



# 2014 ANNUAL REPORT

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## CHAIRMAN'S LETTER 2014

Dear Estrella Shareholder,

On behalf of the Board of Directors and Management of Estrella Resources Limited (**Estrella** or the **Company**), I present the Annual Report for 30 June 2014.

Estrella is now well into its third year as an ASX listed company. Over the last year the Board and Management team have successfully consolidated and advanced the Company's activities on the Altair Project located in Region 2 of northern Chile.

The Altair Project was acquired from Sociedad Quimica y Minera de Chile S.A (NYSE.SQM) (**SQM**) in 2013 and currently covers 123,183 hectares of prime exploration ground. The project is flanked by Antofagasta's USD\$1.3 billion, 85,000 tpa Antucoya copper cathode development (formerly SQM ground and due to commission by mid-2015) and along trend from Antofagasta's Minchilla 45,000 tpa copper cathode operation, located 24 kms to the north-east.

Just as in Australia, a prime place to explore and develop mines in Chile is amongst and near other successful operations; otherwise known as 'brownfields' exploration. This is especially pertinent to Estrellas' projects, as SQM historically focussed on exploration for nitrate resources and only minimally for copper, notwithstanding that recent discoveries by Antafogasta and others clearly demonstrate the regions potential to host multiple, world class orebodies.

Estrella's management team has sought to deliver results from a methodical, well planned and prudent exploration program and is now supplementing its knowledge base with geophysical and drilling campaigns at the Altair Project. The utilisation of SQM's extensive, historical drilling and exploration data for Altair, coupled with Estrella's acquisition of a significant amount of aeromagnetic data has saved the Company over A\$1.5M, 12 to 18 months of lead-time and is assisting Estrella in generating high quality exploration targets.

The next 12 months will be potentially game-changing as Estrella continues to fund and drill the Antucoya West prospects, developing our understanding of the major porphyry systems that have been identified there. Drilling will also continue at the Colupo prospect, targeting further high grade copper mineralisation in an effort to identify resources to underpin a smaller, higher grade copper development.

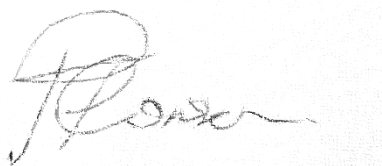
There is clear potential to discover multiple significant, economically extractable orebodies within the Altair Project. The Company's clear focus is to therefore assess these opportunities quickly as possible and to fast-track discoveries to production, which will be value accretive for all shareholders.

Your Board is cognisant of the prevailing fluctuating market conditions which are likely to continue for the short to medium term. We will maintain a focus on well-considered and targeted exploration, tied with disciplined spending and an overriding objective of enhancing shareholder value.

With the solid foundations of highly prospective projects, on-ground expertise and an experienced Board and Management well experienced in exploring, undertaking the necessary feasibility work, permitting and developing, your Board has considerable confidence in Estrella's ability to create value for all stakeholders.

I would like to thank Estrella's Managing Director, Dr Jason Berton and his hard-working team for their continued drive to create value for all our shareholders. I would also like to acknowledge the retirement of founding Directors Gavin Solomon and Simon Kidston and thank them for their contributions since the inception of the Company.

The Company looks forward to reporting to you on our progress during the next year of activity and on behalf of our Board and Management I thank all shareholders for your continued support. Please follow Estrella through our website and I recommend that you sign-up to our email service such that all announcements can be rapidly delivered to you.



**Rob Thomson**

**Non-Executive Chairman**

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Estrella's exploration for the past year has been solely focused on advancing our flagship project, Altair and consolidating Estrella's presence in the region. Estrella's focus upon this region is due to the large area of highly prospective exploration ground within close proximity to mining infrastructure and the northern Chilean coast. Estrella has advanced the prospectivity significantly over the last 12 months with several drilling programs across four prospects as well as geophysical surveys. Estrella now holds considerable geological expertise in the region.

The recent exploration activities include:

- Reconnaissance mapping throughout Altair
- Multispectral image processing
- Shallow RC drilling at Antucoya West, Colupo and Colupo Norte (63 holes)
- Ground magnetic survey at Colupo
- RC drilling at Colupo (9 holes)
- Diamond drilling at Colupo (4 holes)
- Ground geophysical surveys at Antucoya West
- Diamond drilling at Dania (2 holes)
- Reduction of project area from 268,800 to 123,183 hectares
- Acquisition of the Mercurio tenements (7,417 hectares)

Estrella has progressed successfully with its 'two-pronged' strategy at Altair to identify and develop near-surface high-grade copper mineralisation (such as Colupo) and define large-scale porphyry targets (Antucoya West and Dania). Estrella's strategy is based on the unique opportunity that Altair presents; the large exploration area of contiguous tenements in the early Cretaceous belt is naturally prospective for large-scale porphyry opportunities as well as smaller scale high-grade IOCG deposits. Estrella is rapidly advancing both exploration opportunities and is the only junior exploration company in Chile with such diverse under-explored prospective projects near to mining infrastructure and the Chilean coast.

Estrella's focus on the Altair Project also resulted in the decision to relinquish the Company's other projects at Luna/Inca, Jupiter and Venus.



## Estrella's Project Localities

A location map (Figure 1) is provided to illustrate the locality of the Altair Project, situated in Region II of northern Chile.



Figure 1: Estrella's Altair Project in northern Chile (Map Datum WGS 1984 zone 19s).



## Altair Project

**Interest:** 100% working interest in all metal discoveries in SQM optioned tenement subject to either a 49% back in right or royalty payments to SQM.

**Location:** Located in Region II of northern Chile, 90 km north northeast of Antofagasta.

**Project Area:** 2,686 km<sup>2</sup> (including Saturno 31.2 km<sup>2</sup> – which is 100% owned by Estrella Chile and not subject to royalty or back in rights of SQM)

**Table 1**

Description	Tenement Size	Tenement Size
	(hectares)	(km <sup>2</sup> )
Tenement areas under Altair Option with SQM	109,890	1098.90
Mercurio (100% owned by Estrella)	7,417	74.17
Saturno (100% owned by Estrella)	3,400	34.50
Ivannia and Dania areas under Option	2,476	24.76
<b>Total tenement holdings of Project Altair</b>	<b>123,183</b>	<b>1,231.83</b>

## **Project locality:**

Situated in the coastal IOCG belt in northern Chile (see Figure 1), Altair is nearby advanced mining infrastructure including the Antofagasta Minerals PLC (LON:ANTO) owned Antucoya porphyry mine development project (USD 1.9B CAPEX).

- Ports and power – Mejillones (33 km) and Tocopilla (21 km).
- Nearby Mining operations (owned by other parties):
  - SQM's Pedro de Valdivia nitrate operation (Marie Elena).
  - Los Mantos Blancos (owned by AngloAmerican).
  - Michilla (owned by Antofagasta Minerals PLC).
  - Mantos de la Luna (not Estrella owned).
- Nearby Development projects (owned by other parties):
  - Antucoya (owned by Antofagasta Minerals PLC)
  - Tovaku (not Estrella owned).
  - Los Mantos Blancos (owned by AngloAmerican)
- Major roads: Pan American Highway

## **Regional Geology:**

The Altair Project is situated in the Coastal Copper Belt of northern Chile (see Figure 1) specifically within the Atacama Fault Zone (AFZ). The Coastal Belt hosts a variety of significant copper, gold, silver and iron deposits that are related to the Jurassic – Cretaceous magmatic arc off the Coastal Cordillera.

The Mesozoic plutonic complexes are emplaced into similarly aged volcanic arc successions. The underlying metasedimentary units and granites are of Palaeozoic age (Carboniferous – Permian). Basement rocks are found in the north-eastern portion of the tenement area and are typically deformed and metamorphosed.

The AFZ is a major regional fault structure in Chile that extends for over 1,500 km in strike length and varies in widths; between 40 and 80 km. It is recognised as an important dilational structure known to host several major deposits. Locally to Altair, exists the Buey Muerto Fault Zone (BMZ) which is a dilational linking structure of the AFZ that hosts Antucoya, Antucoya West, Ivannia, Dania, Colupo and Colupo Norte.

Regionally there are several known mineralisation systems nearby to the Altair Project summarised in the table below:

**Table 2**

<b>Nearby Deposits * (not owned by Estrella)</b>	<b>Ore Reserve</b>	<b>Mineral Resource</b>	<b>Mineralisation style</b>	<b>Proximity to Altair</b>
<b>Michilla</b>	N/A	Measured: 26.7Mt @ 1.61%	Manto & Breccias	17 km west of Saturno
		Indicated: 24.7Mt @ 1.45%		
		Inferred: 15.8Mt @ 1.67%		
<b>Antucoya</b>	Proven: 215Mt @ 0.38%	Measured: 278 Mt @ 0.34%	Porphyry	Surrounded by Altair
	Probable: 427Mt @ 0.34%	Indicated: 737 Mt @ 0.30%		
		Inferred: 91 Mt @ 0.28%		
<b>Los Mantos Blancos</b>	Proven: 26.3 Mt @ 0.83%, 8.3 Mt @ 0.54%, 2.1Mt @ 0.18%	Measured: 47.8 Mt @ 0.75%, 14.1Mt @ 0.47%	Rhyolite dome	40 km south of Altair
	Probable: 19.7 Mt @ 0.80%, 16.3 Mt @ 0.33%, 49.6Mt @ 0.23%	Indicated: 68.1 Mt @ 0.56%, 10.5 Mt @ 0.43%, 8.3 Mt @ 0.20%		
		Inferred: 30.5 Mt @ 0.55%, 5.2Mt @ 0.49%		

## **Tenement holdings:**

All tenements for the Altair Project (other than Saturno) are currently held by SQM, which is solely responsible for maintenance of the tenements (including payment of all statutory charges). The Altair Project comprises 456 tenements and was acquired via two option agreements Estrella exchanged with SQM (see Figure 1).

## **Local Geology:**

The Antucoya porphyry deposit (not Estrella owned) and adjacent Altair Prospects acquired by Estrella (Colupo, Dania and Ivannia) (see Figure 1) lie within an intrusive complex of multiphase granodioritic and tonalitic porphyries and dacite dikes which were emplaced within Jurassic aged andesitic volcanic rocks of the La Negra Formation (LNF). Post mineralisation gravels (caliche) partly cemented by nitrates, regolith and gypcrete cover most of the prospect areas.

The AFZ passes through the Altair Project and, as in other areas of the Coastal Cordillera the AFZ, plays a fundamental role in the controls to mineral deposits within Altair. The faults of the AFZ surface on the western side of Altair but not on the eastern side due to cover by unconsolidated sediments. The major faults typically trend North South with sub-vertical dips, linked frequently via northwest trending 'minor' fault splays.

Two altered and mineralised porphyry intrusions occur at Antucoya (not Estrella owned); the dominant lithology is a granodioritic porphyry (or Antucoya porphyry) and the lesser tonalite porphyry (known as 'fine-grained porphyry'). The two porphyries have mutual intrusion relationships, suggesting either that these are composite intrusions or that they intruded almost simultaneously (Maksaev et al., 2006).

Magmatic hydrothermal breccias occur along the contacts between these two porphyries in the centre of the Antucoya deposit (not Estrella owned). These breccias are polymictic and matrix-supported, pipe-like, irregular bodies, which range from near vertical to SW-dipping; their recognised vertical extent is 250–250 metres (Maksaev et al., 2006).

## **La Negra Volcanic Formation**

Jurassic aged vesicular andesites interbedded with volcanic arenites occur within Altair.

## **Rhyolite**

Volcanic rocks that occur throughout the Altair area are porphyritic in texture.

## **Unconsolidated Sediments**

Much of the mineralised copper units with Altair are covered by partially consolidated Miocene to Pleistocene sediments consisting of cemented salts and sulphates within sand and gravels. These units host what is known as 'Caliche' and are exploited by SQM for nitrates and iodine including at the Pedro de Valdivia mine.

## **Airborne Geophysics**

On 7 May 2013 Estrella announced its acquisition of the license for the airborne geophysical dataset that covers approximately 80% of the Altair Project surface area (see Figure 4)

The airborne geophysics data includes magnetic and radiometric responses. Estrella engaged and reviewed the Airborne Magnetic data with SouthernRock Geophysics (**SRG**) (ASX announcement 11 June 2013). The airborne magnetic data has been particularly useful in identifying:

- Regional magnetic trends
- Basement magnetic structures
- 'signatures' to known mineralisation occurrences
- Exploration areas of interest.
- Rock type associated with magnetic responses (shallow RC drilling).

## EXPLORATION ACTIVITY IN THE ALTAIR PROJECT:

**Colupo Prospect:** total area 893 ha

### Mineralisation:

Copper mineralisation is hosted within fracture filling structures containing tourmaline veins and breccias within the La Negra volcanics. Oxide copper minerals observed are; atacamite, azurite, brochantita, chrysocolla, cuprite and chalcocite. Minor amounts of copper sulphides (chalcopyrite) have been observed.

