

BRIGHT STAR RESOURCES LIMITED

ABN 86 121 985 395

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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These half-year financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CORPORATE DIRECTORY

Directors

Warren Gilmour
Executive Chairman
Geoffrey Gilmour
Managing Director
Paul Payne
Technical Director
Graeme Clatworthy
Non-Executive Director

Company Secretary

Ross Arancini

Solicitors

Johnson Winter & Slattery
London House
216 St George's Tce
Perth
Western Australia 6000

Auditors

Ernst & Young
1 Eagle Street
Brisbane
Queensland 4000

Share Registrar

Registries Ltd
Level 7
207 Kent Street
Sydney
New South Wales 2000

Registered Office

1/1 Nairn Street
Fremantle
Western Australia 6959

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

DIRECTORS' REPORT

Your directors present their report of the consolidated entity for the half-year ended 31 December 2010.

Directors

The names of directors who held office during or since the end of the half-year and up to the date of this Report are:

Warren Gilmour	<i>Executive Chairman</i>	
Geoffrey Gilmour	<i>Managing Director</i>	
Paul Payne	<i>Technical Director</i>	Appointed 1 February 2011
Graeme Clatworthy	<i>Non-Executive Director</i>	

Results and Review of Operations

The consolidated entity incurred an operating loss after income tax of \$1,892,869 (31 December 2009: \$1,126,617) for the half-year ended 31 December 2010.

During the half-year the Group:

- Entered into an agreement to acquire the Kitongo Gold Project (Carlton Resources Pty Limited) located in the Lake Victoria Goldfields region of Tanzania;
- Conducted its first field trip to Kitongo to review infrastructure and meet with various contractors that could assist in exploration work planned on the Project;
- Continued to review existing non-core assets with a view to sale or relinquishment;
- Continued its search for projects that would add value with particular emphasis on Tanzania;
- Continued its search for key personnel that will enhance the Company's ability to successfully achieve its objectives;
- Issued 40,000,000 shares at \$0.09 raising \$3,600,000 to fund exploration activities at the Kitongo Gold Project and for working capital;
- Issued 14,940,233 shares at \$0.09 to acquire Carlton Resources Pty Ltd. Carlton through its wholly owned subsidiary Carlton Kitongo Tanzania Ltd owns the Kitongo Gold Project;
- Issued 20,000,000 listed options exercisable at \$0.10 and expiring 7 October 2012. The options were issued on a 1 for 2 basis to subscribers in the 40,000,000 share placement;
- Issued 1,700,000 listed options exercisable at \$0.10 and expiring 7 October 2012. The options were issued to employees and consultants for services rendered; and
- Issued 12,000,000 unlisted options exercisable at \$0.10 and expiring 4 October 2014. The options were issued to officers of the Company as an incentive.

During the half year the company has also recognized impairment loss of \$181,081 for exploration and evaluation expenditure relating to PNG tenements and land which is to be sold as part of sale of Challenger Mines Limited.

Subsequent Events

On 24 January 2011 the Company completed the sale of wholly owned subsidiary Challenger Mines Limited. The total sale price, to be paid in installments, is \$1,750,000. The Company will also receive a reimbursement of \$197,000 of State Government Bonds.

On 13 January 2011 the Company issued IAMGOLD 4,572,175 shares at \$0.1531 to complete the acquisition of the Kitongo Gold Project.

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

This report is signed in accordance with a resolution of the Board of Directors.



