

ASX:ESR

23 May 2022

5A Resource Confirmation Drilling Commenced

HIGHLIGHTS

- Nickel sulphide resource confirmation and metallurgical drilling underway Spargoville 5A
- DFS to be updated utilising this additional drilling
- Mine planning underway for SMP pit cut-back at 5A nickel mine



Picture 1. Picture of TDA Diamond rig located at the 5A nickel mine.

Estrella Resources Limited (ASX: ESR) (Estrella or the Company) is pleased to announce that Top Drive Australia (TDA) have mobilised to the Spargoville Nickel Rights Project to undertake resource confirmation drilling at the Company's 5A nickel mine to aid in completion of a Definitive Feasibility Study for the mining of the 5A nickel resource. Recent strength and the robust outlook for the nickel market have caused the Company to re-evaluate its strategy for the Spargoville Nickel Rights Project located only 20km's from Western Australia preeminent nickel sulphide district at Kambalda. The Company withdrew the project for sale after the receipt of several offers were made and a formal sale process was being undertaken as the price of nickel has appreciated to levels not seen for more than 15 years.

Estrella Managing Director Chris Daws commented:

"5A represents an early nickel producing opportunity for Estrella via an extremely simple SMP open pit cut-back operation accessing valuable nickel tonnes. With the re-start of the Kambalda Nickel Concentrator at Kambalda by BHP-Billiton to treat third-party ores the location and timing of developing 5A is obvious. Our relationships with drilling and mine service groups are aiding in our efforts to make the most of what we have in the backdrop of an incredible nickel market."

At current nickel prices the 5A nickel mine cut-back represents an early cash-flow generating opportunity for the Company which could then be utilised for the development of the Carr Boyd nickel mine (Carr Boyd Ni/Cu Project), T5 resource expansion/definition drilling and to progress the 5B nickel mine, 1A nickel mine and Andrews nickel mine development opportunities (Spargoville Nickel Rights Project).

The 5A Nickel Mine is envisaged as an 80m deep cutback of the existing 5A open pit which is currently 30m deep (see Figure 3). Further pit wall geotechnical studies will be undertaken to refine optimal pit designs to access the 5A mineralisation. The mine optimisation and pit designs will be completed by independent third parties upon the completion of drilling and resource estimation with additional metallurgical studies. Mining professionals specialising in open pit mine project development have been engaged and will be assisting the Company in preparing, reviewing and submitting its mining development plans with relevant authorities.

An important feature of the nickel right assets at Spargoville is that they are free of third-party royalty's (other than W.A. State Government royalty on nickel) that impact most of the nickel sulphide assets in the Widgiemooltha and Kambalda district. Thus, timing of profitable development comes much earlier than assets which are impeded by such onerous and heavy royalty's applied to many of those deposits. Although not all the 5A resource will be able to be mined and recovered within the open pit cutback, the Company believes that a substantial portion will fall into the economic category of the DFS to be mined, processed and sold.

The Company will be completing approximately 17 diamond holes into the 5A mine resource area which will aid in final ore reserve calculations, metallurgical characteristics and final mine design parameters. Drilling is expected to take 4-6 weeks to complete as the hole lengths will be relatively short to reach the anticipated maximum new 5A pit design depth. Assays for nickel intersections will be fast-tracked through the laboratory to aid in the speed of the completion of the DFS, mine planning and permitting.

The Company has been fortunate that recent upgrades to water supplies in the area will assist the drilling efforts, keeping costs to a minimum. Heavy earth moving fleet in the immediate 5A mine area has also aided the Company in keeping costs down to establish drilling pads, sumps and to undertake some minor earth works around the 5A pit in a very short timeframe.

