# Brightstar Resources Limited

**ABN 44 100 727 491**

**Financial Report for the year ended 30 June 2022**

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## CORPORATE INFORMATION

**ABN 44 100 727 491**

### Directors

Mr William Hobba – Executive Director
Mr Yongji Duan – Chairman (Non-Executive)
Mr Josh Hunt – Director (Non-Executive)

### Other Key Officers

Mr Luke Wang – Company Secretary

### Registered and Principal Office

3/25 Belgravia Street
Belmont WA 6104
Telephone: (618) 9277 6008
Facsimile: (618) 9277 6002
Email: info@brightstarresources.com.au
www.brightstarresources.com.au/

### Share register

Computershare Investor Services Pty Limited
Level11, 172 St Georges Terrace
Perth WA 6000
Telephone; (618) 9323 2000
Facsimile: (618) 9323 2033
Free call: 1300 787272

### Solicitors

Lawton Macmaster Legal
Level 9, 40 The Esplanade
Perth WA 6000

### Bankers

Westpac Banking Corporation
1257-1261 Hay Street,
West Perth WA 6005

### Auditors

Pitcher Partners BA&A Pty Ltd
Level 11, 12-14 The Esplanade
Perth WA 6000

### Securities Exchange Listings

ASX Code: BTR

## DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Brightstar Resources Limited ("BTR" or "Company") and its controlled entities (the Group) for the financial year ended 30 June 2022, and independent audit report thereon.

**Review of operations**

***Corporate***

On 27 September 2021, the Group signed a Call Option Deed with Stone Resources (HK) Limited (SRHKL), under which SRHKL agreed to grant the Group or its nominee an option to purchase the 3% net smelter royalty (NSR) which is applicable to a substantial portion of the Group's tenements holdings.

This Call Option Deed is expected to be effective by 25 October 2022 once shareholder approval is obtained. The exercise price of this Call Option is US$25 million, and the expiry is 5 calendar years following shareholder approval.

An Option Fee of $300,000 is payable to SRHKL on the settlement date and the Group has elected to pay this fee via the issue of shares. The exercise price, if exercised, can be settled in cash and/or BTR shares at the discretion of the Board. SRHKL has no rights to compel or demand exercise of the Call Option. Purchase of part of the NSR is allowed by the Call Option.

On 27 September 2021, the Group executed two Settlement Deeds in relation to an outstanding liability owing to Great Cortex International Limited ("Great Cortex") and amounts owed to its former Company Secretary Mr Tony Lau. Under the Settlement Deeds:

i. The Group will repay the loan principal of $630,000 in cash to Great Cortex on or before 18 November 2023. All related expenses and amounts owing, including accrued interest payments, will be waived once BTR meets its obligations under the Settlement Deed.

   At the end of reporting period by issue of 19,090,909 shares @ $0.033 per share, the above loan settlement agreement was varied and both parties agreed to settle the $630,000 in BTR shares instead of cash, subject to shareholder approval.

ii. A settlement sum of $300,000 will be paid to Mr Tony Lau, in cash and/or shares at the Group's discretion.

   With shareholder' approval obtained at the Group's 2021 AGM, 5,172,414 shares have been issued to Mr Tony Lau as part payment under the Settlement Deed, with a further $150,000 paid in cash to Mr Tony Lau during the period.

iii. All claims between the Parties relating to the past conduct of the Parties are settled in accordance with the terms of the Deeds.

At the end of the reporting period, the Group entered into a deed of variation of the Revised Debt and Equity Compromise Agreement (DECA) with SRHKL. It was agreed that the $5,400,000 debt owed to SRHKL under the DECA will be distinguished in exchange for the grant of a 1.5% NSR royalty on six tenements which are not covered by the original DECA ("New Royalty"). Total payable under the New Royalty is capped at $16,200,000.

During the year the Group completed two placements by issuance of approximately 187 million fully paid shares and raised $4.8 million (before costs) in total. The funds raised have been used in supporting the Group's exploration activities including the 2021 RC drilling programme at Cork Tree Well, the 2022 RC drilling programme at Cork Tree Well, Delta 2 and Alpha projects, as well as further exploration programs at its Laverton Project and working capital.

