

Chile's star in copper-gold

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ASX ANNOUNCEMENT

14 October 2014

Estrella signs Memorandum of Understanding with SQM to remove the 49% claw back from the Antucoya West prospect.

HIGHLIGHTS

- ✓ Memorandum of Understanding (**MoU**) signed with SQM to remove 49% claw back for the Antucoya West prospect.
- ✓ Estrella will hold 100% rights to explore Antucoya West for base and precious metals.
- ✓ A total of **5,200** hectares will be signed up under a new 4 year Option Agreement for Antucoya West, which is immediately adjacent to Antofagasta Minerals' (LON:ANTO) USD\$1.9B, Antucoya mine development.
- ✓ New arrangement greatly improves Estrella's ability to attract third party investors.

1. Introduction

Estrella Resources Limited (**ASX:ESR**) (**Estrella** or **the Company**) is pleased to announce that it has signed a MoU for a 4 year Option Agreement with SQM de Chile S.A (**SQM**) to acquire 100% interest in all metal discoveries in the Antucoya West Prospect (**Antucoya West** or **Project**) located in Region II of Chile (see Figure 1), immediately west of the Antucoya mine development (owned by Antofagasta Minerals LON:ANTO).

Antucoya West is a significant porphyry exploration prospect discovered by Estrella within the Altair Project since 15 February 2013, when the Altair Project was signed up under a 5 year Option Agreement with SQM (see ASX announcement 18 February 2013). All prospects within the Altair Project are subject to a 49% clawback by SQ, however, this new MOU will result in removal of the 49% claw back for the Antocoya West Prospect under a new 4 year Option Agreement contract, which is to be finalised within 45 days.

As part of the transaction, SQM will be issued 4.9% of Estrella shares. These shares will be subject to a three month escrow. Estrella sees this as a great vote of confidence by SQM in Estrella's exploration progress to date and a strengthening of the long-term relationship with SQM.



Figure 1: Estrella's Altair Project (which includes Antucoya West) lies within a well-established mining district in northern Chile; close to infrastructure and close to the Chilean coastline.



Figure 2: The Altair Project is situated close to the coast in Region II, northern Chile.

2. Locality of Antucoya West

Antucoya West lies immediately west of Antofagasta Minerals' (LON: ANTO) Antucoya mine development (USD 1.9B Capex) (not Estrella owned). Estrella will separate 5,200 hectares (see Figure 3) from the current Altair Option Agreement, which will form the new Antucoya West Option Agreement to be signed within the next 45 days.

