



ABN 86 121 985 395

NOTICE OF MEETING

AND

**EXPLANATORY MEMORANDUM
TO SHAREHOLDERS**

**MEETING TO BE HELD AT UNIT 1 / 1 NAIRN STREET, FREMANTLE, WA
ON TUESDAY 31 MAY 2011 AT 10AM PERTH TIME**

A PROXY FORM IS ENCLOSED

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

NOTICE OF MEETING

Notice is given that a meeting of shareholders of Bright Star Resources Limited (**BrightStar**) will be held at Unit 1 / 1 Nairn Street, Fremantle, Western Australia on Tuesday 31 May 2011 at 10am Perth time.

AGENDA

Resolution 1 - Approval of grant of options to Barry Bolitho, a director of the Company

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

“THAT for the purposes of Chapter 2E of the Corporations Act, Listing Rule 10.11 of the ASX Listing Rules and for all other purposes, approval is given for Bright Star Resources Limited to issue to Barry Bolitho 2,500,000 (two million, five hundred thousand) options on the terms and conditions set out in the Explanatory Memorandum.”

EXPLANATORY MEMORANDUM

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting. Capitalised terms in this Notice of Meeting and the Explanatory Memorandum are defined in Annexure A to the Explanatory Memorandum.

ENTITLEMENT TO VOTE

Snapshot Date

It has been determined that in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), for the purposes of the meeting, Shares will be taken to be held by the persons who are the registered holders at 5.00 pm Perth time on Sunday 29 May 2011. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Exclusions

BrightStar will disregard any votes cast on Resolution 1 by Mr Barry Bolitho and any of his associates, unless the vote is cast in the following circumstances:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative to Bright Star Resources Limited.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice of Meeting and to be effective must be received at the Company's registered office:

The Company Secretary
Bright Star Resources Limited
1 / 1 Nairn Street
FREMANTLE WA 6160

OR by facsimile: (08) 9430 9965 (within Australia) or + 61 8 9430 9965 (International)

by no later than **10am** Perth time on **Sunday 29 May 2011**.

By Order of the Board

Dated: 15 April 2011

Warren Gilmour
Director
Bright Star Resources Limited

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

1 Introduction

This Explanatory Memorandum has been prepared to assist BrightStar Shareholders to understand the business to be put to BrightStar Shareholders at the meeting.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting. **Annexure A** of this Explanatory Memorandum contains the definitions of the capitalised terms in the Notice of Meeting and this Explanatory Memorandum.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions set out in the Notice of Meeting. If any Shareholder is in doubt as to how they should vote, they should seek advice from their professional adviser prior to voting.

2 Resolution 1 – Grant by Company of Options to Barry Bolitho, a Director of the Company

2.1 Introduction and Approvals Required

Mr Barry Bolitho was appointed as a Non-Executive Director of the Company with effect from 4 April 2011.

BrightStar seeks to grant 2,500,000 Options to Barry Bolitho.

Approval of BrightStar Shareholders is sought for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 for the company to grant the above Options.

2.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision by a public company of a “financial benefit” to a “related party”. Section 208 of the Corporations Act prohibits:

- (1) a public company giving a financial benefit to a related party; or
- (2) a company which is controlled by the public company giving a financial benefit to a related party,

unless one of a number of exceptions applies, or shareholder approval is obtained.

A “financial benefit” is defined in the Corporations Act in broad terms and includes a company issuing shares and granting options.

A “related party” includes a Director, an entity over which a Director has control and an entity which believes, or has reasonable grounds to believe, that it is likely to become a related party in the future. For the purposes of Chapter 2E of the Corporations Act, Barry Bolitho is a related party of BrightStar.

BrightStar is seeking shareholder approval for the purposes of Chapter 2E.

2.3 ASX Listing Rule 10.11

Listing Rule 10.11 provides that the Company must not issue “equity securities” to a related party unless one of a number of exceptions applies, or shareholder approval is obtained. The Company is seeking shareholder approval for the purposes of Listing Rule 10.11.

2.4 Information to Shareholders

The following information is provided to BrightStar Shareholders in accordance with the requirements of section 219 of the Corporations Act and Listing Rule 10.13.

