

ASX Release: 27 January 2023

Estrella Resources Limited

ABN 39 151 155 207

ASX Code: ESR

Board and Management

*Managing Director
Christopher Daws*

*Non-Executive Directors
Les Pereira
John Kingswood*

*Company Secretaries
Stephen Brockhurst
Benjamin Smith*

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QUARTERLY ACTIVITIES REPORT

Quarter ending 31 December 2022

HIGHLIGHTS

- **Upgraded Spargoville 5A Mineral Resource Estimate**
 - Measured Resource of 1,640t Nickel Metal @ 2.8% to form the basis of the updated DFS
 - Optimised Pit will target 16kt of massive sulphide grading 7.8% nickel
- **Trial Parcel Process & Offtake Agreement signed with Glencore's Murrin Murrin Operations Pty Ltd**
 - +2,000 tonne bulk metallurgical sample to be treated at the Murrin Murrin HPAL Plant
 - HPAL process will see the recovery of the +25% non-sulphide nickel component within the transitional zone at 5A
- **5A Open Pit Operation bulk sample extracted successfully**
 - A 7m deep bench was drilled, blasted and dug successfully
 - Approximately 2,500 tonnes of high-grade oxide and transitional mineralisation was recovered
 - The parcel was crushed on site to -10mm and sampled, with assays pending
- **Lithium discovered by Widgie Nickel Limited lies within Estrella's Mt Edwards royalty area**
 - Maiden drill program by WIN included 18m @ 0.72% Li₂O from 12m in MERC254 and 14m @ 0.88% Li₂O from 10m in MERC257
 - WIN report the lithium is hosted in spodumene and metallurgical testwork is underway along with fast-tracked drilling
- **\$1M R & D Refund received post December quarter end**



Figure 1: Massive sulphide Oxide Zone (yellow) to Transitional Zone (black) interface within the metallurgical slot during digging.

Estrella Resources Limited (ASX: ESR) (“Estrella” or “the Company”) is pleased to provide its activities report for the quarter ended 31 December 2022, in which the Company made significant progress towards establishing mining operations at its Spargoville nickel project.

Commenting on recent activities, Estrella Resources Managing Director Chris Daws said:

“There has been a flurry of activity to round out the year at Estrella’s emerging Spargoville nickel project as the Company eyes bringing operations online at the 5A deposit.

“These assets have been held in Estrella’s portfolio with the strategic rationale of establishing production once the commodity price is favourable. With current and longer-term nickel price forecasts offering a favourable outlook, management is acting fast to seize the opportunity.

“During the December quarter, the Company produced a significant mineral resource upgrade, increasing confidence in the nature of the 5A deposit. Additionally, an agreement as well as the subsequent operations for a bulk metallurgical sample were undertaken.

“These activities provide Estrella with significant momentum assisting a Definitive Feasibility Study which is anticipated in Q1 2023 and ultimately towards value accretive mining operations.”

Spargoville 5A Resource Estimate Upgrade

In October, Estrella Resources announced an upgrade to the 5A Mineral Resource Estimate (MRE) at the Company’s Spargoville Nickel Project, located approximately 20km Southwest of Kambalda, Western Australia.

The update takes into account recent metallurgical drilling below the existing 5A open pit conducted from May to July 2022 which assisted in defining mineralisation types, transition depths and bulk densities.

The updated MRE is presented below in Table 1. The upgrade in comparison to the 2019 MRE saw the bulk of tonnes shift into the Measured Resource in the area below the pit which Estrella is targeting for production. Drilling confirmed the bulk of high-grade to be targeted by a cut-back is classified as Transitional Mineralisation.