### Estrella Exploration at Colupo:

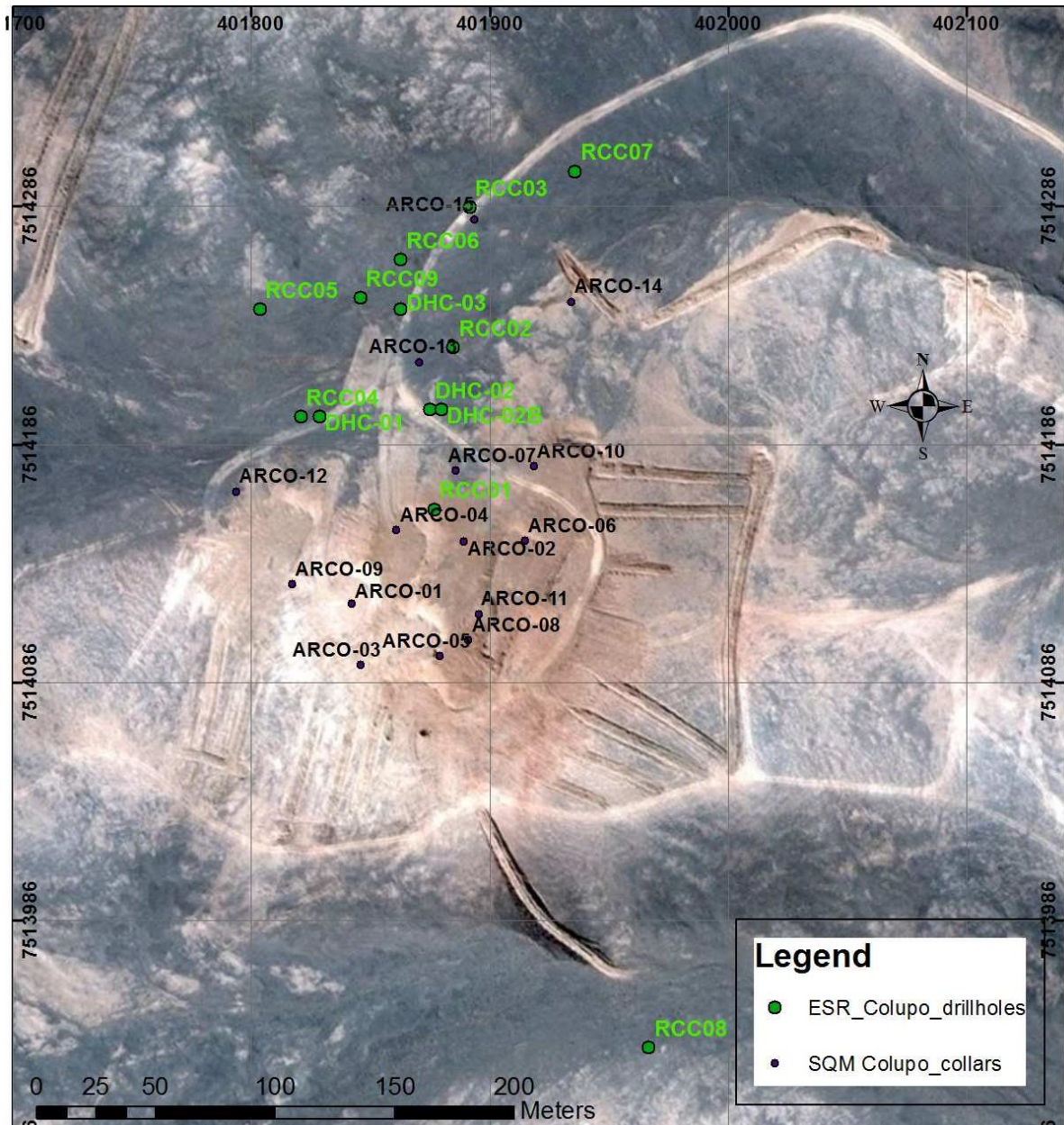
Estrella has drilled three campaigns at Colupo in the last 12 months; maiden RC, Diamond core and shallow RC drilling. The best results are summarised below (refer ASX announcements of 11 November and 3 December 2013:

- **20m @ 2.4% Cu from 12 m (hole RCC04) including;**
  - ***6m @ 6.6% Cu, 0.5 g/t Au & 27.1 g/t Ag***
- **16m @ 1.5% Cu from 131m (hole RCC04) including;**
  - ***6m @ 1.6% Cu, 0.2 g/t Au & 7.5 g/t Ag***
  - ***6m @ 2.2%Cu, 0.2 g/t Au & 11.8 g/t Ag***
- **20m @0.9% Cu from 144m (hole RCC02) including;**
  - ***3m @ 3.4% Cu***
- **8 m @ 1.1% Cu from 126 m (hole RCC06) including;**
  - ***3 m @ 2.5% Cu, 0.15 g/t Au & 20.3 g/t Ag***
- **6 m @ 0.8% Cu from 102m (hole RCC06) including;**
  - ***3 m @ 1.2% Cu***
- **5 m @ 0.7% Cu from 55m (hole RCC07)**

Reported drilling results from the maiden RC campaign are shown in Table 3 and results from the diamond drilling campaign in Table 4.

Both Estrella's historical drilling and drilling by SQM (Figure 2) demonstrated that copper mineralisation at Colupo is associated with two major zones: (trend i) a west-northwest mineralisation trend which dips steeply to the north with true widths of up to 21 metres and (trend ii) a northeast trend dipping steeply to the northwest. Both trends remain open at depth, which has currently been confirmed to 150 metres depth for trend (i) and approximately 100 metres for trend (ii).





**Figure 2: Drill plan layout for all Estrella's and SQM's drill holes at Colupo Prospect.**

**Table 3: Holes RCC01 to RCC09 Assay Results at Colupo (cut off of 0.3% Cu).**

Hole_ID	Coordinates (PSAD56)		RL	EOH	Dip	Azimuth		From	To	Interval	Copper	Gold	Silver
	East	North						(m)	(m)	(m)	%Cu	g/t Au	g/t Ag
RCC01	402081	7514511	1910	210	-60	180		10	16	6	0.7		
							Incl	12	15	3	1.1		
								34	37	3	0.5		
								43	56	13	0.4		
							Incl	47	51	4	0.6		
								53	55	2	0.5		
RCC02	402089	7514579	1910	200	-70	180		7	10	3	0.5		
								118	122	4	0.4		
								144	158	20	0.9		
							Incl	150	153	3	3.4		
RCC03	402096	7514638	1910	200	-60	130		41	44	3	0.3		
								52	54	2	0.5		
								87	94	7	1		
RCC04	402033	7514550	1910	230	-60	180		12	31	20	2.4		
							Incl	23	26	6	6.6	0.5	27.1
								56	62	6	0.4		
								102	108	6	0.4		
								115	122	7	0.5		
							Incl	116	119	3	0.7		
								131	147	16	1.5		
							Incl	131	137	6	1.6	0.2	7.5
							Incl	141	147	6	2.2	0.2	11.8
RCC05	402008	7514595	1910	250	-60	180		91	96	5	0.3		
								197	199	2	0.4		
RCC06	402067	7514616	1910	200	-60	146		102	108	6	0.8		
							Incl	104	107	3	1.2		
								125	133	8	1.1		
							Incl	127	130	3	2.5	0.15	20.3
RCC07	402140	7514653	1910	199	-60	130		50	55	5	0.7		
								194	196	2	0.3		
RCC09	402050	7514600	1910	257	-60	180		83	89	6	0.4		
								101	103	2	0.5		
								184	186	2	0.3		
								195	199	5	0.5	0.2	

Prior to the RC drilling at Colupo, Estrella undertook ground Induced Polarisation (**IP**), electrical resistivity and magnetotelluric (**MT**) surveys in August 2013. The results of these geophysical surveys, coupled with the existing drill data from the SQM drilling program in 2010, proved useful in identifying areas with high chargeability correlating to sulphide copper mineralisation

After completion of a RC drilling program which supplemented the historic SQM drilling results and coupled the other geophysical and aeromagnetic data (refer below), Estrella commenced its Diamond Drilling at Colupo on the 23rd December 2013 to determine:

- Strike and dip of the structural contacts to assist validating the current geological model;
- Geometrical nature of the multiple breccia system and subsequent mineralisation;
- Deeper extensions of multiple mineralisation zones;
- True width thicknesses of each mineralisation zone.

**Table 4: Colupo Diamond hole Assay results reported to the ASX on 18 March 2014.**

Hole_ID	Coordinates (PSAD56)		RL	EOH	Dip	Azimuth	From	To	Interval	Copper	Gold	Silver	Core loss	True width
	East	North					(m)	(m)	(m)	%Cu	g/t Au	g/t Ag	%	m
DHC-01	402033	7514550	1920	215	-70	180	34	51	17	0.3			15	11
						including	38	41	3	0.14			26	
							44	51	7	0.6			12	
							45	48			0.1			
							58	64	6	0.2			40	
							71	74	3	0.4			23	
							119	130	11	0.5			56	7
						including	122	128	6		0.1			
							127	128	1	2.8				
							178	200	22	0.6			52	14
						including	178	189	11	0.7				
							183	195	13		0.2			
							194	196	2	1.7				
DHC-02	402079	7514553	1920	128	-70	180	53	58	5	0.6			8	3
						including	57	58	1	1.5				
							56	58	2		0.1	10		
							96	128	32	0.5			8	21
						including	96	108	12	0.8				
							97	108	11			8		
							98	101	3		0.2			
						including	118	128	10		0.1			
DHC-02B	402084	7514553	1920	188	-70	180	132	135	3	0.7			0	
DHC-03	402067	7514595	1920	160	-70	145	71	95	24	0.6			7	15
						including	78	83	5	1.3	0.1			
							80	87	7			16		
							78	94	16		0.1			

Estrella also drilled 21 shallow RC holes at Colupo to detect prospective tourmaline breccia occurrences beneath the 'caliche' gravel cover. The results from this program were announced 28 August 2014.

Several holes successfully intersected tourmaline breccias with anomalous copper and molybdenum values.

It is unlikely that every breccia will host high grade mineralisation within the first few metres although it can occur (for example, high grades at Colupo Norte in hole RCCN-02). Consequently, any detection of tourmaline breccias is considered highly prospective and requires deeper drilling to test their metal content.

Estrella views the recent identification of near tourmaline breccias as likely continuations of copper mineralisation that need to be followed-up with further exploration drilling.



**Table 5: Copper oxide anomalies in tourmaline breccias intersected by shallow RC drill holes at Colupo.**

Hole ID	Easting	Northing	RL	EOH	Azimuth	Dip	From (m)	To (m)	Interval	Cu ppm
RCBC-01	402,223	7,514,634	1910	20	0°	-90°	8	10	2	355
							10	12	2	425
RCBC-08	401,884	7,514,539	1910	20	190°	-70°	14	16	2	800
RCBC-012	401,918	7,514,591	1910	20	120°	-70°	16	18	2	397
RCBC-017	401,864	7,514,454	1910	20	210°	-70°	0	2	2	761
							2	4	2	542
RCBC-018	401,862	7,514,455	1910	20	120°	-70°	0	2	2	485
							2	4	2	789
							4	6	2	556
							10	12	2	432
RCBC-019	401,974	7,514,606	1910	20	120°	-70°	6	8	2	444

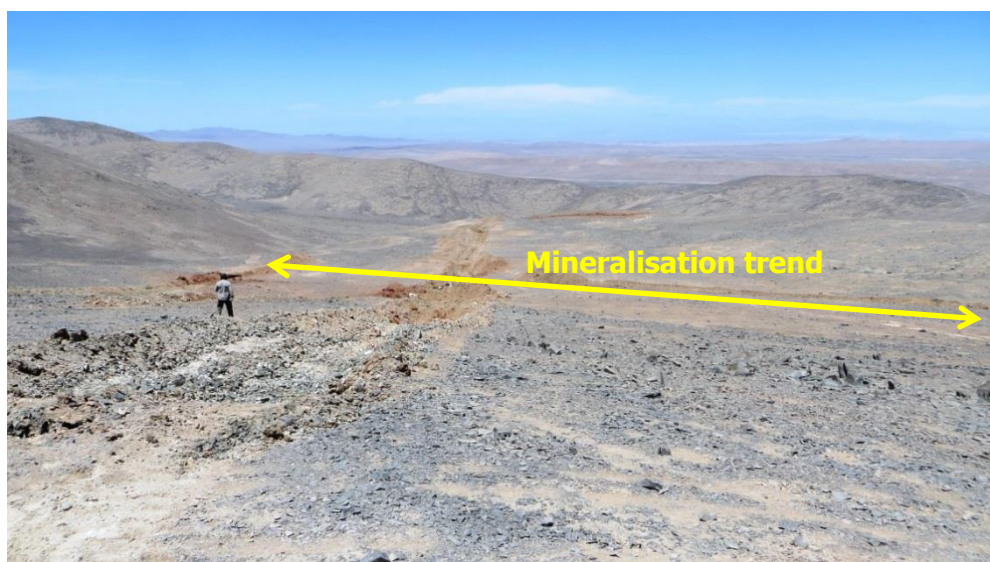
(Coordinates in PSAD56, zone19s)

The combination of identifying several more tourmaline breccias at Colupo and Colupo Norte highlights the potential for Estrella to extend the known mineralisation at these prospects and discover more prospects with high grade near-surface occurrences in a similar geological setting. Continued exploration success will greatly assist Estrella's objective of eventually extracting the ore for economic purposes.

### 1.1. Colupo Norte

Colupo Norte lies approximately 3 km NNW of Colupo (refer figure **1** and **3**). Colupo Norte is a recent Estrella discovery that hosts high grade copper mineralisation near surface. Estrella has drilled four shallow RC holes at Colupo Norte (refer ASX announcement of 28 January 2014). At this early stage Estrella's exploration team considers mineralisation at Colupo Norte to be similar to Colupo due to copper oxide mineralisation present within a quartz-tourmaline fault breccia.

Estrella's initial 4 hole RC drilling program identified high grade copper mineralisation from surface at the Colupo Norte Prospect within Estrella's flagship project, at Altair. Estrella's exploration team is pleased to report that its systematic and targeted approach has been successful in identifying further Colupo-style high grade copper mineralisation commencing near-surface.



**Figure 3: Trenches at Colupo Norte where shallow drilling has identified high grade copper mineralisation commencing at surface within two tourmaline breccias.**

Assay results from the initial drill program have been received which demonstrates that all mineralisation is hosted within two tourmaline breccias (refer Tables 6 and 7 below).

**Table 6: Colupo Norte assay summary using 0.2% Cu cut-off. Note, all mineralisation is host within Tourmaline Breccias.**

Hole ID	Easting	Northing	RL	EOH	Azimuth	Dip	From (m)	To (m)	Interval	Cu%
RCCN-01	400,988	7,517,317	2075	24	230	-70	2	8	6	0.4
							9	10	1	0.4
RCCN-02	400,981	7,517,410	2075	26	230	-70	1	5	4	1.1
							incl 3	4	1	2.6
							8	10	2	1.1
RCCN-03	400,983	7,517,383	2075	20	230	-70	incl 9	10	1	1.5
							1	4	3	0.4

(Coordinates in PSAD56, zone19s)

**Table 7: Colupo Norte assay results summary without using a copper grade cut. Note, all intersections are within tourmaline breccias.**

Hole ID	Easting	Northing	RL	EOH	Azimuth	Dip	From (m)	To (m)	Interval	Cu%	Cu ppm
RCCN-01	400,988	7,517,317	2075	24	230	-70	0	13	13	0.2	
							18	23	5	0.2	
RCCN-02	400,981	7,517,410	2075	26	230	-70	0	10	10	0.8	
RCCN-03	400,983	7,517,383	2075	20	230	-70	0	5	5	0.3	
							8	12	4	-	658
							14	17	3	-	881

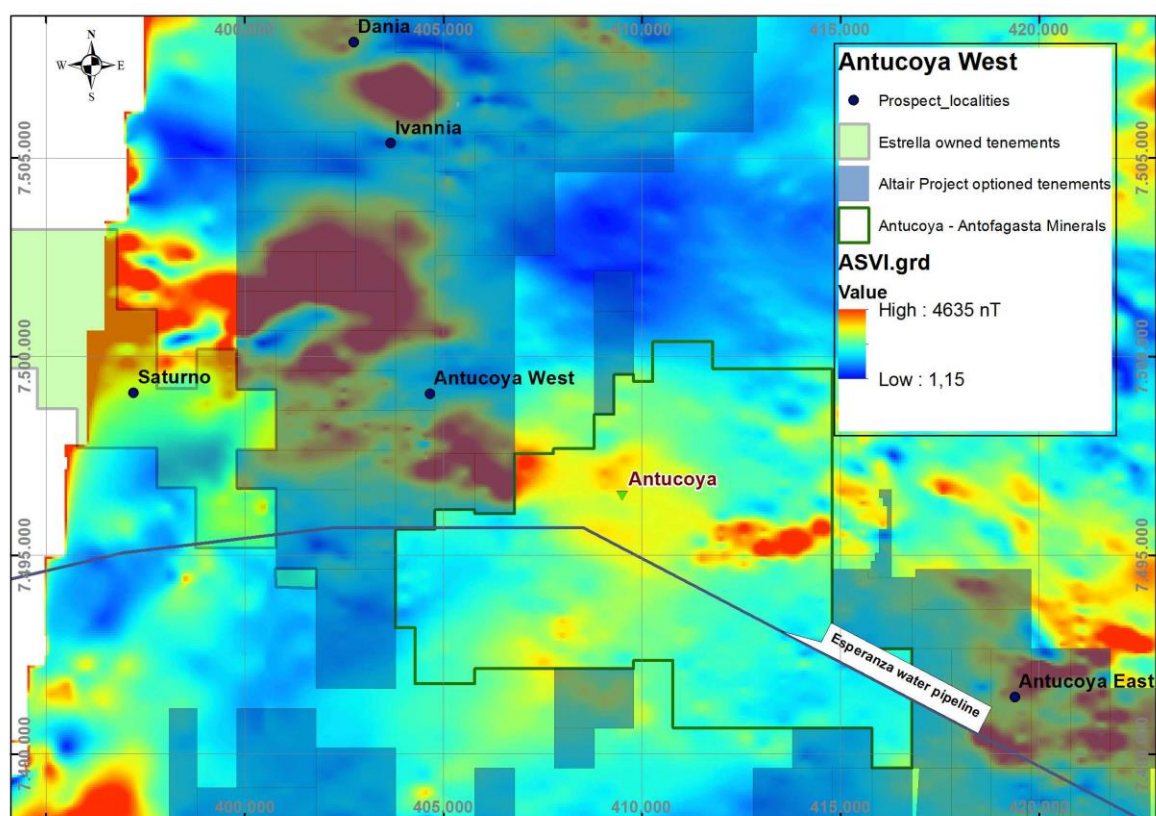
(Coordinates in PSAD56, zone19s)

Estrella is greatly encouraged by the results from the shallow RC drill holes because holes RCCN-01, 02 and 03 each intersected two mineralised tourmaline breccias (where previously only one was thought to occur) along a 125 metre strike length. The system remains open along strike and at depth.

