

QUARTERLY ACTIVITY REPORT DECEMBER 2011

Highlights

- **CORPORATE:**
 - Rift Valley Resources Ltd and BrightStar Resources Ltd announced a proposal on the 23rd of January 2012 to merge the companies to create a leading independent Tanzanian gold exploration company. The merged entity will have up to 760,000 attributable ounces of gold with a portfolio of excellent exploration properties.
 - Rift Valley participated in the Commonwealth Business Forum (CBF) in October 2011 in Perth attended by the President of the Republic of Tanzania.
 - Rift Valley co-sponsored a function for President Kikwete hosted by the WA Tanzanian community.
- **CURRENT PROJECTS:**

Field evaluations and development of further detailed exploration programs for Rift Valley's projects continued. Activity for this quarter has been prioritised on:

 - **Golden Pride North** - Three potentially significant gold-in-soil anomalies defined and drilling targets planned. A 1,600m RC drilling program is scheduled to commence in January.
 - **Suguti** - Detailed surface mapping and soil sampling completed with several large gold-in-soil anomalies defined. Follow up work will be planned once results of infill sampling have been received and assessed.
 - **Maji Moto** – New project acquired in late September 2011. Detailed surface mapping, trenching and soil sampling completed. Analytical results yet to be received.
 - **Sarama** - Detailed surface exploration conducted.
 - **Buhemba South East** - Detailed surface exploration conducted.
 - **Geita East and Igando** – New projects acquired in late September 2011– initial surface mapping undertaken.
- **NEW PROPERTY EVALUATIONS:**

Concerted efforts have continued to identify advanced gold opportunities in Tanzania and numerous evaluations were undertaken during the Quarter.

RIFT VALLEY RESOURCES LIMITED

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A Tanzanian focused explorer

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CORPORATE

Proposed Merger

Rift Valley Resources Limited (ASX:RFV, Rift Valley) and BrightStar Resources Limited (ASX:BUT, BrightStar) announced on the 23rd of January 2012 that they have entered into a Merger Implementation Agreement, (“MIA”), under which they have agreed to a proposal to merge the companies via a Scheme of Arrangement (“the Scheme”).

The transaction brings together two highly complementary growth-oriented groups, creating a leading independent, Tanzanian focused, gold company. Under the Scheme, Rift Valley shareholders will receive 1.25 BrightStar shares for each Rift Valley share they hold. The proposed merger has the unanimous support of both the Rift Valley and BrightStar Boards.

Transaction Rationale

The friendly merger of BrightStar and Rift Valley will create a leading, independent, Tanzanian gold exploration company with a stated objective of becoming a 200,000 ounce per annum producer with resources of 2 million ounces.

The merged entity will:

- possess a strong mix of corporate, geological and Tanzanian country expertise at both the board and management level and be able to leverage excellent existing in-country relationships;
- have a pro-forma, (fully diluted), market capitalization of approximately \$47m (based on ASX closing prices on 20 January 2012) with \$12.6m in cash and no debt, providing a strong platform to execute its exploration programs and to pursue other growth initiatives aimed at enhancing shareholder value; and
- be well placed to grow the existing resource base on both Miyabi and Kitongo properties as well as advance numerous other greenfield exploration projects which are currently in the pipeline.

At Miyabi, the merged entity will be earning up to 75% interest in the current gold resource of 520,000 ounces. The resource has clear scope to grow as illustrated by the recently announced RAB drill-hole intersections that are located well outside the existing resource. The right to earn up to a 75% interest is governed by the terms of a joint venture agreement and requires expenditure on exploration and evaluation in order to earn the interest.

At Kitongo, the merged entity will have 100% of a gold resource, currently stated at 370,000 ounces, with excellent potential for depth and strike extensions.

The management teams of both BrightStar and Rift Valley have identified further growth and consolidation opportunities and will pursue those while continuing to review other new opportunities as they present themselves.

Tanzania is viewed as an excellent location for gold exploration and production with ten deposits in excess of 1 million ounces and two deposits in excess of 15 million ounces already discovered. While the merged group’s primary focus will be gold, there is excellent potential for the discovery of base metals, rare earths and other mineral commodities.