Table 1: 5A October 2022 Mineral Resource Estimate (0.5% Ni Cut-off Grade)

Type	Measured Mineral Resource						
	Tonnage kt	Ni %	Cu %	Co %	Ni t	Cu t	Co t
Oxide	4	1.6	0.17	0.04	70	10	2
Transition	53	3.0	0.22	0.07	1,570	120	40
Total	60	2.8	0.22	0.06	1,640	130	40
Type	Indicated Mineral Resource						
	Tonnage kt	Ni %	Cu %	Co %	Ni t	Cu t	Co t
Oxide	20	0.8	0.06	0.02	150	10	4
Transition	17	1.3	0.08	0.03	220	10	5
Total	36	1.0	0.07	0.02	370	20	10
Type	Inferred Mineral Resource						
	Tonnage kt	Ni %	Cu %	Co %	Ni t	Cu t	Co t
Oxide	4	0.7	0.12	0.02	30	10	1
Transition	6	0.7	0.25	0.02	40	10	1
Fresh	20	1.4	0.11	0.03	280	20	5
Total	30	1.2	0.14	0.02	350	40	10
Type	Total Mineral Resource						
	Tonnage kt	Ni %	Cu %	Co %	Ni t	Cu t	Co t
Oxide	28	0.9	0.09	0.02	250	20	6
Transition	76	2.4	0.19	0.05	1,840	150	40
Fresh	20	1.4	0.11	0.03	280	20	5
Total	124	1.9	0.15	0.04	2,370	190	50

Estrella is particularly focussed on the 16kt of massive sulphides grading 7.8% Ni which lies immediately below the pit floor and is accessible via a pit cut-back. The relative volumes of material are shown in Table 2 and Figure 2.

Table 2: October 2022 Mineral Resource Estimate - Mineralisation Type (0.5% Ni Cut-off)

Type	Total Mineral Resource						
	Tonnage kt	Ni%	Cu%	Co%	Ni T	Cu T	Co T
Disseminated	76	0.6	0.07	0.02	490	50	10
Matrix/Breccia	32	2.0	0.14	0.03	650	40	10
Massive	16	7.8	0.59	0.19	1,230	90	30
Total	124	1.9	0.15	0.04	2,370	190	50

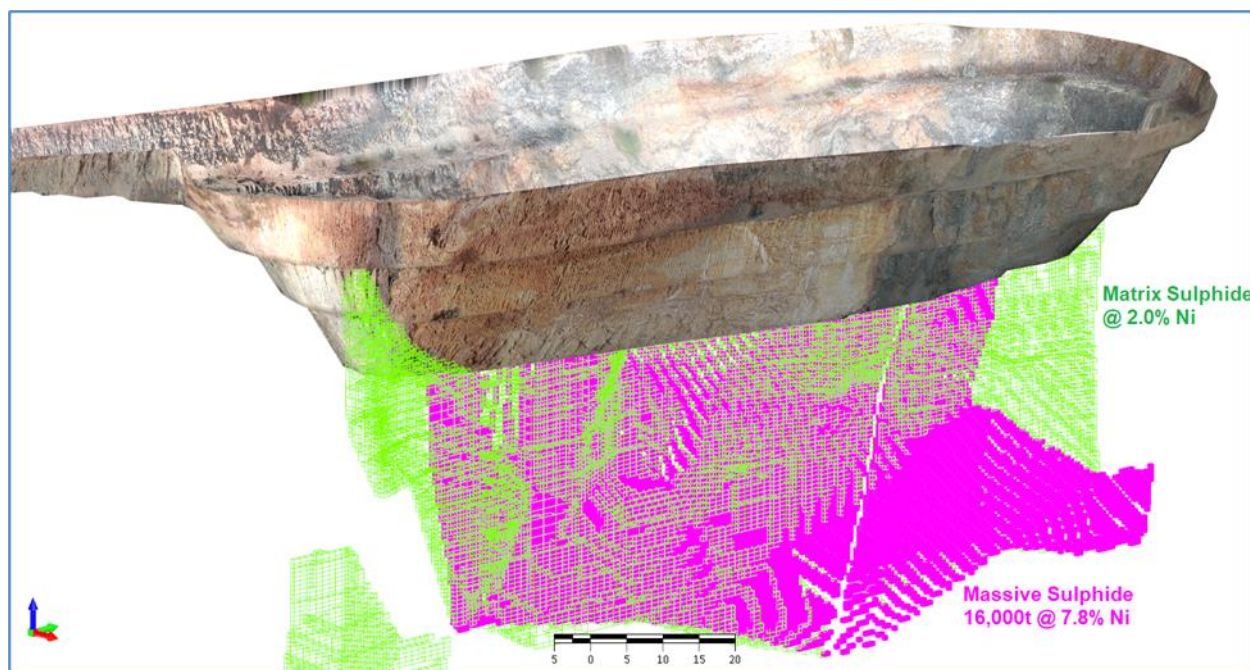


Figure 2: Location of Massive Sulphide averaging 7.8% Ni below the existing 5A Open Pit

