



BRIGHTSTAR

RESOURCES LIMITED

ABN 44 100 727 491

**Interim Financial Report
For the half-year ended 31 December 2022**

This half-year Financial Report is to be read in conjunction with the Financial Report for the year ended 30 June 2022.

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DIRECTORS' REPORT

Your directors submit the interim financial report of Brightstar Resources Limited ("BTR" or "Company") and its subsidiaries ("Group") for the half-year ended 31 December 2022 (the "interim period"). In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

| | |
|---------------|---|
| Alex Rovira | Managing Director (appointed 12 January 2023) |
| Josh Hunt | Non-Executive Director, Non-Executive Chairman (appointed 13 February 2023) |
| Tony Lau | Non-Executive Director (appointed 13 February 2023) |
| William Hobba | Managing Director (resigned 12 January 2023) |
| Yongji Duan | Non-Executive Chairman (resigned 13 February 2023) |

Other Key Officer

| | |
|-----------|-------------------|
| Luke Wang | Company Secretary |
|-----------|-------------------|

Review of Operations

The consolidated net income after tax of the Group for the interim period was \$3,779,189 (31 December 2021: \$2,094,350 loss).

Corporate

On 18 October 2022, with shareholders approval, the Group completed the following transactions with Stone Resources (HK) Limited ("SRHKL"). At the time of transaction SRHKL was a related party of the Group by virtue of Mr Yongji Duan being a director of both SRHKL and the Company.

- (i) The Group granted a 1.5% NSR royalty over six tenements (i.e. E38/3279, E38/3434, E38/3438, E38/3500, E38/3504 and P38/4508) to SRHKL, in exchange for extinguishing \$5,400,000 debt owed to SRHKL;
- (ii) The Company issued 10,545,818 shares at a deemed issue price of \$0.02845 per share to SRHKL, as non-cash payment of an Option Fee of \$300,000 for being granted a Royalty Buy-back Option ("Call Option"). If the Call Option is exercised, the Group can purchase the 3% NSR which is currently applicable to a substantial portion of the Group's tenement holdings in cash and/or BTR shares at the discretion of the Board. The exercise price of this Call Option is US\$25 million, and the expiry is 5 calendar years since settlement date of this Call Option Deed; and
- (iii) The Company issued 19,090,909 fully paid ordinary shares in the Company to SRHKL at an issue price of \$0.033 per share, as non-cash settlement of an outstanding liability of \$630,000 owing to Great Cortex International Limited ("Great Cortex"). All related expenses and amounts owing, including accrued interest payments, have been deemed to be discharged.

On 4 November 2022, the Company completed a placement of approximately 44 million fully paid ordinary shares in order to raise \$660,000 (before costs). The funds raised were used to support ongoing exploration efforts at the Laverton Gold Projects.

On 23 December 2023, the Company announced a binding Scheme Implementation Deed signed with Kingwest Resources Limited ("Kingwest"), under which the two companies will merge by way of a recommended court-approved Scheme of Arrangement between Kingwest and its shareholders ("Scheme"). Under the terms of the Scheme, each Kingwest shareholder will receive 1 Brightstar share for every 0.44 Kingwest shares held at the Scheme record date. On 15 March 2023, the date of lodgement of this interim financial report, the Company announced that it had agreed with Kingwest to amend the terms of the Scheme, whereby each Kingwest shareholder would receive 1 Brightstar share for every 0.38 Kingwest shares held at the Scheme record date.

At the end of the half-year the Group had \$406,129 (30 June 2022: \$1,601,323) in cash and cash equivalents. The Group had also Capitalised exploration, evaluation and development expenditure of \$13,758,828 (30 June 2022: \$13,270,922).

DIRECTORS' REPORT (continued)

Review of Operations (continued)



Figure 1: RC Drilling at Brightstar's Laverton Project.

Overview of Activities

Key activities for the Company are outlined below.

The primary advancement for the Company during the period was the update of the Cork Tree Well (**CTW**) JORC Mineral Resource Estimate (**MRE**) delivered in early August (see "Cork Tree Well Mineral Resource increased to 252,100oz" announcement 10/08/2022). This update significantly improved the Company's confidence in the data quality associated with the project and identified significant opportunities for bulk underground mining potential.

RC drilling completed early in Q3 as the MRE was being finalised, effectively closed out extensions of mineralisation north directly along strike of the northern open pit, as well as confirming and extending other lodes located east of that position and striking northerly (see Cork Tree Well RC Drilling Program Confirms High-Grade Gold Extensions" announcement 07/10/2022). An additional RC drillhole was also drilled at CTW in December to test the down-plunge extension of the Zone 1 lode (see "Extensional Drillhole At CTW Confirms Continuity of Zone 1 Shoot" announcement 20/12/2022)

Further RC drillholes completed during the period include a dozen holes at the Delta 2 target. This target was a gold anomaly identified in historic aircore holes over 500m of strike extent that required bedrock testing to advance the project (see "Delta 2 RC Drilling Program Identifies New Mineralised Lode At CTW" announcement 04/10/2022).

The final exploration activity for the 2022 year was 4 RC drillholes at prospective target Eagles Nest in early December to determine if there was potential for extensions of the historic workings present at surface in this location.

