

Brightstar Resources Limited (ASX: BTR): The successful \$30 million placement to fast-track CY25 production growth and exploration activities

BY ACE INVESTORS / 28 JANUARY 2025



Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: BTR
Shares O/S	11.40 billion
Closing Price	AUD 0.021
Market Cap	239.52 million
52 W H/L	0.029/0.011
One Year Stock Performance	75.00%
Avg. Volume	15.81 million
EPS	-0.002
P/E	-
Annual Dividend Yield	0.00%
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE (%)	-12.50%

(Source: ASX)

Company Overview

Brightstar Resources Limited (ASX: BTR) is an emerging gold development company located in the Laverton and Menzies regions of Western Australia – both internationally renowned mineral provinces. Brightstar Resources' Laverton deposits (862koz @ 1.8g/t Au) are located within 75km of the Brightstar processing plant. In June 2023, Brightstar acquired the production of the Second Fortune Gold Mine and the Jasper Hills Gold Project due to the takeover of Linden Gold Alliance. Other Brightstar deposits in the Laverton District include the Cork Tree Well, Alpha, and Beta deposits adjacent to the Brightstar processing infrastructure. Across the Laverton and Menzies Gold Projects, Brightstar's deposits currently host 1.45m ounces at 1.6g/t Au. As an emerging gold developer and producer, Brightstar Resources plans to expand the existing Mineral Resource inventory at each project to transition the company to a +100k oz gold producer via low capital development of the Laverton and Menzies Gold Projects.

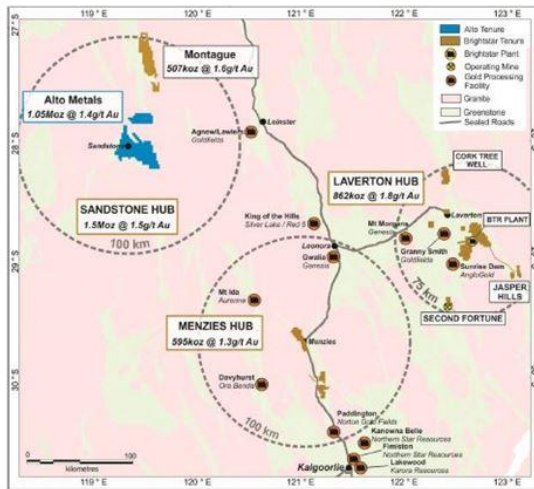
Investment Rationale

Evolved from a junior exploration company into a gold producer from multiple sites, with a pipeline of low-capex, long-life projects

Brightstar has evolved from a junior exploration company into a gold producer from multiple sites, with a pipeline of low-capex, long-life projects to be developed. During the year (FY24), the company completed many value-creating activities and corporate transactions. A key highlight during the year was the generation of positive cash flow from its Selkirk Mining Joint Venture (with BML Ventures Pty Ltd) at the Menzies Gold Project. The toll-milling exercise generated over \$6 million in free cash flow for Brightstar, which coupled with over \$20 million raised across three capital raisings, comfortably supported all the exploration and corporate activities during the year. Further, the acquisition of Linden Gold Alliance Limited significantly boosted the near-term cash flow potential for Brightstar, with the addition of the operating Second Fortune underground gold mine and the development-ready Jasper Hills project representing a strong pipeline of organic growth for near-term, low capex production opportunities. With the recently announced transaction to acquire and consolidate an exciting tenement package in the Sandstone district, the Company is now primed to sit with three 100%-owned potential production hubs containing over 3 million ounces of gold across the renowned Menzies, Laverton, and Sandstone gold belts in Western Australia. Notably, most of the defined and published JORC-compliant mineral resources lie on granted MLs, which can be potentially mined with modest lead times and reduced permitting risk. Key highlights-

