

BRIGHT STAR RESOURCES LIMITED

ABN 86 121 985 395

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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These half-year financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

CORPORATE DIRECTORY

Directors

Warren Gilmour

Executive Chairman

Geoffrey Gilmour

Managing Director

Paul Payne

Technical Director

Graeme Clatworthy

Non-Executive Director

Company Secretary

Scott Mison

Solicitors

Johnson Winter & Slattery

London House

216 St George's Tce

Perth

Western Australia 6000

Auditors

Ernst & Young

1 Eagle Street

Brisbane

Queensland 4000

Share Registrar

Registries Ltd

Level 7

207 Kent Street

Sydney

New South Wales 2000

Registered Office

1/1 Nairn Street

Fremantle

Western Australia 6959

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

DIRECTORS' REPORT

Your directors present their report of the consolidated entity for the half-year ended 31 December 2011.

Directors

The names of directors who held office during or since the end of the half-year and up to the date of this Report are:

Warren Gilmour	<i>Executive Chairman</i>
Geoffrey Gilmour	<i>Managing Director</i>
Paul Payne	<i>Technical Director</i>
Graeme Clatworthy	<i>Non-Executive Director</i>
Barry Bolitho	<i>Director (Resigned on 7 December 2011)</i>

Results and Review of Operations

The consolidated entity incurred an operating loss after income tax of \$883,072 (31 December 2010: \$1,892,869) for the half-year ended 31 December 2011.

During the half-year:

The company has continued to advance its two Tanzanian gold projects. The removal of the illegal miners from Kitongo will allow for the delayed drilling program to take place with drilling expected to commence in the second quarter 2012.

Two drilling programs were completed at the Miyabi project for a total of approximately 15,000m. Results have indicated the discovery of substantial mineralised zones including a high grade intersection of 21m at 6.7g/t Au from 21m to end of hole. Further follow up drilling will take place in the second quarter 2012.

Further work has continued at the Miclere project with survey work on the tenements and further assessment of the data held.

The company has had a change of Company secretary with Mr Ross Arancini leaving and Mr Scott Mison joining the company.

Subsequent Events

On 20th January 2012, the Company received \$500,000 from the sale of the Challenger Project.

On 23rd January 2012, the Company announced it had signed a Merger Implementation Agreement for a friendly, all scrip merger with Rift Valley Resources Limited.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

This report is signed in accordance with a resolution of the Board of Directors.



Warren Gilmour

Dated this 8th day of March 2012

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		Consolidated Half-year	
	Note	31 Dec 11 \$	31 Dec 10 \$
Continuing operations			
Revenue	4	86,743	43,960
Administrative expenses	5	(893,974)	(1,733,539)
Depreciation and amortization expense		(3,758)	(720)
Employee benefits expense		(22,886)	(21,670)
Exploration expenditure		(5,959)	(82,724)
Impairment loss on exploration tenements		(43,238)	(30,995)
Impairment loss on property, plant and equipment		-	(150,086)
Foreign currency translation reserve derecognized		-	70,222
Loss for the half-year before income tax expense		(883,072)	(1,905,552)
Income tax expense		-	-
Loss from continuing operations for the half-year after income tax		(883,072)	(1,905,552)
Discontinued operations			
Gain from discontinued operations after income tax		-	12,683
Loss for the half-year after income tax		(883,072)	(1,892,869)
Other comprehensive income			
De-recognition of foreign currency translation		-	(70,222)
Foreign currency translation		-	-
Total comprehensive loss for the period		(883,072)	(1,963,091)
Loss for the half-year is attributable to:			
Owners of Bright Star Resources Limited		(883,072)	(1,963,091)
Total comprehensive loss for the half-year is attributable to:			
Owners of Bright Star Resources Limited		(883,072)	(1,963,091)
Loss per share from continuing operations attributable to owners of Bright Star Resources Limited:			
Basic (cents per share)		(0.48)	(1.18)
Diluted (cents per share)		(0.48)	(1.18)
Loss per share attributable to owners of Bright Star Resources Limited:			
Basic (cents per share)		(0.48)	(1.17)
Diluted (cents per share)		(0.48)	(1.17)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

