



and its controlled entities

2017 ANNUAL REPORT

ABN: 39 151 155 207

Annual Financial Report 2017

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ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present the following report on Estrella Resources Limited ("the Company") and its wholly owned subsidiary Mt Edwards Lithium Pty Limited ("MELP") (together referred to hereafter as "the Group") for the financial year ended to 30 June 2017.

During the year, Estrella Resources Limited acquired MELP which holds 75% of the lithium rights. The remaining 25% of the lithium rights are held by Apollo Phoenix Resources Pty Ltd.

Directors

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

Raymond Shorrocks	Non-Executive Director
John Kingswood	Non-Executive Director (appointed 6 January 2017)
Stephen Brockhurst	Non-Executive Director (appointed 3 April 2017)
Guy Robertson	Non-Executive Director (resigned 5 January 2017)
Howard Digby	Non-Executive Director (resigned 3 April 2017)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

Company Secretary

Mr Guy Robertson held the position of the Company Secretary until 5 January 2017.

Mr Stephen Brockhurst was appointed as the Company Secretary effective 5 January 2017 and held the position as at the date of this report.

Details of Mr Brockhurst' experience is set out below under 'Information on Directors'.

Principal activities

The principal activities of the Group during the reporting period were to maintain mining/mineral exploration rights/assets in Chile and project acquisition in Australia.

Review of Operations

Project Acquisitions

On 7 November 2016 the Company announced the proposed acquisition of Mt Edwards Lithium Pty Ltd, which held 75% of the lithium rights over a 127km² landholding referred to as the Mt Edwards Lithium Project (MELP or the Project). The acquisition of MELP was completed on 28 December 2016 via the shareholders' approval.

The tenements are held by Apollo Phoenix Resources Pty Ltd which holds the remaining 25% of the lithium rights. The Project consists of 16 tenements covering over 127km² on and around the highly prospective Widgiemooltha Dome, Western Australia.

ESTRELLA RESOURCES LIMITED

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DIRECTORS' REPORT

Review of Operations

Project Acquisitions (continued)

MELP is located centrally within what is emerging as a highly endowed and globally significant lithium province. The MELP location in relation to the other significant LCT pegmatite projects in the province is as follows:

- 40km south of the Mt Marion Lithium project
- 40km SSE of the Londonderry Pegmatites and Lithium Australia's Lithium Hill project
- 60km west of the Bald Hill Sn-Ta-Li project and Cowan project
- 30km north of Pioneer Resources Limited Dome Lithium project

The consideration for the acquisition was 106,000,000 Estrella shares which were issued to the vendors of MELP with a further 13,333,333 shares being issued to the facilitator of the transaction.

During the year several phases of rock chip sampling and RC drilling were completed on the Project. This resulted in the generation of several high priority targets as follows:

Atomic Three

Mapping, rock chip sampling and RC drilling programs resulted in the discovery of a cluster of high grade lithium bearing pegmatite bodies. These were named Alpha Pegmatite, Bravo Cluster and Charlie Pegmatite. Follow-up drilling will be conducted as soon as practicable in the Bravo and Charlie areas to determine if new interpretations of larger pegmatite bodies are correct, to determine if the pegmatites are related to each other, or are connected, and to generate a JORC 2012 mineral resource estimate.

A soil sampling program was completed over the Atomic Three prospect area during the year. A total of 458 samples were collected on a 200m by 50m grid pattern. The aim of the soil sampling program was to determine if soil sampling could be an effective technique for identifying blind lithium bearing pegmatites with no visible surface expression, and if so, determine if there are any such pegmatites in the Atomic Three area. Samples from the program have been transported to Kalgoorlie and are in storage while the Company awaits the arrival of a new handheld XRF unit. When the XRF unit arrives, the soil samples will be analysed.

Bravo Cluster

The Bravo Cluster is located approximately 600m NNW of the 132N nickel mine, or 250m SW of the Alpha Pegmatite targeted by the first phase of drilling on the MELP. Six rock chip samples were collected at Bravo Cluster during the year, half of which returned over 1.5% Li₂O, with a peak value of 1.68% Li₂O. *

Detailed mapping has now been completed on the prospect. This has shown that Bravo could be a single pegmatite, rather than a cluster of smaller bodies, and the pegmatite could be significantly larger than previously interpreted. The numerous small rubbly outcrops at the prospect are now interpreted to represent a single pegmatite body in a deeply weathered and poorly exposed environment.

ESTRELLA RESOURCES LIMITED

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DIRECTORS' REPORT

Review of Operations

Charlie Pegmatite

The Charlie Pegmatite is located approximately 200m east of the Bravo Cluster. It is less than 200m from the broad historic pegmatite intersection in holes WD4133 and WD5301, which will be targeted by twin holes in an upcoming drill program, after historic diamond core was unable to be located within core storage locations.

Detailed mapping and two phases of rock chip sampling have been completed on the prospect. The size of the pegmatite is now interpreted to be larger than previously thought, and it may possibly be connected to or be of the same pegmatite as the Bravo Cluster.

The most recent phase of rock chip sampling at the Charlie Pegmatite included the following very high-grade lithium results.†

Sample ID	Zone	Easting	Northing	RL	Li2O %
AP00450	51J	360921	6519461	369	2.50
AP00451	51J	360918	6519473	368	3.36
AP00452	51J	360924	6519437	369	2.33
AP00454	51J	360966	6519423	371	3.29
AP00457	51J	360996	6519382	373	1.41
AP00458	51J	361021	6519371	375	3.14
AP00459	51J	361061	6519356	378	1.23

*Refer to announcement "Mt Edwards Lithium Project Exploration Update", 23 June 2017;

† Refer to announcement "Highest Grade Lithium to Date - Atomic Three", 18 July 2017.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Review of Operations

Charlie Pegmatite (continued)

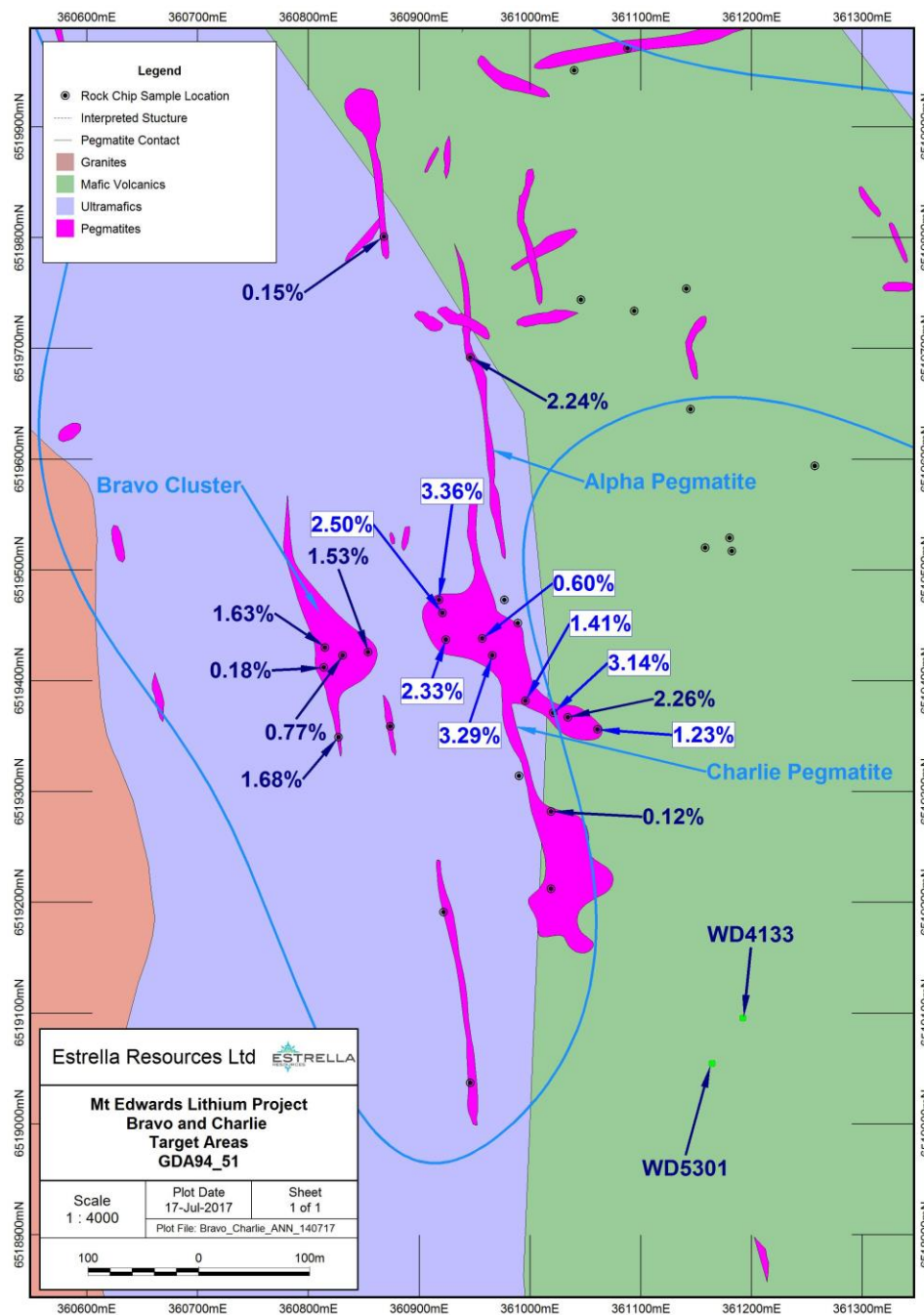


Figure 1. Map of the Atomic Three prospect showing all the rock chips sampled to date, labelled with % Li₂O for anomalous results above 0.1% Li₂O. The more recent follow-up sampling results are labelled in a white highlight.
* †

*Refer to announcement "Mt Edwards Lithium Project Exploration Update", 23 June 2017

† Refer to announcement "Highest Grade Lithium to Date - Atomic Three", 18 July 2017

DIRECTORS' REPORT

Review of Operations

Inco Boundary

Earlier in the year, rock chip sampling and follow-up RC drilling identified an anomalous pegmatite body at Inco Boundary. The current interpretation is that the pegmatite is flat dipping and at least 7m thick, which would be a favourable geometry for mining if economic concentrations of lithium are discovered*.

