



ASX: BTR

Equity Research

29th January 2024

SPECULATIVE BUY

Share Price \$0.012
Price Target \$0.032

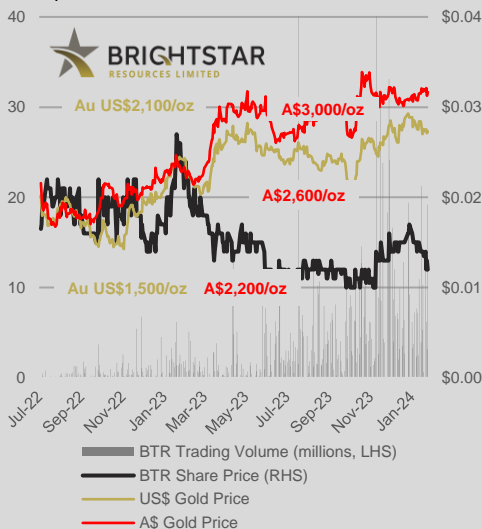
52-Week Range	\$0.010 - \$0.028
BTR Shares Outstanding	2,370m
Options (3.8 and 10 ¢, exp. Feb 2024)	51.0m
Options (4.5 ¢, exp. 22 Jun 2024)	5.0m
Options (6.5 ¢, exp. 15 Sep 2024)	16.4m
Options (7.6 and 10.6 ¢, exp. Oct 2024)	28.9m
Options (5.0 ¢, exp. Dec 2024)	22.2m
Options (10.8 ¢, exp. 15 Feb 2025)	4.5m
Options (9.5 ¢, exp. 28 Apr 2025)	3.3m
Options (2.0 ¢, exp. 4 Aug 2025)	40.0m
Options (2.3 and 3.8 ¢, exp. 16 Jan 2026)	7.2m
Options (2 and 3 ¢, exp. 7 Jul 2026)	30.0m
Options (0 ¢, exp. 30 Nov 2026)	10.0m
Performance Rights	80.0m
Market Capitalisation	\$28.4m
Cash (post Nov 2023 placement)	~\$6.0m
Enterprise Value	\$22.4m

Board & Management:

Gregory Bittar	Non-Executive Chairman
Alex Rovira	Managing Director
Jonathan Downes	Non-Executive Director
Josh Hunt	Non-Executive Director
Dean Vallve	Chief Operating Officer

Major Shareholders:

Board and Management	8%
Top 50 shareholders	50%



Brightstar Resources Limited (ASX: BTR) is a gold exploration and development company with two key assets, hosted in the prolific eastern goldfields of Western Australia. The Menzies Project is ideally located proximal to significant regional infrastructure and the Laverton project includes the Brightstar processing plant (currently on care and maintenance), a 60-man accommodation camp and non-processing infrastructure. Brightstar has a JORC Mineral Resource of 22Mt @ 1.5g/t Au for 1,036,000 oz gold across both projects.

Brightstar Resources Limited

One of the Cheapest and Quickest Pathways to Cash Generation

\$5 million placement: on 27th Nov 2023, BTR announced a share placement. The proceeds combined with the expected cash flow from the Selkirk JV in early 2024 will see the acceleration of exploration activities and the completion of the Pre-Feasibility Study for the Menzies & Laverton gold projects restart.

Selkirk Production JV: mining operations are progressing ahead of schedule and with some upside at the Selkirk Deposit within the Menzies Gold Project. Haulage and processing at the Genesis Minerals (ASX: GMD) Gwalia processing plant is scheduled for Q1 2024 with 50% project cash flow to be generated in Q1 2024. We estimated BTR share at \$4.0 million.

Link Zone JV: we undertook a similar modelling for the shallow, mainly oxide maiden mineral resource announced for the Link Zone on 15 Nov 2023, estimated to generate up to another \$4.9 m (BTR share) sometime in FY2025.

Scoping Study: on 6th Sep 2023, BTR released the results of a scoping study combining the development of the Menzies (Lady Shenton + Yunndaga deposits) and Laverton assets (Cork Tree Well + Alpha deposits). We see this study as a stepping stone, demonstrating to the market some enviable characteristics, which should remain as the mineral resource and mining inventory increase. These metrics are: low initial development capital \$22 million, low technical risks, and a high profitability index in excess of 4x.

Low Upfront Capital/Higher Market Valuation: in the current inflationary environment, the low upfront capital combined with the existing treatment infrastructure offers a lower risk to reach production. This also translates in better recognition by the market as indicated by a higher Enterprise Value/Recovered Resource multiple compared to peers with high capital expenditure to develop their project (and who are thus less likely to be developed, comparatively). Accordingly additional recoverable resources should effectively receive higher market valuation.

Financial Modelling: we assumed that the development capital for the Menzies and Laverton projects would be financed by a combination of debt (\$32m, possibly private debt), an equity raising of \$12m in FY2026 (600m shares at \$0.02) and the free cash flow generated by Selkirk and Link Zone.

Recent Capital Items Acquisition: concurrently to its November 2023 placement, BTR realised some outstanding savings on capital items, purchasing the 52-ensuite rooms camp for \$420,000 (replacement value of \$4m+) and six CIL adsorption tanks for \$110,000 (replacement value of \$1m).

Shareholders Support: the recent placement showed the continued support of US family office shareholder and the introduction of the Collins St Asset Management for a combined total commitment of \$3.5 million. This institutional/HNW support should assist development funding in the future.

Increased Valuation Catalysts: the news flow over 2024 is expected to be intense and includes cash flow from Selkirk gold production, ongoing results from greenfield exploration as well as infill and extensional drilling, resource updates, completion of the Pre-Feasibility Study and the potential discovery of lithium bearing pegmatites at the Menzies project.

Laverton + Menzies Projects valuation: using a A\$3,000/oz gold price and a 25% risk discount, we value those projects at \$93m or \$0.031 per share.

BTR valuation: in a macro context again favorable to gold, we assumed a flat gold price of A\$3,000/oz throughout our modelling, offering further price target leverage to the A\$ gold price. We also assumed a modest capital raising of \$12.0 million (600 million shares at \$0.02) sometime in FY2026 to assist with exploration and project evaluation. Our BTR valuation amounts to \$95 million or \$0.032 per share. The risks to our valuation are on the upside considering renewed investor interest in gold, further exploration success, which could be easily and quickly monetise (cf. Selkirk, Link Zone) and a potential lithium pegmatite discovery.