		Consolidated	
	Note	31 Dec 11 \$	30 June 11 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,584,508	2,709,639
Trade and other receivables		520,863	1,032,390
TOTAL CURRENT ASSETS		<u>2,105,371</u>	<u>3,742,029</u>
NON-CURRENT ASSETS			
Receivables		88,674	88,674
Property, plant and equipment		21,539	17,768
Exploration and evaluation expenditure	8	4,726,977	3,635,392
TOTAL NON-CURRENT ASSETS		<u>4,837,190</u>	<u>3,741,834</u>
TOTAL ASSETS		<u>6,942,561</u>	<u>7,483,863</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		357,370	285,047
TOTAL CURRENT LIABILITIES		<u>357,370</u>	<u>285,047</u>
TOTAL LIABILITIES		<u>357,370</u>	<u>285,047</u>
NET ASSETS		<u>6,585,191</u>	<u>7,198,816</u>
EQUITY			
Issued capital	7	18,730,878	18,730,878
Reserves		2,035,015	1,765,568
Accumulated losses		(14,180,702)	(13,297,630)
TOTAL EQUITY		<u>6,585,191</u>	<u>7,198,816</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Fully paid ordinary shares	Accumulated Losses	Foreign Currency Reserve	Share Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2010	13,243,667	(10,848,148)	70,222	674,486	3,140,227
Loss for the half-year	-	(1,892,869)	-	-	(1,892,869)
Other comprehensive income	-	-	(70,222)	-	(70,222)
Total comprehensive income for the half-year	-	(1,892,869)	(70,222)	-	(1,963,091)
Transactions with owners in their capacity as owners					
Issue of shares	4,944,621	-	-	-	4,944,621
Share issue costs	(155,650)	-	-	-	(155,650)
Issue of options	-	-	-	929,840	929,840
Balance at 31 December 2010	<u>18,032,638</u>	<u>(12,741,017)</u>	<u>-</u>	<u>1,604,326</u>	<u>6,895,947</u>
Balance at 1 July 2011	18,730,878	(13,297,630)	-	1,765,568	7,198,816
Loss for the half-year	-	(883,072)	-	-	(883,072)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	(883,072)	-	-	(883,072)
Transactions with owners in their capacity as owners					
Share option expense	-	-	-	269,447	269,447
Balance at 31 December 2011	<u>18,730,878</u>	<u>(14,180,702)</u>	<u>-</u>	<u>2,035,015</u>	<u>6,585,191</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

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

	Consolidated Half-year	
	31 Dec 11	31 Dec 10
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	20,000	25,000
Payments to suppliers and employees	(577,051)	(847,426)
Net cash used in operating activities	<u>(557,051)</u>	<u>(822,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	66,743	18,242
Payments for exploration & evaluation expenditure	(1,134,823)	(115,824)
Net cash used in investing activities	<u>(1,068,080)</u>	<u>(97,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow on disposal of subsidiary	500,000	25,913
Proceeds from issues of equity securities	-	3,600,000
Payment for share issue costs	-	(136,400)
Net cash provided by financing activities	<u>500,000</u>	<u>3,489,513</u>
Net increase / (decrease) in cash and cash equivalents	(1,125,131)	2,569,505
Net cashflow from discontinued operations	-	(1,594)
Cash and cash equivalents at beginning of period	<u>2,709,639</u>	<u>356,844</u>
Cash and cash equivalents at end of period	<u><u>1,584,508</u></u>	<u><u>2,924,755</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Bright Star Resources Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the code: BUT), incorporated in Australia and operating from Fremantle. The Company's registered office and its principal place of business are as follows:

The registered office and principal place of business is at 1/1 Nairn Street, Fremantle WA 6160.

Bright Star Resources Limited is a gold and mineral exploration company operating in Australia and Tanzania.

The financial statements for Bright Star Resources Limited and its subsidiaries for the half year ended 31 December 2011 were approved and authorised for issue by the Board of Directors on 8 March 2012.

(b) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001 and AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report.

(c) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(c) Going concern

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which considers the realization of assets and the settlement of liabilities in the normal course of business activities. As at 31 December 2011 the consolidated entity has a net current asset position of \$1,769,500 (31 December 2010: \$3,917,766).

At 31 December 2011 the company has commitments of \$2,312,105 (31 December 2010: \$1,673,000) in respect of minimum expenditure required under exploration permits and mineral leases in order to keep the rights of tenure current.

Subsequent to period end, the Company announced a merger with Rift Valley Resources Limited, however in the event the transaction does not occur the Directors believe that they can raise sufficient funds through capital raising and asset sales to meet their committed activities and continue planned operations. However, in the event the consolidated entity is unable to raise additional equity capital or realize funds through the sale of assets there is significant uncertainty as to whether the consolidated entity could continue as a going concern and therefore, whether it will realize its assets at the amounts as shown in the financial statements and extinguish liabilities in the normal course of business. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(d) Summary of significant accounting policies

New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2011 have been adopted. The adoption of these standards had no material financial impact on the current period or any prior period and is not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods and have not yet been applied in the financial report. The Directors believe that these new or amended Standards and Interpretations do not have any material financial effect on the financial statements presented.