Warren Gilmour

Dated this 14th day of March 2011

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

		Consolidated	
		Half-year	
	Note	31 Dec 10 \$	31 Dec 09 \$
Continuing operations			
Revenue	4	43,960	34,895
Administrative expenses	5	(1,643,539)	(223,610)
Depreciation and amortization expense		(720)	(7,257)
Employee benefits expense		(111,670)	(139,688)
Exploration expenditure		(82,724)	(43,727)
Finance costs		-	(50,280)
Impairment loss on exploration tenements		(30,995)	(696,950)
Impairment loss on property, plant and equipment		(150,086)	-
Foreign currency translation reserve derecognized		70,222	-
Loss for the half-year before income tax expense		(1,905,552)	(1,126,617)
Income tax expense		-	-
Loss from continuing operations for the half-year after income tax		(1,905,552)	(1,126,617)
Discontinued operations			
Gain/(loss) from discontinued operations after income tax		12,683	(11,495)
Loss for the half-year after income tax		(1,892,869)	(1,138,112)
Other comprehensive income			
De-recognition of foreign currency translation		(70,222)	-
Foreign currency translation		-	18,600
Total comprehensive income for the period		(1,963,091)	(1,119,512)
Loss for the half-year is attributable to:			
Owners of Bright Star Resources Limited		(1,963,091)	(1,138,112)
Total comprehensive loss for the half-year is attributable to:			
Owners of Bright Star Resources Limited		(1,963,091)	(1,119,512)
Loss per share from continuing operations attributable to owners of Bright Star Resources Limited:			
Basic (cents per share)		(1.18)	(1.39)
Diluted (cents per share)		(1.18)	(1.39)
Loss per share attributable to owners of Bright Star Resources Limited:			
Basic (cents per share)		(1.17)	(1.40)
Diluted (cents per share)		(1.17)	(1.40)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Consolidated	
	31 Dec 10	30 June 10
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,924,755	356,844
Trade and other receivables	61,588	22,335
Assets held for sale	2,090,736	-
TOTAL CURRENT ASSETS	5,077,079	379,179
NON-CURRENT ASSETS		
Receivables	95,219	287,428
Property, plant and equipment	6,472	416,132
Exploration and evaluation expenditure	8 678,290	2,281,784
Intangible assets – Option to acquire Kitongo Gold Project	13 2,198,200	-
TOTAL NON-CURRENT ASSETS	2,978,181	2,985,344
TOTAL ASSETS	8,055,260	3,364,523
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	139,313	84,296
Liabilities relating to acquisition of Kitongo Gold project	880,000	-
Liabilities held for sale	140,000	-
TOTAL CURRENT LIABILITIES	1,159,313	84,296
NON-CURRENT LIABILITIES		
Provisions	-	140,000
TOTAL NON-CURRENT LIABILITIES	-	140,000
TOTAL LIABILITIES	1,159,313	224,296
NET ASSETS	6,895,947	3,140,227
EQUITY		
Issued capital	7 18,032,638	13,243,667
Reserves	1,604,326	744,708
Accumulated losses	(12,741,017)	(10,848,148)
TOTAL EQUITY	6,895,947	3,140,227

The above statement of financial position should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Fully paid ordinary shares	Accum Losses	Foreign Currency Reserve	Share Option Reserve	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	10,928,217	(8,072,606)	44,450	276,885	-	3,176,946
Loss for the half-year	-	(1,138,112)	-	-	-	(1,138,112)
Other comprehensive income	-	-	18,600	-	-	18,600
Total comprehensive income for the half-year	-	(1,138,112)	18,600	-	-	(1,119,512)
Transactions with owners in their capacity as owners						
Issue of shares	833,200	-	-	-	-	833,200
Share issue costs	(13,200)	-	-	-	-	(13,200)
Balance at 31 December 2009	11,748,217	(9,210,718)	63,050	276,885	-	2,877,434
Balance at 1 July 2010	13,243,667	(10,848,148)	70,222	674,486	-	3,140,227
Loss for the half-year	-	(1,892,869)	-	-	-	(1,892,869)
Other comprehensive income	-	-	(70,222)	-	-	(70,222)
Total comprehensive income for the half-year	-	(1,892,869)	(70,222)	-	-	(1,963,091)
Transactions with owners in their capacity as owners						
Issue of shares	4,944,621	-	-	-	-	4,944,621
Share issue costs	(155,650)	-	-	-	-	(155,650)
Issue of options	-	-	-	929,840	-	929,840
Balance at 31 December 2010	18,032,638	(12,741,017)	-	1,604,326	-	6,895,947

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	Half-year	
	31 Dec 10	31 Dec 09
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	25,000	33,674
Payments to suppliers and employees	(847,426)	(465,760)
Net cash provided by (used in) operating activities	(822,426)	(432,086)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	18,242	1,221
Payments for exploration & evaluation expenditure	(115,824)	(156,414)
Payments for security deposits	-	-
Net cash provided by (used in) investing activities	(97,582)	(155,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for loans and borrowings	-	(95,000)
Loans from directors	-	300,000
Cash inflow on acquisition of subsidiary	25,913	-
Proceeds from issues of equity securities	3,600,000	820,000
Payment for share issue costs	(136,400)	-
Net cash provided by financing activities	3,489,513	1,025,000
Net increase in cash and cash equivalents	2,569,505	437,721
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	18,600
Net cashflow from discontinued operations	(1,594)	(11,495)
Cash and cash equivalents at beginning of period	356,844	208,200
Cash and cash equivalents at end of period	2,924,755	653,026

The above statement of cash flows should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001 and AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(c) Going concern

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which considers the realization of assets and the settlement of liabilities in the normal course of business activities. As at 31 December 2010 the consolidated entity has a net current asset position of \$3,917,766.