**Antucoya West Prospect:** total area 92.75 km<sup>2</sup> (includes Saturno tenements area of 31.16 km<sup>2</sup>)

### Exploration Targeting:

The Antucoya West prospect was identified by reprocessing of the airborne geophysical data. The Analytical Signal of the first Vertical derivative (**ASVI**) from the Reduced to Pole (**RTP**) magnetic dataset (Figure 4) has identified that the anomaly associated with the Antucoya deposit trends westwards onto Antucoya West, thus identifying Antucoya West as a prospective target for mineralisation. Further to this, Estrella was successful in adding the Saturno tenements adjacent to Antucoya West. Estrella is the 100% rights holder of the Saturno tenements.



**Figure 4: Magnetic anomalies at the Antofagasta Minerals' Antucoya deposit and adjacent Estrella exploration prospects at the Altair Project (Antucoya West and Antucoya East) and Saturno as identified by SRG.**



Within the Antucoya West prospect SRG has identified two major follow-up areas based upon zones of broadly diffuse magnetic signature that is similar in characteristic to Antucoya (not Estrella owned).

### **Exploration:**

In the second half of 2013 Estrella commissioned SRG to acquire IP, resistivity and magnetotelluric (**MT**) data at Antucoya West for subsequent modelling to identify targets follow up exploration. The geophysics program was successful in highlighting follow up target areas, which complimented Estrella's shallow RC drill program.

From May to July 2014, Estrella performed a 38 hole shallow RC drill program to detect copper mineralisation and porphyry indicators beneath the 'caliche' gravel cover.

In August, Estrella reviewed all geological data obtained from the recent 38 RC hole porphyry detection program (refer ASX announcement 5 August 2014) with respect to the geophysical dataset across Antucoya West and the Antucoya mine development (owned by Antofagasta Minerals PLC, LON:ANTO). Estrella's recent exploration activity at Antucoya West has been highly successful in identifying mineralisation, increasing understanding of the geology and the relevance of all the geophysical responses, which has boosted the project's porphyry prospectivity.

Estrella's exploration team has concluded that the highest ranked porphyry target lies 1,000 metres to the northeast of hole RCAW019. Estrella believes that there is strong potential for a significant copper mineralised porphyry system beneath this zone. Based on the MT inversion depth slices (see Figure 7) copper sulphide mineralisation is expected to commence at approximately 150 metres beneath the surface, copper oxide mineralisation is expected between the surface and 150 metres.

In summary, Estrella believes in the strong potential and has selected the porphyry target zone location because of:

- The large 'washed-out' anomaly between two magnetic highs (La Negra Volcanics) is similar to the 'washed-out' zone over Antucoya (not Estrella owned) (see Figure 5);
- The extensive presence of Cu-Copiapite and Jarosite oxidation located above a strong pyrite zone;
- Typically, copper sulphides such as Chalcopyrite emit chargeability responses around 25 to 35 msecs. Estrella currently believes that the chargeability responses consistent with Chalcopyrite lie immediately adjacent to the pyrite zones (see Figure 6) and
- The Magnetotelluric (MT) inversion model (Figure 7) indicates that the Chalcopyrite target zone commences at about 150 metres depth.

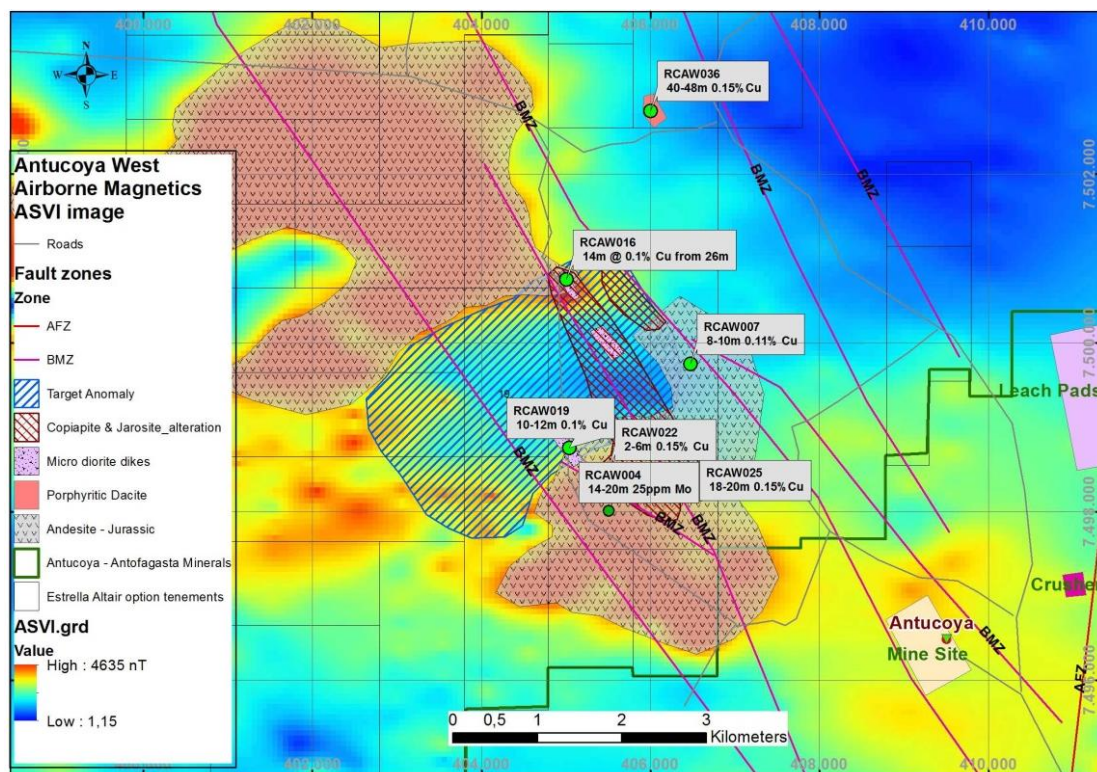


Figure 5: Airborne Magnetics image (ASVI) over Antucoya West overlaid with mapped geology, mineralisation related oxidation extents and copper oxide intercepts from the recent 38 RC hole detection program by Estrella in June-July 2014 (Map Datum WGS84 Zn19s).

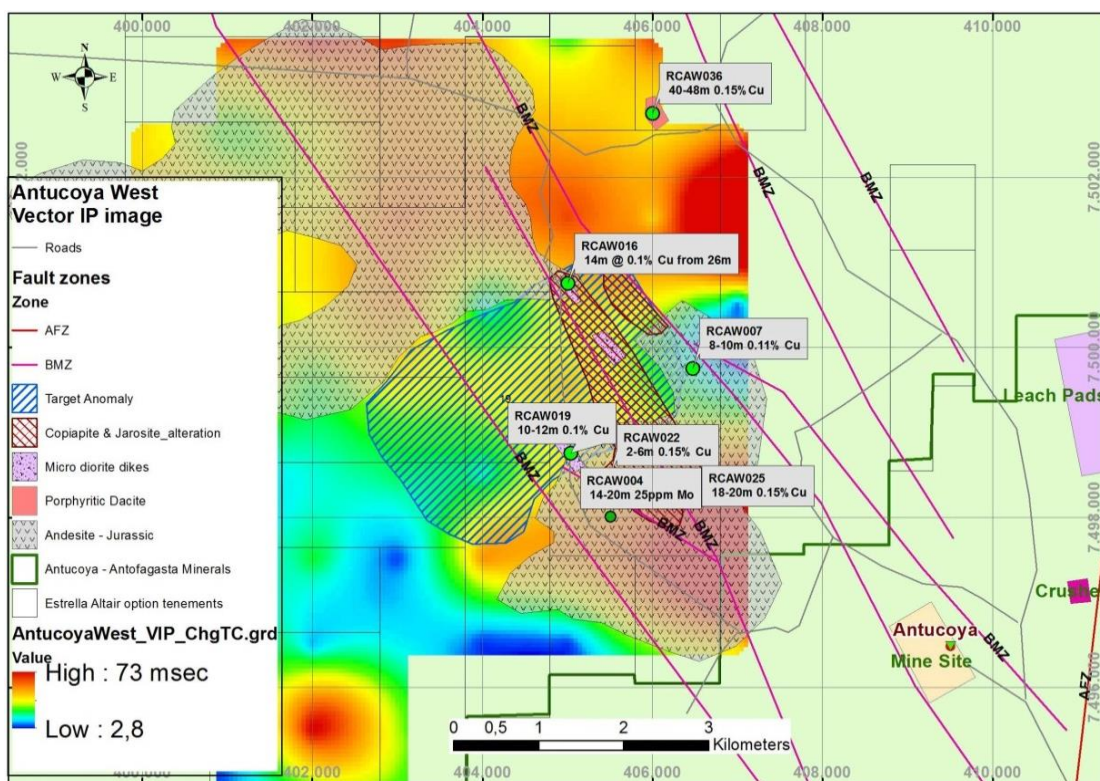
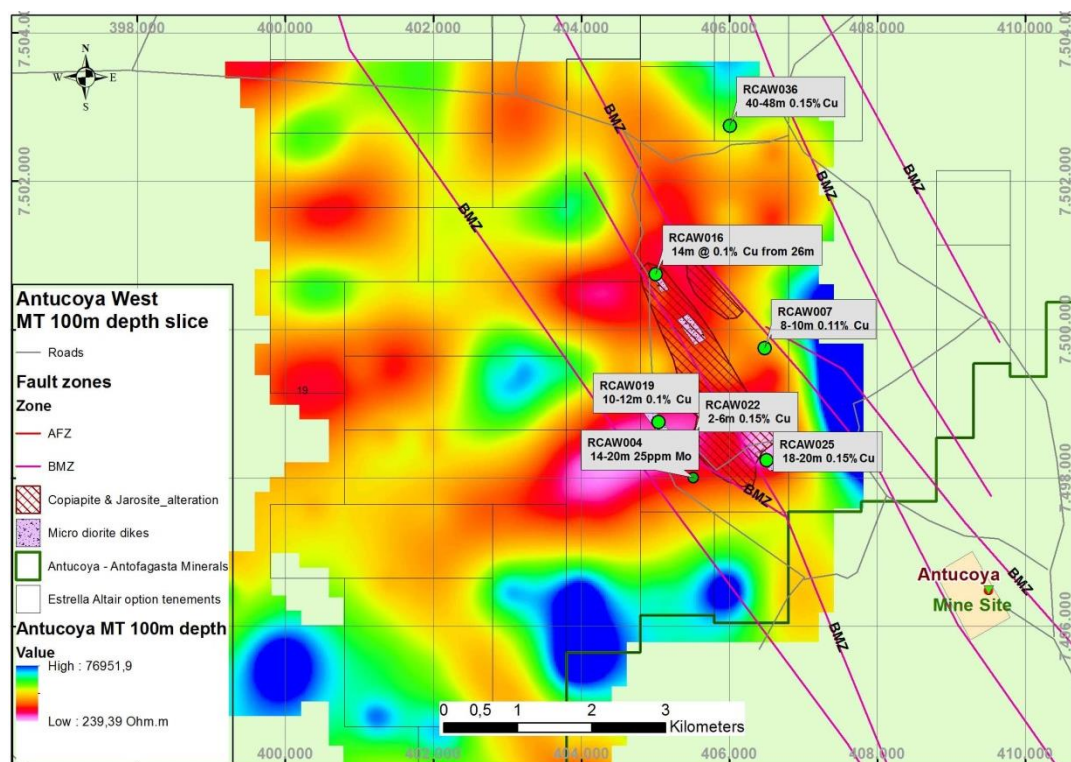


Figure 6: Vector IP image over Antucoya West overlaid with mapped geology, mineralisation related oxidation extents and copper oxide intercepts from the recent 38 RC hole detection program by Estrella in June-July 2014 (Map Datum WGS84 Zn19s).





**Figure 7: MT inversion model 100m depth slice over Antucoya West overlaid with mineralisation related oxidation extents and copper oxide intercepts from the recent 38 RC hole detection program by Estrella in June-July 2014 (Map Datum WGS84 Zn19s).**

**Dania and Ivannia Prospects:** total area 2,476 located 8 km to the south of Colupo

### Mineralisation:

Copper mineralisation at Dania and Ivannia are mostly oxidised copper sulphate and to a lesser extent black copper (copper wad) atacamite and others. Additionally limonite has been observed to occur with copper, whilst the sulphides correspond to chalcopyrite with partial haematisation.

### 1.2. Dania Prospect Drilling

On the 20<sup>th</sup> February 2014 Estrella announced Diamond Drilling commencing at the Dania Prospect, Estrella drilled two diamond core holes at Dania between February and March 2014.

The combination of Estrella's current drilling and historical RC drilling by SQM at the Dania Prospect has identified near surface oxide copper over a northwest trend covering 430 m with a width of 400 m and to depths varying between 50 m and 100 m. The system remains open in all directions except to the east where the contact with the unmineralised andesite unit has been established at surface and 298.4 m downhole in DHD-01.

The assay results at depth (Figures 8 & 9 and Table 8) in DHD-01 show several long intercepts grading 0.3% to 0.4% Cu. Geological observations confirm mineralisation has porphyry emplacement, structural controls and secondary enrichment.

