29 October 2018

ASX ANNOUNCEMENT

Commencement of Drilling Spargoville Ni

Estrella Resources Limited (ASX: ESR) (Estrella or the Company) is pleased to report that drilling at the Company's Spargoville Nickel Project has commenced, located approximately 20km South West of Kambalda W.A.

The Spargoville project was acquired by Estrella via the purchase of WA Nickel Pty Ltd (see ASX release 4 September 2017). The Spargoville project area has been mined and explored by several companies since the first discovery of nickel in the area by Selcast Exploration in the late 1960s. Since then 1A, 5A, 5B, and 5D have been discovered and developed. All these mines have remnant mineralisation left behind. The mines and the surrounding areas provide the Company with many exploration targets to follow-up considering advances in modern geophysical exploration methods.

Estrella received a large database of drillhole, surface sampling and underground channel sampling with the Spargoville transaction. These datasets have been loaded into an industry standard digital database, validated, and interrogated. Several occurrences of high grade nickel, copper, and cobalt mineralisation have been identified in the datasets. Of primary interest is 5A, where a high-grade body of nickel, copper, and cobalt is located immediately below the floor of the open pit mine there, within 30m of the natural ground surface. Historic drill results at 5A include;

Table 1. Summary of selected significant nick intercepts from Spargoville 5A deposit. NA means Not Assayed [+]

Hole_ID	mFrom	mTo	Width (m)	Ni %	Cu %	Co ppm
5ARC021	15	33	18	6.65	0.84	NA
5ARC023	27	40	13	5.37	0.39	NA
P51	15	27	12	5.27	NA	NA
5ARC022	28	40	12	4.46	0.20	NA
WS5150	57.6	61.26	3.66	13.01	1.08	NA
5ARC024	5	18	13	3.51	0.26	NA
5ARC025	1	13	12	3.76	0.19	NA
5ARC026	10	22	12	3.61	0.35	NA
5ADD011	66.7	71.17	4.47	8.80	NA	2010
5ARC020	24	29	5	7.46	0.63	NA
5ARC019	0	13	13	2.56	0.17	NA
5ADD003	68	70.97	2.97	10.53	NA	2385

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 five 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. The Company will undertake

laboratory test-work on the nickel and copper mineralisation to see whether it is able to utilise a new technology developed by a third party to convert the oxide nickel and copper which will allow the minerals to be treated using standard flotation methods.

There have been significant advances in metallurgical technology since Amalg Resources conducted feasibility work on the project in 2009. This, and the firmer 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.