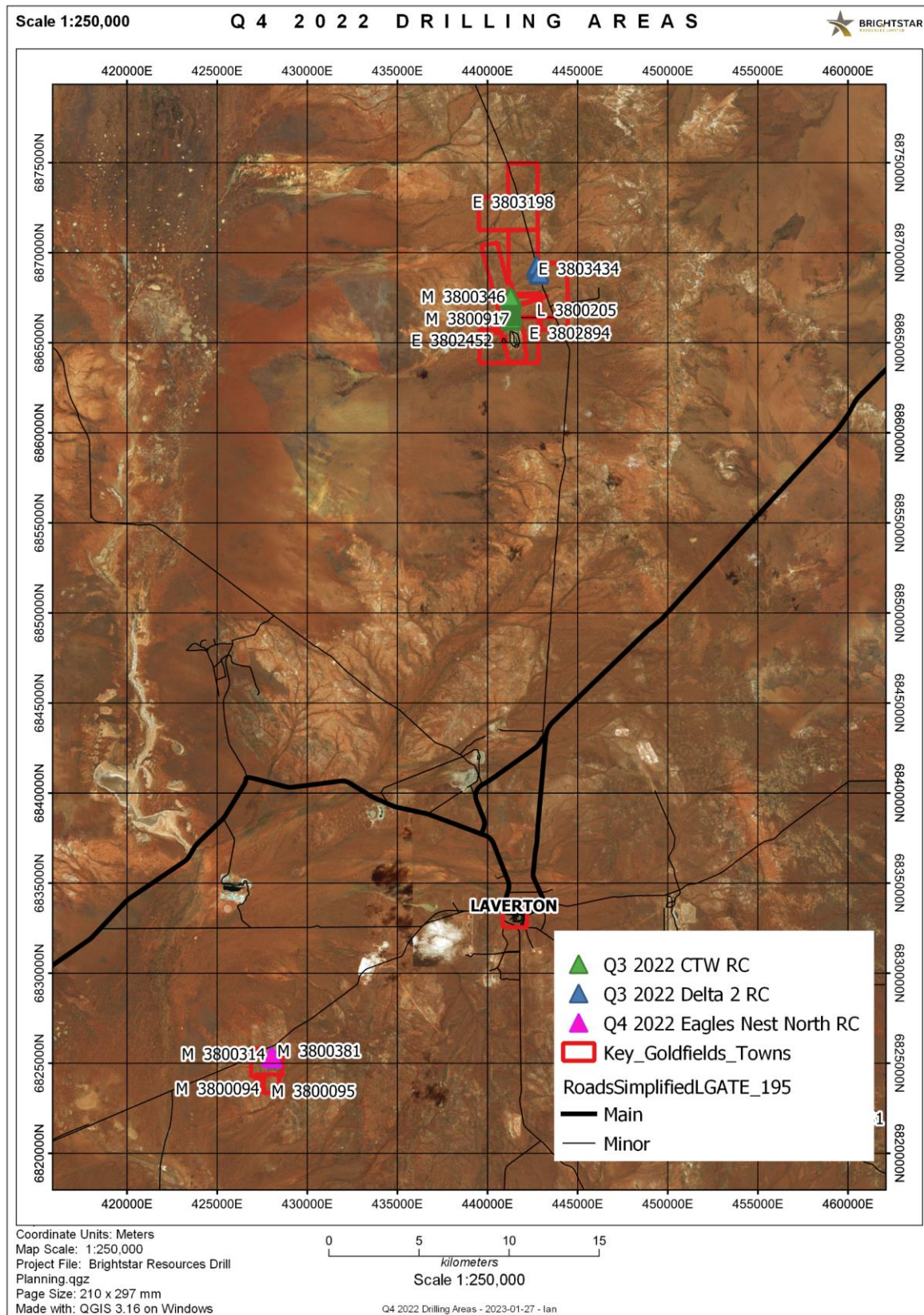
DIRECTORS' REPORT (continued)**Review of Operations (continued)**

Figure 2: Drill Areas for H2 2022.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

Exploration and development work

Major work carried out by the Company during the period includes:

- a. Interpretation and grade estimation for the CTW lodes using the data collected from the extensional RC drilling programme at CTW in last quarter 2021 was completed in the period to extend the resource model. The new interpretation is broadly similar to the previous model with minor changes where the new drilling steepens or shallows the dip of the structure. The major difference in the interpretation this time was the inclusion of the lower grade material in the centre of the structure in the ore envelope. The previous model had split this structure into two parallel, higher grade, thin units in order to keep the average grade of the ore higher. If this deposit was to be mined via open pit or bulk stoping underground then the lower grade material would still have to be moved (as mineralised waste), it seems logical therefore to include in the resource and recover some value from it if possible (see Figure 3).

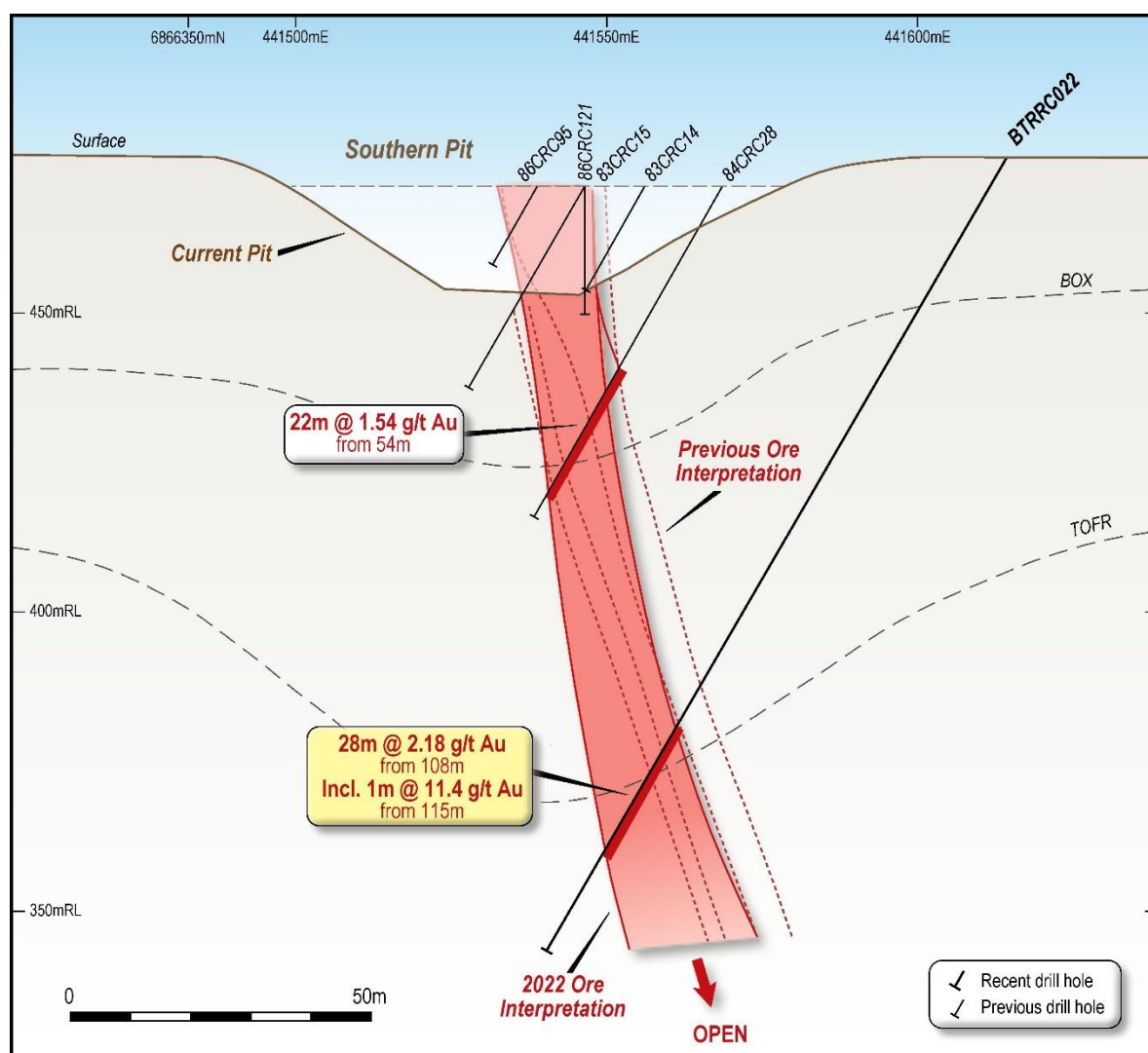


Figure 3: Comparison of previous split orezone and new single orezone interpretations.