*Refer to announcement "Quarterly Activities and Cashflow Report", 27 April 2017.

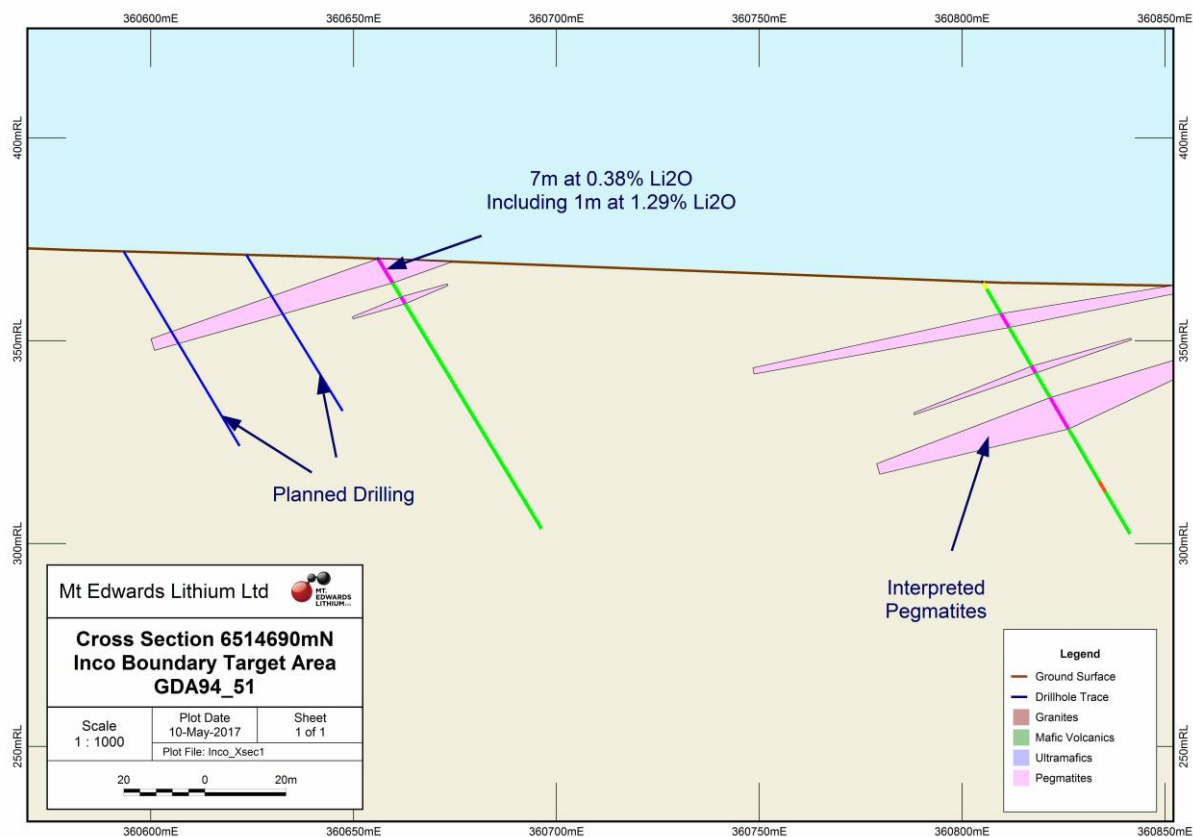


Figure 2. Cross section of Inco Boundary showing interpreted pegmatites, significant intercepts and planned drilling

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Review of Operations

Other Work Programs

The Company identified several pegmatite intersections over 10m wide in historic drilling in the Atomic Three area during the year. These included diamond holes WD4133, which intersected 78.8m of pegmatite from 56.7m downhole and WD5301, which intersected 37.7m of pegmatite from 132.6m downhole*. Both holes were drilled at the 132N nickel deposit targeting nickel, within 200m of Charlie Pegmatite. The core for these holes was unable to be located, therefore the Company intends to twin these intersections with new drillholes, to determine if the pegmatites are lithium bearing.

Numerous pegmatite intersections less than 10m wide were also identified in the area. Most of these are historic percussion holes. The Company systematically worked through these intersections during the year to determine if any core or drill cuttings from them has been preserved, and is able to be sampled. Only a small number of narrow barren pegmatite intersections could be sighted in drill core.

The Company may consider drilling twin holes of other pegmatite intersections over 10m in with if they are interpreted to be associated with high priority lithium zones during other work at Atomic Three.

Hole_ID	Hole_Type	mFrom	mTo	MGA_East	MGA_North	DTM_RL	Width
WD4133	DDH	56.7	135.5	361192	6519096	291	78.8
WD5301	DDH	132.6	170.3	361165	6519055	242	37.7
WID1364	RC	4.0	16.0	360633	6518985	350	12.0
WID1527	DDH	333.6	348.2	361088	6517994	59	14.6
WID1628	RC	15.0	25.5	360902	6520213	336	10.5
WID1629	RC	18.0	33.0	360894	6520213	332	15.0

Table 1. Location of pegmatite drillhole intersections over 10m thick in the Atomic Three area.*

*Refer to announcement "Quarterly Activities and Cashflow Report", 27 April 2017

Chile Copper Project

The Company currently retains Saturno and Mecurio tenements in Chile in which it has a 100% interest. During the financial year, there has been no activities undertaken on the Chilean mineral assets.

Competent Person Statement

The information in this announcement relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Luke Marshall, who is a consultant to Apollo Phoenix Resources and Mt Edwards Lithium, and a member of The Australasian Institute of Geoscientists. Mr Marshall 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 Marshall consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Significant changes in the state of affairs

In the opinion of the Directors, other than the matters as outlined in the operations report above, or as set out in the accounts and notes thereto, there were no significant changes in the state of affairs of the Company during the financial year.

Dividends

In respect to the current year, no dividends were paid or declared during the period by the Group and no recommendation is made as to dividends.

Events subsequent to the reporting period

On 4 September 2017, the Company announced that it had executed binding, conditional agreement for acquisition of new gold and nickel assets via the proposed acquisition of WA Nickel Pty Ltd ("WAN").

No other matters or circumstances since the end of the year have occurred that have significantly affected or may significantly affect the operations, the results of the operations or the state of affairs of the Entity in subsequent financial years.

Likely future developments and expected results

Estrella is a Western Australian based exploration company which previously has been focused on copper exploration in Chile. Given the recent acquisition of the Mt Edwards Lithium project the Company has reassessed its investment in the Chile copper project.

As a consequence, the Company determined that it is in the best interests of shareholders to look for opportunities over and above the existing project.

The Company continues to look at opportunities which may add to shareholder wealth in the resources sector.

Environmental issues

The Group's operations are subject to the laws and regulations pertaining to mining exploration operations in Australia and Chile, South America. As at the date of this Report the Group has not been notified of any breach of any such laws or regulations.

Information on Directors

Mr Raymond Shorrocks – Non-Executive Director

Date of appointment: 24 June 2015

Mr Shorrocks has over 20 years' experience in corporate finance and has advised a diverse range of mining companies during his career at Patersons Securities Limited, one of Australia's largest full service stockbroking and financial services firms. Mr Shorrocks has been instrumental in managing and structuring equity capital raisings as well as having advised extensively in the areas of mergers and acquisitions.

Mr Shorrocks is a member of the Remuneration Committee and the Audit and Risk Committee.

Mr Shorrocks is a Director of Draig Resources Limited, Galilee Energy Limited, International Goldfields Limited and Indago Energy Limited.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Information on Directors (continued)

Mr John Kingswood – Non-Executive Director

Date of appointment: 6 January 2017

Mr Kingswood has over 20 years' mining experience with significant experience in mining and project management.

Mr Kingswood has been involved with some of WA's largest projects from BHP, RGP3, 5 and 6 Rio Tinto Argyle Diamond underground operations. Mr Kingswood has a strong track record of identifying potential projects and implementing effective strategies.

Mr Kingswood is currently a director of Apollo Phoenix Resources Pty Ltd (a private Western Australian based nickel and gold exploration and development company), Nimbus Mines Pty Ltd (a resource investment group) and MELP.

Mr Stephen Brockhurst – Non-Executive Director & Company Secretary

Date of appointment as Company Secretary: 5 January 2017

Date of appointment as Non-Executive Director: 3 April 2017

Mr Brockhurst is the founding Director of Mining Corporate Pty Ltd and has 15 years' experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed and private companies. He is currently a Director of Roto-Gro International Limited and International Goldfields Limited and Company Secretary of Jacka Resources Limited, Lindian Resources Limited, Cabral Resources Limited and Galena Mining Limited.

Mr Brockhurst is Chairman of the Remuneration Committee and the Audit and Risk Committee.

Mr Guy Robertson: Non-Executive Director and Company Secretary

Date of appointment: 31 March 2015

Date of resignation: 5 January 2017

Mr Robertson has over twenty-five years' experience as a Director, Chief Financial Officer, and Company Secretary of both private and ASX listed companies in both Australia and Hong Kong. Mr Robertson has a Bachelor of Commerce (Hons.) and is a Chartered Accountant.

Mr Robertson is a director of Metal Bank Limited and Draig Resources Limited and was previously a director of Hastings Rare Metals Limited and Artemis Resources Limited.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Information on Directors (continued)

Mr Howard Digby: Non-Executive Director

Date of appointment: 31 July 2015

Date of resignation: 3 April 2017

Mr Digby has held a number a management positions in Australia and the Asia Pacific region, mostly in the information technology and media. He started his career with IBM Perth and Sydney before joining Adobe (NSDQ: ADBE), Gartner (NYSE: IT) and then served as managing director for the Economist Group based in Hong Kong. Upon returning to Perth Mr Digby served as Executive Editor of (WA) Business News. Mr Digby is a former Executive Chairman and current Non-Executive Director of Sun Biomedical (ASX: SBN) and an advisor to geospatial imagery company Spookfish (ASX:SFI) and other early stage technology companies.

