



16 March 2021

BRIGHTSTAR RESOURCES HALF-YEARLY REPORT

Brightstar Resources Ltd (**Brightstar** or the **Company**) is pleased to present its half-yearly report for FY 2020-2021 (**Report**). An executive summary of the Report is set out below.

RECAPITALISATION IMPLEMENTED

On 18 November 2020, Brightstar implemented a Debt and Equity Compromise Agreement (**DECA**) with former majority shareholders Stone Resources (HK) Ltd and Stone Resources Ltd (a Bermudan entity) (**Major Shareholders**). This was the result of Brightstar shareholders overwhelmingly approving the DECA at Brightstar's AGM held on 16 November 2020 (**AGM**).

To finance the DECA, Brightstar divested its Ben Hur Project to Regis Resources Ltd (**Regis**) pursuant to a sale purchase agreement dated 10 August 2020 in exchange for \$10 million in Regis shares (**Regis Shares**) and a 1% NSR on the Ben Hur Project (commencing after the first 100koz gold has been produced at Ben Hur and capped at \$5 million) (**Ben Hur NSR**). The Ben Hur NSR was also assigned to the Major Shareholders as part of the DECA.

Pursuant to the DECA, the Major Shareholders cancelled debt totalling \$57,252,627 and 433,452,944 shares (being approximately 51.9% of the Company's shareholding) in exchange for a 3% NSR over Brightstar's tenements, \$6 million cash from the proceeds of the Ben Hur Project sale under the SPA and \$5.4 million in Brightstar shares or cash, at Brightstar's election, to be paid within 36 months from 11 August 2020.

The recapitalisation effected by the DECA was a major milestone for the Company and has secured Brightstar's operational and financial future.

CASH POSITION SECURED

Brightstar's cash needs in the short and mid-term have been addressed by the DECA and position the Company to progress its three-year strategic plan (**Strategic Plan**).

Subsequent to the balance date of the Report, Brightstar sold the Regis Shares during the period between 25 February and 8 March 2021 to secure cash to fund its operations. As a result of this sale, Brightstar has disposed of its entire Regis shareholding, and has realised \$1,832,203 in cash.

On 4 February 2021, Brightstar also received a letter from Department of Mines, Industry Regulation and Safety (**DMIRS**) advising that the \$6,311,000 in Unconditional Performance Bonds detailed in the DMIRS letter dated 31 July 2019 are not required to be lodged by the Company.

The Company is accordingly well-positioned to fund its operations going forward.

RENEWAL OF COMPANY EXECUTIVE

Brightstar continues renewal of its executive to realise the Company's potential as an emerging gold development play.

COMPANY DIRECTORS AND MANAGEMENT

William Hobba
Managing Director

Yongji Duan
Chairman

Josh Hunt
Non-Executive Director

Luke Wang
Financial Controller
Joint Company Secretary

Tony Lau
Joint Company Secretary

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Brightstar appointed long-standing independent director Bill Hobba as Managing Director on 3 December 2020. Mr Hobba was a Non-Executive Director of the Company for seven years prior to his appointment, and brings 40 years of operational and technical experience in developing mine sites to his new executive role.

Leading Perth corporate and mining lawyer Josh Hunt was also approved as a Non-Executive Director of the Company by shareholders at the AGM. Subsequent to the date of this Report, Ian Pegg was appointed Exploration Manager of the Company on 22 February 2021. Mr Pegg has 12 years' experience in exploration of the Laverton region for gold and previously worked at the nearby Granny Smith operation.

Brightstar's renewed leadership team look forward to finalising and announcing the Company's Strategic Plan and moving the Company towards becoming an emerging West Australian gold producer.

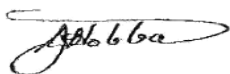
DRAFTING OF THREE YEAR STRATEGIC PLAN UNDERWAY

Mr Hobba and Mr Pegg are working with a number of leading industry consultants, including Auralia Mining Consulting and Como Engineering, to prepare the Strategic Plan. The Company anticipates that the Strategic Plan will outline Brightstar's intentions and proposed upgrade for its 330ktpa processing plant located on Beta deposit lease, expansion of its combined Mineral Resource of 7,194kt @ 1.9 g/t Au for 445koz and utilisation of the Company's strategically positioned Hawks Nest tenements.

Brightstar's executive are optimistic regarding the Company's excellent ground in the internationally renowned Laverton gold province, and look forward to updating the market as to the Company's progress at the conclusion of FY 2020-2021.