As only two long diamond drill holes have been drilled (at Dania), Estrella's exploration team has not yet determined a definitive mineralisation model for Dania, however recognition of the interplay of three emplacement factors should facilitate further exploration success:

- i. The drill hole has intersected the outer pyrite shell and has characteristics comparable with the classic porphyry copper mineralisation model and appears to end above the mineralisation zone in the vertical plane;
- ii. Highest copper mineralisation zones relate to the structural controls from the sub-vertical faults of the Buey Muerto Fault zone (**BMZ**);
- iii. Multiple mineralised porphyry intrusions have taken place along the BMZ and the potential exists to find many oxide and hypogene zones along the fault zone; and
- iv. Oxidation, leaching, remobilisation of copper and secondary enrichment.

**Table 8: Significant Assay Results from hole DHD-01**

Hole_ID	Coordinates (PSAD56)		RL	EOH	Dip	Azimuth	From (m)	To (m)	Interval (m)	Copper	Comments
	East	North								%Cu	
DHD01	402692	7508346	1580	316.2	-75	55	2	298	271	0.14	excludes 27.5 metres of dyke
					including		2	56	54	0.3	CuOx from 2 m below surface
					including		10	27	17	0.4	
							72	75	4	0.2	
							118	122	4	0.1	
							161	171	10	0.13	
							180	183	4	0.13	
							192	194	3	0.2	
							200	212	13	0.2	
							Unmineralised dyke				
							220	233	14	0.2	
							Unmineralised dyke				
							256	271	16	0.3	exit rhyolite at 299 m into eastern andesitic contact
							274	298	25	0.14	



A cross-section displaying the context of DHD-01 and interpretation of the possible geological setting is provided in Figure 4. Presented is an interpretation in terms of the generalised porphyry copper model. Estrella's exploration team is awaiting further drilling results to refine this interpretation. There is potential to include a network of steeply dipping mineralised intrusive stocks emplaced along faults of the BMZ.

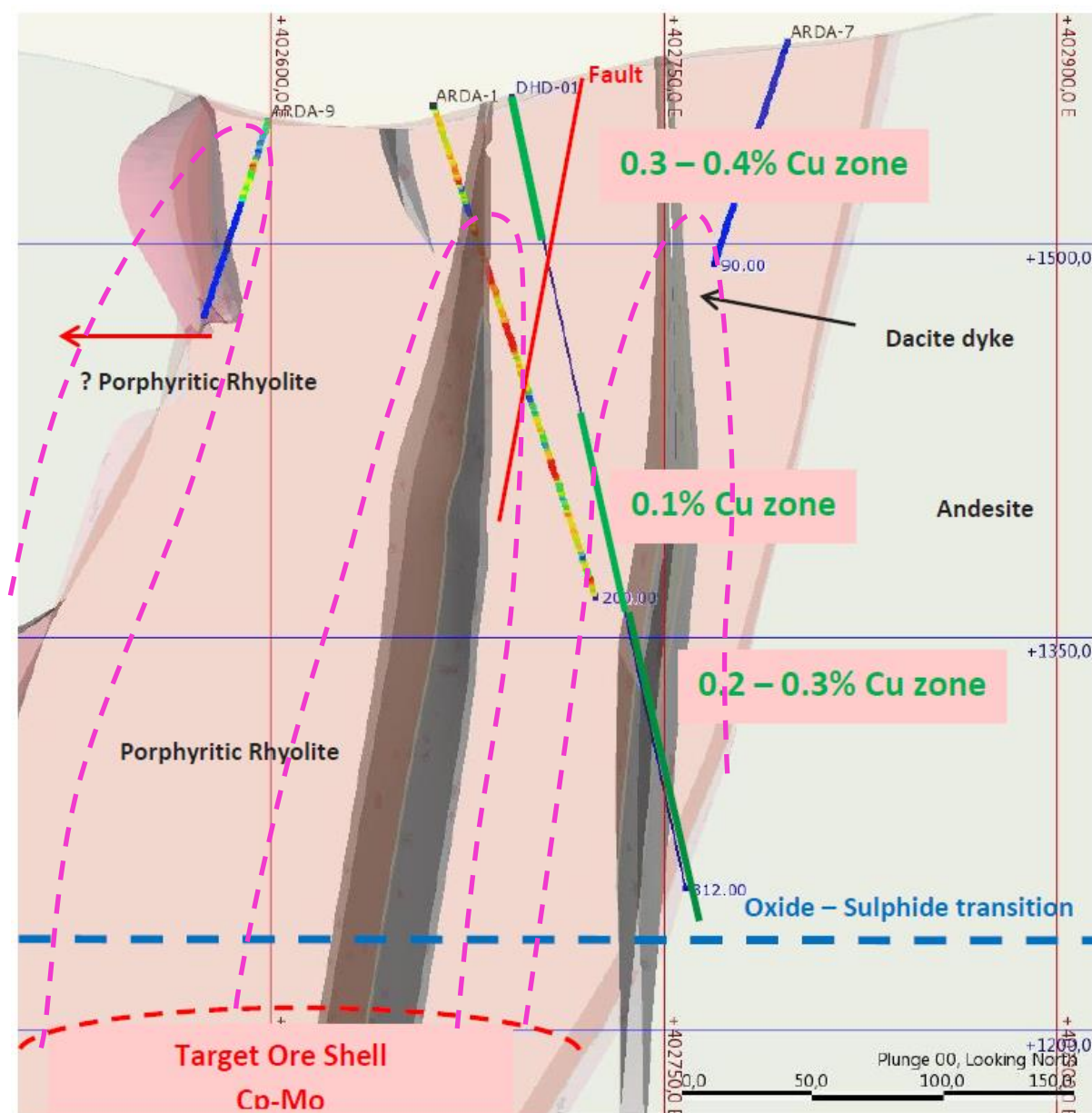


Figure 9: Section line 7,508,000N for DHD-01 indicating Cu grade intervals and potential hypogene ore target at depth. The dashed pink shells indicate the option for narrow intrusive stocks mineralised along steeply dipping faults of the BMZ.



## **References:**

Maksaev, V. et al. (2006): SHRIMP U-Pb dating of the Antucoya porphyry copper deposit: new evidence for an Early Cretaceous porphyry-related metallogenic epoch in the Coastal Cordillera of northern Chile. *Mineralium Deposita*, 41, 637-644.

## **Other Projects**

At the start of July 2013 Estrella held three other projects; Luna, Venus and Jupiter. During 2013-2014 Estrella undertook no exploration activity on any of these projects and relinquished each project in March 2014.

## DIRECTORS' REPORT

For the year ended 30 June 2014

Your directors present their Report on the consolidated entity (referred to hereafter as the "**Group**") consisting of Estrella Resources Limited (the "**Company**") and the entity it controlled at the end of, or during, the year ended 30 June 2014.

### Directors

The following persons were Directors of Estrella Resources Limited during and since the end of the reporting period up to the date of this report, unless otherwise stated:

Robert Thomson	Independent Non-Executive Chairman (Appointed Non-Executive Director 13 March 2014 and Chairman 30 June 2014)
Dr Jason Berton	Managing Director
Julian Bavin	Non-Executive Director
Simon Kidston	Non-Executive Director (Resigned 14 April 2014)
Gavin Solomon	Non-Executive Chairman (Resigned 30 June 2014)

### Principal activities

The Company was incorporated on 27 May 2011. The principal activities of the Group during the reporting period were to maintain and explore mining/mineral exploration rights/assets in Chile with a medium term strategy to develop these into producing assets.

No significant change in the nature of these activities occurred during the year.

### Operating results

The Group incurred a loss after tax for the reporting period of \$2,738,578 (2013: \$2,356,404) after an impairment charge of its capitalised exploration and evaluation expenditure of \$630,861 (relating to relinquished projects; Luna, Inca, Venus and Jupiter. (2013: \$1,328,017 relating to the termination of the Agustina Project).

## Review of operations

During the reporting period, the Company has, through its wholly owned subsidiary, Estrella Resources Chile SpA ("**Estrella Chile**"), maintained and undertaken exploration on Project Altair in Chile. During the reporting period Estrella Chile relinquished the Luna, Venus and Jupiter Projects in an effort not to deter the focus away from the company's core priorities.

Based on Estrella's exploration at the Altair project together with historical exploration work conducted by SQM and favourable local geology, Estrella believes the Altair Project is highly prospective for significant copper mineralisation.

- The Altair Project - Estrella Chile owns a 100% working interest in all metallic mineral discoveries in the Altair Project (subject to for each discovery at pre-feasibility study stage either a 49% claw back right or alternatively a royalty scheme based on the then prevailing LME price);
- Saturno Project - Estrella Chile owns a 100% exploration interest in the Saturno Project which adjoins and now forms part of Project Altair;
- Mercurio Project - Estrella Chile owns a 100% exploration interest in the Mercurio Project which adjoins and now forms part of Project Altair.

## Changes in the state of affairs

During the reporting period, Estrella Resources Limited consolidated ground at the Altair Project in accordance with the Option Agreements held between the company and Sociedad Quimica y Minera de Chile S.A. (**SQM**). The Altair Project located in Region II of northern Chile, covers an area of 1,231.83 km<sup>2</sup> (inclusive of the Mercurio and Saturno Projects) as at the end of the reporting period.

During the reporting period Estrella acquired 100% exploration interest in the Saturno Project and the Mercurio Project.

Estrella relinquished the Luna, Inca, Venus and Jupiter Projects in March 2014.

## 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.

Directors' Report

For the year ended 30 June 2014

### **Events subsequent to the reporting period**

No 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**

Likely developments in the operations of the Group and the expected results of those operations in future financial periods will be reliant upon the Group's activities securing positive exploration results.

### **Environmental issues**

The Group's operations are subject to the laws and regulations pertaining to mining exploration operations in Chile, South America and future production activities. As at the date of this Report the Group has not been notified of any breach of any such laws or regulations.

Directors' Report

For the year ended 30 June 2014

**Mr Robert Thomson: Non-Executive Chairman**

Date of appointment: 13 March 2014

Appointed to Non-Executive Chairman on 30 June 2014.

***Expertise and experience***

Mr Thomson is a Sydney based mining engineer, former CEO, GM and Project Director with extensive Australian and international site, corporate and board experience. During his career, Mr Thomson has been closely involved with eight projects progressed from early stage exploration, through project feasibility, development and ultimately to successful operations including various copper/gold projects such as the Didipio porphyry copper/gold concentrate project in the Philippines; Wetar HL/SX/EW copper cathode project in Indonesia and Chatree CIL gold operation in Thailand. Robert has a B.E (Mining) from the University of Queensland, MBA from the University of Wollongong and is a Fellow of the AusIMM and Member of the AICD.

***Special Responsibilities***

Robert is Chairman of the Health, Safety, Environment and Community Committee and a member of the Remuneration Committee and the Audit and Risk Committee.

***Other current directorships***

Nil.

***Former directorships in the last 3 years***

Former Non-Executive Director of Finders Resources and Indochine Resources.

***Interest in shares and options***

Nil.

Directors' Report

For the year ended 30 June 2014

**Dr Jason Berton: Managing Director**

PhD Structural Geology, B.Sc.(Hons), B.Ec, AusIMM, GSA

Date of appointment: 25 October 2011

***Expertise and experience***

Jason has over 15 years' mining and exploration experience including a number of years working for majors including Homestake, Barrick and BHP Billiton. Jason later moved into consulting and gained broader project experience covering a number of commodities with SRK Consulting. He worked for two years in private equity investment co-ordinating due diligence performing mineral asset valuations, developing strategic planning and generating acquisition targets. Jason holds two Bachelor Degrees, Bachelor of Economics and Bachelor of Science (Hons) and a PhD in Structural Geology, all from Macquarie University. Jason is a member of the AusIMM.

***Special Responsibilities***

Managing Director

***Other current directorships***

Nil.

***Former directorships in the last 3 years***

Nil.

***Interest in shares and options***

1,009,091 fully paid ordinary shares and 4,000,000 unlisted options over ordinary shares in Estrella Resources Limited.

3,000,000 Options have expired on 12 September 2014.



Directors' Report

For the year ended 30 June 2014

**Mr Julian Bavin: Non-Executive Director**

B.Sc. Mining Geology (Hons), M.Sc Mineral Exploration, Member of IMM, Chartered Engineer,  
Fellow of Society of Economic Geologists

Date of appointment: 6 March 2012

***Expertise and experience***

Julian is an independent director who was educated at the University of Leicester, the Royal School of Mines, and London Business School. He has 30 years' of technical, operational and commercial experience in mineral exploration gained from work in a wide range of commodities, jurisdictions and cultures most of which was spent with the Rio Tinto Group in South America, Australia, Indonesia and Europe. From 2001 to 2009 he was responsible for the Rio Tinto exploration in South America and the teams which identified the potential in a range of projects now in various stages of feasibility including the PRC potash and Altar copper/gold projects in Argentina, the Mina Justa, Constancia and La Granja copper projects in Peru, and the Amargosa bauxite project in Brazil.

***Special Responsibilities***

Julian is Chairman of the Audit and Risk Management Committee and the Remuneration Committee and a member of the Health, Safety, Environment and Community Committee.

***Other current directorships***

Julian is currently a Non-Executive Director of Exeter Resource Corporation and Prism Resources Inc. and Director and CEO of Pan Global Resources Inc.

***Former directorships in the last 3 years***

Nil

***Interest in shares and options***

636,364 fully paid ordinary shares and 1,600,000 unlisted options over ordinary shares in Estrella Resources Limited.

Directors' Report

For the year ended 30 June 2014

**Mr Gavin Solomon: Non-Executive Chairman** *Resigned 30 June 2014*

BComm/LLB, Member of the AICD, Notary Public

Date of appointment: 27 May 2011

***Expertise and experience***

Gavin has over 30 years' experience in equity and capital markets in Australia and overseas. Gavin is a Sydney based lawyer by background and has been a Director of a number of ASX listed companies as well as many unlisted public and private companies. Gavin was a former non-executive director and co-founder of Endocoal Limited (EOC: ASX) which was acquired for A\$73M by U & D Mining (a Chinese SOE) in May 2013. Gavin was also a former non-executive director and co-founder of Carabella Resources Limited (CLR: ASX) which was acquired for A\$76M by Kingho Mining (a Chinese SOE) in January 2014. Gavin has also held executive and non-executive positions with a range of companies in commercial fields such as mineral exploration, media, property and telecommunications both within Australia and overseas. Gavin holds a bachelor of Commerce/Law from the University of New South Wales, is a Notary Public and is a member of the Australian Institute of Company Directors. Gavin is a Non-executive Director of the Bradman Foundation and the International Cricket Hall of Fame.

***Other current directorships***

Gavin is currently Managing Director of Helmsec Global Capital Limited (unlisted).

***Former directorships in the last 3 years***

Former Non-Executive Director of Endocoal Limited (ASX:EOC).

***Interest in shares and options as at date of resignation***

5,594,481 fully paid ordinary shares and 1,058,850 unlisted options over ordinary shares in Estrella Resources Limited. As Gavin is a Director and shareholder of Helmsec Global Capital Limited as bare trustee for certain employees and consultants of Helmsec Global Capital Limited a further 1,540,000 fully paid ordinary shares and 511,900 options over ordinary shares in Estrella Resources Limited as at the date of resignation.