(e) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealized profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the manner in which exploration activities are monitored. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Group operates in mineral exploration in Australia and Tanzania.

Adjustments and eliminations

Finance income and expenses, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

Inter-segment revenues are eliminated on consolidation.

Segment information provided to the Board

31 Dec 2011	Australia	PNG	Tanzania	Total
	\$	\$	\$	\$
Total segment revenue	-	-	-	-
Total segment expenses	(12,343)	(30,995)	-	(43,238)
Total segment loss	(12,343)	(30,995)	-	(43,238)
Total segment assets	1,028,700	-	3,697,511	4,726,977
Total segment liabilities	-	-	-	-
31 Dec 2010	Australia	PNG	Tanzania	Total
	\$	\$	\$	\$
Total segment revenue	-	-	-	-
Total segment expenses	(82,724)	(30,995)	-	(113,719)
Total segment loss	(82,724)	(30,995)	-	(113,719)
30 June 2011	Australia	PNG	Tanzania	Total
	\$	\$	\$	\$
Total segment assets	936,568	30,995	2,667,829	3,635,392
Total segment liabilities	-	-	-	-

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 11	31 Dec 10
	\$	\$
Segment expense reconciles to total expense as follows:		
Segment expense	(43,238)	(113,719)
Administration expense	(630,486)	(713,699)
Depreciation and amortisation expense	(3,758)	(720)
Employee benefits expense	(22,886)	(111,670)
Impairment loss on property, plant and equipment	-	(150,086)
Share based payments expense	(269,447)	(929,840)
Discontinued operations expense	-	(11)
Total expenses	(996,815)	(2,019,745)

	31 Dec 11	31 Dec 10
	\$	\$
Segment loss reconciles to loss before tax as follows:		
Segment loss	(43,238)	(113,719)
Revenue from operations	86,743	43,960
De-recognition of foreign currency translation reserve	-	70,222
Revenue from discontinued operations	-	12,683
Administration expense	(630,486)	(713,699)
Depreciation and amortisation expense	(3,758)	(720)
Employee benefits expense	(22,886)	(111,670)
Impairment loss on property, plant and equipment	-	(150,086)
Share based payments expense	(269,447)	(929,840)
Loss before income tax	(883,072)	(1,892,869)

	31 Dec 11	30 June 11
	\$	\$
Segment assets reconciles to total assets as follows:		
Segment assets	4,726,977	3,635,392
Current assets	2,105,371	3,742,029
Property, plant and equipment	21,539	17,768
Receivables	88,674	88,674
Total assets	6,942,561	7,483,863

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 11	30 June 11
	\$	\$
Segment liabilities reconciles to total liabilities as follows:		
Segment liabilities	-	-
Current liabilities	(357,370)	(285,047)
Total liabilities	(357,370)	(285,047)

3: DIVIDENDS

There were no dividends paid or proposed during the half-year.

4: REVENUE

	31 Dec 11	31 Dec 10
	\$	\$
Interest income	66,743	18,960
Option fee	-	25,000
Other	20,000	-
	86,743	43,960

5: ADMINISTRATIVE EXPENSES

Travel expenses	9,629	26,767
Directors fees	141,526	90,000
Audit fees	22,325	23,775
Contractors – share based payments	269,447	929,840
Consulting fees	329,304	436,268
Other	121,743	226,889
	893,974	1,733,539

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

6: DISCONTINUED OPERATIONS

30 December 2010

In September 2010 management entered into a call option agreement to sale Challenger Mines Limited. The option was exercised by the buyer subsequent to 31 December 2010 and the control of business was passed to the acquirer.

(a) Financial performance of operations disposed and held for sale

The results of the operations for the discontinued operations for the half year are presented below:

	31 Dec 11	31 Dec 10
	\$	\$
Revenue	-	12,694
Expenses	-	(11)
Loss for the year from discontinued operations	-	12,683

(b) Assets and liabilities – held for sale operations

The major classes of assets and liabilities of Challenger Mines Limited as at 31 December 2010 are as follows:

	31 Dec 2010
	\$
Cash at bank	471
GST receivable	1,296
Exploration permits and bonds	197,258
Land and buildings	258,854
Exploration and evaluation expenditure	1,632,857
Provision for rehabilitation and restoration	(140,000)
	1,950,736

7: ISSUED CAPITAL

	31 Dec 11 Shares	31 Dec 10 Shares	31 Dec 11 \$	31 Dec 10 \$
Balance at the beginning of the period	182,095,171	122,582,763	18,730,878	13,243,667
Placement of shares at \$0.09 per share on 11 Oct 2010	-	40,000,000	-	3,600,000
Shares issued on 20 Oct 2010 at \$0.09 per share to acquire Carlton Resources Pty Ltd	-	14,940,233	-	1,344,621
Capital raising costs	-	-	-	(155,650)
Balance at the end of the period	182,095,171	177,522,996	18,730,878	18,032,638

