

ESTRELLA RESOURCES LIMITED
ACN 151 155 207

AUSTRALIAN REGISTERED OFFICE:
Level 7, 15 Castlereagh Street
Sydney NSW 2000 Australia

POSTAL ADDRESS:
PO Box R514
Royal Exchange NSW 1225 Australia

CONTACT DETAILS:
Telephone: +61 2 9993 4478
Facsimile: +61 2 9993 4433
Email: admin@estrellaresources.com.au

CHILE OFFICE:
Pedro de Valdivia 555 Piso 11
(Oficina 1101) Santiago, Chile

ASX CODE: ESR

For further information please contact:

Dr. Jason Berton MAusIMM
Managing Director

Tel: +61 2 9993 4408
Mob: +61 402 199 166
Fax: +61 2 9993 4433
Email: jb@estrellaresources.com.au

ASX ANNOUNCEMENT

18 March 2013

Estrella exchanges MoU with SQM to incorporate “brownfields” projects Colupo, Dania & Ivannia into the Altair Project

HIGHLIGHTS

- ✓ Memorandum of Understanding (MoU) exchanged for a 4 year Option Agreement with SQM to incorporate 3 new highly prospective projects Colupo, Dania & Ivannia into the Altair Project tenement portfolio
- ✓ Colupo, Dania & Ivannia encompasses 3,346 hectares and are surrounded by existing Altair Project grounds
- ✓ Very limited shallow historical drilling on Colupo has returned significant high grade copper results, including:
 - 31 m @ 1.39% Cu from 28 m (ARCO 02)
 - 22 m @ 0.98% Cu from 28 m (ARCO 10)
 - 39 m @ 0.63% Cu from 1 m (ARCO 11)
 - 8 m @ 1.34% Cu from 55 m (ARCO 11)
 - 35 m @ 0.60% Cu from 6 m (ARCO 08)
 - Mineralisation remains open at depth and in all subsurface directions
- ✓ MoU based on similar terms to Option Agreement for Altair Project
 - ESR entitled to earn 100% of all metal discoveries subject to SQM claw back provision
- ✓ Significantly advances Estrella's exploration and development strategy at Altair
- ✓ Estrella remains well funded to implement an aggressive exploration programme over the 3 new projects and the broader Altair Project

1. Introduction

Estrella Resources Limited (**ASX:ESR**) (**Estrella** or **the Company**) is pleased to announce that it has exchanged a MoU for a 4 year Option Agreement with Sociedad Quimica y Minera de Chile S.A (**SQM** or **Vendor**) to earn 100% metallic right interests in the Colupo, Dania & Ivannia projects. These projects are to be included in the existing Altair Project (**Altair** or **Project**) located in Region II of Chile.

ESR has now entered a 3 month exclusive due diligence (DD) period on the Colupo, Dania and Ivannia exploration projects. Subject to satisfactory DD and following the completion of the transaction, the exploration programme at the Altair Project will be advanced significantly. This is due to the exploration activity previously undertaken by SQM on each of these 3 projects. Historical exploration results have successfully demonstrated the potential for a large mineralised system to be hosted within the area. This system could potentially be an extension of the Antofagasta's Antucoya Project (642 Mt @ 0.35% Cu) which is located ~15km to the south, which is formed along the same fault splay. Importantly, Colupo, Dania and Ivannia also fall within the general Altair region and are immediately surrounded by existing Altair grounds. This allows Estrella to fully capture any extensions of the potential mineralisation system throughout the entire region.

2. Location and Geology

The Colupo, Dania and Ivannia Projects all lay along fault splays of the Atacama Fault System that also extend over the Antucoya deposit. Estrella already has under option the majority of the exploration ground in the region through the Altair Project. Colupo, Dania and Ivannia now add advanced "brownfields" projects to the portfolio.