Mr Digby holds a Bachelor of Engineering (Hons) from The University of Western Australia.

Other Management

Mr Christopher Daws: Chief Executive Officer

Date of appointment: 2 January 2017

Mr Daws has strong experience in running junior resource companies having previously been involved with Niagara Mining (Poseidon), US Nickel and KMC Limited. Mr Daws is a Director and founder of Apollo Resources Pty Ltd and a Director of Nimbus Mines Pty Ltd. Mr Daws is responsible for running the day-to-day operations of the group and will receive a salary of \$240,000 exclusive of superannuation.

Company Secretary

Mr Robertson held the Company Secretary position until 5 January 2017.
Mr Brockhurst was appointed as the Company Secretary on 5 January 2017.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Meetings of the Board

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Shorrocks	5	5	1	1
G Robertson*	4	4	1	1
H Digby**	5	5	1	1
J Kingswood***	1	1	-	-
S Brockhurst ****	-	-	-	-

* Mr Robertson resigned on 5 January 2017;

** Mr Digby resigned on 3 April 2017;

*** Mr Kingswood was appointed on 6 January 2017;

**** Mr Brockhurst was appointed on 3 April 2017.

There were no remuneration committee meetings held during the year.

The Company had the following options on issue as at 30 June 2017.

Grant date of options	Number of shares under option	Class of shares	Exercise price	Expiry date of options
03 Oct 2013	118,750	Ordinary	\$0.80	03 Oct 2018
21 Nov 2013	750,000	Ordinary	\$1.40	21 Nov 2018
13 Nov 2014	1,375,000	Ordinary	\$0.40	13 Nov 2019
18 Sep 2015	5,000,000	Ordinary	\$0.44	31 May 2018
18 Sep 2015	8,250,000	Ordinary	\$0.24	31 Mar 2020
Total	15,493,750			

Shares issued during or since the end of the year as a result of exercise

No shares have been issued during or since the end of the year as a result of exercise of an option.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Indemnifying officers or auditor

During the reporting period, the Group paid an insurance premium to insure the Directors and Officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group. Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has entered into agreements with each of the Directors and Officers to indemnify them against any claim and related expenses, which arise as a result of work completed in their respective capabilities. The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Proceedings on behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit services

The auditor did not provide any non-audit services during the year. Details of the amounts paid to the auditors of the Group, Hall Chadwick, and its related practices for audit services provided during the year are set out in Note 21 to the Financial Statements.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 19 of this financial report and forms part of this Directors' report.

REMUNERATION REPORT (Audited)

The Directors of Estrella Resources Limited present the Remuneration Report prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements

Principles used to determine the nature and amount of remuneration

The following Report outlines the principles used to determine the nature and amount of remuneration. The Board established a Remuneration Committee on 8 March 2012. The Remuneration Committee is responsible for reviewing and providing recommendations to the Board with respect to the remuneration packages of Directors and Key Management Personnel. The role also includes responsibility for share options incentives, superannuation entitlements, retirement and termination entitlements, fringe benefits policies, liability insurance policies and other terms of employment.

The Remuneration Committee will review the arrangements having regard to performance, relevant comparative information and at its discretion may obtain independent expert advice on the appropriateness of remuneration packages or fees paid to Key Management Personnel.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

REMUNERATION REPORT (Audited)

Principles used to determine the nature and amount of remuneration (continued)

No remuneration consultant was used during the year. Remuneration packages are set at levels intended to attract and retain Key Management Personnel capable of managing the Group's activities. Where Key Management Personnel positions are held by consultants, fees are based on normal commercial terms and conditions.

The remuneration of an Executive Director is ultimately decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$380,000 per annum.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

The executive pay and reward framework has three components:

1. Base pay and benefits;
2. Long-term incentives through share schemes; and
3. Other remuneration such as superannuation.

The combination of these comprises the Key Management Personnel total remuneration. All remuneration is fixed and no portion is based on performance targets. The award of long-term incentives is based upon the discretion of the Board.

ESTRELLA RESOURCES LIMITED

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REMUNERATION REPORT (Audited)

Details of remuneration

Details of the nature and amount of each element of the emoluments of each of the Directors and Key Management Personnel of the Group for the year ended 30 June 2017 are set out in the following table:

2017	Short-term benefits	Post-employment benefits	Share-based Payments		
	Salary				
Name	And Fees	Bonus	Superannuation	Options	Total
	\$	\$	\$	\$	\$
DIRECTORS					
R Shorrocks	40,000	-	-	-	40,000
G Robertson ¹	6,000	-	-	-	6,000
H.Digby ²	23,333	-	-	-	23,333
J. Kingswood ³	19,998	-	-	-	19,998
S. Brockhurst ⁴	10,000	-	-	-	10,000
	99,331	-	-	-	99,331

OTHER MANAGEMENT					
C.Daws ⁵	120,000	-	11,400	-	131,400
	219,331	-	11,400	-	230,731

2016	Short-term benefits	Post-employment benefits	Share-based Payments		
	Salary				
Name	And Fees	Bonus	Superannuation	Options	Total
	\$	\$	\$	\$	\$
DIRECTORS					
R Shorrocks	40,000	-	-	-	40,000
G Robertson ¹	72,000	-	-	-	72,000
H.Digby	36,667	-	-	-	36,667
Dr J Berton ²	6,976	-	1,627	6,291	14,894
	155,634	-	1,627	6,291	163,561

¹Includes fees as company secretary of \$60,000.

²Director resigned 31 July 2015

¹ Mr Robertson resigned on 5 January 2017.

² Mr Digby resigned on 3 April 2017.

³ Mr Kingswood was appointed on 6 January 2017.

⁴ Mr Brockhurst was appointed on 3 April 2017.

⁵ Mr Daws was appointed as CEO on 2 January 2017.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT (Audited)

Share based remuneration

During the financial year, no options were issued to Key Management Personnel. During the previous reporting period, no options were issued to Key Management Personnel.

Transactions with key management personnel

During the year ended 30 June 2017, fees of \$60,000 were paid or due to be paid to Integrated CFO Solutions Pty Ltd, a company in which Guy Robertson has an interest, for accounting services.

During the year ended 30 June 2017, fees of \$50,035 were paid or due to be paid to Mining Corporate Pty Ltd, a company of which Mr Brockhurst is a director of, for company secretarial, accounting and bookkeeping services.

There were no other transactions with key management personnel in 2017 other than as outlined above.

Related Party Disclosures

Key management personnel shareholdings

Fully Paid Ordinary Shares

2017	Balance 01 July 2016	Purchases /(Sales)	Net other Change	Balance 30 June 2017
Directors				
R Shorrocks	714,285	-	-	714,285
G Robertson	-	-	-*	-
H Digby	833,334	-	833,334*	-
J Kingswood	-	210,000	1,200,000**	1,410,000
S Brockhurst	-	-	250,000**	250,000
Other				
Management				
C Daws	18,000**	4,000,000	-	4,018,000

*Balance at resignation.

** Balance at appointment.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

REMUNERATION REPORT (Audited)

Related Party Disclosures (continued)

Key management personnel shareholdings

Fully Paid Ordinary Shares

2016	Balance 01 July 2015	Purchases /(Sales)	Net other Change	Balance 30 June 2016
Directors				
R Shorrocks	714,285	-	-	714,285
G Robertson	-	-	-	-
H Digby	-	833,334	-	833,334
J Berton ⁶	277,273	-	(277,273)	-

Share Options

2017

During 2017 financial year, there were no share options on issue held by key management personnel.

2016	Balance 1 July 2015	Options Granted	Net other Change⁴	Options Exercised	Balance 30 June 2015	Balance Held Nominally	Total Vested 30 June 2015	Total Un- Exercisable 30 June 2016
Directors								
R Shorrocks	-	-	-	-	-	-	-	-
G Robertson	-	-	-	-	-	-	-	-
H Digby	-	-	-	-	-	-	-	-
J Berton ⁶	1,750,000	-	(1,750,000)	-	-	-	-	-

⁶ Dr Berton resigned on 31 July 2015.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

REMUNERATION REPORT (Audited)

Service Agreements

Non-Executive Directors Remuneration

Appointments of Non-Executive Directors Mr John Kingswood and Mr Stephen Brockhurst during the financial year are formalised in the form of service agreements between themselves and the Company. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act. Current Non-Executive Directors' letters of appointments entitle the directors to the remuneration of \$40,000 per annum.

Other Executives Remuneration

Mr Christopher Daws was appointed as Chief Executive Officer on 2 January 2017. His employment conditions are governed by an Executive Service Agreement. The terms of agreement can be terminated by providing three (3) months written notice in case of the Company or three (3) months written notice in case of the Executive to the other party. Where the Company terminates the agreement, the Company will pay an amount equivalent of the six (6) months' remuneration. Mr Daws is entitled to receive \$240,000 per year (exclusive of statutory superannuation). The remuneration is not dependent on the satisfaction of any performance conditions. The Company may at any time during the employment pay Mr Daws a performance-based bonus over and above the set remuneration. In determining the extent of any performance-based bonus payments, the Company will take into consideration the key performance indicators of the Executive and the Company, as the Company may set from time to time, and any other matter that it deems appropriate. During the year, Mr Daws did not receive any performance-based bonus.