Further information concerning the Company's financial position is set out at length in the Report.

For further information, please contact:



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Managing Director
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Brightstar Resources Limited
(formerly Stone Resources Australia Limited)

ABN 44 100 727 491

Interim Financial Report
31 December 2020

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Directors' Declaration	19
Independent Auditor's Review Report	20

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DIRECTORS' REPORT

Your directors submit the financial report of Brightstar Resources Limited and its controlled entities ("the Group" or "BTR") for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

Yongji Duan	Non-Executive Chairman
William Hobba	Managing Director (<i>appointed 3 December 2020, formerly Executive Director</i>)
Josh Hunt	Non-Executive Director (<i>appointed 18 November 2020</i>)
Yong Han	Executive Director (<i>resigned 18 November 2020</i>)
Fang Lu	Executive Director (<i>resigned 18 November 2020</i>)
Kaiye Shuai	Non-Executive Director (<i>resigned 18 November 2020</i>)

Other Key Officer

Luke Wang	Joint Company Secretary (<i>appointed 24 November 2020</i>)
Tony Lau	Joint Company Secretary
Sheng Lu	Deputy Executive Officer / Joint Company Secretary (<i>resigned 24 November 2020</i>)

Review of Operations

The consolidated net profit after tax of the Group for the half-year was \$59,627,364 (31 December 2019: \$2,989,469 loss).

Corporate

On 16 November 2020, shareholders approved a change of name of the Company from Stone Resources Australia Limited to Brightstar Resources Limited.

The Group completed divestment of its Ben Hur project in September 2020 and execution of the Debit and Equity Compromise Agreement ("DECA") in November 2020.

Upon completion of the DECA, the debt totalling \$57,252,627 that the Company owed to its previous major shareholder and major debt provider (Stone Resources Limited ("SRL") and Stone Resources (HK) Limited ("SRHKL") was extinguished (30 June 2020: \$55,524,813). The net profit mentioned above is primarily caused by the debt cancellation.

A selective buy-back of 433,452,944 shares previously held by SRL and SRHKL were cancelled at the same time. The total consideration for the buy-back was gross proceeds of \$11,400,000. The net fair value of consideration after taking into account the time value of money was \$9,332,540.

At the end of the half-year the Group had \$335,205 (30 June 2020: \$50,032) in cash and cash equivalents. In addition, the Group had financial assets (i.e. fully paid ordinary shares in Regis Resources Limited ("Regis shares")) with a carrying amount of \$2,255,375 (30 June 2020: Nil) which can be freely traded to fund the Group's operations. Capitalised exploration, evaluation and development expenditure is \$8,777,656 (30 June 2020: \$2,686,636).

The Company issued 33,150,000 shares to two key management personnel of the Group for nil consideration as remuneration and reimbursement respectively. The Company also issued 12,000,000 unlisted options to the Group's corporate advisor as consideration for providing consulting services.

Geology

The Group engaged independent consultants to formulate a three-year strategic plan with a view to expanding its JORC 2012-compliant Mineral Resource and defining a clear path to production.

A sub-audio magnetic (SAM) survey programme was also commenced on the Group's Cork Tree Well project in December 2020. The data interpretation is expected to complete in early 2021 and will be used to further inform the development of the above Three-Year Plan.

Other work carried out during the half-year included Mineral Resource Estimate review, Technical Mine review, data review, drill planning and soil sampling.

Significant events after balance date

On 4th February 2021, the Group received a letter from Department of Mines, Industry Regulation and Safety (DMIRS) advising that the \$6,311,000 Unconditional Performance Bonds detailed in the DMIRS letter dated 31st July 2019 are not required to be lodged.

On 12th February 2021, the Group announced the completion of acquisition of exploration licence E38/3438 in exchange for the issue of 4,000,000 fully paid ordinary shares in the Company and 1,000,000 unlisted options plus a 1% net smelter royalty over production from E38/3438.

Further to transferring 719,000 Regis shares to SRHKL in November 2020 (as consideration for buying back BTR shares), the Group has disposed all its Regis shares between 25th February 2021 and 8th March 2021 realising approx. \$1,832,203 (net proceeds).

There were no other significant events occurring after the balance sheet date requiring disclosure other than already disclosed.