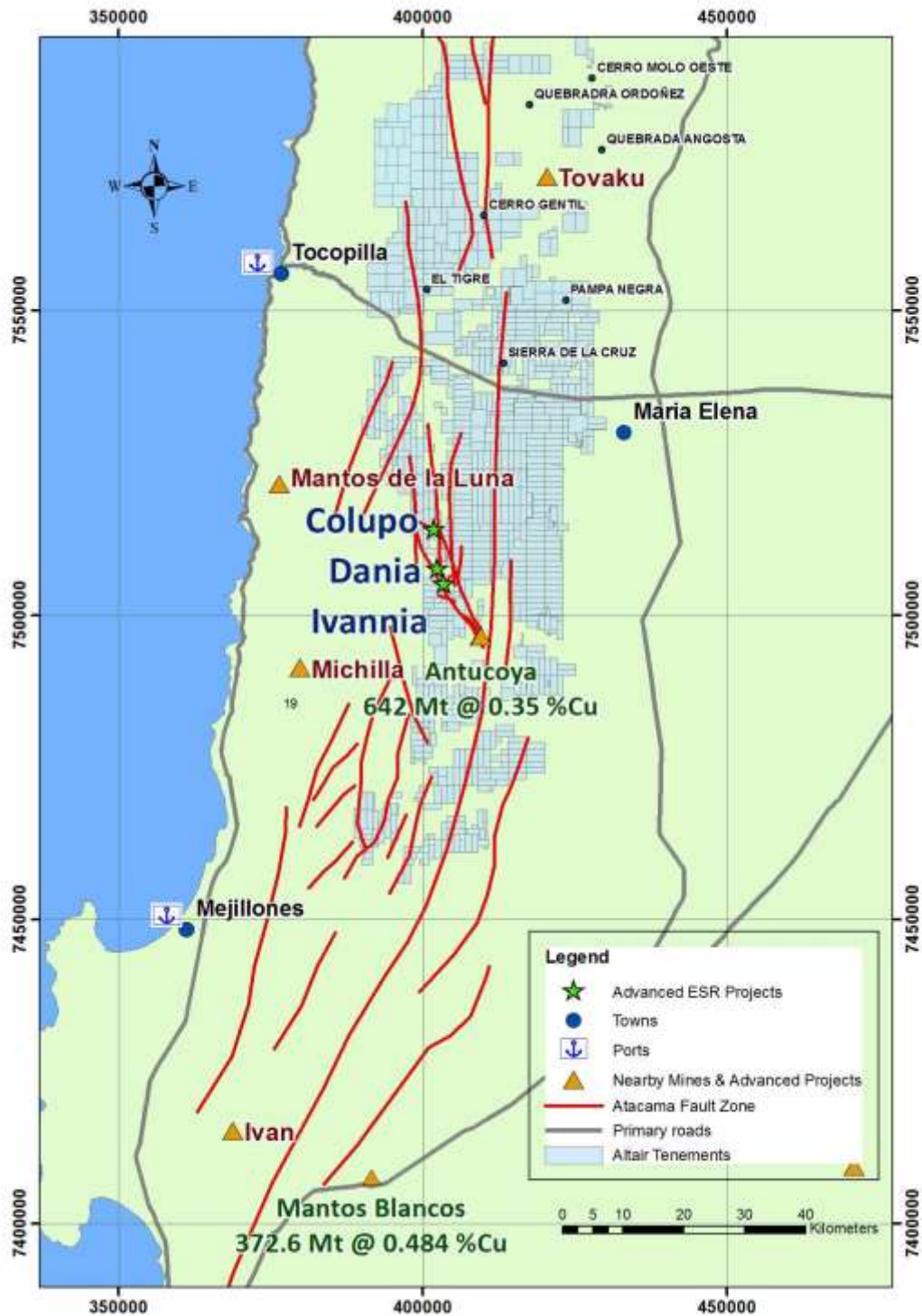
The Altair Project consists of 256,000 hectares encompassing a significant portion of northern Chile's IOCG belt and as such, has the potential to host numerous sizeable deposits. The Colupo, Dania and Ivannia Projects add a further combined 3,346 hectares to this portfolio. The Altair Project is located in the Iron Oxide-Copper-Gold (**IOCG**) belt in northern Chile, 90 km NNE from Antofagasta (*see Figures 1, 2 and 3*). The area of interest focusses upon the Atacama Fault System and is highly prospective for manto's and porphyry deposits. Situated nearby is Pucobres' advanced Tovaku project that is constructing a beneficiation plant.