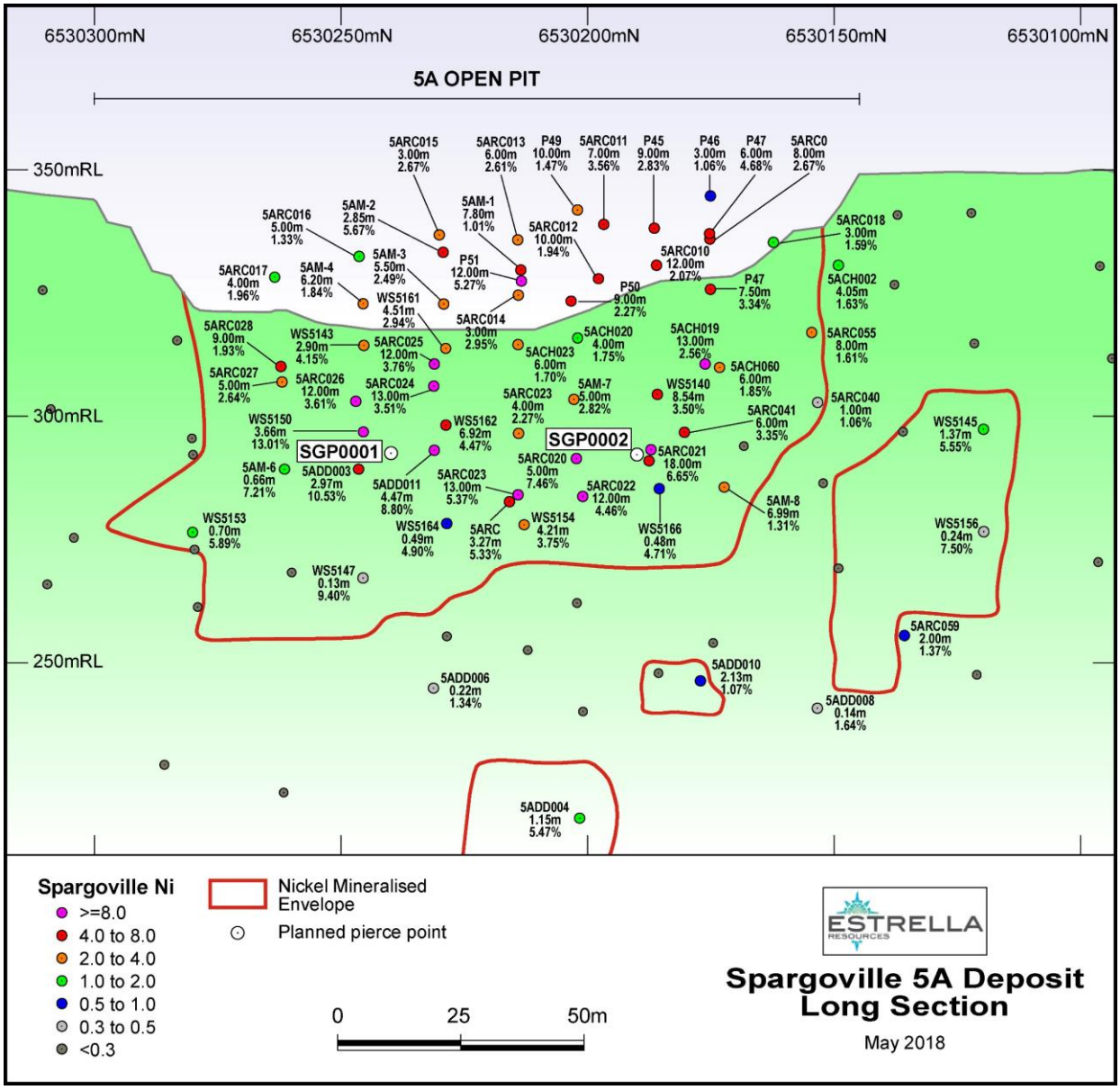

Figure 1. Long section of Spargoville 5A showing the pierce point locations of the two planned RC holes, SGP0001 and SGP0002[+]

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

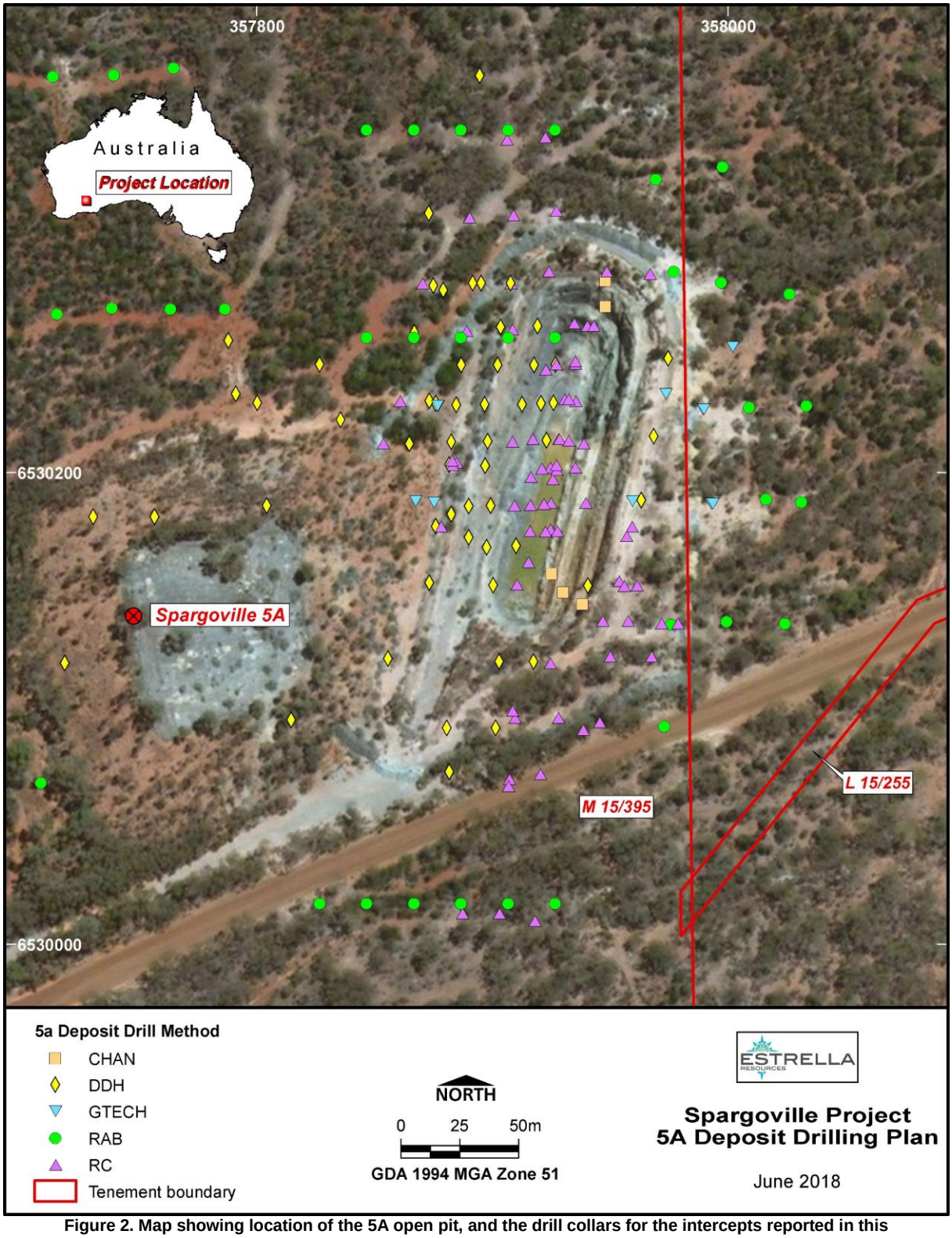

Figure 2. Map showing location of the 5A open pit, and the drill collars for the intercepts reported in this announcement