The related party	Barry Bolitho, a Director of the Company.
Proposed Financial Benefit	2,500,000 Options, the terms of which are set out in Annexure B .
Consideration	Nil consideration for the grant of the options.
Reasons for Grant and for giving a Financial Benefit	<p>The purpose of the grant of Options is to provide an incentive to Mr Bolitho to provide dedicated commitment and effort to the Company, whilst preserving the cash reserves of the Company.</p> <p>The non-interested Directors (that is, excluding Mr Bolitho) believe that the grant of the 2,500,000 Options is appropriate and reasonable in the circumstances because:</p> <ol style="list-style-type: none"> (1) the Company is in a growth phase of its development and the Company needs to attract high calibre individuals with the necessary experience and qualifications; (2) the payment of monetary fees alone is not an adequate incentive to enable the Company to attract and keep these high calibre individuals; (3) the Option exercise price (being \$0.27) is set at a premium to the Company's current share price (being \$0.165), providing an incentive to the director to maximise their efforts to achieve success for the Company and the benefit of shareholders generally; and (4) the grant of the Options (including the amount and value) forms part of a reasonable remuneration package.
Reasons for the specific number of options and specific option exercise price	<p>The number of options was chosen by the Board (excluding Mr Bolitho) as an appropriate number to attract a non-executive director of Mr Bolitho's skills and experience, to form part of a reasonable remuneration package for a non-executive director and to provide a realistic and meaningful incentive to the director.</p> <p>The option exercise price of \$0.27 was chosen by the Board (excluding Mr Bolitho) as an amount which is approximately \$0.10 higher than the Company's recent trading range of \$0.16 to \$0.17 and was regarded as a reasonable premium above this trading range to provide a realistic and meaningful incentive to the director.</p>
Recommendation of each BrightStar Director	<p>The non interested Directors, Mr Warren Gilmour, Mr Geoffrey Gilmour, Mr Graeme Clatworthy and Mr Paul Payne, each recommend to shareholders that they vote in favour of Resolution 1, for reasons (1) to (4) set out above.</p> <p>The non-interested Directors acknowledge that the granting of options to a non-executive director is not consistent with Recommendation 8.3 of the ASX corporate governance principles and recommendations. However the non-interested directors believe that the granting of options to Mr Bolitho is appropriate in the circumstances in order to:</p> <ol style="list-style-type: none"> (1) attract a director of Mr Bolitho's skills and experience, where the payment of monetary fees alone is not an

adequate incentive; and

- (2) preserve the Company's cash reserves in a period when the Company is in an exploration stage requiring significant expenditure and is not earning or deriving income from operations.

Alternative choices instead of options, such as higher director fees or cash bonuses were considered inappropriate because these choices would reduce the Company's cash reserves.

Barry Bolitho has not made a recommendation to shareholders because of his interest in the outcome of the resolution.

Interests of BrightStar Directors in outcome of resolution

As at the date of the Notice of Meeting, each Director holds the interests in BrightStar set out in **Annexure C**.

The non interested Directors, Mr Warren Gilmour, Mr Geoffrey Gilmour, Graeme Clatworthy and Mr Paul Payne, do not have an interest in the outcome of the resolution.

Barry Bolitho has an interest in the outcome of the resolution in that he will receive 2,500,000 Options if the resolution is passed.

Total Remuneration Package

Barry Bolitho's total remuneration package comprises director's fees of \$54,000 per annum (inclusive of GST) plus a superannuation entitlement of 9% per annum.

Dilution Effect if Options Exercised

If the Options are granted and any or all of the Options are exercised, dilution of existing shareholders will occur. The dilution effect will be small.

As at the date of issue of the Notice of Meeting, the total number of BrightStar Shares on issue is 182,095,171 shares (including 14,940,233 shares which are subject to voluntary escrow). If 100% of Mr Bolitho's 2,500,000 Options were exercised the dilution effect will be approximately 1.35 percent (2,500,000 shares divided by the expanded capital base of 184,595,171 shares) (based on the total number of shares on issue as at the date of the Notice of Meeting).

Date for Granting and Issuing Options

If the resolution is passed the Options will be granted and issued as soon as possible after the date of the meeting and in any event no later than 31 June 2011 (being no later than 1 month after the date of the meeting).

Intended Use of Funds Raised from Grant

No funds will be raised from the grant of the Options because the issue price of the Options is nil.

Valuation of Options

The Board has received an independent valuation of the proposed Options, based on the *Black Scholes* option valuation model.

The valuation is between \$0.0612 and \$0.0868 per option, with a preferred value of \$0.0705 per option, based on a valuation date of 13 April 2011.

The value of the 2,500,000 Options, based on a preferred value of \$0.0705 per option, is \$176,250. The value of the 2,500,000 Options based on the low value is \$153,000, and based on the high value is \$217,000.

The valuation is based on the following data:

Input Details	Input	Basis for Input Value
Underlying Share Price	\$0.17	ASX share price as at 2pm on 13 April 2011.
Option strike / exercise price	\$0.27	Terms and conditions of the Options.
Risk free rate	4.8%	Risk free interest rate for Commonwealth bonds at 13 April 2011 continuously compounded, corresponding to the expected life of the Options.
Expected Grant Date	31 May 2011	Expected date of shareholder approval at shareholders meeting.
Vesting Date	31 May 2012	12 month vesting condition.
Expiry Date	5pm on the date which is 4 years after date of grant	Terms and conditions of the Options.
Expected Life of the Options	4 years after date of grant	Assumption based on terms and conditions of the Options, including vesting date and expiry date.
Volatility	80%	Annualised volatility for the 12 months to 12 April 2011 is approximately 82.48%.
Dividend Yield	Zero	Assumption that no dividends are paid before the expiry of the options.
Discount because options not quoted	20%	Discount in option value due to options not being quoted on a securities exchange

BrightStar's Trading History

The highest and lowest market sale prices of the Company's Shares on the ASX during the 12 months immediately preceding the date of the Notice of Meeting and the respective dates of those sales were:

Highest: \$0.21 on 19 January 2011.

Lowest: \$0.076 on 19 August 2010.

The latest available market sale price of the Company's Shares on the ASX immediately prior to the date of the Notice of Meeting was \$0.165 on 14 April 2011.

Tax Consequences (include Fringe)

There are no taxation consequences for BrightStar resulting from the grant of the Options, including no fringe benefits tax

Benefits Tax)

Opportunity Costs and Benefits Foregone The Board does not consider that there are any opportunity costs to the Company, or benefits forgone by the Company, as a result of granting the Options.

Listing Rules 7.1 and 7.2 and 15% restriction If shareholder approval is given under Listing Rule 10.11 then the Listing Rules provide that shareholder approval will not be required in relation to the 15% restriction in Listing Rule 7.1

Annexure A – Definitions

The meanings of capitalised terms used in the Notice of Meeting and Explanatory Memorandum are set out below:

ASX means the ASX Limited or the exchange operated by it, as the context requires.

Board means the Company's board of directors.

BrightStar means Bright Star Resources Limited ABN 86 121 985 395.

BrightStar Share means a fully paid, ordinary share issued in the share capital of BrightStar.

BrightStar Shareholder means the registered holder of a BrightStar Share.

Business Day means a day other than a Saturday, Sunday or public holiday in Western Australia.

Company means Bright Star Resources Limited ABN 86 121 985 395.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Listing Rules means the ASX Listing Rules published by the ASX from time to time.

Options means the right to subscribe for BrightStar Shares in accordance with the option terms set out in **Annexure B**.

Share Registry means Registries Ltd of Level 7, 207 Kent Street, Sydney, New South Wales, Australia.

Shareholder means the registered holder of a BrightStar Share.