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

8: EXPLORATION AND EVALUATION EXPENDITURE

	\$
Balance at 1 July 2010	2,281,784
Transfer to assets held for sale – discontinued operations	(1,632,857)
Additions	60,358
Impairment expense	(30,995)
Balance at 31 December 2010	<u>678,290</u>
Balance at 1 July 2011	3,635,392
Additions	1,134,823
Impairment expense	(43,238)
Balance at 31 December 2011	<u>4,726,977</u>

9: RESERVES

	\$
Option Reserve	
Balance at 1 July 2010	674,486
Option expense	929,840
Balance at 31 December 2010	<u>1,604,326</u>
Balance at 1 July 2011	1,765,568
Option expense	269,447
Balance at 31 December 2011	<u>2,035,015</u>

	31 Dec 11	30 June 11
	\$	\$
Foreign Currency Translation Reserve		
Balance at the beginning of the period	-	70,722
De-recognition of foreign currency translation	-	(70,222)
Balance at the end of the period	<u>-</u>	<u>-</u>

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

10: ACCUMULATED LOSSES

	31 Dec 11
	\$
Balance at 1 July 2010	(10,848,148)
Net loss for the period	(1,892,869)
Balance at 31 December 2010	(12,741,017)
Balance at 1 July 2011	(13,297,630)
Net loss for the period	(883,072)
Balance at 31 December 2011	(14,180,702)

11: ACQUISITION OF CONTROLLED ENTITY

On 19 October 2010 Bright Star Resources Limited acquired all of the ordinary equity of Carlton Resources Pty Limited and its controlled entities. The fair values of acquired net assets at 30 June 2011 had been determined provisionally as the Company sought to review the tax base of the acquired assets. The result of this review indicated the tax base equalled the accounting value of the net assets acquired and accordingly there were no adjustments to the fair value of the acquired assets.

12: SUBSEQUENT EVENTS

On 20th January 2012, the Company received \$500,000 from the sale of the Challenger Project.

On 23rd January 2012, the Company announced it had signed a Merger Implementation Agreement for a friendly, all scrip merger with Rift Valley Resources Limited.

13: COMMITMENTS FOR EXPENDITURE

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements. The possibility of native title claim applications at some future time, under the provisions of the Native Title Act (1993) or the equivalent legislation in New Zealand and Papua New Guinea may affect access to and tenure of exploration tenements. Any substantial claim may have an effect on the value of the tenement affected by the claim. No provision has been made in the accounts for the possibility of a native title claim application.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	31 Dec 11	30 Dec 10
	\$	\$
Not longer than 1 year	312,105	1,006,000
Longer than 1 year and not longer than 5 years	2,000,000	2,460,000
Longer than 5 years	-	-
Total	2,312,105	3,466,000

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of \$750,000 to the vendor on the commencement of production.

Bright Star Resources Limited ABN 86 121 985 385 and Controlled Entities

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 4 to 15 are in accordance with the Corporations Act 2001, including:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance of the consolidated entity, as represented by the results of its operations, changes in equity and its cash flows for the half year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.



Warren Gilmour

Dated this 8th day of March 2012

To the members of BrightStar Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BrightStar Resources Ltd, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year 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 controls as the directors determine are 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 a Financial Report 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity'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 BrightStar Resources Limited and the entities it controlled during the half-year, 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 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

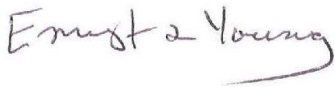
Conclusion

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 BrightStar Resources Limited is not 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 the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(d) to the financial statements "Going Concern", there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in cursive script that reads 'Ernst & Young'.

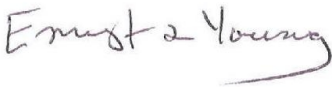
Ernst & Young

A handwritten signature in cursive script that reads 'Brad Tozer'.

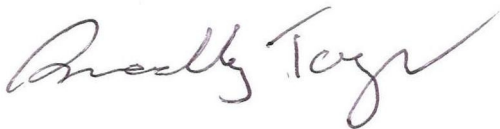
Brad Tozer
Partner
Brisbane
8 March 2012

Auditor's Independence Declaration to the Directors of BrightStar Resources Limited

In relation to our review of the financial report of BrightStar Resources Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in dark ink that reads 'Ernst & Young' in a cursive, flowing script.

Ernst & Young

A handwritten signature in dark ink that reads 'Brad Tozer' in a cursive, flowing script.

Brad Tozer
Partner
8 March 2012