

BUT.AU

Bright Star Resources Limited

A\$ 0.165

28 March 2011
 Gold
 Tanzania, Australia (NSW, Qld).
 Mid-Advanced Exploration
 ASX: BUT

BUT is now focused on highly prospective Tanzanian gold exploration (existing 290koz resource). Exploration in 2011 may well increase resources rapidly, and drive a re-rating based on a current enterprise value well below that of some West African exploration peers.

Capital Profile

Share price (A\$)	0.165
52 week range (A\$/share)	0.08 to 0.21
Number of shares (m)	182
Options and warrants (m)	50
Convertible notes (m)	0
Fully diluted (m)	232
Market capitalisation (undiluted) (A\$m)	30.0
Debt (A\$m) - Mar 11F	0.0
Enterprise value (A\$m)	30.0
Major shareholders: Golden Cross Resources Ltd (12.2%)	
Directors (18.0%)	
Avg monthly volume (m)	8
Cash (A\$m) - Mar 11F	3.2
Price/Cash (x)	9.3
Price/Book (x)	4.7
ASX-listed company options:	BUTO

Production and Financial Forecasts

YEAR END: June	Dec-10a	Mar-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	0.07	0.25	0.21	0.87	1.60
Corporate (A\$m)	0.71	0.20	0.75	1.22	0.80
Exploration/(Expl.+ Corporate) (%)	9	56	22	41	80
Funding duration at current burn (years)			0.4	1.2	0.5
Shares on issue (pr end) (m shares)	177.5	177.5	122.6	177.5	177.5
Drilling - RAB (m)	0	0	2,000	0	10,500
Drilling - RC/Diamond (m)	0	0	2,000	3,000	9,500
Land holding ('000 ha)	63	63	50	63	63
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m) *	3.60	0.00	2.05	3.60	0.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	2.9	3.2	0.4	2.6	1.3
Cash backing (Ac/share)	1.6	1.8	0.3	1.4	0.9
Net asset backing (Ac/share)	3.3	3.6	2.6	3.5	4.4

Investment Points

Switch of focus from Western Pacific Rim to Africa - Tanzania - rich Lake Victoria Goldfields.

Tanzania - third largest gold producing country in Africa after South Africa and Ghana.

New Board includes ex Andean Resources team.

Flagship Kitongo Project (100%) - advanced Tanzanian gold project with existing 290koz JORC resource.

Excellent address - gold deposits within 50km of Kitongo including Bulyanhulu (>15Moz), Nyanzaga (4.2Moz).

Excellent exploration potential in Tanzanian ground - previous intercepts from numerous exploration targets.

First Kitongo drilling program about to start - addressing existing resource expansion and initial regional targets.

BUT enterprise value only ~A\$30m suggests an undervalued stock. We see potential for share price to double in next six months with modest drilling success.

Company Comment

Overview: Listed on ASX in Dec '07 (as Tasman Goldfields Ltd) with gold exploration properties in Australia, NZ and PNG. Board changes (4Q09) saw Warren Gilmour and son Geoff (ex Andean Resources), take up Board positions and major shareholdings, (combined 17.5%), moving quickly to acquire an African project, review existing projects, raise funds and change the name.

Tanzania: Tanzania has been relatively overlooked amongst all the hype regarding West African Gold exploration, but it is a major gold producing country (Africa's no. 3), a stable mining-friendly democracy. Barrick is a major player, dominating Tanzanian production. Also AngloGold and Resolute.

Kitongo Project (Tanzania): BUT sees Kitongo, the flagship project, as a near-term production opportunity with excellent exploration potential. The 128km² project area is located in the Lake Victoria Goldfields region of Tanzania. Looks like a pretty good address with several multi-million ounce gold projects on the rich Senza-geita greenstone belt within ~50km radius, including Bulyanhulu (>15Moz), Nyanzaga (4.2Moz), and Golden Ridge (2.2Moz). Previous owner estimated a 290koz JORC resource (2.2g/t grade) in a 600m long zone, to 135m depth. The metallurgy looks reasonably benign with past testing indicating >90% CIL recoveries (75micron grind) for both oxide. Majority of current resource is oxide. The exploration potential of this project looks excellent.

Exploration Program: BUT is planning its first RC drilling program (3,000m) in 2Q11 aimed at extending the Main Zone oxide resource with step-out drilling (what it describes as 'easy ounces'), looking for additional deeper sulphide ore, and addressing high priority prospective regional exploration targets where very limited scout drilling has produced some very promising intercepts, including Kitongo Hill (8m @ 14.5g/t) and Isegenghe (6m @ 31.5g/t). A Scoping Study for potential Main Zone development is likely to follow from the 2Q11 program.