Brightstar Resources Ltd (ASX: BTR) Financial Summary

Base Case: Selkirk + Link Zone + Menzies 50/50 JVs + Laverton with A\$3,000/oz gold

Key metrics

Market Information	Unit	Value
Number of Issued Shares	million	2,370.4
Unlisted Options (10¢, expiry 12 Feb 2024)	million	1.0
Unlisted Options (3.8¢, expiry 29 Feb 2024)	million	51.0
Unlisted Options (4.5¢, expiry 22 Jun 2024)	million	5.0
Unlisted Options (6.5¢, expiry 15 Sep 2024)	million	15.4
Unlisted Options (7.6¢, expiry 7 Oct 2024)	million	7.8
Unlisted Options (5.0¢, expiry 16 Dec 2024)	million	2.2
Unlisted Options (10.8¢, expiry 15 Feb 2025)	million	4.5
Unlisted Options (9.5¢, expiry 28 Apr 2025)	million	3.3
Unlisted Options (2.0¢, expiry 4 Aug 2025)	million	40.0
Unlisted Options (2.3¢, expiry 16 Jan 2026)	million	3.3
Unlisted Options (3.8¢, expiry 16 Jan 2026)	million	3.9
Unlisted Options (2.0¢, expiry 7 Jul 2026)	million	15.0
Unlisted Options (3.0¢, expiry 7 Jul 2026)	million	15.0
Unlisted Options (0.0¢, expiry 30 Nov 2026)	million	10.0
Performance Rights	million	80.0
Fully Diluted	million	2,627.83
Share Price	A\$	0.012
12 month High-Low	A\$	0.010 - 0.028
Market Capitalisation	A\$m	28.4
Cash estimated post Nov-23 placement	A\$m	6.0
Debt	A\$m	0.0
Enterprise Value	A\$m	22.4

Financing Assumptions	Unit	Value
Selkirk JV cash flow	A\$m	4.0
Link Zone JV cash flow	A\$m	4.9
Equity raising in FY2026	600 m @ \$0.020 A\$m	12.0
Number of shares post FY2026 financing	million	2,970.4
Debt raising in FY25 (\$32m, 2 years grace, \$10m/y repayments, 12% interest rate)		

Mineral Resources	Tonnage	Au g/t	Au oz
Laverton Alpha	1,452,000 tonnes	2.3	106,000
Beta	1,882,000 tonnes	1.7	102,000
Cork Tree Well	6,357,000 tonnes	1.4	303,000
Total	9,691,000 tonnes	1.6	511,000
Menzies Lady Shenton System	6,970,000 tonnes	1.2	287,000
Yunndaga	3,310,000 tonnes	1.3	144,000
Yunndaga (UG)	110,000 tonnes	3.3	12,000
Lady Harriet System	1,110,000 tonnes	1.2	43,000
Link Zone	615,000 tonnes	1.1	21,000
Selkirk	170,000 tonnes	2.1	12,000
Lady Irene	100,000 tonnes	1.7	6,000
Total	12,385,000 tonnes	1.3	525,000
Grand Total - BTR	22,076,000 tonnes	1.5	1,036,000

Projects Valuation	Gold Price	NPV @ 8%	75% Risked	IRR
Low Case	A\$2,800/oz	\$81m	\$60.5m	33%
BTR Restart Study	A\$2,900/oz	\$102m	\$76.6m	42%
Evolution Capital Base Case	A\$3,000/oz	\$124m	\$92.7m	53%

BTR Sum of the Parts Valuation	A\$m	Per Share
Laverton + Menzies projects (75% risked NPV)	92.7	\$0.031
Cash from near-term JVs (Selkirk & Link Zone)	8.9	\$0.003
Exploration and evaluation costs	(5.0)	(\$0.002)
Cash (post November 2023 placement)	6.0	\$0.002
Corporate costs	(7.6)	(\$0.003)
Base Case Valuation	95.0	\$0.032

Financial Statements

Profit & Loss (A\$m)	Financial Year ending 30 June				
	2023A	2024F	2025F	2026F	2027F
Revenue	5.1	0.3	0.0	142.3	184.6
Operating Costs	(1.2)	(0.4)	(0.5)	(114.7)	(135.6)
Royalties	0.0	0.0	0.0	(3.4)	(4.6)
Overhead Costs	(1.7)	(1.4)	(1.4)	(1.4)	(1.5)
Other Income/Costs	(0.2)	0.0	0.0	0.0	0.0
EBITDA	2.0	(1.4)	(1.9)	22.7	43.0
Depreciation	(0.0)	(0.0)	(3.9)	(3.9)	(6.2)
Net Interest	0.0	0.0	0.0	(3.8)	(3.8)
Tax and Other	0.0	0.0	0.0	0.0	0.0
Profit	1.9	(1.5)	(5.8)	15.0	32.9

Cash Flow (A\$m)	2023A	2024F	2025F	2026F	2027F
Net Profit	1.9	(1.5)	(5.8)	15.0	32.9
+/- Adjustments	0.0	0.0	3.9	7.8	10.0
+/- Working Capital	0.6	0.1	(1.6)	(15.2)	(6.1)
+/- Other	(3.4)	(0.1)	0.0	(7.1)	(2.1)
Cash Flow from Operations	(0.8)	(1.4)	(3.5)	0.5	34.7
Net Capital Expenditure	(2.5)	3.3	(17.5)	(29.7)	(0.9)
Cash Flow from Investing	(2.5)	3.3	(17.5)	(29.7)	(0.9)
Net proceeds from Debt	(0.0)	0.0	32.0	(3.8)	(3.8)
Changes in Share Capital	2.3	8.1	0.9	12.8	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	(0.2)	(0.2)	0.0	(0.7)	0.0
Cash Flow from Financing	2.1	7.9	32.9	8.2	(3.8)
Net Cash Change	(1.2)	9.8	11.9	(21.0)	30.0

Balance Sheet (A\$m)	2023A	2024F	2025F	2026F	2027F
Cash	0.4	10.2	22.1	1.0	31.0
Other Current Assets	0.3	0.0	0.0	45.8	58.3
Total Current Assets	0.7	10.2	22.1	46.8	89.3
Property, Plant & Equipment	0.3	(3.8)	9.9	35.7	30.4
Exploration, Evaluation & Dev.	38.0	38.8	38.8	38.8	38.8
Non-Current Assets	0.3	0.3	0.3	0.3	0.3
Total Non-Current Assets	38.6	35.3	49.0	74.8	69.5
Total Assets	39.3	45.5	71.1	121.6	158.8
Equity	69.0	76.9	77.7	89.8	89.8
Reserves	7.4	7.4	7.4	7.4	7.4
Retained Earnings	(42.9)	(44.4)	(50.2)	(35.2)	(2.3)
Total Equity	33.4	39.9	35.0	61.9	94.9
Current Debt	0.0	0.0	0.0	0.0	10.0
Account Payables	1.6	1.6	0.1	23.6	27.9
Other Liabilities	0.2	0.0	0.0	0.0	0.0
Total Current Liabilities	1.9	1.6	0.1	23.6	37.9
Lease Liabilities	4.1	4.1	4.1	4.1	4.1
Non-current Debt	0.0	0.0	32.0	32.0	22.0
Total Non-current Liabilities	4.1	4.1	36.1	36.1	26.1
Total Liabilities	5.9	5.7	36.2	59.6	63.9
Total Equity + Liabilities	39.3	45.5	71.1	121.6	158.8

Profitability indicators	2023A	2024F	2025F	2026F	2027F
EBITDA margin	0.0%	0.0%	0.0%	16.0%	23.3%
Liquidity	2023A	2024F	2025F	2026F	2027F
Quick Ratio	0.2	0.0	0.0	1.5	1.2
Current Ratio	0.2	0.0	0.4	1.9	1.5
Capital structure	2023A	2024F	2025F	2026F	2027F
Equity ratio	1.8	1.7	1.1	0.7	0.6
Debt / Assets	0.0	0.0	0.4	0.3	0.2
Debt / EBITDA	0.0	0.0	0.0	1.4	0.7
DSCR	n/a	n/a	n/a	5.9	0.0

Source: Evolution Capital estimates

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All currencies are in Australian dollars unless otherwise specified.

