

4 January 2021

Dear Shareholders,

Chairman Open Letter and Company Update

It gives me great pleasure to write to you, to recap on the many positive activities of your company in 2020 and more importantly to provide an overview as to what 2021 will look like for Estrella Resources and its shareholders as we look to unlock the source of the high-grade massive nickel sulphides at the Carr Boyd nickel project in the WA Goldfields region of Western Australia.

Before I do, I would firstly like to thank all our existing shareholders for their ongoing support and welcome new shareholders for what I hope to be a very active, eventful, prosperous, and exciting year going forward for the Company.

I would like to congratulate our current board of Directors, management team, contractors, service providers, and thank them all for their tireless efforts throughout 2020.

I would like to especially thank our now Managing Director, Chris Daws, for his hard work throughout the previous year and his belief in the Carr Boyd Nickel Project. Chris has been hands on throughout 2020, and our shareholders now have an exploration Company and project that we can be very proud of as we strive for success in 2021.

While 2020 was challenging due to COVID-19 and the impacts it had on all of us at some level, as a company we achieved a number of promising outcomes that we believe will set us up well into 2021 and beyond.

In addition to our operational achievements, not least our highly promising drill results in the later stages of 2020, we were also successful in attracting industry leading technical talent to the company.

We welcomed our new Technical Director Neil Hutchison as an addition to the board late in 2020. Neil brings to our Company a wealth of experience and knowledge of exploration especially for nickel and has previously worked with our Managing Director at Poseidon Nickel Limited (formally Niagara Mining Limited).

Steve Warriner, who was most recently with Poseidon Nickel Limited, will soon take up the role of Chief Exploration Manager responsible for running our exploration programs at Carr Boyd and the balance of our exploration portfolio. Steve has a strong record in exploration and discovery of nickel sulphides in Western Australia, in particular geological settings similar to our Carr Boyd Nickel Project.

I recently had the pleasure with the rest of the board of sitting down and listening to a presentation by both Neil and Steve in regard to the nickel sulphide exploration work we are currently running and the future programs that are scheduled for this year. While I am unable to go into the detail of this “inhouse” presentations in detail I

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can assure you I left the presentation excited to be involved with the Company in this coming year. Steve and Neil have put to the board a very clear and precise proposal that we all hope will enable the company to achieve our goal of delineating a significant new nickel sulphide ore body and to be able to formulate with good scientific backing a resource model that will enable us to present a resource target estimate in 2021.

Both gentlemen have done an outstanding job in collating many data sets and inputting them into our own geological model which is starting to take shape and will be utilised for our future drilling programs. The geological model is expected to enhance our existing discoveries that we have made thus far and identify targets for future exploration.

To recap, in 2020 we started out with results from our RC drilling program on the newly discovered nickel sulphide discovery zone from the T5 prospect at our flagship Carr Boyd Layered Complex (CBLC).

In April, an extensive geochemical auger drilling program identified four priority nickel and gold targets over the northern portion of the CBLC project.

In June, the Company made the decision to look at selling the Munda Gold project to enable the funding of the drilling program to drill up these priority targets. In July, the Company agreed to sell the Munda Gold project to Auric Pty Ltd for \$1.237 million dollars. This transaction was subject to Auric listing on the ASX in an IPO which it is likely to do in the near-term. The Company used these funds to drill three 600m deep holes at the T5 area as platform holes to enable downhole transient electromagnetic surveying (DHTEM) to search for drilling targets.

Prior to this three-hole program starting in August, we enlisted CPS Capital Group to raise additional funds through a small placement of A\$1.4M. CPS Capital Group's support resulted in this raising being completed in less than a couple of hours and allowed the Company to move forward quickly in organising our drill program.

This was the start of a very exciting period of time for the Company.

Our first significant massive nickel and copper sulphide discovery hole CBDD030 was announced to the ASX on the 8th October, the second of the anticipated three deep diamond holes to be drilled, which consisted of around 15m of mineralisation with about 2.8m of massive high-grade nickel and copper sulphides. This was one of the highlights of the Diggers and Dealers conference and led to a lot of interest in Estrella Resources from brokers, shareholders, geologists, and directors of companies we consider our peers.

The follow up DHTEM results were exciting as it defined the massive nickel sulphide zone which was modelled as being open in all directions. The Company was encouraged by these results and decided to step out from that hole to test these zones with some further very promising results.