M15/96-C1 TARGET

An EM survey completed by Consolidated Minerals in 2010 on neighboring 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.

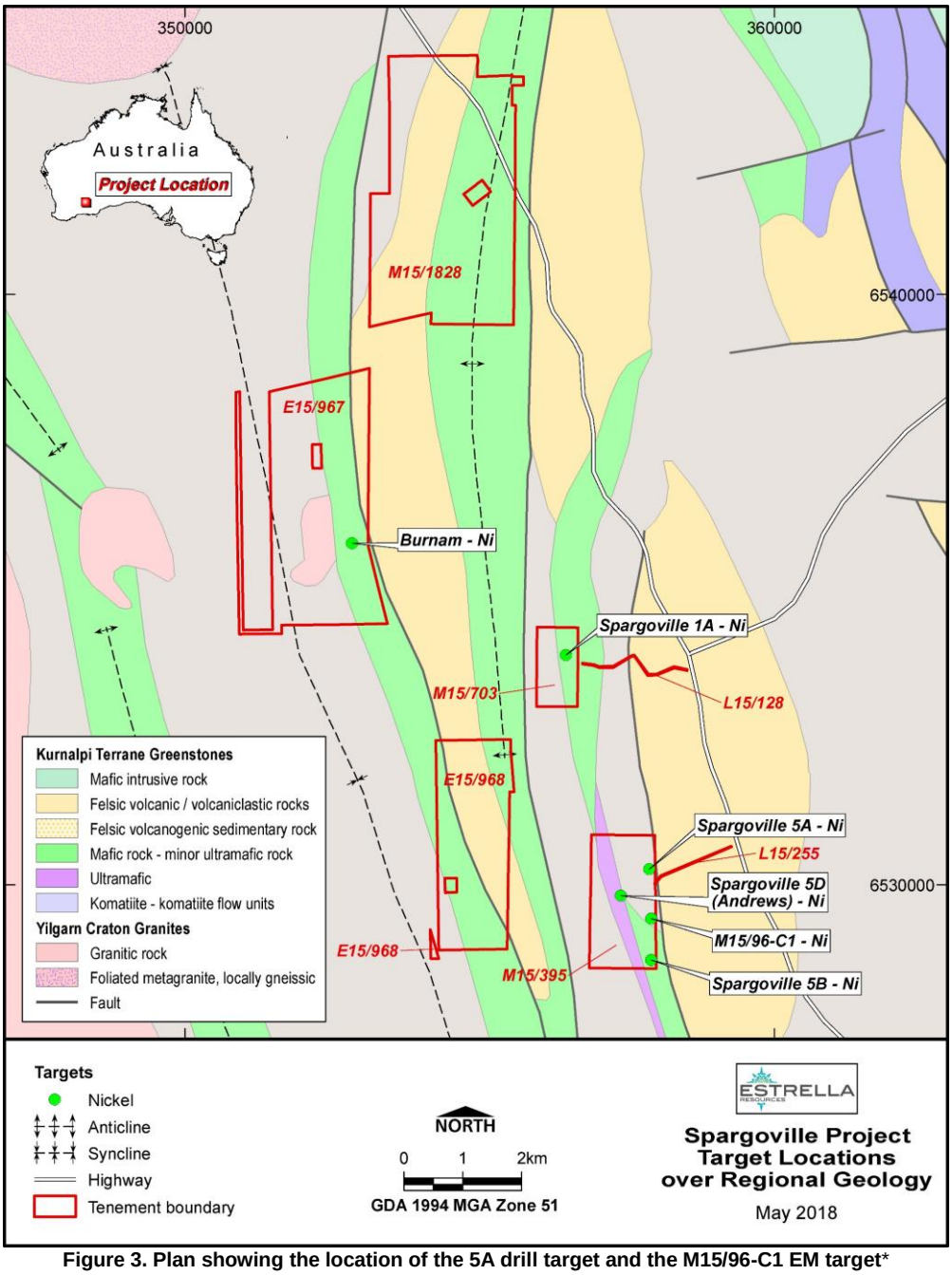

Figure 3. Plan showing the location of the 5A drill target and the M15/96-C1 EM target*

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

Competent Person Statement

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

FURTHER INFORMATION CONTACT
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