1. BTR Valuation

Menzies and Laverton Projects Valuation

We have initially modelled the projects based on the Sep 2023 restart study with the following key parameters:

- Ore mined: 5.3 million tonnes
- Head grade: 2 g/t Au
- Processing rate: Menzies – third-party toll treat, Laverton – 480,000 tpa
- Recovery: 95%
- Life of mine: 8 years + pre-production
- Capex: A\$22.4 million
- Mining cost: \$52.8/t ore mined (open pit and underground combined)
- Processing cost: \$50.9/t milled
- G&A cost: \$3.2/t milled
- Royalties: 2.5% State government royalty plus 3% private NSR royalty on Laverton tenements
- Discount rate: 8%
- Gold price: A\$2,900/oz

Our model results in a pre-tax NPV of \$102 million (vs \$103m announced by BTR) and an IRR of 53% (vs. 79% by BTR).

Subsequently, we have modified the key parameters as follows:

- Reduced the capex requirement according to the capital items recently purchased.
- Assumed that the development capex from the development of Menzies and Laverton will be funded essentially by debt, possibly private debt given the relatively small amount of \$32m assumed. We note that BTR has received interest from various financial institutions regarding financing for the project, with preliminary discussions occurring for securing debt financing for a large portion of the pre-production capital requirements.
- Increased the gold price assumption to \$3,000/oz.
- Thanks to approximately close \$20 million of tax losses, no tax payment is estimated for the duration of the projects.

Using various gold prices, Table 1.1 summarises the valuation of the Menzies and Laverton projects.

Table 1.1 – Menzies + Laverton Projects NPV Valuation

Gold Price	NPV _{8%}	IRR
A\$2,800/oz	\$81m	41%
A\$2,900/oz (BTR Case)	\$102m	53%
A\$3,000/oz (Base Case)	\$124m	66%

Source: Evolution Capital estimates

As expected, the valuation is highly leveraged to the gold price.

In all scenarios, the IRR is excellent, thanks to the low initial capital expenditure.

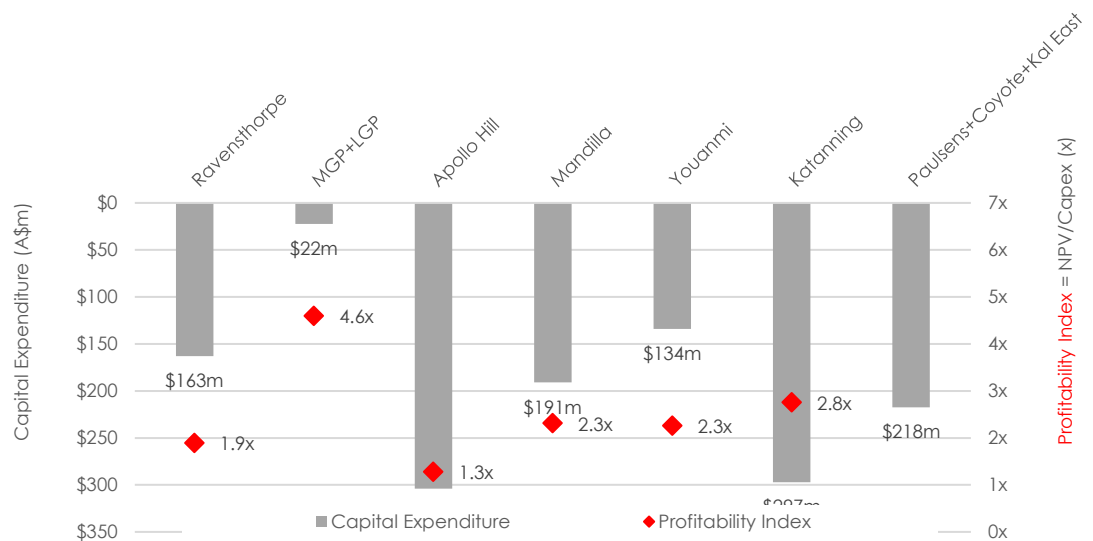
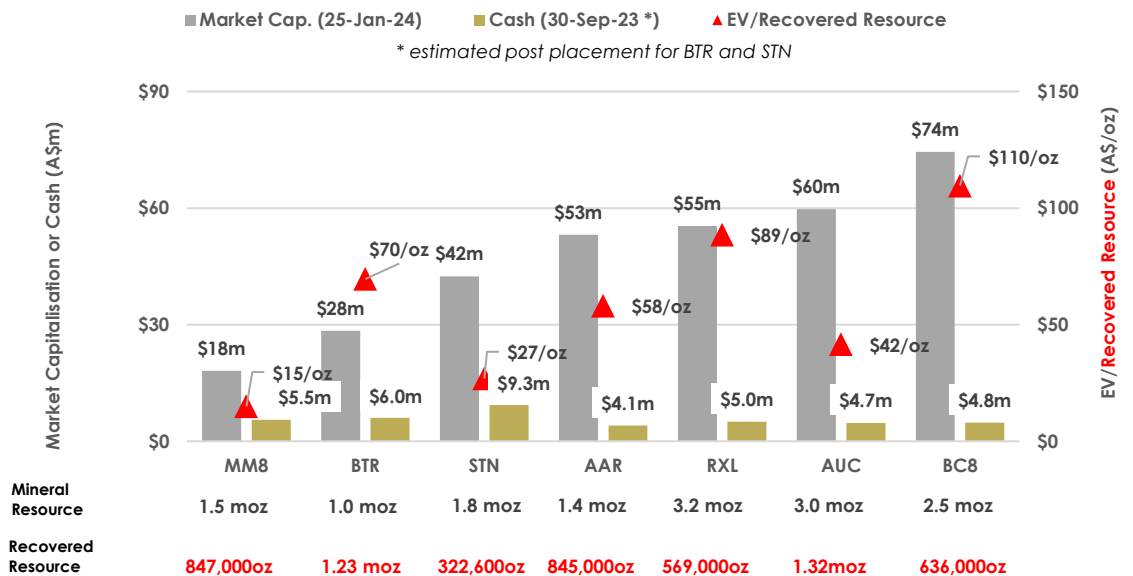
Company/Project Benchmarking

Rather than looking at each parameter individually, Figure 1.1 combines a number of parameters: market capitalisation, cash, mineral resource, recoverable gold ounces, enterprise value/recovered resource, initial capital expenditure and profitability index (NPV/Capex).