At 31 December 2010 the company has commitments of \$1,673,000 (31 December 2009: \$670,840) in respect of minimum expenditure required under exploration permits and mineral leases in order to keep the rights of tenure current. In addition, the Company has acquired the Kitongo Gold Project in Tanzania through the acquisition of 100% of the issued shares of Carlton Resources Pty Ltd. Under the agreement the company is to meet Carlton's acquisition obligations of \$1.63m to IAMGOLD Corporation as follows;

- \$180,000 upfront payment;
- \$700,000 in the Company's shares on completion (issued subsequent to half year end);
- \$400,000 deferred payment upon commencement of production; and
- \$350,000 deferred payment upon first anniversary of commencement of production

Subsequent to 31 December 2010 the company has sold Challenger Mines Limited for a consideration of \$1,750,000 which is receivable in instalments as follows:

- \$500,000 payable on the date of sale;
- \$500,000 payable after 6 months of sale;
- \$500,000 payable after 12 months of sale;
- \$250,000 payable after 5 days of start of production.

In the event that the company is not able to recover debts relating to sale of Challenger Mines Limited it will have to raise additional capital in order to undertake committed exploration activities, meet its obligations under the Kitongo Gold Project acquisition agreement and continue planned operations.

The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances as the Directors believe that they can raise sufficient funds through capital raising and asset sales to meet their committed activities and continue planned operations. However, in the event the consolidated entity is unable to raise additional equity capital or realize funds through the sale of assets there is significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore, whether it will realize its assets at the amounts as shown in the financial statements and extinguish liabilities in the normal course of business. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(d) Summary of significant accounting policies

Apart from the changes in accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2010.

The following amending standards have been adopted from 1 July 2010. Adoption of these standards did not have any effect on the financial position or performance of the Group:

Reference	Title	Application date of standard	Application date for Group
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	1 July 2010
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	1 July 2010
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions	1 January 2010	1 July 2010

(e) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealized profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the manner in which exploration activities are monitored. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Group operates in mineral exploration in Australia, New Zealand, Papua New Guinea and Tanzania.

Segment information provided to the Board

31 Dec 2010	Australia	New Zealand	PNG	Tanzania	Total
	\$	\$	\$		\$
Total segment revenue	-	-	-	-	-
Total segment expenses	(82,724)	-	(30,995)	-	(113,719)
Total segment loss	(82,724)	-	(30,995)	-	(113,719)
Total segment assets	678,290	-	-	-	678,290
Total segment liabilities	-	-	-	-	-
31 Dec 2009	Australia	New Zealand	PNG	Tanzania	Total
	\$	\$	\$	\$	\$
Total segment revenue	-	-	-	-	-
Total segment expenses	(213,727)	(526,950)	-	-	(740,677)
Total segment loss	(213,727)	(526,950)	-	-	(740,677)
Total segment assets	611,568	100	29,443	-	641,111
Total segment liabilities	-	-	-	-	-

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 Dec 2010	31 Dec 2009
	\$	\$
Segment expense reconciles to total expense as follows:		
Segment expense	(113,719)	(740,677)
Administration expense	(713,699)	(223,610)
Depreciation and amortisation expense	(720)	(7,257)
Employee benefits expense	(111,670)	(139,688)
Finance costs		(50,280)
Impairment loss on property, plant and equipment	(150,086)	-
Share based payments expense	(929,840)	-
Discontinued operations expense	(11)	(11,495)
Total expenses	2,019,745	1,173,007
Segment loss reconciles to loss before tax as follows:		
Segment loss	(113,719)	(740,677)
Revenue from operations	43,960	34,895
De-recognition of foreign currency translation reserve	70,222	-
Revenue/(expense) from discontinued operations	12,683	(11,495)
Administration expense	(713,699)	(223,610)
Depreciation and amortisation expense	(720)	(7,257)
Employee benefits expense	(111,670)	(139,688)
Finance costs	-	(50,280)
Impairment loss on property, plant and equipment	(150,086)	-
Share based payments expense	(929,840)	-
Loss before income tax	(1,892,869)	(1,138,112)
Segment assets reconciles to total assets as follows:		
Segment assets	678,290	641,111
Current assets	2,986,343	825,380
Property, plant and equipment	6,472	153,294
Receivables	95,219	157,137
Intangible asset – option to acquire Kitongo Gold Project	2,198,200	-
Assets held for sale – discontinued operations	2,090,736	2,576,574
Total assets	8,055,260	4,353,496