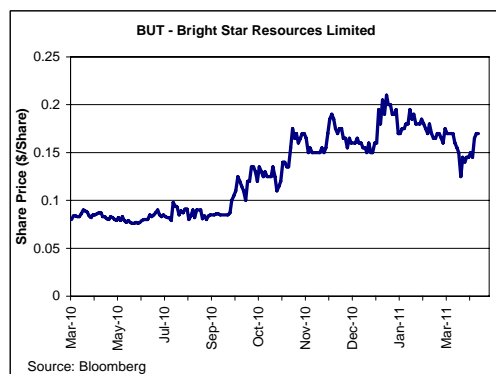
Challenger (NSW): "Brownfields" gold project - has recently been sold for A\$1.75m cash, staged payments. **Mt Adrah (NSW):** 15km from Challenger, low grade (1.1-1.3g/t) ore body with JORC resource of 239koz. BUT has indicated it is likely to be sold - planning to vend it into a new gold field.

Maiaumanda (PNG): Central New Guinea Orogenic Belt, previous drilling identified three prospective gold zones (results included 20.8m @ 5.68g/t from 35m). Tenement issues to resolve. Maybe JV?

Miclere (Qld): Paleochannel alluvial gold system in historic Clermont goldfields. Previous drilling identified immediate resource potential 125koz, total field resource potential of 500kz. Being reviewed.

Corporate: A 4Q10 placement of 40.0m shares at A\$0.09/share (+1:2 A\$0.10 option) raised A\$3.6m.

Investment Comment: This is a new era for BUT shareholders with the team who brought you Andean now on board. A revitalised African exploration focus is supported by cash to fund it. The real action starts now, with the first drilling program at Kitongo about to start, and a strong CY11 newsflow expected. Based on the current very modest resource valuation of only ~A\$60/ounce (see next page) and less than A\$50/ounce likely after the 2Q11 drilling, we see potential for the stock to double in the next six months if we look at resource target ratings of comparable West African explorers.



Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)									
Gold	Classification	Project	Ore	Au	Cut Off	Au	Au	Au Eqty	
		Equity	Mt	g/t	g/t	t	koz	koz	
Reserves									
						0.0	0.0	0.0	
Resources									
Kitongo Project	Inferred	100%	4.40	2.00	1.0	8.8	290	290	
Mt Adrah	Ind & Inferred	100%	6.55	1.13	0.5	7.4	239	239	
Sub Total			10.95	1.48		16.2	529	529	
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0	

Contacts

Mr Geoff Gilmour
 Executive Director
 Tel: +61 (0) 412 155 512
 Fremantle, WA, Aust
www.brightstarresources.com.au

Directors

W Gilmour (Exec Chair)
 G Gilmour (Exec Dir)
 G Clatworthy (Non-Exec)
 P Payne (Technical Dir)

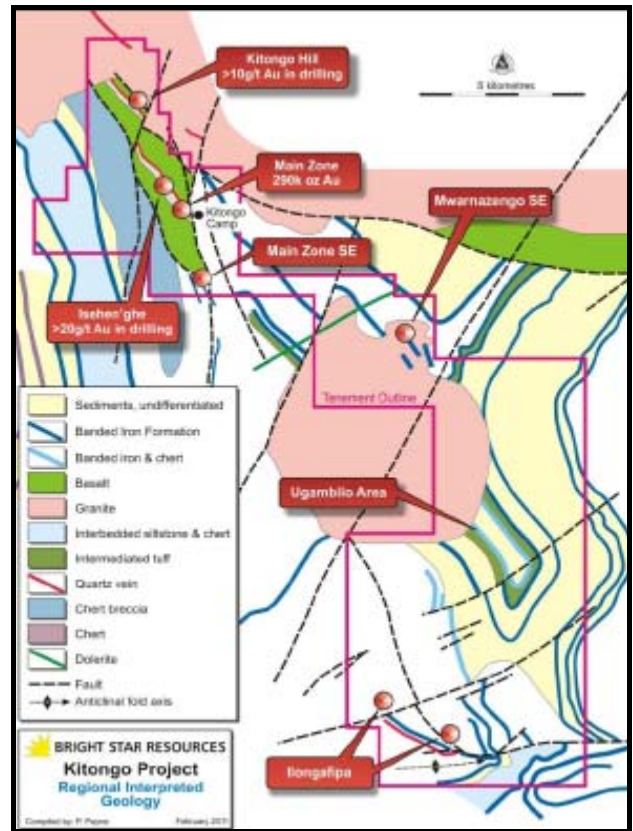
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Kitongo Project	100%	Au	none	qtz vein	na	Adv. Expl.	Tanzania
Maji Moto/Nyamgombie	100%	Au	none	qtz vein	na	Early Expl.	Tanzania
Mt Adrah	100%	Au	none	IRG	Heap lch	Adv Expl.	Aus (NSW)
Miclere	100%	Au	none	Placer	Gravity	Mid Expl.	Aus (QLD)

