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Estrella Resources Limited

ABN 39 151 155 207

ASX Code: ESR

Board and Management

Chief Executive Officer
Christopher Daws (CEO)

Non-Executive Directors
Les Pereira
John Kingswood
Stephen Brockhurst

Company Secretary
Stephen Brockhurst

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QUARTERLY ACTIVITIES REPORT

Quarter ending 30 September 2020

ASX RELEASE 30 October 2020

HIGHLIGHTS

- **Diamond Drilling of Target 5 at depth and along strike**
- **Significant Nickel Sulphide Discovery made post Quarters end**
- **A$1.9M Munda gold divestment completed**
- **New Ni-Cu-Co targets identified at Carr Boyd Nickel Project**
- **Financing with CPS Capital – fully funded drill programs**

SUBSEQUENT TO THE QUARTER THE COMPANY MADE A SIGNIFICANT NICKEL SULPHIDE DISCOVERY 300 METRES SOUTH OF THE TARGET-5 PROSPECT. THIS HAS BEEN A SIGNIFICANT BREAKTHROUGH FOR THE COMPANY AT CARR BOYD (SEE ESR ASX RELEASES 8 OCTOBER 2020 AND 20 OCTOBER 2020).

Estrella Resources Limited (ASX: ESR) **(Estrella** or **the Company)** is pleased to provide its Activities Report for the quarter ended 30 September 2020.

The focus of work during the quarter was commencement of the Target-5 diamond drilling program at the Carr Boyd Layered Complex (CBLC), preparations for the continued exploration of the T-5 nickel discovery, completion of the Munda gold project divestment and 5A exploration planning.

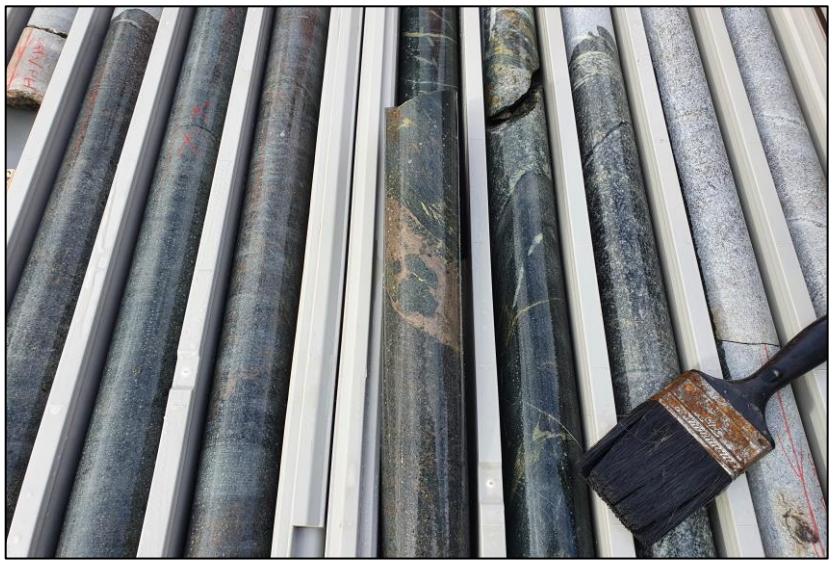


Figure 1. **Anomalous Ni-Cu-PGE bearing sulphides in diamond drill hole CBDD028 at the T5 Ni-Cu discovery zone (161m-169m shown).**

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CARR BOYD NICKEL PROJECT (100%)

The Carr Boyd Layered Complex (CBLC), a 75km^2 layered mafic igneous complex, which hosts several occurrences of nickel and copper sulphides is the Company's flagship asset. The most significant occurrence discovered to date is at the Carr Boyd Rocks nickel mine, where mineralisation is hosted by bronzitite breccias (pyroxenites) emplaced within the gabbroic sequence of the Complex. The CBLC intrusion is emplaced within the surrounding Archaean Volcano-Sedimentary Greenstone Belts which are host to numerous komatiite hosted nickel mines within the Kalgoorlie District.