- In September 2023, the company completed Mine Restart Studies for its 100% owned Menzies and Laverton Gold Projects. The study delivered a strong operational profile with an average LOM production of ~40kozpa over approximately 8 years and strong potential to increase production profile and mine life. The study also highlighted robust financials and a competitive cost profile utilizing conservative pricing assumptions, with Net Present Value (unlevered, pre-tax, 8%) of approximately A\$103 million using a gold price of A\$2,900/oz and a Payback period of approximately 1.5 years, underpinned by 70% of the material processed being Measured and Indicated Mineral Resources. In July 2024 the Company announced its decision to upgrade the PFS study to a Definitive Feasibility Study (DFS).
- On 10 July 2024, the Company completed the acquisition of Linden Gold Alliance Limited. The merger with Linden Gold Alliance Limited (Linden) established the Company as an emerging gold producer and near-term developer with a post-merger combined +1.45Moz of gold JORC 2012 Mineral Resources. As part of the Linden acquisition, the Company also completed a Scoping Study into the development of Linden's Jasper Hills Gold Project with compelling financial outcomes.
- In May 2024, the company commenced a +30,000m reverse circulation (RC) and diamond (DD) drilling campaign across its portfolio of assets, targeting resource upgrades and extensions in conjunction with Feasibility Study workstreams.
- In FY24, the company completed a mining campaign at its Menzies Gold Project, with ore mined from the Selkirk Mining JV and processed at Genesis Minerals' Gwalia Gold Mine, resulting in net cash receipts of \$6.5million to Brightstar (Brightstar's 50% profit share).
- During the year, the company also declared two maiden Mineral Resource Estimates at the Menzies Gold Project, including the shallow Link Zone deposit of 21 koz @ 1.1g/t Au and the Aspacia deposit of 70 koz @ 1.6g/t Au, realizing a ~20% increase in JORC Mineral Resources at Menzies under the Company's ownership since completion of the Kingwest Resources acquisition in 2023

- In July 2023, the company executed a binding Earn-In Agreement with DevEx Resources Limited (DevEx), providing the opportunity to earn up to a 75% interest in the non-gold mineral rights associated with exploration licences E29/0966 and E29/0996.



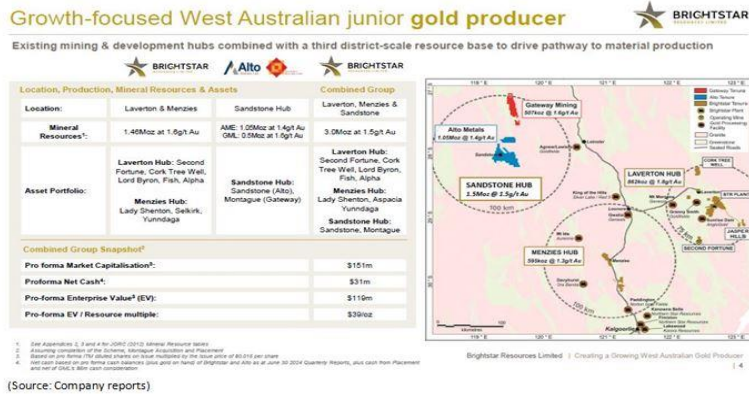
(Source: Company reports)

Executed a SID with Alto Metals to establish Brightstar as a junior West Australian gold explorer with a material exploration and development platform

On 1 August 2024, the Company executed a binding Scheme Implementation Deed (SID) with Alto Metals to acquire 100% of the shares in Alto Metals Limited (ASX: AME). Under the Scheme, Alto shareholders will receive 4 Brightstar shares for each Alto share held on the Record Date (Scheme Consideration). The Scheme Consideration implies a fully diluted equity value for Alto of \$44.4 million. In addition to the Scheme, the Company also executed a Tenement Sale Agreement (Agreement) via its newly incorporated wholly owned subsidiary Montague Gold Project Pty Ltd (MGP) with Gateway Mining Limited (Gateway) and its wholly owned subsidiary Gateway Projects Pty Ltd (GPWA) to acquire Gateway and GPWA's interest held in certain mining tenure in respect of Gateway's Montague East Gold Project, with MGP obtaining 100% of the gold mineral rights and Gateway retaining all other mineral rights (Montague Acquisition). Separately Brightstar has executed a drill-for-equity agreement with Topdrill Pty Ltd (Topdrill), whereby Topdrill will convert \$1.0m of drilling expenses into fully paid ordinary shares in Brightstar, to be issued on the same terms and conditions as the Placement. Following completion of the Scheme, the Montague Acquisition, Placement, and issue of the Topdrill Shares and Genesis Shares, existing shareholders of Brightstar (including Placement participants), Alto, and Gateway will hold approximately 66%, 29%, and 5% respectively of the Combined Group. On implementation of the Scheme and completion of the Montague Acquisition, Brightstar will become a significant junior West Australian gold explorer, developer, and producer with a material exploration and development platform. The Scheme and Montague Acquisition will consolidate highly prospective exploration ground in the Sandstone region which will complement Brightstar's existing production, development, and exploration asset portfolio, for the benefit of both Brightstar, Alto, and Gateway shareholders. The Alto Board has unanimously recommended the Scheme, and the Alto Directors intend to vote all Alto shares in which they have a relevant interest in favour of the Scheme, in each case in the absence of a superior proposal. To provide additional financial flexibility and balance sheet strength, Brightstar has launched an equity raising by way of a two-tranche placement to professional and sophisticated investors to raise \$24m (before costs) (Placement). Following completion of the Placement, the Scheme, the Montague Acquisition, and the issue of Topdrill Shares and Genesis Shares (refer below), the pro forma Brightstar Group (Combined Group) will have:

- Pro-forma 3.0Moz Au of JORC (2012) Mineral Resources

- Pro-forma cash position of \$31m with potential debt finance facilities totalling \$36m
- Strategic ~1,100km² landholding in the Sandstone region provides a third production hub (Sandstone Hub) to complement existing Brightstar production, development, and exploration asset portfolio
- Existing shareholders of Brightstar (including Placement participants), Alto, and Gateway hold approximately 66%, 29%, and 5% of the Combined Group



(Source: Company reports)

Brightstar has separately executed a Non-Binding Indicative Offer (NBIO) with a South Korean strategic investor for a multi-tranche investment of \$40m, including an upfront \$4m equity investment (unconditional and included in the Placement) and a \$36m gold offtake financing arrangement. On 2nd Oct 2024, the company also completed the acquisition of the Montague East Gold Project (MEGP) from Gateway Mining Limited. The acquisition of the MEGP added a further 9.6Mt @ 1.6g/t Au for 0.5Moz Au to Brightstar's JORC Mineral Resource Estimate. On 2nd Dec 2024, the company announced that the scheme with Alto became effective following the approval of the Supreme Court of Western Australia.

The successful \$30 million placement to fast-track CY25 production growth and exploration activities

On 9th Dec 2024, the company received firm commitments to raise A\$30 million at A\$0.023 per share from institutional investors. The Placement provides Brightstar with a strong financial position to continue existing mining and production activities at the operating Second Fortune underground mine and accelerate other production opportunities at the Company's Laverton Hub, as well as ongoing exploration activities across several projects, including a ~8,000m RC drilling program currently underway at the Montague Gold Project and the Sandstone Gold Project, and ~50,000m of drilling across the Company's entire portfolio through CY25. The company also executed an Ore Purchase Agreement with a regional processing plant in the Laverton district to sell up to 500,000 tonnes of ore sourced from Brightstar's Laverton Hub throughout CY25 and Q1 CY26. The company is expected to benefit from its wider development plans in the region with the Laverton-Menzies DFS remaining on track for delivery in Q1 CY25. On 12th Dec 2024, the company announced that its maiden sandstone drilling program has further expanded its portfolio at Sandstone & Jasper Hills.

ACE's Recommendation

Brightstar has evolved from a junior exploration company into a gold producer from multiple sites, with a pipeline of low-capex, long-life projects to be developed. During the year (FY24), the company completed a multitude of value-creating activities and corporate transactions. On 10 July 2024, the Company completed the acquisition of Linden Gold Alliance Limited. The merger with Linden Gold

Alliance Limited (Linden) established the Company as an emerging gold producer and near-term developer with a post-merger combined +1.45Moz of gold JORC 2012 Mineral Resources. On 1 August 2024, the Company executed a binding Scheme Implementation Deed (SID) with Alto Metals to acquire 100% of the shares in Alto Metals Limited (ASX: AME). In addition to the Scheme, the Company also executed a Tenement Sale Agreement with Gateway Mining Limited (Gateway) to acquire Gateway's interest in certain mining tenure in respect of Gateway's Montague East Gold Project. On 2nd Dec 2024, the company announced that the scheme with Alto became effective following the approval of the Supreme Court of Western Australia. The SID with Alto Metals and the Montague Acquisition positioned Brightstar as a significant junior West Australian gold explorer, developer, and producer with a material exploration and development platform. The Scheme Alto Metals and Montague Acquisition also consolidated highly prospective exploration ground in the Sandstone region which will complement Brightstar's existing production, development, and exploration asset portfolio. The company also closed the year in a strong financial position. We believe that the recently completed merger with Alto Metals, the Montague Acquisition positioned Brightstar as a significant junior West Australian gold explorer, developer, and producer with a material exploration and development platform. The stock closed the day at A\$ 0.021/share and presents an investment proposition. So, We would like to recommend a **SPECULATIVE BUY** rating on the stock.

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