



and its controlled entities

2018 ANNUAL REPORT

ABN: 39 151 155 207

Annual Report 2018

CONTENTS

DIRECTORS' REPORT	3
REMUNERATION REPORT	28
AUDITORS' INDEPENDENCE DECLARATION	34
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	35
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	36
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	37
CONSOLIDATED STATEMENT OF CASH FLOWS	38
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	39
DIRECTORS' DECLARATION	67
INDEPENDENT AUDITORS' REPORT	68
SHAREHOLDER INFORMATION	74
CORPORATE DIRECTORY	78
SCHEDULE OF EXPLORATION TENEMENTS	79

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors present the following report on Estrella Resources Limited ("the Company") and its wholly owned subsidiaries (together referred to hereafter as "the Group") for the financial year ended to 30 June 2018.

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
Stephen Brockhurst	Non-Executive Director

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 Stephen Brockhurst held the position of the Company Secretary until 21 May 2018.

Mr David McEntaggart was appointed as the Company Secretary effective 21 May 2018 and held the position as at the date of this report.

Principal activities

The principal activities of the Group during the reporting period were to explore mineral projects in Australia and project acquisitions in Australia.

Review of Operations

PROJECT TRANSACTIONS

Several transactions were made during the year as follows:

The acquisition of WA Nickel Pty Ltd (WAN). Under the terms of the acquisition, WAN was acquired by Estrella Resources (ESR). WAN held a 100% interest in nickel rights at the Spargoville Project, 100% of the gold and nickel rights at the Munda Project (M15/87), and 25% of the lithium rights at the Munda Project. The transaction gave ESR 100% ownership of all metals on M15/87.

The Company executed a binding conditional agreement for the acquisition of the Carr Boyd Nickel Project through the acquisition of Carr Boyd Nickel Pty Ltd from Apollo Phoenix Resources (Apollo) during the year. The transaction involved the issue of 59.6 million fully paid shares in ESR and a deposit of \$160,000. The Carr Boyd Nickel Project is comprised of the Carr Boyd Layered Complex (CBLC or the Complex).

ESR subsequently entered a binding agreement to sell Mt Edwards Lithium Pty Ltd (MEL), which held the lithium at Mt Edwards, to Neometals Limited (Neometals) for an aggregate purchase price of up to \$2.7M (subject to satisfaction of certain milestones) plus an ongoing royalty over future lithium mining.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

WORK SUMMARY

The focus of fieldwork during the year was the Carr Boyd Nickel Project (CBNP), the Munda Gold Project, the Scotia East cobalt project, and the Spargoville Nickel Project.

At Munda, a detailed 3D interpretation resulted in a new understanding of the 3D geometry of the gold shoots. As a result, two diamond holes were planned, and POW approval was granted to test this new structural interpretation. These holes will be drilled with aim of upgrading the JORC 2012 reported Mineral Resource and re-establish economic evaluations of this high-grade gold occurrence.

At Spargoville, data compilation identified two high priority drill targets for immediate follow-up. These are the 5A nickel deposit and the M15/96-C1 EM conductor, located between the 5A and 5B nickel deposits

At the CBNP, four diamond holes and twenty-five RC holes were completed in the Sir William Wallace, Schmidt, and Tregurtha South areas and a moving loop high power electromagnetic (HPEM) survey was extended further to the north over the prospective basal contact position of the CBLC. A second HPEM survey was also designed over Fosters Hill, where a coincident copper in soil anomaly and historic EM conductor occur.

A cobalt targeting exercise was completed over the CBNP, identifying a high priority drill target "Scotia East". Three RC holes were drilled at the new prospect, confirming high grade cobalt mineralisation.

SIR WILLIAM WALLACE HPMLTEM TARGET

Sir William Wallace was targeted by drillhole NCB0001. A second hole, NCB0002 was successfully completed to a final depth of 146.6m. It was designed to test the basal contact position 40m up dip of the NCB0001 pierce point and to determine the basal contact orientation. This would assist with the positioning of the co-funded deep platform hole (NBC0003), which targeted a gravity-magnetic feature within the CLBC. NCB0002 intersected the basal contact zone at approximately 107m downhole, confirming the position and orientation of the basal contact.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

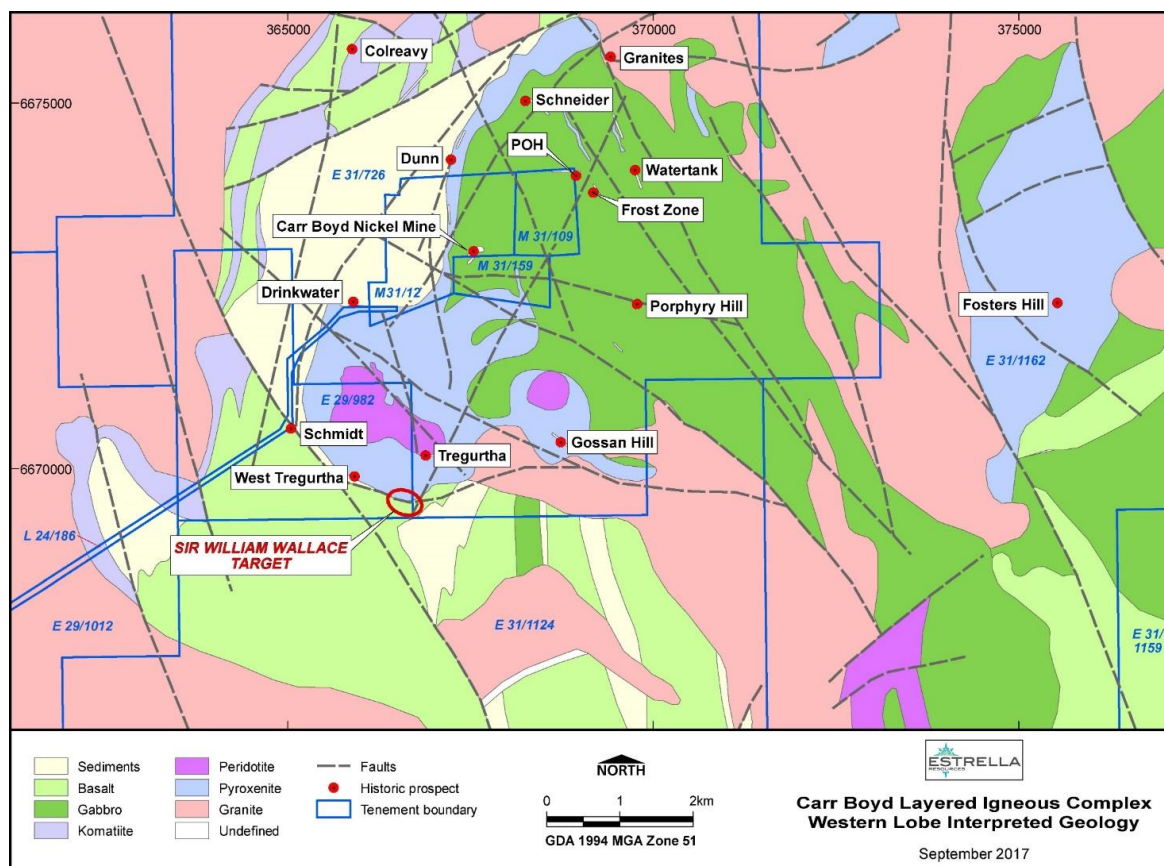


Figure 1. Map showing Carr Boyd exploration targets and prospects over interpreted bedrock geology.

SOUTH TREGURTHA COFUNDED TARGET

Apollo received a large archive of high resolution aeromagnetic and ground gravity datasets as part of the CBNP acquisition. Previous operators had collected gravity data on a 100m by 100m grid and aeromagnetic data on 50m line spacing over most of the western lobe of the CBLC. These datasets had been processed and interpreted in 2D, but not before in 3D.

Apollo compiled these datasets, reprocessed and constructed 3D inversion models from them. This identified a series of coincident gravity and magnetic anomalies (targets). The target at South Tregurtha was identified as very high priority due to:

- Proximity to the basal contact;
- Proximity to cloud and disseminated sulphide mineralisation at Tregurtha and West Tregurtha;
- Located in a window of limited historic drill testing;
- Strong geological, structural, and geochemical support.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Therefore, this target was selected for drill testing by a single deep drillhole (NCB0003) with support from a DMIRS co-funding grant of \$120,000.

NCB0003 was completed to a final depth of 1073.4m in mid-February. A wedge was set in the hole at 798m late-December to divert the hole around the drill bit and reamer left in the bottom of the hole in mid-December, at 827.4m. The wedge (NCB0003W1) successfully diverted the hole downwards, towards the interpreted basal contact position.

At 1073.4m depth, the hole had not intersected the basal contact. The hole was stopped at this depth to conduct DHTM surveying, igneous petrology, geochemical analysis, petrophysical analysis, and structural geology analysis. This would determine if there were any off-hole conductors to target for follow-up and provide information on the younging direction and architecture of the CBLC.

Drilling commenced on a second hole, NCB0020 in mid-February. This hole was drilled at -80 towards 200 azimuth, collared approximately 430m east of NCB0003. Drilling from north to south in this position would give the hole a much better chance of intersecting the basal contact at the target depth and provide an ideal platform for DHTM, overlapping with the DHTM survey of NCB0003, effectively screening a further 600m strike extent of the contact to a depth of +700m below surface.

NCB0020 had not intersected the basal contact at 840.3m depth, even though the hole was successfully lifted from a dip of -80 to -72 by the end of hole. The hole was stopped to conduct DHTM surveys and geochemical, igneous petrology and structural analyses.

The results of NCB0003 and NCB0020 suggest the basal contact (or perhaps in this case the side contact) of the CBLC is overturned at depth, dipping back to the south. Any future deep drilling in this area will be collared on the footwall side of the contact, drilling northwards through the contact.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

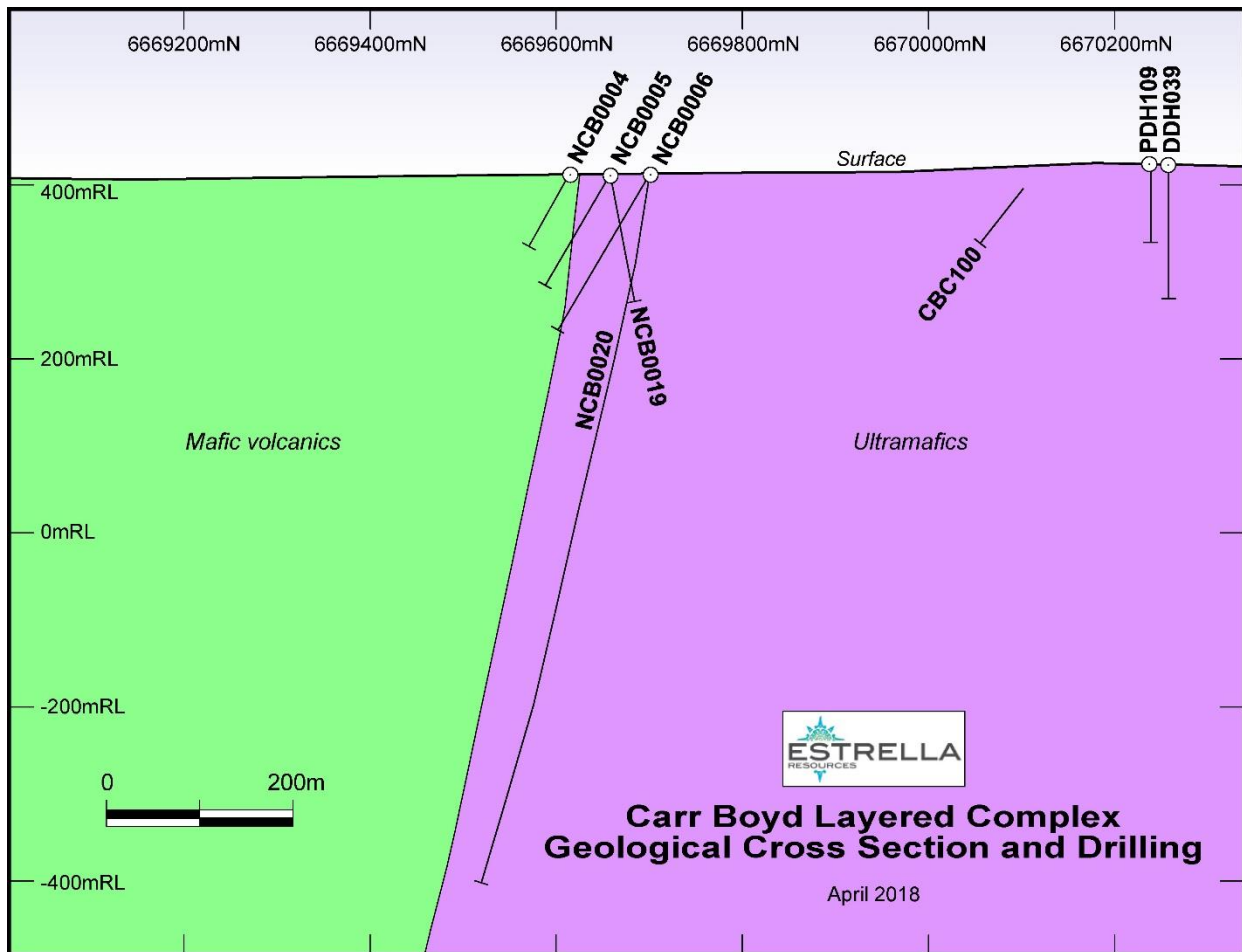


Figure 2. Schematic cross section showing a simplified geological interpretation of the CBLC.

RECONAISSANCE RC PROGRAM

The RC drilling was designed along the southern contact of the CBLC to gain a better understanding of the position and geometry of the basal contact (or contact) of the CBLC, as the co funded diamond hole NCB0003, and follow-up diamond hole NCB0020 had not located the contact at depth.

