-Executive Director)

CHIEF EXECUTIVE OFFICER
Christopher Daws

COMPANY SECRETARY
David McEntaggart

REGISTERED OFFICE
Level 11, 216 St Georges Terrace
PERTH WA 6000

Ph: (08) 9481 0389
Fax: (08) 9463 6103

SHARE REGISTRY
Automic Registry Pty Limited
Level 2, 267 St Georges Terrace
Perth WA 600

Ph: 1300 288 664
Fax: (08) 9321 2337
www.automic.com.au

AUDITORS
RSM Australia Partners
Level 32, 2 The Esplanade
Perth WA 6000

BANKERS
ANZ Bank

WEBSITE
www.estrellaresources.com.au