It appears that companies with a low capex project tend to enjoy a higher EV/Recovered Resource multiple. In other words, high capital development projects are scaring investors away.

Conversely, additional mineral resource converting into recoverable resource should get better market recognition under the BTR banner.

Figure 1.1 – Company / Project Benchmarking of Peers



Source: company announcements.

BTR Sum of the Parts Valuation

To derive our sum of the parts valuation, we have considered a total number of shares equal to 2,970.4 million including 500 million shares issued in FY2026 at \$0.02 for \$12.0 million.

Table 1.2 summarises the sum of the parts valuation for BTR.

Table 1.2 – BTR Sum of the Parts Valuation

Asset	Value Range	Preferred	Per Share
Menzies and Laverton projects (75% risked-NPV)	\$60m-\$93m	\$92.7m	\$0.031
Cash flow from near-term JVs (Selkirk & Link)		\$8.9m	\$0.003
Exploration and evaluation costs		(\$5.0m)	(\$0.002)
Cash (post November 2023 placement)		\$6.0m	\$0.002
Corporate costs		(\$7.6m)	(\$0.003)
Total		\$95.0m	\$0.032

Source: Evolution Capital estimates

Note all unlisted options expiring over FY2024 are out of the money considering our price target and have not been considered. Options expiring in FY2025 and FY2026 have been assumed to be exercised if the strike price is below our price target of \$0.032. Relevant funds raised have been included in the financial model for those financial years.

2. Selkirk Deposit

Introduction

In July 2022, Kingwest (before merging with Brightstar) announced it had entered into an agreement for open pit and underground mining with BML Ventures Pty Ltd (BML), targeting the Selkirk deposit within the Menzies Project. Under the agreement, BML would cover all capital costs and be responsible for mining and haulage, with profits from the operation to be split 50:50.

Mining Operations

On 9 November 2023, BTR reported that mining operations were progressing ahead of schedule, with a second consecutive month of 10% production above budget achieved in October.

In addition, about 1,500t of ore at a grade of 3.0 g/t gold from a hanging wall lode outside the mine plan has been mined and stockpiled.

Haulage and Processing

Over the coming months, ore will be stockpiled at the Selkirk ROM Pad and subsequently hauled to Genesis Minerals Limited's (ASX:GMD) Gwalia Processing facility in February 2024 for processing in a single parcel during currently elevated AUD gold prices of +\$3,050/oz which is above the budgeted conservative gold price of \$2,850/oz.

Figure 2.1 – Selkirk Cutback – end of October 2023



Source: BTR

3. Link Zone Deposit

Maiden Mineral Resource

On 15 November 2023, Brightstar reported a maiden mineral resource at the Menzies' Link Zone. The JORC2012 Mineral Resource Estimate at the Link Zone amounts to 615,000 tonnes at 1.07 g/t for 21,200 oz from shallow, near surface material.

The MRE displays favourable orebody characteristics of near surface stacked lodes, oxidised material, likely low strip mining and is still open at depth and along strike at all three deposits within the Link Zone.

Development Opportunity

Brightstar has identified the Link Zone as having the potential for early-stage mining opportunities to generate operational working capital to organically fund exploration and development activities.

Furthermore, a higher-grade core within the MRE of approximately 100,000t at 2.0g/t Au for +6,000 oz illustrates the potential for modest scale mining operations similar to the one currently undertaken at Selkirk.

Work Programme

Work planned for the Link Zone includes infill and extensional drilling, fast-tracking mining approvals and assessing mining scenarios.

4. Cash Generation from the Selkirk and Link Zone Deposits

Assumptions

We have examined the technical parameters of a number of small gold mining projects as compiled in Table 4.1.

Figures in **blue background** are entered, figures in **white background** are calculated. Figures in *italics* are assumptions. Our focus here is to derive unit costs assumptions for the mining and treatment of the Selkirk and Link Zone gold ores.

The unit costs have been derived from parameters either disclosed, back-calculated or estimated using the available parameters reported in the company announcements.

In relation to mineral resource to mining inventory assumptions, we used 60% for Selkirk and 65% for Link Zone which has a maiden mineral resource, shallow and mainly oxide.

In terms of mineral resources, we had added the hanging wall lode to Selkirk and considered a 30% increase to the maiden mineral resource at the Link Zone. This assumption for the Link Zone is reasonably supported by the latest drilling results reported by BTR on 22nd January 2024. Partial results from the 42 hole, +2,800m reverse circulation drilling program at the Link Zone include some outstanding intercepts with excellent grades at very shallow depths including:

- 1m @ 54.77g/t Au from 10m (MGPRC049)
- 7m @ 3.09g/t Au from 84m (MGPRC050)
- 2m @ 4.46g/t Au from 6m (MGPRC059)
- 3m @ 2.96g/t Au from 31m (MGPRC053)
- 3m @ 2.32g/t Au from 0m (MGPRC040)

Furthermore most of the intercepts sit outside the current MRE envelope.

The mining costs was set conservatively at \$5.00/tonne mined. The haulage and processing cost is assumed at \$55/t ore for Selkirk and \$50/t for Link Zone considering it is mainly oxide ore.

Table 4.1 – Small Mines Technical and Financial Parameters

Item	Unit	Selkirk/ Link Zone	Kal East	Devon	Eureka OP	Devon	Goongarrie Lady	Goongarrie Lady
Operator		Brightstar	Black Cat	Linden Gold	Tyranna	Matsa Resources	Kingswest	Horizon Minerals
Date			14-Jul-23	06-Sep-23	24-May-19	17-May-23	16-Apr-20	28-Jun-18
Study			PFS	Feasibility Study	Re-start Study	Scoping Study	Scoping Study	Feasibility Study
Mineral Resource	tonnes		18,836,000	467,000	762,000	443,000	504,000	310,000
Grade	g/t		2.1	4.6	1.8	4.6	1.76	2.4
Gold Contained	oz		1,294,000	69,000	43,100	65,000	28,500	23,900
Stripping ratio	x		6	35	3.3	35	14.94	9.7
Waste	tonnes		19,656,000	9,100,000	69,300	8,750,000	2,226,060	1,309,500
OP Mining Inventory (MI)	tonnes		4,052,000	260,000	21,000	250,000	149,000	135,000
OP Grade	g/t		1.70	4.6	2.9	5.25	3.12	2.95
Gold Contained	oz		222,000	38,370	-	42,251	15,000	12,700
UG Mining Inventory	tonnes		776,000	-	-	-	-	-
UG Grade	g/t		3.2	-	-	-	-	-
Gold Contained	oz		80,000	-	-	-	-	-
Resource to MI conversion	%	60%/65%	23%	56%	5%	65%	53%	53%
Recovery	%		92%	84%	95.7%	93%	93%	94%
Recovered Gold	oz		278,474	32,231	2,000	39,293	13,950	11,938
Gold price	A\$/oz		2,900	3,000	1,800	3,000	2,500	1,700
Revenue	A\$m		807.6	96.7	3.6	117.9	34.9	20.3
Unit Costs								
OP Mining Cost	A\$/t mined	(5.00)	(4.74)	(3.62)	(3.50)	(3.40)	(5.50)	(4.54)
UG Mining Cost	A\$/t mined		(110.95)	-	-	-	-	-
Processing & Haulage	A/t ore	(55.00)/(50.00)	(38.87)	(57.95)	(47.62)	(50.00)	(64.56)	(47.87)
G&A	A/t ore	(6.00)	(5.43)	(5.76)	-	(3.40)	(6.64)	(2.50)
Costs								
Pre-strip mining cost	A\$m		-	-	(0.05)	-	-	(2.56)
OP Mining Cost	A\$m		(112.4)	(33.86)	(0.27)	(36.72)	(13.06)	(4.00)
UG Mining Cost	A\$m		(86.1)	-	-	-	-	-
Haulage	A\$m		(18.2)	(4.73)	-	-	(1.92)	-
Processing	A\$m		(139.3)	(10.34)	(1.00)	(12.50)	(7.70)	(6.46)
G&A	A\$m		(22.0)	(1.50)	-	(0.85)	(0.99)	(0.34)
Other costs	A\$m		-	(3.08)	-	(8.30)	-	-
Capex	A\$m	0.00	(236.80)	(8.12)	(0.60)	(5.00)	(0.07)	(0.73)
Royalty Rate	%		3.08%	3.50%	2.50%	3.50%	2.50%	2.50%
Royalties	A\$m		(24.8)	(3.38)	(0.09)	(4.13)	(0.87)	(0.51)
FCF Calculated	A\$m		167.9	31.7	1.6	50.4	10.3	5.7
FCF Reported	A\$m		167.9	31.7	1.6	50.4	10.3	5.7
AISC	A\$/oz		1,618	1,782	n/a	1,613	1,719	1,164
LOM	months		66	14	2	16	6	7