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The third platform hole of the anticipated program that was drilled was CBDD031 which was 600m north of CBDD030. This hole did not hit massive nickel sulphide mineralisation but the DHTeM has identified an anomaly that we are yet to test by drilling. This also added to our model in the way the “mineralised conduit” is moving.

Two follow-up holes (CBDD032 & CBDD034) were drilled under the original T5 prospect which delivered minor sulphide development within the conduit.

Further successful drill holes were completed in November and December. Hole CBDD033 was drilled above the CBDD030 hole and intersected 20.1m of nickel sulphides, including a small zone of massive nickel and copper sulphides. Hole CBDD034 was drilled 300m north of hole CBDD030 and intersected a small zone of mineralisation further defining the geological setting.

Holes CBDD035, CBDD036 and CBDD037 were all drilled in close proximity to hole CBDD030 and all contained nickel sulphide mineralisation. Hole CBDD035 has intersected a zone of 24.68m of nickel and copper sulphide mineralisation below hole CBDD030 whilst hole CBDD036 intersected a zone of 16.5m of sulphide mineralisation south of hole CBDD030. Hole CBDD037 has also intersected a zone of 10m of sulphide mineralisation south of hole CBDD030. We are awaiting the assay results back from the laboratory for all of these holes.

Two holes CBDD038 and CBDD040 were drilled at a different location approximately 1.5km to the south west of T5 to test Target A which was both a strong surface and off-hole TEM anomaly defined by Estrella Resources. We are awaiting the results from these holes and they will be reported on once we have received information back from site and the results from the further DHTeM undertaken on our newly drilled holes.

Hole CBDD039 drilled approximately 50m north of Hole CBDD030 is completed and we are awaiting to receive the DHTeM survey interpretations on this hole. The final hole in 2020 was CBDD041 which was completed just prior to the Christmas break approximately 150m south of CBDD030 allowing the drilling team a timely break for the Festive Season and prepare their drilling rigs for the restart in the New Year. We will report fully on these final holes drilled in 2020 once all the relevant information is collected, collated and available for release.

So, as you can see from the above, we have had a very successful drilling program over the last 3 months of 2020, and we are very much looking forward to 2021 to continue building on the fantastic results thus far. We will be shortly starting a new drilling program at T5 and aim to have two drill rigs operating on site to assist in unlocking the source of massive nickel and copper sulphides thus far discovered.

While the second half of 2020 was rewarding, we firmly believe the best is yet to come.

The upcoming 6 months is looking very exciting. Our drilling program is due to restart in a few days with the first drill rig expected to recommence drilling the week starting 11th of January. We are planning on a further rig to be available to commence drilling early February.

The Company is also embarking on an exciting new seismic program in the coming weeks, subject to Covid-19 restrictions allowing the mobilisation of key equipment and personnel from other Australian States. We will be utilising new techniques and equipment in hard-rock seismic surveying to further help delineate the potential ore body and its associated structures. All the information gained from this program will be used in the generation of our exploration model and deliver our Resource Target for Carr Boyd.

We are expecting continual news flow in the way of assays and results from unreported drill holes from late last year. These are expected in the coming weeks and will continue throughout this year as the drilling programs proceed.

The Company is well funded with support from its existing shareholders converting their options and as of 31st December 2020 the Company had cash at bank of A\$3.2M. We expect more option conversions to occur over the coming months as all Company options are currently in the money. The support of our option holders has and will enable the Company to embark on an intensive drilling program to further develop this special nickel and copper sulphide project.

The option exercising process could be viewed as a double-edged sword in that they could keep a cap on the Company share price but will allow for the much-needed financing of the exploration program.

The board is aware of this and looking at ways we can manage the Company option conversions in an orderly and less disruptive manner. One of the easiest ways is by educating the market about what potential this project may have and in each new hole we drill adds to the valuable information we are using to generate our project model. The more positive exploration results we keep delivering the more interest in the Company is likely, which in turn we would expect to deliver a positive market response.

Once again, I wish to thank all involved with Estrella Resources Limited and look forward to accelerating this exciting journey with you all in 2021.

Regards
Les Pereira
Chairman

This announcement was approved for release by the Board of Directors of Estrella Resources Limited.