

ASX Release: 31 July 2023

Estrella Resources Limited

ABN 39 151 155 207

ASX Code: ESR

Board and Management

Managing Director
Christopher Daws

Non-Executive Directors

Les Pereira
John Kingswood

Company Secretary
Stephen Brockhurst
Benjamin Smith

Address
Level 8, London House
216 St Georges Terrace Perth
WA 6000
PO Box 2517 Perth WA 6831

Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103

info@estrellaresources.com.au
www.estrellaresources.com.au

QUARTERLY ACTIVITIES REPORT

Quarter ending 30 June 2023

HIGHLIGHTS

- **5A Definitive Feasibility Study advanced**
 - Underground decline from the 5A Pit selected as the preferred mining method
 - Underground operations offer less dilution of the high-grade material to assist optimum product blending
 - Underground drill position to be established to test depth extensions of the 5A channel
 - Drill drive may be repurposed as a potential access drive to the 5D Andrews Mine
- **Carr Boyd exploration review delivered**
 - Critical learnings unlocked from a review incorporating CSIRO study and seismic results
 - Study has assisted in the identification of multiple new targets prospective for economic nickel sulphides + PGEs
 - Nearby 16km Colreavy Komatiite considered an additional high priority exploration target
- **Next-Generation geophysical program to assess 253km² covering the Carr Boyd igneous complex**
 - TargetEM offers significant technology and sensitivity upgrades from previous airborne systems
 - World-first Audio-Frequency-Magnetic (AFMAG) time-domain data will vastly improve depth and quality of survey to identify exploration targets
- **\$1.04M R&D refund advance**

Estrella Resources Limited (ASX: ESR) ("Estrella" or "the Company") is pleased to provide its activities report for the period ended 30 June 2023, in which the Company accelerated developments across its Spargoville and Carr Boyd nickel projects.

Commenting on the quarter, Managing Director Chris Daws said:

"It is an exciting period at Estrella Resources with considerable work occurring at both our key Western Australian nickel assets.

At the Spargoville 5A deposit, the Company continues to advance an exceptionally detailed feasibility study assessing the viability of underground mining operations and which will greatly assist in obtaining development financing.

Developments at Spargoville have been driven by firm nickel prices underpinned by global demand for battery minerals. With sustained momentum, Spargoville presents a potential opportunity to leverage off stronger price movements to drive value for shareholders.

At Carr Boyd, the Company continues to explore for further economic quantities of nickel sulphides, completed a significant exploration review in partnership with the CSIRO and shortly will commence a next-generation TargetEM survey."

SPARGOVILLE NICKEL PROJECT

DFS Update

During the quarter, Estrella Resources announced an update to its Definitive Feasibility Study for the Spargoville nickel project, which is assessing the potential for the Company to transition the historic 5A deposit back into operation. Work is ongoing for the completion of the DFS.

As part of the DFS, the Company has opted to progress with an underground mining method. The first-pass conceptual design, shown in Figure 1, was used for the evaluation and is being refined.