Transaction Implementation

The proposal for the merger of the companies will be implemented via a Scheme of Arrangement in Rift Valley. In addition to Rift Valley shareholder and Court approvals, the Scheme is subject to conditions including:

- no material adverse change in BrightStar or Rift Valley;
- relevant regulatory approvals; and
- other customary conditions.

The MIA includes obligations on the parties regarding no shop, no talk, a right to BrightStar to match competing proposals and a break fee, full details of which are set out in the MIA. A copy of the MIA was attached to the announcement dated 23 January 2012.

The merger has the unanimous support of both the Rift Valley and BrightStar Boards.

Under the proposal, Rift Valley options will be cancelled and they will convert to 1.25 Bright Star options with the option terms, including exercise price and exercise period being the same.

Timetable and Next Steps

The Rift Valley Scheme Booklet is expected to be mailed to Rift Valley shareholders in March 2012, with shareholder meetings expected to be held in late March or early April 2012. The Scheme is expected to be implemented in late April or early May 2012.

Further details on timing and implementation of the merger scheme and the Transaction will be made available to shareholders upon release of the Rift Valley Scheme Booklet.

Main Strengths of each Company

Rift Valley has approximately \$10.5m cash at bank and no debt with extensive local knowledge and access to new project opportunities. Rift Valley has a current portfolio of 14 separate exploration projects in Tanzania with well established support infrastructure and local technical teams in place.

BrightStar has a solid base of up to 760,000 attributable gold ounces at two projects with clear scope for increasing those resources, along with excellent project exploration targets.

Commonwealth Business Forum

The Commonwealth Business Forum (CBF) was held in Perth prior to CHOGM in October 2011. The CBF was attended by the President of the Republic of Tanzania who also hosted a mining round table discussion.

In conjunction with the CBF, Rift Valley co-sponsored a function for President Kikwete that was hosted by the WA Tanzanian community. This provided opportunity to discuss directly with the President the social programs in which Rift Valley is involved.

CURRENT PROJECTS

Rift Valley Resources Limited (RFV) has assembled an extensive portfolio of projects in Tanzania (both before and after listing) with the primary focus on gold properties in the well mineralised Lake Victoria region of western Tanzania. In addition, the company has several nickel properties to the west of the Lake Victoria region.

Initial reconnaissance exploration has now been completed on most current projects and detailed exploration programs on specific projects have commenced based on a priority ranking. An inaugural drilling program has now been planned for the Golden Pride North Project and planning is well advanced for further drilling programs on the Suguti and Maji Moto Projects.

Golden Pride North Project

Systematic soil sampling of the Golden Pride North property (200 x 100 metre sample spacing with 100 x 50 infill sampling in anomalous areas) has defined three large and potentially significant gold-in-soil anomalies that warrant follow up drill testing (Figure 1).

- i) Central Anomaly (4 square kilometres)
- ii) Eastern Anomaly (1 square kilometre)
- iii) Western Anomaly (1 kilometre x 500 metres)

An initial drilling program is planned to commence at Golden Pride North in January 2012. A total of approximately 1,600 metres of RC drilling is planned to test the three anomalies. Magnetic data and surface geology indicates that the source of the gold in the soils is likely to be one or more banded iron formations which are known to host gold mineralisation elsewhere in the Geita region.

The central anomaly will be the priority focus with drilling also planned to test the western and eastern anomalies.