RC drilling of the contact position on roughly 200m spaced cross sections with at least two holes intersecting the contact per cross section would significantly improve the understanding of the position and geometry of the contact. The drilling would essentially act as a 3D mapping tool, so that future deep diamond holes would have a much better chance of intersecting the contact at depth.

The holes would also be assayed on 10m intervals by multielement analysis with Loss on Ignition (LOI) analysis. This would help determine the younging direction of the CBLC and provide important data on its fertility or prospectivity.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Twenty-five RC holes were drilled for a total of 3613m. Hole depths ranged between 30m and 275m, depending on the depth at which the basal contact was intersected. Several holes were pushed significantly deeper than planned as the basal contact was up to 50m further south and often steeper dipping than previously modelled. The basal contact also appears to be overturning and dipping to the south at depth and laterally.

The RC drilling successfully provided firm control of the basal contact to approximately 200m vertical depth over a strike length of 2.5km between Tregurtha South and Tregurtha west. This is the area with the strongest geochemical, geophysical, and geological support for being a true basal contact position presenting at a shallow enough level to target for large "Voisey Bay Style" accumulations of massive nickel and copper sulphides.

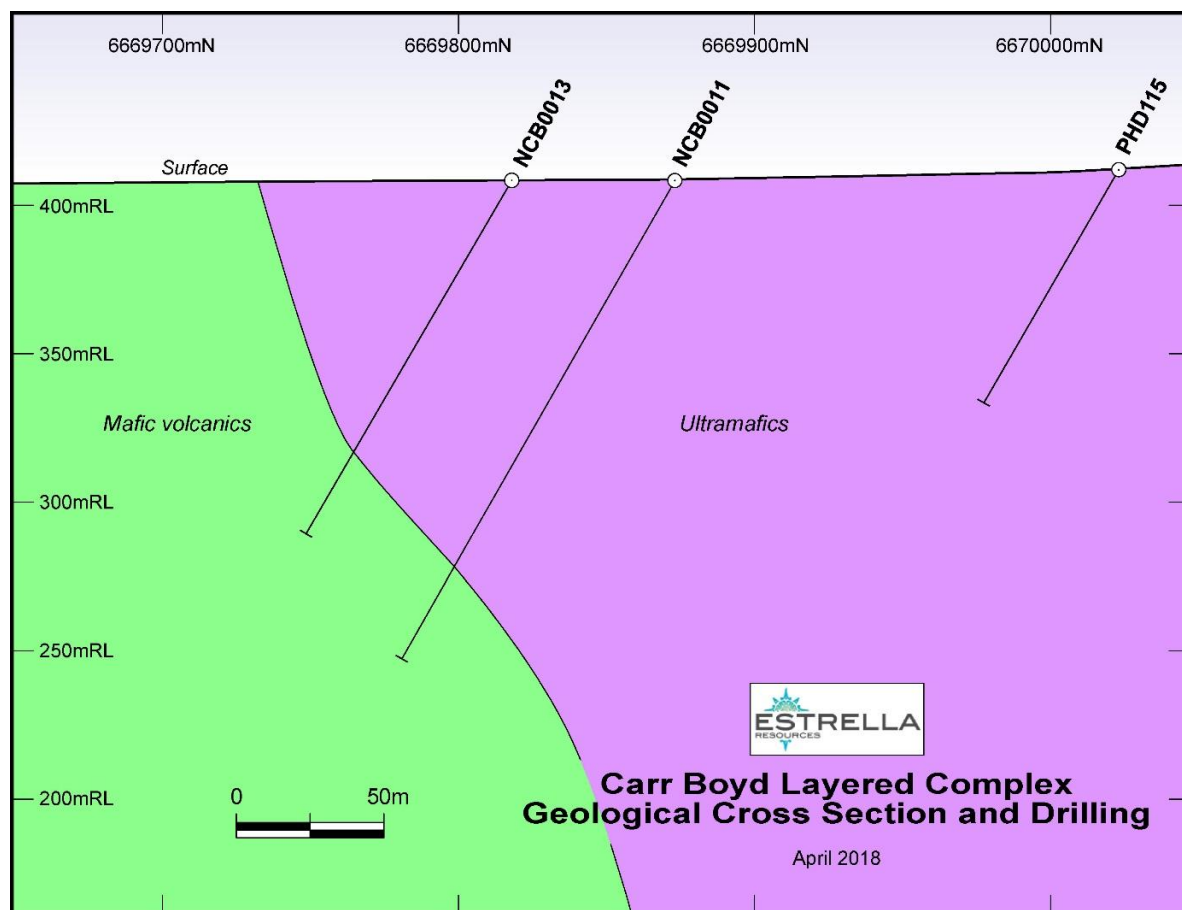


Figure 3. Example cross section of RC drilling mapping the contact position and testing the fertility of the CBL.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

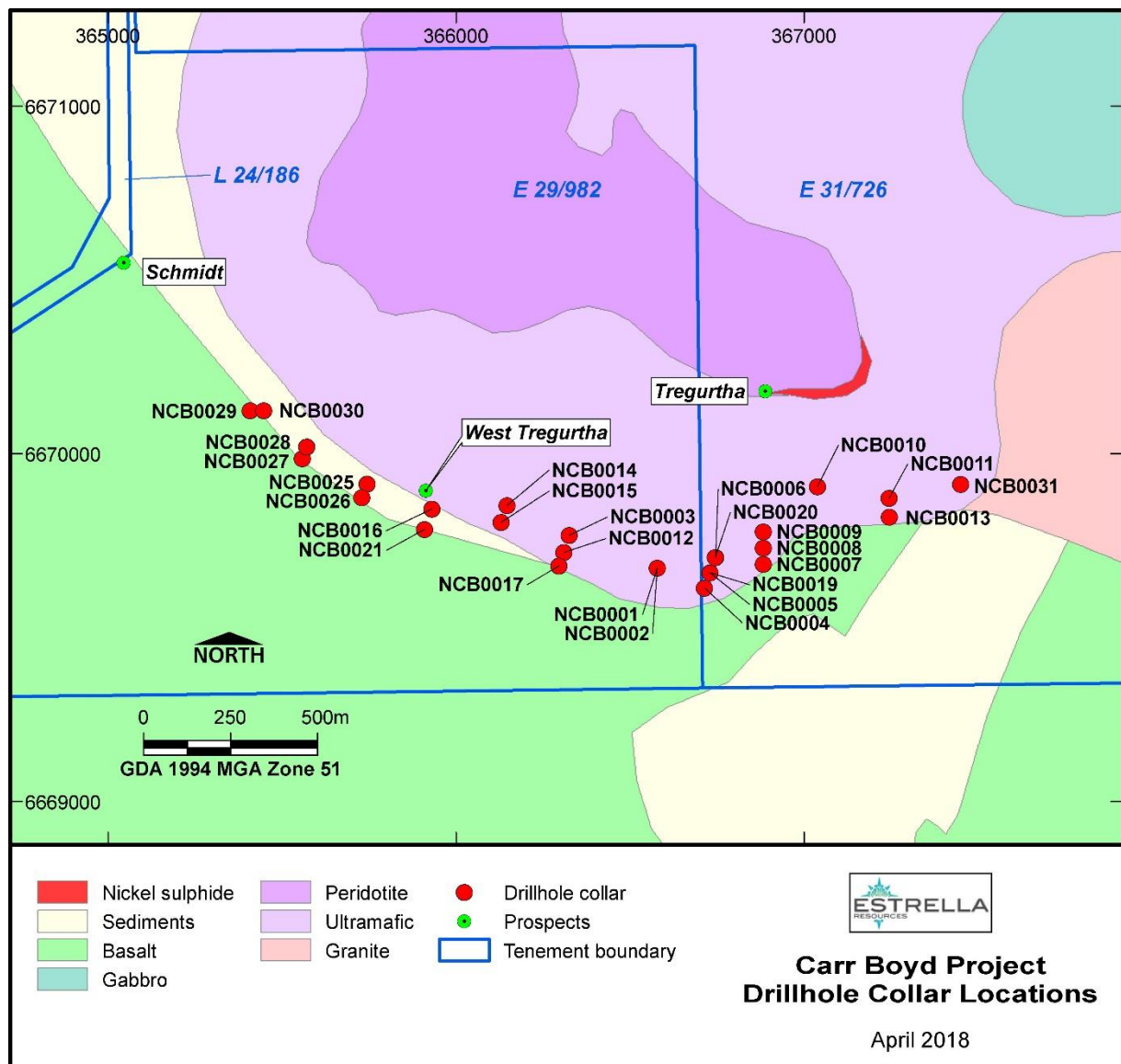


Figure 4. Map showing drill collar location of drilling activity on the CBLC.

EM SURVEYING

The Phase I HPEM* survey extended approximately 1.5km north, 1.7km west and 3.3km east of Sir William Wallace earlier in the year. The basal ultramafic sequence is interpreted to extend northward along the western contact of the CBLC to at least 1.4km north of the Carr Boyd Rocks mine, but more likely to 3.6km north of the mine.

A Phase II moving loop HPEM survey was started to extend the coverage 3.3km further north from the current Phase I survey, screening the interpreted basal contact position and immediate footwall sequence to 1.4km north of the Carr Boyd Rocks Mine. There are several high priority exploration targets and prospects in this area based on surface geochemistry, downhole geochemistry,

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

aeromagnetics, ground gravity, and interpreted geology datasets. HPEM will determine if significant conductors indicative of the presence of well-developed sulphides are associated with any of the exploration targets.

*High Power Electromagnetics

Phase II had reached approximately 150m south of the Carr Boyd mine at the end of the year. The survey was on hold at the time while the crew was released for another client. Preparations are well advanced to recommence the survey.

HPEM surveying will also be conducted over Fosters Hill with Phase II. A strong copper surface sampling anomaly located close to an historic GeoTEM conductor occurs near Fosters Hill, which is host to cumulate pyroxenites and gabbros, interpreted to be the Eastern Lobe of the CBLC. This area has seen very little historic exploration other than surface geochemistry and costeaning. The historic exploration was targeting platinum group elements, essentially ignoring the nickel sulphide potential of the area.

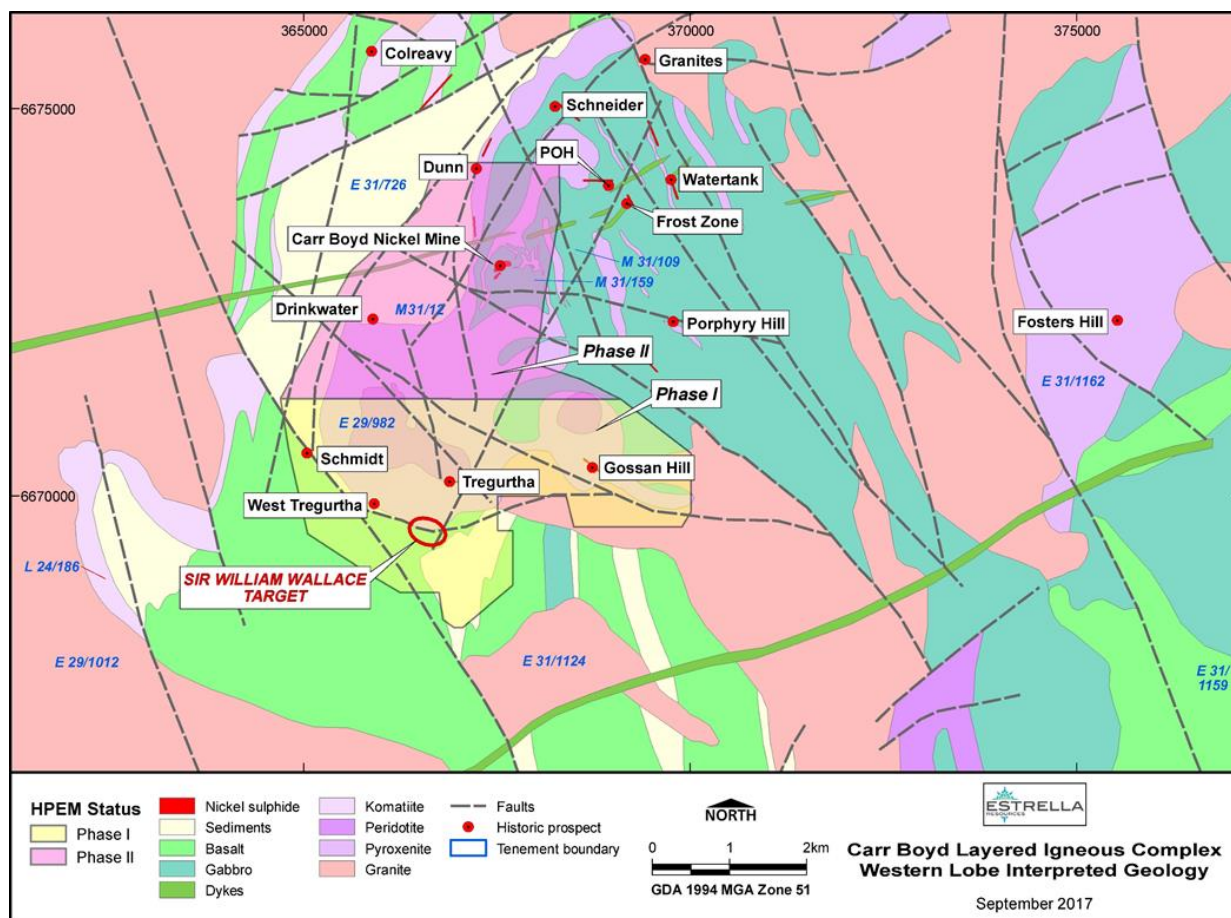


Figure 5. Geological map of the CBLC showing current Phase I HPEM coverage and the proposed Phase II survey. Note the location of Fosters Hill, which will be targeted by HPEM as part of Phase II.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

COBALT RC PROGRAM

Three vertical 30m deep holes were drilled on an east-west cross section at Scotia East to test a high-grade cobalt occurrence identified in the Company's digital database. All three holes intersected strong cobalt mineralisation almost exactly as predicted.