Source: Evolution Capital estimates

Free Cash Flow Model

Based on the assumptions defined in Table 4.1, we have modelled the Selkirk and Link Zone deposit as per Table 4.2

According to this model, BTR could receive up to \$4.0 million from the Selkirk operation (expected in Q1 2024) and \$4.9 million from the Link Zone operation some time in FY2025.

Those funds will assist BTR with exploration and project evaluation costs as well as working capital purposes.

Table 4.2 – Selkirk and Link Zone Deposits Free Cash Flow Models

Item	Unit	Selkirk	HW lode	Link Zone
Mineral Resource	t	170,000		615,000
Grade	g/t	2.15		1.07
Gold Contained	oz	11,751		21,157
Stripping ratio	x	10.0		6.0
Waste	t	1,020,000	0	1,890,000
Mining Inventory	t	102,000	1,500	315,000
Grade	g/t	2.15	3.01	1.36
Gold Contained	oz	7,051	145	13,793
Recovery	%	95%	95%	95%
Recovered Gold	oz	6,705	138	13,118
Gold Price	US\$/t	3,000	3,000	3,000
Revenues	A\$m	20.12	0.41	39.35
Unit Costs				
OP Mining Cost	A\$/t mined	(5.00)	(5.00)	(5.00)
Haul & Toll Treatment	A\$/t ore	(55.00)	(55.00)	(50.00)
G&A	A\$/t ore	(6.00)	(6.00)	(6.00)
Operating Costs				
OP Mining Cost	A\$m	(5.61)	(0.01)	(11.03)
Haul & Toll Treatment	A\$m	(5.61)	(0.08)	(15.75)
G&A	A\$m	(0.61)	(0.01)	(1.89)
Total Operating Costs	A\$m	(11.83)	(0.10)	(28.67)
Capex		0	0	0
State Government Royalty	%	2.50%	2.50%	2.50%
Total Royalties	A\$m	(0.50)	(0.01)	(0.98)
Cash Flow Before Tax	A\$m	7.78	0.30	9.70
EBITDA margin	%	39%	74%	25%
BTR share	%	50%	50%	50%
BTR Cash flow	A\$m	3.89	0.15	4.85

Source: Evolution Capital estimates. HW = Hanging wall

5. Menzies and Laverton Gold Projects

Introduction

Brightstar wholly owns the Menzies (“Menzies”) & Laverton (“Laverton”) Gold Projects, both located in the Western Australian Goldfields region, located on granted mining leases.

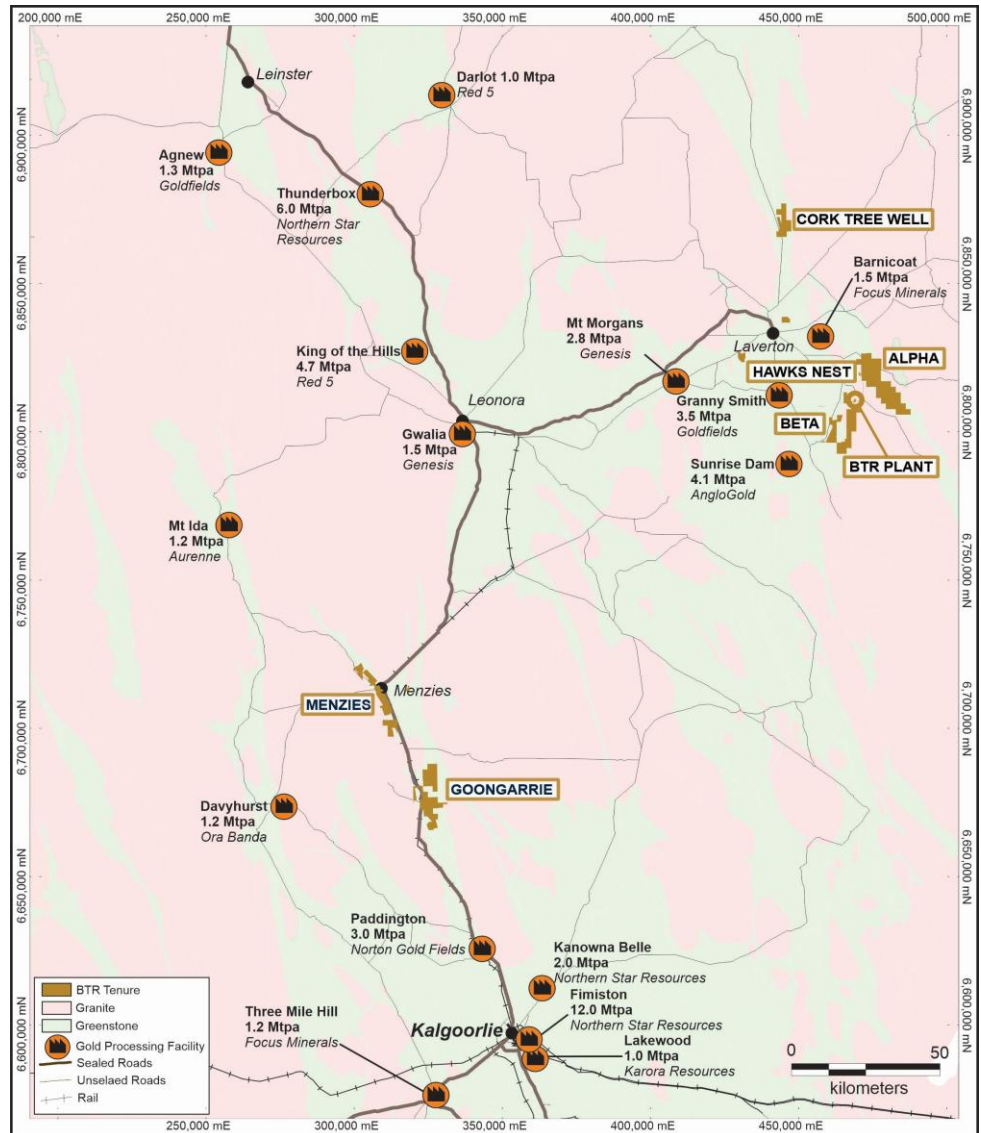
Menzies is located ~130km of the major regional town of Kalgoorlie and covers a contiguous land package containing over fifteen strike kilometres of the Menzies Shear Zone, where series of structurally controlled high-grade gold deposits have been historically mined and display extensive exploration potential for high- grade extensions. Modern exploration since closure over 20 years ago has been limited, with recorded historical production of 787,200 oz Au of which 643,000 oz at 22.5g/t was from underground mining and a further 145,000 oz at 2.6g/t was from open pit mining between 1995 and 1999.