With shareholders' approval, 2,200,000 Service Options were issued to two employees during the year, in recognition of their long-term service and commitment to the Group. Service Options vested immediately and have a 3-year term, with an exercise price of $0.05 per Service Option.

At the end of the financial year the Group had $1,601,324 (2021: $985,036) in cash and cash equivalents. The Group's capitalised exploration, evaluation and development expenditure totalled $13,270,923 (2021: $9,313,231).

***Exploration***

<u>Summary</u>

At the end of FY2022 Brightstar Resources Ltd. holds ~300 km2 of highly prospective tenure both north and south of the Laverton township (See Figure 1) in the world-class Laverton greenstone belt. This has been achieved through consistent review and taking opportunities to acquire high potential land packages when they become available and has allowed BTR to consolidate a significant position around its plant and exiting infrastructure.

Obviously, most of the work in the period was focussed on Cork Tree Well as it is the largest of the 3 JORC compliant resources in the Brightstar portfolio. However, as the year progressed earlier stage projects such as Brightstar South Aircore, Pit Sampling at Alpha and a preliminary bedrock test at Delta 2 were undertaken to advance them through the project pipeline also.

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

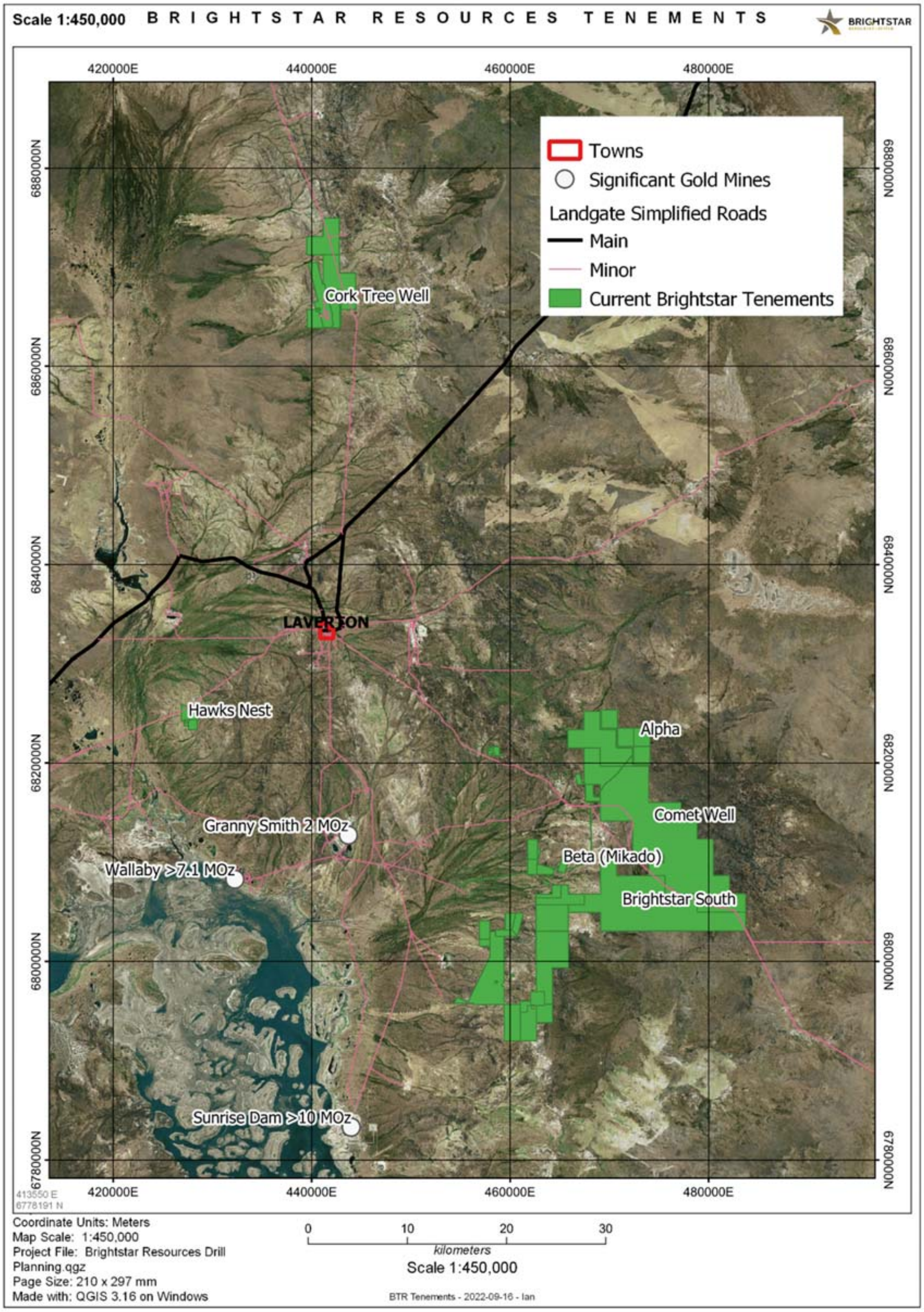


*Figure 1: Brightstar Resources Ltd. Tenement Package as at 30/06/2022.*

## DIRECTORS' REPORT (continued)

**Review of operations (continued)**

*Exploration Activities.*

❖ *Cork Tree Well Reporting Group*

Most of BTR's exploration activities for the FY2022 year were based around the testing and improvement of the Cork Tree Well mineral resource. This included an 89 drillhole RC program, and site visits for lithological mapping and ground-truthing of interpretations.

The RC drill hole program completed in November 2021 was composed of 89 RC drillholes (and an additional hole to replace one failed hole) for over 12,800m of drilling testing the morphology and orientation of the mineralisation as well as the reported tenor of the grade (See Figure 2). The results from this program have successfully contributed to the confidence of the quality of the mineral resource estimate with both grade and location data broadly confirming the previous interpretation (See Table 1).

The Mineral Resource Estimate (MRE) was subsequently updated in August 2022 and has shown a growth in tonnes and ounces mostly because of a broader interpretation of the mineralised structure. This broader interpretation could provide a more reasonable mining shape for upcoming mining studies and will ensure that lower grade material will not be missed during the mining assessment stage.

A first-round bedrock test was undertaken at the end of the period on the aircore anomaly previously reported as Delta 2. Results are yet to be received.