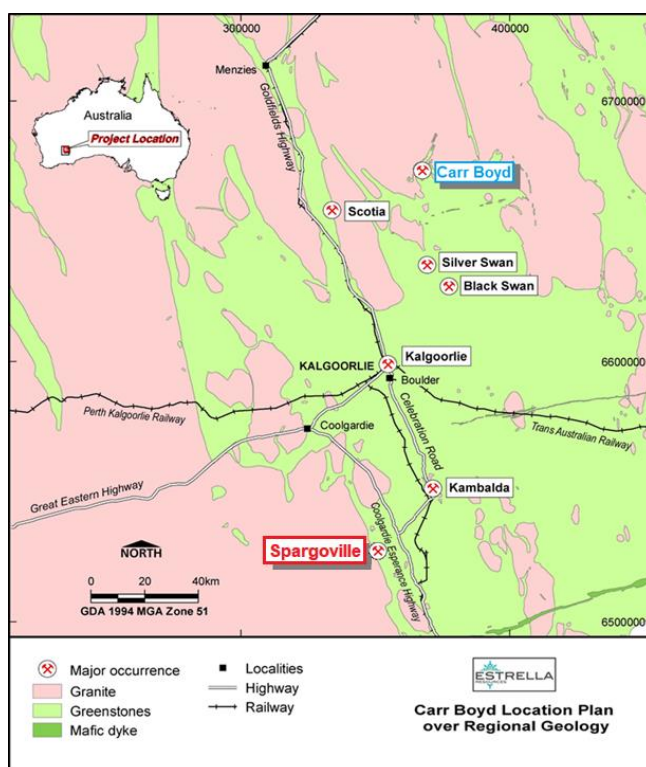


Figure 1: Regional location of the Spargoville Nickel Rights Project

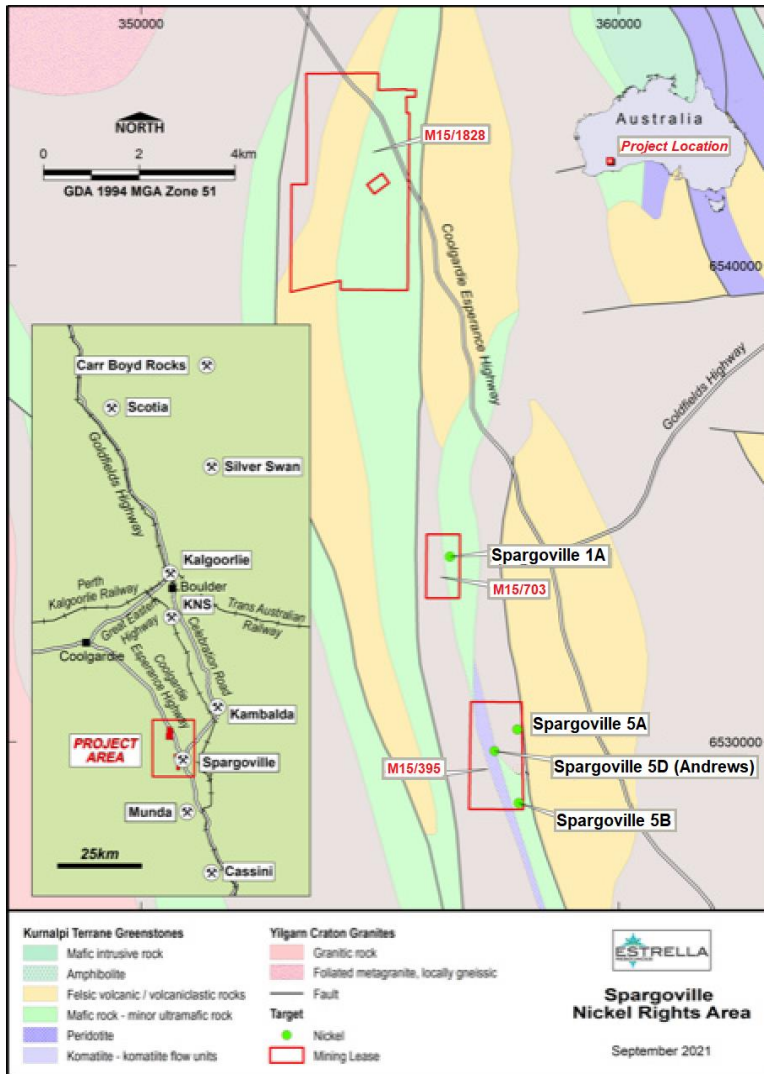


Figure 2: Location of Spargoville Nickel Rights Project and 5A Nickel Mine.

