

ESTRELLA RESOURCES

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Estrella Resources Corporate Summary

ESR share price (as at 2 nd April 2013)	A\$0.15
12 month price range ⁽¹⁾	A\$0.048 – A\$0.220
Current shares on issue ⁽²⁾⁽³⁾	87.0m
Current cash balance ⁽⁴⁾	A\$3.9m
Market capitalisation	A\$13.1m
Shares on issue (fully diluted)	94.3m

- (1) 12 month high of A\$0.22/share reached on 18th March 2013
 (2) 51.2m quoted, 35.8m escrowed until 14th May, 2014
 (3) Does not include 7.2m unlisted options (exercisable between A\$0.20 and \$0.25), expiry May 2014 – May 2017
 (4) As at 31st December 2012

Date:	03/04/2013
Price:	15 cents
Rating:	Speculative Buy
Initial Target:	40 cents

Background Information:

Estrella Resources (ESR.ASX) is an ASX listed exploration company with an extensive portfolio of tenements in Chile where they are targeting the identification of large copper-gold deposits. The flagship of the company is the recently acquired Altair Project located in northern Chile.

Recent Developments:

Over the past few months the company has been aggressively pursuing opportunities to increase its tenement holdings in Chile. The recent option agreement with Sociedad Qumica y Minera de Chile S.A. (NYSE: SQM) added significantly to the company's existing holdings of Agustina, Venus, Luna and Inca.

- 26th of October 2012: ESR secured the Jupiter Project.
- 6th of December, 2012: ESR secured the Altair Project from SQM (2,560 Km²).
- 18th of March, 2013: ESR secured additional brownfields projects from SQM which have had limited shallow drilling with significant high grade copper results (31m @ 1.39% Cu from 28m.)

Key Value Driver: The Altair Project

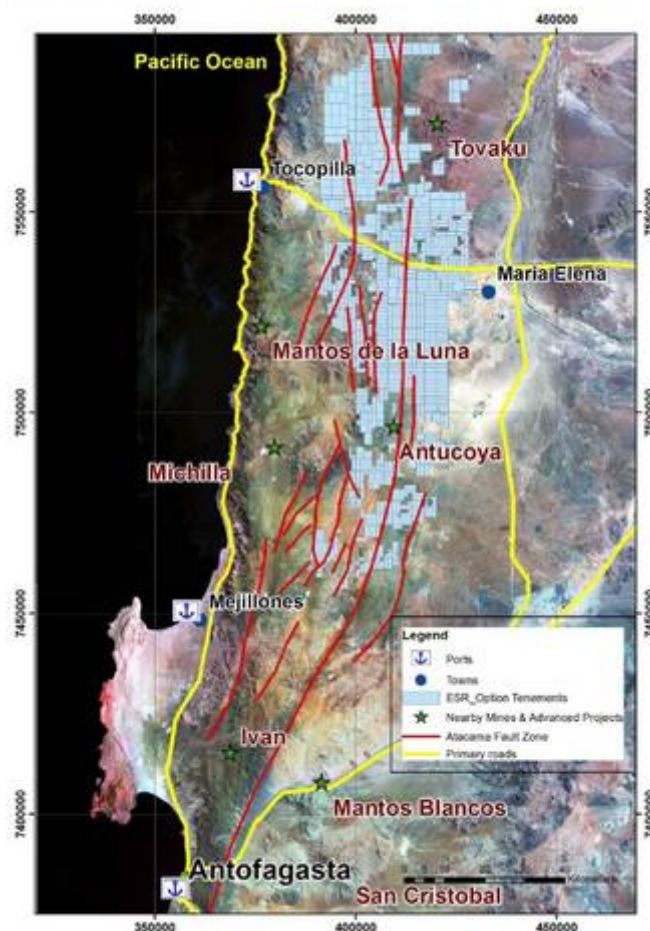
In our view the market is yet to fully recognize the significance of the Altair Project acquisition for ESR.

