



ABN 39 151 155 207

7 January 2022

Dear Shareholders,

Chairman Open Letter 2022 and Company Update

It gives me great pleasure to write to you once again, to re-cap on the many positive activities of your company, Estrella Resources (ASX:ESR) (“Estrella” or the “Company”) in 2021, and to provide you with an overview as to what Estrella is going to be doing in 2022 to unlock additional value by finding more massive nickel and copper sulphides at the Carr Boyd Nickel Project.

Before I do, I once again would like to thank all of our existing shareholders, employees, contractors and directors for their ongoing support, and I am looking forward to welcoming further new shareholders for what I hope to be a very successful coming year.

I would also like to address our obvious dissatisfaction with the company share price, which we believe does not reflect the significant value of our assets and growth prospects for 2022. I would like to note that looking at recent register movements it appears this downwards pressure is mostly behind us.

As I said last year, the expiring of the June 2021 listed \$0.05 options and the capital that could be raised from the options being converted was always going to be a potential influence on the share price. Understanding this situation, the Company was proactive in securing Henslow to underwrite the option conversion, guaranteeing exploration funds would be received. As a result, the Company raised \$11 million. This substantial funding has allowed Estrella to continue its extensive drilling campaign and uncover massive nickel-copper sulphides at the Carr Boyd Nickel Project.

With this funding secured the Company has made significant progress in a short period of time. Early in 2021 we were still gaining knowledge about the local geology and structure at Carr Boyd, trying to understand flat faults and an undulating basal contact which initially had us wondering why we were obtaining significant hits of massive nickel-copper sulphides on the contact in some holes whilst in others the sulphides were missing. Further drilling and a seismic R&D program allowed us to understand the orientation of the basal contact and influence of the faulting. This understanding has now opened up the exploration potential of the T5 prospect to further discoveries.

A significant mapping program and scientific approach tailored to intrusive nickel-copper exploration was undertaken over the first half of 2021, culminating in a working exploration model and the recognition of several highly prospective basal contact prospects, in addition to T5, around the Carr Boyd intrusion that warranted further exploration. More on these targets provided in this letter.

In 2021 the majority of the diamond drilling was around the T5 prospect, and it remains a high priority for further exploration. Significant hits included CBDD0041 with a zone of 8.25m and CBDD042A with

Office Address London House, Level 11, 216 St Georges Terrace, PERTH WA 6000 Postal Address GPO Box 2517, PERTH WA 6831
Phone +61 8 9481 0389 Fax +61 8 9463 6103 Email info@estrellaresources.com.au

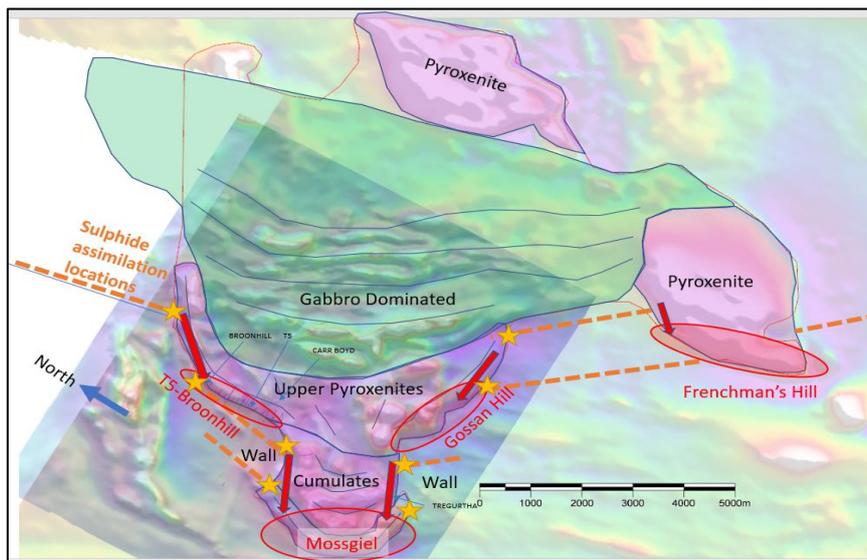
19m of mineralisation. CBDD0053 was an exciting hole which started with a zone of disseminated to highly disseminated nickel and copper sulphides. Holes were wedged off this initial parent-hole where we saw CBDD053A encounter a zone of 49.9m of mineralisation and CBDD053B which also intersected a significant zone of 49.45m of mineralisation. Clearly our understanding of the controls on mineralisation at T5 was improving and reflected in our drill results.

The T5 mineralisation is still open down dip and down plunge with several geophysical anomalies yet to be tested with deeper drilling. Just before last year ended, we were completing a drill hole into one of these geophysical anomalies. We reported that in hole CBDD0057 we had hit three zones of mineralisation of 34.34m, 20.95m and also a totally new deeper zone of 3.5m respectively. The assays from these three zones showed increasing nickel-copper grades at depth.

In October, we started an RC drilling program 1.4km north of T5 at a prospect named Broomhill. This area is a direct extension of the T5 basal contact and one of the new areas identified by our scientific study. The drilling confirmed the fertility of this contact with discoveries of nickel-copper sulphides at several locations, one being the 2m of semi-massive sulphides discovered by CBP076. 2022 will see these areas followed up with diamond drilling and downhole geophysics to target further massive sulphide discoveries similar to T5.

In November, we were lucky enough to host three nickel experts from CSIRO who worked together with our geological team to refine our understanding of the geological model that was developed in-house to explore Carr Boyd. The information we have obtained from that collaboration is now being used to further develop our exploration programs for 2022 and we are excited by the new target areas we will be drilling.

The three new target areas named Broomhill, Mossgiel and Gossan Hill were identified by our geological team in 2021 outlined in below diagram. Exploration on these targets commenced late last year and they will continue to get our full attention in 2022.



New target areas at Carr Boyd

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The RC rig will finish defining the contact at Broomhill in the next couple of weeks and move to Gossan Hill which appears to be a mirror image of the T5-Broomhill contact on the southern side of the intrusion. The aim of this drilling will be to define the orientation of the contact ahead of deeper diamond drilling and downhole geophysics. Diamond drilling and geophysics will commence below Broomhill to follow up on intersections from the RC program once all RC assays have been received and included into the model.

Late last year, a diamond drilling program to test the fertility of Mossgiel commenced and we have had some early promising indications with sulphides evident on the contact at this area, as predicted by the exploration model. Diamond drilling and downhole geophysics in this area will continue in the first half of 2022 and I am looking forward to positive results.

Now with the New Year's break over (at least for our executive team and drilling crews who mobilised to site this week), I am looking forward to being able to report to shareholders on a regular basis as our exploration drilling program progresses. We have an RC rig and a diamond core rig on site to undertake drilling efforts. The diamond rig will be working continuously with the RC rig operating on single shift so hopefully we will start to see some interesting results coming in from this exploration program as soon as available. Results from the assay labs submitted last year are still taking some time to come back but we will also report on those as soon as these are received.

Given the increasing price of nickel and its expected lack of supply in the future due to surging demand for batteries, it is an exciting time to be a shareholder of a strongly funded nickel explorer with its flagship Carr Boyd Nickel Project. We are also fortunate to own a 100% of the nickel rights at the Spargoville Nickel Sulphide Project and we are currently looking at opportunities to unlock its value.

Once again, I wish to thank all involved with Estrella Resources Limited as the Company looks forward to an exciting 2022.

Regards

Les Pereira

Chairman

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

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 or Ore Reserves 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.