The overall average grade of the deposit has changed but has brought additional tonnes of ore into the resource. The new resource is composed of 158koz Inferred and 94koz Indicated resource for a total of 252koz at an average grade of 1.4g/t Au. It is important to note that the deposit remains open for expansion both down-dip/down-plunge and along strike.

One of the key outcomes from the re-interpretation was the recognition of a large, thick shoot of mineralisation (Zone 1) within the main lode that had not been identified as a significant opportunity before. The consistent thickness and grade of this zone is likely to make it amenable to alternate mining techniques. At present this section of the mineralised system is not closed off therefore it is unknown how big the scale of this deposit can be (see Figure 6Figure).

DIRECTORS' REPORT (continued)

Review of Operations (continued)

- b. Reporting of the RC drill program undertaken north of the existing Northern pit to both test the extension of the main lode and to extend and improve the lode morphology between the airstrip and Delta target. 31 RC holes for ~4,750m was completed with 4 holes clearly confirming that the lode in the Northern pit did not continue along strike NW of the pit, as well as the remaining holes discovering further ore between lodes on the eastern parallel line of mineralisation which should result in minor increases in total resource when they are included in the new model (see Figure 4 and Figure 5).

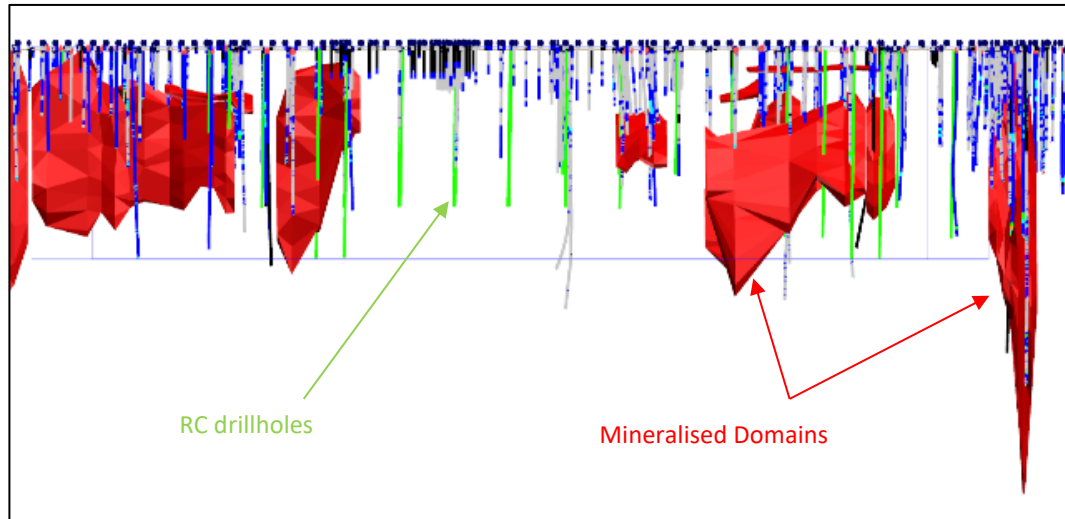


Figure 4: Long Section of RC drill program hole locations (north of pits).

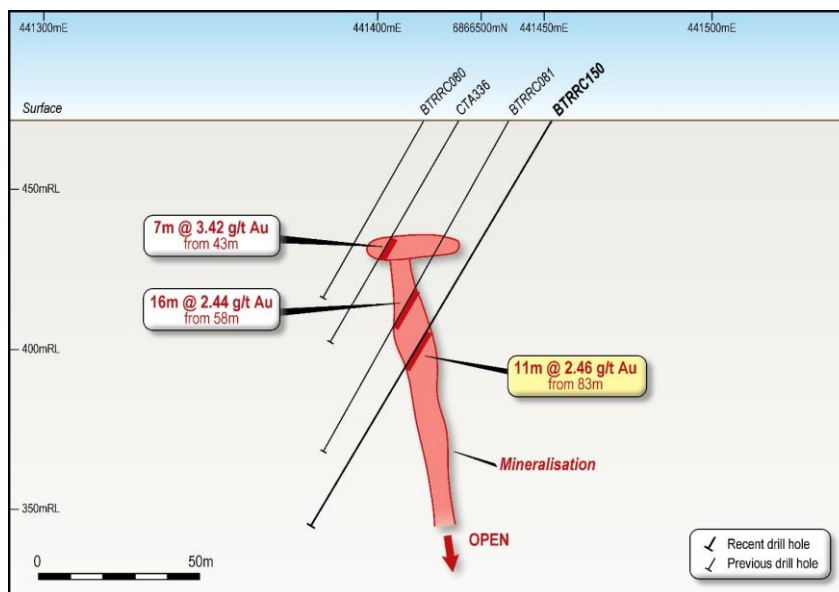


Figure 5: Cross Section of Orebody 4 with intersections.

- c. A single RC hole for 250m was completed late in the quarter to test the extension of the thicker zone of mineralisation identified during interpretation work for the MRE update in August. This represents a significant opportunity for potential bulk mining in the future. The hole was ~100m away from other drillholes to see if there was still significant growth opportunity for the zone. As can be seen in the long section and cross-section below (See Figure 6 and Figure 7 respectively) the hole intersected a significant result although thinner than the centre of Zone 1. It is interpreted that this may be because of a different plunge angle than anticipated meaning the intersection in BTRRC177 is on the edge of the thicker zone rather than in the middle. A denser drill pattern will be required to add material to resource in the future. This section of the mineralised system is not closed off therefore it is unknown how big the scale of this deposit can be.

DIRECTORS' REPORT (continued)

Review of Operations (continued)