Mineralogical analysis of the core showed the bulk of the nickel in the massive sulphide below the open pit resides in violarite with additional nickel coming from sulphates, carbonates and then silicates. This confirmed the Company's view that traditional flotation would suffer unacceptable soluble nickel losses as highlighted by flotation test work.

Massive and matrix mineralogy is shown in Figure 3 below. Sulphides are predominantly violarite with minor pyrite and marcasite. The sulphates are also nickel bearing.

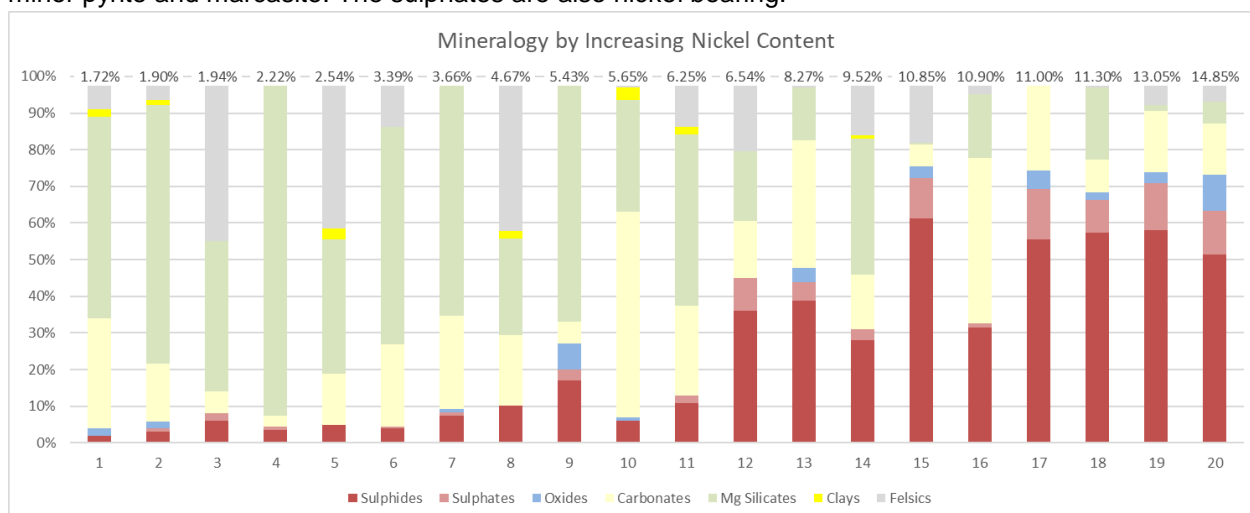


Figure 3: XRD analysis of Massive and Matrix Sulphide arranged in order of increasing assayed nickel content

The alternative treatment method sought by Estrella has been shown through testing that the vast majority of nickel can be successfully extracted, including the silicate and soluble fractions. The +2,000t bulk sample will help the Company to quantify nickel recoveries and potential mining dilution factors for the DFS.

5A Trial Parcel Process & Offtake Agreement Glencore

In November, Estrella announced the Company has entered into an ore processing and off-take agreement with Murrin Murrin Operations Pty Ltd a wholly owned subsidiary of Glencore plc for the 5A nickel mine bulk metallurgical sample.

The initial mining phase relates to the extraction of 2,000 to 4,000 tonnes of high-grade nickel sulphide using a number of local contractors, including highly experienced mining professionals.

The commercial terms for the sale of the bulk metallurgical sample are confidential, though the company expects it will see a positive financial return from the extraction of the sample at current high nickel prices.

Following period-end, Estrella announced the mining and crushing of the high-grade nickel sulphide ore has successfully been completed.