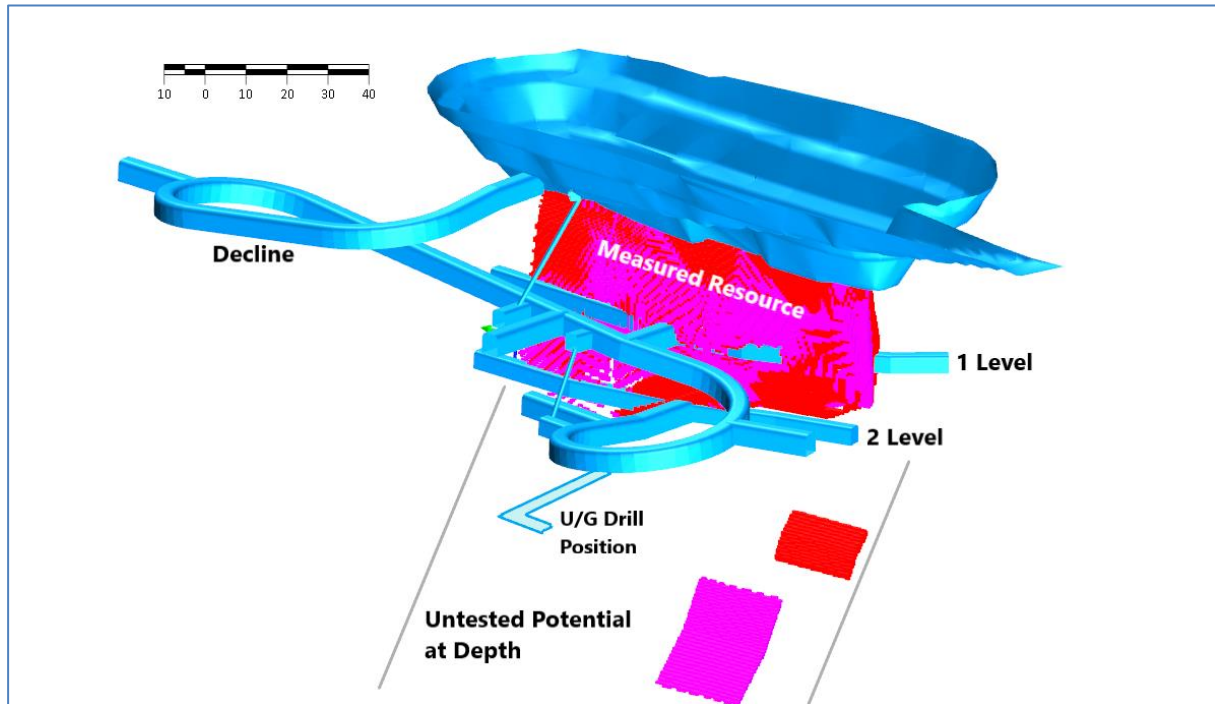


Figure 1: Conceptual 5A Decline Design with two levels and drill position shown.

There are clear advantages to underground mining which assist project economics and grade of ore produced when compared to the open pit mining.

One example is that it enables the Company much more control over mining dilution, which in turn influences downstream crushing and blending of the ore to achieve a significantly higher-value product. The Company will be targeting the massive sulphide grading 7.8% nickel and a portion of the matrix and breccia sulphides will also be mined.

During the mining of the trial bulk sample, it was determined that excessive dilution of the high-grade ore could occur during open pit blasting. The mining dilution comes from a competency difference between the weathered massive sulphides and relatively un-weathered ultramafic hanging wall and fresh basalt footwall. Dilution arising from these competency differences is more easily controlled with a targeted underground mining technique as opposed to open pit style blasting.

Other significant savings come from the reduced timeframe of the project as compared to the cut-back coupled with significantly lower environmental footprint and higher ESG credentials. This is a preferred outcome for the Company, given the access road and a portion of the existing waste dump infrastructure would have to be moved if the pit cut-back was to be made. Through underground operations, the Company can limit surface works to areas that have already been disturbed by historical mining. The Company sees an underground mining technique as the best mining method to meet the outcomes intended for the project for it to be successful and has the smallest impact on the environment.

The Company will consider establishing a footwall exploration drive from which the 5A komatiite channel can be explored at depth (see Figure 2). Underground drilling is expected to be much simpler and more cost effective than surface drilling, enabling faster production rates and a lower exploration cost. Estrella can also target the 5D Andrews Nickel Deposit which is approximately 500 metres to the west, along with the Central komatiite horizon that exists between Andrews and 5A. The Central Komatiite has

received very little exploration in this area of the tenement despite being host to the 5B Deposit 1,200 metres to the South.

In the future the proposed drill drive could be repurposed to access the historic Andrews Mine without the need for further surface works.