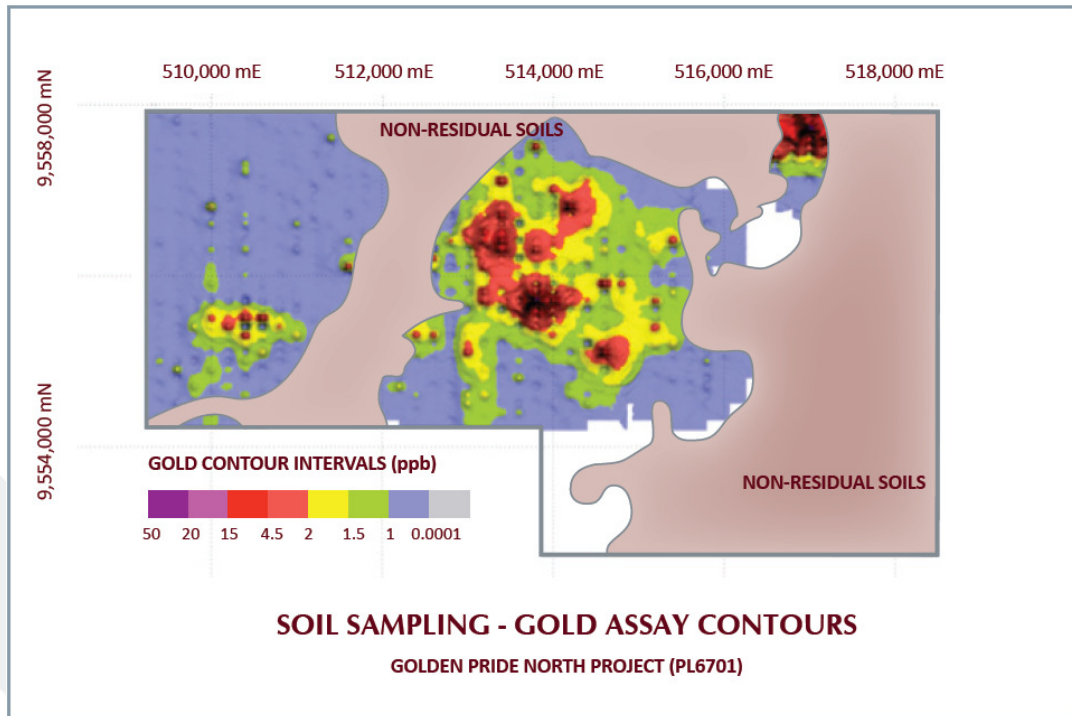


Figure 1 – Gold Assay Contours

Golden Pride North is a 41 square kilometre property located in the same greenstone belt as Resolute Mining’s Golden Pride gold mine and is strategically located only 4.6 kilometres from the actual mine.

Suguti Project

The Suguti Project is located in the Mara-Musoma Region, 40 km south of Musoma; the sealed Mwanza to Musoma highway passes through the western edge of the 77 square kilometre property. The property covers an extensive area of mafic-intermediate volcanic rocks and banded iron formations which form a prominent range of hills that trends approximately east-west in the northern half of the tenement (Figure 2).





Figure 2 - Suguti Project looking east and showing the BIF ridge

A soil sampling program spaced at 200 x 100m has been completed with a closer spaced soil sampling program (100 x 50m) completed around three targeted areas, one with known gold occurrence and two with high gold potential.

The gold and arsenic assay results from this program have clearly defined potentially-mineralized trends that warranted follow up work, which has been completed. Possible extensions of these anomalies to the north and east have also been tested with the results pending in January 2012 (Figure 3 and Figure 4).

