BUT.AU

27 June 2011
Gold
Tanzania, Australia (Qld)
Mid-Advanced Exploration
ASX: BUT

Bright Star Resources Limited

A$ 0.13

Tanzanian-focused BUT has already got its foot on 680koz of resource equity in this gold-rich country. Exploration is planned which could increase resources rapidly, and drive a re-rating based on an enterprise value well below that of some African exploration peers.

Capital Profile

Share price (A$)	0.13		
52 week range (A$/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$m)	22.8		
Debt (A$m) - Jun 11F	0.0		
Enterprise value (A$m)	22.8		
Major shareholders: Golden Cross Resources Ltd (12.2%)			
Directors (15.0%).			
Avg monthly volume (m)	4		
Cash (A$m) - Jun 11F	2.6		
Price/Cash (x)	8.8		
Price/Book (x)	3.9		
ASX-listed company options:	BUTO		

Production and Financial Forecasts

YEAR END: June	Mar-11a	Jun-11F	2010a	2011F	2012F
Exploration and evaluation (A$m)	0.08	0.25	0.21	0.44	1.85
Corporate (A$m)	0.27	0.30	0.75	1.39	1.20
Exploration/(Expl.+ Corporate) (%)	22	45	22	24	73
Funding duration at current burn (years)			0.4	1.4	0.2
Shares on issue (pr end) (m shares)	182.1	182.1	122.6	182.1	182.1
Drilling - RAB (m)	0	3,000	2,000	3,000	22,000
Drilling - RC/Diamond (m)	0	0	2,000	0	12,000
Land holding ('000 ha)	63	63	50	63	63
Tenement costs ($k per year)	-	-	-	-	-
Capital raisings (A$m) *	0.00	0.00	2.05	3.60	0.00
Funding from JV partners (A$m)	0	0	0	0	0
Cash (A$m)	3.1	2.6	0.4	2.6	0.6
Cash backing (Ac/share)	1.7	1.4	0.3	1.4	0.4
Net asset backing (Ac/share)	3.4	3.2	2.6	3.2	3.8

*

Investment Points

Gold explorer in Tanzania - rich Lake Victoria Goldfields.

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

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

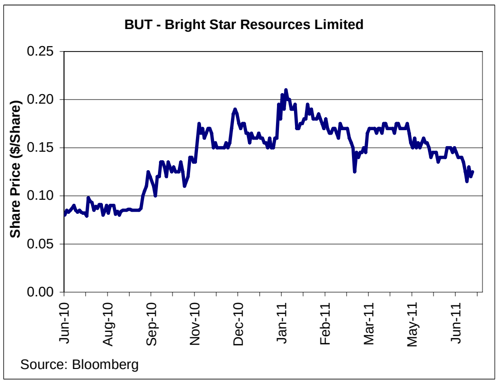
Recent JV formed for BUT to earn up to 75% interest in MIyabi Project - 520koz resource.

BUT resource equity now 680koz assuming 75% JV interest, deposits are shallow, broad mineralised zones.

Excellent address with strong regional exploration potential - major regional projects include Bulyanhulu (Barrick, 17Moz), Geita (Anglo, 11Moz).

Kitongo and Miyabi resource expansion drilling programs planned, potential for rapid resource increase.

BUT enterprise value only ~A$26m (~A$38/oz) - looks undervalued compared to other similar African explorers.