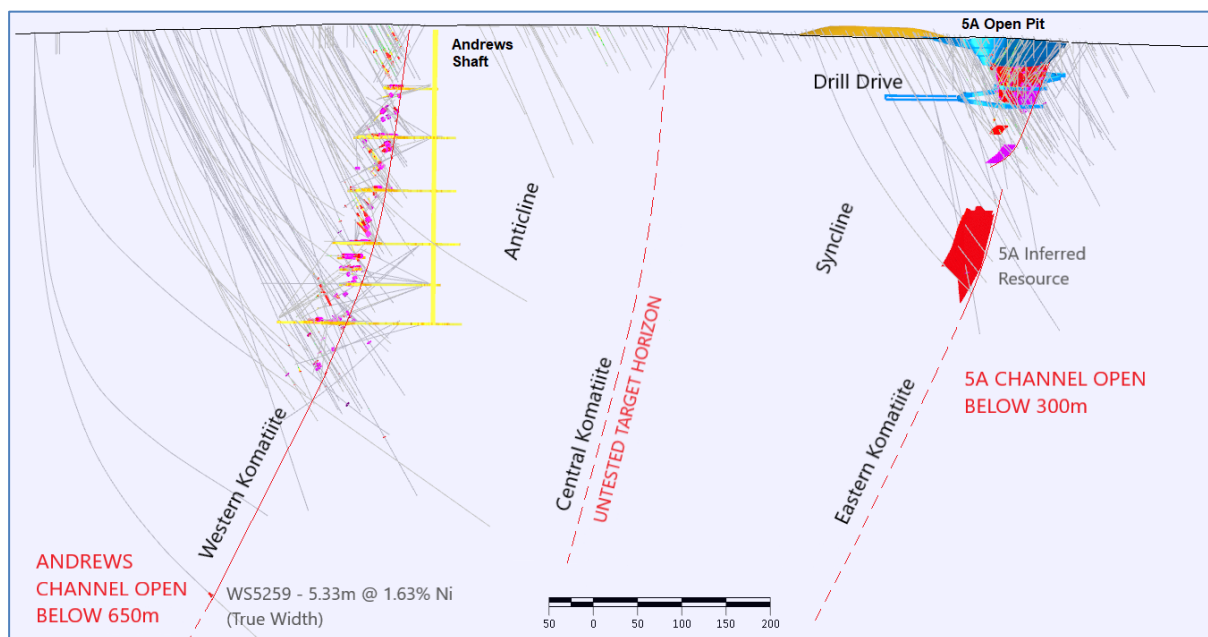


Figure 2: Section between Andrews Shaft and 5A Open Pit showing the potential drill drive position and the untested Central Komatiite.

CARR BOYD NICKEL PROJECT

Carr Boyd Project Exploration Update

In May, Estrella announced results of an exploration review for the Carr Boyd which incorporates all data generated to date from the Company's partnership with the CSIRO and an innovative seismic program.

The study has identified that the Carr Boyd system has exhibited many different magma pulses with potentially multiple sulphur-saturation events, providing opportunities to further unlock massive nickel sulphides.

Following the review, Estrella has been able to identify 30 targets within the system, 15 of which have known Ni-Cu-PGE intersections and an additional 15 (which are closely related to the internal contacts) that have the right geology but have not been drill tested. These targets are located on the nine internal and external basal contacts revealed by the study and are shown in Figure 3.

The top targets related to the numbering above include the Carr Boyd Mine pyroxenites (6), Mossgiel base (1), the Mossgiel top (5) which coincides with mineralisation at Tregurtha, the Broonhill dyke feeder, Gossan Hill (1), Frenchman's Hill (2) and the Porphyry Hill gold workings where Great Boulder's Whitehead's Shear Trend coincides with a linear internal basal contact at Carr Boyd (8+9).

Notably, the 16km Colreavy Komatiite (4) has also been identified as a top tier priority. The Colreavy contact overlies a felsic sediment which also contains sulphur. The nickel target lies fully within Estrella's ground but has not been extensively tested and has received little to no modern exploration.