- Brownfields tenements recently acquired covering the Colupo, Dania and Ivannia prospects where high grade copper has been intersected (incl. 31m @ 1.39% Cu from 28m).
- The Altair tenements straddle the highly prospective Atacama fault zone for 130km.
- The region hosts numerous world class copper/gold deposits including Andacollo (Teck - 584MT @ 0.35% Cu), La Productera (Hot Chilli ASX: HCH – 165MT @ 0.6% Cu), Michilla (Antofagasta – 67MT @ 1.67% Cu), Antucoya (Antofagasta – 80,000tpa planned production 5km from Altair).
- SRK Consulting (SRK) concluded that there is significant potential for large IOCG (Iron Oxide Copper Gold) mineralisation to occur within the tenement package.
- Areas of intense anomalism occur coincidentally with faults and fault intersection locations. SRK have indicated that these fault zones may have provided a potential pathway/trap site for the mineralised fluids.
- Multiple initial targets already identified.
- Aggressive exploration program to begin immediately at the Altair Project.

ESR, SQM and the Altair Project:

On the 6th of December 2012 ESR exchanged a Binding Option Agreement with SQM to acquire the Altair Project, which is located in the Antofagasta mining district. The agreement gives ESR the exclusive right to explore and develop base metal projects over a total area of **2560km²**. The tenements straddle the prospective IOCG belt along the **Atacama Fault** with over **130km of strike covered (figure 1)**. This fault line is home to multi-element metal deposits including Candelaria (360mt @ 0.59% Cu), Andacollo (584mt @ 0.35% Cu) and La Productora (165mt @ 0.6% Cu). This option agreement makes ESR **the holder of one of the largest prospective IOCG tenement portfolios in northern Chile**.

Figure 1: Altair location



Source: Estrella Resources Announcement - 6th of December, 2012, page 2

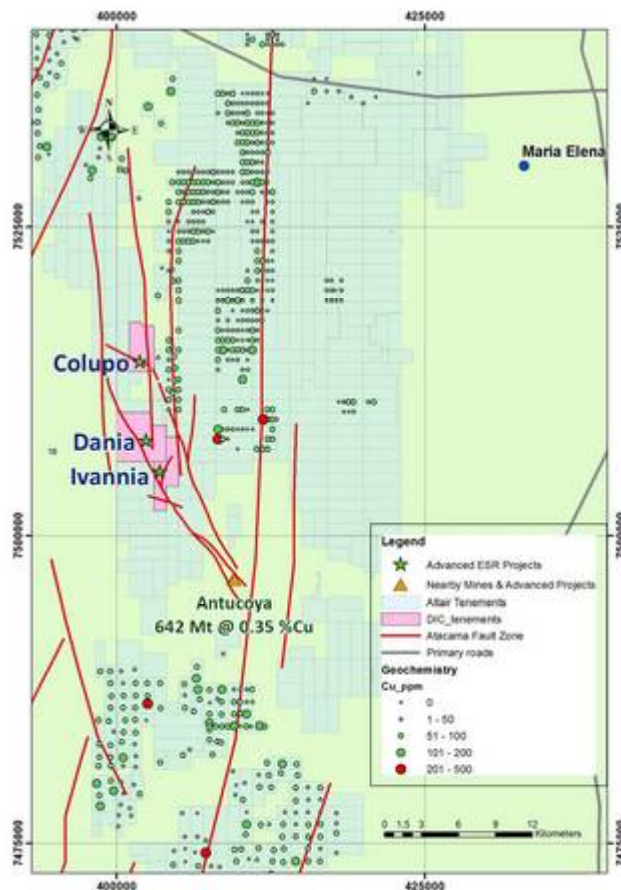
ESR Acquires Additional Brownfields Tenements Located within the Altair Project:

On the 18th of March, 2013, ESR signed a Memorandum of Understanding agreement with SQM to acquire an **additional 3,346ha of tenements contained within the Altair Project under a for a 4 year Option Agreement**. This land covers **Colupo, Dania and Ivannia** prospects, where limited shallow historical drilling at **Colupo** returned the following significant results;

- **31m @ 1.39% Cu** from 28m
- **22m @ 0.98% Cu** from 28m
- **39m @ 0.63% Cu** from **1m**
- **8m @ 1.34% Cu** from 55m
- **35m @ 0.60% Cu** from **6m**

The mineralisation is open in all directions and at depth. These intersects are indicative of the potential for the discovery of large-tonnage, economic grade open pit copper-gold porphyry deposits. There is also potential for the discovery of higher grade manto-type deposits such as Michilla or Los Mantos Blanco (Anglo American). Both types of deposits are already known to occur in the region where the Altair Project is located.