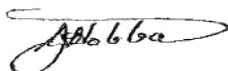
Auditor's independence declaration

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

Rounding of amounts to nearest dollar

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

Signed in accordance with a resolution of the directors:



William Hobba
Managing Director
16 March 2021

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

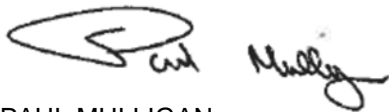
In relation to the independent review for the half-year ended 31 December 2020, to the best of my knowledge and belief there have been:

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

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

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN
Executive Director
Perth, 16 March 2021

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	Consolidated	
		31 December 2020 \$	31 December 2019 \$
Other income	2a	63,449,684	183,830
Depreciation and amortisation expense		(189,351)	(181,503)
Mine site expenses	2b	(141,525)	(113,420)
Exploration expenditure		(14,067)	(560,862)
Impairment expense	2c	(21,746)	(122,855)
Fair value loss on other financial assets	5	(972,975)	-
Finance costs	2d	(1,280,600)	(1,509,618)
Administration expenses	2f	(488,621)	(87,490)
Consulting expenses	2f	(399,472)	(43,229)
Employee expenses		(205,292)	(180,048)
Other expenses		(108,671)	(374,274)
Profit/(loss) before income tax		59,627,364	(2,989,469)
Income tax		-	-
Net profit/(loss) for the period		59,627,364	(2,989,469)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		59,627,364	(2,989,469)
Basic earnings/(loss) per share (cents per share)		8.04	(0.37)
Diluted earnings/(loss) per share (cents per share)		7.93	(0.37)

The accompanying notes form part of these financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

		Consolidated	
		31 December	30 June
		2020	2020
		\$	\$
Notes			
Assets			
Current Assets			
	Cash and cash equivalents	335,205	50,032
	Trade and other receivables	8,682	35,617
	Other financial assets	2,280,375	25,000
	Assets held for sale	-	11,172,169
	Other current assets	62,833	16,358
	Total Current Assets	2,687,095	11,299,176
Non-Current Assets			
	Property, plant and equipment	544,933	720,969
	Right-of-use asset	22,370	32,018
	Deferred evaluation and exploration expenditure	8,777,656	2,686,636
	Total Non-Current Assets	9,344,959	3,439,623
	Total Assets	12,032,054	14,738,799
Liabilities			
Current Liabilities			
	Trade and other payables	874,265	21,134,121
	Lease liabilities	18,025	17,618
	Borrowings	630,000	36,066,134
	Provisions	107,493	111,249
	Liabilities held for sale	-	3,733,200
	Total Current Liabilities	1,629,783	61,062,322
Non-Current Liabilities			
	Lease liabilities	6,194	15,756
	Provisions	6,078,461	3,583,061
	Other financial liabilities	3,402,783	-
	Total Non-Current Liabilities	9,487,438	3,598,817
	Total Liabilities	11,117,221	64,661,139
	Net Assets/(Liabilities)	914,833	(49,922,340)
Equity			
	Issued capital	37,654,593	51,541,309
	Accumulated losses	(41,845,131)	(101,472,495)
	Reserves	5,105,371	8,846
	Total Equity/(Deficit)	914,833	(49,922,340)

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2019	51,467,992	(94,854,601)	-	(43,386,609)
Loss for the period	-	(2,989,469)	-	(2,989,469)
Total comprehensive loss for the period	-	(2,989,469)	-	(2,989,469)
Share issued during the year	77,161	-	-	77,161
Transaction costs on issue of shares	(3,844)	-	-	(3,844)
Balance at 31 December 2019	51,541,309	(97,844,070)	-	(46,302,761)
Balance at 1 July 2020	51,541,309	(101,472,495)	8,846	(49,922,340)
Profit for the period	-	59,627,364	-	59,627,364
Total comprehensive income for the period	-	59,627,364	-	59,627,364
Shares issued during the year	359,850	-	-	359,850
Share buy-back during the year	(14,243,250)	-	-	(14,243,250)
Transaction costs on issue of shares	(3,316)	-	-	(3,316)
Share-based payments	-	-	185,815	185,815
Ordinary share buy-back and cancellation	-	-	4,910,710	4,910,710
Balance at 31 December 2020	37,654,593	(41,845,131)	5,105,371	914,833