END OF THE AUDITED REMUNERATION REPORT

Signed in accordance with a resolution of the Board of Directors:



John Kingswood

Director

Dated this 29th day of September 2017

**ESTRELLA RESOURCES LIMITED
AND ITS CONTROLLED ENTITIES
ABN 39 151 155 207**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ESTRELLA RESOURCES LIMITED**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

GRAHAM WEBB

Partner

Date: 29 September 2017

A Member of PrimeGlobal
An Association of Independent
Accounting Firms

 **PrimeGlobal**

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Estrella Resources Limited group ("Estrella"), through its board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Estrella. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

ASX Corporate Governance Principles and Recommendations

Estrella is a listed company with a small market capitalisation and where its processes do not fit the model of the ASX Corporate Governance Principles and Recommendations, the board believes that there are good reasons for the different approach being adopted. Reporting against the 8 Principles, we advise as follows:

Principle 1: Lay solid foundations for management and oversight
--

1.1 A listed entity should disclose:

- (a) The respective roles and responsibilities of the board and management*
- (b) those matters expressly reserved to the board and those delegated to management.*

The primary responsibilities of Estrella's board include:

- (i) the establishment of long term goals of the company and strategic plans to achieve those goals;
- (ii) the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- (iii) the appointment of the Chief Executive Officer/General Manager, where appropriate;
- (iv) ensuring that the company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- (v) the approval of the annual and half-yearly statutory accounts and reports.

The board meets on a regular basis to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled board meeting, each board member is provided with a formal board package containing appropriate management and financial reports.

During the financial year, the Company appointed a Chief Executive Officer. The Chief Executive Officer's responsibilities include running day-to-day operations of the Group. Where other executive roles are filled from time to time a letter of appointment containing a job description is given to the appointee and these are updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) Achieve Estrella's objectives as established by the Board from time to time;
- (ii) Operate the business within the cost budget set by the Board;
- (iii) Assess new business opportunities of potential benefit to the Company;
- (iv) Ensure appropriate risk management practices and policies are in place;
- (v) Ensure that Estrella's appointees work with an appropriate Code of Conduct and Ethics; and
- (vi) Ensure that Estrella appointees are supported, developed and rewarded to the appropriate professional standards.

CORPORATE GOVERNANCE STATEMENT (continued)

1.2 *A listed entity should:*

- a) *undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and*
- b) *provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The board of Estrella undertakes appropriate checks prior to appointing a person, or putting a person forward to shareholders as a candidate for election as a director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Information about a candidate standing for election or re-election as a director will be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate. This information may include:

- biographical details, including relevant qualifications, experience and skills;
- details of other material directorships;
- a statement regarding whether the director qualifies as independent;
- any material adverse information or potential conflicts of interest, position or association;
- the term of office currently served (for directors standing for re-election); and
- a statement whether the board supports the election or re-election of the candidate.

1.3 *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

All directors and senior executives of Estrella have a written agreement with the Company setting out the terms of their appointment.

1.4 *The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary of Estrella is accountable to the board on all governance matters and reports directly to the Chairman or Chairman elect as the representative of the board.

The Company Secretary is appointed and dismissed by the board. The Company Secretary's advice and services are available to all directors.

1.5 *A listed entity should:*

- a) *have a diversity policy which includes requirement for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- b) *disclose that policy or a summary of it; and*
- c) *disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
 1. *the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purpose); or*
 2. *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in and published under that Act.*

The Company has, as yet, no established policy in relation to gender diversity. The company has a board of three and one full time employee and as a consequence the opportunity for creating a meaningful gender diversity policy is limited.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

The Company will disclose at the end of each reporting period the respective proportions of men and women on the board and in senior executive positions. Currently Company personnel comprise the board which has three members none of which are women.

1.6 A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board undertakes an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter; and
- effects any improvements to the Board Charter deemed necessary or desirable.

The Estrella board has three board members, who are in regular contact with each other as they deal with matters relating to Estrella's business. The board uses a personal evaluation process to review the performance of directors, and at appropriate times the acting Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The acting Chairman also welcomes advice from Directors relating to his own personal performance. The Remuneration Committee determines whether any external advice or training is required. The Board believes that this approach is appropriate for a company of the size of Estrella which has a small market capitalisation.

1.7 A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The performance of all senior executives and appointees is reviewed at least once a year. The performance of the Chief Executive Officer is reviewed by the Chairman on an annual basis, and the performance of other senior executives is reviewed by the Chief Executive Officer, in conjunction with the board's Remuneration and Nominations Committee. They are assessed against personal and Company Key Performance Indicators established from time to time as appropriate for Estrella.

The Estrella Corporate Governance Charter is available on the Estrella web site, and includes sections that provide a board charter. The Estrella board reviews its charter when it considers changes are required.

Principle 2: Structure the Board to add value

2.1 The board of a listed entity should:

- (a) have a nomination committee which;*
 - (1) has at least three members, a majority of whom are independent directors; and*
 - (2) is chaired by an independent director;**and disclose*
 - (3) the charter of the committee*
 - (4) the members of the committee; and*
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting;**or*

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

2.1

- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Given that the Board only has three members the Board has determined that the Board will act as the nomination committee.

There is no current board charter for nominations.

New directors are selected after consultation of all board members and their appointment voted on by the board. Each year, in addition to any board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

2.2 *The board of a listed entity should:*

- (a) *have a nomination committee which;*
- (1) has at least three members, a majority of whom are independent directors; and*
 - (2) is chaired by an independent director;*
- and disclose*
- (3) the charter of the committee*
 - (4) the members of the committee; and*
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or*
- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Given that the Board only has three members the Board has determined that the Board will act as the nomination committee.

There is no current board charter for nominations.

New directors are selected after consultation of all board members and their appointment voted on by the board. Each year, in addition to any board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

The number of times the committee meets is disclosed in the annual report.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

2.3 *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its memberships.*

During the 2017 financial year, the Estrella board conducted a governance skills review regarding the skills, knowledge and experience of the current board. The skills matrix is set out in the table below.

	Non-executive Director	Non-executive Director	Non-executive Director
Skills and Experience	Corporate Advisory, structuring equity capital raisings, mergers and acquisitions	Exploration project management, financial management,	Corporate governance, due diligence on acquisition, strategy development capital raising, financial reporting and control

The Estrella board has determined that any addition to board membership must be independent of shareholders and management.

2.4 *A listed entity should disclose:*

- (a) *the names of the directors considered by the board to be independent directors;*
- (b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *the length of service of each director.*

The Chairman, Mr Ray Shorrocks, is independent. Mr Shorrocks has served as a director since 24 June 2015.

Mr John Kingswood, Non-Executive director is considered to be independent and has served as a director since 6 January 2017.

Mr Stephen Brockhurst, Non-Executive director is considered to be independent, he is currently also the Company Secretary. He has served as a director since 3 April 2017.

Mr Howard Digby, former Non-Executive director was considered to be independent and has served as a director since 31 July 2015 until 3 April 2017.

Mr Guy Robertson, former Non-Executive director, was not independent, as he was also the Company Secretary and his company was providing accounting services to Estrella. He has served as a director since 31 March 2015 until 5 January 2017.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

2.5 *A majority of the board of a listed entity should be independent directors.*

All the directors are considered to be independent directors.

2.6 *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Mr Raymond Shorrocks, the non-executive chairman is independent and is not the CEO.

2.7 *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

Estrella Resources Limited has a program for induction of new directors. Directors are active in undertaking professional development opportunities for the purpose of development and maintenance of their skills. Such activities are reported as part of the board's governance skills review, which also assists in identifying areas requiring further development.

Principle 3: Act ethically and responsibly

3.1 *A listed entity should:*

- (a) *have a code of conduct for its directors, senior executives and employees; and*
- (b) *disclose that code or a summary of it.*

Estrella's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company's ethical standards. The code of conduct is contained in the Estrella Corporate Governance Charter, see www.estrellaresources.com.au.

Principle 4: Safeguard integrity in financial reporting

4.1 *The board of a listed entity should:*

- (a) *have an audit committee which*
 - (1) *has at least three members, all of who are non-executive directors and a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director, who is not a chair of the board, and disclose:*
 - (3) *the charter of the committee;*
 - (4) *the relevant qualifications of the members of the committee; and*
 - (5) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

Given that Estrella is a company with a small market capitalisation, the Audit committee is comprised of three directors, Mr Stephen Brockhurst (Audit Committee Chairman), Mr Raymond Shorrocks and Mr John Kingwood, all are non-executive independent directors.

The company has adopted an Audit Committee charter which is available on the Estrella website.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

The Audit Committee met once during the course of the year.

The Audit Committee provides a forum for the effective communication between the board and external auditors. The committee reviews:

- The annual and half-year financial reports and accounts prior to their approval by the board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit functions.

The committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

The Audit Committee also reviews the Estrella Corporate Governance and Risk Management processes to ensure that they are effective for a listed public company that currently has a small market capitalisation.

4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Declarations regarding the financial statements are received from Mr Stephen Brockhurst, a director who has closely reviewed the financial aspects of the business. The board received such declarations for the half year and annual reports for 2017.

4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Estrella's auditor attends the Company's AGM in person and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

5.1 A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

Estrella recognises that timely and balanced disclosure of all material information concerning the Company must be made on a continuous basis so as to ensure that the market is informed of all material events and developments as they arise. Estrella's Continuous Disclosure Policy is available on the Governance page of the Company's website: www.estrellaresources.com.au.

Principle 6: Respect the rights of security holders

6.1 A listed entity should provide information about itself and its governance to investors via its website.

Estrella's website includes a Governance page, which includes a copy of this Corporate Governance Statement and various governance policies.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

- 6.2 *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company's Shareholder Communication Policy, which is available on the Governance page of its website, summarises the Company's communication program, including regular reporting, email alerts, active participation at the Company's AGM and encouragement of shareholder communications.

- 6.3 *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Notices of the Annual General Meeting, together with accompanying information such as the explanatory memorandum, are sent to shareholders, either by mail or email, depending on the shareholder's election, and are also placed on the Company's website. Shareholders are encouraged to attend the Annual General Meeting and to ask questions.

- 6.4 *A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.*

The Company provides an email alert service. Shareholders are encouraged to register for this service through the Company's website and once registered will receive information by email, including ASX releases, annual and other reports, company presentations and notices of general meetings.

Shareholders may also elect to receive communications from the Company's share Registrar, Automatic Registry Services, by email.

Principle 7: Recognise and manage risk
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- 7.1 *The board of a listed entity should:*
- (a) *have a risk committee to oversee risk which:*
 - (1) *has at least three members, a majority of who are independent directors; and*
 - (2) *is chaired by an independent director;*
and disclose
 - (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*
 - or*
 - (b) *if it does not have a risk committee, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The board has determined that while it is comprised of only three members the board as a whole will perform the tasks and functions generally assumed by a risk committee.