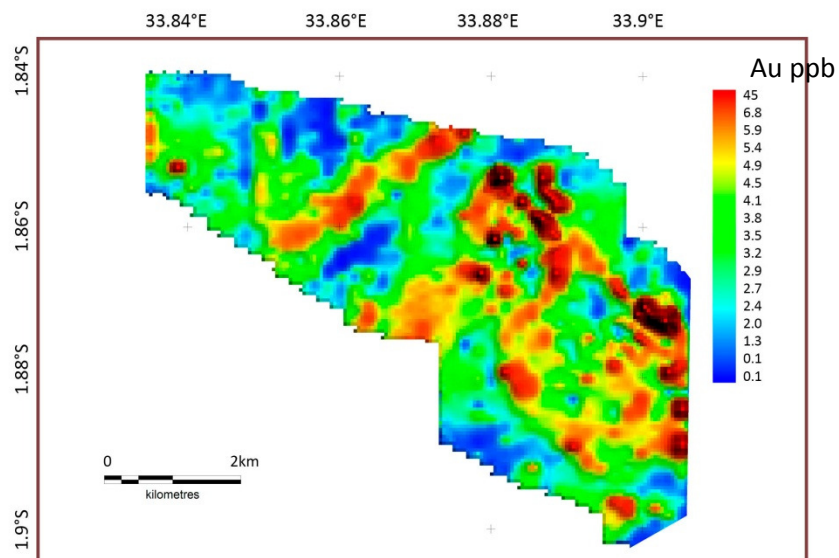


Figure 3 - Suguti soil sampling gold assay contours

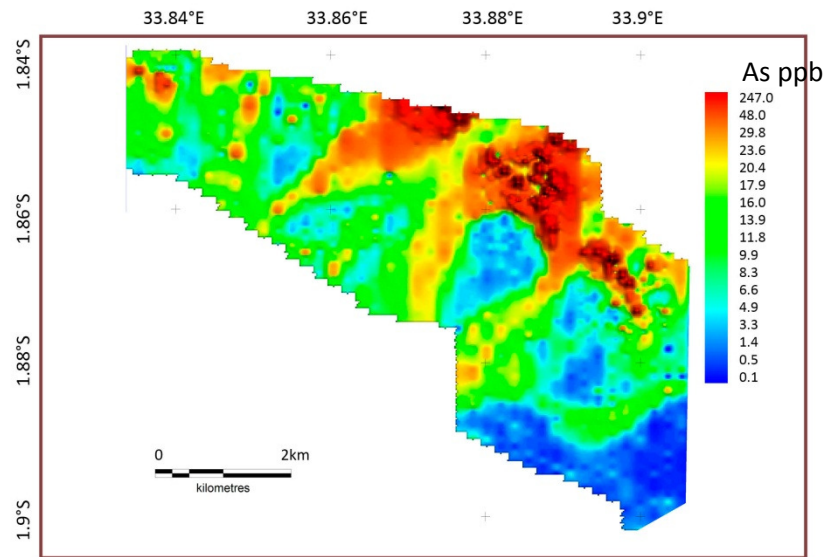


Figure 4 - Suguti soil sampling arsenic assay contours

Maji Moto Project

The Maji Moto Project is located in the eastern Musoma Goldfields, some 28 kilometres south-west of African Barrick Gold's multi-million ounce North Mara gold mine. The 77 square kilometre project covers numerous known gold occurrences and gold workings surrounding the old Maji Moto gold mine which was operated up until the 1950s. The immediate old-mine area is currently held by local small scale miners and is excluded from Rift Valley's Maji Moto property (approximately 500 square metres).

The Maji Moto Project (Figure 5) consists of two Prospecting Licences (PL7059 and PL4782) one Prospecting Licence Application (HQ-P22628).