The Company currently estimates that it will be able to truck approximately 2,500 tonnes of high-grade nickel sulphide ore to Glencore's Murrin Murrin HPAL process facility during the current quarter with a substantial portion of the sample already delivered to the Murrin Murrin ROM pad at the time of writing.

Concurrently, laboratory assays are underway to determine the expected delivered ore grade and moisture contents. A further 1,000 tonnes of low-grade nickel sulphide material will be retained by the company which will be utilised for metallurgical test work on new process flowsheet designs for remaining Spargoville nickel resources.

A positive process outcome for the nickel mineralisation via the Murrin Murrin HPAL route will provide the Company with a strong basis to fully develop the 5A nickel mine resources via simple pit cut back mining methods and further develop remaining nickel resources at Andrews, 5B and 1A nickel deposits.



Figure 4.: Crushing operations at the 5A nickel mine, Spargoville W.A.

CARR BOYD NICKEL PROJECT

Last quarter the Company announced its maiden T5 JORC2012 compliant Mineral Resource Estimate (MRE) which underpins an **Exploration Target of 5-7 million tonnes for the basal contact** at the 100%-owned Carr Boyd Nickel Project located 80km northeast of Kalgoorlie (see ASX released dated 20 September 2022).

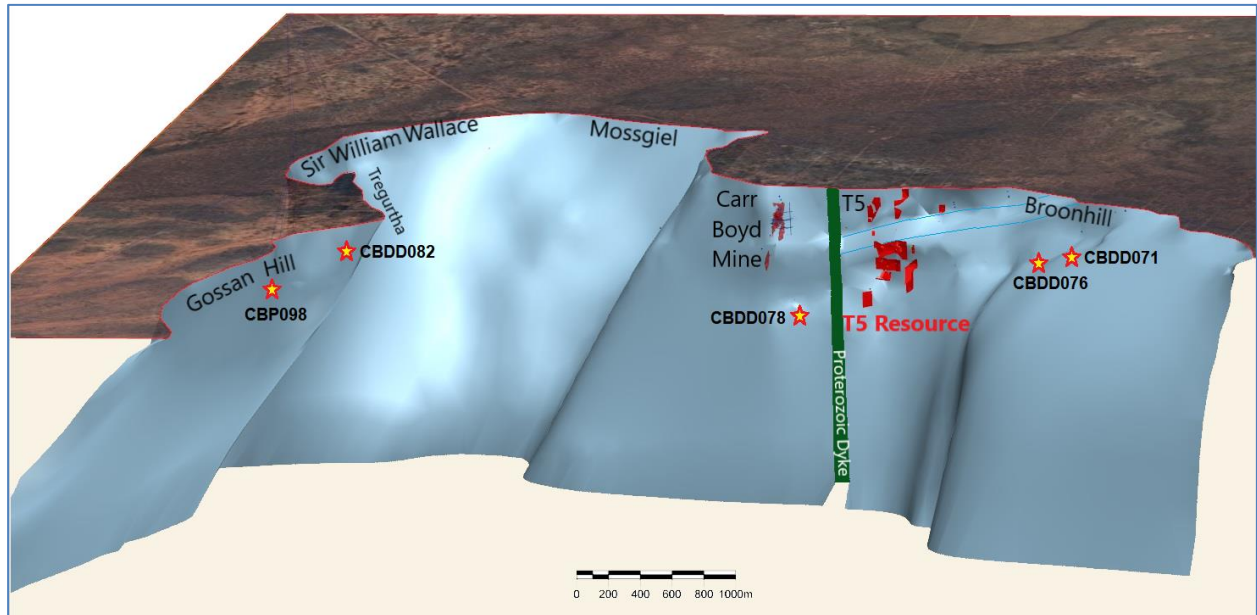


Figure 5: Location of the T5 MRE in red with respect to the 16km prospective basal contact informing the Exploration Target

Exploration at Carr Boyd has been temporarily suspended whilst company personnel concentrate on the Spargoville 5A Definitive Feasibility Study and metallurgical trial parcel.

The Carr Boyd exploration camp is being utilised by third parties conducting exploration in the area which will enable Estrella to maintain the facilities in working order and keep them cash neutral.