Annexure B – Option Terms

The key terms of the Options are:

Exercise Price	\$0.27
Vesting Date	Options vest on the date which is 12 months after the date of grant
Expiry Date	5pm Perth time, on the date which is four years after the date of grant

The other terms of the Options are:

- (1) The options may be exercised at any time from the vesting date until 5pm on the expiry date.
- (2) The options are exercisable by notifying the Company in writing specifying the number of options being exercised and delivering the notice, together with payment for the number of shares in respect of which the options are exercised, to the registered office of the Company.
- (3) Options will not be granted Official Quotation for trading on the ASX or any other exchange.
- (4) The options are transferable and may be transferred (or otherwise disposed of) in whole or in part at any time prior to expiry.
- (5) Within 14 days after the receipt of a properly executed notice of exercise and application monies in cleared funds, the company will issue the number of shares specified in the notice. Upon issue the shares rank equally with all other ordinary shares on issue.
- (6) The Company will apply for Official Quotation by ASX of the shares issued pursuant to the exercise of the options.
- (7) The options do not confer the right to participate in new issues of capital during the exercise period including a rights issues or a bonus issue of shares. The Company will give not less than 10 Business Days notice to the holder to exercise his options prior to the date of determining shareholders entitlements for any new issues of capital that occur during the option exercise period.
- (8) In the event of any reorganisation of the share capital of the Company (including a consolidation, subdivision, reduction of capital or return of capital), the options are to be reorganised as required by the Listing Rules.
- (9) If the company makes an issue of shares pro rata to existing shareholders (other than a "bonus issue" as defined in the Listing Rules), the exercise price of the option will be reduced according to the following formula:

$$\text{New exercise price} = O \text{ minus } \frac{E [P - (S+D)]}{N + 1}$$

where:

- O = the old exercise price of the option.
- E = the number of underlying shares into which one option is exercisable.
- P = the average market price per shares (weighted by reference to volume) of the underlying shares during the 5 trading days ending on the day before the ex rights or ex entitlements date.
- S = the subscription price for a share under the pro rata issue.
- D = the dividend due but not yet paid on the existing shares (except those to be issued under the pro rata issue).
- N = the number of shares with rights or entitlements that might be held to receive a right to one new share.

Annexure C – BrightStar Directors' Interests

As at the date of the Notice of Meeting, each Director holds the following interests in the company:

BrightStar Director	BrightStar Shares held*	BrightStar options held*
Warren Gilmour	14,892,857 shares	8,000,000 options exercisable at \$0.10 expiring 22/03/2014
Geoffrey Mark Gilmour	7,108,604 shares	5,000,000 Options exercisable at \$0.10 expiring 04/10/2014
Graeme Clatworthy	3,277,771 shares	5,000,000 Options exercisable at \$0.10 expiring 04/10/2014
Paul Payne	500,000 shares	5,000,000 Options exercisable at \$0.27 expiring 18/03/2015
Barry Bolitho	Nil	Nil #

* Total direct and indirect interests

The Notice of Meeting sets out the 2,500,000 Options which are proposed to be granted to Mr Bolitho if shareholder approval is obtained by the passing of Resolution 1.

Contact Telephone No:

Contact Name (if different from above)

APPOINTMENT OF PROXY

I/We being a shareholder/s of Bright Star Resources Limited and entitled to attend and vote hereby appoint

The chairman of the meeting
(mark with an)

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of this Meeting. Leave this box blank if you have selected the Chairman of the Meeting as your proxy.

OR failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the meeting of shareholders of Bright Star Resources Limited to be held at Unit 1, 1 Nairn Street, Fremantle WA 6160 on **Tuesday 31 May 2011** at 10am (WST) and at any adjournment of that meeting.

VOTING DIRECTIONS TO YOUR PROXY – please mark to indicate your directions

		For	Against	Abstain
Resolution 1	Grant of options to Barry Bolitho, a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority.

APPOINTMENT OF A SECOND PROXY (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form %

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1	Shareholder 2	Shareholder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

HOW to complete this Proxy Form

Bright Star Resources Limited ABN 86 121 985 395

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your names proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by photocopying this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided.

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under the Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting (i.e. no later than **10am (WST) on Sunday 29 May 2011**). Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at:

Unit 1, 1 Nairn Street, Fremantle WA 6160 or sent to PO Box 1133, Fremantle WA 6959

Or

Faxed to the Company on (08) 9430 9965 (international + 61 8 9430 9965)