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	123,990	192,740
Payments to suppliers and employees	(316,369)	(402,900)
Dividends received	105,867	-
Interest received	589	611
Government grants received	50,000	-
Net cash outflow from operating activities	(35,923)	(209,549)
Cash flows from investing activities		
Proceeds from sale other financial assets	2,795,029	-
Proceeds from sale of property, plant and equipment	8,000	2,000
Proceeds from sale of exploration assets	250,000	-
Payments for property, plant and equipment	(4,745)	-
Payments for exploration and evaluation expenditure	(479,158)	(335,690)
Net cash inflow/(outflow) from investing activities	2,569,126	(333,690)
Cash flows from financing activities		
Proceeds from borrowings	-	494,713
Repayment of lease liabilities	(8,166)	-
Payments for share buy-back and cancellation	(2,239,864)	-
Net cash (outflow)/inflow from financing activities	(2,248,030)	494,713
Net increase/(decrease) in cash and cash equivalents	285,173	(48,526)
Cash and cash equivalents at the beginning of the period	50,032	100,708
Cash and cash equivalents at the end of the period	335,205	52,182

The accompanying notes form part of these financial statements.

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Brightstar Resources Limited (the Company) during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

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

(a) Basis of preparation

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

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

Except as disclosed in Note 1(b), the accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2020.

(b) Summary of the significant accounting policies*Impact of New and Amended Accounting Standards and Interpretations*

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

New and Amended Accounting Policies

The Group has implemented the below new accounting policies as at 1 July 2020:

- Financial Assets – Equity instruments at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable fair value performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair values of listed investments are based on closing bid prices at the reporting date.

- Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

An instrument is a financial liability when an issuer is, or can be required, to deliver either cash or another financial asset (e.g. ordinary shares in the company) to the holder.

Where the Group has the choice of settling a financial instrument in cash or otherwise is contingent on the outcome of circumstances beyond the control of both the Group and the holder, the Group accounts for the instrument as a financial liability.

All financial liabilities are initially recognised at fair value. The Group's financial liabilities include trade payables and deferred consideration (other financial liability).

The financial liability owed by the Group in relation to the DECA (see Note 10) is recorded initially at fair value, and subsequently at amortised cost, representing the value attributed to the liability component of the instrument.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)****(c) Rounding amounts**

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

(d) Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half-year ending 31 December 2020. Management is in the process of assessing the impact of the adoption of these standards and interpretations on the Group.

(e) Going concern basis

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

The Group has recorded a net profit of \$59,627,364 (31 December 2019: \$2,989,469 loss) and cash inflows from operating and investing activities of \$2,533,203 (31 December 2019: outflows of \$543,239) for the reporting period. As at 31 December 2020, the Group had a cash balance of \$335,205 (30 June 2020: \$50,032), had net assets of \$914,833 (30 June 2020: \$49,922,340 net liabilities) and current exploration expenditure commitments of \$592,186. Subsequent to 31 December 2020, the Group has received \$1,832,232 from sale of its other financial assets.

The directors believe there are sufficient funds to meet the Group's committed minimum expenditure requirements and as at the date of this report, the directors believe they can meet all liabilities as and when they fall due. However, the directors recognise that additional funding is required either through the issue of further shares, or convertible notes, or the sale of assets, or a combination of these activities will be required for the Group to continue to actively explore its mineral properties, until recommencement of their mining operations. Canaccord Genuity and PCF Capital Group have been engaged by the Group to continuously advise on various capital raising initiatives. The directors are also aware that the Group can relinquish certain tenements in order to maintain its cash at appropriate levels.

The directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the use of the going concern basis of accounting is appropriate.

However, if the Group is unable to obtain additional funding, there is material uncertainty whether the Group will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realized its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(f) Changes to critical accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods.

Please refer to the Group's 30 June 2020 financial statements for information on the Group's judgements, estimates and assumptions.

In the adoption of new accounting policies in the period, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Financial liability

The net present value of the financial liability, recorded in the Consolidated Statement of Financial Position, is calculated using a discounted cash flow analysis. Significant unobservable inputs, requiring a degree of judgement, are used in calculating the financial liability, including:

- Nominal amount due: \$5,400,000
- Payment due date: 10 August 2023
- Discount rate: 19.37% (pre-tax, nominal)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
(a) Other income		
Sale of sundry product on mine plant	-	93,216
Bank interest	276	367
Shared service income (see Note 14)	96,065	87,850
Gain from sale of other financial assets	33,515	-
Gain from sale of non-current assets	7,912	-
Gain from sale of exploration assets (1)	5,872,106	-
Debt forgiven (2)	57,252,627	-
Dividends	105,867	-
Government grants	50,000	-
Other	31,316	2,397
	<u>63,449,684</u>	<u>183,830</u>

(1) Divestment of Ben Hur project was announced completed on 2 September 2020. The Group received \$9,750,000 in Regis Resources Limited shares and \$250,000 in cash consideration. A \$5,872,106 gain on sale was recognised as other income in the current period.

