

Estrella Resources Limited

ABN 39 151 155 207

ASX Code: ESR

Board and Management

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Christopher Daws (CEO)*

*Non-Executive Directors
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QUARTERLY ACTIVITIES REPORT

Quarter ending 31 March 2020

ASX RELEASE 21 April 2020

HIGHLIGHTS

- Extensive soils program completed at Carr Boyd Ni Project (assays pending)
- Tenement holding expanded at Carr Boyd Ni Project
- +45,000 Oz Munda gold project ore haulage corridor application
- Spargoville 5A nickel ore offtake terms progressed
- New resource opportunities being investigated

Estrella Resources Limited (ASX: ESR) (**Estrella or the Company**) is pleased to provide its Activities Report for the quarter ended 31 March 2020.

The focus of work during the quarter was the preparation and execution of an extensive soil testing program at the Carr Boyd Layered Complex (CBLC) with all field work completed late in the March Quarter and samples submitted for assay. The Munda gold project was progressed with work undertaken to secure a suitable ore haulage corridor for the project. The Company advanced ore offtake discussions for the high-grade oxide nickel resource at the 5A nickel deposit located at Spargoville W.A. during the Quarter, however, due to the current Covid-19 pandemic an agreement has not been formalised by Quarters end.



Figure 1. Auger sampling Carr Boyd Nickel Project March 2020

CARR BOYD NICKEL PROJECT (100%)

The Company applied for Exploration Licence 31/1215 in May 2019 and the tenement was granted on the 28th January 2020, extending the Company's 100% owned total area at the Carr Boyd Nickel Project (CBNP) to 25,902 Ha (Figure 1 & Appendix 1). E31/1215 is located across the northern margin of the existing CBNP tenure, filling a gap up to and abutting the southern boundary of the Goongarie National Park to the north (Figure 2).

The tenure portfolio is centered around the Carr Boyd Layered Complex (CBLC), a 75km² layered mafic igneous complex, which hosts several occurrences of nickel and copper sulphides (Figure 3). The most significant occurrence discovered to date is at the Carr Boyd Rocks mine, where mineralisation is hosted by bronzitite breccias (pyroxenites) emplaced within the gabbroic sequence of the Complex. The CBLC intrusion is emplaced within the surrounding Archaean Volcano-Sedimentary Greenstone Belts which are host to numerous komatiite hosted nickel mines within the Kalgoorlie District.