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	31 Dec 2010	31 Dec 2009
	\$	\$
Segment liabilities reconciles to total liabilities as follows:		
Segment liabilities	-	-
Current liabilities	(139,313)	(388,181)
Liabilities held for sale	(140,000)	-
Liabilities relating to acquisition of Kitongo Gold Project	(880,000)	-
Non-current liabilities	-	(1,077,881)
Total liabilities	(1,519,313)	(1,466,062)

3: DIVIDENDS

There were no dividends paid or proposed during the half-year.

4: REVENUE

	31 Dec 10	31 Dec 09
	\$	\$
Interest income	18,960	1,221
Rental income	-	11,838
Option fee	25,000	20,000
Other	-	1,836
	43,960	34,895

5: ADMINISTRATIVE EXPENSES

Travel expenses	26,767	5,363
Directors fees	-	5,312
Audit fees	23,775	29,607
Contractors – share based payments	929,840	-
Consulting fees	436,268	61,866
Other	226,889	121,462
	1,643,539	223,610

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

6: DISCONTINUED OPERATIONS

In September 2010 management entered into a call option agreement to sale Challenger Mines Limited. The option was exercised by the buyer subsequent to 31 December 2010 and the control of business was passed to the acquirer.

(a) Financial performance of operations disposed and held for sale

The results of the operations for the discontinued operations for the half year are presented below:

Revenue	12,694	-
Expenses	(11)	(11,495)
Loss for the year from discontinued operations	<u>12,683</u>	<u>(11,495)</u>

(b) Assets and liabilities – held for sale operations

The major classes of assets and liabilities of Challenger Mines Limited as at 31 December 2010 are as follows:

	31 Dec 2010
	\$
Cash at bank	471
GST receivable	1,296
Exploration permits and bonds	197,258
Land and buildings	258,854
Exploration and evaluation expenditure	1,632,857
Provision for rehabilitation and restoration	<u>(140,000)</u>
	<u>1,950,736</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

7: ISSUED CAPITAL

	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	Shares	Shares	\$	\$
Balance at the beginning of the period	122,582,763	75,633,335	13,243,667	10,928,217
Shares issued at \$0.09 per share for Longwood Project on 3 Sept 2008	-	-	-	-
Placement of shares at \$0.08 per share on 16 Sept 2009	-	2,500,000	-	200,000
Placement of shares at \$0.025 per share on 21 Oct 2009	-	8,000,000	-	200,000
Shares issued on 21 Oct 2009 at \$0.035 to Alpha Securities Pty Ltd for services provided in relation to a share placement	-	528,000	-	13,200
Placement of shares at \$0.035 per share on 14 Dec 2009	-	12,000,000	-	420,000
Placement of shares at \$0.09 per share on 11 Oct 2010	40,000,000	-	3,600,000	-
Shares issued on 20 Oct 2010 at \$0.09 per share to acquire Carlton Resources Pty Ltd	14,940,233	-	1,344,621	-
Capital raising costs	-	-	(155,650)	(13,200)
Balance at the end of the period	<u>177,522,996</u>	<u>98,661,335</u>	<u>18,032,638</u>	<u>11,748,217</u>

8: EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 10	31 Dec 09
	\$	\$
Balance at the beginning of the period	2,281,784	3,397,984
Transfer to assets held for sale – discontinued operations	(1,632,857)	-
Additions	60,358	112,687
Impairment expense	(30,995)	(696,950)
Balance at the end of the period	<u>678,290</u>	<u>2,813,721</u>

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

9: RESERVES

	31 Dec 10	31 Dec 09
	\$	\$
Option Reserve		
Balance at the beginning of the period	674,486	276,885
Issue of options	929,840	-
Balance at the end of the period	1,604,326	276,885

	31 Dec 10	31 Dec 09
	\$	\$
Foreign Currency Translation Reserve		
Balance at the beginning of the period	70,722	44,450
Foreign currency translation amount for the period	-	18,600
De-recognition	(70,222)	-
Balance at the end of the period	-	63,050

10: ACCUMULATED LOSSES

Balance at the beginning of the period	10,848,148	8,072,606
Net loss for the period	1,892,869	1,138,112
Balance at the end of the period	12,741,017	9,210,718

11: SUBSEQUENT EVENTS

On 24 January 2011 the Company completed the sale of wholly owned subsidiary Challenger Mines Limited. The total sale price, to be paid in installments, is \$1,750,000. The Company will also receive a reimbursement of \$197,000 of State Government Bonds.