The Laverton Gold Project is centred on Laverton, with the +303,000 oz Cork Tree Well resource approximately 30km North of Laverton and Brightstar’s gold processing plant (“Brightstar Plant”) and adjacent Beta deposit approximately 30km South of Laverton. A third deposit, Alpha, is located ~15km North-East of the Brightstar Plant accessed by Brightstar haul roads. Modern mining has occurred at Cork Tree Well with two shallow open pits mined in the late 1980’s with Beta and Alpha open pits mined approximately ten years ago and processed through the 485,000tpa (oxide) Brightstar Plant which is presently on care & maintenance.

Considerable information, including detailed metallurgical studies was completed in 2021 as part of a scoping study for the Menzies Gold Project. The 2021 Study was completed by Kingwest Resources Ltd (now a wholly owned subsidiary of

Brightstar) which proposed open pit mining at Menzies and ore haulage to 3rd party processing facilities over a 31-month term.

Figure 4.1 – Brightstar Projects Location Map



Source: BTR

Tenure

Both Menzies and Laverton Gold Projects are located on granted mining tenements, with previous mining occurring within and adjacent to these tenements. Brightstar will also utilise associated tenements including wholly owned miscellaneous and general purpose leases to allow Brightstar to undertake mining activities unimpeded.

Due to previous history of modern mining in the 1980’s and 1990’s, and historic mining at the turn of the century over 100 years ago, the project areas have significant enduring environmental disturbances due to existing pits, shafts and underground mines, waste rock dumps and tailings storage facilities.

Environmental Strategy

Currently the environmental impact of currently planned disturbances is small, however this will increase as operations ramp up. As the project progresses through scoping and feasibility, Brightstar is investigating ways to minimize future environmental impacts. These include the use of hybrid equipment such as

crushers, utilisation of renewable energy, enhanced water recovery through the tailings dam design and processing plant thickener to reduce environmental water requirements, and progressive rehabilitation of all waste rock dumps including disturbed land from exploration activities.

Social & Heritage Responsibility

Brightstar is working closely with the traditional owners of each project to ensure that cultural heritage is identified and preserved. Further, local businesses and contractors are utilised to establish and maintain strong community connections in each region with current sponsorship of local events and sporting teams expected to continue through into production.

Consultation has commenced with local council authorities around Brightstar's intent to recommence operations with introductory meetings planned with other Government bodies such as the Department of Mines, Industry Regulation and Safety (DMIRS) and the Department of Water and Environmental Regulation (DWER).

Geology and Mineralisation

Menzies

The Menzies Gold Project covers an area from about 7km to the north and about 11km to the south of Menzies townsite wholly within a NNW trending greenstone belt. Menzies occupies a small portion of the eastern limb of the Goongarrie-Mt Pleasant Anticline. This Archaean greenstone belt can be traced semi-continuously from southwest of Siberia, north of Menzies through to Lake Ballard.

The Menzies Gold Project is located along the western margin of the Menzies greenstone belt and, apart from the Lady Irene prospect, within a broad (2km – 5km wide) zone of intense ductile deformation often referred to as the Menzies Shear Zone. This broad highly deformed shear zone is probably the northern continuation of the Bardoc Tectonic Zone and is a major crustal feature of the Eastern Goldfields. The gold deposits within the MGP and those further south (e.g. at Goongarrie and Bardoc) have many similar characteristics. The Lady Irene prospect is west of the Menzies Shear Zone and thus within the Ora Banda domain, in a similar geological setting to the Sand Queen Gold Mine at Comet Vale, south of Menzies.

Gold mineralisation is widespread and occurring within a broad range of host rocks in 3 general styles:

1. Single, larger quartz veins (i.e. "quartz reefs"). These tend to contain only small amounts of sulphides, but the vein selvages are commonly more sulphidic. These veins vary from about 10cm up to about 2m thickness, 20m to about 200m in length and typically pinch and swell repeatedly along strike and down-dip.
2. Close-spaced sheeted quartz vein zones. These are comprised of multiple, typically close-spaced quartz veins or veinlets in a schistose matrix, constituting a distinct shear zone that may be concordant with lithological boundaries or cross-cutting 2 or more rock types. These mineralised shear zones appear as distinctly banded siliceous, sulphidic rocks and are typically mylonitic. These sheeted vein zones are commonly from 1m to 3m thick and up to a few hundred metres in length.
3. Sulphidic biotitic shear zones. These are comprised of schist containing variable amounts of brown-to-bronze biotite and small thin irregular quartz veinlets ("stringers"), along with diffuse silica-flooding and disseminated sulphides. These shear zones are usually about 1m to 3m thick and can be a few hundred metres in length.

The 3 styles are closely linked, and one style can merge with another, such that a sulphidic biotitic shear zone, with increasing silica develops into a close-spaced sheeted vein zone. Similarly, with greater fracturing and more intense silicification, a close-spaced sheeted vein zone evolves into a shear zone

containing a large vein. Considering these points, the gold mineralisation within the MGP is perhaps best described as follows:

The gold mineralisation is associated with low levels (about 1%-5%) of sulphides, mainly pyrite and less commonly arsenopyrite. Galena is present in small amounts where gold mineralisation is of higher grades.

It is important to note that pyrrhotite is the most common and widespread sulphide mineral and may be an innate part of the layered sequence, e.g. a component of sulphidic metamorphosed sedimentary rocks. Furthermore, pyrrhotite is also associated with an early phase of carbonate alteration that pre-dated the gold mineralisation. Although pyrrhotite is often present in mineralised veins and shears, it is reasonably common elsewhere also and is not a reliable indicator of the presence of gold mineralisation.