Source: Bloomberg

Company Comment

Overview: Listed on ASX in Dec '07 (as Tasman Goldfields Ltd) with gold exploration properties in Australia, NZ, PNG. New board (4Q09) has changed focus to Tanzania, divested most other assets.
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. three), a stable mining-friendly democracy. Barrick is a major player, dominating Tanzanian production. Also Anglogold and Resolute.
Kitongo Project, Tanzania (100%): BUT sees Kitongo, the flagship project, as a near-term production opportunity with excellent exploration potential. The 128km^2 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 (2.0g/t grade) in a 800m long zone, to 135m depth. The majority of current resource is oxide. The exploration potential of this project looks excellent.
Kitongo Exploration Program: The first RC drilling program (3,000m) should be underway during 3Q11, aimed at extending the Main Zone oxide resource with step-out drilling (what BUT describes as 'easy ounces'), plus looking for additional deeper sulphide ore, and addressing high priority prospective regional exploration targets where limited scout drilling has produced some very promising intercepts. A Scoping Study for fast track Main Zone development could well follow from the 3Q11 program.
Miyabi Project, Tanzania (earning up to 75%): Miyabi (252km^2) is ~150km SW of Kitongo and ~30km from Resolute's Nyakafuru project (1.1Moz). In Apr '11 BUT entered into a JV to earn an initial 50% from nickel-focused African Eagle Resources plc (AIM:AFE) by spending US$3m over 30 months, and a further 25% by completing a feasibility study. Miyabi has a current JORC resource of 520koz at average grade of 1.3g/t, in five deposits, all relatively shallow broad mineralised zones.
Miyabi Exploration Program: BUT has recently commenced a 10,000m RAB campaign. The priority target is the full length of a 5km long granite/greenstone contact zone which hosts two resources (totaling 225koz). The drilling will be on 200m spaced lines along the 5km length. Most of the contact zone, which exhibits numerous gold and magnetic anomalies, is untested.
Challenger (NSW): 'Brownfields' Au project, recently sold for A$1.75m cash, staged payments.
Miclere (Qld): Paleochannel alluvial gold system in historic Clermont goldfields. Being reviewed.
Investment Comment: This is a new era for BUT shareholders with some of the team who brought you Andean Resources now on board. A revitalised African exploration focus is now getting up to speed with two frontline exploration projects leveraging on established resources at Kitongo and Miyabi. A strong 2H11 newsflow expected. Based on the current very modest resource valuation of only ~A$38/ounce (see next page) and a resource increase at Kitongo likely within 6 months, we see potential for the stock to double in the next six months if we look at EV/resource ratings of comparable West African explorers.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Gold	Classification	Project Equity*	Ore Mt	Au g/t	Cut Off g/t	Au t	Au koz	Au Eqty * koz
Reserves								
						0.0	0.0	0.0
Resources								
Kitongo Project	Inferred	100%	4.40	2.00	1.0	8.8	290	290
Miyabi Project	Indicated & Inferred	75%	12.40	1.30	0.5	16.1	520	390
Sub Total			**16.80**	**1.48**		**24.9**	**810**	**680**
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

* Miyabi project equity assumes 75% is earned as per JV agreement

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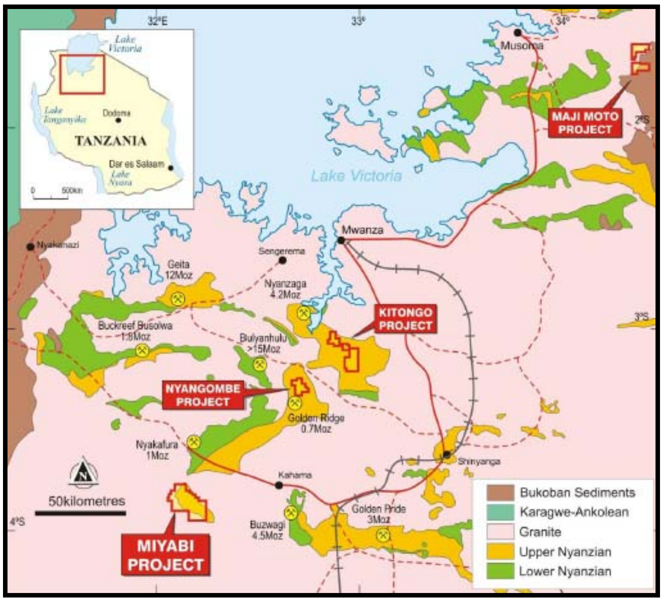
G Gilmour (MD)
P Payne (Ex Dir)
G Clatworthy (Non-Exec)
Barry Bolitho (Non Exec Dir)