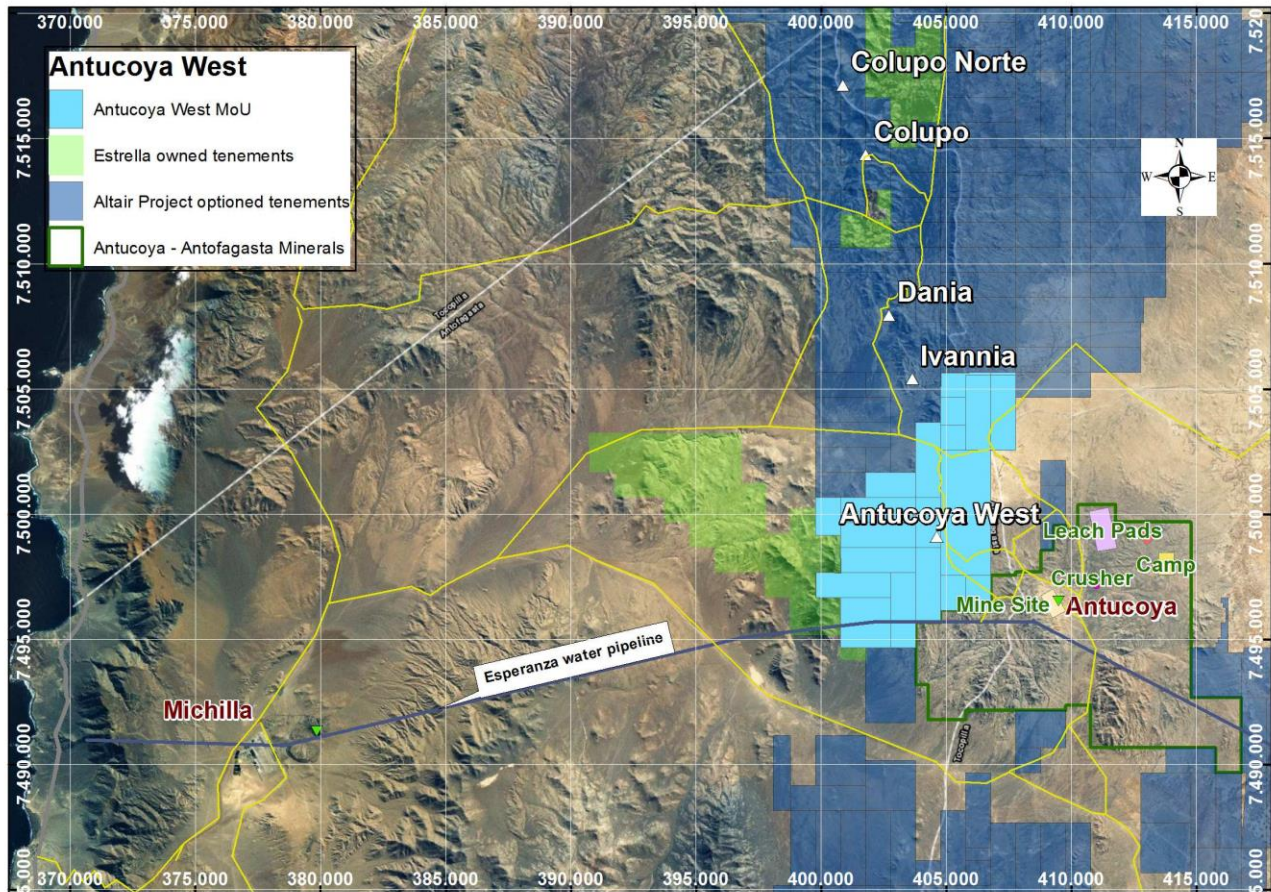


Figure 3: Antucoya West prospect lies immediately adjacent to Antofagasta Minerals' Antucoya mine development and 30 km from the Chilean coast.

3. Prospectivity of Antucoya West

Since entering the Altair Option Agreement (15 February 2013) Estrella has progressed exploration at Antucoya West from early greenfields stage to identification of multiple drill ready porphyry targets (see Figure 4). Estrella's exploration work that has led to this stage includes:

- Airborne magnetic data acquisition and processing.
- Ground Vector Induced Polarisation (VIP) and Electrical Resistivity surveys.
- Electrical Resistivity and Magnetotelluric (MT) inversion modelling.
- Ground mapping and surface geochemical assessment.
- 38 shallow depth (max 20 metres) reverse circulation (RC) drill holes to penetrate the 'caliche' gravel cover, which successfully detected anomalous copper mineralisation (up to 0.15% Cu). (See ASX announcement; 5 August 2014).