Figure 1: Location map of Altair project in Region II northern Chile (Map datum; WGS84 Zone 19S).



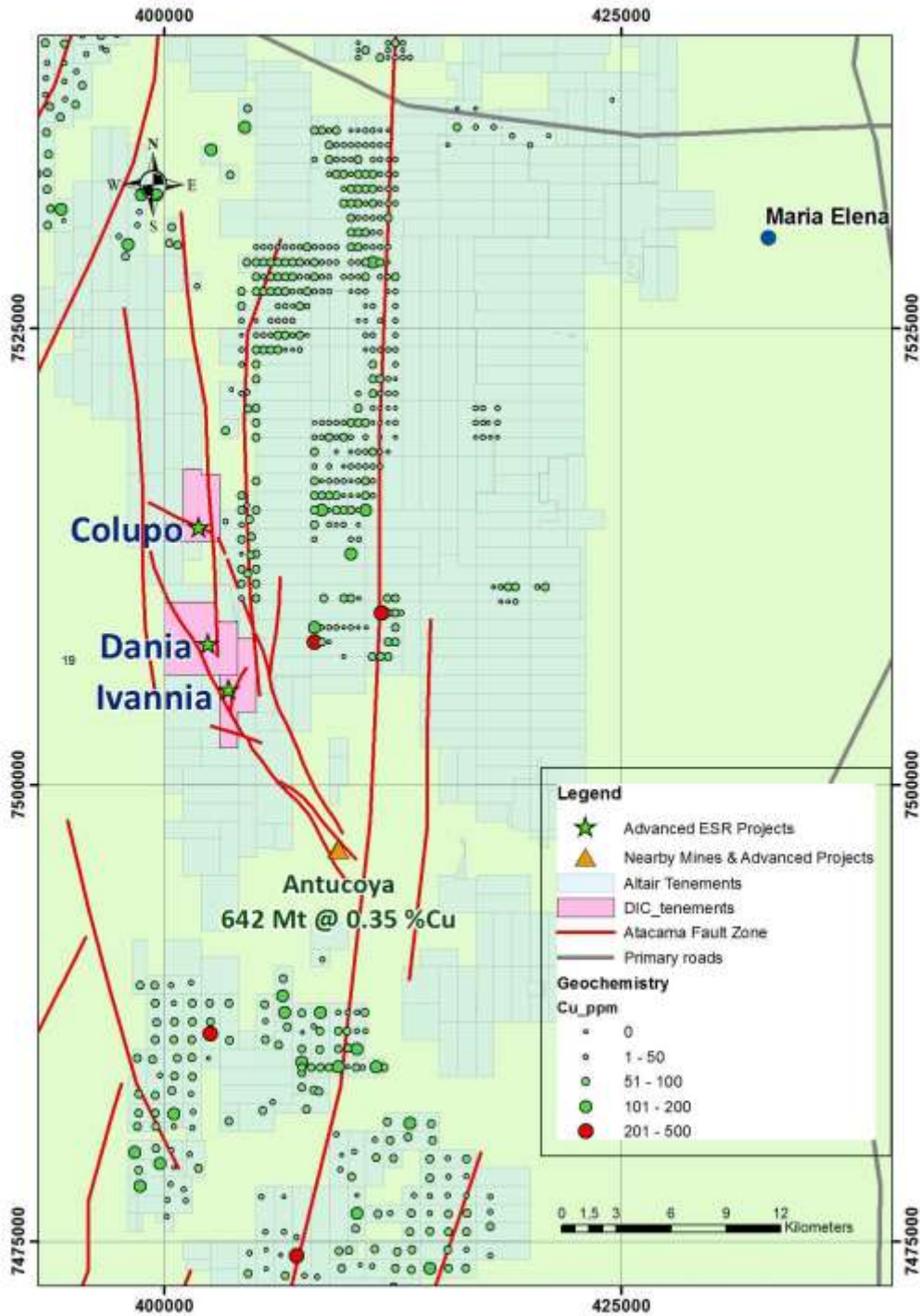
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Figure 2: Colupo, Dania & Ivannia in relation to Altair and other significant nearby copper deposits within the IOCG belt in northern Chile, in particular Antucoya and Mantos Blancos (Map datum; WGS84 Zone 19S).