Figure 2: Calupo, Dania & Ivannia Project Locations



Access to Historical Data Fast Tracks Exploration

A key aspect of the Altair option agreement is that SQM are providing ESR with a large amount of historical exploration data including over **1,900 historical RC drill hole** samples taken from the bottom of each hole. The RC drill hole depths range from 6 – 100 metres. These are currently being re-analysed. SRK Consulting (SRK), who have been assisting ESR in conducting due diligence, have concluded that there is **significant potential for large IOCG mineralisations to occur within the tenement package**. Furthermore, SRK have noted **the areas of intense anomalism occur coincidentally with the presence faults and fault intersections**. SRK have indicated that **these fault zones may have provided a potential pathway/trap site for the mineralised fluids**. Based on the work conducted by Estrella and SRK, **6 initial target zones** have already been identified which may be prospective for large IOCG mineralisation. Exploration work on these targets is scheduled to commence in Q2, 2013.

The significance of the acquisition of the tenement package from SQM cannot be underestimated. **SQM is one of the world's largest producers of potassium nitrate, iodine and lithium** with reported revenues of **\$2.4B** and earnings of **US\$0.6B** in 2012. The company is listed on the New York Stock Exchange (NYSE) and is currently capitalised at

US\$14.4B. The current option agreement covers only 250,000ha of SQM's current 2,000,000ha tenement portfolio in Chile. Clearly, there could be opportunities in the future for ESR to expand its tenement holdings as the relationship with SQM matures.

A key component of the option agreement is SQM's right to claw back a 49% ownership in the Altair project upon the completion of a PFS. Beyond the PFS, SQM would be required to contribute their portion of capital required to develop project/s. This is significant because **if an economic discovery is made at Altair, SQM has the ability to provide the project capital requirements from a combination of free cash-flow or debt facilities.**

Chile, Infrastructure and the Majors:

Chile is a host to a large amount of gold-copper mines, with the country currently producing approximately 38% of the world's copper. There are a large amount of majors active in Chile including;

- **BHP;** Minera Escondida, the world's largest copper producer (759,000t of Copper in 2011)
- **Rio Tinto;** Escondida, held in partnership with BHP
- **Xstrata;** Lomas Bayas III, 3rd expansion currently in pre-feasibility stage, Collahuasi and Collahuasi Phase II expansion. In 2011 Collahuasi produced 417kt of copper concentrate.
- **Anglo American,** Collahuasi held in JV with Xstrata and Mitsui & Co.
- **Teck Cominco,** which hold Antamina (75kt cu p.a.), Quebrada Blanca (64kt cu p.a.), Carmen de Andacollo (72kt cu p.a.). **The Andacollo deposit has a JORC of 584MT @ 0.35% Cu which is along the Atacama Fault Zone.**
- Other major companies include **Kinross, Phelps Dodge, Barrick.**

Because of the strong presence of majors **Chile has excellent mining infrastructure** including roads, railways, ports, power and water.

The future of ESR and its potential value

Whilst it is still early days for ESR and the Altair Project, we believe that there is significant potential to delineate a "company making" resource along the **Atacama Fault Line**. As a result ESR provides a **very good risk-reward proposition**. Comparing ESR to other ASX listed companies operating in Chile such as Hot Chilli Resources (HCH.ASX) who have a **165mt @ 0.6% Cu JORC resource along the Atacama Fault Line and a market capitalisation of over \$200m**, highlights the potential opportunity if a significant resource is discovered at Altair. It is our opinion that ESR has both the tenements and the management team capable of making a major discovery and as a result, we rate the company as a **speculative buy** at 15 cents per share.

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