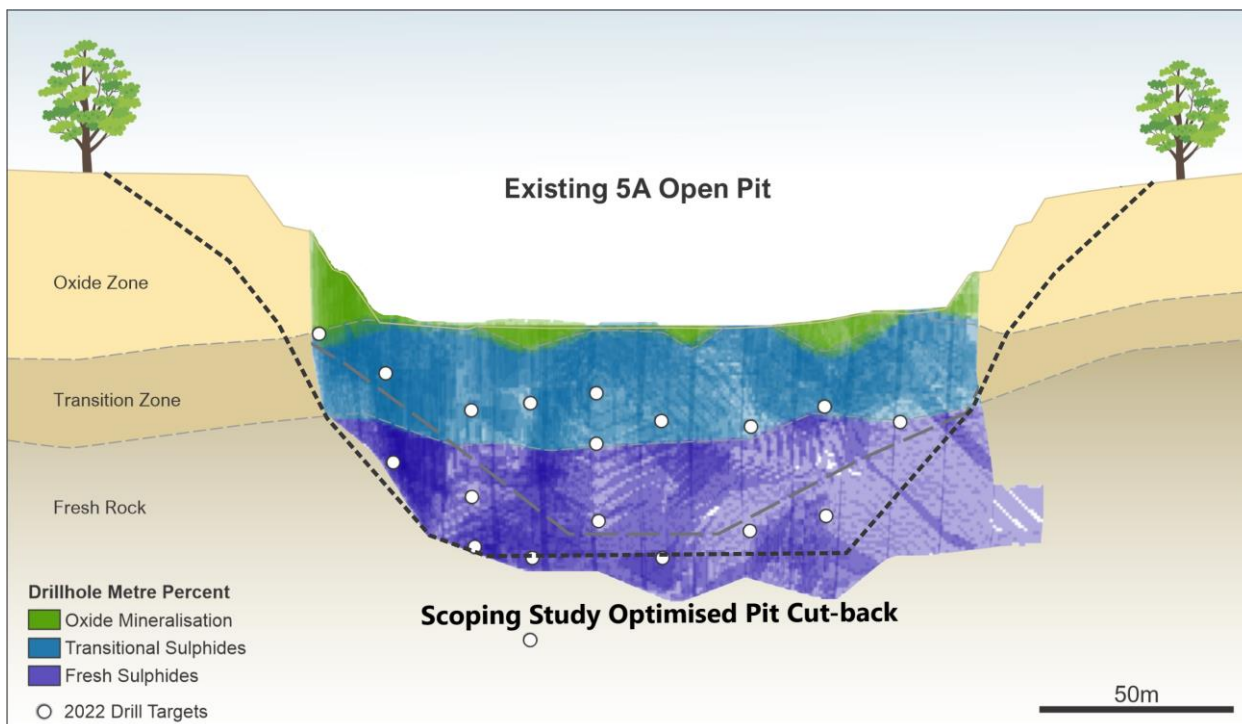


Figure 3. Illustration of the 5A pit and possible pit cut-back to 80m depth to access fresh high grade nickel sulphide ore.

Table1 – 5A October 2019 Mineral Resource Estimate (0.5% Nickel Cut-off)¹

Type	Indicated Mineral Resource				
	Tonnage kt	Ni %	Cu %	Ni t	Cu t
Saprolite	12	1.0	0.10	120	10
Saprock	38	2.2	0.19	830	70
Fresh	19	3.7	0.24	680	40
Total	69	2.4	0.19	1,630	130

Type	Inferred Mineral Resource				
	Tonnage kt	Ni %	Cu %	Ni t	Cu t
Saprolite	11	0.9	0.10	100	10
Saprock	17	1.0	0.14	170	20
Fresh	29	1.6	0.10	470	30
Total	58	1.3	0.11	730	70

Type	Total Mineral Resource				
	Tonnage kt	Ni %	Cu %	Ni t	Cu t
Saprolite	24	0.9	0.10	220	20
Saprock	55	1.8	0.17	1,000	100
Fresh	48	2.4	0.15	1,140	70
Total	127	1.9	0.15	2,370	190

¹Refer to ASX release dated 18 October 2019 (ASX: ESR)

The Board has authorised for this announcement to be released to the ASX.

FURTHER INFORMATION CONTACT

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Compliance Statement

With reference to previously reported Exploration results and mineral resources, the company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statements

This announcement contains certain forward looking statements which have not been based solely on historical facts but, rather, on ESR's current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies many of which are outside the control of ESR and its directors, officers and advisers.