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

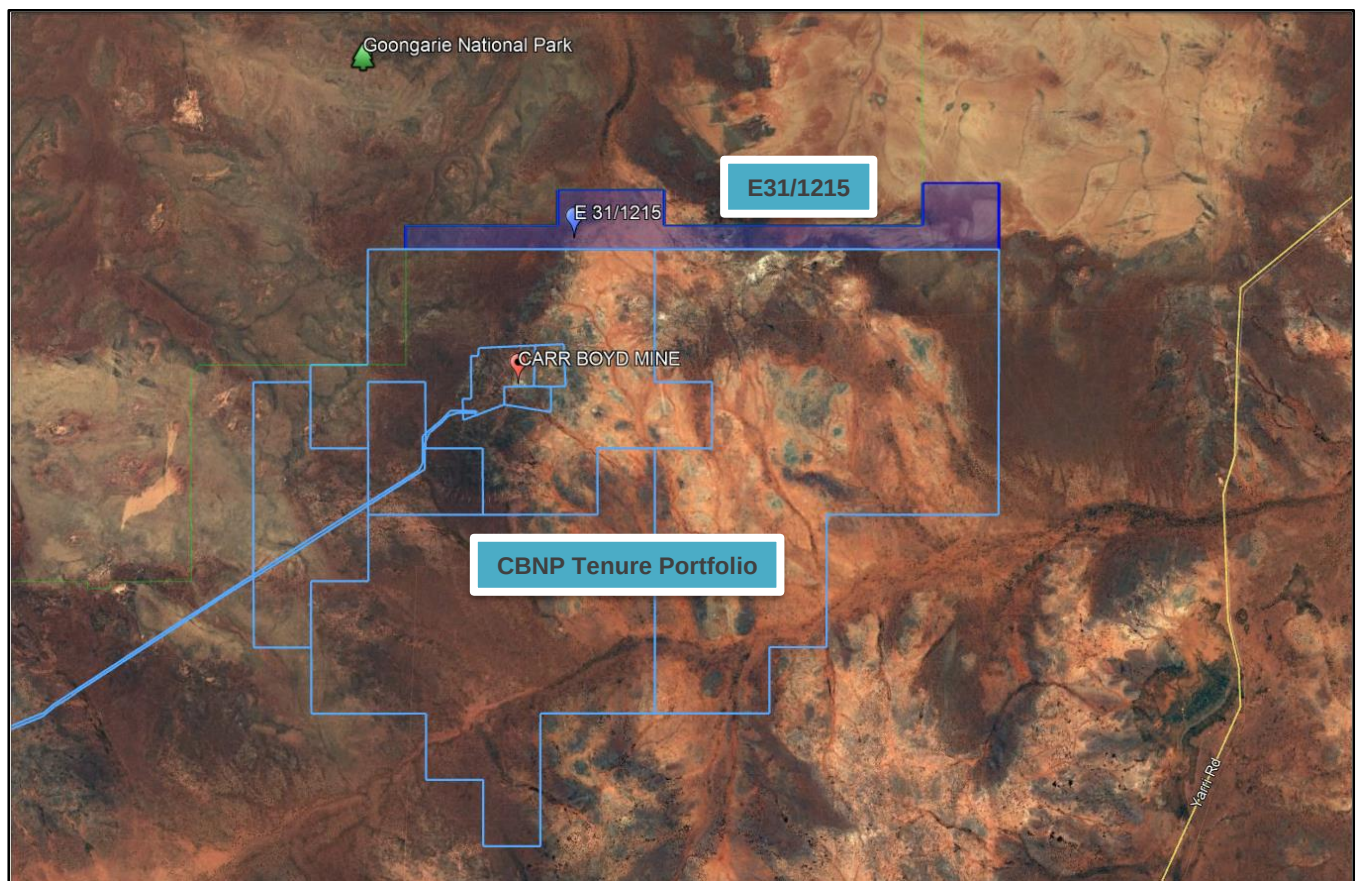


Figure 2. Estrella's Carr Boyd Nickel Project tenure portfolio with the recently granted E 31/1215 located across the northern boundary (blue shaded). The Goongarie National Park abuts to the north.