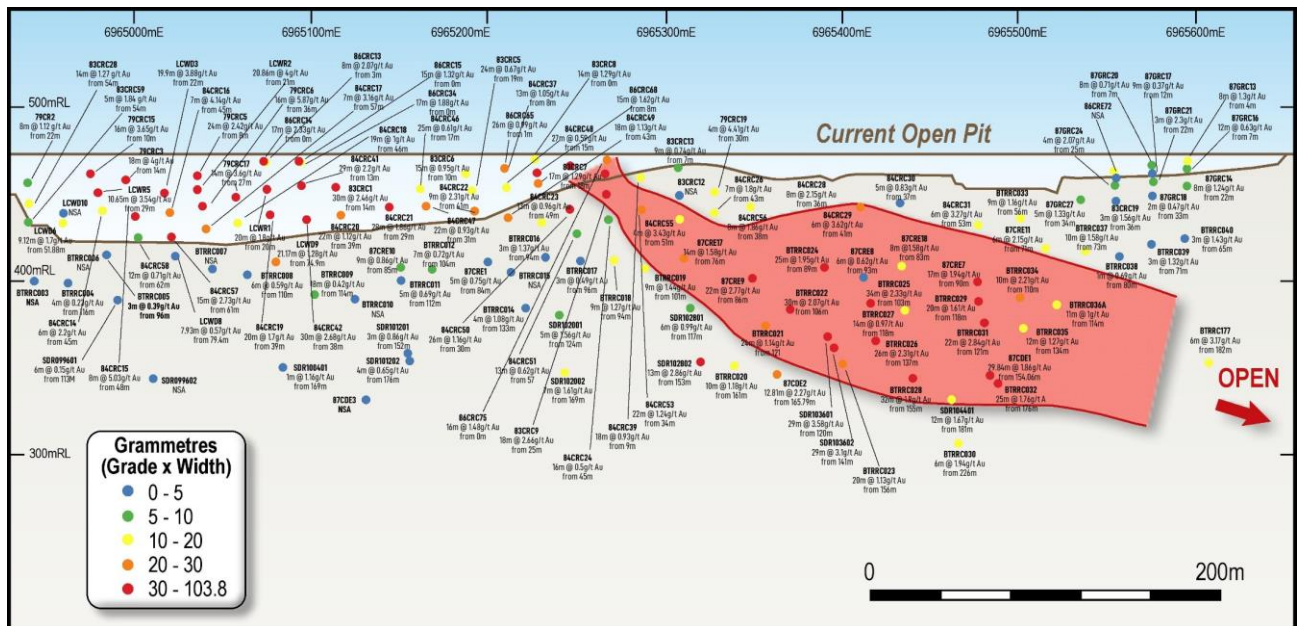


Figure 6: Long Section of Zone 1 at CTW Main lode with BTRRC177.

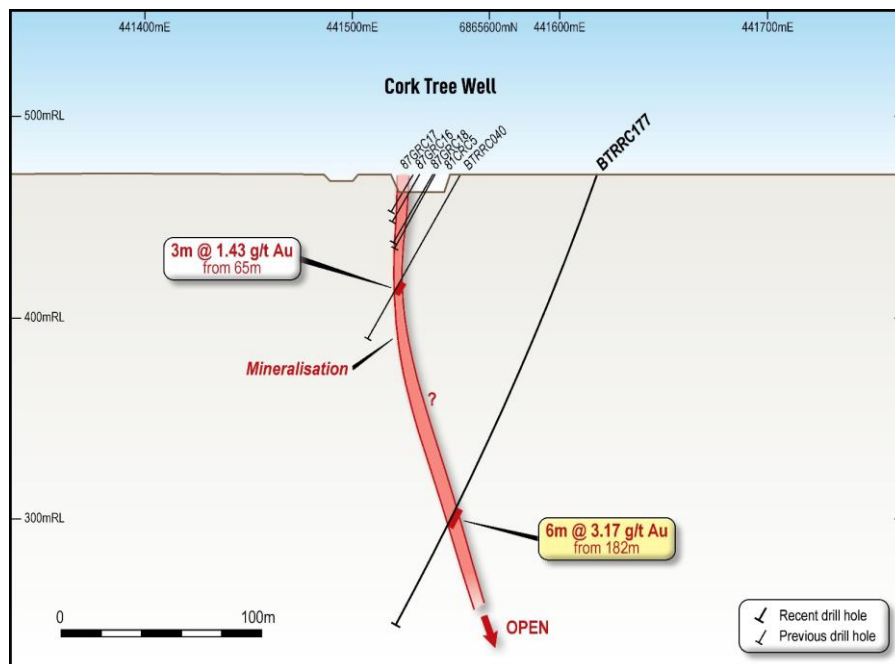


Figure 7: Cross Section of CTW with BTRRC177.

- d. The final program of RC drilling undertaken in 2022 was a set of four holes for 320m adjacent to the surface historical workings of Eagles Nest of the Company's Hawks Nest leases (see Figure8). Eagles Nest has produced significant gold in historic records from hand mining. The RC holes were drilled to the NE to intersect the near vertical structure seen in the workings. Unfortunately, only 1 of the four holes intersected significant quartz veining or structure and no significant analytical results were returned from any of the samples collected from this program. Future work here may need to be focussed on the down dip position of the known workings.

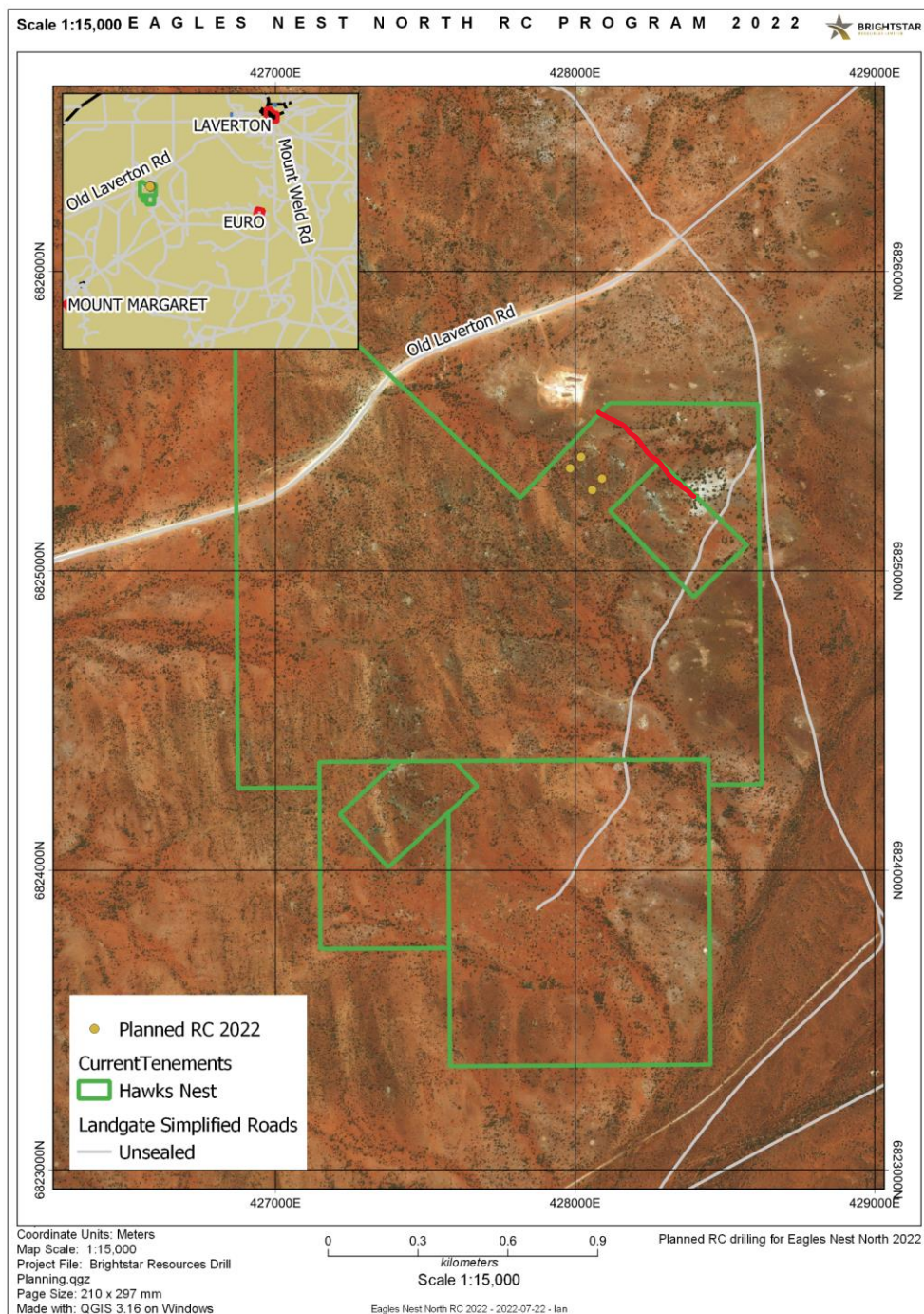
DIRECTORS' REPORT (continued)**Review of Operations (continued)**

Figure 8: Eagles Nest RC drilling program.