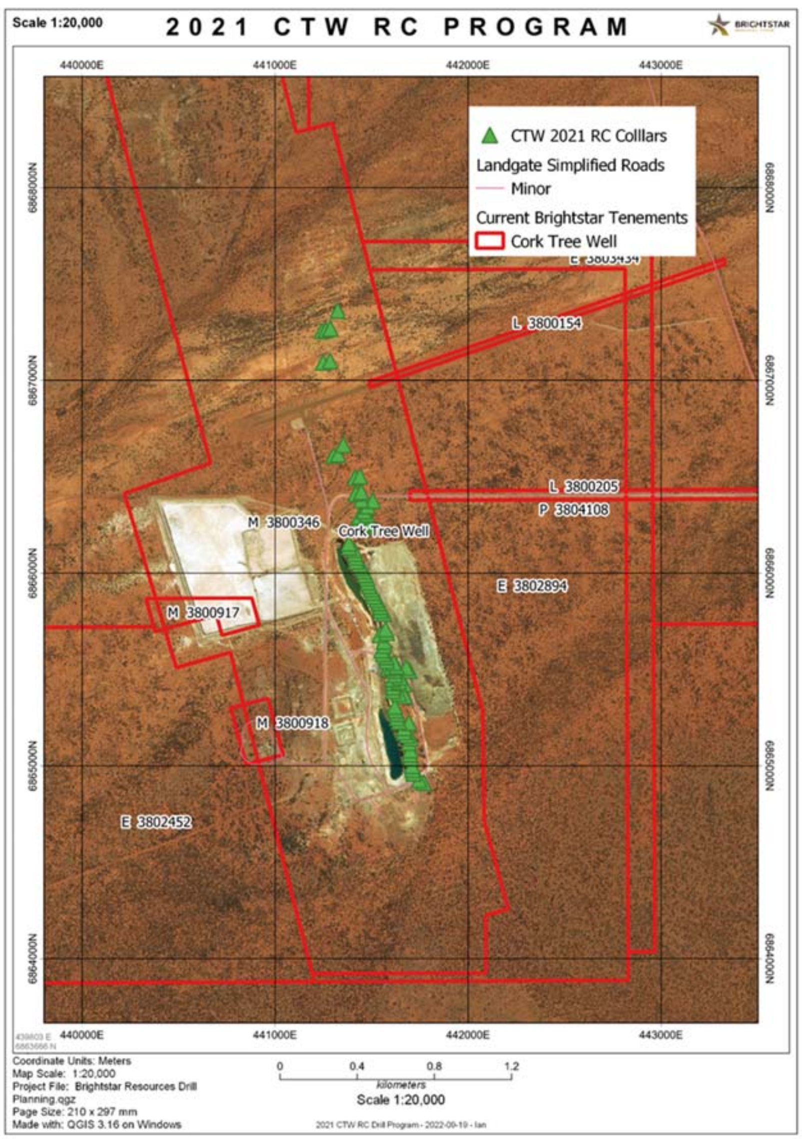


*Figure 2: 2021 CTW RC drill collar locations.*

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

Table 1: Top 20 Assays table for the RC program.

| Hole Number | From (m) | To (m) | Width (m) | Grade (g/t) |
|---|---|---|---|---|
| BTRRC025 | 111 | 137 | 26 | 2.97 |
| BTRRC026 | 139 | 156 | 17 | 3.09 |
| BTRRC022 | 112 | 128 | 16 | 3.26 |
| BTRRC031 | 131 | 143 | 12 | 4.25 |
| BTRRC028 | 157 | 169 | 12 | 3.47 |
| BTRRC075 | 96 | 98 | 2 | 16.84 |
| BTRRC072 | 29 | 35 | 6 | 5.56 |
| BTRRC024 | 102 | 113 | 11 | 2.86 |
| BTRRC074 | 70 | 75 | 5 | 5.01 |
| BTRRC032 | 176 | 183 | 7 | 3.5 |
| BTRRC081 | 58 | 65 | 7 | 3.03 |
| BTRRC041 | 40 | 48 | 8 | 2.65 |
| BTRRC072 | 23 | 24 | 1 | 20.32 |
| BTRRC021 | 133 | 145 | 12 | 1.69 |
| BTRRC029 | 130 | 137 | 7 | 2.84 |
| BTRRC023 | 160 | 176 | 16 | 1.22 |
| BTRRC069 | 42 | 47 | 5 | 3.69 |
| BTRRC083 | 69 | 76 | 7 | 2.28 |
| BTRRC081 | 68 | 74 | 6 | 2.6 |
| BTRRC034 | 111 | 118 | 7 | 2.21 |
| BTRRC074 | 61 | 64 | 3 | 5.15 |

NB. Intersections based on 1 g/t Au minimum grade and less then 3 intervals of internal waste.

