



## BrightStar Resources SPECULATIVE BUY

23 January 2012

Current Price: **\$0.13**

Ticker: **BUT**  
Sector: **Materials**

Shares on Issue (m): **182.0**  
Market Cap (\$m): **23.7**  
Cash (\$m): **2.7**  
Enterprise Value (\$m): **21.0**

52 wk High/Low: **\$0.21 \$0.08**  
12m Av Daily Vol (m): **0.36**

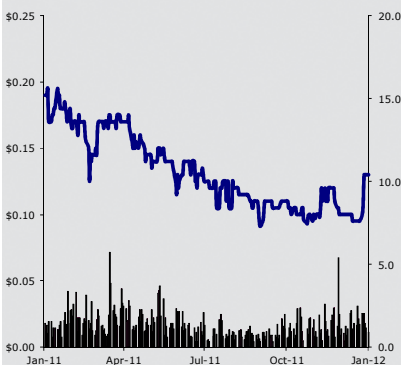
### Directors:

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

### Substantial Shareholders:

Directors 15.2%  
Golden Cross Resources 8.9%

### Share Price Graph



Analysts:  
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## Valley of the kings

### Proposed merger:

BrightStar Resources (BUT) and Rift Valley Resources (RFV) have announced a proposed merger of equals by way of a Scheme of Arrangement. Under the scheme, each Rift Valley share will receive 1.25 Brightstar shares.

The merger, pending shareholder approvals, is expected to be completed in late April / early May 2012.

### Impact:

Positive

The merged entity would have a cash balance of ~\$12.6m, and a market cap of ~\$47m (fully diluted).

The Company would be enhanced by the addition of experienced directors with Tanzania experience and an in-country management team.

RFV would also bring in a pipeline of early exploration projects, including Golden Pride North, Geita East, Maji Moto and Suguti. This brings the total tenement package to ~1,800km<sup>2</sup>.

### View:

Positive

The merger of two complementary businesses would create a Tanzania based gold company with a healthy cash balance, a reinvigorated board, an in-country team and advanced gold projects with existing JORC Resources.

The merger could create significant synergy with all the projects located in the Lake Victoria Goldfield in Tanzania. Although RFV does not directly contribute additional Resource ounces, a merger with RFV would expand BUT's footprint in the region by ~1,400km<sup>2</sup>. The portfolio of early stage exploration projects covering prospective greenstone terrane complements BUT's existing portfolio of more advanced projects.

Following the removal of illegal miners at BUT's Kitongo Project early January, Argonaut anticipates accelerated exploration activities upon the completion of the merger. Drilling is set to commence late March.

Kitongo offers a near term Resource upgrade:

- Open along strike and at depth
- Limited drilling below 100m
- A number of good hits sit outside the current Resource
- Resource upgrade expected upon completion of drilling program

### Recommendation:

SPEC BUY

Spec Buy maintained.

## Proposed merger

**Merger enables BUT to pursue Kitongo and Miyabi more aggressively...**

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Table 1: Pro-forma Summary

Pro forma Merger Summary	
BUT shares (m)	234
RFV shares (m)	104
Terms	
BUT	1.25
RFV	for 1
Expanded Capital Structure	
BUT shares	234
New BUT shares to be issued	130
Share Price	\$0.13
Combined Group Summary	
Shares Out	364
Implied Market Capitalisation	47
Net Cash (est)	13
Unpaid capital	10
Enterprise Value	24
Resources*	630
EV / Resource oz	38.4
*50% Miyabi Resource	

**...BUT footprint in the Lake Victoria Goldfield expanded...**

Source: Argonaut

The merger, pending shareholder approvals, is expected to be completed in late April / early May 2012.

## Additional projects

The merger could create significant synergy with all the projects located in the Lake Victoria Goldfield in Tanzania. Although RFV does not directly contribute additional Resource ounces, a merger with RFV would expand BUT's footprint in the region by ~1,400km<sup>2</sup>. The portfolio of early stage exploration projects covering prospective greenstone terrane complements BUT's existing portfolio of more advanced projects.

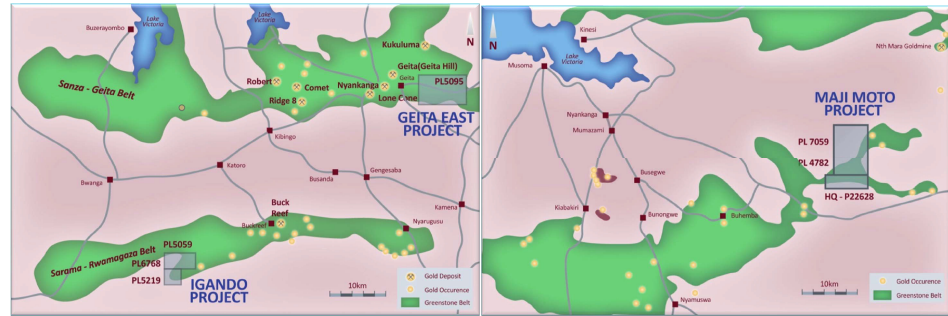
**...pipeline of early stage exploration projects...**

Figure 1: Golden Pride North and Suguti, project locations



Source: RFV

Figure 2: Igando, Geita East and Maji Moto, project locations



Source: RFV

## Enhanced Board

### Reinvigorated board with in-country management team...

The proposed Board composition will see the addition of the following members:

- Didier Murcia (RFV), Non-Executive Chairman

Honorary Consul for Tanzania in Australia. Non-Executive Chairman of Centaurus Metals and Non-Executive Director of Gryphon Minerals (GRY). Previously a director of emerging iron ore producer Gindalbie Metals Limited.

- Michael McKeivitt (RFV), Managing Director

30 years experience in mining and resources. Has worked and lead teams in Africa (Ghana, Burkina Faso, Zambia, and Tanzania), Indonesia, and the Philippines. Member of the Australasian Institute of Mining and Metallurgy and a competent person for reporting Exploration results and Mineral Resources accordance with the JORC Code (2004).

- Keith McKay (RFV), Non-Executive Director

Geologist with 40 years technical and corporate experience in the mining industry, particularly in Botswana and Tanzania. Formerly Chairman of Gindalbie Metals, Managing Director of Gallery Gold Limited, Australian Managing Director of Battle Mountain Gold Company and Director of Niugini Mining Limited. Currently a director of Centaurus Metals Limited.

- Gosbert Kagaruki (RFV), Non-Executive Director

20 years experience in the resource industry as a geologist and GIS expert. Has worked for the Geological Survey in Tanzania, Rio Tinto (only Tanzanian professional staff member), Southern and Eastern African Mineral Centre ("SEAMIC") and Barrick (Tanzania). Managing Director of Interactive Earth Imaging Limited which provides detailed geological advice, including to BHP Billiton, Uranex Limited, Resolute Limited and Midland Minerals.

- Darpan Pindolia (RFV), Non-Executive Director

Born and raised in East Africa, Mr Pindolia is fluent in Swahili and has significant business interests in Tanzania. Mr Pindolia has had considerable international experience in the engineering sector in Tanzania, United Kingdom and Australia.

Given the modest Market Cap and large Board, Argonaut expects the number to be reduced in the medium term.

## Valley of the kings

The merger of two highly complementary business would create a Tanzania based gold company with a healthy cash balance, a reinvigorated board, an in-country team and advanced gold projects with existing JORC Resources. This allows the merged entity to rapidly grow the Resource base at both Kitongo and Miyabi, as well as pursue other exploration projects in the pipeline.

**...focused, cashed up Tanzania gold company with a pipeline of projects**

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