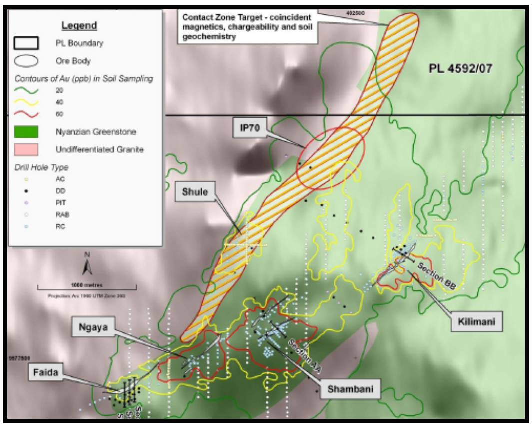
Key Projects

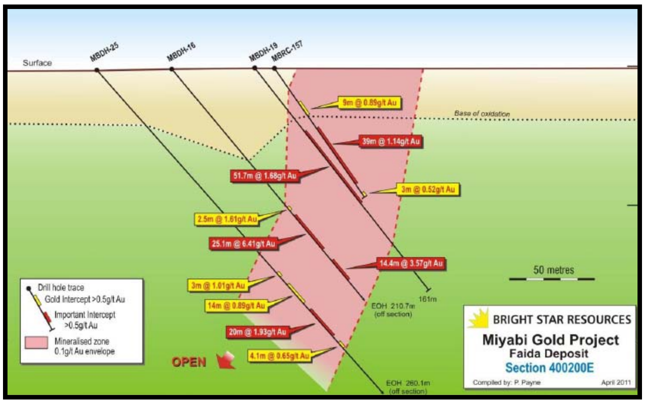
Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Kitongo Project	100%	Au	none	g'stone	na	Adv. Expl.	Tanzania
Maji Moto/Nyamgombie	100%	Au	none	qtz vein	na	Early Expl.	Tanzania
Miyabi JV	0/50/75%	Au	African Eagle	g'stone	na	Mid Expl.	Tanzania
Miclere	100%	Au	none	Placer	Gravity	Mid Expl.	Aus (QLD)

Bright Star's projects in Tanzania are in a greenstone belt that hosts numerous major deposits (e.g. Barrick's 17moz Bulyanhulu mine - 260koz production in 2010), and have excellent exploration upside. Tanzania is the third biggest African gold producing country, with Barrick, Anglo and Resolute as lead players

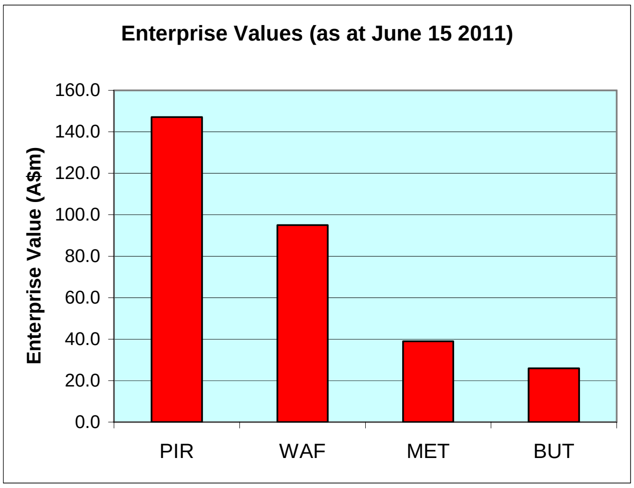


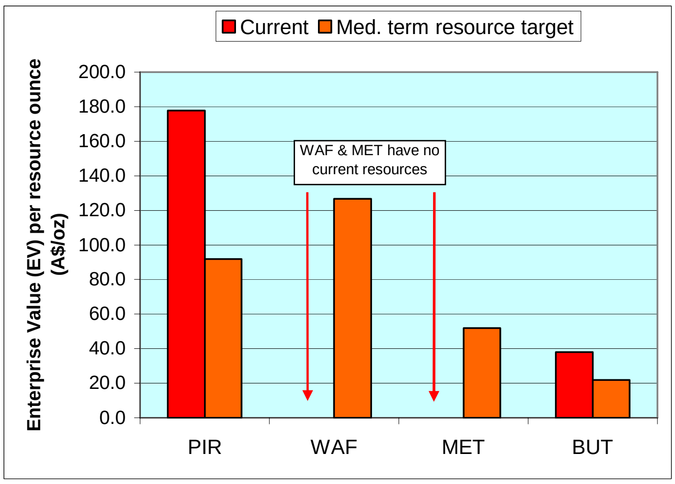
The priority target at Miyabi is a largely untested 5km granite/greenstone contact zone (top picture). The mineralised zones are characterised by very broad mineralised zones (e.g. Faida – lower picture).





We have revisited our comparison of EV/resource ratios of three West African junior explorers (PIR – Mali, WAF – Burkina Faso and MET – Burkina Faso) with BUT. This still shows that the Tanzanian explorer looks significantly undervalued, even more so if exploration success drives the Kitongo/Miyabi resource base beyond the modest additional 0.5moz medium term target we have assumed.





				Equity Gold Resources (Moz)		Notes
COMPANY	ASX CODE	PRICE (A$) *	EV (A$m) ^	Current	Med. term target	
Papillon Resources Ltd	PIR	0.57	147.0	0.827	1.4	Med term target is RCR estimate
West African Resources Ltd	WAF	0.39	95.0	0.0	0.75	RCR estimate - assumes 0.75Moz potential in 12-18 months
Mt Isa Metals Ltd	MET	0.3	39.0	0.0	0.75	RCR estimate - assumes 0.75Moz potential in 12-18 months
Bright Star Resources Ltd	BUT	0.13	25.9	0.68	1.18	Med. term target assumes Kitongo/Miyabi equity resources inc. by 0.5Moz

* Share price data as at June 16 2011 ^ EV is based on ful;y diluted share capital, cash as at March quarter 2011 report.

Disclosure and Disclaimer

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