Results (at a 0.1% Co cut-off) included;

- NCB0024: 7m at 0.21% Co and 0.68% Ni from 7m*
Including 1m at 0.42% Co and 0.75% Ni from 8m*
- NCB0023: 11m at 0.16% Co and 0.53% Ni from 3m*
Including 2m at 0.33% Co and 0.58% Ni from 4m*
- NCB0022: 2m at 0.18% Co and 0.47% Ni from 4m*

These complemented the very encouraging results from historic drilling, which include:

- **CBR172: 8m at 0.22% Co and 0.69% Ni from 7m***
Including 1m at 0.41% Co and 0.61% Ni from 7m*
- **CBC019: 12m at 0.23% Co and 0.67% Ni from 8m (4m composites)***

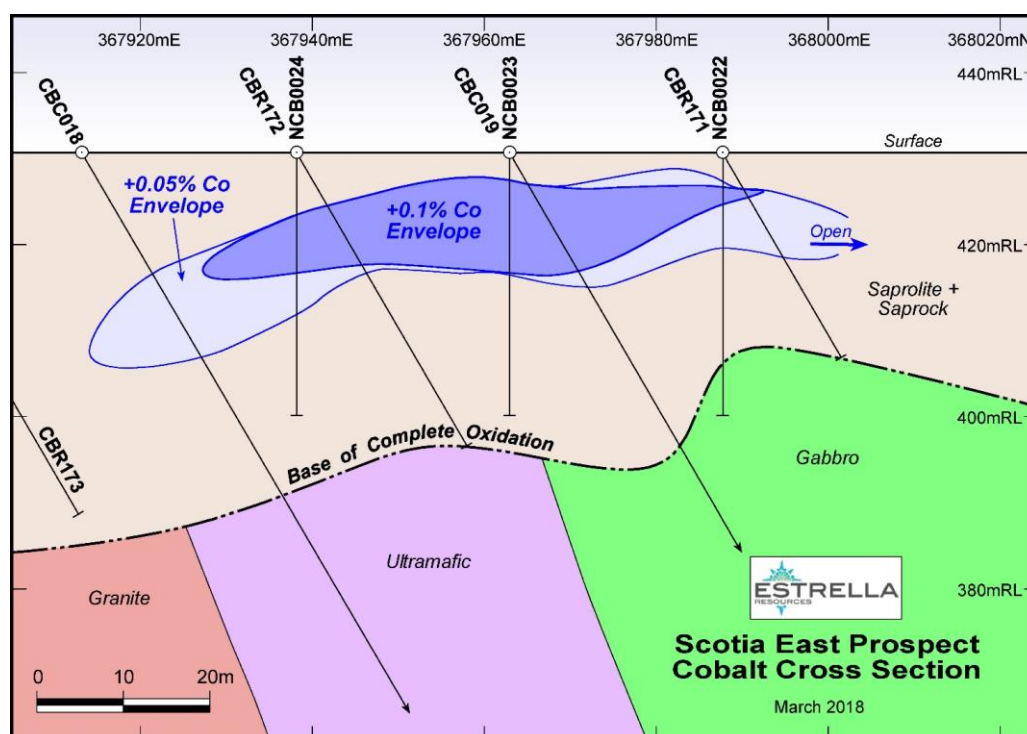


Figure 6. Cross section of Scotia East drilling.

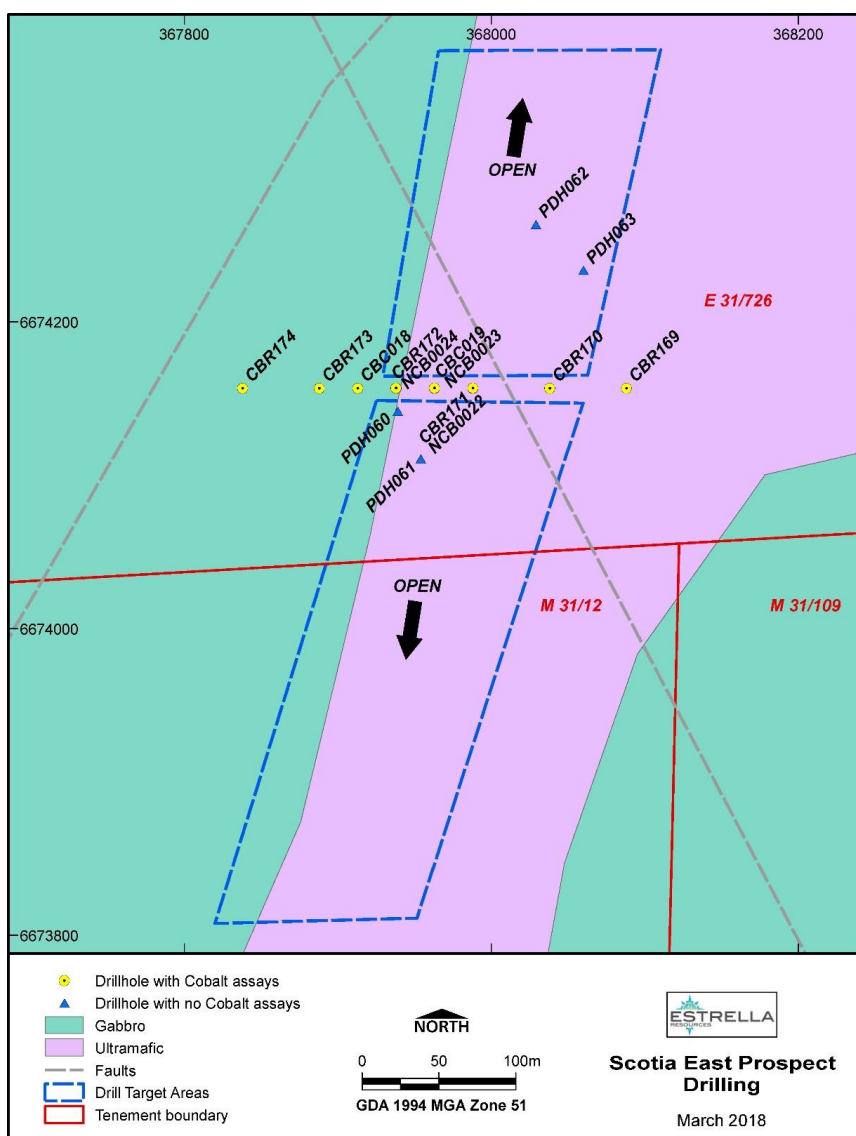
* Refer to ESR announcement "High Grade Cobalt Intersected in Drilling", 27 March 2018

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

ABOUT THE COBALT MINERALISATION

Cobalt is hosted in a saprolitic clay horizon developed over an ultramafic package, similar in style to other projects in the region. However, Scotia East may have key advantages due to its very shallow depth, starting at just 2m below surface, its high grade, up to 0.4% Co, and its consistently high cobalt to nickel ratio.

Mineralisation is developed over a NNE striking ultramafic belt approximately 2.6 km in length, with a gabbro package to the east and a granite (or possibly leucogabbro) to the west. This represents a large target area for follow-up drilling, which will be completed as soon as possible.



ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

ABOUT THE PROJECT AND THE CBLC

The CBLC is a 75km² layered mafic igneous complex, which hosts several occurrences of nickel and copper sulphides. 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 is in a Tier 1 jurisdiction approximately 80km north north-east of Kalgoorlie Western Australia. An all-weather haul road accessible by Apollo under a granted miscellaneous license connects the Project to the Goldfields Highway via Scotia.

A "Voisey Bay" style model has not been adequately explored within the CBLC. This represents a compelling exploration target opportunity which the Company will continue to aggressively pursue.

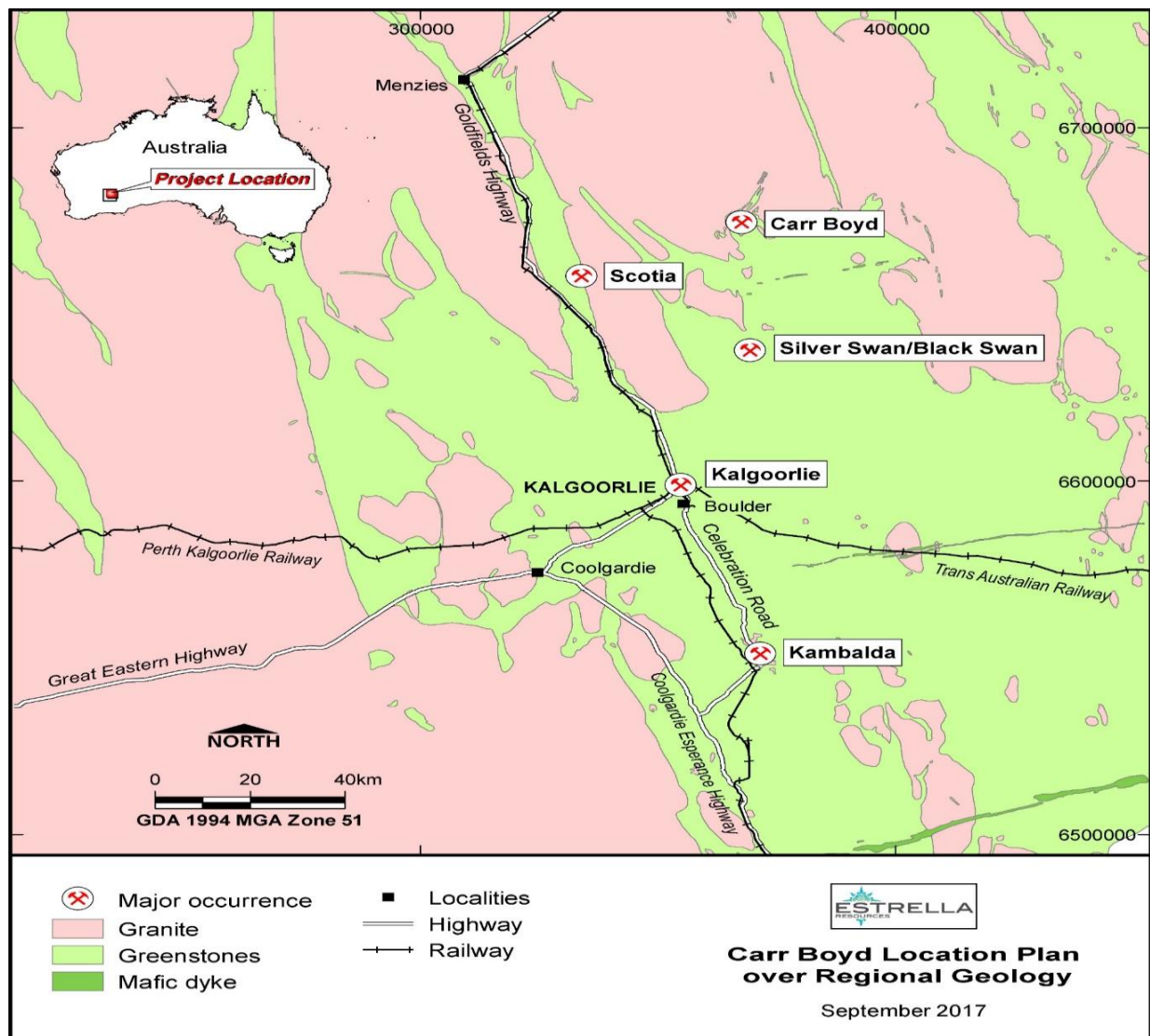


Figure 8. Location of Carr Boyd in relation to commercial centres and other major nickel projects.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

MUNDA GOLD

The Munda project hosts a JORC Code 2012 reported Inferred gold Mineral Resource estimate of 511,000t at 2.82g/t Au (see Table 1).^{*} Within this Mineral Resource, several very high-grade zones occur, which are interpreted to be formed where sub vertical NNW trending structures intersect a sheared basal contact between an ultramafic hangingwall and metabasaltic footwall.

This is interpreted to result in very high-grade plunging shoots within a lower grade envelope of gold mineralisation. These high-grade shoots will be targeted by drilling, and if the interpretation is confirmed, they will be evaluated, beginning with a Scoping Study to determine if they can be economically extracted.

An open pit mining operation was commenced in 1999 by Resolute Mining Limited, but was shut in 2000 due to a dramatic fall in the gold price at the time to sub A\$400/oz Au. With gold now holding above A\$1,500/oz, there is considerable scope to complete the mining of the remaining Mineral Resource.