The Company has established policies for the oversight and management of material business risks. The Company's Risk Management Policy is available on the Governance page of its website: www.estrellaresources.com.au. This document sets out the Company's policy and processes for risk management and the roles and responsibilities of the board, executives and employees.

Estrella has incorporated risk management into its decision making and business planning processes so that risks are identified, analysed, ranked and appropriate risk controls and risk management plans are put into place to manage and reduce the identified risks, with all identified risks entered into a Risk Register.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

The risk identification and management system, including the Risk Register, is reviewed annually by senior management and the board and policies and practices upgraded where issues are identified that require attention. Reviews of specific items are undertaken by senior management where issues are identified and immediate action is required.

Risk is a standing item on the agenda of board meetings, for reporting against identified material business risks.

7.2 *The board or a committee of the board should:*

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *disclose in relation to each reporting period, whether such a review has taken place.*

Estrella's risk policy and risk register is reviewed by the Board of Directors annually to coincide with the preparation and lodgement of the Company's Annual Report. A review was undertaken in the financial year ending 30 June 2017.

7.3 *A listed entity should disclose:*

- (a) *If it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The board has determined that, consistent with the size of the Company and its activities, an internal audit function is not currently appropriate. As noted regarding recommendations 7.1 and 7.2 above and regarding Principle 4 above, the board has adopted a Risk Management Policy and processes appropriate to the size of Estrella to manage the company's material business risks and to ensure regular reporting to the board on whether those risks are being managed effectively in accordance with the controls that are in place.

7.4 *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.*

The board has reviewed the Company's exposure to economic, environmental and social sustainability risks and determined that, given the nature of its activities and the fact that the Company is reliant on raising funds for continued activities from shareholders or other investors, this represents a material economic risk. The Company's financial position is monitored on a regular basis and processes put into place to ensure that fund raising activities will be conducted in a timely manner to ensure the Company has sufficient funds to conduct its activities.

Principle 8: Remunerate fairly and responsibly

8.1 *The board of a listed entity should:*

- (a) *have a remuneration committee which:*
 - (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director, and disclose*
 - (3) *the charter of the committee*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (continued)

8.1

- (b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

Estrella has determined that given the size of the company that all members of the Board will serve on the remuneration committee. The Committee did not meet during the year as Director compensation remained unchanged and only the Chief Executive Officer was employed as a result of the acquisition of Mt Edwards Lithium Project.

The Remuneration Committee is chaired by the independent director, Mr Stephen Brockhurst.

Given the limited number of personnel the Company does not have a charter and determines on a case by case basis, the terms and conditions of employment of company executives and consultants, including remuneration. Senior executive's remuneration packages are reviewed by reference to Estrella's performance, the executive director's or senior executive's performance, as well as comparable information from industry sectors and other listed companies in similar industries, which is obtained from external remuneration sources. This ensures that base remuneration is set to reflect the market for a comparable role.

- 8.2 *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

- 8.3 *A listed entity which has an equity-based remuneration scheme should:*

- 8.3.1 *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
8.3.2 *disclose that policy or a summary of it.*

The Company's Security Trading Policy, a copy of which is available on the Governance page of the Company's website www.estrellaresources.com.au, sets out restrictions on participation by staff in hedging arrangements over the Company's securities issued pursuant to any share scheme, performance right's plan or option plan.

In particular:

- Staff are prohibited from in hedging arrangements over unvested securities; and
- Vested securities may only be hedged once they are exercised into shareholdings and only under the following conditions:
 - the details of the hedge are fully disclosed to the acting Chairman and the Company Secretary (and to ASX and in the Annual Report, as appropriate);
 - the hedge transaction is treated as a dealing in securities and the restrictions and requirements of the Securities Trading Policy are satisfied; and
 - all holding locks have been removed from the relevant securities.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 30 June 2017

	Note	30 June 2017	30 June 2016
		\$	\$
Interest Income	4	21,282	21,213
Write back of professional fees accrued		-	122,908
Personnel costs		(19,364)	(6,976)
Legal Fees		(118,921)	(67,818)
Exploration costs written off		-	(25,532)
Directors' Fees		(99,331)	(88,667)
Consulting fees		(40,000)	(70,810)
Share based payment expense		(200,000)	(6,291)
Depreciation		(145)	-
Impairment of loan		-	(500,000)
Other expenses		(276,886)	(204,827)
LOSS BEFORE INCOME TAX		(733,365)	(826,867)
Income tax benefit		-	-
LOSS FOR THE PERIOD		(733,365)	(826,867)
Other Comprehensive Loss			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(733,365)	(826,867)
Loss per share:			
Basic loss per share (cents per share)	14	(0.27)	(0.58)
Diluted loss per share (cents per share)	14	(0.27)	(0.58)

These financial statements should be read in conjunction with the accompanying notes.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents	16	910,767	1,001,874
Trade and other receivables	7	37,824	6,387
Total current assets		948,591	1,008,261
Non-Current Assets			
Plant & equipment	8	826	-
Exploration and evaluation expenditure	9	2,846,352	-
Total Non-Current Assets		2,847,178	-
Total assets		3,795,769	1,008,261
Current liabilities			
Trade and other payables	10	143,091	89,032
Total current liabilities		143,091	89,032
Non-Current Liabilities			
Provisions	11	12,329	-
Total non-current liabilities		12,329	-
Total liabilities		155,420	89,032
Net assets		3,640,349	919,229
Equity			
Share capital	12	14,042,219	10,587,734
Reserves	13	606,419	1,412,429
Accumulated losses		(11,008,289)	(11,080,934)
Total equity		3,640,349	919,229

These financial statements should be read in conjunction with the accompanying notes.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Option reserve \$	Foreign exchange reserve \$	Total \$
Balance at 30 June 2016	10,587,734	(11,080,934)	1,412,429	-	919,229
Transfer from foreign exchange reserve	-	-	-	-	-
Loss for the year	-	(733,365)	-	-	(733,365)
Transactions with owners in their capacity as owners:					
Options exercised and expired during the year	-	806,010	(806,010)	-	-
Shares issued on acquisition of MELP	2,120,000	-	-	-	2,120,000
Shares issued during the year	1,372,000	-	-	-	1,372,000
Cost of shares issued during the year	(37,515)	-	-	-	(37,515)
Balance at 30 June 2017	14,042,219	(11,008,289)	606,419	-	3,640,349
Balance at 30 June 2015	9,632,772	(10,317,714)	697,707	50,147	62,912
Loss for the year	-	(826,867)	-	-	(826,867)
Transfer from foreign exchange reserve	-	50,147	-	(50,147)	-
Loss for the year	-	(776,720)	-	(50,147)	(826,867)
Transactions with owners in their capacity as owners:					
Options issued during the year	-	-	1,130	-	1,130
Share based payments	-	-	6,291	-	6,291
Options lapsed during the year	-	13,500	(13,500)	-	-
Shares issued during the year	1,776,000	-	-	-	1,776,000
Cost of shares issued during the year	(821,038)	-	720,801	-	(100,237)
Balance at 30 June 2016	10,587,734	(11,080,934)	1,412,429	-	919,229

These financial statements should be read in conjunction with the accompanying notes.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(511,261)	(504,323)
Interest received		21,282	21,231
NET CASH USED IN OPERATING ACTIVITIES	16	(489,979)	(483,092)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(971)	-
Payments for exploration and evaluation		(726,352)	(84,941)
Loan provided to a third party		-	(500,000)
NET CASH USED IN INVESTING ACTIVITIES		(727,323)	(584,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		610,000	1,777,000
Proceeds from conversion of options		552,000	1,130
Cost of capital raising		(37,515)	(106,502)
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,124,485	1,420,628
(Decrease)/increase in cash held		(92,817)	602,595
Cash at the beginning of the year		1,001,874	399,278
Cash acquired on acquisition of subsidiary	22	1,710	-
CASH AT THE END OF THE YEAR		910,767	1,001,874

These financial statements should be read in conjunction with the accompanying notes.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. Nature of Operations

The consolidated entity (the Group) consists of Estrella Resources Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2017.

2. General Information

Estrella Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. It is a for profit entity. The Company was incorporated on 27 May 2011. The financial report also incorporates the Company's fully owned subsidiaries Estrella Resources (Chile) SpA (a Chilean company) and Mt Edwards Lithium Pty Limited ('MELP') (Australia).

The registered office and principal place of business is C/- Mining Corporate Pty Ltd Level 11, 216 St Georges Terrace, Perth, WA, 6000. Estrella Resources' shares are listed on the ASX (ASX.ESR).

3. Statement of significant accounting policies

a) Basis of preparation

Statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). Estrella Resources Limited is a for-profit entity for the purpose of preparing the financial statements. The consolidated financial statements for the year ended 30 June 2017 (including comparatives) were approved and authorised for issue by the Board of Directors on 29 September 2017.

Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on the historical costs modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period in which the estimate is revised.

Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by Directors' assessment as to the cost of the last equity based transaction made. Refer to note 18 for details. The accounting estimates and assumptions in relation to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Critical accounting estimates and judgements (continued)

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to the environmental restoration obligations) and changes to commodity prices.

Given the stage of exploration of the Company, it is not possible to reliably estimate future cash flows. The carrying value of mineral properties is reviewed and assessed with reference to comparative transactions, the status of existing joint venture arrangements, market volatility and the significant changes in valuations for all mineral assets as a result of the recent significant discounting of equity markets. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of profit or loss and other comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d) Exploration and Evaluation Expenditure

Pre-licence costs are recognised in the consolidated statement of profit or loss and other comprehensive Income as incurred.