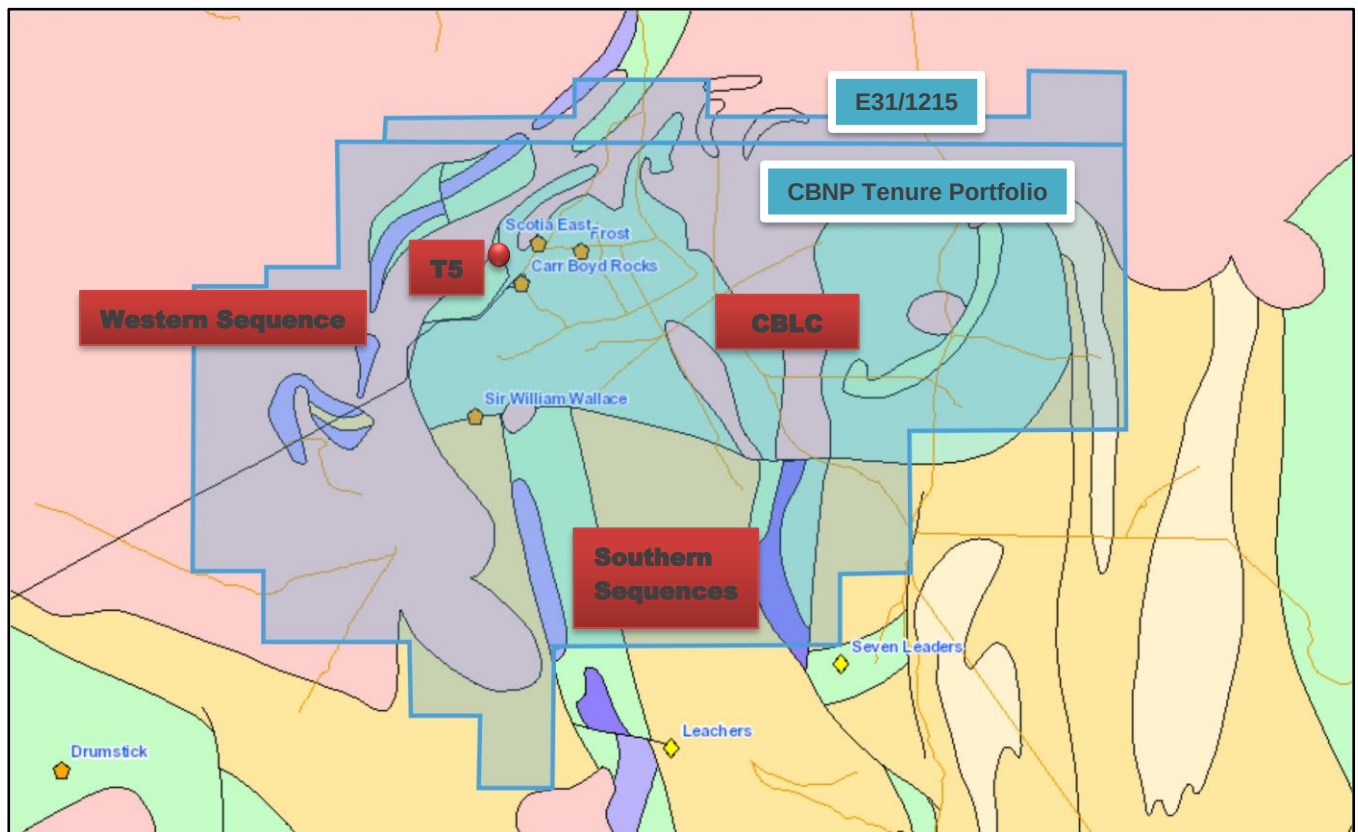


Figure 3. Interpreted geology underlying the Carr Boyd Nickel Project. The layered intrusion which host the Carr Boyd Rocks nickel mine and the recently discovered T5 nickel mineralisation extends into the centre of the recently granted tenure E 31/1215. In addition the largely untested western mafic-ultramafic sequence extends through the western portion of the tenement.

The Company planned and executed an auger drilling program at the CBLC during the March Quarter.

The Company enlisted Gyro Australia to drill 536 shallow auger holes (plus QAQC samples) for multi-element geochemical analysis using a low-impact Landcruiser mounted auger drill rig (Figure 1). Drilling comprised of shallow 0.5-1.5m deep auger soil sample drill holes across the northwest tenements (M31/12, M31/109 & E31/726) at the CBNP (Figure 4 & Appendix 1).