	\$
Consideration	10,000,000
Fair value of assets held for sale	(5,365,694)
Fair value of liabilities held for sale	1,237,800
Net gain from sale of exploration assets	<u>5,872,106</u>

(2) During the period, \$57,252,627 debt that the Company owed to its previous major shareholder and major debt provider (Stone Resources Limited ("SRL") and Stone Resources (HK) Limited ("SRHKL")) was cancelled upon completion of Debit and Equity Compromise Agreement ("DECA") on 18 November 2020. Refer to Note 9 Borrowings.

(b) Mine site expenditure

Mine site expenditure under care and maintenance	<u>141,525</u>	<u>113,420</u>
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(c) Impairment expense

Impairment of deferred exploration expenditure Alpha Mine	21,746	17,763
Impairment on relinquished tenements	-	105,092
	<u>21,746</u>	<u>122,855</u>

(d) Finance costs

Interest expenses	1,210,357	1,509,618
Unwind of discount – financial liability (refer to Note 10)	70,243	-
	<u>1,280,600</u>	<u>1,509,618</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE (continued)

(f) Share-based payments are included within:

Administration expenses (refer to note 11)	359,850	-
Consulting expenses (refer to note 12)	268,901	-
	<u>628,751</u>	<u>-</u>

NOTE 3: SEGMENT REPORTING

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

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

NOTE 4: ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 25 March 2020, the Group announced its proposal of selling its northern tenements. These operations, which were expected to be sold within 12 months, had been classified as held for sale and presented separately in the statement of financial position in the previous report for the year ended 30 June 2020. Following the completion of divestment announced on 2 September 2020, balance of the assets and liabilities relating to the operations classified as held for sale were either transferred to Profit & Loss or reclassified to their respective classification.

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Tenements held for sale (1)	-	11,172,169
Total assets classified as held for sale	-	<u>11,172,169</u>
Provision for rehabilitation	-	(3,733,200)
Total liabilities associated with assets classified as held for sale	-	<u>(3,733,200)</u>
Net assets of disposal group	-	<u>7,438,969</u>

(1) Assets and liabilities classified as held for sale at 30 June 2020 comprised the northern tenements:

M38/346	E38/2894	L38/206
M38/339	E38/2452	P38/4114
M38/918	E38/3199	P38/4108
M38/917	E38/3198	P38/4364
M38/160	E38/3234	P38/4115
M38/1241		

Only tenements E38/3199, E38/3234, M38/1241, M38/160, M38/339, P38/4114, P38/4115, P38/4364 and L38/206 were sold in the current reporting period and the remaining northern tenements retained by the Group have been reclassified from held for sale to their respective classification.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 4: ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

Reconciliation of movement in assets and liabilities classified as held for sale:

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Assets classified as held for sale		
Balance at beginning of period	11,172,169	-
Additions	12,537	11,172,169
Sale of Ben Hur Project	(5,365,694)	-
Transferred back to evaluation and exploration expenditure	(5,819,012)	-
Balance at end of financial year	-	11,172,169
Liabilities classified as held for sale		
Balance at beginning of period	(3,733,200)	-
Additions	-	(3,733,200)
Sale of Ben Hur Project	1,237,800	-
Transferred back to evaluation and exploration expenditure	2,495,400	-
Balance at end of financial year	-	(3,733,200)

NOTE 5: OTHER FINANCIAL ASSETS

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Equity instruments at fair value through profit and loss	2,255,375	-
Deposit for credit cards	25,000	25,000
	2,280,375	25,000

(1) 1,823,332 fully paid ordinary shares in Regis Resources Limited ("Regis") were received on 3 September 2020, as consideration for sale of the Ben Hur project. 500,000 shares were sold for cash in September and 719,000 shares were transferred to SRHKL as BTR share buy-back payment in November. The carrying amount of the remaining 604,332 Regis shares as at 31 December 2020 is \$2,255,375.