Directors' Report

For the year ended 30 June 2014

**Mr Simon Kidston: Non-Executive Director** *Resigned 14 April 2014*

BCom, GradDipAppFin

Date of appointment: 27 May 2011

***Expertise and experience***

Simon has over 20 years investment banking experience in Australia, UK and Asia. Simon has an equity capital markets and M&A background and has considerable experience assisting "small and mid-cap" companies raise capital. Simon is a founding Director of Genex Power Limited and a former Non-executive director and co-founder of Carabella Resources Limited (CLR:ASX). Simon holds a Bachelor of Commerce degree from Griffith University and has a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. Simon Kidston is also a member of the Australian Institute of Company Directors.

***Other current directorships***

Simon is an Executive Director of Genex Power Limited and Helmsec Global Capital Limited (unlisted).

***Former directorships in the last 3 years***

Former Non-Executive Director of Carabella Resources Limited (CLR:ASX)

***Interest in shares and options as at date of resignation***

4,962,566 fully Paid Shares. Simon holds 858,850 unlisted options over ordinary shares in Estrella Resources Limited. As Simon is a Director and shareholder of Helmsec Global Capital Limited as bare trustee for certain employees and consultants of Helmsec Global Capital Limited a further 3,326,000 fully paid ordinary shares and 511,900 options over ordinary shares in Estrella Resources Limited as at the date of resignation.

Directors' Report

For the year ended 30 June 2014

## **Executives**

### **Mr Justin Clyne: Company Secretary**

*LLM (UNSW), GradDipACG*

The Company Secretary in office at the date of this report is Mr Justin Clyne. He was appointed as Company Secretary on 24 August 2011.

Justin was admitted as a Solicitor of the Supreme Court of New South Wales and the High Court of Australia in 1996 before gaining admission as a Barrister in 1998. Justin has over 15 years of experience in the legal profession acting for a number of Australia's largest corporations, initially in the areas of corporate and construction law before developing an interest in mining investment and research.

Justin is a director and/or Company secretary of a number of listed and unlisted mining and oil and gas companies and the principal of Clyne Corporate Advisory.

He has significant experience and knowledge of the Corporations Act, the ASX listing rules and general corporate regulatory requirements. Justin holds a Master of Laws in International Law from the University of New South Wales and is also a qualified Chartered Company Secretary.

## Directors' Report

For the year ended 30 June 2014

### 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		AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS		HEALTH SAFETY AND ENVIRONMENT COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G Solomon	13	13	2	2	1	1	13	13
J Berton	12	12	0*	2*	0*	1*	0*	13*
S Kidston	10	10	2	2	1	1	10	10
J Bavin	13	13	2	2	1	1	13	13
R Thomson	5	5	0	0	0	0	5	5

\*By invitation of the Committee.

### Unissued shares under option

Details of unissued shares or interests of Estrella Resources under option at the date of this report are:

Grant date of options	Number of shares under option	Class of shares	Exercise price	Expiry date of options
12 Sep 2011	3,600,000	Ordinary	\$0.25	12 Sep 2014
25 Oct 2011	1,000,000	Ordinary	\$0.25	25 Oct 2014
25 Oct 2011	600,000	Ordinary	\$0.20	25 Oct 2016
19 Dec 2011	505,000	Ordinary	\$0.20	19 Dec 2016
09 May 2012	1,500,000	Ordinary	\$0.20	09 May 2017
18 Apr 2013	450,000	Ordinary	\$0.35	18 Apr 2016
03 Oct 2013	475,000	Ordinary	\$0.20	03 Oct 2018
21 Nov 2013	3,000,000	Ordinary	\$0.35	21 Nov 2018
18 Dec 2013	500,000	Ordinary	\$0.35	18 Dec 2016
7 Mar 2014	750,000	Ordinary	\$0.35	07 Mar 2017
<b>Total</b>	<b>12,380,000</b>			



### **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.

### **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**

The auditor did not provide any non-audit services during the year. Details of the amounts paid to the auditors of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 23 to the Financial Statements.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 48 of this financial report and forms part of this 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 determines the principle 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.

**Remuneration report - (Audited) (continued)**

**Principles used to determine the nature and amount of remuneration (continued)**

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.

**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 2014 are set out in the following table:

2014	Short-term benefits		Post-employment benefits	Share-based Payments	
	Salary				
	And Fees	Bonus	Superannuation	Options	Total
Name	\$	\$	\$	\$	\$
<b>DIRECTORS</b>					
R Thomson <sup>1</sup>	14,190	-	-	-	14,190
Dr J Berton	205,950	22,883	21,122	87,534 <sup>5</sup>	337,489
J Bavin	60,000	-	-	51,360 <sup>5</sup>	111,360
G Solomon <sup>2</sup>	86,957	-	8,028	68,480 <sup>5</sup>	163,465
S Kidston <sup>3</sup>	50,343	-	4,645	51,360 <sup>5</sup>	106,348
<b>EXECUTIVES</b>					
J Clyne <sup>4</sup>	57,500	-	-	514 <sup>5</sup>	58,014
<b>Total</b>	<b>474,940</b>	<b>22,883</b>	<b>33,795</b>	<b>259,248</b>	<b>790,866</b>

1. R Thomson was appointed as an Independent Non-Executive Director on 13 March 2014, and was then appointed as the company's Independent Non-Executive Chairman on 30 June 2014. Total fees of \$14,190 reflects fees paid to Monterey Consolidated Services Pty Ltd, a company in which Mr Thomson has an interest, for providing mining and project management services to the Company.
2. G Solomon resigned from the Board on 30 June 2014.
3. S Kidston resigned from the Board on 14 April 2014.
4. J Clyne, Total fees of \$57,500 reflects consulting fees paid to Clyne Corporate Advisory, a company in which Mr Clyne has an interest, for providing company secretarial services to the Company. This arrangement is based on normal commercial terms and conditions.
5. The Directors believe that the difference between the options fair value as reported herein and the taxable value in the hands of the options holders is due to variations and differences in the treatment and methodology for valuing options under Australia Accounting Standards and Australian taxation law.

## Directors' Report

For the year ended 30 June 2014

**Remuneration report - (Audited) (continued)**
**Details of remuneration (continued)**

2013	Short-term benefits		Post-employment benefits	Share-based Payments	
	Salary				
	And Fees	Other	Superannuation	Options	Total
Name	\$	\$	\$	\$	\$
<b>DIRECTORS</b>					
G Solomon	73,395	-	6,605	-	80,000
Dr J Berton	206,422	-	18,578	18,441	243,441
J Bavin	57,337	-	-	-	57,337
S Kidston	55,046	-	4,954	-	60,000
<b>EXECUTIVES</b>					
J Vargas de la Vega <sup>1</sup>	134,937	-	6,984	5,360	147,281
J Clyne <sup>2</sup>	57,500	-	-	3,000	60,500
<b>Total</b>	<b>584,637</b>	<b>-</b>	<b>37,121</b>	<b>26,801</b>	<b>648,559</b>

1. J Vargas de la Vega resigned on 31 October 2013.

2. J Clyne: Total fees of \$57,500 reflects consulting fees paid to Clyne Corporate Advisory, a company in which Mr Clyne has an interest, for providing company secretarial services to the Company. This arrangement is based on normal commercial terms and conditions.



## Directors' Report

For the year ended 30 June 2014

### Remuneration report - (Audited) (continued)

#### Share based remuneration

The Employee Share Option Plan (**ESOP**) was established on 8 March 2012. During the reporting period, 4,250,000 Options were issued to employees under the ESOP of which 3,100,000 were granted as remuneration to Key Management Personnel as set out below.

#### Share options

2014	Grant date	Number granted	Value per option at grant date	Number vested	Number lapsed	Exercise price	First exercise date	Last exercise date	Percentage of remuneration which is options
J Berton	21 Nov 13	1,000,000	0.09	1,000,000	-	\$0.35	21 Nov 13	21 Nov 18	26%
G Solomon <sup>1</sup>	21 Nov 13	800,000	0.09	800,000	-	\$0.35	21 Nov 13	21 Nov 18	42%
S Kidston <sup>2</sup>	21 Nov 13	600,000	0.09	600,000	-	\$0.35	21 Nov 13	21 Nov 18	48%
J Bavin	21 Nov 13	600,000	0.09	600,000	-	\$0.35	21 Nov 13	21 Nov 18	46%

#### Executives

J Clyne	7 Mar 14	100,000	0.03	-	-	\$0.35	07 Mar 16	7 Mar 17	1%
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1. G Solomon resigned from the Board on 30 June 2014.

2. S Kidston resigned from the Board on 14 April 2014.

Details of executive share options have been disclosed in note 20 to the financial statements.

Directors' Report

For the year ended 30 June 2014

## Remuneration report - (Audited) (continued)

### Share based remuneration

Details of options over ordinary shares in the Company that have been granted as remuneration to each Director and Key Management Personnel are set out below:

#### Share options

2013	Grant date	Number granted	Value per option at grant date	Number vested	Number lapsed	Exercise price	First exercise date	Last exercise date	Percentage of remuneration which is options
<b>Executives</b>									
J Vargas de la Vega <sup>1</sup>	18 Apr 13	250,000	\$0.03	-	-	\$0.35	18 Apr 15	18 Apr 16	3.63%
J Clyne	18 Apr 13	100,000	\$0.03	100,000	-	\$0.35	18 Apr 13	18 Apr 16	4.96%

1. J Vargas de la Vega resigned on 31 October 2013.

## Directors' Report

For the year ended 30 June 2014

### Remuneration report - (Audited) (continued)

#### Transactions with key management personnel

##### 2014

During the period, fees of \$86,000 exclusive of GST were paid to Helmsec Global Capital Limited ("Helmsec") for providing corporate advisory services plus fees of \$36,540 exclusive of GST were paid to Helmsec for providing office premises and associated support services for the reporting period. Mr Gavin Solomon (*resigned on 30 June 2014*) and Mr Simon Kidston (*resigned on 14 April 2014*) are Directors and have a beneficial interest in Helmsec.

#### Related party disclosures

##### Key management personnel shareholdings

##### Fully Paid Ordinary Shares

2014	Balance 01 July 2013	Purchases /(Sales)	Net other Change <sup>4</sup>	Balance 30 June 2014	Balance held nominally
<b>Directors</b>					
R Thomson <sup>1</sup>	-	-	-	-	-
Dr J Berton	1,000,000	9,091	-	1,009,091	-
J Bavin	500,000	136,364	-	636,364	-
G Solomon <sup>2</sup>	8,737,460 <sup>5</sup>	182,021	(8,919,481)	-	-
S Kidston <sup>3</sup>	8,151,000 <sup>5</sup>	137,566	(8,288,566)	-	-
<b>Executives</b>					
J Clyne	417,040	-	(117,040)	300,000	-

1. R Thomson was appointed as an Independent Non-Executive Director on 13 March 2014, and was then appointed as the company's Independent Non-Executive Chairman on 30 June 2014.
2. G Solomon resigned from the Board on 30 June 2014.
3. S Kidston resigned from the Board on 14 April 2014.
4. Following resignation as directors.
5. As at 1 July 2013, 3,326,000 shares held by Helmsec Global Capital Limited, a company in which Mr. Gavin Solomon and Mr. Simon Kidston are Directors and have a beneficial interest as bare trustee for the benefit of certain Helmsec employees and consultants.

## Directors' Report

For the year ended 30 June 2014

### Remuneration report - (Audited) (continued)

#### Key management personnel shareholdings

##### Share Options

2014	Balance 1 July 2013	Options Granted	Net other Change <sup>4</sup>	Options Exercised	Balance 30 June 2014	Balance Held Nominally	Total Vested 30 June 2014	Total Un- Exercisable 30 June 2014
<b>Directors</b>								
R Thomson <sup>1</sup>	-	-	-	-	-	-	-	-
Dr J Berton	3,000,000	1,000,000	-	-	4,000,000	-	4,000,000	-
J Bavin	1,000,000	600,000	-	-	1,600,000	-	1,600,000	-
G Solomon <sup>2</sup>	770,500	800,000	(1,570,500)	-	-	-	-	-
S Kidston <sup>3</sup>	770,750	600,000	(1,370,750)	-	-	-	-	-
<b>Executives</b>								
J Clyne	240,000	100,000	-	-	340,000	-	240,000	-

1. R Thomson was appointed as an Independent Non-Executive Director on 13 March 2014, and Independent Non-Executive Chairman on 30 June 2014
2. G Solomon resigned from the board on 30 June 2014.
3. S Kidston resigned from the board on 14 April 2014.
4. Following resignation as directors.



Directors' Report

For the year ended 30 June 2014

**Remuneration report - (Audited) (continued)**

**Service Agreements**

Contracts for services of Directors and Key Management Personnel and the Company in place during the reporting period are as follows:

**Rob Thomson: Independent Non-Executive Chairman**

Letter of Agreement with Robert Thomson stipulates remuneration of \$60,000 per annum inclusive of superannuation and taxation.

**Dr Jason Berton: Managing Director**

By an agreement dated 15 August 2011 the Company engaged the services of Dr Berton to serve as Managing Director until terminated. The Board may terminate the consultancy agreement at any time by giving not less than one (1) months' notice in writing; or immediately in instances of misconduct. Dr Berton may terminate the agreement by giving not less than one (1) months' notice in writing.

Under the terms of the Agreement, the Company shall pay a Base Salary of A\$225,000 per annum inclusive superannuation and taxation.

Bonus payments are at the discretion of the Board.

**Julian Bavin: Non-Executive Director**

Letter of Agreement with Julian Bavin and Estrella Chile stipulates remuneration of \$60,000 per annum inclusive of superannuation and taxation.

**Gavin Solomon: Non-Executive Chairman** *Resigned 30 June 2014*

Letter of Agreement with Gavin Solomon stipulates remuneration of \$80,000 per annum inclusive of superannuation and taxation.

**Simon Kidston: Non-Executive Director** *Resigned 14 April 2014*

Letter of Agreement with Simon Kidston stipulates remuneration of \$60,000 per annum inclusive of superannuation and taxation.

Directors' Report

For the year ended 30 June 2014

**Remuneration report - (Audited) (continued)**

**Service Agreements (continued)**

**Justin Clyne: Company Secretary**

By a Letter of Engagement with Clyne Corporate Advisory the Company engaged the services of Mr Clyne to provide Company Secretarial Services commencing 18 January 2012.

Pursuant to the terms of the Engagement Letter, the Company will pay Clyne Corporate Advisory an amount of \$5,000 per month exclusive of GST.

The Agreement may be terminated by either party by providing one (1) months' notice.

**END OF THE AUDITED REMUNERATION REPORT.**

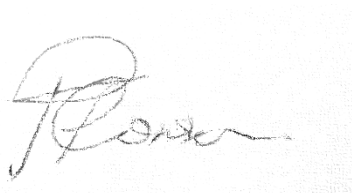
**Voting and comments made at the Company's last Annual General Meeting**

The Group's received 66% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2013. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

**Hedging of securities**

In accordance with the Group's general share trading policy directors, officers and employees are prohibited from engaging in hedging arrangements over unvested securities issued as remuneration incentives or pursuant to any employee share option plan.