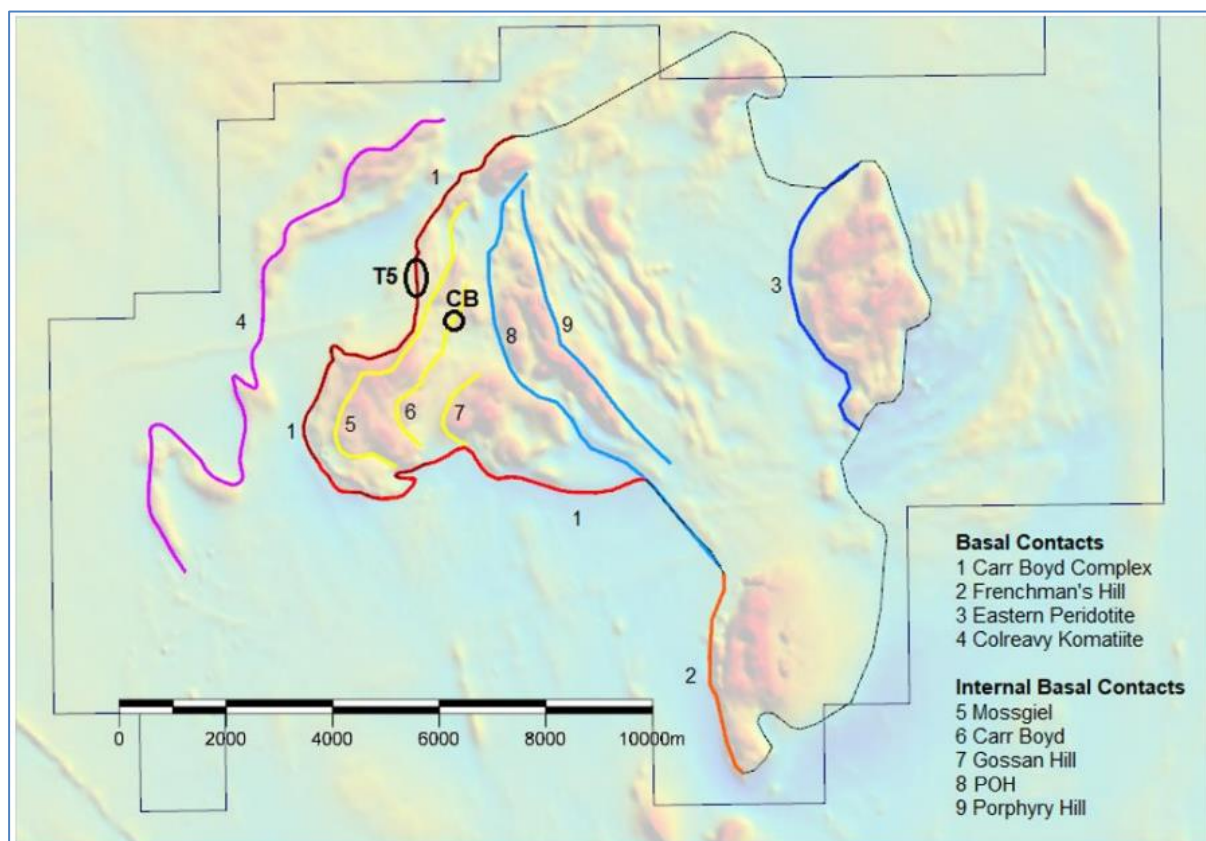


Figure 3: The nine external and internal basal contacts as interpreted from all available datasets.

The study has confirmed a number of key conditions which contribute to the formation of nickel sulphides at the Carr Boyd mine and broader Carr Boyd igneous complex. Importantly, Estrella and the CSIRO have assessed the controls and ages of multiple nickel mineralisation events, confirmed the direction which gravity was acting at the time of deposition of the nickel and also identified all sulphides within the complex as magmatic in origin without tectonic remobilisation.

Additionally, the study supports the potential for multiple deposits within the igneous complex, given the dynamic nature of the mineralised zone. For example, the Carr Boyd deposit has been confirmed as being formed later than T5-Broonhill deposits and also the region continues to host rich, anomalous trace element chemistry throughout the complex.

A complete synopsis of the technical review has been released and is available in the Company's ASX Announcement dated 23 May 2023.

Next-Generation Geophysical Program to Commence at Carr Boyd

Following the completion of the exploration review, Estrella has announced an agreement with Canadian-based geophysical firm Expert Geophysics to commence a world-first helicopter-borne electromagnetic survey.

The 253km² survey will target all of Estrella's tenure at Carr Boyd, encompassing all prospective horizons, including the high priority Colreavy Komatiite target which has had no previous modern geophysics undertaken.

The R&D personnel at Expert Geophysics were the developers behind the highly successful and award winning VTEM, ZTEM and Air-MT systems. The TargetEM system contains many structural, electrical, and software improvements over previous helicopter-borne EM systems that have greatly improved the sensitivity and depth of investigation. Estrella will host the first fully commercial deployment of the system at Carr Boyd in July 2023.

In addition to airborne time-domain low-noise electromagnetic data, the Company will be acquiring VLF, magnetics and high-frequency AFMAG data. AFMAG acquired on a time-domain system, has never been released commercially. The system and software have been in development and testing for several years. However, Expert Geophysics now wishes to exploit it more widely and is now making it available in Australia.

AFMAG technology utilises naturally occurring electromagnetic fields in the audio-frequency range, which are associated with global lighting discharges. Thunderstorms release energy converted to electromagnetic fields that propagate through the ionosphere-Earth interspace. The electromagnetic fields and currents induced by these fields in the subsurface are used in the combined system to understand differentiation in the electrical resistivity of the subsurface.