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Figure 3: Colupo, Dania & Ivannia projects lie along mapped fault splays of the Atacama Fault system that trend northeast to north-northeast from Antucoya. Estrella understands that all the geochemistry data at Altair is derived from RC drill holes previously undertaken by SQM. Estrella is currently reviewing further information about the historical RC drilling by SQM at Altair (Map datum; WGS84 Zone 19S).



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3. Colupo

The Colupo project covers 870ha and features mineralised tourmaline breccias within the volcanic rocks of La Negra Formation. It is situated between intersecting NNE to NE and NW trending faults that extend from Antucoya, to Ivannia, Dania, and continue beyond Colupo.

To date, SQM has drilled 15 reverse circulation (RC) holes to a limit of 70m vertical depth at Colupo (see Figure 4). The summary of RC drilling results below show that Colupo is a high grade copper deposit. The mineralisation starts from surface and is open at depth below 70m and in all subsurface directions (Drill hole collars datum PSAD56 Zone 19S):

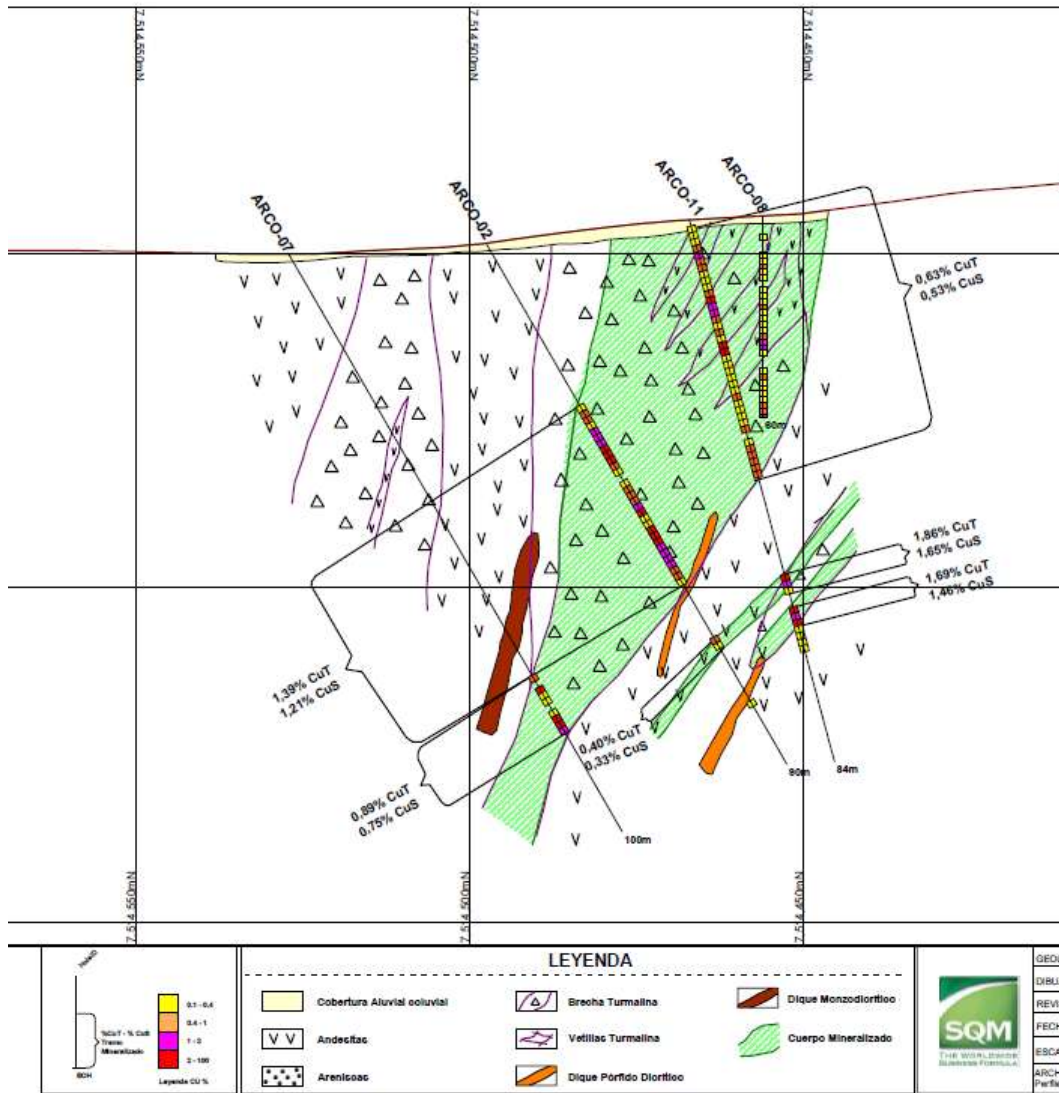
- 31 m @ 1.39% Cu from 28 m (ARCO 02; 402093E, 7514497N; -70°/180°, hole length 74 m) including:
 - 6 m @ 2.02% Cu from 32 m;
 - 2 m @ 3.13% Cu from 45 m; and
 - 7 m @ 2.52% Cu from 49 m.
- 22 m @ 0.98% Cu from 28 m (ARCO 10; 402123E, 7514529N; -60°/145°, hole length 102 m);
- 39 m @ 0.63% Cu from 1 m (ARCO 11; 402099E, 7514467N; -75°/180°, hole length 84 m) including:
 - 1m @ 2.00% Cu from 5 m;
 - 3 m @ 2.26% Cu from 12 m; and
 - 2m @ 1.54% Cu from 19 m.
- 8 m @ 1.34% Cu from 55 m (ARCO 11);
- 35 m @ 0.60% Cu from 6 m (ARCO 08; 402095E, 7514456N; -60°/090°, hole length 60 m) including:
 - 2 m @ 2.35% Cu from 21 m; and
 - 6 m @ 1.40% Cu from 34 m.
- 48 m @ 0.48% Cu from 17 m (ARCO 09; 402021E, 7514480N; -70°/180°, hole length 100 m) including:
 - 1 m @ 1.14% Cu from 17 m; and
 - 1 m @ 5.84% Cu from 32 m.

Figure 4: SQM RC drilling at Colupo



The geological cross-section shown below (see Figure 5) provides illustration of the mineralised intercepts from RC drill holes and the interpreted geological model. The number of mineralised breccias inter-finger with the volcanic rocks of the La Negra Formation demonstrates the high-grade and repetitious nature of the system.

Figure 5: Drill cross-section displays copper mineralisation commencing from surface and has only been tested to a vertical depth of 70 m. Further, mineralised repetitions have also been intersected and require further drill testing (Map datum; PSAD56 Zone 19S).



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4. Dania

The Dania project covers 1,476ha and features andesites and volcanic agglomerates from the Jurassic age La Negra Formation interbedded with arenites. The La Negra units and granodiorites and dacites have been mapped at Ivannia through Dania and continue northward beyond Colupo. The mapped porphyritic rocks are observed by SQM geologists to be similar to the Lower Cretaceous age porphyritic rocks at Antucoya and hydrothermal breccias.