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



**Robert Thomson**

**Independent Non-Executive Chairman**

Dated this 29 day of September 2014



# Grant Thornton

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## **Auditor's Independence Declaration To the Directors of Estrella Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Estrella Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

G S Layland  
Director - Audit & Assurance

Sydney, 29 September 2014

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## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Second Edition of the Corporate Governance Principles and Best Practice Recommendations including the 2010 amendments (Best Practice Recommendations). The Best Practice Recommendations are not mandatory. However, the Company is required to provide a statement disclosing the extent to which the Company has followed the Recommendations. Commencing with reporting for the financial year ending 30 June 2015, the Company will be reporting its corporate governance practices pursuant to the Third Edition of the Corporate Governance Principles and Recommendations. The board recognises that best practice principles assist in its role of overseeing the company's affairs.

BEST PRACTICE RECOMMENDATION		COMMENT
1	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities and functions of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director. The Board Charter also specifically outlines the role of the Company's Directors. Each function and its responsibility are outlined in the Board Charter and this Corporate Governance Statement is available on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	<p>The Board will monitor the performance of senior management, including measuring actual performance against planned performance.</p> <p>The Board Charter sets out the process to be followed in evaluating the performance of senior executives. Each senior executive is required to participate in a formal review process which assesses individual performance against predetermined objectives.</p>
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	<p>This Corporate Governance Statement is available on the Company's website as well as the Board Charter. The Board Charter discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director. The Board Charter also specifically outlines the role of the Company's Chairman, Individual Directors and Managing Director.</p> <p>An informal evaluation of senior executives took place during the past year however a full formal evaluation in accordance with disclosed principles is expected to be carried out in the first half of the current year.</p>



2	Structure the board to add value	
2.1	A majority of the board should be independent directors.	<p>Mr Thomson and Mr Bavin are both independent directors and the remaining director, Dr Berton, is not due to his role as Managing Director.</p> <p>Accordingly, a majority of the board is comprised of independent non-executive directors (as above).</p> <p>The Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity of the business at this time.</p> <p>It is intended that, as considered appropriate, further non-executive Director appointments may be made to the Board in the future as required.</p>
2.2	The chair should be an independent director.	The Chairman of the Board is Mr Robert Thomson who is considered to be an independent non-executive director.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The Company does not currently have a Chief Executive Officer however, the Company has a separate Chairman and a Managing Director who is responsible for the day to day operations and administration of the Company.
2.4	The board should establish a nomination committee.	The Board, as a whole, currently serves as the Company's nomination committee. Terms and conditions of employees are negotiated by the Managing Director for recommendation to the Board. As the Company grows in size it is planned that the Company will implement a separate nomination committee with its own separate nomination committee charter.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>The performance of the Board and the various Board committees as and when established is to be evaluated by the Chairperson. The performance of each committee is measured against the scope and responsibilities detailed in their respective charters and the process for evaluating the performance of the Board, its committees and individual directors is to be disclosed by the Chairman.</p> <p>A formal evaluation of the Board was undertaken in the second half of the year in accordance with disclosed principles and as announced to the ASX on 13 March, 14 April and 30 June 2014.</p> <p>The Board is responsible for the evaluation and review of the performance of the Chairman and the effectiveness and programme of board meetings. The position of Chairman will be reviewed by the Board at the first Board meeting following the Annual General Meeting each year.</p>

		<p>A formal evaluation of the current Chairman has not yet occurred as he was only appointed as Chairman on 30 June 2014. The programme of board meetings has been reviewed and modified to ensure timely information is reviewed by the board.</p> <p>The Company's Corporate Governance Policies set out the process to be followed in evaluating the performance of senior executives. Each senior executive is required to participate in a formal review process which assesses individual performance against predetermined objectives.</p>
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>A description of the skills and experience of each of the directors is contained within this Annual Report. Two of the three members of the current board (Mr Thomson and Mr Bavin) are considered to be independent directors in accordance with the definition of an independent director as contained in the Company's Board Charter. The Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity of the business at this time.</p> <p>The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairperson.</p> <p>The Board, as a whole, will serve as the Company's nomination committee as and when required.</p> <p>The Board will determine the procedure for the selection and appointment of new directors and the re-election of incumbents in accordance with the Company's constitution and having regard to the ability of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company. The policy for the appointment of new directors is set out in the Company's Board Charter which is available on the Company's website. A formal evaluation of the Board, its Committees and Directors has not yet occurred however it is expected to be carried out in the first half of the current year.</p> <p>Mr Thomson was appointed as a director on 13 March 2014, Dr Berton on 25 October 2011 and Mr Bavin on 6 March 2012.</p>

3	<b>Promote ethical and responsible decision-making</b>	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <p>the practices necessary to maintain confidence in the company's integrity</p> <p>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</p> <p>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p>	<p>The Company's Corporate Governance Plan includes the following policies and charters which provide a framework for decisions and actions in relation to ethical conduct in employment.</p> <ul style="list-style-type: none"> <li>• Board Charter</li> <li>• Audit &amp; Risk Management Committee Charter</li> <li>• Code of Conduct - Obligations to Stakeholders</li> <li>• Code of Conduct - Directors and Key Officers</li> <li>• Continuous Disclosure</li> <li>• Health, Safety, Environment and Community Committee Charter</li> <li>• Remuneration Committee Charter</li> <li>• Securities Trading</li> <li>• Diversity</li> </ul> <p>A summary of the Company's Corporate Governance Policies are contained within this Corporate Governance Statement and all of the Policies are available on the Company's website.</p>
3.2	<p>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.</p>	<p>The Company has established a Diversity Policy as part of its Corporate Governance Plan. The Policy details the Board's commitment to providing an inclusive workplace and recognises the value that a workforce made up of individuals with diverse skills, values, backgrounds and experiences can bring to the Company.</p> <p>The Company has a commitment to gender diversity and female participation is sought in all areas. Decisions relating to promotion, leadership development and flexible work arrangements are all based on merit and reinforce the importance of equality in the workplace.</p> <p>Ongoing monitoring of company policies and culture will be undertaken to make sure they do not hold any group back in their professional development.</p> <p>The Board is responsible for the selection of new board members. In accordance with its Board Charter and the ASX Corporate Governance Principles and Recommendations (including 2010 amendments), the Board must ensure that the selection process is formal and transparent. High quality female candidates should be considered as part of any recruitment process.</p> <p>The Company will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so.</p>

		The Board will, at least once per year, review the policy to determine its adequacy for current circumstances and make recommendations to the Board for amendment where required.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so and this will be included in the Annual Report each year.
3.4	Proportion of women employees, senior executive positions and on the Board.	The Company currently has 2 employees, one of whom is female. The Company does not have any women on the Board at present but this will be reviewed in accordance with each review of the Board's skills and requirements in accordance with the Company's Diversity Policy.
3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	This Corporate Governance Statement is available on the Company's website as well as the Company's Diversity Policy. The Company's Annual Report each year will contain an update on the Company's compliance with the ASX's recommendations and the Company's Diversity Policy.
<b>4</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	The Company has established an Audit and Risk Management Committee and a copy of the policy titled " <i>Charter of the Audit and Risk Management Committee</i> " was summarised in the Company's Prospectus lodged with the ASX and like all of the Company's policies is available on the Company's website.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	The Audit and Risk Management Committee currently has two members who are both independent non-executive directors. The committee is chaired by Mr Bavin is not Chair of the Board. however, while this is considered appropriate at present, the Mr Thomson is the other member of the Committee and also considered independent.
4.3	The audit committee should have a formal charter.	The Company's Corporate Governance Plan includes a formal charter for the Audit and Risk Management Committee.

4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	<p>The Committee meets twice a year and at least once each year with the Company's Auditors. The Committee has powers under the Company's Audit &amp; Risk Management Charter including unrestricted access to the Company's internal and external auditors and all Company records for the purposes of carrying out its responsibilities under the Charter. The Committee will recommend to the Board procedures for the selection and appointment of external auditors and for the rotation of external auditor partners. The members of the Committee are Mr Thomson and Mr Bavin whose experience is all detailed in this Annual Report. The Committee met on two occasions during the past year.</p> <p>A copy of the Committee's Charter is available on the Company's website.</p>
<b>5</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program/policy in place designed to ensure compliance with the ASX Listing Rule on continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The continuous disclosure policy of the Company was summarised in the Company's Prospectus lodged with the ASX and like all of the Company's policies is available on the Company's website.
<b>6</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Plan includes a shareholder communications strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. This is contained within the Company's policies titled " <i>Code of Conduct – Obligations to Stakeholders</i> " and " <i>Corporate Governance Policy – Continuous Disclosure</i> ".
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The shareholder communication policy of the Company is set out in the Company's policies titled " <i>Code of Conduct – Obligations to Stakeholders</i> " and " <i>Corporate Governance Policy – Continuous Disclosure</i> " which was summarised in the Company's Prospectus and like all of the Company's policies is available on the Company's website.



7	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>The Board in conjunction with the Audit and Risk Management Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.</p> <p>The Company has established policies for the oversight and management of material business risks. The Audit and Risk Management Charter of the Company was set out in the Company's Prospectus lodged with the ASX and is available on the Company's website.</p>
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<p>The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Board in conjunction with the Audit and Risk Committee. The Board and Audit and Risk Management Committee are required to assess risk management and associated internal compliance and control procedures and will be responsible for ensuring the process for managing risks is integrated within business planning and management activities.</p> <p>Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee at the first Board meeting subsequent to each Committee meeting.</p>
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	<p>Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee.</p> <p>The Board received the relevant assurance from the Managing Director and CFO.</p>
7.4	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	<p>Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee.</p> <p>The Board received the report under Recommendation 7.2 and will continue to ensure that the management or the executive director(s) provide the assurance under Recommendation 7.3 at the relevant time.</p>

8	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	The Board has established a separate Remuneration Committee.
8.2	<p>The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists of a majority of independent directors;</li> <li>• is chaired by an independent chair; and</li> <li>• has at least three members.</li> </ul>	<p>The members of the remuneration committee are Julian Bavin (Chair) and Robert Thomson who are both independent directors. The Committee Chair is separate from the Board Chair.</p>
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>The Committee distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company's Constitution and the Corporations Act also provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting.</p> <p>The Board is responsible for determining the remuneration of the executive directors (without the participation of the affected director).</p>
8.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	<p>The Remuneration Committee meets twice a year. A copy of the Remuneration Committee Charter was summarised in the Company's Prospectus lodged with the ASX and is available on the Company's website. The members of the Remuneration Committee are currently Mr Julian Bavin (Chair) and Mr Robert Thomson.</p> <p>A summary of the Company's policy on prohibiting transactions in associated products which operate to limit the risk of participating in unvested entitlements under any equity based remuneration scheme is contained within the Remuneration Committee Charter.</p>

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

For the year ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Revenue from continuing operations	4	60,513	175,416
Expenses from continuing operations	5	(2,799,091)	(2,531,820)
Loss before income tax		(2,738,578)	(2,356,404)
Income tax expense	6	-	-
Loss for the year		(2,738,578)	(2,356,404)
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax:			
Foreign currency translation reserve movement		(284,312)	137,133
<b>Total comprehensive loss for the year attributable to members of Estrella Resources Limited</b>		<b>(3,022,890)</b>	<b>(2,219,271)</b>

### Loss per share:

Basic loss per share (cents per share)	16	(2.8)	(2.7)
Diluted loss per share (cents per share)	16	(2.8)	(2.7)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
<b>Current assets</b>			
Cash and cash equivalents	18	1,107,203	2,487,476
Trade and other receivables	7	20,861	15,314
Other current assets	8	14,370	31,789
<b>Total current assets</b>		<b>1,142,434</b>	<b>2,534,579</b>
<b>Non-current assets</b>			
Receivables	9	180,898	35,412
Exploration and evaluation assets	10	2,183,853	1,505,638
Property, plant and equipment	11	57,789	46,816
<b>Total non-current assets</b>		<b>2,422,540</b>	<b>1,587,866</b>
<b>Total assets</b>		<b>3,564,974</b>	<b>4,122,445</b>
<b>Current liabilities</b>			
Trade and other payables	12	242,525	139,162
Provisions	13	34,745	50,171
<b>Total current liabilities</b>		<b>277,270</b>	<b>189,333</b>
<b>Non-current liabilities</b>			
Provisions	13	4,080	1,329
<b>Total non-current liabilities</b>		<b>4,080</b>	<b>1,329</b>
<b>Total liabilities</b>		<b>281,350</b>	<b>190,662</b>
<b>Net assets</b>		<b>3,283,624</b>	<b>3,931,783</b>
<b>Equity</b>			
Share capital	14	8,774,691	6,697,675
Reserves	15	427,030	413,627
Accumulated losses		(5,918,097)	(3,179,519)
<b>Total equity</b>		<b>3,283,624</b>	<b>3,931,783</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued capital \$	Accumulated losses \$	Option reserve \$	Foreign exchange reserve \$	Total \$
<b>Balance at 30 June 2012</b>	6,697,675	(823,115)	281,354	(32,261)	6,123,653
Loss for the year	-	(2,356,404)	-	-	(2,356,404)
Other comprehensive income for the year	-	-	-	137,133	137,133
Transactions with owners in their capacity as owners:					
Options issued during the year	-	-	27,401	-	27,401
<b>Balance at 30 June 2013</b>	6,697,675	(3,179,519)	308,755	104,872	3,931,783
Loss for the year	-	(2,738,578)	-	-	(2,738,578)
Other comprehensive income for the year	-	-	-	(284,312)	(284,312)
Transactions with owners in their capacity as owners:					
Options issued during the year	-	-	297,715	-	297,715
Shares issued during the year	2,234,550	-	-	-	2,234,550
Transaction costs on share issue	(157,534)	-	-	-	(157,534)
<b>Balance at 30 June 2014</b>	<b>8,774,691</b>	<b>(5,918,097)</b>	<b>606,470</b>	<b>(179,440)</b>	<b>3,283,624</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 1. Nature of Operations

The consolidated entity (the Group) consists of Estrella Resources Limited (the "Company") and the entity it controlled at the end of, or during, the year ended 30 June 2014. The Group's principal activities include copper exploration in Chile.

### 2. 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 financial report also incorporates the Company's fully owned subsidiary Estrella Resources (Chile) SpA (a Chilean company).

The registered and principal place of business is level 51, 19-29 Martin Place, Sydney, NSW, 2000. Estrella Resources' shares are listed on the ASX (ASX.ESR).

### 3. 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 2014 (including comparatives) were approved and authorised for issue by the Board of Directors on 29 September 2014.

#### 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.

### **3. Statement of significant accounting policies (continued)**

#### **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 20 for detail. 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.

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.

**3. Statement of significant accounting policies (continued)****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) Property, plant and equipment**

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation.

Depreciation is calculated on the diminishing balance method as follows:

- Computer equipment                      60%
- Motor Vehicles                              19%

The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

### **3. Statement of significant accounting policies (continued)**

#### **e) Exploration and Evaluation Expenditure**

Pre-licence costs are recognised in the consolidated statement of profit or loss and other comprehensive Income as incurred.

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.

#### **f) 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 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.

#### **g) 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.

**3. Statement of significant accounting policies (continued)****h) Trade and Other Receivables**

Trade and other receivables are stated at their cost less impairment losses.