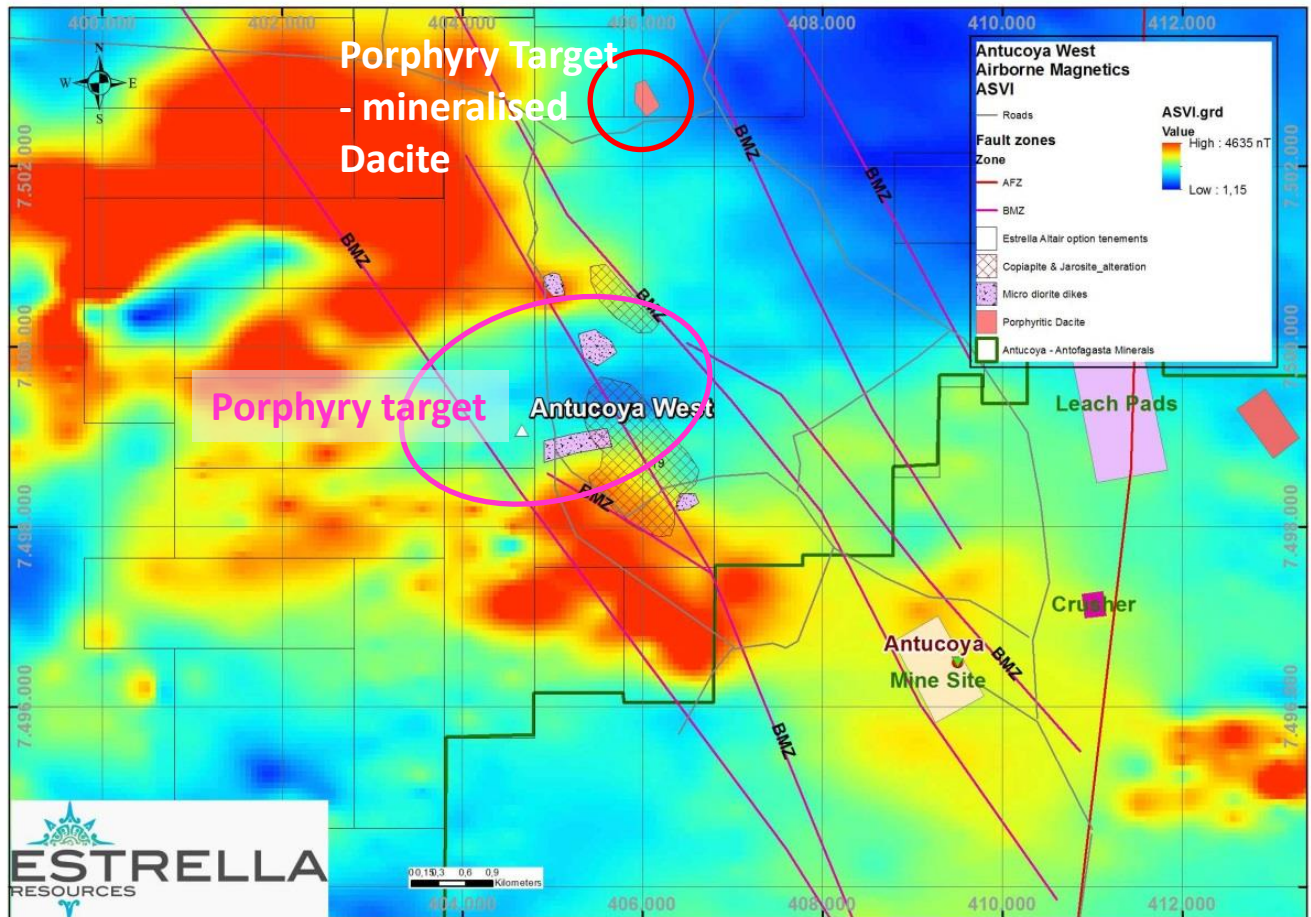


Figure 4: Antucoya West has multiple porphyry targets situated along the Buoy Muerto Fault zone (BMZ) which also hosts the Antucoya Porphyry project (not Estrella owned).

4. Terms

Estrella has signed a MoU to enter into a 4 year Option Agreement with SQM for the Antucoya West prospect. The MOU will now be converted into a formal, binding Option Agreement. Under the Option Agreement, Estrella will be required to pay SQM an option fee over a 4 year period. The option fee is based on the total hectares in annual instalments detailed in Table 1.

Table 1: Option Fee Rate

Milestone Date	Rate (USD per ha)
Signing of the Option Agreement	10
Month 12	25
Month 24	50
Month 36	100
Month 48	200

Subject to the terms of the Option Agreement, Estrella will have the right to earn 100% of any metals found within the Antucoya West prospect. SQM will be entitled to an annual royalty stream payable on revenue, based on a sliding scale depending on the LME metal copper and gold prices. The copper and gold metal prices will be indexed to the annual United States (US) consumer price index (CPI) as published by the US Department of Labour Statistics. The royalty scale will remain unchanged from the Altair Option Agreement (and previously announced).

During the term of the Antucoya West Option Agreement, ESR is required to meet the minimum expenditure requirements for the area held under option. These expenditures include all exploration, mining study and development work to be undertaken on the Project. The minimum expenditure shall be based on a dollar per hectare rate for any area held at each milestone date. Table 2 details the required minimum expenditure payments.

Table 2: Minimum Expenditure

Milestone Date	Expenditure Rate (USD per ha)
Month 12	100
Month 24	200
Month 36	400
Month 48	600

Non-metallic minerals such as nitrates, iodine and lithium are not part of the transaction and SQM will maintain at all times a 100% interest in these non-metallic minerals.

SQM will also be issued with a 4.9% shareholding in Estrella on entering the Antucoya West Option Agreement. These shares will be subject of a three months escrow. The Antucoya West MOU, although not formally binding in its own right, is anticipated to be replaced by the formal, binding option Agreement within 45 days.

5. Comment

Estrella's Managing Director, Dr. Jason Berton said"

"The removal of the 49% claw back from the Antucoya West prospect is a welcome progression in the status of the prospect; it provides the market with certainty about the projects' equity distribution and Estrella is grateful to SQM for bringing forward their decision not to exercise the claw back. Estrella is now in an excellent position to seek third party interest to invest in the Antucoya West prospect.

Estrella is also very pleased that SQM will now hold equity in Estrella because it signals the growing strength of our strategic relationship with SQM."

Competent Person's Statement

Exploration information in this announcement is based upon and fairly represents, information, supporting documentation and work undertaken by Dr. Jason Berton, the Managing Director and a full-time employee of Estrella Resources Limited whom is a Member of the Australasian Institute of Metallurgy and Mining (AusIMM). Dr Berton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Dr Berton consents to the inclusion in this presentation of the statements based on his information and context in which they appear. Estrella is not aware of any new information or data that materially affects the Antucoya West project that has not previously been released to the market.

About Estrella Resources

Estrella Resources Limited is an ASX listed, Chilean focused copper-gold exploration company. Estrella has a number of exploration projects in Chile. With a highly experienced board, a strong operational and management team and a sole focus on Chilean copper and gold projects, the Company is well positioned to develop its projects and add value for shareholders.

Directors and Management

Independent Non-Executive
Chairman:
-Robert Thomson

Independent Non-Executive
Director:
-Julian Bavin

Managing Director
-Dr. Jason Berton

Company Secretary
-Heath Roberts

ESTRELLA RESOURCES LIMITED
ACN 151 155 207

ASX CODE: ESR

ORDINARY FULLY PAID SHARES:
108,278,728

UNLISTED OPTIONS:
8,780,000