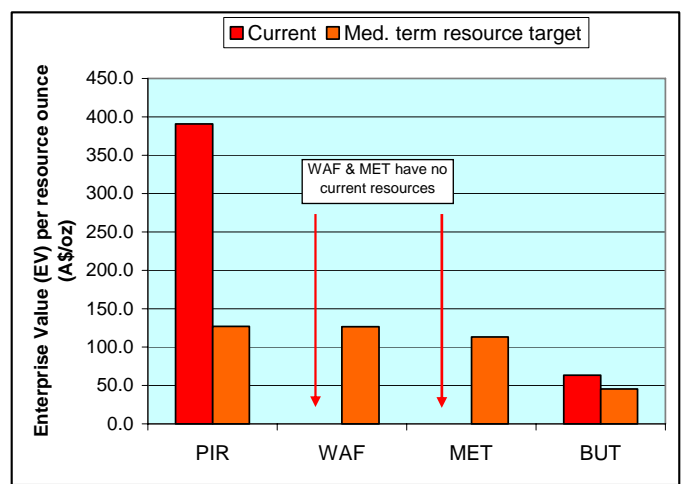
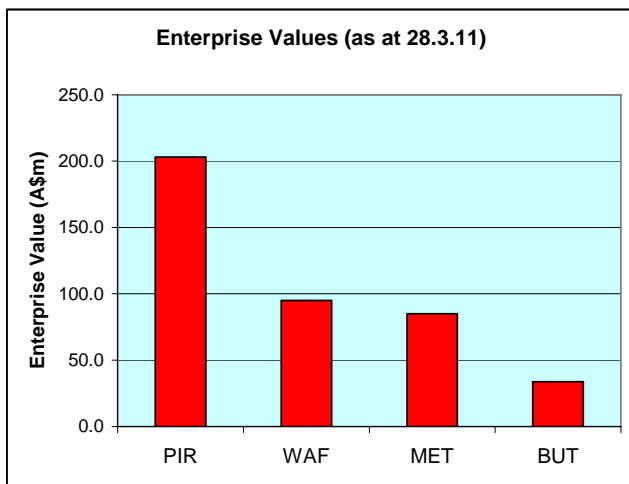
Analyst: Dr Tony Parry
 tonyparry@rcresearch.com.au

Bright Star's Kitongo Project (Tanzania) is in a greenstone belt that hosts numerous major deposits. It is 50km from the 18moz Bulyanhulu mine (Barrick Gold Corp: 249koz production in 2009), and has excellent exploration upside. Tanzania is the third biggest African gold producing country, with Barrick as a lead player – Barrick's current reserves in Tanzania amount to 16.8moz

Apart from the Main Zone, where 2Q11 drilling will target resource expansion, numerous regional targets are yet to be drilled. Immediate 2Q11 priorities are Isegenghe and Kitongo Hill.



Is West Africa that much more prospective than Tanzania? We have compared enterprise values and EV/resource ratios of three West African junior explorers (PIR – Mali, WAF – Burkina Faso and MET – Burkina Faso) with BUT. The Tanzanian explorer looks significantly undervalued in this comparison, even more so if the Kitongo resource increases above the modest 0.5moz medium term target assumed.



COMPANY	ASX CODE	PRICE (A\$) *	EV (A\$m)	Equity Gold Resources (moz)		Notes
				Current	Med. term target	
Papillon Resources Ltd	PIR	0.825	203.1	0.520	1.6	Med term target is midpoint of MET forecast (1.8-2.2moz, 80% equity)
West African Resources Ltd	WAF	0.53	95.0	0.0	0.75	RCR estimate - assumes 0.75moz potential in 12-18 months
Mt Isa Metals Ltd	MET	0.575	85.0	0.0	0.75	RCR estimate - assumes 0.75moz potential in 12-18 months
Bright Star Resources Ltd	BUT	0.165	33.6	0.529	0.739	Med. term target assumes Kitongo resource increased to 0.5moz

* Share price data as at March 28 2011

Disclosure and Disclaimer

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