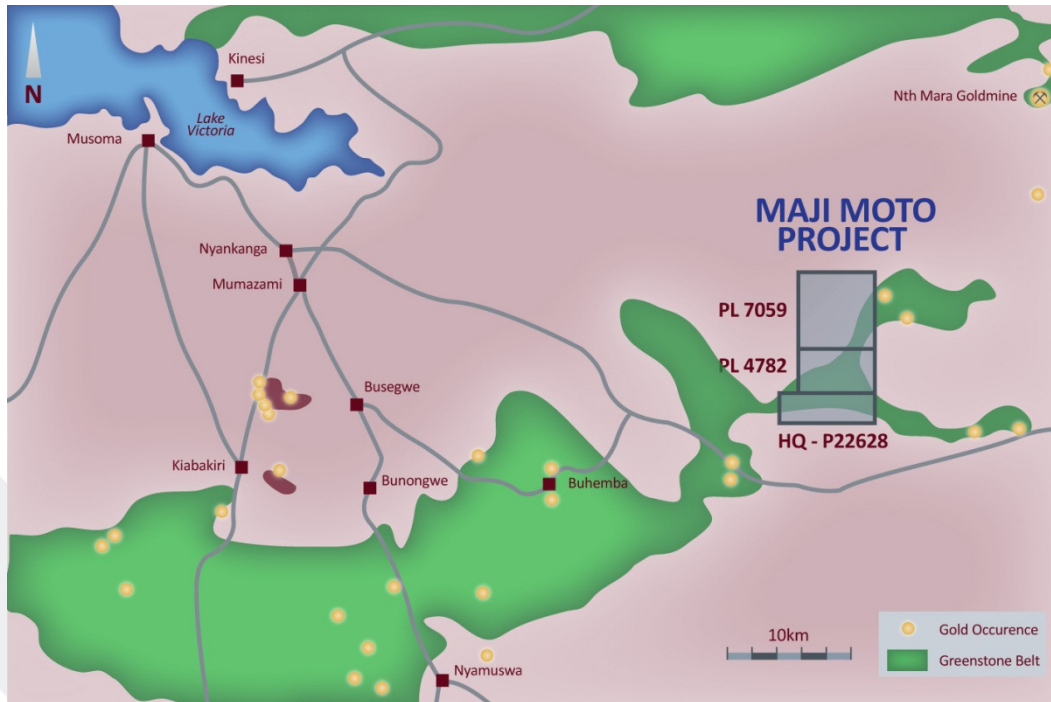


Figure 5 - Maji Moto Project Area

Importantly, several significant gold targets have already been identified in the Project area and initial field work has been completed to allow planning for appropriate drilling programs. The field work has comprised detailed geological mapping, trench sampling, and soil sampling, assay results are expected in January 2012.

Initial drilling will be implemented as soon as possible, currently planned for March 2012.

Igando Project

Initial geological mapping was conducted on the Igando Project in December 2011 and further work will be prioritised for February 2012 after drilling is completed at the Golden Pride North Project.

The Igando Project comprises two tenements (PL5219 and PL6768) totalling 26.7 square kilometres of contiguous area located in the western Rwamagaza greenstone belt (Figure 6). This belt hosts known gold deposits and gold occurrences including African Barrick Gold's Tulawaka gold mine 34 kilometres to the west, the Buckreef gold deposit 15 kilometres to the east, and a more recent (2006) gold discovery named Mnekezi located only 14 kilometres to the west of Igando. The Tulawaka and Mnekezi properties demonstrate good potential for further gold discoveries in the western half of the Rwamagaza belt.

A number of old gold workings exist both in and adjacent to the property. These include; current small scale gold mining at the Iparamasa workings located 1.3 kilometres east of the Project; old workings located in the eastern portion of PL6768 and consisting of a line of around 20 shafts trending approximately east-west and extending over a length of

some 300 metres; and active small scale mining on a 200 metre-long quartz lode on the northern margin of PL5219.



Figure 6 - Regional Geological Map showing location of the Igando and Geita East Projects in the Rwamagaza and Geita greenstone belts respectively

The Geita East Project

Initial geological mapping was conducted on the Geita East Project in December 2011 and further work will be prioritised for February 2012 after drilling is completed at the Golden Pride North Project.

The 51 square-kilometre Geita East property covers a strategically located portion of the Geita greenstone belt (Figure 6) that has not been subjected to extensive exploration in the past because of widespread soil cover.

Sarama and Buhemba South East Projects

Geological mapping was completed as well as a 200m x 100m soil sampling program over the most prospective areas. Rock chip samples were also collected at Sarama and Buhemba South East with the samples submitted to SGS Mwanza. Once the results have been fully reviewed, the next phase of work will be determined.



PROJECT RELINQUISHMENTS

To fast track the Company's growth, RFV's strategy has been to continually seek more advanced projects, critically assess tenement held, and to release tenements showing the lowest likelihood of achieving the Company's strict goals.

After acquiring the new Maji Moto, Igando, and Geita East Projects in late September 2011, RFV has elected to terminate its interest in the Kasabuya, Kanegele, Nyasiri, and Golden Pride South Projects. These tenements are considered of lower priority and will be transferred back to the vendors.

CURRENT PROJECTS

Following the above new acquisitions and recent project relinquishments, the Company's current portfolio of exploration properties consists of:

- 11 gold projects (Golden Pride North, Suguti, Maji Moto, Miyabi, Chibango, Mambari, Buhemba SE, Sungwa, Sarama, Geita East and Igando); and
- 3 nickel projects (Nyamagoma, Kabanga West and Mwenene).

NEW PROPERTY EVALUATIONS

RFV continues to make a concerted effort to identify and secure more advanced gold opportunities in Tanzania. During the Quarter a number of such properties were evaluated and this work is ongoing.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Competent Person: The contents of this report relating to geology and exploration results are based on information compiled by Mike McKeivitt, Member of the Australian Institute of Mining and Metallurgy and Managing Director of Rift Valley Resources. Mr McKeivitt has sufficient experience related to the activity being undertaken to qualify as a "Competent Person", as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC (2004) Code") and consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear