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised on a project by project basis. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Exploration and Evaluation Expenditure (continued)

Expenditure deemed to be unsuccessful is recognised in the consolidated statement of profit or loss and other comprehensive income immediately.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

f) Trade and Payables

Trade and other payables are stated at cost and are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

g) Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses.

h) Post-employment benefits and short-term employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

i) Revenue

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

j) Operating expenses

Operating expenses are recognised in profit and loss upon utilisation of the service or at date of their origin.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

k) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (being the Managing Director). The chief operating decision maker (being the Managing Director), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

l) Foreign currency translation reserve

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

m) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

m) Provisions, contingent liabilities and contingent assets (continued)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

n) Equity, reserves and dividend payments

Share Capital represents the fair value of shares that have been issued. Any transactions cost associated with the issuing of shares are deducted from the share capital, net of any related income tax benefits.

Other components of equity include the following:

- Foreign currency translation reserve – It comprises foreign currency translation difference arising on the translation of financial statements of the Group's foreign entity in Australian dollars.
- Option reserve – The fair value of options granted to directors, officers and consultants is recognised as an expense with a corresponding increase in equity.

o) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Estrella Resources Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 24.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

p) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

ESTRELLA RESOURCES LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

p) Business Combinations (continued)

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

q) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

q) Income tax (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future. Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

r) Plant and Equipment

Items of plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office equipment	40.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

s) Earnings per share

i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

t) New accounting standards for application in future period

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2017. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, is set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 and the consolidated entity expects the impact to be insignificant as there is no hedge instrument in the consolidated entity as at the date of these financial statements.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018. The impact of its adoption is expected to be insignificant as there is no revenue contract in the consolidated entity for the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

t) New accounting standards for application in future period (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity. The impact of its adoption is expected to be insignificant as there is no operating lease in the consolidated entity for the year ended 30 June 2017.

When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

u) 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 settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$733,365 for the year ended 30 June 2017 (2016: \$826,867) and had net cash outflows from operating activities of \$489,979 (2016: \$483,092). The consolidated entity has prepared budgets and forecasts for the following 12 months, and has determined that at the current level of operations the Company has sufficient cash to trade for the twelve months following the date of this 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. The Company had cash on hand at year-end of \$910,767 and net assets of \$3,640,349.
2. The Company raised \$620,000 during the year via placement issue and \$552,000 via conversion of options and the directors are confident in the ability to continue to raise additional funds on a timely basis, as and when required.
3. The ability of the consolidated entity to further scale back certain parts of their activities that are non-essential so as to conserve cash.
4. The directors regularly monitor the Group's cash position and, on an ongoing basis, consider a number of strategic initiatives to ensure that adequate funding continues to be available.

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4. Revenue

	30 June 2017	30 June 2016
	\$	\$
Interest income	21,282	21,231
Write back of professional fees over accrued	-	122,908
Total Revenue	21,282	144,139

5. Result for the period

Loss before income tax includes the following specific expenses:

	30 June 2017	30 June 2016
	\$	\$
Share based payments:		
- Consultants (Finder's fee)	200,000	-
- Employees	-	6,291
Employee benefit expenses:		
Post-employment benefits		
- Superannuation	11,400	1,627

6. Income tax expense

	30 June 2017	30 June 2016
	\$	\$
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	(733,365)	(826,867)
Prima facie tax payable on profit before income tax at 30%	(201,675)	(248,060)
Tax effect - permanent differences	55,000	22,232
Tax effect of tax losses and temporary differences not recognised	146,675	225,828
Income tax expense	-	-

The amount of tax losses carried forward as at 30 June 2017 amount to \$5,574,059 (2016: \$5,195,566).

ESTRELLA RESOURCES LIMITED
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7. Trade and other receivables

	30 June 2017	30 June 2016
	\$	\$
Loan to Data Laboratories Ltd ¹	500,000	500,000
Less impairment of loan to Data Laboratories Ltd	(500,000)	(500,000)
Prepayments	4,678	-
GST receivable	33,146	6,387
Total trade and other receivables	37,824	6,387

¹In November 2015 the Company entered into an agreement to acquire Data Laboratories Ltd (Data Labs), a company registered in the United Kingdom. The Company advanced Data Labs \$500,000 but did not proceed with the acquisition. Under the terms of the termination agreement of the loan an amount of \$250,000 will be converted into shares in Data Labs at the same price that Data Labs does its next capital raising and the balance of \$250,000 is repayable from the proceeds of the Data Labs capital raising. While Data Labs continues to trade it has not yet undertaken a capital raising. The Company has therefore impaired the loan until such time as equity in Data Labs is issued and the Loan is repaid.

8. Plant & Equipment

	30 June 2017	30 June 2016
	\$	\$
Equipment		
Opening Balance	-	-
Additions	971	-
Accumulated Depreciation	(145)	-
Closing balance of plant & equipment	826	-

9. Exploration and evaluation assets

	30 June 2017	30 June 2016
	\$	\$
Exploration and evaluation assets		
Balance at the beginning of the year	-	-
Acquisition of Mt Edwards Lithium*	2,120,000	-
Lithium rights	58,500	-
Exploration costs capitalised	667,852	-
Balance at the end of the year	2,846,352	-

*see note 22 for the acquisition of Mt Edwards Lithium Pty Limited.

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9. Exploration and evaluation assets (continued)

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.

Given the Company's focus on the newly acquired Mt Edwards Lithium project and energy metals the Company has reassessed its investment in the Chile copper project. Following this review, the Company has determined that it will not proceed with the Chile project.

10. Trade and other payables

	30 June 2017	30 June 2016
	\$	\$
Current		
Trade payables	42,628	21,032
Accruals	100,463	68,000
Total	143,091	89,032

11. Provisions

	30 June 2017	30 June 2016
	\$	\$
Current		
Employee benefits	12,329	-

12. Issued capital

	30 June 2017	30 June 2016
	\$	\$
361,283,292 fully paid ordinary shares (2016: 188,249,959 – post 1:4 consolidation)	14,079,734	12,568,145
Share issue costs ¹	(37,515)	(1,980,411)
	14,042,219	10,587,734

¹The 2016 financial year includes an amount of \$720,801 being the Black Scholes valuation of options granted to advisors for capital raising purposes.

The Group does not have a limited amount of authorised capital and issued shares do not have a par value. Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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12. Issued capital (continued)
Movements in Share Capital

	30 June 2017	30 June 2017	30 June 2016	30 June 2016
	Number	\$	Number	\$
Fully paid ordinary shares				
Balance as at the beginning of the reporting period	188,249,959	10,587,734	217,999,713	9,632,772
Exercise of options 18 November 2016 at \$0.024 per share	6,250,000	150,000	-	-
Facilitator Fee - Shares issued 5 January 2017 at \$0.015 per share	13,333,333	200,000	-	-
Consideration shares for acquisition of MELP issued 5 January 2017 at \$0.020 per share ¹	106,000,000	2,120,000	-	-
Shares issued 5 January 2017 at \$0.02 per share	30,500,000	610,000	-	-
Exercise of options 25 January 2017 at \$0.024 per share	3,000,000	72,000	-	-
Exercise of options 15 February 2017 at \$0.024 per share	3,750,000	90,000	-	-
Exercise of options 16 February 2017 at \$0.024 per share	3,125,000	75,000	-	-
Exercise of options 9 March 2017 at \$0.024 per share	6,875,000	165,000	-	-
Shares issued 5 May 2017 at \$0.05 per share in lieu of settlement of creditor	200,000	10,000	-	-
	361,283,292	14,079,734	217,999,713	9,632,772
Shares issued 10 July 2015 at \$0.003 per share	-	-	3,000,000	15,000
Shares issued 8 September 2015 at \$0.003 per share	-	-	12,000,000	36,000
Shares issued 18 September 2015 at \$0.003 per share	-	-	388,000,000	1,164,000
Shares consolidation on 1 for 4 basis	-	-	(465,749,754)	-
Shares issued 24 March 2016 at \$0.017 per share	-	-	33,000,000	561,000
Share issue costs ²	-	(37,515)	-	(821,038)
	361,283,292	14,042,219	188,249,959	10,587,734

¹Shareholders approved the acquisition of Mt Edwards Lithium Pty Ltd on 28 December 2016. The shares were issued on 5 January 2017.

²Share issue costs during 2016FY include \$720,801 being the Black Scholes valuation of options granted to advisors for capital raising services.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

12. Issued capital (continued)

Capital Management

The Board controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. The Group has no borrowings and it does not have a gearing ratio.

13. Reserves

	30 June 2017	30 June 2016
Summary	\$	\$
Option and equity settled reserve	606,419	1,412,429
Foreign currency translation	-	-
	606,419	1,412,429
Option reserve¹		
Balance at beginning of year	1,412,429	697,707
Options expired	(262,187)	(13,500)
Options exercised	(543,823)	-
Options granted	-	728,222
Balance at end of year	606,419	1,412,429
Foreign currency translation reserve²		
Balance at beginning of year	-	50,147
Gain/(loss) on translation of overseas controlled entity	-	-
Transfer to accumulated losses	-	(50,147)
Balance at end of year	-	-
Total Reserves	606,419	1,412,429

¹The option reserve records items recognised as expenses on valuation of director and employee options.

²The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

13. Reserves (continued)

a) Options	2017		2016	
	Number	\$	Number	\$
Options issued/options reserve				
Balance as at the beginning of the period	39,457,500	1,412,429	37,151,427	697,707
Options expired 25/10/2016	(150,000)	(14,640)	-	-
Options exercised 18/11/2016	(6,250,000)	(141,823)	-	-
Options expired 18/12/2016	(125,000)	(18,700)	-	-
Options expired 19/12/2016	(126,250)	(12,322)	-	-
Options exercised 25/01/2017	(3,000,000)	(72,000)	-	-
Options exercised 15/02/2017	(3,750,000)	(90,000)	-	-
Options exercised 16/02/2017	(3,125,000)	(75,000)	-	-
Options expired 07/03/2017	(187,500)	(24,525)	-	-
Options exercised 09/03/2017	(6,875,000)	(165,000)	-	-
Options expired 09/05/2017	(375,000)	(192,000)	-	-
	15,493,750	606,419	37,151,427	697,707
Grant 18/9/2015, \$0.006ps, expiry 31/3/2020	-	-	125,000,000	728,222
Consolidation on 1 for 4 basis	-	-	(121,613,570)	-
Options expired 31/12/2015	-	-	(967,857)	-
Options expired 18/4/2016	-	-	(112,500)	(13,500)
	15,493,750	606,419	39,457,500	1,412,429

For details of unlisted options issued as part of share based payments, refer to Note 18.