The TargetEM system with the additional AFMAG acquisition gives Estrella the opportunity to update the Carr Boyd conductivity and magnetic models and to incorporate the seismic interpretation along with the recent findings of the collaboration with the CSIRO.

The TargetEM system (Figure 4) will be available in July 2023 and Estrella very much looks forward to working with Expert Geophysics in Australia.



Figure 4: The TargetEM loop under testing.

CORPORATE

\$1.04M R&D Refund Advance

In May, Estrella received \$1.04M as an advance from Radium Capital on Estrella's future refundable tax offset for eligible research and development (R&D) expenditure conducted at the Company's Carr Boyd Nickel Project and Spargoville 5A Deposit during the 2022-23 financial year.

During the period, Estrella reviewed a number of offshore nickel and battery metal projects and continues to review projects that could add value to the Company's portfolio.

The total amount paid to related parties of Estrella and their associates, as per item 6.1 of the Appendix 5B, was 74k for Directors fees, salaries and superannuation and the total amount paid to related parties of Estrella and their associates, as per item 6.2 of the Appendix 5B, was \$38k for Director's salaries.

CAPITAL

The Company's cash balance as of 30 June 2023 was \$1.048M.

Table 1: Estrella Capital structure as at 30 June 2023

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

EXPLORATION

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$259k.

ASX Listing Rule 5.3.2: There were no mining production and development activities during the Quarter.

ASX Listing Rule 5.3.3: Refer to Appendix 1 for Estrella Tenement Information

ENDS

The Board of Directors of Estrella Resources Limited authorised this announcement to be given to ASX.

FURTHER INFORMATION CONTACT

Christopher J. Daws
Managing Director
Estrella Resources Limited

info@estrellaresources.com.au

P: +61 (08) 9481 0389

Media Contact:

David Tasker
Chapter One Advisors
Email: dtasker@chapteroneadvisors.com.au
Tel: 0433 112 936

Compliance Statement

With reference to previously reported Exploration Results and Mineral Resources, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statements

Forward-looking statements are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.

Appendix 1 – Tenement Information as Required by Listing Rule 5.3.3

Country	Location	Project	Tenement	Change in Holding (%)	Current Interest (%)
Australia	WA	Carr Boyd Nickel Project	E29/1012	-	100
Australia	WA	Carr Boyd Nickel Project	E29/0982	-	100
Australia	WA	Carr Boyd Nickel Project	L24/0186	-	100
Australia	WA	Carr Boyd Nickel Project	E31/0726	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1124	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0012	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0109	-	100
Australia	WA	Carr Boyd Nickel Project	M31/0159	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1215	-	100
Australia	WA	Carr Boyd Nickel Project	E31/1162	-	100
Australia	WA	Spargoville Nickel Project	M15/395	-	100*
Australia	WA	Spargoville Nickel Project	M15/703	-	100*
Australia	WA	Spargoville Nickel Project	M15/1828	-	100*
Australia	WA	Spargoville Nickel Project	L15/128	-	100*
Australia	WA	Spargoville Nickel Project	L15/255	-	100*

**Nickel rights only*

Appendix 5B

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

Name of entity

Estrella Resources Limited

ABN

39 151 155 207

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	156	405
1.2	Payments for		
	(a) exploration & evaluation	(29)	(539)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(94)	(379)
	(e) administration and corporate costs	(157)	(627)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	7
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(122)	(1,133)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(9)
	(d) exploration & evaluation	(230)	(4,061)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	R&D expenditure refund	-	1,034
2.6	Net cash from / (used in) investing activities	(230)	(3,036)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,826
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(374)
3.5	Proceeds from borrowings	1,044	1,044
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,044	4,496

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	356	721
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(122)	(1,133)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(230)	(3,036)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,044	4,496
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,048	1,048

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,048	356
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,048	356

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	74
6.2	Aggregate amount of payments to related parties and their associates included in item 2	38
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) R&D financing facility	1,044	1,044
7.4	Total financing facilities	1,044	1,044
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	R&D financing facility provided by Radium Capital of \$1.044M. The facility is secured by funds to be received from the Company's R&D return for the year ended 30 June 2023. Interest rate is 16% p/a and is due to be repaid by 31 December 2023.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(122)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(230)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(352)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,048
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,048
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.97
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/a	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/a	

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

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

Answer: N/a

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

Compliance statement

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

Date: **31 July 2023**

Authorised by: **By the Board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.