Estrella has been actively exploring the Carr Boyd Nickel Project (CBNP) since October 2017 and in 2019 the Company discovered new nickel-copper sulphide mineralisation at its T5 target, approximately 1km NNW of the Carr Boyd Mine (see ESR ASX releases on 28 May 2019 Nickel Copper Discovery at Carr Boyd Rocks and 8 July 2019 Assay Results Confirm New Sulphide Nickel Discovery Zone at Carr Boyd Rocks).



Figure 2. Topdrive Drillers Australia diamond drill rig and rod carring service truck over CBDD028 collar location Target 5 prospect area Carr Boyd Nickel Project

The Company executed a diamond drilling contract with Topdrive Drillers Australia for a deep drilling program at T-5 which commenced during the September 2020 Quarter and was continuing post quarters end. Drilling has concentrated on expansion of the T-5 nickel sulphide discovery made by the Company in May 2019. Preparations for the program were completed including upgrading of the water storage infrastructure on site, drill pad access and sumps. This work will need to be further expanded as our confidence in the discovery grows.

The Company is also reviewing the historic work done by previous operators at the CBLC to see whether it can apply some modern day thinking and utilise modern technology to revisit previous target areas. One particular area of interest is a TEM anomaly targeted by a historic drill hole in 1997 (DD97CB043 drilled by Defiance Mining) which after review of historic DHTEM data indicates an "off-hole" anomaly. This area was also identified by Estrella's own ground based high-powered moving loop electromagnetic survey undertaken in late 2018 which generated a conductive target (see ESR ASX release 26

November 2018) Due to the location, immediately west of the Carr Boyd Nickel Mine, it warrants further follow up. During the quarter the historic hole was probed to end of hole depth using the CEO's offshore fishing tackle and a 12-ounce lead "bomb" which has been a novel approach but successfully cleared obstructions.

There is currently a heightened level of investor interest in nickel exploration Companies after a number of significant discoveries [Julimar (CHN), Mawson (LEG) and Sahara (WSA)] that have been made over past months that have seen significant wealth created from those finds. The Company believes the CBLC holds excellent potential to replicate those significant discoveries.

Company Chief Executive Officer, Chris Daws said, *"We have a very capable and committed team striving to put the Carr Boyd Nickel Project on the map. We have every possible chance that Carr Boyd can deliver big for our shareholders if we stay the course, trust our beliefs, take some calculated risks, be bold and most of all just have a go and keep drilling holes!"*

MUNDA GOLD PROJECT

A decision was made to divest the Munda Gold Project to allow the Company to concentrate exploration efforts on its substantial nickel projects. An independent sale process was run by Geolithic Pty Ltd and the Company entered into a binding agreement to sell Munda to Auric Mining for total upfront and deferred consideration of $1.9M (ex GST) (see ESR ASX release dated 13 July 2020 and 10 September 2020). Upfront sale proceeds of $1.24M (plus GST) have been received on satisfaction of various conditions to the sale including shareholder approval and the sale has now completed.

SPARGOVILLE NICKEL PROJECT (100%)

The Company has over the September quarter continued to work up a development strategy for the high-grade nickel resource at the Spargoville 5A nickel project. The strategy involves the development of a small open cut mine at the 5A to access the high-grade nickel oxide and transitional nickel ore for transportation to a near-by treatment facility. The Company is currently planning to explore the metallurgical characteristics more closely by obtaining a 3,000-tonne exploration sample from within the 5A resource. Permitting is currently being sought so this work can commence upon a suitable contract being entered into for the removal and transportation of the exploration sample.

Table 2: Spargoville JORC Mineral Resource 5A Nickel Sulphide Deposit

October 2019 Mineral Resource Estimate - Min Type (0.5% Ni Cut-off)

Type	Total Mineral Resource				
	Tonnage	Ni	Cu	Ni	Cu
	kt	%	%	t	t
Disseminated	78	0.7	0.08	520	60
Matrix/Breccia	37	2.3	0.16	840	60
Semi-massive/Massive	13	8.0	0.61	1,000	80
Total	**127**	**1.9**	**0.15**	**2,370**	**190**

CORPORATE

The Company continues to look for opportunities to realise or create value through the Company's existing assets and is actively undertaking due diligence on new domestic resource project opportunities.

The Company continues to hold exposure to future financial upside from the sale of the Mt Edwards Lithium Project to Neometals Limited (see ASX release dated 15 March 2018) via milestone payments of $2.0M and a royalty on future lithium bearing ore processed. Further milestone payments of $650k will be due as Auric Mining takes the Munda Gold project forwards (see ESR ASX release dated 13 July 2020 and 10 September 2020).

The Company is pleased to report the direct impacts from Covid-19 continue to be minimal at this time. Our staff and contractors have implemented safe working protocols and are adhering to the Government directives.

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Payments to related parties and their associates

The total amount paid to related parties of Estrella and their associates, as per item 6.1 of the Appendix 5B, was $39k. Included in this amount is $23k for Directors fees and $16k paid to Mining Corporate, an entity controlled by Stephen Brockhurst for bookkeeping, accounting and company secretarial fees.

CAPITAL

The Company's cash balance as at 30 September 2020 was a healthy $2.2M. During the quarter the Company completed the sale of the Munda Gold Project and received $1.24M (plus GST) from Auric Mining Limited. A capital raising was completed with CPS Capital delivering A$1.05M before costs as well as the Company directly raising $350k for working capital purposes. $50k worth of Convertible Notes have been redeemed by Convertible Note holders during the quarter. The Company has received funds from options exercise of $1.18M since the end of the September quarter and currently has approximately $20M worth of deep-in-the-money options with a significant portion likely to be exercised in the coming weeks ahead which will allow the Company to avoid any unnecessary capital raising which will be dilutive to shareholders. To facilitate this process the Company has agreed to pay CPS Capital Group 6% of options exercised through their clients.

Table 3: Estrella Capital structure as at 30 September 2020

Fully Paid Ordinary Shares	734,647,797
Listed options exercisable	$0.05 on or before the 27 June 2021 – 250,980,328
Listed options exercisable	$0.02 on or before the 31 July 2023 – 400,000,000
Unlisted options exercisable	$0.03 on or before 20 November 2022 – 14,000,000
	$0.05 on or before 15 May 2021 – 5,500,000
Convertible Notes	Unlisted Convertible Notes (unsecured) with an aggregate face value of $400,000 and a maturity date of 2 years from the date of issue. Convertible into fully paid ordinary shares in the capital of the Company at a conversion price $0.01 per share. A maximum of 50,176,000 fully paid ordinary shares may be issued on conversion of the Convertible Notes on the terms announced to ASX on 31 January 2020.

Competent Person Statement

The information in this announcement relating to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Neil Hutchison of Geolithic Geological Services, who is a consultant to Estrella Resources and a member of The Australasian Institute of Geoscientists. Mr Hutchison has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Hutchison consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ENDS

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

FURTHER INFORMATION CONTACT

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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	Munda Gold Project	M15/87	(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*
^Gold rights only

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Appendix 5B

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

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Name of entity	
Estrella Resources Limited	
ABN	**Quarter ended ("current quarter")**
39 151 155 207	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(43)	(43)
	(e) administration and corporate costs	(50)	(50)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(3)	(3)
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**	**(96)**	**(96)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(226)	(226)
	(e) investments	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	1,372	1,372
	(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)		
	- Payment for termination of Munda royalty	(144)	(144)
2.6	**Net cash from / (used in) investing activities**	**1,002**	**1,002**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,400	1,400
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	(76)	(76)
3.5	Proceeds from borrowings	-	-
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)		
	Repayment of convertible note	(50)	(50)
	Other	9	9
3.10	**Net cash from / (used in) financing activities**	**1,283**	**1,283**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	36	36
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(96)	(96)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,002	1,002
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,283	1,283
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,225**	**2,225**

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	2,225	36
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)**	**2,225**	**36**

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	39
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(96)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(226)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(322)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,225
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,225
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	6.9

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.

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

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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: 30 October 2020

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.

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