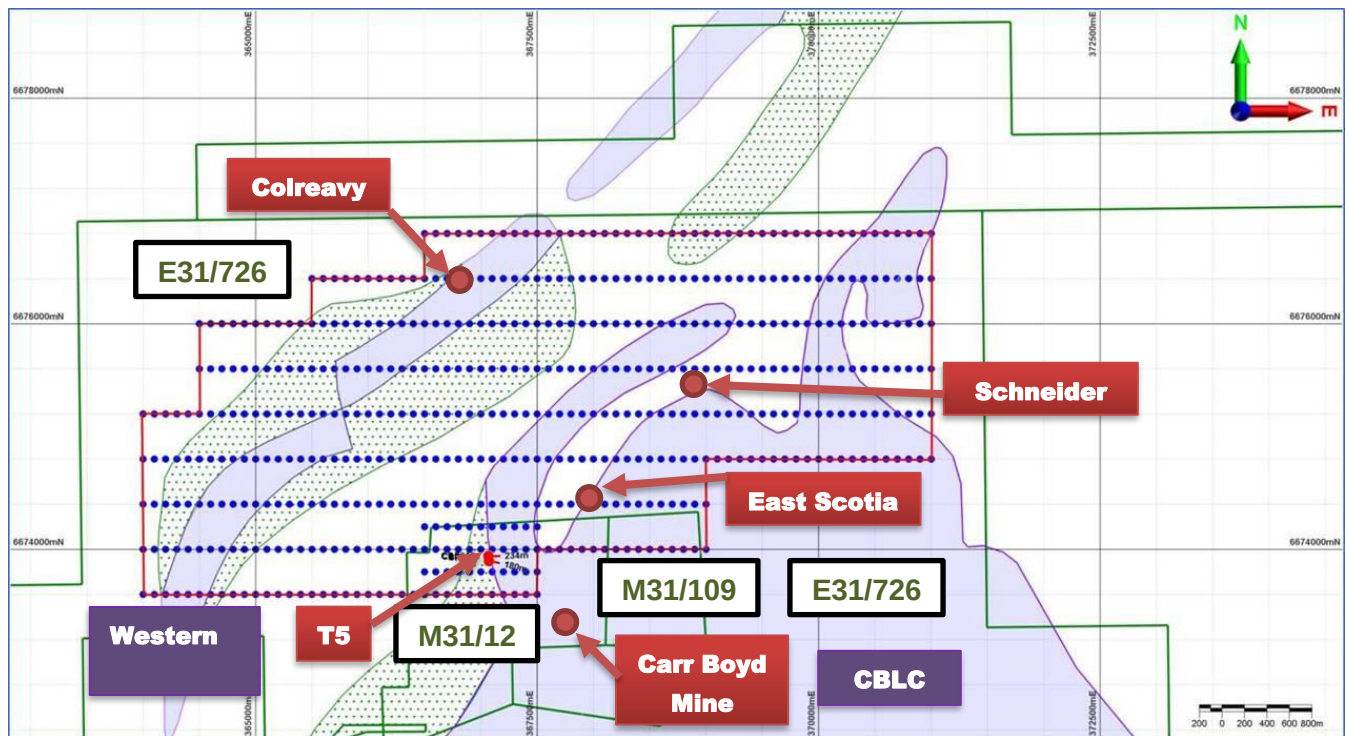


Figure 4. Auger sample sites across Estrella's northwestern Carr Boyd Nickel Project tenure. The drilling was designed to cover the Western Ultramafic Sequence, the T5 Prospect contact and the northern CBLC contacts.

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

The remainder of the program was drilled on 200m x 400m sample spacings to test along the strike of the mafic-ultramafic contacts of the largely untested Western Sequence which contains the Colreavy Prospect, as well as the northern contacts of the CBLC which includes the East Scotia and Schneider Prospects (Figure 4).

Results of the auger drilling program will be reported once the multi-element assay results are received, the data is processed and interpreted.

MUNDA GOLD PROJECT (Au 100%)

Progress was made during the quarter to establish an ore haulage corridor from the historic Munda gold mine, situated within M15/87, through to the sealed Esperance-Coolgardie Highway at a distance of approximately 5km. A joint miscellaneous licence application was made by the Company and Neometals Limited who own the nickel and lithium rights within M15/87. An access agreement over sections of the corridor is currently being negotiated with third party interests which hopefully will be concluded in the current June Quarter allowing the licence application to proceed to granting. The Company is finalising a 24-month exclusivity arrangement for the ore haulage corridor with Neometals so that the Company may mine the high grade gold resource at Munda.

The Australian dollar gold price has remained strong during the March quarter which at the time of reporting was A\$2,670. At such a high gold price the Company believes that development of a small cut-back of the previous historic Munda gold mine is possible to access the near surface gold resources.