Dania hosts a copper, molybdenum and gold mineralised porphyry system and remains open at depth and requires further exploration in all subsurface directions. Oxide mineralisation at Dania corresponds mainly to copper sulphates and to a lesser extent copper wad (black copper), atacamite. The copper sulphides are chalcopyrite.

SQM conducted an exploration program in 2010 – 2011 which consisted of 19 RC drill holes (to a maximum depth 200 m) for a total of 1,961 metres (see Figure 6). Work to date includes petrological (polished and thin-section) analysis. From the work done, SQM have defined a non-JORC compliant Resource of 10Mt @ 0.20% Cu. Estrella has not yet received gold assay results for Dania.

Drill results include (drill collar datum; PSAD56 Zone 19S):

- Hole ARDA 5 (402617E, 7508397N; 70°/065°; hole length 130 m):
 - 22 m @ 0.30% Cu from 58 m; and
 - 9 m @ 141 ppm Mo from 75 m.
- Hole ARDA 8 (402604E, 7508449N; 70°/065°; hole length 120 m):
 - 37 m @ 0.23% Cu from 2 m; and
 - 12 m @ 0.42% Cu from 61 m.
- Hole ARDA 1 (402662E, 7508355N; 70°/065°; hole length 200 m):
 - 9 m @ 208 ppm Mo from 62 m;
 - 10 m @ 129 ppm Mo from 88 m;
 - 10 m @ 0.23% Cu from 141 m;
 - 7 m @ 112 ppm Mo from 144 m; and
 - 7 m @ 0.29% Cu from 154 m.
- Hole ARDA 11 (402602E, 7508497N; 70°/065°; hole length 72 m):
 - 11 m @ 0.38% Cu from 10 m;
 - 10 m @ 153 ppm Mo from 54 m; and
 - 4 m @ 0.56% Cu from 35 m.

Figure 6: SQM RC drilling at Dania



5. Ivannia

The Ivannia project covers 1,000 ha and similar to Dania in that it is also a copper, molybdenum and gold mineralised porphyry system.

SQM conducted an exploration program in 2010 – 2011 which consisted of 28 shallow RC drill holes (to a maximum depth 110 m) for a total of 1,870 metres and 8 deeper RC holes (150 to 300m depth) for a total of 1,860 metres. Other exploration work by SQM includes petrological (polished and thin-section) analysis.

From the work done to date, SQM have defined a Non-JORC compliant Resource of 5Mt @ 0.12% Cu. Estrella has not yet received the complete drill hole database and results for Ivannia.

Drill results include:

- Hole ARIV 30:
 - 2 m @ 0.29% Cu.
- Hole ARIV 32:
 - 14 m @ 0.23% Cu.
- Hole ARDA 19:
 - 86 m @ 0.10% Cu.

Whilst SQM drill results for Dania and Ivannia are modest in copper grade they are very significant in the regional context, demonstrating that the regional mineralisation extends far beyond Antucoya. Additionally, the drill results from Colupo demonstrate that there is higher grade mineralisation within this regional system. Further to this, the higher grade mineralisation occurs within the La Negra Formation volcanics and not the porphyritic rocks. This knowledge greatly assists our understanding of the likely distribution of grades across the various rock types in the district and underpins the exploration model that will guide Estrella's future exploration activities.

6. Key Terms

Similar to the MoU exchanged for Project Altair with SQM on 6 December 2012, Estrella is required to pay SQM nominal option fees over the 4 year period which are based on the size of the Colupo, Dania and Ivannia tenements held under the Option Agreement at the time of each relevant payment milestone.

Estrella has the right to earn a 100% interest in each and all Metal projects (excluding non-metallic minerals such as nitrates, lithium and iodine) found within Colupo, Dania and Ivannia by solely funding all expenditure up until the completion of a Pre-feasibility Study (PFS) for each such discovery. Upon the completion of a PFS, SQM retains "back-in rights" to earn back 49% of each such project by contributing 49% of funding for the relevant project going forward. In the event SQM does not exercise its relevant "back-in rights", Estrella will retain 100% of each such project and thereafter pay to SQM an annual royalty stream relating solely from that specific project and is bench marked to a sliding scale depending on the LME metal copper and gold prices indexed for US inflation rates.