Laverton

The Laverton Project area is located in the north Laverton Greenstone Belt on the southern extremity of the Duketon Greenstone Belt in the north-eastern sector of the Eastern Goldfields Superterrane of the Yilgarn Craton.

At Cork Tree Well, the gold mineralisation in the open pits is associated with steep east dipping sedimentary units, in particular the chert horizon located on the footwall of the sediment sequence. The mine area consists of footwall, high magnesium basalts altered to chlorite schist overlain by shales containing chert and banded iron beds and younger hanging wall tholeiitic pillow basalts.

Mineralisation at the Cork Tree Well mine was contained within interflow cherts and sediments which contained pervasive pyrite, pyrrhotite and magnetite mineralisation. The sediments which host the gold mineralisation have been intruded by concordant porphyry sills which extend the length of the mineralised zone.

At Alpha, the mineralized resource is based on a single shallow north plunging shear hosted lode. The lode is NNE dipping within the oxide position and steepens to around 50 to 60 degrees in fresh rock. The shear geometry plunges around 10 to 150 deg to the northwest (300 deg). The resource subcrops in the southeast and progressively deepens along the plunge trend to the northwest.

The main Alpha orebody is disrupted by cross faulting, with two main lodes that extend beyond this to the Alpha north mineralization. These tend to be flat lying at relatively shallow depths and steepen in fresh rock to around 50 to 65° to the northwest which form the basis of the underground mining target.

Metallurgy

Menzies: the calculated gold recovery rates ranged from 93.6% to 99.2% as summarised in Table 5.1 and announced on 24 March 2021 by Kingwest.

Table 5.1 – 2021 Metallurgical Testwork Summary (Menzies)

Material Type	Lady Shenton	Yundaga
Oxide	96.0%	
Transitional	94.5%	
Fresh	96%	96%

Source: BTR

Laverton: The Cork Tree Well and Alpha deposits that are included in the Laverton Gold Project mine plan have previously been mined, and production records exist informing the historical recoverability of the mineralisation.

Due to successful processing results from Austwhim's Cork Tree Well and A1 Minerals Brightstar plants, where it is understood from historic records that both deposits were processed with good recoveries, it was determined to use a 95.0% recovery for these deposits in the absence of new information.

Open Pit Mining

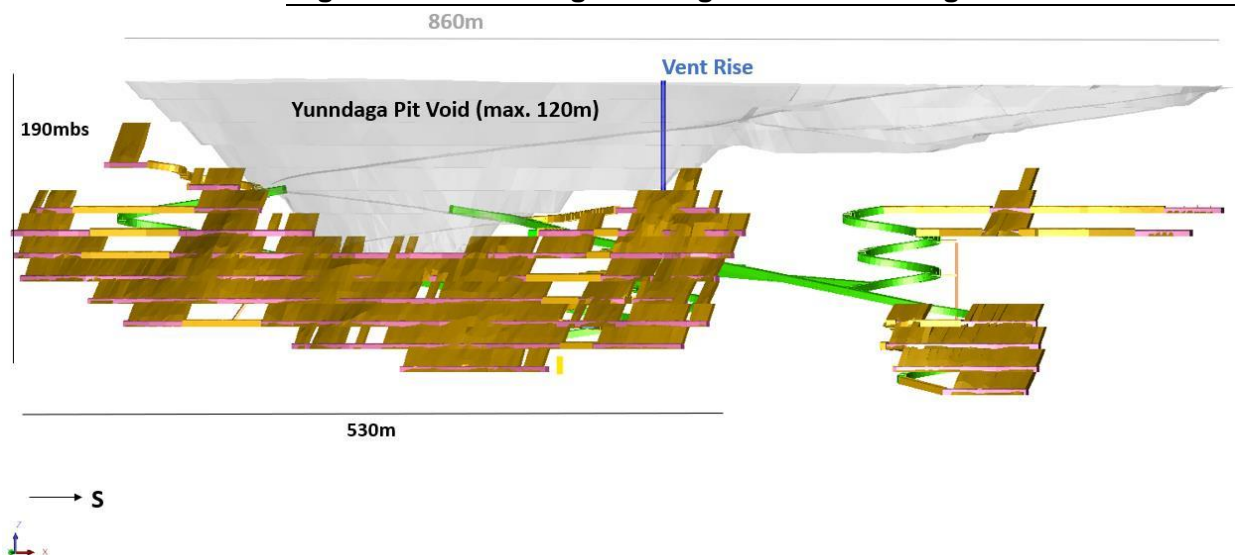
Mining is assumed to be similar to conventional WA Goldfields style operations, whereby drilling & blasting of material is subsequently followed by load & haul activities. Open pit mining activities are expected to be conducted by an experienced third-party contractor on continuous 24 hour per day shifts operating 7 days per week, with supervision provided by contractors and direction provided by Brightstar technical personnel.

Underground Mining

Due to orebody geometries, Brightstar elected to utilise underground mining methods for the **Yunndaga** and **Alpha** deposits at Menzies and Laverton Projects respectively. Underground mining is based on a mechanised retreat mining method which is common across WA in similar narrow vein gold mining operations. The method involves standard 1 in 7 down decline access from the footwall to levels spaced 15m apart on a floor-to-floor basis of ore drives.

Ore drives are developed along strike to the extents of the known mineral resource, with subsequent retreat longhole open stopes mined using uphole production holes from the extents back to the main cross-cut.

Figure 4.3 – Yunndaga Underground Mine Design



Source: BTR. Long section looking east

Processing

Menzies – Toll Treat

Material from Menzies is proposed to be transported by haulage contractors to a preferred offsite, 3rd party processing plant in the region as shown in Figure 1. A scenario analysis was conducted with on-road and offroad haulage costs and distances considered against toll treatment costs and announced processing costs from ASX-listed peers in the WA Goldfields to arrive at current (June quarter 2023) market rates for processing & haulage on a \$/t basis relative to each deposit.

Menzies benefits from its adjacent location to the sealed Goldfields Highway, which allows exceptional availability due to its all-weather capability and ready access to processing plants near Kalgoorlie and Leonora at approximately equal distances; along with other, closer mills on unsealed dirt roads.