COMPETENT PERSON'S STATEMENT

The information presented here relating to exploration of the Cork Tree Well (previously Delta) deposits and Eagles Nest target is based on information compiled by Mr Ian Pegg B App Sci (Hons), who is a Member of the Australian Institute of Geoscientists (AIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a "Competent Person" as that term is defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)". Mr Pegg consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Mr Pegg is employed by Brightstar Resources Ltd.

DIRECTORS' REPORT (continued)**Significant events after balance date**

On 11 January 2023, the Group completed a Share Placement raising gross proceeds of \$1,600,000 (before costs) at an issue price of \$0.016 per share. 96,500,000 fully paid ordinary shares were issued to sophisticated investors. The remaining 3,500,000 shares to be issued to the Group's officeholders upon receipt of shareholder approval.

On 12 January 2023, Mr Alex Rovira was appointed as Managing Director of the Group, following the resignation of Mr William Hobba. Mr William Hobba will continue his services in the capacity as Technical Services Manager to the Group.

On 13 February 2023, Mr Yongi Duan resigned as a director of the Group. Following his resignation, Mr Lau Wa Ming (Tony Lau) was appointed as a Non-Executive Director, and Mr Joshua Hunt was appointed to the position of Non-Executive Chairman.

On 15 March 2023, the date of lodgement of this interim financial report, the Company announced that it had agreed with Kingwest to amend the terms of the Scheme, whereby each Kingwest shareholder would receive 1 Brightstar share for every 0.38 Kingwest shares held at the Scheme record date.

There were no other matter or circumstance that has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the interim period is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the directors:



Alex Rovira
Managing Director
15 March 2023

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF BRIGHTSTAR RESOURCES LIMITED AND ITS
CONTROLLED ENTITIES**

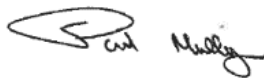
In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Brightstar Resources Limited and the entities it controlled during the period.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN
Executive Director
Perth, 15 March 2023

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

| | | Consolidated | |
|--|-------|---------------------|---------------------|
| | | 31 December 2022 | 31 December 2021 |
| | Notes | \$ | \$ |
| Other income | 2 | 5,063,573 | 150,304 |
| Remeasurement of Rehabilitation Provision | 6 | 450,832 | - |
| Mine site expenses | | (164,812) | (172,966) |
| Exploration expenditure | | (109,734) | (265,679) |
| Depreciation and amortisation expense | | (18,566) | (197,224) |
| Impairment expense | 4 | (20,927) | (46,675) |
| Finance costs | 2 | (152,210) | (388,517) |
| Administration expenses | | (109,036) | (89,782) |
| Consulting expenses | | (37,500) | (30,000) |
| Director Fees | | (99,235) | (90,708) |
| Employee expenses | | (904,655) | (525,729) |
| Other expenses | | (118,541) | (437,374) |
| profit/(loss) before income tax | | 3,779,189 | (2,094,350) |
| Income tax | | - | - |
| Net profit/(loss) for the period | | 3,779,189 | (2,094,350) |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive income/(loss) for the period | | 3,779,189 | (2,094,350) |
| | | | |
| Basic earnings/(loss) per share (cents per share) | | 0.56 | (0.43) |
| Diluted earnings/(loss) per share (cents per share) | | 0.52 | (0.43) |

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| | | Consolidated | |
|---|-------|-------------------|-------------------|
| | | 31 December | 30 June |
| | | 2022 | 2022 |
| | Notes | \$ | \$ |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 406,129 | 1,601,324 |
| Trade and other receivables | | 110 | 403 |
| Other financial assets | | 25,000 | 25,000 |
| Other current assets | | 80,687 | 26,142 |
| Total Current Assets | | 511,926 | 1,652,869 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 78,005 | 86,183 |
| Right-of-use asset | | 5,963 | 14,908 |
| Deferred evaluation and exploration expenditure | 4 | 13,758,828 | 13,270,922 |
| Total Non-Current Assets | | 13,842,796 | 13,372,013 |
| Total Assets | | 14,354,722 | 15,024,882 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 5 | 334,104 | 2,040,334 |
| Unissued shares | | 80,000 | - |
| Lease liabilities | | 6,024 | 14,907 |
| Provisions | 6 | 150,332 | 145,225 |
| Total Current Liabilities | | 570,460 | 2,200,466 |
| Non-Current Liabilities | | | |
| Other payables and accruals | 5 | 771,495 | - |
| Borrowings | 7 | - | 628,736 |
| Provisions | 6 | 2,793,878 | 3,111,668 |
| Other financial liabilities | 8 | - | 4,434,667 |
| Total Non-Current Liabilities | | 3,565,373 | 8,175,071 |
| Total Liabilities | | 4,135,833 | 10,375,537 |
| Net Assets | | 10,218,889 | 4,649,345 |
| Equity | | | |
| Issued capital | 9 | 45,033,119 | 43,254,388 |
| Accumulated losses | | (41,091,697) | (44,870,886) |
| Reserves | 10 | 6,277,467 | 6,265,842 |
| Total Equity | | 10,218,889 | 4,649,344 |

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

| | Issued Capital | Accumulated Losses | Reserves | Total Equity |
|--|-------------------|---------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 37,857,909 | (40,920,635) | 5,396,622 | 2,333,896 |
| Loss for the period | - | (2,094,350) | - | (2,094,350) |
| Total comprehensive loss for the period | - | (2,094,350) | - | (2,094,350) |
| Share issued during the year | 3,187,318 | - | - | 3,187,318 |
| Transaction costs on issue of shares | (140,839) | - | - | (140,839) |
| Share-based payments | - | - | 869,220 | 869,220 |
| Balance at 31 December 2021 | 40,904,388 | (43,014,985) | 6,265,842 | 4,155,245 |
| Balance at 1 July 2022 | 43,254,388 | (44,870,886) | 6,265,842 | 4,649,344 |
| Profit for the period | - | 3,779,189 | - | 3,779,189 |
| Total comprehensive loss for the period | - | 3,779,189 | - | 3,779,189 |
| Shares issued during the year | 1,796,231 | - | - | 1,796,231 |
| Transaction costs on issue of shares | (17,500) | - | - | (17,500) |
| Share-based payments | - | - | 11,625 | 11,625 |
| Balance at 31 December 2022 | 45,033,119 | (41,091,697) | 6,277,467 | 10,218,889 |