**i) 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.

**j) Revenue**

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

**k) Operating expenses**

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



### **3. Statement of significant accounting policies (continued)**

#### **l) 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.

#### **m) 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.

**3. Statement of significant accounting policies (continued)****n) 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.

**o) 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 (refer to note 3m).
- Option reserve – The fair value of options granted to directors, officers and consultants is recognised as an expense with a corresponding increase in equity.

**3. Statement of significant accounting policies (continued)****p) Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Estrella Resources Limited at the end of the reporting period. A controlled entity is any entity over which Estrella Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**3. Statement of significant accounting policies (continued)****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.

### **3. Statement of significant accounting policies (continued)**

#### **r) 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.

#### **s) New and revised accounting standards and interpretations effective for these financial Statements**

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

- AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.



**3. Statement of significant accounting policies (continued)****s) New and revised accounting standards and interpretations effective for these financial Statements (continued)**

- AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly Controlled Entities-Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

The application of AASB 11 did not impact on the financial statements of the Group for the year ended 30 June 2014.

- AASB 12 Disclosure of interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

- Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

- AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

**3. Statement of significant accounting policies (continued)****s) New and revised accounting standards and interpretations effective for these financial Statements (continued)**

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The Group has applied AASB 13 for the first time in the current year.

- Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

The application of AASB 119 did not impact on the financial statements of the Group for the year ended 30 June 2014.

**3. Statement of significant accounting policies (continued)****t) Accounting standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018 and the IASB is yet to finalise the remaining phases of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 in Australia).

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.

- AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

### **3. Statement of significant accounting policies (continued)**

#### **t) Accounting standards and interpretations issued but not yet effective (continued)**

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets. When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity given that they are largely of the nature of clarification of existing requirements.

- AASB 1031 Materiality and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the entity.

Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations). When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the entity.

- AASB 2014-1 Amendments to Australian Accounting Standards

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

**3. Statement of significant accounting policies (continued)****t) Accounting standards and interpretations issued but not yet effective (continued)**

Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. In contrast, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of AASB 119 for the gross benefit.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018.

The entity has not yet assessed the full impact of these amendments.



### **3. Statement of significant accounting policies (continued)**

#### **t) Accounting standards and interpretations issued but not yet effective (continued)**

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 Business Combinations, should:

- a) apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- b) provide disclosures for business combinations as required by IFRS 3 and other IFRSs.

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.

- IFRS 15 – Revenue from Contracts with Customers

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

IFRS 15:

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In the Australian context, the Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers).

When this standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

**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.

The consolidated entity incurred a loss of \$2,738,578 for the year ended 30 June 2014 (2013: \$2,356,404) and had net cash outflows from operating activities of \$1,856,092 (2013: \$921,554).

The consolidated entity is able to continue to pay its debts as and when they fall due, however will need to successfully raise additional share capital to ultimately successfully develop its exploration assets.

The accounts have been prepared on the basis that the consolidated entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

## 4. Revenue

	30 June 2014	30 June 2013
	\$	\$
Interest income	45,613	148,733
Foreign exchange gain	14,377	26,683
Other	523	-
	<b>60,513</b>	<b>175,416</b>

## 5. Result for the period

Loss before income tax includes the following specific expenses:

	30 June 2014	30 June 2013
	\$	\$
Administrative and corporate costs	1,817,502	1,119,922
Impairment of exploration and evaluation assets	630,861	1,328,017
Depreciation of non-current assets	11,213	13,168
<b>Share based payments:</b>		
- Consultants	21,035	3,000
<b>Employee benefit expenses:</b>		
Post-employment benefits		
- Superannuation	41,799	43,312
<b>Share based payments:</b>		
- Employee share based payments	276,681	24,401
	<b>2,799,091</b>	<b>2,531,820</b>

## 6. Income tax expense

	30 June 2014	30 June 2013
	\$	\$
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	(2,738,578)	(2,356,404)
Prima facie tax payable on profit before income tax at 30%	(821,573)	(706,921)
Tax effect - permanent differences	83,159	8,220
Tax effect of tax losses and temporary differences not recognised	738,414	698,701
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The amount of tax losses carried forward as at 30 June 2014 amount to \$3,840,535 (2013: \$2,125,555).

## 7. Trade and other receivables

	30 June 2014	30 June 2013
	\$	\$
GST receivable	20,861	15,314

## 8. Other current assets

	30 June 2014	30 June 2013
	\$	\$
Prepayments	14,370	31,789

## 9. Non-current receivables

	30 June 2014	30 June 2013
	\$	\$
VAT receivable (Chile)	180,898	35,412

**10. Exploration and evaluation assets**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	\$	\$
<b>Exploration and evaluation assets</b>		
Balance at the beginning of the year	1,505,638	1,167,008
Foreign exchange movement on opening balance	(116,069)	-
Additions – at cost	1,425,145	1,666,647
Impairment of exploration and evaluation assets	(630,861)	(1,328,017)
<b>Balance at the end of the year</b>	<b>2,183,853</b>	<b>1,505,638</b>

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 shall conduct impairment testing on an annual basis when indicators of impairment are present at the reporting date.

During the reporting period, the Board assessed the carrying value of the Venus, Luna, Inca and Jupiter Project to \$nil resulting in an impairment charge of \$630,861.



**11. Property, plant and equipment**

	<b>Computer Hardware</b>	<b>Field Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Gross Carrying Amount</b>				
Balance at 1 July 2013	10,438	1,312	49,321	61,071
Net foreign currency exchange differences	-	(131)	(6,469)	(6,600)
Additions	-	33,192	-	33,192
<b>Balance at 30 June 2014</b>	<b>10,438</b>	<b>34,373</b>	<b>42,852</b>	<b>87,663</b>

**Depreciation and impairment**

Balance at 1 July 2013	4,941	144	9,170	14,255
Net foreign currency exchange differences	-	(14)	4,420	4,406
Depreciation expense	2,830	3,875	4,508	11,213
<b>Balance at 30 June 2014</b>	<b>7,771</b>	<b>4,005</b>	<b>18,098</b>	<b>29,874</b>

**Carrying amount**

30 June 2013	5,497	1,168	40,151	46,816
<b>30 June 2014</b>	<b>2,667</b>	<b>30,368</b>	<b>24,754</b>	<b>57,789</b>

Aggregate depreciation allocated, whether recognised as an expense, or capitalised as part of the carrying amount of other assets during the year.

	<b>30 June 2014</b>	<b>30 June 2013</b>
	\$	\$
<b>Plant and equipment</b>	<b>57,789</b>	<b>46,816</b>

**12. Trade and other payables**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	\$	\$
<b>Current</b>		
Trade payables	124,966	112,115
Accruals	117,559	27,047
<b>Total</b>	<b>242,525</b>	<b>139,162</b>

### 13. Provisions

	30 June 2014	30 June 2013
	\$	\$
<b>Current</b>		
Employee benefits	29,510	28,567
Other provisions	5,235	21,604
	<b>34,745</b>	<b>50,171</b>
<b>Non-Current</b>		
Employee benefits	4,080	1,329

### 14. Issued capital

	30 June 2014	30 June 2013
	\$	\$
108,278,728 fully paid ordinary shares (2013: 87,101,000)	9,899,551	7,665,001
Share issue costs	(1,124,860)	(967,326)
	<b>8,774,691</b>	<b>6,697,675</b>

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.

	30 June 2014	30 June 2014	30 June 2013	30 June 2013
	Number	\$	Number	\$
<b>Fully paid ordinary shares</b>				
Balance as at the beginning of the reporting period	87,101,000	6,697,675	87,101,000	6,697,675
Shares issued during the period and fully paid	21,177,728	2,234,550	-	-
Share issue costs	-	(157,534)	-	-
	<b>108,278,728</b>	<b>8,774,691</b>	<b>87,101,000</b>	<b>6,697,675</b>

**14. Issued Capital (continued)**

**a)** The following ordinary shares were issued during the reporting period:

- i. On 3 October 2013, the Company allotted 9,500,000 fully paid ordinary shares at an issue price of \$0.10 per share raising \$950,000.
- ii. On 30 April 2014, the company allotted 11,132,271 fully paid ordinary shares at an issue price of \$0.11 per share raising \$1,224,549.
- iii. On the 26 May 2014, the company allotted 545,457 fully paid ordinary shares at an issue price of \$0.11 per share raising \$60,000.

There were no ordinary shares issued during the 2013 comparative period.

**b) Options**

The total number of unlisted options on issue at the end of the reporting period was 12,380,000. For details of unlisted options issued as part of share based payments, refer to Note 20.

**c) 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

**15. Reserves**

	30 June 2014	30 June 2013
<b>Summary</b>		
	\$	\$
Option reserve	264,007	242,972
Employee equity-settled reserve	342,463	65,783
Total option reserve	606,470	308,755
Foreign currency translation	(179,440)	104,872
	<b>427,030</b>	<b>413,627</b>
<b>Option reserve</b>		
Balance at beginning of year	242,972	239,972
Options allotted*	21,035	3,000
<b>Balance at end of year</b>	<b>264,007</b>	<b>242,972</b>
*Refer to notes below.		
<b>Employee equity settled reserve*</b>		
Balance at beginning of year	65,783	41,382
Share based payments	276,680	24,401
<b>Balance at end of year</b>	<b>342,463</b>	<b>65,783</b>
*Further information about share-based payments to employees is made in note 20 to the financial statements.		
<b>Foreign currency translation reserve</b>		
Balance at beginning of year	104,872	(32,261)
Loss/(gain) on translation of overseas controlled entity	(284,312)	137,133
<b>Balance at end of year</b>	<b>(179,440)</b>	<b>104,872</b>

**Notes**
**2014**

i. On 7 March 2014, the Company granted 100,000 unlisted options over ordinary shares with an exercise price of \$0.35 each, exercisable on or before 7 March 2017, to Mr Justin Clyne who provides company secretarial services to the Company. These unlisted options have been valued at \$3,270 using the Black-Scholes methodology, with \$515 recognised on the financial year.

ii. On 3 October 2013, the Company granted 475,000 unlisted options over ordinary shares with an exercise price of \$0.20 each, exercisable on or before 3 October 2018, to Helmsec Global Capital Limited (or its nominees), as the lead Manager for advisory services. These options have been valued at \$20,520 using the Black-Scholes methodology

**2013**

On 18 April 2013, the Company granted 100,000 unlisted options over ordinary shares with an exercise price of \$0.35 each, exercisable on or before 18 April 2016, to Mr Justin Clyne who provides company secretarial services to the Company. These unlisted options have been valued at \$3,000 using the Black-Scholes methodology.

**16. Earnings per share**

	<b>30 June 2014</b> <b>Cents per share</b>	<b>30 June 2013</b> <b>Cents per share</b>
Basic (loss) per share	(2.8)	(2.7)
Diluted (loss) per share	(2.8)	(2.7)

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	(\$2,738,578)	(\$2,356,404)
Loss used in calculating basic and diluted loss per share	(\$2,738,578)	(\$2,356,404)
Weighted average number of ordinary shares used as the denominator in calculating basic and dilutive loss per share	96,524,966	87,101,000

The following potential ordinary shares 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:

	<b>30 June 2014</b> <b>Number</b>	<b>30 June 2013</b> <b>Number</b>
\$0.25 Unlisted Options, granted 12 Sep 2011	3,600,000	3,600,000
\$0.25 Unlisted Options, granted 25 Oct 2011	1,000,000	1,000,000
\$0.20 Unlisted Options, granted 25 Oct 2011	600,000	600,000
\$0.20 Unlisted Options, granted 19 Dec 2011	505,000	505,000
\$0.20 Unlisted Options, granted 09 May 2012	1,500,000	1,500,000
\$0.35 Unlisted Options, granted 18 April 2013	450,000	450,000
\$0.20 Unlisted Options, granted 03 October 2013	475,000	-
\$0.35 Unlisted Options, granted 21 November 2013	3,000,000	-
\$0.35 Unlisted Options, granted 18 December 2013	500,000	-
\$0.35 Unlisted Options, granted 7 March 2014	750,000	-
<b>Total</b>	<b>12,380,000</b>	<b>7,655,000</b>



## 17. Expenditure commitments

### a) Mining Concessions

- i. The Altair Project consists of two Option Agreements with Sociedad Quimica y Minera de Chile S.A. (SQM).
- ii. The commercial terms of the Option Agreements are to earn 100% interest in all individual metal projects discovered within the Altair Project (subject to either a 49% claw back right or, alternatively, royalty payments to SQM). Dania and Ivannia tenements within the Altair Project are under a 4 year Option Period with the remainder under a 5 year Option Period ending in March 2018.

#### Project Altair Option Fees and Exploration Expenditure Contingent

##### Commitments (maximum)

**30 June 2014**
**\$**

##### Option Fees Payable:

- |                                    |            |
|------------------------------------|------------|
| - not later than 12 months         | 842,435*   |
| - between 12 months and five years | 7,266,848* |

##### Expenditure Commitments

- |                                    |             |
|------------------------------------|-------------|
| - not later than 12 months         | 1,684,870*  |
| - between 12 months and five years | 32,538,412* |

#### Project Altair Option Fees and Exploration Expenditure Contingent

##### Commitments (maximum)

**30 June 2013**
**\$**

##### Option Fees and Expenditure Payable:

- |                                    |             |
|------------------------------------|-------------|
| - not later than 12 months         | 1,106,744*  |
| - between 12 months and five years | 59,338,069* |

\* The above amounts are a maximum contingent exposure if the Group retains the entire land package at Project Altair for the entire period of the relevant Option Agreements. The Group has the unfettered right to reduce some/all of these option fees and exploration expenditure commitments at any time by the relinquishment of part or all of tenement areas within the Altair Project to such an extent that, if for example the Group in its absolute discretion determines, to relinquish all of Project Altair then all such future commitments would be extinguished in full. The Group is continuously reviewing its tenement package at the Altair Project. The Group may at any time during the 5 year period of the Option Agreements exercise its right to acquire parts of Project Altair upon each metal discovery with the then future commitment to option fees and exploration expenditure being extinguished in full. In addition, upon each metal discovery the "claw back" rights of SQM becomes a factor in also reducing the then ongoing future exploration commitment by the Group. In effect, the Company's expenditure commitment at Project Altair will be dependent on the size of the tenement holding at the time of payment. Any decision to reduce the size of the tenement holdings will be subject to exploration results.

## 17. Expenditure commitments (continued)

### b) Equity raising mandate agreement

In accordance with the Mandate Letter with Helmsec Global Capital Limited dated 22 August 2011 for corporate advice, equity capital raising and corporate advisory (all at industry standard commercial rates) for the Group, the Company is required to pay \$8,000 per month for 2 years following the listing of the Company on the ASX. The terms of the mandate were amended on 14 April 2014; Helmsec waived any future entitlements on capital raisings in return that Estrella pay \$3,000 per month for a period of 6 months terminating on 31 October 2014.

In accordance with the Mandate Letter with Bell Potter Securities dated 20 March 2014 to act as exclusive corporate advisor for the Group, the Company is required to pay \$5,000 per month for a term of 12 months from May 2014.