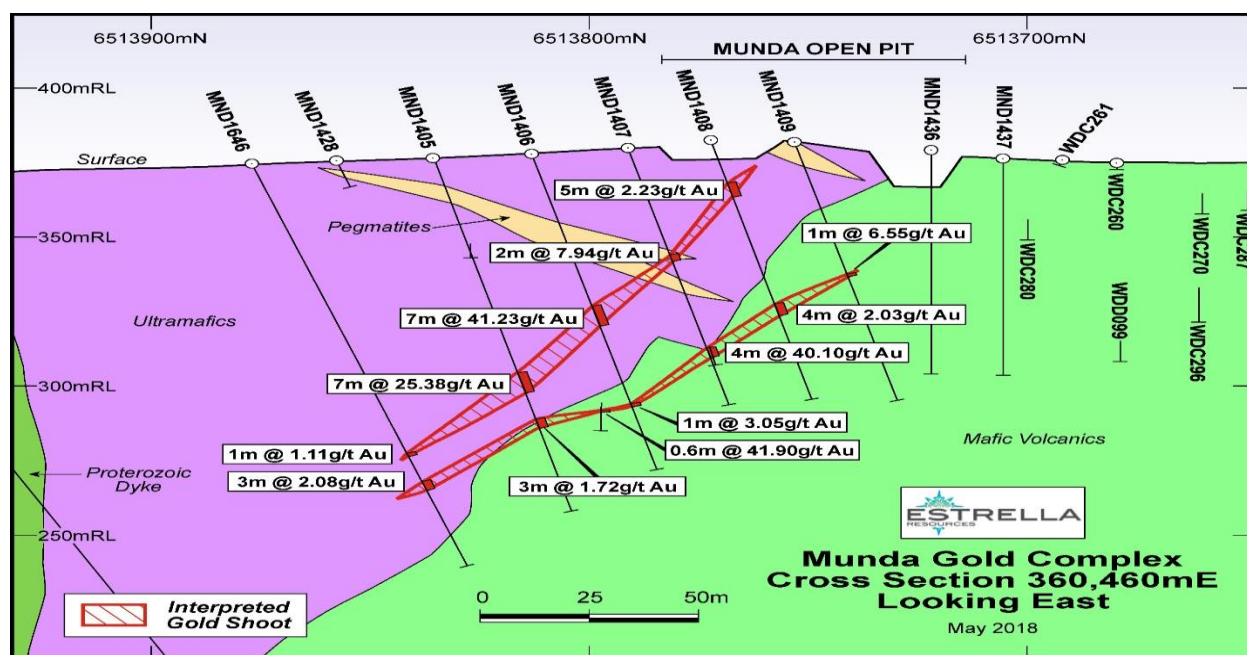


Figure 9. Cross section of Munda showing some of the thicker higher grade gold intercepts and interpreted gold shoots.

A POW was submitted and approved for the drilling of two holes targeting the high-grade gold zone intersected by MND1406. The Company intends to drill these holes as soon as possible.

^{*} Refer to ESR announcement "ESR to Acquire Munda Gold and Spargoville Nickel Projects", 04 September 2017

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Table 1. Munda Gold Mineral Resource Estimate*

Resources			Metal Grade	Contained Metal
<i>Category</i>	<i>Cut off</i>	<i>Tonnage</i>	<i>Gold</i>	<i>Gold</i>
	<i>(Au g/t)</i>	<i>(Kt)</i>	<i>(g/t)</i>	<i>(oz)</i>
Inferred	1	511	2.82	46,337
Total	1	511	2.82	46,337

* Refer to ESR announcement "ESR to Acquire Munda Gold and Spargoville Nickel Projects", 04 September 2017

Table 2. Summary of the significant gold intercepts immediately north and beneath the Munda open pit. These will be targeted by drilling and economic evaluations starting with confirmatory drillholes around MND1406 and MND1407.*

Hole_ID	mFrom	mTo	Width (m)	Au_g/t
MND1406	53.0	60.0	7.0	41.23
Including	58.0	59.0	1.0	195.00
MND1407	70.0	74.0	4.0	40.10
MND1508	98.0	114.0	16.0	10.13
MND1724	94.1	97.1	3.1	23.17
MND1405	76.0	83.0	7.0	25.38
Including	76.0	78.0	2	82.5
MND1660	140.0	142.5	2.5	22.89
MND1417	111.0	128.0	17	10.34
MIRC009	46.0	50.0	4.0	38.80
MIRC006	20.0	23.0	3.0	16.31

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

MUNDA NICKEL

Closely associated with, but separated from the gold mineralisation at Munda, is a significant deposit of nickel sulphide. A JORC Code 2012 reported Inferred Mineral resource of 240,000t at 2.36% Ni (see Table 3) has been estimated for the deposit. *

The nickel mineralisation is interpreted to be a "Kambalda Style" nickel sulphide occurrence, located at the basal contact between a high MgO komatiitic ultramafic unit and a footwall basalt. Mineralisation is concentrated in thermal and structural embayment's in the basal contact, and in "footwall carrots" in the basalt.

* Refer to ESR announcement "ESR to Acquire Munda Gold and Spargoville Nickel Projects", 04 September 2017

Table 3. Munda Nickel Mineral Resource Estimate*

Resources			Metal Grade	Contained Metal
<i>Category</i>	<i>Cut off</i>	<i>Tonnage</i>	<i>Nickel</i>	<i>Nickel</i>
	<i>(Ni%)</i>	<i>(Kt)</i>	<i>(%)</i>	<i>(t)</i>
Inferred	1	240	2.36	5676
Total	1	240	2.36	5676

Significant potential exists for further nickel sulphide mineralisation down plunge of the Munda Mineral Resource. Several DHTEM conductors were identified down plunge to the nickel mineralisation by Titan Resources during exploration programs conducted up to 2007, but these are yet to be followed up by drilling. The project was abandoned at the time due to a fall in the nickel price.

There are also two greenfields EM conductor targets, M15/87-C1 and M1587-C4, located north west of Munda within M15/87 (refer to Figure 1). These conductors were identified by Consolidated Minerals during MLTEM surveys completed in 2010.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

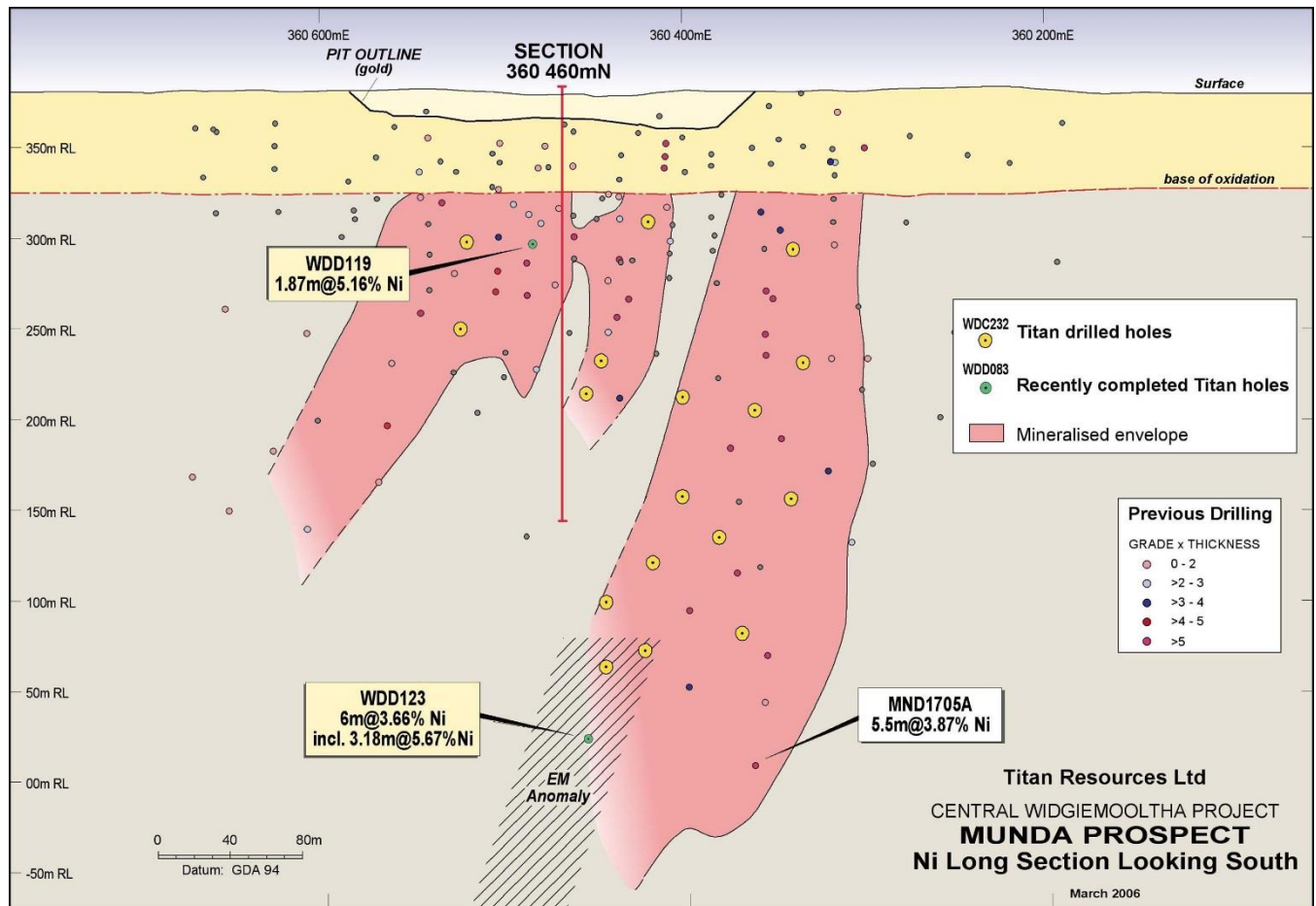


Figure 10. Long section of the Munda nickel mineralisation, outlined by Titan Resources, showing the EM anomaly down plunge and the location of the high-grade gold cross section shown in Figure 3.

SPARGOVILLE NICKEL

The Spargoville area hosts several nickel mines which have been exploited to varying degrees in the past, including 1A (nickel), 5A (nickel), 5B (nickel and gold), and 5D (nickel). Global and remnant Mineral Resources have been published by previous operators for each of these occurrences, but they are not up-dated to JORC Code 2012 reporting standard so cannot be quoted at this stage. It is envisaged that only a small amount of new data will need to be collected, if any, to advance these projects to JORC Code 2012 reporting standard. The Company intends to add them to the Mineral Resource inventory and conduct economic evaluations.

1A

The 1A project was mined by between 1990 and 1992. It produced 112,800t @ 3.8% Ni (4,286t Ni metal) before its closure in 1992. Three 25m spaced underground levels were mined to a vertical depth of 175m below surface.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Breakaway Resources (BRW) conducted drilling programs through 2007 and 2008, confirming depth continuation of high grade nickel sulphide mineralisation, including intercepts of 5.60m at 4.27% Ni, 7.29m at 6.94% Ni, 8.35m at 3.49% Ni, 1.84m at 4.95% Ni.* This extended the mineralisation up to 200 metres down-plunge of the mine workings on three separate surfaces.

Optiro completed a fully depleted Inferred Mineral Resource estimate on the project in 2009. This Mineral Resource estimate was completed to JORC 2004 reporting standard, and terminating at 280m below surface. There is significant potential to upgrade this to JORC Code 2012 Mineral Resource reporting standard and to extend it further down plunge.

Down plunge extensions could be achieved using targeted drilling programs guided by modern high power DHTEM surveying. The DHTEM technology available today was not available to previous operators.

* Refer to ESR announcement "ESR to Acquire Munda Gold and Spargoville Nickel Projects", 04 September 2017

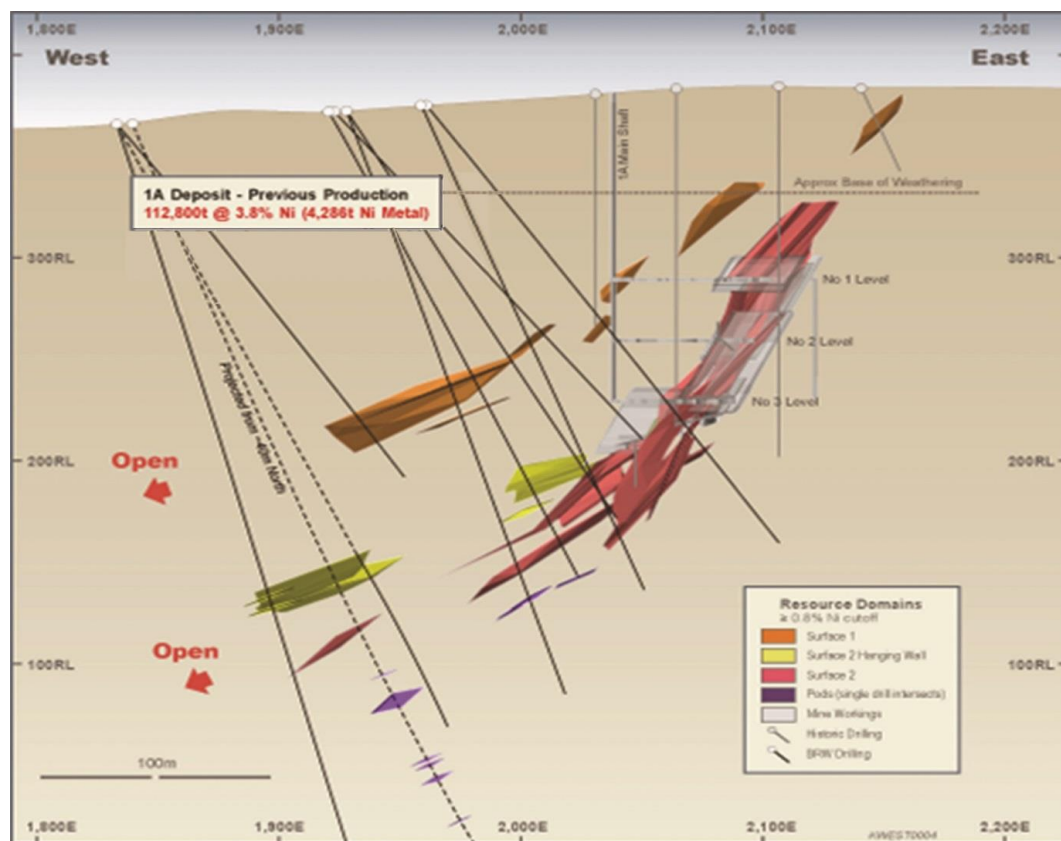


Figure 11. Cross section of the 1A project area of Minotaur Exploration showing mineralisation domains, mine workings and interpreted down plunge potential.+

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

5A TARGET

This is a particularly compelling target, as the remnant mineralisation is thick, high grade and very close to surface. The nickel mineralisation here also contains high grades of cobalt and copper. Estrella intends to drill up to four confirmatory drillholes with the aim of generating a JORC 2012 reportable Mineral Resource. Material from the drill core will also be collected for metallurgical testwork to determine the best processing route for the high-grade mineralisation.