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Consolidated | |
|---|---------------------------|---------------------------|
| | 31 December 2022 \$ | 31 December 2021 \$ |
| | Inflows/(Outflows) | |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (652,005) | (873,502) |
| Interest received | 1,473 | 257 |
| Interest on lease liabilities | (229) | (275) |
| Net cash outflow from operating activities | (650,761) | (873,520) |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment | 764 | - |
| Payments for property, plant and equipment | (1,498) | (9,669) |
| Payments for exploration and evaluation expenditure | (1,255,316) | (517,880) |
| Payments for acquisition of exploration assets | (2,000) | (50,000) |
| Net cash inflow/(outflow) from investing activities | (1,258,050) | (577,549) |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (8,883) | (8,838) |
| Proceeds from capital raising | 740,000 | 2,347,318 |
| Capital raising costs | (17,500) | (140,839) |
| Net cash (outflow)/inflow from financing activities | 713,617 | 2,197,641 |
| Net increase/(decrease) in cash and cash equivalents | (1,195,194) | 746,572 |
| Cash and cash equivalents at the beginning of the period | 1,601,323 | 985,036 |
| Cash and cash equivalents at the end of the period | 406,129 | 1,731,608 |

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report ("half-year financial report") does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Brightstar Resources Limited (the Company) during the half-year ended 31 December 2022 ("interim period") in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This half-year financial report covers the Company and its controlled entities as a consolidated entity (the Group). Brightstar Resources Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is 3/25 Belgravia Street, Belmont WA 6104. The Company is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

(a) Basis of preparation

This half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the Corporations Act 2001. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Except as disclosed in Note 1(b), the accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2022.

(b) Summary of the significant accounting policies

The Group has adopted all of the new and amended Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group and effective for the current reporting period. The Group has considered the implications of new and amended Accounting Standards and has determined that their application to the financial statements is either not relevant or not material.

(c) Rounding amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

(d) Going Concern Basis

The half-year financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

The Group has recorded a net profit of \$3,779,189 (31 December 2021: \$2,094,350 loss) and cash outflows from operating and investing activities of \$1,908,811 (31 December 2021: inflows of \$1,324,121) for the reporting period. As at 31 December 2022, the Group had a cash balance of \$406,129 (30 June 2022: \$1,601,323) and had net assets of \$10,218,889 (30 June 2022: \$4,649,345), current liabilities of \$58,534 (30 June 2022: \$547,597) and current exploration expenditure commitments of \$725,600.

The Group's cash flow forecasts through to 31 March 2024 reflect that the Group will be required to raise additional working capital during this period to enable it to meet its committed administration, exploration and operational expenditure over this period.

Subsequent to the interim period end, on 11 January 2023 the Group completed a Share Placement of 100,000,000 fully paid ordinary shares at an issue price of \$0.016 per share to raise gross proceeds of \$1,600,000 before costs. The directors are satisfied that the Group will be able to secure additional working capital as required via one or a combination of, a placement of shares, option conversions, rights issues, or joint venture arrangements or sale of certain assets. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event the Group is unable to raise additional working capital to meet the Group's ongoing operational and exploration commitments as and when required, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(e) Accounting standards issued but not yet effective

The Group has considered all Standards and Interpretations issued but not yet effective for the current reporting period and has determined that their implication to the financial statements is either not relevant or not material.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

| | Consolidated | |
|--|---------------------------|---------------------------|
| | 31 December 2022 \$ | 31 December 2021 \$ |
| The following revenue and expense items are relevant in explaining the financial performance for the half-year | | |
| (a) Other income | | |
| Bank interest | 1,525 | 104 |
| Shared service income | - | - |
| Gain from sale of other financial assets | - | - |
| Gain from sale of non-current assets | 709 | - |
| Gain from sale of exploration assets | - | - |
| Gain on extinguishment of debt arrangements (Refer to Note 5 & 8) | 5,061,339 | - |
| Creditor Written-Off | - | 36,675 |
| Dividends | - | - |
| Government grants | - | - |
| Other | - | - |
| Gain on modification of borrowings | - | 113,525 |
| | <u>5,063,573</u> | <u>150,304</u> |
| (b) Finance costs | | |
| Interest expenses | 150,946 | 29,057 |
| Unwind of discount – financial liability | - | 346,842 |
| Unwind of discount – borrowings (refer to Note 7) | 1,264 | 12,618 |
| | <u>152,210</u> | <u>388,517</u> |
| (c) Share-based payments are included within: | | |
| Director Fees (refer to Note 10) | 11,625 | - |
| Employee benefits expense (refer to Note 9) | 17,000 | 237,626 |
| | <u>28,625</u> | <u>237,626</u> |

NOTE 3: SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The Group's sole activity is mineral exploration and resource development wholly within Australia; therefore, it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 4: DEFERRED EVALUATION AND EXPLORATION EXPENDITURE

| | Consolidated | |
|---|--------------|------------|
| | 31 December | 30 June |
| | 2022 | 2022 |
| | \$ | \$ |
| Costs carried forward in respect of: | | |
| Evaluation and exploration expenditure | | |
| Balance at beginning of period | 13,270,922 | 9,313,231 |
| Expenditure incurred | 506,832 | 3,006,429 |
| Exploration written off | - | (532,504) |
| Impairment of Beta and Alpha mines (1) | (20,927) | (47,828) |
| Acquisition of new tenement | 2,000 | 1,531,594 |
| Balance at end of period | 13,758,827 | 13,270,922 |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

- (1) Mining in Beta and Alpha reached its designed pit depth in prior periods and evaluation is currently underway to determine the future viability of these areas of interest. Notwithstanding, the balance of expenditure for Beta and Alpha mines has been treated as impaired until recommencement of mining in these tenements.

NOTE 5: TRADE AND OTHER PAYABLES

| | Consolidated | |
|-------------------------------------|--------------|-----------|
| | 31 December | 30 June |
| | 2022 | 2022 |
| | \$ | \$ |
| Current | | |
| Trade payables (1) | 208,277 | 830,584 |
| Other payables and accruals (2) (3) | 125,827 | 1,209,750 |
| | 334,104 | 2,040,334 |
| Non-Current | | |
| Other payables and accruals (4) | 771,495 | - |
| | 771,495 | - |

- (1) Trade payables are non-interest bearing and are normally settled on 30-day terms.

- (2) Other payables include

- \$19,128 outstanding and payable to a former director who mutually agreed with the Group to defer the payment of a portion of their remuneration, which will be settled in either cash or equity at the Company's discretion.
- \$106,699 of other accrued expenses and payable amounts.

- (3) Great Cortex International Ltd ("Cortex") provided a loan of AUD\$630,000 which has been accruing interest at 9.31% per annum since February 2012 ("Cortex Loan"). \$626,672 Interest accrued on the Cortex loan was waived immediately after the loan principal was settled in shares on 18 October 2022 and has been recognised as a gain on extinguishment of debt arrangements within the Statement of Profit or Loss and Other Comprehensive income.