Reconciliation of movement in equity instruments at fair value through profit and loss:

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Balance at beginning of period	-	-
Receipt of shares from Regis	9,750,000	-
Sold on market	(2,675,000)	-
Transferred to SRHKL	(3,846,650)	-
Fair value loss	(972,975)	-
Balance at end of period	2,255,375	-

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 6: DEFERRED EVALUATION AND EXPLORATION EXPENDITURE

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Costs carried forward in respect of:		
Evaluation and exploration expenditure		
Balance at beginning of period	2,686,636	14,966,010
Expenditure incurred	325,975	735,739
Exploration written off	(32,220)	(767,132)
Impairment of Beta and Alpha mines (2)	(21,747)	(19,810)
Impairment of relinquished tenements	-	(1,056,002)
	5,819,012	(11,172,169)
Tenements transferred from/(to) held-for-sale (3)		
Balance at end of period	8,777,656	2,686,636

- (1) The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.
- (2) Mining in Beta and Alpha reached its designed pit depth in prior periods and evaluation is currently underway to determine the future viability of these areas of interest. Notwithstanding, the balance of expenditure for Beta and Alpha mines has been treated as impaired until recommencement of mining in these tenements.
- (3) Capitalised expenditure relating to retained North tenements were transferred from/(to) assets from held-for-sale.

NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Trade payables (1)	110,757	206,390
Other payables and accruals (2)	763,508	839,052
Interest accrual – SRL and SRHKL (refer Note 9)	-	20,088,679
	874,265	21,134,121

(1) Trade payables are non-interest bearing and are normally settled on 30-day terms. Balance disclosed under this item has been fully paid by 31 January 2021.

(2) Other payables include \$521,263 interest accrued on a related party loan (Great Cortex International Ltd) (30 June 2020: \$491,697). The current directors of the Company are currently examining the terms of this loan and the extent of the liability of the Company to Great Cortex International Ltd.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 8: PROVISIONS

	Rehabilitation \$	Employee benefits \$	Total \$
At 30 June 2020			
Current	-	111,249	111,249
Non-current	3,583,061	-	3,583,061
	<u>3,583,061</u>	<u>111,249</u>	<u>3,694,310</u>
At 31 December 2020			
Current	-	107,493	107,493
Non-current	6,078,461	-	6,078,461
	<u>6,078,461</u>	<u>107,493</u>	<u>6,185,954</u>

The provision for rehabilitation represents the present value of estimated costs of site and pit rehabilitation based upon costs of rehabilitation expected to be incurred at the date the rehabilitation is required and the area of currently disturbed ground subject to rehabilitation as at balance date.

Reconciliation of movement in provision for rehabilitation:

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Balance at beginning of financial year	3,583,061	6,974,990
Addition	-	341,271
Utilised	-	-
Transferred from/(to) Liabilities held for sale	2,495,400	(3,733,200)
Balance at end of financial year	<u>6,078,461</u>	<u>3,583,061</u>

NOTE 9: BORROWINGS

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Current		
Loan from related party (1)	-	34,936,134
Convertible loan from related party (1)	-	500,000
Loan from related party (2)	630,000	630,000
	<u>630,000</u>	<u>36,066,134</u>

(1) During the period, \$57,252,627 debt (*being opening 1 July 2020: \$55,524,813, interest: \$1,179,844, additional payments made on behalf of Brightstar: \$547,970, closing at 18 Nov 2020: \$57,252,627*), which was accruing interest at 8.53% per annum, that the Company owed to its previous major shareholder and major debt provider (Stone Resources Limited ("SRL") and Stone Resources (HK) Limited ("SRHKL")) was cancelled upon completion of DECA on 18 November 2020. Both SRL and SRHKL are related parties by virtue of Mr. Yongji Duan, Non-Executive Chairman of the Company, being a director of SRL and SRHKL.

(2) Great Cortex International Ltd is a related party by virtue of Mr. Yongji Duan, Non-Executive Chairman of the Company, being a director of Great Cortex International Ltd. This related party provided a loan of \$630,000 which accrues interest at 9.31% per annum to the Company on 15 February 2012. Accrued interest, totalling \$521,263, is included within trade and other payables. The current directors of the Company are currently examining the terms of this loan and the extent of the liability of the Company to Great Cortex International Ltd.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 10: OTHER FINANCIAL LIABILITIES

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
Financial liability (1)	3,402,783	-
	<u>3,402,783</u>	<u>-</u>

(1) During the period, upon completion of DECA on 18 November 2020, the buy-back consideration for shares bought back included a deferred payment of \$5,400,000 to be paid in cash or shares under the Company's election by 10 August 2023. As at this date, and 31 December 2020, the remaining buy-back consideration represents a financial instrument measured at fair value on day one, then subsequently at amortised cost.