There have been significant advances in metallurgical technology since Amalg Resources conducted feasibility work on the project in 2009. This, and the very high cobalt price have the potential to significantly enhance the economics of the project.

The high-grade nickel sulphide mineralisation appears to be open at depth. This represents significant exploration upside at the project.

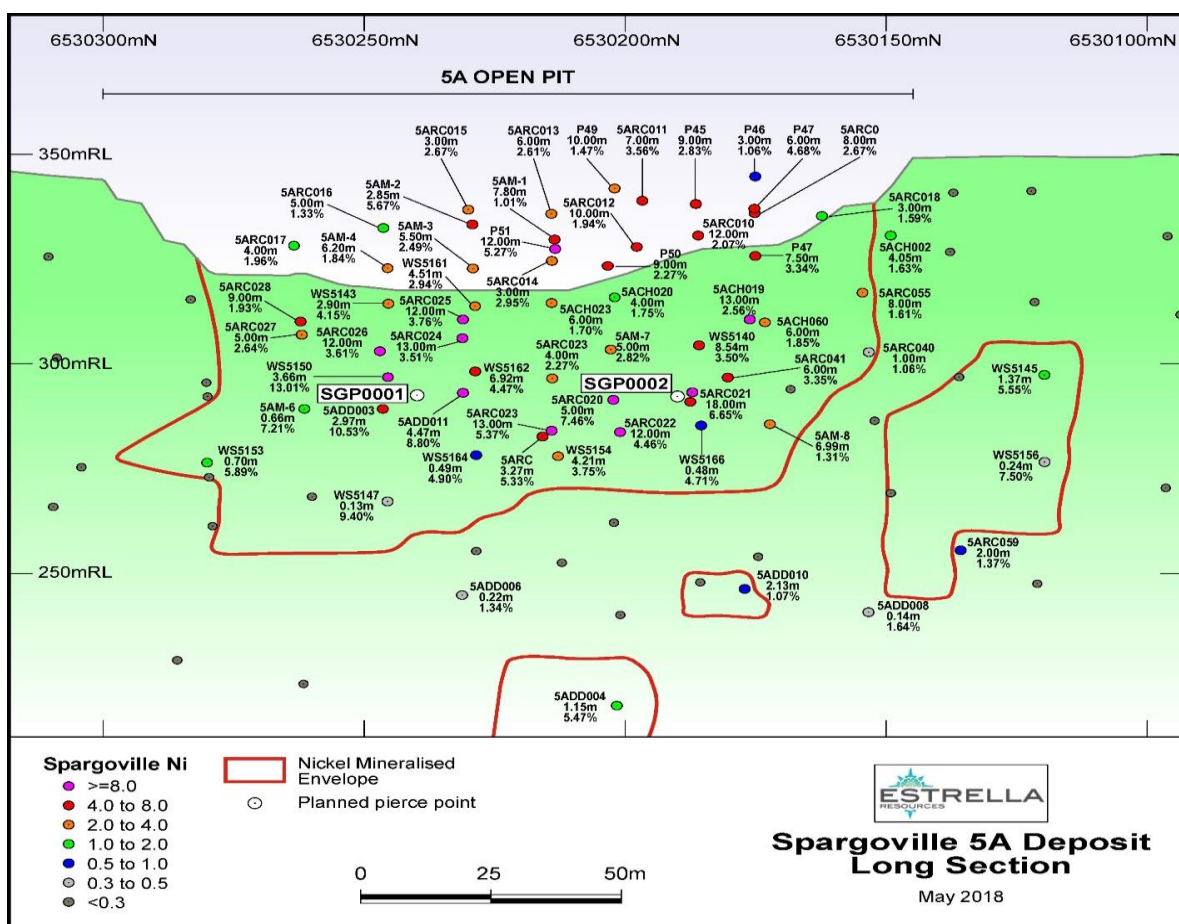


Figure 22. Long section of Spargoville 5A showing the pierce point locations of the two planned diamond holes, SGP0001 and SGP0002⁺

⁺ Refer to ESR announcement "POW Approval Spargoville" 26 June 2018

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

M15/96-C1 TARGET

An EM survey completed by Consolidated Minerals in 2010 on neighbouring tenement M15/96 identified this EM conductor, which is located close the eastern boundary of M15/395. Estrella Resources acquired the data and generated a 3D model of the conductive source.

The conductor is located between the 5A and 5B nickel deposits. Its geometry suggests it is located on or very close to the same basal contact position which hosts the nickel mineralisation at 5A and 5B. Estrella intends to drill a single hole through the centre of the conductor to determine if it is related to nickel sulphide mineralisation.

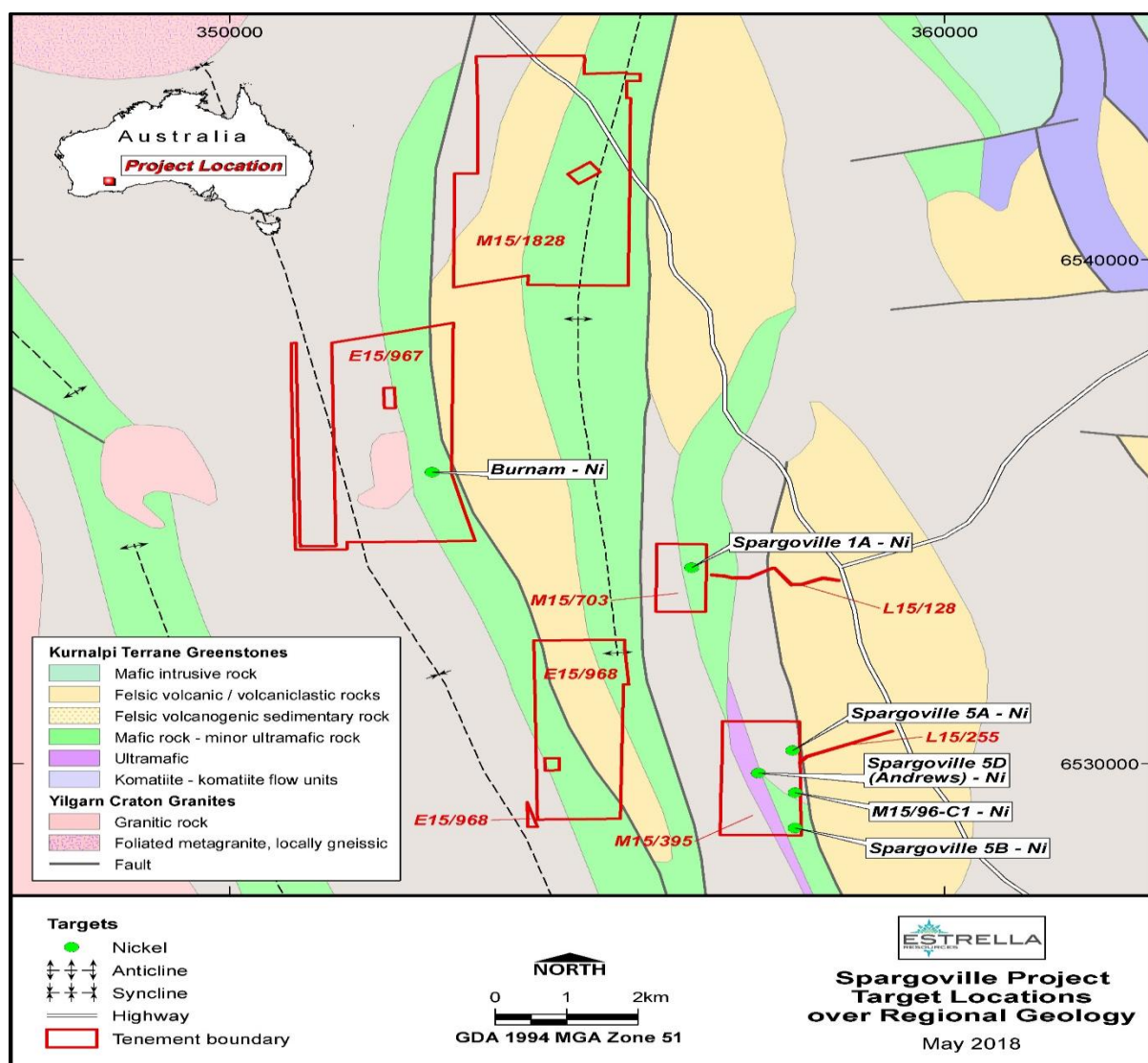


Figure 13. Plan showing the location of the 5A drill target and the M15/96-C1 EM target

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

5D (Andrews)

The 5D project was mined via the Andrews Shaft. The mine was active between 1975 and 1979 when it was developed to 250m below surface. There are no production figures available on open file for the project.

A fully depleted remnant Mineral Resource was estimated by Geostat in 2004 to JORC Code 1999 reporting standard. This Mineral Resource estimate only included material between levels 2 and 11 of the mine, excluding lateral and depth extensions. Drilling completed by BRW in 2007 and 2008 confirmed the mineralisation extends at depth beyond the 11 level, with DHTeM modelling indicating that the mineralisation extends further to the north.

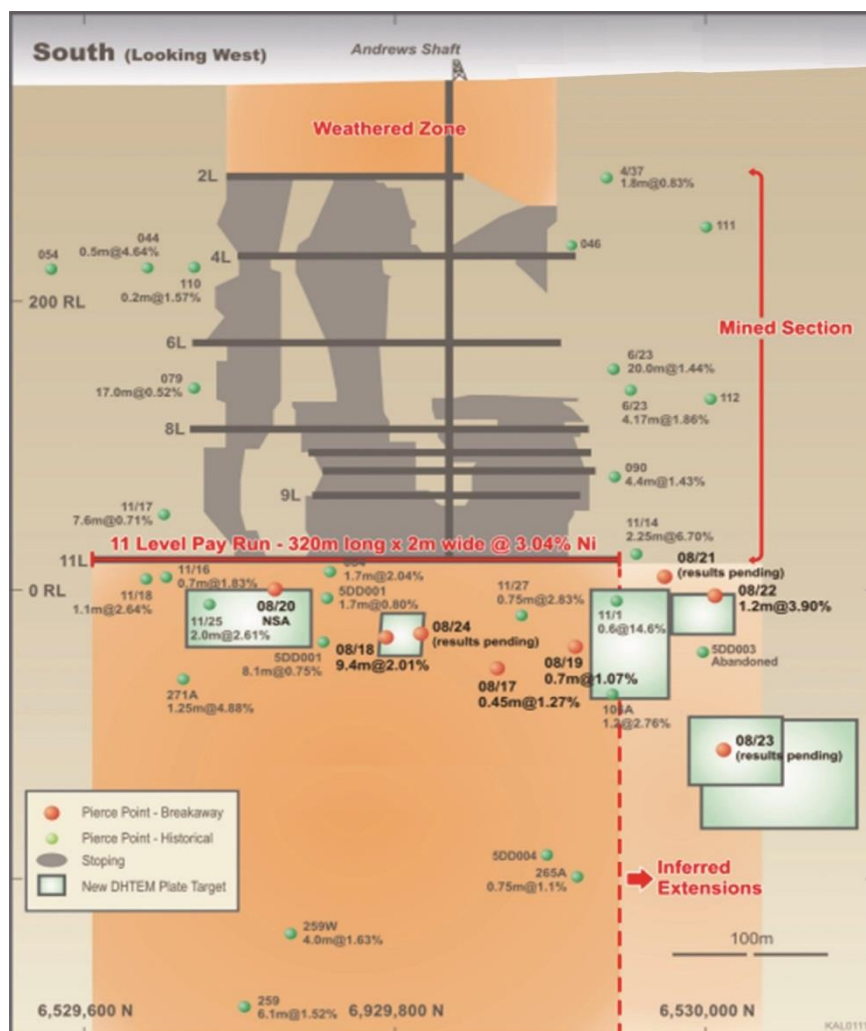


Figure 14. Long section of the 5D (Andrews) project from Minotaur Exploration showing the mine workings, drill intercepts and DHTeM conductor models. *

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

5B

The 5B project was mined between 1975 and 1982 and again between 1992 and 1993 via an open pit. Approximately 14,000t of nickel was produced between the two mining campaigns.

A decline was established post mining to allow drilling of the nickel and gold mineralisation from underground. The details of this operation are not available on open file.

A drilling program completed by Minotaur in 2014 drill confirmed historic nickel intercepts. Results included:

- 15m @ 1.41% Ni in hole SPRC001*
- 16m @ 0.98% Ni in hole SPRC002*
- 16m @ 1.82% Ni (including 6m @ 3.60% Ni) in hole SPRC003*
- 24m @ 1.53% Ni (including 6m @ 3.08% Ni) in hole SPRC005*

Mineral Resource estimates were completed on 5B by previous operators, but they were not completed to JORC Code 2012 reporting standards and therefore cannot be stated. ESR believes there is strong potential to upgrade the project to a JORC Code 2012 Mineral Resource and extend mineralisation with further drilling down plunge.

* Refer to ESR announcement "ESR to Acquire Munda Gold and Spargoville Nickel Projects", 04 September 2017

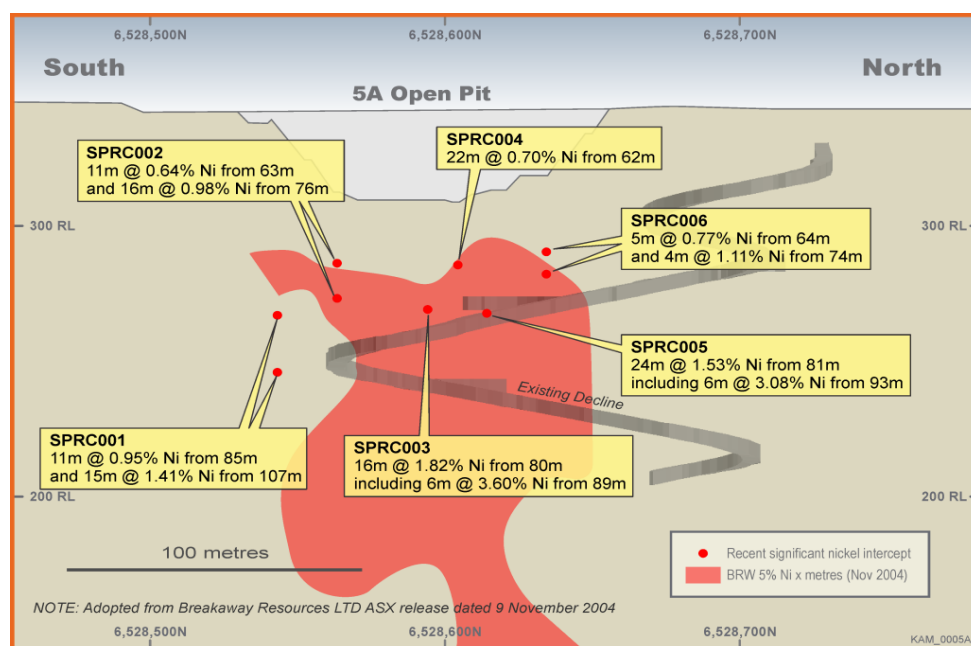


Figure 15. Long section of the 5A project from Minotaur Exploration, modified from BRW, showing the 5 %Ni x m nickel envelope, significant drill intercepts, and mine workings.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

These existing mineralised occurrences are located on a significant landholding of exploration tenure, providing potential exploration upside to ESR, particularly given the recent advances in electrical geophysical technology and power levels since previous operators were active on the projects.

LITHIUM PROGRAMS

Several programs of rock chip sampling and detailed mapping were completed at Bravo Cluster and Charlie Pegmatite (Bravo Charlie), in the Atomic Three prospect area during the year. The mapping expanded on the highly prospective pegmatite occurrences and identified the largest spodumene crystals seen to date. This upgraded and further refined the drill targets in the area.

A soil sampling program was completed over the Atomic Three prospect area during the year, which included Bravo Charlie pegmatites. 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. It was determined that only outcropping pegmatites could be detected by this technique.

The project was subsequently sold to Neometals with completion occurring late April 2018.

Competent Person Statement

The information in this report relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Luke Marshall, who is a consultant to Estrella Resources Limited, 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.

Corporate Governance Statement

The Group has disclosed its corporate governance statement on the Company website at www.estrellaresources.com.au/investor-centre/corporate-governance.

Events subsequent to the reporting period

On 21 August 2018 the Company completed a placement to sophisticated investors to raise \$500,000 (before costs) through the issue of 20,000,000 ordinary shares at \$0.025 per share with one free attaching unlisted option exercisable at \$0.05 on or before 27 June 2021.

On 23 August 2018 the Company lodged an Entitlement Issue Prospectus to eligible shareholders for the issue of 1 New Option for every 3 Shares held at an issue price of \$0.001 per option. The Options will be listed and exercisable at \$0.05 on or before 27 June 2021. On 19 September 2018 the Company announced that it had issued and allotted 72,783,633 New Options and raised \$72,784 from the Entitlement Issue. The shortfall of 91,177,464 New Options will be placed by the Directors at their discretion within 3 months of the closing date of the offer being 14 September 2018.

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

Further information, other than as disclosed this report, about likely developments in the operations of the Group and the expected results of those operations in future years has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Group.

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.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Mr Shorrocks is a Director of Draig Resources Limited, Galilee Energy Limited and Indago Energy Limited. Mr Shorrocks was previously a Director of International Goldfields Limited (resigned 5 January 2018).

Mr Shorrocks currently holds 714,285 fully paid ordinary shares, 1,500,000 unlisted options and 238,095 quoted options (acquired on 19 September 2018) in Estrella Resources Limited.

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) and Nimbus Mines Pty Ltd (a resource investment group).

Mr Kingswood currently holds 1,410,000 fully paid ordinary shares, 1,500,000 unlisted options and 470,000 quoted options (acquired on 19 September 2018) in Estrella Resources Limited.

Mr Stephen Brockhurst – Non-Executive Director

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

Mr Brockhurst is the founding Director of Mining Corporate Pty Ltd and has over 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 Kingwest Resources Limited and was previously a Director of Roto-Gro International Limited (resigned 5 February 2018) and International Goldfields Limited (resigned 5 January 2018).

Mr Brockhurst currently holds 750,000 fully paid ordinary shares (including 500,000 fully paid ordinary shares purchased on 6 July 2018), 1,500,000 unlisted options and 250,001 quoted options (acquired on 19 September 2018) in Estrella Resources Limited.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

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.

Mr David McEntaggart: Company Secretary

Date of appointment: 21 May 2018

Mr McEntaggart is a Chartered Accountant with over 10 years' experience in the resource industry and accounting profession in Australia and the UK. He provides services to a number of ASX listed companies specialising in financial accounting and corporate compliance.

Mr Brockhurst resigned as Company Secretary on 21 May 2018.

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	
	Number eligible to attend	Number attended
R Shorrocks	4	4
J Kingswood	4	4
S Brockhurst	4	4

The Company had the following options on issue as at 30 June 2018:

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	8,250,000	Ordinary	\$0.024	31 Mar 2020
15 May 2018	5,500,000	Ordinary	\$0.05	15 May 2021
27 June 2018	17,000,000	Ordinary	\$0.05	27 June 2021
Total	32,993,750			

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

Details of the amounts paid to the auditors of the Group, Hall Chadwick, and its related practices for audit services and non-audit services provided during the year is set out below:

	2018	2017
	\$	\$
Non-audit services:		
Taxation services	9,330	500

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

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

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.

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
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

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 2018 and 30 June 2017 are set out in the following tables:

2018	Short-term benefits		Post-employment benefits	Share-based Payments		
	Salary					
Name	And Fees	Bonus	Superannuation	Options	Total	Performance Related
	\$	\$	\$	\$	\$	%
DIRECTORS						
R Shorrocks	40,000	-	-	20,318	60,318	34%
J. Kingswood	40,000	-	-	20,318	60,318	34%
S. Brockhurst	40,000	-	-	20,318	60,318	34%
	120,000	-	-	60,954	180,954	
OTHER MANAGEMENT						
C.Daws	240,000	-	22,800	13,546	276,346	5%
	360,000	-	22,800	74,500	457,300	

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

2017	Short-term benefits		Post-employment benefits	Share-based Payments		
Name	Salary		Superannuation	Options	Total	Performance Related
	And Fees	Bonus				
	\$	\$				\$
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	

¹Mr Robertson resigned on 5 January 2017.

²Mr Digby resigned on 3 April 2017.

³Mr Kingswood was appointed on 6 January 2017.

⁴Mr Brockhurst was appointed on 3 April 2017.

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

Share based remuneration

During the financial year, 5,500,000 unlisted options exercisable at \$0.05 on or before 15 May 2021 were issued to Key Management Personnel. Refer to Note 17 – Share based payments.

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

Transactions with key management personnel

During the year ended 30 June 2018 the Company acquired the Carr Boyd Nickel Project through the acquisition of 100% of the issued capital in Carr Boyd Nickel Pty Ltd from Apollo Phoenix Resources Pty Ltd, a company in which Mr John Kingswood and Mr Christopher Daws are Directors and Shareholders. The consideration for the acquisition was an initial cash payment of \$176,000, 42,600,000 ordinary shares at \$0.022 per share and 17,000,000 unlisted options exercisable at \$0.05 with a 3 year expiry period. The acquisition was subject to shareholder approval which was received on 26 April 2018 and the Company completed the acquisition on 27 June 2018 through the issue of the ordinary shares and options. The total fair value of the acquisition was \$1,285,109. Refer to Note 18.

During the year ended 30 June 2018, fees of \$114,147 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 2018 other than as outlined above.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Key management personnel shareholdings

Fully Paid Ordinary Shares

2018	Balance 01 July 2017	Purchases /(Sales)	Net other Change	Balance 30 June 2018
Directors				
R Shorrocks	714,285	-	-	714,285
J Kingswood	1,410,000	-	-	1,410,000
S Brockhurst	250,000	-	-	250,000
Other Management				
C Daws	7,905,567	2,585,919	-	10,491,486

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**	7,887,567	-	7,905,567

*Balance at resignation.

** Balance at appointment.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Share Options

	Balance 1 July 2017	Options Granted	Net other Change	Options Exercised	Balance 30 June 2018	Total Vested 30 June 2018	Total Un-Exercisable 30 June 2018
2018							
R Shorrocks	-	1,500,000	-	-	1,500,000	1,500,000	-
J Kingswood	-	1,500,000	-	-	1,500,000	1,500,000	-
S Brockhurst	-	1,500,000	-	-	1,500,000	1,500,000	-

Other

Management

C Daws	-	1,000,000	-	-	1,000,000	1,000,000	-
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2017

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

Service Agreements

Non-Executive Directors Remuneration

Remuneration of Non-Executive Directors Mr Raymond Shorrocks, Mr John Kingswood and Mr Stephen Brockhurst 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. Where the Company terminates the agreement, the Company will pay an amount equivalent of the six (6) months' remuneration. In the case of a change of control event and the 12 months thereafter, if there is a material adverse change to Mr Daws position or remuneration, the Company will pay an amount equal to 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 received 1,000,000 unlisted options in the Company with a fair value of \$13,546 at grant date.

END OF THE AUDITED REMUNERATION REPORT

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

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



Stephen Brockhurst

Director

Dated this 25th day of September 2018

**ESTRELLA RESOURCES LIMITED
AND 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 2018 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: 25 September 2018

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An Association of Independent
Accounting Firms

 **PrimeGlobal**

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES

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

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		\$	\$
Interest income	3	5,636	21,282
Other income	3	190,041	-
Personnel costs		(57,941)	(19,364)
Legal Fees		(62,184)	(118,921)
Exploration costs written off		(28,397)	-
Directors' Fees		(120,000)	(99,331)
Consulting fees		(130,269)	(40,000)
Share based payment expense	17	(74,500)	(200,000)
Depreciation		(32,768)	(145)
Loss on disposal of controlled entity	22	(2,385,395)	-
Other expenses		(162,641)	(276,886)
LOSS BEFORE INCOME TAX		(2,858,418)	(733,365)
Income tax benefit		-	-
LOSS FOR THE PERIOD		(2,858,418)	(733,365)
Other Comprehensive Loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,858,418)	(733,365)
Loss per share:			
Basic loss per share (cents per share)	13	(0.71)	(0.27)
Diluted loss per share (cents per share)	13	(0.71)	(0.27)

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 2018

	Note	30 June 2018 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents	15	446,364	910,767
Trade and other receivables	6	26,074	37,824
Total current assets		472,438	948,591
Non-Current Assets			
Plant & equipment	7	23,929	826
Exploration and evaluation expenditure	8	3,794,667	2,846,352
Total Non-Current Assets		3,818,596	2,847,178
Total assets		4,291,034	3,795,769
Current liabilities			
Trade and other payables	9	255,961	143,091
Provisions	10	16,164	12,329
Total current liabilities		272,125	155,420
Total liabilities		272,125	155,420
Net assets		4,018,909	3,640,349
Equity			
Share capital	11	17,032,787	14,042,219
Reserves	12	774,854	606,419
Accumulated losses		(13,788,732)	(11,008,289)
Total equity		4,018,909	3,640,349

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 2018

	Issued capital \$	Accumulated losses \$	Option reserve \$	Total \$
Balance at 30 June 2017	14,042,219	(11,008,289)	606,419	3,640,349
Loss for the year	-	(2,858,418)	-	(2,858,418)
Transactions with owners in their capacity as owners:				
Share based payments	-	-	246,410	246,410
Options expired during the year	-	77,975	(77,975)	-
Shares issued on acquisition of subsidiaries	1,719,200	-	-	1,719,200
Shares issued during the year	1,360,000	-	-	1,360,000
Cost of shares issued during the year	(88,632)	-	-	(88,632)
Balance at 30 June 2018	17,032,787	(13,788,732)	774,854	4,018,909
Balance at 30 June 2016	10,587,734	(11,080,934)	1,412,429	919,229
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 subsidiary	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	30 June 2018	30 June 2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(605,151)	(511,261)
Interest received		5,636	21,282
Other receipts		46,341	-
NET CASH USED IN OPERATING ACTIVITIES	15	(553,164)	(489,979)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(55,871)	(971)
Payments for exploration and evaluation		(1,760,767)	(726,352)
Payment for acquisition of controlled entity		(176,000)	-
Proceeds from disposal of controlled entity		700,000	-
NET CASH USED IN INVESTING ACTIVITIES		(1,292,638)	(727,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,360,000	610,000
Proceeds from conversion of options		-	552,000
Loan funds provided		107,486	-
Cost of capital raising		(88,632)	(37,515)
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,378,854	1,124,485
(Decrease) in cash held		(466,948)	(92,817)
Cash at the beginning of the year		910,767	1,001,874
Cash acquired on acquisition of subsidiary	21	2,545	1,710
CASH AT THE END OF THE YEAR		446,364	910,767

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

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

For the year ended 30 June 2018

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 2018.

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 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).

2. 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 2018 (including comparatives) were approved and authorised for issue by the Board of Directors on 25 September 2018.

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 17 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.

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 unless the company is in the process of acquiring the licences, then the costs incurred are capitalised as exploration and evaluation expenditure.

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.

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

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Other revenue is recognised when it is received or when the right to receive payment is established.

j) Operating expenses

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

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 unlisted options granted is recognised as an 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.

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

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 diminishing value basis 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
Plant and equipment	40%

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.

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 2018. 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

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 contracts in the consolidated entity for the year ended 30 June 2018.

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

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 are no operating leases in the consolidated entity for the year ended 30 June 2018.