14. Earnings per share

	30 June 2017 Cents per share	30 June 2016 Cents per share
Basic (loss) per share	(0.27)	(0.58)
Diluted (loss) per share	(0.27)	(0.58)

The following reflects the loss and share data used in the calculations of the basic and diluted loss per share:

Reconciliation

Net loss for the period	(733,365)	(826,867)
Loss used in calculating basic and diluted loss per share	(733,365)	(826,867)
Weighted average number of ordinary shares used as the denominator in calculating basic and dilutive loss per share	270,534,963	142,394,449

The options on issue are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares in the calculation of diluted loss per share.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

15. Expenditure commitments

There are no expenditure commitments that have not been accrued as at 30 June 2017.

16. Notes to the statement of cash flow

a) Reconciliation of cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	30 June 2017 \$	30 June 2016 \$
Cash at bank and in hand	910,767	1,001,874

b) Reconciliation of loss for the year after income tax to cash flows used in operating activities

	30 June 2017 \$	30 June 2016 \$
Loss for the year	(733,365)	(826,867)
Impairment of loan	-	500,000
Depreciation of non-current assets	145	-
Impairment of exploration and evaluation assets	-	3,158,561
Impairment of property, plant and equipment	-	20,159
Write off of prior year VAT	-	180,898
Foreign currency translation	169	-
Equity settled share based	210,000	6,291
(Increase)/decrease in assets:		
Trade and other current receivables	(31,437)	13,481
Increase/(decrease) in liabilities:		
Current payables	52,180	(133,126)
Current provisions	12,329	(42,871)
Net cash used in operating activities	(489,979)	(483,092)

c) Non-cash financing and investing activities

During the year the shareholders approved the acquisition of Mt Edwards Lithium Pty Ltd. The purchase consideration was settled via issuance of 106,000,000 shares in Estrella Resources Pty Ltd at a fair value of \$0.02 per share.

There were no other non-cash financing and investing activities during the reporting period. (2016: Nil).

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

17. Financial instrument risk management

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Market risk
- Credit risk
- Liquidity risk
- Sovereign risk
- Operational risk
- Contractual risk
- Commodity price volatility risk
- Foreign exchange rate risk
- Commercialisation risks

Financial instruments used

The principal categories of financial instrument used by Estrella Resources are:

- Trade receivables
- Cash at bank
- Trade and other payables

The Company's exposure to interest rate risk and effective weighted average interest rate for financial assets and liabilities is set out below.

FIXED MATURITY DATES

	Weighted average effective interest rate	Variable interest rate	Less than 1 year	1-2 years	2-3 years	Non interest bearing	Total
2017	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	2%	910,767	-	-	-	-	910,767
Trade and other receivables	-	-	-	-	-	37,824	37,824
		-	-	-	-	37,824	948,591
Financial liabilities							
Trade and other payables		-	-	-	-	143,091	143,091
		-	-	-	-	143,091	143,091

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

17. Financial instrument risk management (continued)

FIXED MATURITY DATES

	Weighted average effective interest rate	Variable interest rate	Less than 1 year	1-2 years	2-3 years	Non interest bearing	Total
2016	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	2%	1,001,874	-	-	-	-	1,001,874
Trade and other receivables	-	-	-	-	-	6,387	6,387
		-	-	-	-	6,387	1,008,261
Financial liabilities							
Trade and other payables		-	-	-	-	89,032	89,032
		-	-	-	-	89,032	89,032

Fair value estimation

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

Objectives, policies and processes

Risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Board is currently responsible for implementing processes which follow the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

Market risk

Cash flow interest rate sensitivity

At 30 June 2017 the Group is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates.

At 30 June 2017, the effect on loss and equity as a result of fluctuations in the interest rate, with all other variables remaining constant has been considered. For the purpose of this exercise, a 1% increase in the interest rate results in a decrease in loss by \$10,000 and an increase in equity by 1% of cash. These changes are considered to be reasonably possible based on observation of current market conditions.

Other price risk

Market price risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The nature of the Group's financial assets and liabilities is such that its exposure to market price risk is essentially only through foreign exchange rates which will impact payments made in US dollars for future commitments and exploration.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

17. Financial instrument risk management (continued)

Credit risk analysis

Credit risk is the risk of loss from a counter-party failing to meet its financial obligations to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the consolidated statement of financial position and notes to the financial statements.

The Group's cash and cash equivalents are deposited with licensed Australian banks. The most significant other financial assets are trade and other receivables. The Group has a receivable of \$500,000 from Data Laboratories Ltd. As the value of this asset is uncertain it has been impaired in full.

There were no past due debts at the reporting date requiring consideration of impairment provisions.

Liquidity risk analysis

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group may encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Contractual risks

As a party to contracts, the Company will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.

18. Share based payments

Employee share option plan

The Employee Share Option Plan (**ESOP**) was established on 8 March 2012. During the reporting period, no options were issued under the ESOP (2016: 5,500,000 options were issued under the ESOP).

Other share based payment options on issue

The following reconciles other outstanding share-based payment options on issue at the beginning and at the end of the reporting period:

	2017	2016
	Number of Options	Number of Options
Balance at beginning of the reporting period	39,457,400	17,151,427
Granted during the financial year	-	145,000,000
	39,457,400	162,151,427
Share consolidation on 1 for 4 basis	-	40,537,757
Expired during the financial year	(963,750)	(1,080,357)
Exercised during the financial year	(23,000,000)	-
Balance at end of the reporting period	15,493,750	39,457,400

ESTRELLA RESOURCES LIMITED

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18. Share based payments (continued)

The following share-based payment arrangements were in existence during the current and previous reporting period (the options have been restated following a 1 for 4 share consolidation on 21 September 2015):

Options series	Number	Grant date	Expiry date	Exercise price	Fair value of options granted/vested date**
18 Apr 2013	112,500	18 Apr 2013	18 Apr 2016	\$1.40	\$13,500
25 Oct 2011	150,000	25 Oct 2011	25 Oct 2016	\$0.80	\$12,322
19 Dec 2011	126,250	19 Dec 2011	19 Dec 2016	\$0.80	\$14,640
09 May 2012	375,000	09 May 2012	09 May 2017	\$0.80	\$192,000
03 Oct 2013	118,750	03 Oct 2013	03 Oct 2018	\$0.80	\$20,520
21 Nov 2013	750,000	21 Nov 2013	21 Nov 2018	\$1.40	\$256,800
18 Dec 2013	125,000	18 Dec 2013	18 Dec 2016	\$1.40	\$18,700
07 Mar 2014	187,500	07 Mar 2014	07 Mar 2017	\$1.40	\$24,525
13 Nov 2014	1,375,000	13 Nov 2014	13 Nov 2019	\$1.40	\$84,700
10 Sep 2015	5,000,000	10 Sep 2015	31 May 2018	\$0.044	\$77,975
18 Sep 2015	31,250,000	18 Sep 2015	31 Mar 2020	\$0.024	710,247
	39,457,500				\$1,412,429
Expired	(963,750)				(\$262,187)
Exercised	(23,000,000)	18 Sep 2015	31 Mar 2020	\$0.024	(\$543,823)
Current	15,493,750				\$606,419

**The fair value at grant date/vested date has been calculated using the Black & Scholes methodology. Volatility has been calculated with reference to comparable entities.

Inputs into the model	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series
Grant date	25 Oct 11	19 Dec 11	09 May 12	18 Sep 15	03 Oct 13	21 Nov 13	18 Dec 13	7 Mar 14	13 Nov 14	10 Sep 15	
Exercise price	\$0.80	\$0.80	\$0.80	\$0.024	\$0.80	\$1.40	\$1.40	\$1.40	\$0.40	\$0.044	
Expected volatility	76%	95%	76%	100%	69%	69%	69%	69%	61%	100%	
Option life	5 years	5 years	5 years	4.5 years	5 years	5 years	3 years	3 years	5 years	3 years	
Risk-free interest rate	3.47%	4.75%	3.47%	2.35%	2.5%	2.5%	2.5%	2.5%	2.5%	2.3%	

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

19. Related party disclosures

The key management personnel of the Company during the reporting period were:

a) Key Management Personnel

Directors	Position
R Shorrocks	Non-Executive Director
J Kingswood	Non-Executive Director (Appointed 6 January 2017)
S Brockhurst	Non-Executive Director (Appointed 3 April 2017)
G Robertson	Non-Executive Director (Resigned 5 January 2017)
H Digby	Non-Executive Director (Resigned 3 April 2017)

Other Management

C Daws	Chief Executive Officer (Appointed 2 January 2017)
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Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b) Key Management Personnel Compensation

The aggregate compensation of the Key Management Personnel of the Company is set out below:

	2017	2016
	\$	\$
Short-term key management personnel benefits	219,331	155,643
Post-employment benefits	11,400	1,627
Share-based payment expense	-	6,291
Total	230,731	163,561

c) Equity interests in related parties

Nil.

d) Related party transactions

During the year ended 30 June 2017, fees of \$60,000 were paid or due to be paid to Integrated CFO Solutions Pty Ltd, a company in which Guy Robertson has an interest, for accounting services.

During the year ended 30 June 2017, fees of \$50,035 were paid or due to be paid to Mining Corporate Pty Ltd, a company of which Mr Brockhurst is a director of, for company secretarial, accounting and bookkeeping services.

There were no other transactions with key management personnel in 2017 other than as outlined above.

20. Segment information

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group operates in one business segment being exploration for mineral resources. The Group operates in Australia and Chile. All segment assets, segment liabilities and segment results relate to one business segment and therefore no segment analysis has been prepared. No segment information is provided for Chile in relation to assets, liabilities, revenue or profit and loss as these are immaterial.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

21. Auditor's remuneration

	2017 \$	2016 \$
Remuneration of the auditor for the Group for:		
Audit or review of the financial report	18,500	30,000
Total	18,500	30,000

The auditor of the Group is Hall Chadwick.