SPARGOVILLE NICKEL PROJECT (100%)

The Company reported to shareholders its maiden 5A nickel sulphide deposit Mineral Resource at the Spargoville Nickel Project, located approximately 30km south-west of Kambalda, Western Australia during the December 2019 Quarter (see ASX release 18 October 2019). The maiden Indicated + Inferred Mineral Resource stands at 127,000 tonnes at 1.9% Ni and 0.15% Cu for a contained nickel metal inventory of 2,370 tonnes (Table 1) and is reported in compliance with the JORC Code (2012). The Mineral Resource is shallow with the majority of nickel within 100m of surface and amendable to open pit mining. The maiden Mineral Resource follows a detailed assessment of historic drilling and the inclusion of significant high-grade nickel sulphide drilling results achieved by the Company (see ASX release 18 December 2018) which included;

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

Over 65% of the contained nickel tonnes in the 5A deposits maiden Mineral Resource has been classified as Indicated category (69,000 tonnes at 2.4% Ni and 0.19% Cu for 1,630 tonnes of contained nickel metal) with there being sufficient drill density and understanding of the mineralisation to satisfy this classification (Table 1). The deposit is open at depth below the high-grade nickel sulphide drill intercepts which allows potential for an increase in the current resource with further drilling.

The Company has over the March quarter continued to work up a development strategy for the high grade nickel resource at the Spargoville 5A nickel project. The strategy involves the development of a small open cut mine at the 5A to access the high grade nickel oxide and transitional nickel ore for transportation to a near-by treatment facility. Commercial discussions for the delivery and payment of nickel ore have progressed and the Company hopes to be able to finalise agreements upon normalisation of commercial dealings post Covid-19.

Table 1: Spargoville JORC Mineral Resource 5A Nickel Sulphide Deposit
October 2019 Mineral Resource Estimate - Min Type (0.5% Ni Cut-off)

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

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

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

CORPORATE

The Company continues to look for opportunities to realise or create value through the Company's existing assets and is actively undertaking due diligence on new domestic resource project opportunities. The Company raised A\$450,000 in new working capital during the March Quarter via a Convertible Note Deed (see ASX release 31 January 2020).

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

CAPITAL

8,250,000 unlisted options exercisable at \$0.024 on or before the 31 March 2020 expired unexercised.

During the period the Company repaid CEO Chris Daws partly drawn unsecured interest free loan provided to the Company for general working capital. The Company's cash balance as at 31 March 2020 was \$174k.

The Company has implemented steps to reduce administration and overhead costs through a 30% reduction in Director fees and CEO salary in-light-of the current Covid-19 pandemic. These measures take effect from 1 April 2020 and will be reviewed in 3 months.

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

Competent Person Statement

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

ENDS

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

FURTHER INFORMATION CONTACT

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

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

**Nickel rights only*

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

[^]Gold rights only

Appendix 5B

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

Name of entity

Estrella Resources Limited

ABN

39 151 155 207

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(69)	(148)
	(e) administration and corporate costs	(98)	(263)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives (net of costs)	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(167)	(410)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(79)	(386)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	250
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(79)	(136)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	450	450
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(9)	(9)
3.5	Proceeds from borrowings	12	36
3.6	Repayment of borrowings	(36)	(36)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	417	441

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3	279
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(167)	(410)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(79)	(136)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	417	441

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	174	174

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	174	3
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	174	3

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

98

-

Amounts included in item 6.1:

- Payment of Directors remuneration - \$45k
- Payment for registered office, bookkeeping, accounting and company secretarial fees - \$53k

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(167)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(79)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(246)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	174
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	174
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.7
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes, the Company expects to have negative operating cash flows for the time being as it is in the exploration stage. However, the Company has taken steps to reduce corporate costs including implementing a 30% reduction in Directors and CEO remuneration. These measures take effect from 1 April 2020 and will be reviewed in 3 months.	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, the Company is currently considering its options with regards to realising value through divesting its existing assets and undertaking due diligence on new domestic resource projects that would result in an increase in working capital to the Company. The Board also have the option to raise additional funds via the Company's equity placement equity.	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

Answer: Yes, for the reasons noted above in 1 & 2. The Company is continuing with essential exploration expenditure and is assessing opportunities to maximise the value of the Company's existing assets and complementary resource opportunities.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 21 April 2020

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.