On 13 January 2011 the Company issued IAMGOLD 4,572,175 shares at \$0.1531 to complete the acquisition of the Kitongo Gold Project. (Note 13)

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

12: COMMITMENTS FOR EXPENDITURE

The possibility of Native Title claim applications at some future time, under the provisions of the Native Title Act (1993) may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the accounts for the possibility of a Native Title claim application.

In order to maintain current rights to tenure of exploration tenements, the Company will be required to outlay amounts in respect of tenement rent to the relevant government authorities and to meet certain annual exploration commitments. It is likely that variations to the terms of the current and future tenement holdings, the granting of new tenements and changes at renewal or expiry, will change the expenditure commitments for the Company from time to time.

These outflows (exploration expenditure and rent) arise in respect of granted tenements. The exploration commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

	31 Dec 10	30 Dec 09
	\$	\$
Not longer than 1 year	495,000	632,500
Longer than 1 year and not longer than 5 years	1,178,000	21,087
Longer than 5 years	-	17,253
Total	<u>1,673,000</u>	<u>670,840</u>

Refer to Note 13 for acquisition related commitments. Commitments for the Kitongo Gold Project are not included at 31 December 2010 as the project was acquired subsequent to half year end.

13: ACQUISITION OF CONTROLLED ENTITY

On 19 October 2010 Bright Star Resources Limited acquired all of the ordinary equity of Carlton Resources Pty Limited and its controlled entities. All entities in Carlton Resources Pty Limited group on that date became 100% controlled subsidiaries of Bright Star Resources Limited. Carlton Resources Pty Limited owns the Kitongo Gold Project through its wholly owned subsidiary.

Initial consideration transferred was 14,940,233 ordinary shares in Bright Star Resources Limited. Post 31 December 2010 further consideration of 4,572,175 ordinary shares in Bright Star Resources Limited were issued and cash consideration of \$180,000 was paid.

An additional amount of \$750,000 is payable for the acquisition if commercial production is achieved. The directors at 31 December 2010 do not believe given the very early stage the fair value of any consideration is material and have not recorded any amounts.

The acquisition has been provisionally accounted for as follows:

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated fair value at the acquisition date
	(AUD) \$
Cash	25,913
Other current assets	508
Intangible asset – option to acquire Kitongo Gold project	2,198,200
	<hr/>
	2,224,621
	<hr/>
The acquisition was funded by:	
Shares issued	1,344,621
Deferred consideration – cash	180,000
Deferred consideration – shares	700,000
	<hr/>
	2,224,621
	<hr/>

The fair values of acquired assets and related deferred tax liability has been determined provisionally and based on the best information available at the reporting date. Specifically the tax base of acquired assets is under review. Currently based on the best available information these have been set at their accounting value, however require further review. Should the tax base be less than the accounting value assessable temporary differences may result on acquisition which would be offset against goodwill which would require impairment testing.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 4 to 17 are in accordance with the Corporations Act 2001, including:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance of the consolidated entity, as represented by the results of its operations, changes in equity and its cash flows for the half year ended on that date.
2. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Warren Gilmour

Dated this 14th day of March 2011

To the members of BrightStar Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying period half-year financial report of BrightStar Resources Ltd, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BrightStar Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

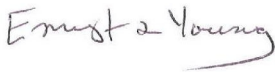
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BrightStar Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 to the financial statements "Basis of preparation", there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in cursive script that reads "Ernst & Young".

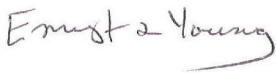
Ernst & Young

A handwritten signature in cursive script that reads "Brad Tozer".

Brad Tozer
Partner
Brisbane
14 March 2011

Auditor's Independence Declaration to the Directors of BrightStar Resources Limited

In relation to our review of the financial report of BrightStar Resources Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Brad Tozer
Partner
14 March 2011