At initial recognition, with no influence over whether shareholders would approve the issue of shares, the Group valued the liability portion at \$3,332,540 (measured first) at net present value, with the residual \$2,067,460 being attributed to the equity component. The deferred payment has been discounted to its present value and recognised as a non-current liability.

The periodic unwinding of the discount, at 19.37%, will be recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income as finance costs. For the period ended 31 December 2020, a finance loss of \$70,243 has been recognised.

NOTE 11: ISSUED CAPITAL

	Consolidated	
	31 December 2020 \$	30 June 2020 \$
<i>Ordinary shares</i>		
Issued and fully paid	37,654,593	51,541,309

	Consolidated		Consolidated	
	31 December 2020 No.	31 December 2020 \$	30 June 2020 No.	30 June 2020 \$
<i>Movements in ordinary shares on issue</i>				
Balance at beginning of period	51,541,309	51,541,309	811,646,126	51,467,992
Share issues (1)(2)	33,150,000	359,850	24,407,582	77,161
Shares repurchase and cancellation (3)	(433,452,944)	(14,243,250)	-	-
Costs associated with issue of shares	-	(3,316)	-	(3,844)
Balance at end of period	<u>435,750,764</u>	<u>37,654,593</u>	<u>836,053,708</u>	<u>51,541,309</u>

(1) On 18 November 2020, the Company issued 30,000,000 ordinary fully paid shares to a director in lieu of remuneration and reimbursements for carrying out their duties as directors of the Company. The shares were issued at a deemed price of \$0.0098 per share for a total value of \$300,000.

(2) On 18 November 2020, the Company issued 3,150,000 ordinary fully paid shares to a director in lieu of remuneration. The shares were issued at a deemed price of \$0.019 per share for a total value of \$59,850.

(3) On 18 November 2020, upon the completion of the DECA, the Group bought back 433,452,944 fully paid ordinary shares from SRL and SRHKL at a gross cost of \$11,400,000. The net fair value of consideration after taking into account the time value of money was \$9,332,540. These shares have subsequently been cancelled. A reduction in issued capital of \$14,243,250 was recognised in the period, being the historical issue value of the shares. The balance, following adjustment to the present value of the deferred payment, per note 12, of \$4,910,910 was recognised with reserves as an equity reserve.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 12: RESERVES

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Balance at beginning of period	8,846	-
Share-based payments reserve (1)	185,815	8,846
Equity reserve (2)	4,910,710	-
Balance at end of period	5,105,371	8,846

(1) During the reporting period, the Company issued 12,000,000 options exercisable on or before 31 December 2023 to Canaccord Genuity (3 tranches of 4,000,000) for services rendered in relation to the provision of on-going capital markets strategy. The options vested immediately. The fair value of these options granted was calculated by using the Black Scholes Option Pricing Model by applying the following inputs. The total expense recognised for the period in respect of this issue was \$185,815.

	Tranche 1	Tranche 2	Tranche 3
Number of instruments	4,000,000	4,000,000	4,000,000
Date of grant	1 Sept 2020	1 Sept 2020	1 Sept 2020
Share price at grant date	\$0.024	\$0.024	\$0.024
Volatility factor	137.24%	137.24%	137.24%
Risk free rate	0.27%	0.27%	0.27%
Expected life of instrument (years)	3 years	3 years	3 years
Exercise price per instrument	\$0.06	\$0.08	\$0.10
Valuation per instrument	\$0.0164	\$0.0154	\$0.0147
Total expense	\$65,429	\$61,697	\$58,689

On 8 September 2020, the Company agreed to issue 5,000,000 options exercisable on or before three years from the issue date to PCF Capital Pty Ltd for services rendered in relation to the provision of on-going capital markets strategy. At 31 December 2020, the options are yet to be issued and will vest immediately. The fair value of these options granted was calculated by using the Black Scholes Option Pricing Model by applying the following inputs. An accrued expense recognised for the period in respect of this issue was \$83,086.

	PCF Options
Number of instruments	5,000,000
Date of grant	8 Sept 2020
Share price at grant date	\$0.023
Volatility factor	139.77%
Risk free rate	0.28%
Expected life of instrument (years)	3 years
Exercise price per instrument	\$0.045
Valuation per instrument	\$0.0166

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 12: RESERVES (continued)

	31 December 2020 \$	30 June 2020 \$
Share-based payments reserve		
Balance at beginning of period	8,846	8,846
Options issued – consultants (refer above)	185,515	-
Balance at end of period	194,361	8,846

(2)

	31 December 2020 \$	30 June 2020 \$
Equity reserve		
Balance at beginning of period	-	-
Ordinary share buy-back and cancellation	4,910,710	-
Balance at end of period	4,910,710	-

Nature and Purpose of Reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits proved to employees and unrelated parties for services.

