

BUT.AU**Bright Star Resources Limited**

A\$ 0.09

23 September 2011
Gold
Tanzania, Australia (Qld)
Mid-Advanced Exploration
ASX: BUT

Bright Star's current 680koz equity resource in gold-rich Tanzania is valued at only A\$20/oz. We think that by mid 2012 resources could be approaching 1.2moz (EV/resource effectively A\$12/ounce), a fraction of that of peer African explorers.

Capital Profile

Share price (A\$)	0.09
52 week range (A\$/share)	0.09 to 0.21
Number of shares (m)	182
Options and warrants (m)	52
Convertible notes (m)	0
Fully diluted (m)	234
Market capitalisation (undiluted) (A\$m)	16.6
Debt (A\$m) - Sep 11F	0.0
Enterprise value (A\$m)	16.6
Major shareholders: Golden Cross Resources Ltd (12.2%)	
Directors (15.0%)	
Avg monthly volume (m)	1
Cash (A\$m) - Sep 11F	2.3
Price/Cash (x)	7.1
Price/Book (x)	2.8
ASX-listed company options:	BUTO

Production and Financial Forecasts

YEAR END: June	Jun-11a	Sep-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	0.14	0.50	0.21	0.33	2.00
Corporate (A\$m)	0.31	0.40	0.75	1.40	1.60
Exploration/(Expl.+ Corporate) (%)	31	56	22	19	67
Funding duration at current burn (years)			0.4	1.6	0.1
Shares on issue (pre end) (m shares)	182.1	182.1	122.6	182.1	182.1
Drilling - RAB (m)	3,000	8,000	2,000	3,000	23,000
Drilling - RC/Diamond (m)	0	1,500	2,000	0	10,500
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)	2.7	2.3	0.4	2.7	0.2
Cash backing (Ac/share)	1.5	1.3	0.3	1.5	0.1
Net asset backing (Ac/share)	3.2	3.3	2.6	3.2	3.5

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 4Q11, potential for rapid resource increase.

BUT enterprise value is ~A\$17m (~A\$20/oz) - looks undervalued compared to other similar African explorers.

**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. 3), 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 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 (2.0g/t grade) in an 800m long zone, to 135m depth. The majority of current resource is oxide.

Kitongo Exploration Program: The first RC drilling program (3,000m) has been delayed until 4Q11 due to challenges of relocating illegal miners. This program is, 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 resource increase and a Scoping Study for fast track Main Zone development could well follow from the 4Q11 program.

Miyabi Project, Tanzania (earning up to 75%): Miyabi (252km²) 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 completed a 11,000m RAB campaign (ave. depth 27m) on 200m spaced lines along an anomalous, largely untested 5km long granite/greenstone contact zone which hosts two resources (total 225koz). First results are encouraging (e.g. 9m @ 1.82g/t) given that the RAB drilling is in the shallow depleted oxidized zone. This RAB drilling has confirmed bedrock mineralisation in multiple zones and the potential for delineation of additional mineral resources. An RC drilling program to test the mineralised shears at depth is expected in 4Q11.

Investment Comment: 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 1H12 newsflow is expected with planned 4Q11 resource expansion drilling on both projects. Based on the current very modest resource valuation of only ~A\$20/ounce (see next page) and resource increases at Kitongo and Miyabi likely in mid 2012 (possibly taking equity resources beyond the magic 1moz level), we still maintain that there is potential for the stock to double in the next six months if we look at the much higher 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
						0.0	0.0	0.0
Reserves								
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
* Miyabi project equity assumes 75% is earned as per JV agreement								
Mineralised Material (est., non compliant with JORC)						0.0	0.0	0.0

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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)

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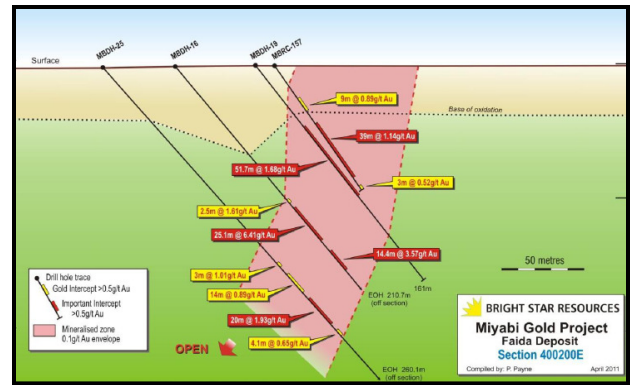
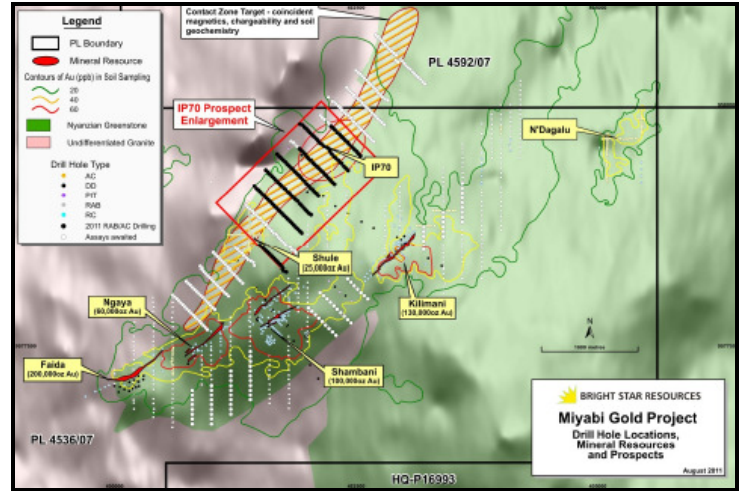
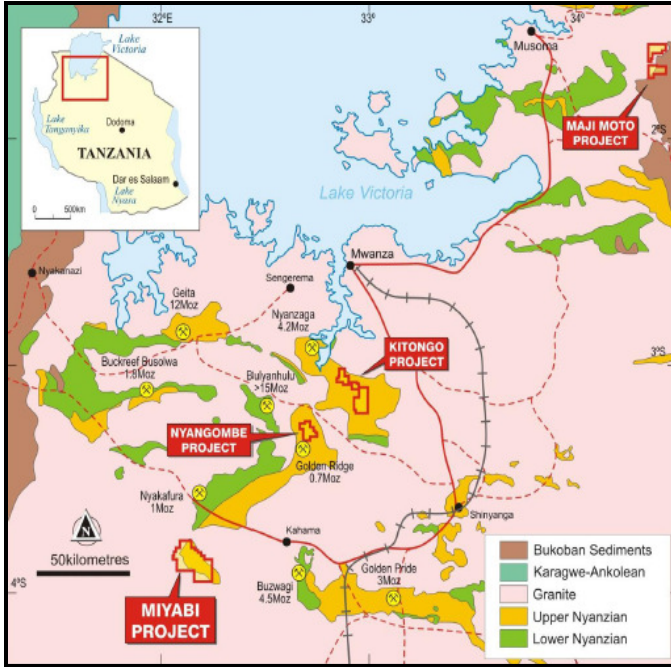
September Quarter 2011