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 Group incurred a loss of \$2,858,418 for the year ended 30 June 2018 (2017: \$733,365) and had net cash outflows from operating activities of \$553,164 (2017: \$489,979). The Group has prepared budgets and forecasts, and has determined that after consideration of the following factors the Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern for at least twelve months following the date of this report:

1. The Group had cash on hand at year-end of \$446,364 and net assets of \$4,018,909;
2. Subsequent to year end the Group has raised \$500,000 (before costs) through a placement issue and \$72,784 (before costs) through the Loyalty Option Entitlement issue to existing shareholders with the shortfall balance of \$91,177 to be placed in the coming two months;
3. The Group raised \$1,360,000 during the year via a placement issue and the directors are confident in the ability to continue to raise additional funds on a timely basis, as and when required.
4. The ability of the Group to further scale back certain parts of their activities that are non-essential so as to conserve cash.
5. 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.

3. Revenue

	30 June 2018	30 June 2017
	\$	\$
Interest income	5,636	21,282
Loan forgiveness	143,700	-
Exclusivity fee income	25,000	-
Other	21,341	-
Total Revenue	195,677	21,282

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Result for the period

Loss before income tax includes the following specific expenses:

	30 June 2018	30 June 2017
	\$	\$
Share based payments:		
- Consultants (Finder's fee)	-	200,000
- Key management personnel under the ESOP	74,500	-
Employee benefit expenses:		
Post-employment benefits		
- Superannuation	26,413	11,400

5. Income tax expense

	30 June 2018	30 June 2017
	\$	\$
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	(2,858,418)	(733,365)
Prima facie tax payable on profit before income tax at 27.5% (2017: 30%)	(786,065)	(201,675)
Tax effect - permanent differences	637,115	55,000
Tax effect of tax losses and temporary differences not recognised	148,950	146,675
Income tax expense	-	-

The amount of tax losses carried forward as at 30 June 2018 amount to \$6,623,291 (2017: \$5,574,059).

6. Trade and other receivables

	30 June 2018	30 June 2017
	\$	\$
Prepayments	4,210	4,678
GST receivable	21,864	33,146
Loan to Data Laboratories Ltd ¹	500,000	500,000
Less impairment of loan to Data Laboratories Ltd ¹	(500,000)	(500,000)
Total trade and other receivables	26,074	37,824

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Trade and other receivables (Continued)

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.

7. Plant & Equipment

	30 June 2018	30 June 2017
	\$	\$
Equipment at cost	33,214	971
Equipment – accumulated depreciation	(9,285)	(145)
	23,929	826
Equipment		
Opening Balance	826	-
Additions	55,870	971
Accumulated Depreciation	(32,767)	(145)
Closing balance of plant & equipment	23,929	826

8. Exploration and evaluation assets

	30 June 2018	30 June 2017
	\$	\$
Exploration and evaluation assets		
Balance at the beginning of the year	2,846,352	-
Acquisition of Carr Boyd Nickel ¹	1,285,109	-
Acquisition of WA Nickel ¹	915,205	-
Acquisition of Mt Edwards Lithium	-	2,120,000
Lithium rights	-	58,500
Disposal of Mt Edwards Lithium ²	(3,085,395)	-
Exploration costs capitalised	1,833,396	667,852
Balance at the end of the year	3,794,667	2,846,352

¹Refer to note 21 for the acquisition of Carr Boyd Nickel Pty Ltd and WA Nickel Pty Ltd

²Refer to note 22 for the disposal of Mt Edwards Lithium Pty Ltd

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 when indicators of impairment are present at the reporting date.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Trade and other payables

	30 June 2018	30 June 2017
	\$	\$
Current		
Trade payables	34,751	42,628
Accruals	221,210	100,463
Total	255,961	143,091

10. Provisions

	30 June 2018	30 June 2017
	\$	\$
Current		
Employee benefits	16,164	12,329

11. Issued capital

	30 June 2018	30 June 2017
	\$	\$
471,883,292 fully paid ordinary shares (2017: 361,283,292)	17,158,934	14,079,734
Share issue costs	(126,147)	(37,515)
	17,032,787	14,042,219

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movements in Share Capital

	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	Number	\$	Number	\$
Fully paid ordinary shares				
Balance as at the beginning of the reporting period	361,283,292	14,042,219	188,249,959	10,587,734
Placement Shares issued 24 October 2017 at \$0.04 per share	34,000,000	1,360,000	-	-
Shares issued 12 January 2018 on acquisition of WA Nickel Pty Ltd at \$0.023 per share	34,000,000	782,000	-	-
Shares issued 27 June 2018 on acquisition of Carr Boyd Nickel Pty Ltd at \$0.022 per share	42,600,000	937,200	-	-
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
	471,883,292	17,121,419	361,283,292	14,079,734
Share issue costs	-	(88,632)	-	(37,515)
	471,883,292	17,032,787	361,283,292	14,042,219

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

12. Reserves

	30 June 2018	30 June 2017
Summary	\$	\$
Option and equity settled reserve	774,854	606,419
Foreign currency translation	-	-
	774,854	606,419
Option reserve¹		
Balance at beginning of year	606,419	1,412,429
Options granted	246,410	-
Options expired	(77,975)	(262,187)
Options exercised	-	(543,823)
Balance at end of year	774,854	606,419

¹The option reserve records the value of unlisted options issued.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Options	2018		2017	
	Number	\$	Number	\$
Options issued/options reserve				
Balance as at the beginning of the period	15,493,750	606,419	39,457,500	1,412,429
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)
Options issued 15/05/2018	5,500,000	74,501	-	-
Options expired 31/05/2018	(5,000,000)	(77,975)	-	-
Options issued 27/06/2018	17,000,000	171,909	-	-
	32,993,750	774,854	15,493,750	606,419

For details of unlisted options issued as part of share based payments, refer to Note 17.

13. Earnings per share

	30 June 2018 Cents per share	30 June 2017 Cents per share
Basic (loss) per share	(0.71)	(0.27)
Diluted (loss) per share	(0.71)	(0.27)

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	(2,858,418)	(733,365)
Loss used in calculating basic and diluted loss per share	(2,858,418)	(733,365)
Weighted average number of ordinary shares used as the denominator in calculating basic and dilutive loss per share	400,873,429	270,534,963

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Expenditure commitments

In order to maintain the current rights to Western Australian exploration tenements, the Group is required to perform minimum exploration requirements specified by the Department of Mines and Petroleum:

	30 June 2018	30 June 2017
	\$	\$
Less than 12 months	63,273	-
Between 12 months and 5 years	533,230	-
Total	596,503	-

15. 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 2018	30 June 2017
	\$	\$
Cash at bank and in hand	446,364	910,767

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

	30 June 2018	30 June 2017
	\$	\$
Loss for the year	(2,858,418)	(733,365)
Forgiveness of debt	(143,700)	-
Depreciation of plant and equipment	32,768	145
Impairment of exploration and evaluation assets	28,397	-
Loss on disposal of subsidiary	2,385,395	-
Foreign currency translation	-	169
Share based payments	74,501	210,000
Movements in assets and liabilities:		
Trade and other current receivables	11,542	(31,437)
Trade and other payables	(87,484)	52,180
Employee provisions	3,835	12,329
Net cash used in operating activities	(553,164)	(489,979)

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c) Non-cash financing and investing activities

On 12 January 2018 the Company acquired WA Nickel Pty Ltd. The purchase consideration was settled via issuance of 34,000,000 shares at a fair value of \$0.023 per share.

On 27 June 2018 the Company acquired Carr Boyd Nickel Pty Ltd. The purchase consideration was settled via issuance of 42,600,000 shares at a fair value of \$0.022 per share and 17,000,000 unlisted options exercisable at \$0.05 per option on or before 27 June 2021 at a fair value of \$0.0101 per option.

During the 2017 financial year the shareholders approved the acquisition of Mt Edwards Lithium Pty Ltd. The purchase consideration was settled via the issuance of 106,000,000 shares in the Company at a fair value of \$0.02 per share.

16. 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
- 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

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
2018	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	2%	446,364	-	-	-	-	446,364
Trade and other receivables	-	-	-	-	-	26,074	26,074
		446,364	-	-	-	26,074	472,438
Financial liabilities							
Trade and other payables		-	-	-	-	255,961	255,961
		-	-	-	-	255,961	255,961

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
		910,767	-	-	-	37,824	948,591
Financial liabilities							
Trade and other payables		-	-	-	-	143,091	143,091
		-	-	-	-	143,091	143,091

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018 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 2018, 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 \$4,000 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.

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.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Share based payments

The following share based payments were in existence during the year:

	2018	2017
	\$	\$
Options		
5,500,000 Options issued to KMP pursuant to the ESOP (a)	74,500	-
17,000,000 Options issued as consideration for Carr Boyd Nickel Pty Ltd (b)	171,909	-
Ordinary Shares		
34,000,000 Ordinary shares issued as consideration for the acquisition of WA Nickel Pty Ltd	782,000	-
42,600,000 Ordinary shares issued as consideration for the acquisition of Carr Boyd Nickel Pty Ltd	937,200	-
106,000,000 Ordinary shares issued as consideration for the acquisition of Mt Edwards Lithium Pty Ltd	-	1,590,000

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

a) Employee share option plan

The Employee Share Option Plan (**ESOP**) was approved by shareholder on 26 April 2018. During the reporting period, 5,500,000 options were issued to key management personnel under the ESOP (2017: nil).

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Unlisted options issued to key management personnel exercisable at \$0.05 on or before 15 May 2021	5,500,000	26/04/2018	0.01355	74,500

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Options Granted
Expected volatility (%)	100
Risk free interest rate (%)	1.9
Weighted average expected life of options (years)	3
Expected dividends	Nil
Option exercise price (\$)	0.05
Share price at grant date (\$)	0.027
Fair value of option (\$)	0.01355
Number of options	5,500,000
Expiry date	15 May 2021

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

b) Options issued on acquisition of subsidiary

On 26 April 2018 shareholders approved the acquisition of Carr Boyd Nickel Pty Ltd. As part of the consideration for the acquisition 17,000,000 options were issued to the vendor, Apollo Phoenix Resources Pty Ltd.

Grant Date/entitlement	Number of Instruments	Grant Date	Fair value per instrument \$	Value \$
Unlisted options issued as consideration for the acquisition of Carr Boyd Nickel Pty Ltd, exercisable at \$0.05 on or before 27 June 2021	17,000,000	27/06/2018	0.01011	171,909

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Options Granted
Expected volatility (%)	100
Risk free interest rate (%)	1.9
Weighted average expected life of options (years)	3
Expected dividends	Nil
Option exercise price (\$)	0.05
Share price at grant date (\$)	0.022
Fair value of option (\$)	0.01011
Number of options	17,000,000
Expiry date	27 June 2021

The options issued were deemed to vest immediately and there were no other vesting conditions. The options were escrowed for 12 months from the date of issue.

Other 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:

	2018	2017
	Number of Options	Number of Options
Balance at beginning of the reporting period	15,493,750	39,457,500
Granted during the financial year	22,500,000	-
	37,993,750	39,457,500
Expired during the financial year	(5,000,000)	(963,750)
Exercised during the financial year	-	(23,000,000)
Balance at end of the reporting period	32,993,750	15,493,750

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. 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
S Brockhurst	Non-Executive Director

Other Management

C Daws	Chief Executive Officer
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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:

	2018	2017
	\$	\$
Short-term key management personnel benefits	360,000	219,331
Post-employment benefits	22,800	11,400
Share-based payment expense	74,500	-
Total	457,300	230,731

c) Equity interests in related parties

Nil.

d) Related party transactions

During the year ended 30 June 2018 the Company acquired the Carr Boyd Nickel Project through the acquisition of 100% of the issued capital in Carr Boyd Nickel Pty Ltd from Apollo Phoenix Resources Pty Ltd, a company in which Mr John Kingswood and Mr Christopher Daws are Directors and Shareholders. The consideration for the acquisition was an initial cash payment of \$176,000, 42,600,000 ordinary shares and 17,000,000 unlisted options exercisable at \$0.05 with a 3 year expiry period. The acquisition was subject to shareholder approval which was received on 26 April 2018 and the Company completed the acquisition on 27 June 2018 through the issue of the ordinary shares and options. The total fair value of the acquisition was \$1,285,109. Refer to Note 21.

During the year ended 30 June 2018, fees of \$114,147 (2017: \$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.

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.

There were no other transactions with key management personnel in 2018 other than as outlined above.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. 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. 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.

20. Auditor's remuneration

	2018	2017
	\$	\$
Remuneration of the auditor for the Group for:		
Audit or review of the financial report	35,656	31,500
Non-audit services:		
Taxation services	9,330	500

The auditor of the Group is Hall Chadwick.

21. Acquisition of Controlled Entities

2018

Acquisition of WA Nickel Pty Ltd

On 12 January 2018 the company completed the acquisition of WA Nickel Pty Ltd (WAN). WAN has a 100% interest in the Munda Nickel & Gold Project and Spargoville Nickel Project in Western Australia.

The purchase consideration is 34,000,000 shares in Estrella Resources Limited at a	\$
fair value of \$0.023 per share	782,000

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

Cash and cash equivalents	2,545
Receivables	10,464
Exploration and evaluation assets	915,205
Creditors	(110,000)
Loan payable	(36,214)
	<u>782,000</u>

If the acquisition had occurred on 1 July 2017 the impact on revenue would be \$Nil and the loss would increase by \$28,071.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of Carr Boyd Nickel Pty Ltd

On 27 June 2018 the company completed the acquisition of Carr Boyd Nickel Pty Ltd (CBN). CBN has a 100% interest in the Carr Boyd Nickel Project in Western Australia.