Equity Reserve

This reserve is used to record the difference between the agreed buy-back consideration and the historical issue value of the buy-back shares upon completion of the DECA.

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

Exploration commitments

The Group has an expenditure commitment of \$592,186 for the next 12-months period to sustain current tenements under lease from the Department of Mines, Industry Regulation and Safety (DMIRS). The expenditure commitment includes annual tenement rentals of \$86,274 (June 2020: \$86,274).

Capital commitments

At 31 December 2020 the Group has capital commitments of \$59,940 (June 2020: \$59,940).

Contingencies

The Company will pay SRHKL 3% net smelter return ("NSR") royalty on gold produced from the tenements listed in the Tenement Schedule in the Company's 2020 Annual Report, less those sold to Regis Resources Limited during the period, per Note 4.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 14: RELATED PARTY TRANSACTIONS

Interest expense of \$29,566 at 9.31% per annum was recorded for the half-year on a related party loan of \$630,000 from Great Cortex International Limited (Dec 2019: \$29,566) in which Mr Yongji Duan is a director. The current directors of the Company are currently examining the terms of this loan and the extent of the liability of the Company to Great Cortex International Ltd.

\$57,252,627 debt that the Company owed to its previous major shareholder and major debt provider (Stone Resources Limited ("SRL") and Stone Resources (HK) Limited ("SRHKL")), including interest expense, was cancelled upon completion of DECA on 18 November 2020. Both SRL and SRHKL are related parties by virtue of Mr. Yongji Duan, Non-Executive Chairman of the Company, being a director of SRL and SRHKL.

Service fee income of \$96,065 (net of GST) was derived for the provision of office space, motor vehicle and administration services to Australian Stonefood Pty Ltd during the reporting period (Dec 2019: \$87,851). Australian Stonefood Pty Ltd is a subsidiary of an entity in which Mr Yongji Duan is a substantial shareholder.

NOTE 15: FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2020, all financial instruments are recognised at carrying amounts that are approximately equal to their fair values. Financial investments at fair value through profit and loss included investments in listed equity shares. Fair values are classified as level 1, such that these equity shares are determined by reference to published price quotations in an active market. Any financial instruments that are not traded on an active market and are based on significant observable inputs are classified as level 2. Any financial instrument that is measured using management's judgement/estimates using significant unobservable inputs are classified as level 3.

Assets measured at fair value	Date of valuation	Total \$	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1) \$	(Level 2) \$	(Level 3) \$
31 December 2020					
Assets measured at fair value					
Other financial assets – shares in listed company (Note 5)	31 Dec 2020	2,255,375	2,255,375	-	-

NOTE 16: SIGNIFICANT EVENTS AFTER BALANCE DATE

On 4th February 2021, the Company received a letter from Department of Mines, Industry Regulation and Safety (DMIRS) advising that the \$6,311,000 Unconditional Performance Bonds detailed in the DMIRS letter dated 31st July 2019 are not required to be lodged.

On 12th February 2021, the Company announced completion of acquisition of exploration licence E38/3438 in exchange of 4,000,000 fully paid ordinary shares in the Company and 1,000,000 unlisted options plus a 1% net smelter royalty.

Further to transferring 719,000 Regis shares to SRHKL in November 2020 (as consideration for buying back BTR shares), the Group has disposed all its Regis shares between 25th February 2021 and 8th March 2021 realising approx. \$1,832,203 (net proceeds).

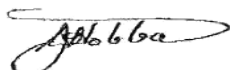
There were no other significant events occurring after balance sheet date requiring disclosure other than already disclosed.

DIRECTORS' DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that the Group will be able to pay its debts as and when they become due and payable.

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



William Hobba
Managing Director
16 March 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Brightstar Resources Limited, (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) to the half-year financial report, which indicates that the Group as at 31 December 2020 had a cash balance of \$335,205, net assets of \$914,833 and current exploration expenditure commitments of \$592,186. These conditions, along with other matters set forth in Note 1(e) to the half-year financial report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

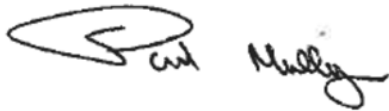
Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD



PAUL MULLIGAN
Executive Director
Perth, 16th March 2021

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