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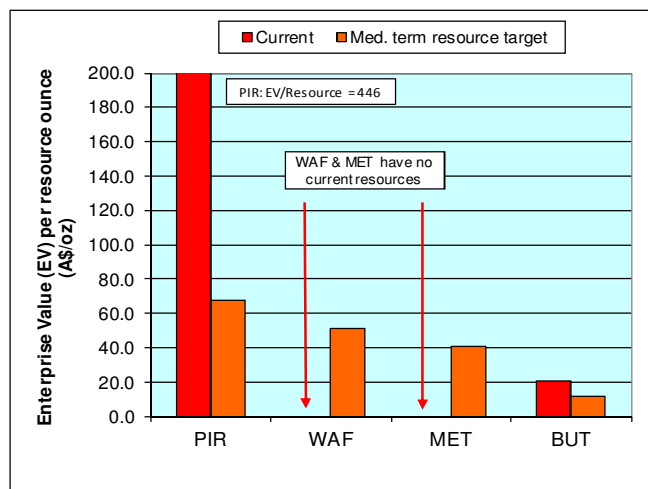
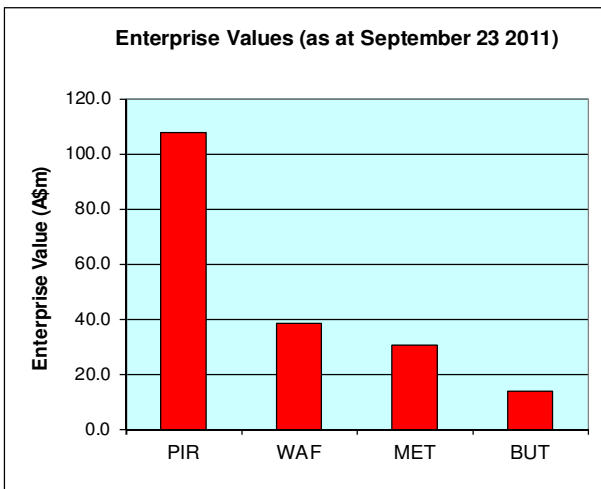
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Bright Star's projects in Tanzania are in a greenstone belt that hosts numerous major deposits (e.g. Barrick's 17moz Bulyanhulu mine - 260koz production in 2010), and have excellent exploration upside. Tanzania is the third biggest African gold producing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

The recent Miyabi RAB drilling over 5km greenstone contact zone confirmed new mineralised zones (top picture). The existing mineralised zones are broad (e.g. Faida, lower picture).



We have updated the EV/resource ratio comparison of three W. African junior explorers (PIR – Mali, WAF & MET – Burkina Faso) with BUT. The Tanzanian explorer looks significantly undervalued, even more so if exploration success drives the Kitongo/Miyabi resource base towards our 1.2moz medium term target.



COMPANY	ASX CODE	PRICE (A\$) *	EV (A\$m) ^	Equity Gold Resources (Moz)		Notes
				Current	Med. term target	
Papillon Resources Ltd	PIR	0.59	107.5	0.24	1.60	Med term target is RCR estimate
West African Resources Ltd	WAF	0.28	38.3	0.0	0.75	RCR estimate - assumes 0.75Moz potential in 12-18 months
Mt Isa Metals Ltd	MET	0.27	30.6	0.0	0.75	RCR estimate - assumes 0.75Moz potential in 12-18 months
Bright Star Resources Ltd	BUT	0.09	13.9	0.68	1.18	Med. term target assumes Kitongo/Miyabi equity resources inc. by 0.5Moz

* Share price data as at September 23 2011 ^ EV is based on current undiluted share capital, minus cash as at June Quarter 2011 report.

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