- (4) A \$1,140,000 cash bonus was granted to a former director during the reporting period and will be progressively paid if various pre-established milestones are achieved. At initial recognition, the deferred payment has been discounted to \$771,495 (present value) and recognised as a non-current liability. The periodic unwinding of the discount, at 10%, will be recognised in the condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income as finance costs.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 6: PROVISIONS

| | Rehabilitation (1) | Employee Benefits | Total |
|---------------------|--------------------|-------------------|------------------|
| | \$ | \$ | \$ |
| At 30 June 2022 | | | |
| Current | - | 145,225 | 145,225 |
| Non-current | 3,111,668 | - | 3,111,668 |
| | <u>3,111,668</u> | <u>145,225</u> | <u>3,256,893</u> |
| At 31 December 2022 | | | |
| Current | - | 150,332 | 150,332 |
| Non-current | 2,793,878 | - | 2,793,878 |
| | <u>2,793,878</u> | <u>150,332</u> | <u>2,944,210</u> |

- (1) The provision for rehabilitation represents the present value of estimated costs of site and pit rehabilitation based upon costs of rehabilitation expected to be incurred at the date the rehabilitation is required and the area of currently disturbed ground subject to rehabilitation as at interim period and annual reporting year end.

Reconciliation of movement in provision for rehabilitation:

| | Consolidated | |
|---|---------------------|------------------|
| | 31 December 2022 | 30 June 2022 |
| | \$ | \$ |
| Balance at beginning of the period/financial year | 3,111,668 | 3,044,667 |
| Remeasurement (i) | (450,832) | - |
| Addition | - | - |
| Utilised | - | - |
| Unwind of discount | 133,042 | 67,001 |
| Balance at end of the period/financial year end | <u>2,793,878</u> | <u>3,111,668</u> |

- (i) The Group remeasures the present value of the provision for rehabilitation utilising a pre-tax discount rate appropriate to the risks inherent in the liability. In light of recent economic information, including the consumer price index and interest rate levels, the Group remeasured its provision for rehabilitation at a pre-tax discount rate of 10% (30 June 2022: 4.46%). A reduction of \$450,832 has been recognised in the Profit & Loss for the interim period as a result of the above change in pre-tax discount rate.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 7: BORROWINGS

| | Consolidated | |
|-------------|---------------------------|-----------------------|
| | 31 December 2022 \$ | 30 June 2022 \$ |
| Current | - | - |
| Non-current | - | 628,736 |
| | - | 628,736 |

Reconciliation of movement in borrowings:

| | Consolidated | |
|---|---------------------------|-----------------------|
| | 31 December 2022 \$ | 30 June 2022 \$ |
| Opening balance | 628,736 | 630,000 |
| Repayment (1) | (630,000) | (630,000) |
| Recognise new liability at fair value on date of modification | - | 516,475 |
| Unwind of discount | 1,264 | 112,261 |
| | - | 628,736 |

(1) Great Cortex International Ltd ("Cortex") provided a loan of AUD\$630,000 which has been accruing interest at 9.31% per annum since February 2012 ("Cortex Loan"). On 18 October 2022 the Company repaid the loan principal by issuing 19,090,909 shares at a deemed issue price of \$0.033 to a party nominated by Cortex. The original loan agreement which was executed in September 2012 was subsequently announced terminated, and all liabilities under that loan agreement including interest accrued are deemed to have been discharged.

NOTE 8: OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|--------------------------------------|---------------------------|-----------------------|
| | 31 December 2022 \$ | 30 June 2022 \$ |
| Amounts payable under share buy-back | - | 4,437,667 |
| | - | 4,437,667 |

Following completion of Debt and Equity Compromise Agreement (DECA) on 18 November 2020, the buy-back consideration for shares bought back included a deferred payment of \$5,400,000 to be paid in cash or shares, at the Company's election, by 10 August 2023. As at end of the prior reporting period, 30 June 2022, the remaining buy-back consideration represents a financial instrument measured at fair value on day one, then subsequently at amortised cost.

On 18 October 2022, the \$5,400,000 debt was fully extinguished in exchange for the grant of a 1.5% NSR royalty on six tenements which are not covered by the original DECA. This arrangement was approved by shareholders on 17 October 2022.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 9: ISSUED CAPITAL

| | Consolidated | |
|------------------------|---------------------|-----------------|
| | 31 December 2022 | 30 June 2022 |
| | \$ | \$ |
| <i>Ordinary shares</i> | | |
| Issued and fully paid | 45,033,119 | 43,254,388 |

| | Consolidated | | Consolidated | |
|--|---------------------|---------------------|----------------------|----------------------|
| | 31 December 2022 | 31 December 2022 | 31 December 20221 | 31 December 20221 |
| | No. | \$ | No. | \$ |
| <i>Movements in ordinary shares on issue</i> | | | | |
| Balance at beginning of period | 646,860,869 | 43,254,388 | 439,750,764 | 37,857,909 |
| Share issues (1)(2)(3) | 85,767,954 | 1,796,231 | 107,110,105 | 3,187,318 |
| Costs associated with issue of shares | - | (17,500) | - | (140,839) |
| Balance at end of period | 732,628,823 | 45,033,119 | 546,860,869 | 40,904,388 |

- (1) On 18 October 2022, the Company issued:
 - (i) 19,090,909 fully paid ordinary shares to Stone Resources (Hong Kong) Limited ("SRHKL") at a price of \$0.033 per share, as equity settlement of the Cortex Loan (Note 7).
 - (ii) 10,545,818 fully paid ordinary shares to SRHKL at a price of \$0.028 per share, as non-cash payment of an Option Fee for being granted a Royalty Buy-back Option (see Note 12 for further information)
- (2) On 4 November 2022, the Company completed a share placement of 44,000,000 fully paid ordinary shares in the Company at a price of \$0.015 per share to raise \$660,000 (before costs).
- (3) On 30 November 2022, the Company issue 12,131,227 fully paid ordinary shares to two directors and one employee at a price of \$0.017 per share as part of their remuneration under the remuneration arrangements they have with the Company as approved by shareholders at the Annual General Meeting held on 29 November 2022.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 10: RESERVES

| | Consolidated | |
|--|---------------------|-----------------|
| | 31 December 2022 | 30 June 2022 |
| | \$ | \$ |
| Balance at beginning of financial year | 6,265,842 | 5,396,622 |
| Share based payments (1) | 11,625 | 869,220 |
| Balance at end of financial year | 6,277,467 | 6,265,842 |

- (1) During the reporting period, the Company issued 10,000,000 zero exercise price options (ZEPOs) exercisable on or before 30 November 2026 to the Company's former managing director Bill Hobba as a performance linked incentive component in the remuneration package for Mr Hobba.