Estrella is required to meet the agreed minimum expenditure requirements for Colupo, Dania and Ivannia held under the Option Agreement. These expenditures include all exploration, mining study and development work to be undertaken on Colupo, Dania and Ivannia.

Non-metallic minerals such as nitrates, iodine and lithium are not part of the Colupo, Dania and Ivannia transaction and SQM retains at all times a 100% interest in these non-metallic minerals. In the case where both economically extractable metallic and non-metallic mineral deposits coincide, priority is given to the metallic extraction.

7. Next Steps

Estrella now has an up to 3 month period where it will conduct technical and legal due diligence on Colupo, Dania and Ivannia. Subject the satisfactory due diligence, Estrella will:

- Sign the option agreement with SQM as soon as possible within the three month due diligence period; and
- Once the option agreement is in place, incorporate the due diligence results into a revised exploration programme to re-prioritise exploration targets.

Estrella remains well funded to implement an aggressive exploration programme for at least the next 12 months.

8. About SQM

SQM is listed on the New York Stock Exchange since 1993 and currently has a market capitalisation in excess of US\$14.5B.

SQM is the world's largest producer of potassium nitrate, iodine and lithium. SQM produces Specialty Plant Nutrients, Iodine and derivatives, lithium and derivatives, potassium chloride and industrial chemicals. The company has commercial offices in more than 20 countries, which enables SQM to offer its products to customers in over 100 countries throughout the world. In 2011, it is estimated that SQM sales accounted for approximately 49% of world potassium nitrate sales (excluding China), 37% of the iodine sales in the world and 31% of world lithium sales. In 2011 SQM's total revenue was US\$2.1B.

SQM is one of the largest integrated miners and producers of chemicals in the world and is the world's largest producer of potassium nitrate, iodine and lithium. SQM produces specialty plant nutrients, iodine and derivatives, lithium and derivatives, potassium chloride and industrial chemicals being a mining company and one of the largest companies in Chile, SQM holds a substantial portfolio of exploration assets which are highly prospective for base and precious metals.

For more information about SQM please visit their webpage: www.sqm.com

9. Commentary

Estrella's Managing Director, Dr. Jason Berton said:

"This latest transaction with SQM to acquire an exciting tenement package of brownfields projects further demonstrates the strength of our relationship with SQM.

After our initial transaction to acquire Project Altair, this current MoU with SQM to acquire Colupo, Dania & Ivannia represents perhaps the most important piece of the Altair tenement package for Estrella.

Estrella will now hold the majority of the metallic exploration rights over a potentially very large mineralised system."

Competent Person's Statement

Exploration information in this announcement is based upon work undertaken by Dr. Jason Berton, the Managing Director of Estrella Resources Limited whom is a Member of the Australasian Institute of Metallurgy and Mining (AusIMM). Dr Berton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Dr Berton consents to the inclusion in this presentation of the statements based on his information and context in which they appear.

About Estrella Resources

Estrella Resources Limited is an ASX listed, Chilean focused copper-gold exploration company. Estrella has a number of exploration projects in Chile. With a highly experienced board, a strong operational and management team and a sole focus on Chilean copper and gold projects, the Company is well positioned to develop its projects and add value for shareholders.

Directors and Management

Dr. Jason Berton
Managing Director

Gavin Solomon
Non-Executive Chairman

Julian Bavin
Non-Executive Director

Simon Kidston
Non-Executive Director

Juan Pablo Vargas de la Vega
General Manager - Chile

Justin Clyne
Company Secretary

ESTRELLA RESOURCES LIMITED
ACN 151 155 207

ASX CODE: ESR

ORDINARY FULLY PAID SHARES:
87,101,000

UNLISTED OPTIONS:
7,205,000