## 18. 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 2014	30 June 2013
	\$	\$
Cash at bank and in hand	1,107,203	2,487,476

**18. Notes to the statement of cash flow (continued)**
**b) Reconciliation of loss for the period after income tax to cash flows used in operating activities**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Loss for the period</b>	(2,738,578)	(2,356,404)
Depreciation of non-current assets	11,213	13,168
Impairment of exploration and evaluation assets	630,861	1,328,017
Foreign currency translation	(14,377)	(23,734)
Equity settled share based payments	297,715	27,401
(Increase)/decrease in assets:		
Current and non-current receivables	(151,033)	37,966
Prepayments	17,419	458
Increase/(decrease) in liabilities:		
Current payables	103,363	27,004
Current and non-current provisions	(12,675)	24,570
<b>Net cash used in operating activities</b>	<b>(1,856,092)</b>	<b>(921,554)</b>

**c) Non-cash financing and investing activities**

There were no non-cash financing and investing activities during the reporting period. (2013: Nil)

**19. 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
- Foreign exchange rate 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

**19. Financial instrument risk management (continued)**

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
2014	%	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash and cash equivalents	2.54%	1,107,203	-	-	-	-	1,107,203
Trade and other receivables		-	-	-	-	201,759	201,759
		<b>1,107,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,759</b>	<b>1,308,962</b>
<b>Financial liabilities</b>							
Trade and other payables		-	-	-	-	242,525	242,525
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,525</b>	<b>242,525</b>



**19. Financial instrument risk management (continued)**
**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
2013	%	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash and cash equivalents	2.76%	2,487,476	-	-	-	-	2,487,476
Trade and other receivables		-	-	-	-	50,726	50,726
		<b>2,487,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,726</b>	<b>2,538,202</b>
<b>Financial liabilities</b>							
Trade and other payables		-	-	-	-	139,162	139,162
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,162</b>	<b>139,162</b>

**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.

**19. Financial instrument risk management (continued)****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 Managing Director has been delegated the authority for designing and implementing processes which follow the objectives and policies.

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 2014 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 2014, 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 \$17,973 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.

**19. Financial instrument risk management (continued)**

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 does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. 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.

***Sovereign risk***

The Company's mining/resource operations are based solely in Chile and are subject to the risks associated with operating in a foreign country. Whilst Chile is considered one of South America's most politically stable nations, the Company cannot guarantee that the legal and regulatory requirements in Chile will not change which may affect the Company's operations.

These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control of mineral properties, or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Adverse changes in government policies or legislation in Chile affecting foreign ownership of mineral interests, taxation, profit, repatriation, royalties, land access, labour relations and mining and exploration activities may affect the operation of the Company.

***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.

**19. Financial instrument risk management (continued)*****Commodity price volatility risk***

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for commodities such as copper and gold, changes in global copper and gold mining capacity, forward selling by producers and production cost levels in major metal – producing regions.

Moreover, commodity prices are also affected by macro-economic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

***Foreign exchange rate risk***

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the Group's measurement currency.

## 20. Share based payments

### *Employee share option plan*

The Employee Share Option Plan (**ESOP**) was established on 8 March 2012. 4,250,000 options were issued under the ESOP during the reporting period.

### *Other share based payment 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:

	2014	2013
	Number of Options	Number of Options
Balance at beginning of the reporting period	7,655,000	7,205,000
Granted during the financial year	4,725,000	450,000
Expired during the financial year	-	-
<b>Balance at end of the reporting period</b>	<b>12,380,000</b>	<b>7,655,000</b>

The following share-based payment arrangements were in existence during the reporting period:

Options series	Number	Grant date	Expiry date	Exercise price	Fair value of options granted/vested date**
12 Sep 2011*	3,500,000	12 Sep 2011	12 Sep 2014	\$0.25	\$41,382
12 Sep 2011	100,000	12 Sep 2011	12 Sep 2014	\$0.25	\$ 1,910
25 Oct 2011	1,000,000	25 Oct 2011	25 Oct 2014	\$0.25	\$19,100
25 Oct 2011	600,000	25 Oct 2011	25 Oct 2016	\$0.20	\$12,322
19 Dec 2011	505,000	19 Dec 2011	19 Dec 2016	\$0.20	\$14,640
09 May 2012	1,500,000	09 May 2012	09 May 2017	\$0.20	\$192,000
18 Apr 2013	450,000	18 Apr 2013	18 Apr 2016	\$0.35	\$13,500
03 Oct 2013	475,000	03 Oct 2013	03 Oct 2018	\$0.20	\$20,520
21 Nov 2013	3,000,000	21 Nov 2013	21 Nov 2018	\$0.35	\$256,800
18 Dec 2013	500,000	18 Dec 2013	18 Dec 2016	\$0.35	\$18,700
07 Mar 2014	750,000	07 Mar 2014	07 Mar 2017	\$0.35	\$24,525
	<b>12,380,000</b>				

\*Options granted to employees prior to the establishment of the ESOP.

\*\*The fair value at grant date/vested date has been calculated using the Black & Scholes methodology. Volatility has been calculated with reference to comparable entities.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

### 20. Share based payments (continued)

Inputs into the model	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series	Option series
<b>Grant date</b>	12 Sep 11	25 Oct 11	25 Oct 11	19 Dec 11	09 May 12	18 Apr 13	03 Oct 13	21 Nov 13	18 Dec 13	7 Mar 14
<b>Exercise price</b>	\$0.25	\$0.20	\$0.25	\$0.20	\$0.20	\$0.35	\$0.20	\$0.35	\$0.35	\$0.35
<b>Expected volatility</b>	109%	76%	109%	95%	76%	60%	69%	69%	69%	69%
<b>Option life</b>	3 years	5 years	3 years	5 years	5 years	3 years	5 years	5 years	3 years	3 years
<b>Risk-free interest rate</b>	4.75%	3.47%	4.75%	4.75%	3.47%	2.75%	2.5%	2.5%	2.5%	2.5%

### 21. Related party disclosures

The key management personnel of the Company during the reporting period were:

#### a) Key Management Personnel

Directors	Position
R Thomson	Independent Non-Executive Chairman <sup>1</sup>
Dr J Berton	Managing Director
J Bavin	Non-Executive Director
G Solomon	Non-Executive Chairman (resigned 30 June 2014)
S Kidston	Non-Executive Director (resigned 14 April 2014)
<b>Executives</b>	
J Clyne	Company Secretary

1. R Thomson was appointed as an Independent Non-Executive Director on 13 March 2014, and was then appointed as the company's Independent Non-Executive Chairman on 30 June 2014.

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:

	2014	2013
	\$	\$
Short-term key management personnel benefits	497,823	584,637
Post-employment benefits	33,795	37,121
Share-based payment expense	259,248	26,801
<b>Total</b>	<b>790,866</b>	<b>648,559</b>

## 21. Related party disclosures (continued)

### c) Equity interests in related parties

Nil.

## 22. 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 mineral exploration in South America. All segment assets, segment liabilities and segment results relate to one business segment and therefore no segment analysis has been prepared.

## 23. Auditor's remuneration

	2014 \$	2013 \$
<b>Remuneration of the auditor for the Group for:</b>		
Audit or review of the financial report	46,780	53,030
<b>Total</b>	<b>46,780</b>	<b>53,030</b>

The auditor of the Group is Grant Thornton Audit Pty Ltd.

## 24. Parent company information

	2014	2013
	\$	\$
<b>Statement of Financial Position</b>		
Current Assets	994,742	2,289,680
Non-current assets	2,656,972	2,522,498
<b>Total Assets</b>	<b>3,651,714</b>	<b>4,812,178</b>
Current Liabilities	86,740	92,120
Non-current liabilities	-	1,329
<b>Total liabilities</b>	<b>86,740</b>	<b>93,449</b>
<b>Net Assets</b>	<b>3,564,974</b>	<b>4,718,729</b>
<b>Equity</b>		
Issued capital	8,774,691	6,697,675
Option reserve	264,007	242,972
Employee equity-settled reserve	342,463	65,783
Accumulated losses	(5,816,187)	(2,287,701)
<b>Total Equity</b>	<b>3,564,974</b>	<b>4,718,729</b>
<b>Statement of Profit or Loss and other Comprehensive Income</b>		
Loss for the year	(3,528,486)	(1,138,599)
<b>Total Comprehensive Loss</b>	<b>(3,528,486)</b>	<b>(1,138,599)</b>

## 25. Controlled entities

Controlled entities	Country of incorporation	Percentage owned
Estrella Resources (Chile) SpA	Chile	100%

The controlled entity listed above was incorporated by Estrella Resources Limited, and as such was not acquired for any consideration.

## 26. Events after the reporting period

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## 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 2014 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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2014.
3. The consolidated financial statements comply with International Financial Reporting Standards.

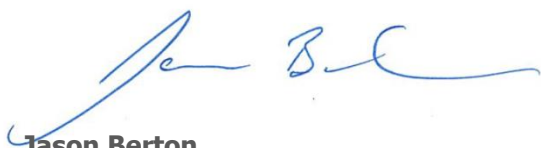
Signed in accordance with a resolution of the Directors:



**Robert Thomson**

Non-executive Chairman

Dated this 29 day of September 2014



**Jason Berton**

Managing Director

Dated this 29 day of September 2014

Level 17, 383 Kent Street  
Sydney NSW 2000

Correspondence to:  
Locked Bag Q800  
QVB Post Office  
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## **Independent Auditor's Report To the Members of Estrella Resources Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Estrella Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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.

### **Directors' responsibility 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 Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- a the financial report of Estrella Resources Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 39 to 47 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 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.



Grant Thornton

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Estrella Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*G S Layland*

G S Layland  
Director - Audit & Assurance

Sydney, 29 September 2014

## SHAREHOLDER INFORMATION

Additional information, current as 19 September 2014 required by the ASX is as follows:

### 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.*

Total number of Shareholders	<b>358</b>
Total number of Optionholders	<b>29</b>

	<b>Total Units</b>	<b>Percentage %</b>
<b>Substantial Shareholders</b>		
Citicorp Nominees Pty Limited	8,861,286	8.184
JP Morgan Nominees Australia Limited	7,973,438	7.364
HSBC Custody Nominees Australia Limited	7,105,154	6.562
	<b>23,939,878</b>	<b>22.1095</b>
<b>Total Shares on Issue</b>	<b>108,278,728</b>	<b>100.00</b>

**The number of Shareholders with less than a marketable parcel of shares: 19**

### Holdings Ranges

	<b>Holders</b>	<b>Total Units</b>	<b>Percentage %</b>
Unmarketable (<10,000)*	19	95,297	0.088011
Marketable (> 4,545)	339	108,183,431	99.911898
<b>Total</b>	<b>358</b>	<b>108,278,728</b>	<b>100.000</b>

\*based on the 19/09/2014 closing price of \$0.050 per share an unmarketable parcel is one of 10,000 or fewer shares

### Distribution of Shareholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	2	250	0.000
1,001-5,000	10	42,000	0.039
5,001-10,000	127	1,253,047	1.157
10,001-100,000	111	4,882,517	4.509
100,001 and over	108	102,100,914	94.295
<b>Total</b>	<b>358</b>	<b>108,278,728</b>	<b>100.000</b>

### Distribution of Optionholders

Holdings Ranges	Holders	Total Units	Percentage %
1-1,000	0	0	0.000
1,001-5,000	0	0	0.000
5,001-10,000	2	10,752	0.122
10,001-100,000	8	364,825	4.155
100,001 and over	19	8,404,423	95.722
<b>Total</b>	<b>29</b>	<b>8,780,000</b>	<b>100.000</b>

### Top Option Holders

	Total Units	Percentage %
Conrad Corporation Pty Limited	1,118,225	12.736
Mr Julian Bavin	1,600,000	18.223
Mr Jason Robert Berton	1,000,000	11.389
KFT Capital Pty Limited	858,850	9.781
	<b>4,577,075</b>	<b>52.130</b>
<b>Total</b>	<b>8,780,000</b>	<b>100.00</b>

## Top 20 Shareholders

**Total Units    Percentage**

		<b>%</b>
Citicorp Nominees Pty Limited	8,861,286	8.184
J P Morgan Nominees Australia Limited	7,973,438	7.364
HSBC Custody Nominees (Australia) Limited	7,105,154	6.562
WXH Holdings Pty Ltd	5,000,000	4.618
GJN Holdings Pty Limited <Patterson Business A/C>	4,835,000	4.465
Rocky Rises Pty Limited	4,825,000	4.456
Equity Trustees Limited <Lowell Resources Fund A/C>	4,555,788	4.207
Morgan Stanley Australia Securities (Nominee) Pty Limited	4,250,241	3.925
Pershing Australia Nominees Pty Ltd	3,894,481	3.597
HSBC Custody Nominees (Australia) Limited	3,846,205	3.552
Navigator Australia Ltd <MLC Investment Sett A/C>	2,748,242	2.538
UBS Wealth Management Australia Nominees Pty Ltd	2,663,636	2.460
Essen Consultancy Limited	2,650,000	2.447
Naroda Pty Ltd	2,000,000	1.847
Pershing Australia Nominees Pty Ltd	1,700,000	1.570
Clare Louise Offer	1,418,750	1.310
Mr Richard George Michael Offer	1,418,750	1.310
Mr Juan Pablo Vargas De La Vega	1,350,000	1.247
Fulcrum Resources Limited	1,325,000	1.224
Mersound Pty Ltd	1,110,000	1.025
<b>Top 20 Shareholders</b>	<b>73,530,971</b>	<b>67.909</b>
<b>Total Issued Capital</b>	<b>108,278,728</b>	<b>100.00</b>



## CORPORATE DIRECTORY

### Directors

<b>Robert Thomson</b>	Non-Executive Chairman
<b>Dr. Jason Berton</b>	Managing Director
<b>Julian Bavin</b>	Non-Executive Director

### Executives

<b>Justin Clyne</b>	Company Secretary
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**ABN: 39 151 155 207**

### Principal Place of Business

Lvl 51, 19-29 Martin Place  
 Sydney NSW 2000  
 E: [admin@estrellaresources.com.au](mailto:admin@estrellaresources.com.au)

### Chilean Place of Business

SPCC  
 Santa Beatriz 294  
 Providencia Santiago, Chile

### Australian Accountants

CBC Partners Pty Ltd  
 L 11, 22 Market Street Sydney NSW 2000  
 T: +61 2 8263 1000 F: +61 2 9262 2611

### Chilean Solicitors

Cariola Diez Perez-Cotapos  
 Avenida Andres Bello 2711, piso 19  
 Santiago, Chile  
 T: +56 2 2360 4000

### Share Register

Boardroom Limited  
 L 7, 207 Kent Street Sydney NSW 2000  
 T: 1300 737 760 F: 1300 653 459  
 International: +61 2 9290 9600

### Bankers

ANZ Banking Corporation  
 Citi Bank

### Auditor

Grant Thornton Audit Pty Ltd  
 L 17, 383 Kent Street Sydney NSW 2000  
 T: +61 2 8297 2400 F: +61 2 9299 4445

### Website address

[www.estrellaresources.com.au](http://www.estrellaresources.com.au)

### Stock Exchange Listing

Estrella Resources Limited shares are listed on the Australian Securities Exchange (ASX Code: ESR).