80% of the ZEPOs will vest upon the holder serving 12 months, from the date of grant, of continual services with the Company either as a director, consultant or employee. 20% of the ZEPOs will vest in 24 months upon the same continual service requirement is fulfilled.

The fair value of these options granted was calculated by using the Black Scholes Option Pricing Model by applying the following inputs.

| | ZEPOs |
|-------------------------------------|------------------|
| Number of instruments | 10,000,000 |
| Date of grant | 29 November 2022 |
| Share price at grant date | \$0.016 |
| Volatility factor | 153.21% |
| Risk free rate | 3.24% |
| Expected life of instrument (years) | 4 years |
| Exercise price per instrument | Nil |
| Valuation per instrument | \$0.0155 |
| Total fair value of ZEPOs | \$155,000 |

The valuation of the ZEPOs will be expensed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income over the vesting period per vesting conditions (i.e. 80% recognised over a period of 12 months and 20% over 24 months). For the period ended 31 December 2022, a share-based payment expense of \$11,625 has been recognised.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES

Exploration commitments

The Group has an expenditure commitment of \$725,600 for the next 12-months period to sustain current tenements under lease from the Department of Mines, Industry Regulation and Safety (DMIRS). The expenditure commitment includes annual tenement rentals of \$106,780 (June 2022: \$108,977).

Capital commitments

The directors are not aware of any other commitments from the Group's operations as at 31 December 2022.

Contingencies

The Company will pay SRHKL 3% net smelter return ("NSR") royalty on gold produced from most of the tenements listed in the Tenement Schedule in the Company's 2022 Annual Report.

As part consideration for acquisition of exploration licences E38/3438, the Company agreed to pay Mining Equities Pty Ltd 1% NSR on gold produced from the above the tenement.

Exploration licence E38/3279 is subject to 1% NSR on gold produced from it which is payable to Mr Peter Gianni.

As announced on 25 October 2021, the Group acquired two prospective exploration licences within Western Australia, E38/3500 and E38/3504, from Milford Resources Pty Ltd. Pursuant to the acquisition agreement, Milford Resources Pty Ltd is entitled to a 1% net smelter royalty with respect of the tenements.

In exchange for extinguishing \$5,400,000 debt owed to SRHKL, the Company granted a 1.5% NSR royalty over six tenements (i.e. E38/3279, E38/3434, E38/3438, E38/3500, E38/3504 and P38/4508) to SRHKL on 18 October 2022. This arrangement was approved by shareholders on 17 October 2022.

Additional historical royalties may also exist over certain tenements of the Group. Whether the obligation to pay those royalties remains to be determined.

NOTE 12: RELATED PARTY TRANSACTIONS

During the interim period, the followings options and shares in the Company were issued to the Directors.

| Directors (as at the issue date) | Shares (number) | Options (ZEPOs) (number) |
|-------------------------------------|-----------------------------|-------------------------------|
| William Hobba | 5,537,235 (refer to Note 9) | 10,000,000 (refer to Note 10) |
| Yongji Duan | 5,593,992 (refer to Note 9) | |

(a) Individual Directors and executives compensation disclosures

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Group since the end of the previous financial year.

(b) Subsidiaries

All inter-company loans and receivables are eliminated on consolidation and are interest free with no set repayment terms.

(c) Other key management personnel and director transactions

Purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions.

On 18 October 2022, with shareholders approval, the Group completed the following transactions with SRHKL (at the time of transaction SRHKL was a related party of the Group by virtue of Mr Yongji Duan being a director of both SRHKL and the Group) :

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022****NOTE 12: RELATED PARTY TRANSACTIONS (continued)**

- (i) The Group granted a 1.5% NSR royalty over six tenements (i.e. E38/3279, E38/3434, E38/3438, E38/3500, E38/3504 and P38/4508) to SRHKL, in exchange for extinguishing \$5,400,000 in debt owed to SRHKL;
- (ii) The Group issued 10,545,818 shares at a deemed issue price of \$0.02845 per share to SRHKL, as non-cash payment of an Option Fee for being granted a Royalty Buy-back Option (Call Option). If the Call Option is exercised, the Group can purchase the 3% NSR which is currently applicable to a substantial portion of the Group's tenement holdings in cash and/or BTR shares at the discretion of the Board. The exercise price of this Call Option is US\$25 million, and the expiry is 5 calendar years since settlement date of this Call Option Deed; and
- (iii) The Group issued 19,090,909 fully paid ordinary shares in the Company to SRHKL at an issue price of \$0.033 per share, as non-cash settlement of the Cortex Loan. The original loan agreement which was executed by the Company and Cortex in September 2012 was subsequently announced terminated, and all liabilities under that loan agreement including interest accrued are deemed to have been discharged.

During the interim period 31 December 2022, the Group also paid \$17,500 to Hunt DRG, a related party to Josh Hunt, for legal and compliance services which fell outside of the scope of Mr Hunt's director duties.

Other than as outlined above, the Group did not enter into any further related party transactions with the Director, key management personnel or their related entities.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS*Recurring fair value measurements*

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amount of current trade and other receivables, current trade and other payables, and current deferred consideration payable is assumed to approximate their fair value.

NOTE 14: SIGNIFICANT EVENTS AFTER BALANCE DATE

On 11 January 2023, the Group completed a Share Placement raising gross proceeds of \$1,600,000 (before costs) at an issue price of \$0.016 per share. 96,500,000 fully paid ordinary shares were issued to sophisticated investors. The remaining 3,500,000 shares to be issued to the Group's officeholders upon receipt of shareholder approval.

On 12 January 2023, Mr Alex Rovira was appointed as Managing Director of the Group, following the resignation of Mr William Hobba. Mr William Hobba will continue his services in the capacity as Technical Services Manager to the Group.

On 13 February 2023, Mr Yongi Duan resigned as a director of the Group. Following his resignation, Mr Lau Wa Ming (Tony Lau) was appointed as a Non-Executive Director, and Mr Joshua Hunt was appointed to the position of Non-Executive Chairman.

On 15 March 2023, the date of lodgement of this interim financial report, the Company announced that it had agreed with Kingwest to amend the terms of the Scheme, whereby each Kingwest shareholder would receive 1 Brightstar share for every 0.38 Kingwest shares held at the Scheme record date.

There were no other matter or circumstance that has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the Group as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Brightstar Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Alex Rovira
Managing Director
15 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BRIGHTSTAR RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Brightstar Resources Limited, (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) to the half-year financial report, which indicates that the Group made a net gain of \$3,779,189, had cash outflows from operating and investing activities of \$1,908,811 for the reporting period. As at 31 December 2022, the Group had a cash balance of \$406,129, net assets of \$10,218,889, net current liabilities of \$58,534, and current exploration expenditure commitments of \$725,600. These conditions, along with other matters set forth in Note 1(d) to the half-year financial report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

Responsibility of the Directors for the 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF BRIGHTSTAR RESOURCES LIMITED**

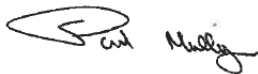
Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

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.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN
Executive Director
Perth WA, 15 March 2023