The purchase consideration for CBN comprises: \$

Cash	176,000
42,600,000 shares in Estrella Resources Limited at a fair value of \$0.022 per share	937,200
17,000,000 unlisted options at a fair value of \$0.01011 per option	171,909
Total consideration	<u>1,285,109</u>

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

Exploration and evaluation assets	<u>1,285,109</u>
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If the acquisition had occurred on 1 July 2017 the impact on revenue would be Nil and the loss would increase by \$1,090.

2017

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	\$
	<u>2,120,000</u>

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Disposal of Controlled Entity

On 26 April 2018, the company disposed of its 100% interest in Mt Edwards Lithium Pty Ltd (MELP) and 25% of its Lithium rights within M15/87 (held by wholly owned subsidiary WA Nickel Pty Ltd) to Neometals Limited.

Under the disposal, Neometals will pay the following consideration to Estrella:

- a. \$700,000 on completion (amount received on 26 April 2018);
- b. \$1,000,000 upon definition of a JORC resource of 2,000,000 tonnes of ore at greater than 1% of Li₂O (uncut) on the tenements*;
- c. \$1,000,000 upon the processing of 2,000,000 tonnes of ore at greater than 1% of Li₂O (uncut) from the tenements*; and
- d. a royalty in the amount of \$0.50 per tonne of 75% of the amount of lithium bearing ore processed from the tenements (Royalty)*.

	\$
Proceeds received on disposal*	700,000
Less:	
Fair value of the assets and liabilities of MELP as at the date of the disposal:	
Exploration assets	(3,085,395)
Loss on disposal of subsidiary	(2,385,395)

*In determining the consideration proceeds from the disposal of MELP the company has not included the consideration receivable on achievement of these performance milestones because as at the date of disposal they were not certain. These amounts have been disclosed as contingent assets, refer to Note 25.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Parent company information

	2018	2017
	\$	\$
Statement of Financial Position		
Current Assets	472,138	946,971
Non-current assets	3,562,202	2,563,589
Total Assets	4,034,340	3,510,560
Current Liabilities	158,813	155,420
Total liabilities	158,813	155,420
Net Assets	3,875,527	3,335,140
Equity		
Issued capital	17,032,787	14,042,219
Reserves	774,854	606,419
Accumulated losses	(13,932,114)	(11,313,498)
Total Equity	3,875,527	3,335,140
Statement of Profit or Loss and other Comprehensive Income		
Loss for the year	(3,055,626)	(674,164)
Total Comprehensive Loss	(3,055,626)	(674,164)

24. Controlled entities

Controlled entities	Country of incorporation	Percentage owned	Percentage owned
		2018	2017
Estrella Resources (Chile) SpA*	Chile	100%	100%
WA Nickel Pty Ltd**	Australia	100%	-
Carr Boyd Nickel Pty Ltd**	Australia	100%	-
Mt Edwards Lithium Pty Ltd***	Australia	-	100%

*The controlled entity was incorporated by Estrella Resources Limited, and is currently dormant.

**The controlled entity was acquired during the year. Refer to Note 21.

***The controlled entity was disposed of during the year. Refer to Note 22.

ESTRELLA RESOURCES LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Contingent assets and liabilities

Contingent Assets

Under the terms for the disposal of Mt Edwards Lithium Pty Ltd during the year, the Company will receive the following milestone payments from the Mt Edwards Lithium Project tenements:

- \$1,000,000 on definition of a JORC resource of 2,000,000 tonnes of ore at greater than 1% Li₂O (uncut);
- \$1,000,000 upon the processing of 2,000,000 tonnes of ore at greater than 1% of Li₂O (uncut) from the disposed tenements; and
- A royalty of \$0.50 per tonne of 75% of the amount of lithium bearing ore processed from the tenements.

There are no other contingent assets or liabilities as at 30 June 2018.

26. Events after the reporting period

On 21 August 2018 the Company completed a placement to sophisticated investors to raise \$500,000 (before costs) through the issue of 20,000,000 ordinary shares at \$0.025 with one free attaching unlisted option exercisable at \$0.05 on or before 27 June 2021.

On 23 August 2018 the Company lodged an Entitlement Issue Prospectus to eligible shareholders for the issue of 1 New Option for every 3 Shares held at an issue price of \$0.001 per option. The Options will be listed and exercisable at \$0.05 on or before 27 June 2021. On 19 September 2018 the Company announced that it had issued and allotted 72,783,633 New Options and raised \$72,784 from the Entitlement Issue. The shortfall of 91,177,464 New Options will be placed by the Directors at their discretion within 3 months of the closing date of the offer being 14 September 2018.


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.

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 2018 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 CEO and Chief Financial Officer for the financial year ended 30 June 2018.
3. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Stephen Brockhurst

Director

Dated this 25th day of September 2018

**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**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the financial report of Estrella Resources Limited and Consolidated Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 Estrella Resources Limited and Consolidated Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2018 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 2 (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 Group 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 *Corporations 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.

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Accounting Firms

 **PrimeGlobal**

**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**

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (u) in the financial report, which indicates that the Company incurred a net loss of \$2,858,418 and had net operating cash outflows of \$553,164 during the year ended 30 June 2018. As stated in Note 2 (u), these events or conditions, along with other matters as set forth in Note 2 (u), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 WA Nickel Pty Ltd

Refer to Note 21

<p>During the year, the company acquired WA Nickel Pty Ltd for a consideration of 34m fully paid ordinary Shares of the company. This was a significant acquisition for the company.</p> <p>Accounting for this transaction required management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of exploration assets acquired.</p> <p>Due to the significance of the acquisition and the estimation processed involved, this acquisition was considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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
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**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**

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
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Acquisition of Carr Boyd Nickel Pty Ltd

Refer to Note 21

<p>During the year, the company acquired Carr Boyd Nickel Pty Ltd for a consideration of \$176k in cash; 42.6m fully paid ordinary Shares of the company and 17m unlisted options. This was a significant acquisition for the company.</p> <p>Accounting for this transaction required management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of exploration assets acquired.</p> <p>Due to the significance of the acquisition and the estimation processed involved, this acquisition was considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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
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Disposal of Mt Edwards Lithium Pty Ltd

Refer to Note 22 and Note 25

<p>During the year, the company disposed of Mt Edwards Lithium Pty Limited for a consideration of \$700,000. This was a significant disposal for the company resulting in a loss on disposal of \$2,385,395.</p> <p>Due to the significance of the transaction, this disposal was considered to be a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We read the share sale agreement to understand the key terms and conditions • We evaluated the Management's calculations for loss on sale of subsidiary and verified the disposal accounting entries • We assessed the adequacy of the group's disclosures in respect of the disposal, including the contingent assets under the terms of the sale.
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**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**

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, 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.

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.

Responsibilities of the Directors 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 Group'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:

**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**

- 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.
- 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.

**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**

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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 28 to 32 of the directors' report for the year ended 30 June 2018. 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 2018 complies with s 300A of the Corporations Act 2001.

H M Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

G Webb

GRAHAM WEBB

Partner

Date: 25 September 2018

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

Additional information, current as at 19 September 2018 required by the ASX is as follows:

1. 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.

2. Substantial Shareholders

The names of substantial shareholders listed in the company's register as at 19 September 2018 are:

	Total Units	Percentage %
Substantial Shareholders		
Apollo Phoenix Resources Pty Ltd	76,381,873	15.53
Mariner Mining Pty Ltd	27,265,118	5.54

3. Distribution of Equity Securities

Shareholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	34	9,676	0.00%
1,001-5,000	128	342,459	0.07%
5,001-10,000	50	384,641	0.08%
10,001-100,000	338	17,111,123	3.48%
100,001 and over	408	474,035,393	96.37%
Total	958	491,883,292	100.00

The number of Shareholders with less than a marketable parcel of shares is 287

ESTRELLA RESOURCES LIMITED AND CONTROLLED ENTITIES

Quoted Options

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	4	3,985	0.00%
1,001-5,000	17	47,152	0.05%
5,001-10,000	22	167,187	0.18%
10,001-100,000	134	5,884,131	6.34%
100,001 and over	125	86,681,178	93.42%
Total	302	92,783,633	100.00

The number of Option holders with less than a marketable parcel of options is 86

4. Top 20

20 Largest Shareholders (fully paid ordinary shares)

	Name	Number Held	Percentage %
1.	APOLLO PHOENIX RESOURCES PTY LTD	76,381,873	15.53%
2.	MARINER MINING PTY LTD	27,265,118	5.54%
3.	MS GUIYUN WANG	24,554,306	4.99%
4.	MS KYLIE ANNE CAMPBELL	20,990,000	4.27%
5.	MR HANGXIN LU	15,043,500	3.06%
6.	DOUGLAS CHARLES DAWS	13,400,000	2.72%
7.	OCEANS FIVE INVESTMENTS PTY LTD	11,670,000	2.37%
8.	MR BRIAN THOMAS RYAN	7,904,324	1.61%
9.	PITT STREET ABSOLUTE RETURN FUND PTY LIMITED	6,000,000	1.22%
10.	MR THOMAS FRITZ ENSMANN	6,000,000	1.22%
11.	MR CHRISTOPHER DAWS	5,969,000	1.21%
12.	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>	5,800,000	1.18%
13.	MRS OLIVIA LOUISE MARSHALL	5,500,000	1.12%
14.	NIMBUS MINES PTY LTD	5,096,000	1.04%
15.	MARINER MINING PTY LTD <MARINER FAMILY A/C>	5,050,000	1.03%
16.	MR BARRY WILLIAM GREEN	5,000,000	1.02%
17.	MS NICOLE GALLIN & MR KYLE HAYNES <GH SUPER FUND A/C>	5,000,000	1.02%
18.	DOMAEVO PTY LTD <THE JCS A/C NO 2>	4,568,463	0.93%
19.	MR FEI XIA	4,325,000	0.88%
20.	MADISONS PTY LTD <BROWN RETIREMENT FUND A/C>	4,000,000	0.81%
		259,517,584	52.76%

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

20 Largest Optionholders (Quoted exercisable at \$0.05 on or before 27 June 2021)

	Name	Number Held	Percentage %
1.	MS KYLIE ANNE CAMPBELL	6,996,667	7.54%
2.	MR THOMAS FRITZ ENSMANN	6,000,000	6.47%
3.	MS NICOLE GALLIN & MR KYLE HAYNES <GH SUPER FUND A/C>	4,666,667	5.03%
4.	MR CHRISTOPHER DAWS	4,333,667	4.67%
5.	APOLLO PHOENIX RESOURCES PTY LTD	3,960,000	4.27%
6.	OCEANS FIVE INVESTMENTS PTY LTD	3,890,000	4.19%
7.	KEVREX PTY LTD <KEVREX INVESTMENT A/C>	2,666,667	2.87%
8.	MR BRIAN THOMAS RYAN	2,634,775	2.84%
9.	NIMBUS MINES PTY LTD	2,094,667	2.26%
10.	SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>	1,933,334	2.08%
11.	MRS OLIVIA LOUISE MARSHALL	1,833,334	1.98%
12.	MR BARRY WILLIAM GREEN	1,666,667	1.80%
13.	MR FEI XIA	1,441,667	1.55%
14.	MADISONS PTY LTD <BROWN RETIREMENT FUND A/C>	1,333,334	1.44%
15.	MR JIZHONG XIA	1,300,656	1.40%
16.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	1,282,176	1.38%
17.	MR PO FUNG LAWRENCE CHAN	1,113,821	1.20%
18.	CELTIC CAPITAL PTY LTD <HANNAH E PETERSON A/C>	1,083,334	1.17%
19.	MR YU ZHU	1,000,000	1.08%
20.	MR LUKE MARSHALL	1,000,000	1.08%
		52,205,641	56.30%

5. The Name of the Company Secretary is Mr David McEntaggart.
6. 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.
7. Registers of securities are held at the following address:
 Automic Registry Services
 Level 2, 267 St Georges Terrace
 Perth WA 6000
 Telephone: (08) 9324 2099
8. **Stock Exchange Listing**
 Quotation has been granted for all the ordinary shares (ASX: ESR) and options (ASX:ESRO) of the company on the Australian Securities Exchange Limited.

ESTRELLA RESOURCES LIMITED

AND CONTROLLED ENTITIES

9. Restricted Securities

The Company has the following restricted securities as at the date of this report:

- 42,600,000 fully paid ordinary shares restricted until 27 June 2019;
- 17,000,000 unlisted options exercisable at \$0.05 on or before 27 June 2021 restricted until 27 June 2019

10. 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	118,752
Unlisted Options \$1.40 expiry 21 November 2018	750,000
Unlisted Options \$0.40 expiry 13 November 2019	1,375,000
Unlisted options \$0.024 expiry 31 March 2020	8,250,000
Unlisted options \$0.05 expiry 15 May 2021	5,500,000
Unlisted options \$0.05 expiry 27 June 2021	17,000,000

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 David McEntaggart
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

Country	Location	Project	Tenement	Interest (%)
Australia	WA	Carr Boyd Nickel	E29/1012	100
Australia	WA	Carr Boyd Nickel	E29/0982	100
Australia	WA	Carr Boyd Nickel	L24/0186	100
Australia	WA	Carr Boyd Nickel	E31/0726	100
Australia	WA	Carr Boyd Nickel	E31/1124	100
Australia	WA	Carr Boyd Nickel	M31/0012	100
Australia	WA	Carr Boyd Nickel	M31/0109	100
Australia	WA	Carr Boyd Nickel	M31/0159	100
Australia	WA	Carr Boyd Nickel	E31/1162	100
Australia	WA	Munda	M15/87	100
Australia	WA	Spargoville	M15/395	100 ¹
Australia	WA	Spargoville	M15/703	100 ¹
Australia	WA	Spargoville	L15/255	100 ¹
Australia	WA	Spargoville	L15/128	100 ¹
Australia	WA	Spargoville	E15/967	100 ¹
Australia	WA	Spargoville	E15/968	100 ¹
Australia	WA	Spargoville	M15/1828	100 ¹

¹ Nickel rights only – underlying tenements held by third parties