

RIFT VALLEY RESOURCES LIMITED

**ABN: 88 147 483 341
AND CONTROLLED ENTITY**

**HALF YEAR REPORT FOR THE HALF YEAR ENDED
31 DECEMBER 2011**

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

CORPORATE DIRECTORY

Directors

Mr Didier Murcia
Non-Executive Chairman

Mr Mike McKevitt
Managing Director

Mr Keith McKay
Non-Executive Director

Mr Gosbert Kagaruki
Non-Executive Director

Mr Darpan Pindolia
Non-Executive Director

Company Secretary
Mr Rowan Caren

Chief Financial Officer
Mr Gavin Doig

Registered and Principal Office

Level 2, 23 Barrack Street
Perth WA 6000
Tel: +61 8 9200 4404
Fax: +61 8 9200 4413
Email: info@riftvalleyresources.com.au
Web: www.riftvalleyresources.com.au

Auditor

Maxim Audit
243 Hay Street
Subiaco WA 6008

Solicitors

In Australia:
Murcia Pestell Hillard
Level 3
23 Barrack Street
Perth WA 6000

In Tanzania:

Ishengoma, Karume, Masha & Magai
357 United Nations Road
Dar es Salaam Tanzania

Share Registry

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233
Web address: www.securitytransfer.com.au

ASX Trading Symbol: RFV

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

The Board of Directors has pleasure in presenting their report on the consolidated entity for the half-year ended 31 December 2011.

1. DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

D M Murcia
M B F McKeivitt
K G McKay
G J Kagaruki
D G Pindolia (Appointed 15 August 2011)

2. REVIEW OF OPERATIONS

The consolidated entity continued to explore its portfolio of exploration properties during the half-year.

3. FINANCIAL RESULTS

A summary of consolidated revenues and results for the half-year ended 31 December 2011 is set out below:

	2011	2010
	\$	\$
Revenue	333,777	-
Expenses	1,623,207	15,865
Loss from continuing operations before income tax expense	(1,289,430)	(15,865)
Income tax expense	-	-
Loss from continuing operations after income tax expense attributable to owners of the parent	<u>(1,289,430)</u>	<u>(15,865)</u>

4. AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 2 and forms part of the directors' report for the half year ended 31 December 2011.

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

On behalf of the directors.



M B F McKeivitt
Managing Director

Signed at Perth this 28th day of February 2012.

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF RIFT VALLEY RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review;
and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Maxim Audit

Maxim Audit
Chartered Accountants

M A Lester

M A Lester
Perth WA

Dated this 28th day of February 2012.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

		Consolidated	
Continuing operations	Notes	31.12.2011	31.12.2010
		\$	\$
Unrealised exchange differences on translation of cash held in foreign currencies		138,525	-
Other revenue	3	195,252	-
Total Revenue		333,777	-
Employee benefits expense	4(b)	(599,802)	-
Consulting and outsourced services expense		(272,935)	(15,000)
Exploration expenditure	4(d)	(431,677)	-
Computer and communication costs		(33,526)	-
Travel expense		(117,006)	-
Occupancy costs		(60,056)	-
Depreciation, amortisation and impairment expense	4(a)	(50,452)	-
Finance costs	4(c)	(4,565)	-
Other expenses		(53,188)	(865)
Total expenses		(1,623,207)	(15,865)
Loss from continuing operations before income tax expense		(1,289,430)	(15,865)
Income tax expense		-	-
Loss from continuing operations after income tax expense		(1,289,430)	(15,865)
Other comprehensive income:			
Exchange differences on translating foreign operations		21,551	-
Other comprehensive income net of tax		21,551	-
Total comprehensive loss attributable to owners of the parent		(1,267,879)	(15,865)
Earnings per share (cents per share) from continuing operations			
- basic; loss for the half-year		(1.5) cents	(0.08) cents
- diluted; loss for the half-year		(1.5) cents	(0.08) cents

The above Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	Consolidated	
		31.12.2011	30.06.2011
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	10,485,441	11,749,258
Trade and other receivables		224,301	200,719
Total Current Assets		10,709,742	11,949,977
Non-current Assets			
Plant and equipment		263,033	215,450
Intangible assets		82,629	23,908
Total Non-current Assets		345,662	239,358
TOTAL ASSETS		11,055,404	12,189,335
LIABILITIES			
Current Liabilities			
Trade and other payables		307,626	247,171
Provisions		41,688	9,125
Total Current Liabilities		349,314	256,296
TOTAL LIABILITIES		349,314	256,296
NET ASSETS		10,706,090	11,933,039
EQUITY			
Issued capital	5	12,391,582	12,350,652
Reserves	5	279,821	258,270
Accumulated losses		(1,965,313)	(675,883)
TOTAL EQUITY		10,706,090	11,933,039

The above Condensed Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

CONSOLIDATED	Notes	Ordinary Shares \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
At 1 July 2011		12,350,652	261,183	(2,913)	(675,883)	11,933,039
Loss for the period					(1,289,430)	(1,289,430)
Other comprehensive income for the period, net of tax		-	-	21,551	-	21,551
Transaction costs on share issues	5	(520)	-	-	-	(520)
Share-based payments - vendors of tenements	5	41,450	-	-	-	41,450
At 31 December 2011		12,391,582	261,183	18,638	(1,965,313)	10,706,090
Balance at Incorporation		-	-	-	-	-
Loss for the period		-	-	-	(15,865)	(15,865)
Issue of share capital		95,001	-	-	-	95,001
At 31 December 2010		95,001	-	-	(15,865)	79,136

The above Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated	
		31.12.2011	31.12.2010
		\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Sundry income (inclusive of GST)		10,909	-
Payments to suppliers and employees (inclusive of GST and non-resident withholding taxes)		(1,460,782)	(909)
Interest received		187,821	-
Interest paid (including non-resident withholding taxes)		(4,565)	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(1,266,617)	(909)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of plant and equipment		(86,332)	-
Purchase of computer software and database		(70,426)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(156,758)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Costs of share issue		(520)	-
Proceeds from borrowings		-	5,000
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(520)	5,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,423,895)	4,091
Net foreign exchange differences		160,078	-
Cash and cash equivalents at beginning of period		11,749,258	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	10,485,441	4,091

The above Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

1. CORPORATE INFORMATION

The condensed consolidated financial report of Rift Valley Resources Limited ("the Company") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 28th February 2012.

Rift Valley Resources Limited (the parent) is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Rift Valley Resources Limited for the year ended 30 June 2011.

It is also recommended that the half-year financial report be considered together with any public announcements made by Rift Valley Resources Limited and its controlled entity ('the Group') during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year condensed consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the *Corporations Act 2001*, and AASB 134 "Interim Financial Reporting". The half-year financial report has been prepared on a historical cost basis, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Changes in accounting policies

From 1 July 2011 the Group has adopted the following standards and interpretations, mandatory for annual reporting periods beginning 1 July 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- (i) AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB7];
- (ii) AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards;
- (iii) AASB 1054 Australian Additional Disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence;
- (iv) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13];

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

(b) Changes in accounting policies (Continued)

- (v) AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042];
- (vi) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets;

The Group has not elected to early adopt any new standards or amendments.

(c) Significant accounting policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011 except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2011, as described above in Note 2(b).

(d) Basis of consolidation

The half-year condensed consolidated financial statements comprise the financial statements of Rift Valley Resources Limited and its controlled subsidiary.

(e) New Standards and Interpretations Not Yet Adopted

New accounting standards and interpretations have been published which are not mandatory for the 31 December 2011 financial year. Any options for early adoption have not been applied in the preparation of this financial report. There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

(f) Segment Reporting

The Group operates predominately in the mineral exploration industry in Tanzania. For management purposes, the Group is organised into one main operating segment which involves the exploration for minerals in Tanzania. All of the Group's activities are inter-related and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole. Accordingly, no segment information is presented in this half-year financial report.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
Notes	31.12.11	31.12.10
	\$	\$
3. OTHER REVENUE		
Interest revenue	185,352	-
Miscellaneous revenue	9,900	-
	195,252	-
4. EXPENSES		
(a) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation of plant & equipment	38,749	-
Amortisation of software	10,983	-
Impairment of goodwill	720	-
	50,452	-
(b) Employee benefits expense		
Salaries and wages	497,014	-
Post-employment benefits expense	62,298	-
Other employee benefits expense	40,490	-
	599,802	-
(c) Finance costs		
Interest expense	352	-
Non-resident withholding taxes on inter-company interest	4,213	-
	4,565	-
(d) Exploration expenditure		
Opening balance	-	-
Expenditure incurred during the period*	329,546	-
Tenement acquisition costs	102,131	-
	431,677	-
Total expenditure written-off	(431,677)	-
Closing balance	-	-

* salaries and related expenditure paid to exploration staff are categorised separately in the Statement of Comprehensive Income under Employment Benefits Expense

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated	
		31.12.2011	30.06.2011
		\$	\$
5. ISSUED CAPITAL			
(a) Ordinary shares			
Issued and fully paid	(a)	12,391,582	12,350,652

Fully paid ordinary shares carry one vote per share and carry the right to dividends

	Number of shares	\$
<i>Movement in ordinary shares on issue</i>		
Beginning of financial year	83,500,000	12,350,652
Add: Shares issued for acquisition of tenements (i)	333,886	41,450
Less: Transaction costs on share issues	-	(520)
End of half-year	83,833,886	12,391,582

- (i) On 28 November 2011, 333,886 ordinary shares were granted at a price of 12.4 cents per share based on a 7 day volume weighted average share price, as consideration for the acquisition of tenements. Of these shares, 32,182 are escrowed until 18 May 2013.

Movement in shares under option

	Note	Exercise price	On issue at 1 January 2011	Issued	Exercised	On issue at 31 December 2011
Options expiring on 15 February 2014		\$0.20	5,875,000	-	-	5,875,000
Options expiring on 15 February 2014		\$0.25	5,875,000	-	-	5,875,000
Options expiring on 3 November 2017 (i)	(i)	\$0.0001	-	11,500,000	-	11,500,000
			11,750,000	11,500,000	-	23,250,000

- (i) On 3 November 2011, the Company issued 11,500,000 unlisted options to nominees of Mawe Meru Resources Ltd and Kilimanjaro Mines Ltd ("the Vendors") as part of the consideration in respect of two Tanzanian Prospecting Licences and one Prospecting Licence Application ("the tenements") conditionally acquired from them on 27 September 2011. The options will only vest and become exercisable by the Vendors when and if the Company reaches a decision to mine on the tenements. If no decision to mine is made within 3 years (extendable at the Company's election by up to one year) the tenements will be returned to the Vendors and the options will lapse. The directors have determined that the fair value of the tenements at the date of acquisition is \$12,903.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated	
		31.12.2011	30.06.11
		\$	\$
6. CASH AND CASH EQUIVALENTS			
Cash at bank and on hand – in Australia	(i)	27,973	136,877
Cash at bank and on hand – in Tanzania	(i)	74,481	54,259
Cash at bank in US Dollar Holdings – in Australia		3,483,494	3,873,292
Short term bank deposits – in Australia		6,899,493	7,684,830
		10,485,441	11,749,258

(i) Cash at bank is non-interest bearing

7. COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below:

(a) Exploration Expenditure Commitments:

Under 16 Tanzanian Government prospecting licences:

Payable			
- not later than one year		308,258	382,593
- later than one year and not later than five years		910,630	493,924
		1,218,888	876,517

During the half year ended 31 December 2011 seven Tanzanian Government exploration licences were granted or transferred, and a further two were applied for by the Company. In the event that all these applications are successful, a further total commitment of \$63,156 could eventuate. On 1 February 2012 the Company relinquished its interest in three exploration licences.

All the exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Company has the option to relinquish and lose these licences or its contractual commitments at any stage, at the cost of its cumulative expenditures up to the point of relinquishment.

(b) Operating Lease Commitments

The Company has operating lease commitments in respect of its office and a photocopier, as follows:

Payable			
- not later than one year		94,481	94,481
- later than one year and not later than five years		166,443	213,683
		260,924	308,164

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

8. EVENTS AFTER THE BALANCE SHEET DATE

On 23 January 2012 the Company entered into a Merger Implementation Agreement with BrightStar Resources Limited ("BrightStar") to effect a proposed merger of the two companies by way of a Rift Valley Scheme of Arrangement. The proposed merged entity will retain the name of Rift Valley Resources Limited and the transaction is expected to complete in late April or early May 2012.

Under the Scheme the Company's shareholders will receive 1.25 BrightStar shares for each share held in the Company. It is also proposed that the Company's options will be cancelled and option holders will receive 1.25 Brightstar options for each option held, with option terms including exercise price and exercise period being the same.

No matters or circumstances other than those disclosed above have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

**RIFT VALLEY RESOURCES LIMITED
AND CONTROLLED ENTITY**


DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Rift Valley Resources Limited, I state that:

In the opinion of the Directors:

- (a) the financial statement and notes set out on pages 3 to 12 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



M B F McKeivitt
Managing Director

Dated at Perth, this 28th day of February 2012

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Rift Valley Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Rift Valley Resources Limited are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Rift Valley Resources Limited's financial position as at 31 December 2011 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Rift Valley Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Rift Valley Resources Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Conclusion

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

- (i) giving a true and fair view of the Rift Valley Resources Limited's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and *Corporations Regulations 2001*.

Maxim Audit

Maxim Audit
Chartered Accountants

M A Lester

M A Lester
Perth WA

Dated this 28th day of February 2012.