22. Acquisition of Controlled Entity

On 28 December 2016 the shareholders approved the acquisition of Mt Edwards Lithium Pty Ltd (MELP). MELP has a 75% interest in the lithium rights in a tenement portfolio covering 129km² owned by Apollo Phoenix Resources Pty Ltd.

The purchase consideration is 106,000,000 shares in Estrella Resources Limited at a fair value of \$0.02 per share	\$
	2,120,000

The Company has determined the fair value of the assets and liabilities of MELP as at the date of the acquisition as follows:

Cash and cash equivalents	1,710
Receivables	3,898
Deferred exploration costs	107,759
Creditors	(19,664)
Lithium rights	2,026,297
	<u>2,120,000</u>

If the acquisition had occurred on 1 July 2016 the impact on revenue would be \$Nil and the loss would increase by \$36,298.

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

23. Parent company information

	2017 \$	2016 \$
Statement of Financial Position		
Current Assets	946,971	1,008,261
Non-current assets	2,563,589	-
Total Assets	3,510,560	1,008,261
Current Liabilities	143,091	89,032
Non-current liabilities	12,329	-
Total liabilities	155,420	89,032
Net Assets	3,335,140	919,229
Equity		
Issued capital	14,042,219	10,587,734
Reserves	606,419	1,412,429
Accumulated losses	(11,313,498)	(11,080,934)
Total Equity	3,335,140	919,229
Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(674,164)	(826,867)
Total Comprehensive Loss	(674,164)	(826,867)

24. Controlled entities

Controlled entities	Country of incorporation	Percentage owned 2017	Percentage owned 2016
Estrella Resources (Chile) SpA*	Chile	100%	100%
Mt Edwards Lithium Pty Ltd**	Australia	100%	-

*The controlled entity was incorporated by Estrella Resources Limited, and as such was not acquired for any consideration.

**The controlled entity was acquired for consideration. Refer to note 22 for details.

25. Events after the reporting period

On 4 September 2017, the Company announced that it had executed binding, conditional agreement for acquisition of new gold and nickel assets via the proposed acquisition of WA Nickel Pty Ltd ("WAN").

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Estrella Resources Limited:
 - a) The consolidated financial statements and notes of Estrella Resources Limited are in accordance with the Corporations Act 2001, including
 - i) giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that Estrella Resources Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.
3. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



John Kingswood

Director

Dated this 29 day of September 2017

**ESTRELLA RESOURCES LIMITED
ABN 39 151 155 207
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES**

Opinion

We have audited the financial report of Estrella Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and 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 year's end or from time to time during the financial year.

In our opinion:

- (a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3 (a)

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Consolidated Entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporation Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 (u) in the financial report, which indicates that the Company incurred a net loss of \$733,365 and had net operating cash outflows of \$489,980 during the year ended 30 June 2017. As stated in Note 3 (u), these events or conditions, along with other matters as set forth in Note 3 (u), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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ESTRELLA RESOURCES LIMITED
ABN 000 012 386
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Acquisition of Mt Edwards Lithium Pty Ltd Refer to Note 22	
During the year, the company acquired Mt Edwards Lithium Pty Limited for a consideration of \$2,120,000. This was a significant acquisition for the company. Accounting for this transaction required management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to lithium rights. Due to the significance of the acquisition and the estimation processed involved, this acquisition was considered to be a key audit matter.	Our procedures included, amongst others: • We read the share sale agreement to understand the key terms and conditions • We evaluated the assumptions and methodology in management's acquisition calculation and verified the acquisition accounting entries • We assessed the adequacy of the Group's disclosures in respect of the acquisition

Other Information

The directors are responsible for the other information. The other information comprises the information in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

**ESTRELLA RESOURCES LIMITED
ABN 000 012 386
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES**

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibility for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or the override of internal control.

**ESTRELLA RESOURCES LIMITED
ABN 000 012 386
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**ESTRELLA RESOURCES LIMITED
ABN 000 012 386
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES
Report on the Remuneration Report**

We have audited the remuneration report included in pages 13 to 18 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Estrella Resources Limited for the year ended 30 June 2017 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

G Webb

GRAHAM WEBB

Partner

Date: 29 September 2017

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

Additional information, current as at 28 September 2017 required by the ASX is as follows:

Voting Rights

Shareholder voting rights are specified in clause 14 of the Company's Constitution lodged with the ASX on 8 May 2012. Option holders do not have the right to vote at a general meeting of shareholders until such time as the options have been converted into ordinary shares in the Company.

Total number of Shareholders		937
	Total Units	Percentage %
Substantial Shareholders		
Ms Guiyun Wang	24,554,306	6.80
Ms Kylie Anne Campbell	20,990,000	5.81

The number of Shareholders with less than a marketable parcel of shares: 17

Distribution of Shareholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	22	4,864	0.00
1,001-5,000	130	350,045	0.10
5,001-10,000	57	442,133	0.12
10,001-100,000	329	16,335,242	4.52
100,001 and over	399	344,151,008	95.26
Total	937	361,283,292	100.00

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

1. 20 Largest holders of quoted equity securities (fully paid ordinary shares)

	Name	Number Held	Percentage %
1.	Ms Guiyun Wang	24,554,306	6.80
2.	Ms Kylie Anne Campbell	20,990,000	5.81
3.	Mr Hangxin Lu	15,593,555	4.32
4.	Douglas Charles Daws	13,600,000	3.76
5.	Oceans Five Investments Pty Ltd	11,670,000	3.23
6.	Mr Brian Thomas Ryan	6,354,324	1.76
7.	Sacco Developments Australia Pty Ltd	6,260,000	1.73
8.	Mariner Mining Pty Ltd	6,050,481	1.67
9.	Mr Fei Xia	5,325,000	1.47
10.	Mariner Mining Pty Ltd <Mariner Family A/C>	5,200,000	1.44
11.	Nimbus Mines Pty Ltd	4,500,000	1.25
12.	Mr Glenn Vaughn Briers	4,304,000	1.19
13.	Mr Barry William Green & Mrs Adriana Antonia Jacoba Maria Green <B Green Superannuation A/C>	4,000,000	1.11
14.	Mr Daniel Dillon & Miss Amy Colbran	3,564,780	0.99
15.	Dimension Investments Pty Ltd	3,544,220	0.98
16.	Ms Nicole Gallin & Mr Kyle Haynes <GH Super Fund A/C>	3,500,000	0.97
17.	Mr Po Fung Lawrence Chan	3,341,462	0.92
18.	Celtic Capital Pty Ltd <Hannah E Peterson A/C>	3,250,000	0.90
19.	Mr Jizhong Xia	3,036,414	0.84
20.	Flue Holdings Pty Ltd	3,000,000	0.83
		<u>151,638,542</u>	<u>41.96</u>

- The Name of the Company Secretary is Mr Stephen Brockhurst.
- The address of the registered office and principal place of business in Australia is Level 11, 216 St Georges Terrace, Perth WA 6000. Telephone (08) 9481 0389.
- Registers of securities are held at the following address:
Automatic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Telephone: (08) 9324 2099
- Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on the Australian Securities Exchange Limited.
- Restricted Securities**
The Company does not have any restricted securities on issue as at the date of this report.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

7. Unquoted Securities

The Company has the following unquoted securities on issue as at the date of this report

Terms	Number
Unlisted Options \$0.80 expiry 3 October 2018	118,750
Unlisted Options \$1.40 expiry 21 November 2018	750,000
Unlisted Options \$0.40 expiry 13 November 2019	1,375,000
Unlisted options \$0.044 expiry 31 May 2018	5,000,000
Unlisted options \$0.024 expiry 31 March 2020	8,250,000

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors	Mr Raymond Shorrocks Non-Executive Director
	Mr John Kingswood Non-Executive Director
	Mr Stephen Brockhurst Non-Executive Director
Chief Executive Officer	Mr Christopher Daws
Company Secretary	Mr Stephen Brockhurst
Registered Office & Principal Place of Business	Level 11, 216 St Georges Terrace Perth WA 6000
Postal Address	GPO Box 2517 Perth WA 6831
Web Site	www.estrellaresources.com.au
Share Registry	Automatic Registry Services Level 3, 50 Holt Street Sydney NSW 2000
Auditors	Hall Chadwick Pty Ltd Level 40, 2 Park Street Sydney NSW 2000
Legal Advisors	Steinepreis Paganin 16 Milligan Street Perth WA 6000
Stock Exchange Listing	ASX Code: ESR
Country of Incorporation and Domicile	Australia

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

SCHEDULE OF EXPLORATION TENEMENTS

TENEMENTS HELD AS AT 28 SEPTEMBER 2017

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
Australia	WA	Mt Edwards Lithium Project	M15/698	75	75
Australia	WA	Mt Edwards Lithium Project	M15/75	75	75
Australia	WA	Mt Edwards Lithium Project	M15/699	75	75
Australia	WA	Mt Edwards Lithium Project	M15/87	75	75
Australia	WA	Mt Edwards Lithium Project	M15/74	75	75
Australia	WA	Mt Edwards Lithium Project	M15/101	75	75
Australia	WA	Mt Edwards Lithium Project	M15/99	75	75
Australia	WA	Mt Edwards Lithium Project	M15/653	75	75
Australia	WA	Mt Edwards Lithium Project	M15/97	75	75
Australia	WA	Mt Edwards Lithium Project	M15/96	75	75
Australia	WA	Mt Edwards Lithium Project	M15/102	75	75
Australia	WA	Mt Edwards Lithium Project	M15/100	75	75
Australia	WA	Mt Edwards Lithium Project	M15/1271	75	75
Australia	WA	Mt Edwards Lithium Project	E15/1505	75	75
Australia	WA	Mt Edwards Lithium Project	E15/1507	N/A	Application
Australia	WA	Mt Edwards Lithium Project	E15/1562	N/A	Application
Chile		Mercurio		-	100
Chile		Saturno		-	100