CORPORATE

During the period, Estrella announced the appointment of Joint Company Secretary, Mr Benjamin Smith alongside Mr Stephen Brockhurst from Mining Corporate Pty Ltd.

Mr Smith is a Chartered Accountant and has over nine years' experience in finance, accounting and corporate advisory. His experience includes three years at BHP's Nickel West, and five years auditing ASX listed companies prior to that. More recently he is serving as Company Secretary for ASX listed company Rubix Resources Limited and previously Torrens Mining Limited, prior to its acquisition.

Mr Brockhurst will continue his affiliation with the Company and serve as Joint Company Secretary moving forward.

Baseline ESG report is to be finalised and will be released upon completion.

The Company submitted its research and development (R&D) rebate application and subsequent to the quarters end the Company received \$1.014M for eligible expenditure conducted at the Company's Carr Boyd Nickel Project during the 2021-22 financial year.

The total amount paid to related parties of Estrella and their associates, as per item 6.1 of the Appendix 5B, was \$67k for Directors fees, salaries and superannuation and the total amount paid to related parties of Estrella and their associates, as per item 6.2 of the Appendix 5B, was \$36k for Director's salaries.

The Company continues to review potential acquisitions to complement our existing energy metals portfolio, including producing and/or exploration assets.

MT EDWARDS LITHIUM ROYALTY

The Company continues to hold significant exposure to future financial upside via the Mt Edwards Lithium Royalty, which Estrella retained post the sale of its subsidiary Mt Edwards Lithium Pty Ltd to Neometals Limited (see ASX release dated 15 March 2018) and Neometals' subsequent divestment to Widgie Nickel Limited (WIN).

Substantial exploration information released by Widgie Nickel Limited subsequent to the December quarter end (refer to ASX release dated 8 December 2022 (ASX: WIN)) included the initial drill results at a new prospect which has been named "Faraday".

The lithium bearing pegmatites at Faraday have been identified over a 600m by 25m surface expression and potential exists to extend the strike to the north undercover according to Widgie Nickel Limited. Drilling was to commence immediately, and the Company looks forward to progression of the Li₂O potential of Faraday and the greater Mt Edwards lithium Project area by Widgie Nickel Limited.

CAPITAL

The Company's cash balance as at 31 December 2022 was \$28k which increased subsequent to the quarters end with the return of \$1.014M through the successful R&D application. Provisional payments for sale of the 5A nickel ore is also expected in the current quarter.

Table 3: Estrella Capital structure as at 31 December 2022

Fully Paid Ordinary Shares	1,483,571,869
Listed options exercisable	\$0.02 on or before the 31 July 2023 – 389,363,575
Unlisted options exercisable	\$0.04 on or before 30 October 2023 – 63,391,928
	\$0.20 on or before 17 November 2023 - 16,600,000
	\$0.06 on or before 21 January 2025 – 25,750,000
	\$0.06 on or before 13 April 2025 – 20,000,000
	\$0.03 on or before 1 December 2025 – 20,000,000

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, 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.

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
Australia	WA	Carr Boyd Nickel Project	E31/1162	-	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*

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 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(114)	(206)
	(e) administration and corporate costs	(190)	(316)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(303)	(520)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(9)	(9)
	(d) exploration & evaluation	(1,270)	(3,608)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(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	(1,279)	(3,617)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7	3,826
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(97)	(382)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	(90)	3,444

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,700	721
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(303)	(520)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,279)	(3,617)

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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(90)	3,444
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	28	28

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	28	1,700
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)	28	1,700

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	67
6.2	Aggregate amount of payments to related parties and their associates included in item 2	36
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(303)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,270)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,573)
8.4 Cash and cash equivalents at quarter end (item 4.6)	28
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	28
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.02
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Yes, as announced on 13 January 2023 the Company received \$1.014M as a refundable tax offset for eligible R&D expenditure during the 2022 financial year. The Company also expects to receive, based on current nickel prices, approximately \$500k to \$750k (after costs) from the sale of 5A nickel bulk sample and the timing of this is expected to be within the March 2023 quarter.	

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

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes - for the reasons noted in 8.8.2.

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

Compliance statement

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

Date: 27 January 2023

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.