Laverton Processing

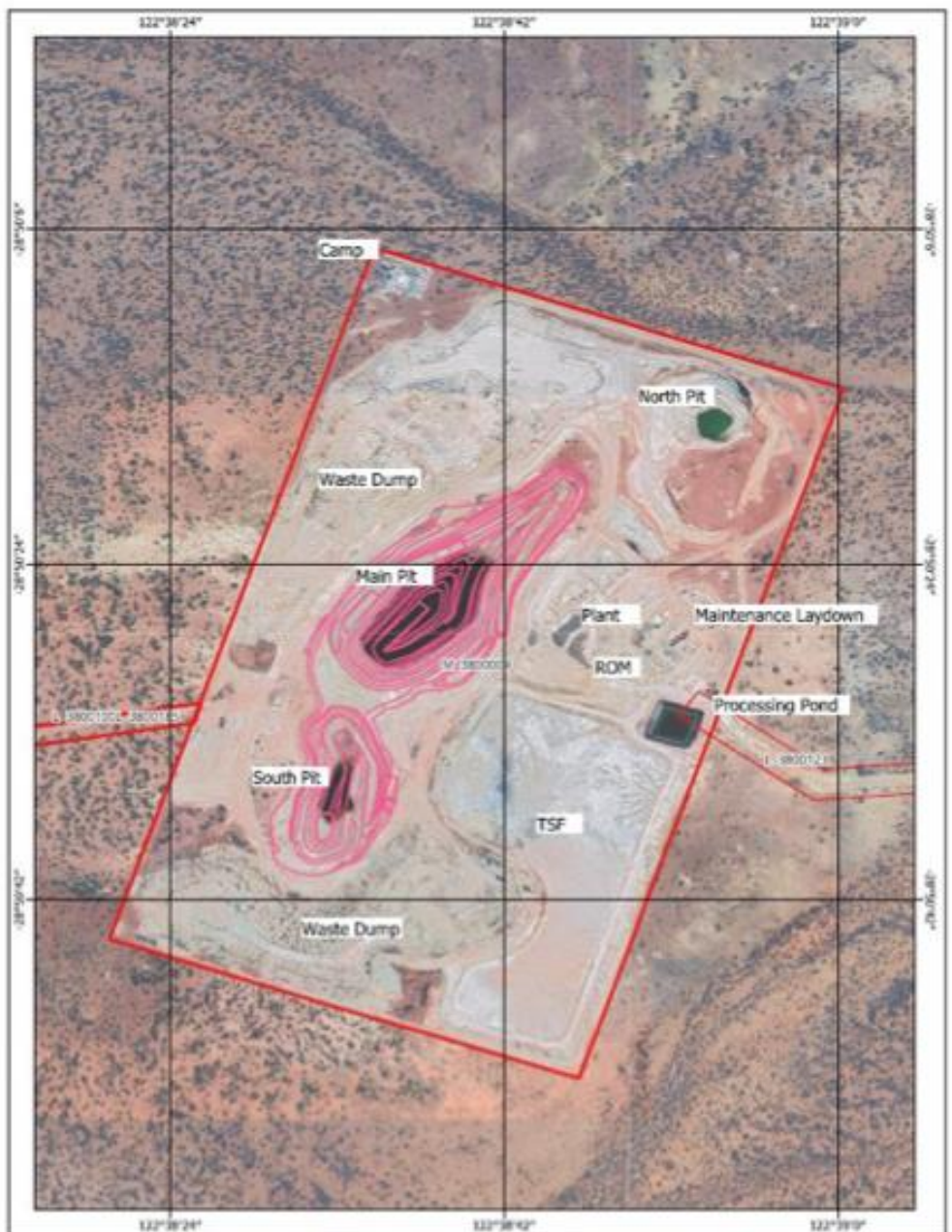
Brightstar's gold processing plant and associated infrastructure is presently on care and maintenance since ceasing full-time operations in 2012. Subsequent maintenance activities on the processing plant included the refurbishment of

various items including generators, replacement of a new 450kW ball mill, and the addition of a brand-new gravity gold circuit and elution circuit.

A refurbishment report by Como Engineers in 2021 was reviewed by Brightstar personnel in light of cost escalations experienced across the WA mining sector, and subsequently GR Engineering Services (GRES) were engaged to provide an update to 2023 pricing scenarios.

Three scenarios were investigated, namely a Plant Restart, Plant Upgrade & Refurbishment, and Plant move to Menzies. Given the outcomes of GRES' study, Brightstar elected the Plant Upgrade & Refurbishment solution which proposes a capital cost of \$18.5M for a 480ktpa (Fresh Ore) throughput rate.

Figure 4.3 – Brightstar Plant Site Overview



Source: BTR.

Capital Expenditure

Pre-production capital costs are all costs prior to the commencement of production. The initial capital associated with the development costs of the initial pre-stripping and open pit mining at Lady Shenton has been capitalised as a pre-

production capital item, along with owners costs such as the initial costs of vehicle fleets, software and other miscellaneous items completed on a First Principles basis.

Full capitalisation of the Yundaga underground costs for the first quarter of the schedule has also been allocated to Pre-Production capital with information provided by Brightstar's mining consultant indicating activities centred on non-ore producing activities such as decline development.

Table 5.2 – Estimated Pre-Production Capital

Item	Pre-Production
Surface Mining Costs (Capitalised Open Pit Mining Costs and associated Owner Costs)	A\$13m
Underground capital	A\$9.4m
Total	A\$22.4m

Source: BTR

6. Directors & Management Team

Gregory Bittar, Non-Executive Chairman

Greg has extensive experience in public and private markets mergers and acquisitions, capital markets and strategic advisory assignments across a range of sectors including general industries, metals and mining, mining services and energy.

Alex Rovira, Managing Director

Alex holds a Bachelor of Science (Geology) and Bachelor of Commerce (Corporate Finance) from the University of Western Australia and for the past nine years has been working as an investment banker at a global financial services company that focused on the metals and mining sector.

Josh Hunt, Non-Executive Director

Josh is an experienced capital markets and M&A lawyer and has extensive experience in all aspects of mining and energy project acquisitions and disposals and general mining legislation compliance throughout Australia. He has advised on numerous IPOs, fundraisings, and acquisitions by both public and private companies on the ASX and internationally. Mr Hunt will assist the Brightstar board with corporate governance, company law and capital market management going forward.

Jonathan Downes, Non-Executive Director

Jonathan has more than 25 years' experience in the mining industry and has worked in various geological and corporate capacities. Jonathan has experience with nickel, gold and base metals and has also been intimately involved with numerous private and public capital raisings.

Dean Vallve, Chief Operating Officer

Dean holds technical qualifications in geology & mining engineering from the WA School of Mines, an MBA, and a WA First Class Mine Managers Certificate. Mr Vallve was previously in senior mining and study roles at ASX listed mid-cap resources companies Hot Chili Ltd (ASX: HCH) and Calidus Resources Ltd (ASX: CAI).

7. Investment Risks

BTR is exposed to a number of risks including:

- **Geological risk:** the actual characteristics of an ore deposit may differ significantly from initial interpretations.
- **Resource risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity price risk:** the revenues BTR will derive mainly through the sale of gold ore or gold doré exposing the potential income to gold price risk. The price gold fluctuates and is affected by many factors beyond the control of BTR. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate risk:** The revenue BTR derives from the sale of metal products exposes the potential income to exchange rate risk. International prices of gold are denominated in United States dollars, whereas the financial reporting currency of BTR is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD as determined by international markets.
- **Mining risk:** A reduction in mine production would result in reduced revenue.
- **Processing risks:** A reduction in plant throughput would result in reduced revenue. In all processing plants, some metal is lost rather than reporting to the valuable product. If the recovery of metal is less than forecast, then revenue will be reduced.
- **Operational cost risk:** an increase in operating costs will reduce the profitability and free cash generation of the project.
- **Management and labour risk:** an experienced and skilled management team is essential to the successful development and operation of mining projects.

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