*Figure 3: Mineralisation zone in wall of Cork Tree Well pit.*

**DIRECTORS' REPORT (continued)**
**Review of operations (continued)**

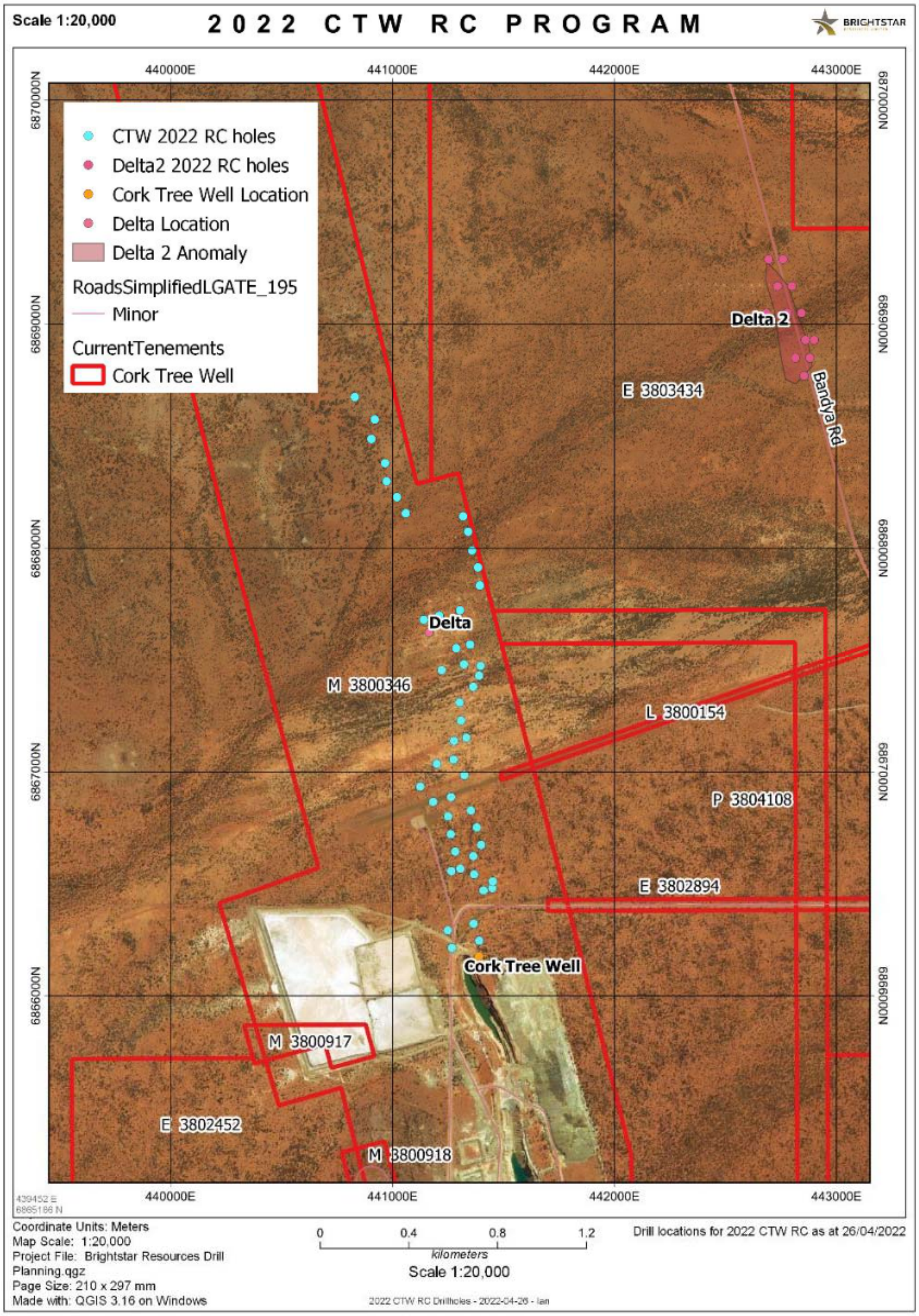


*Figure 4: Delta 2 location in comparison to Cork Tree Well.*

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

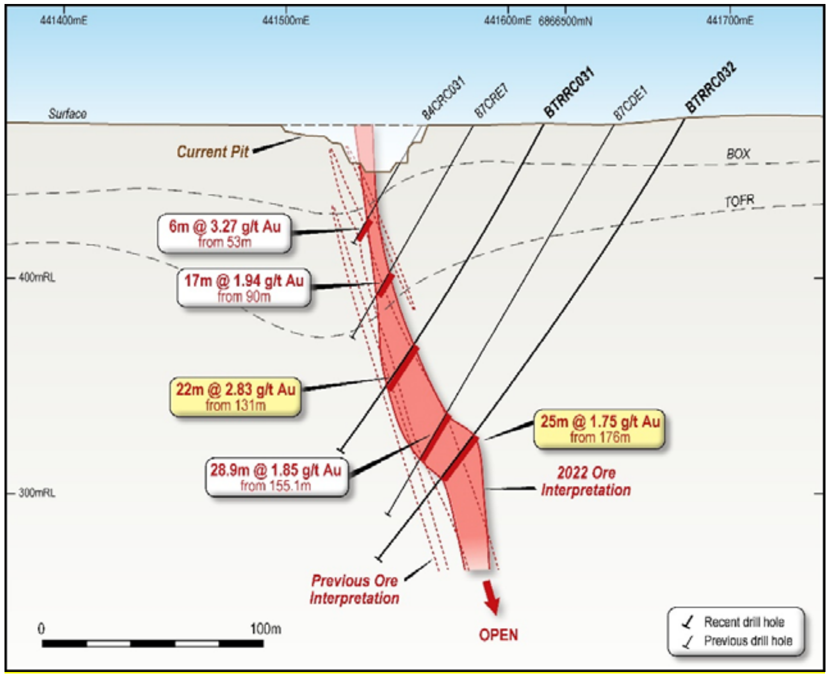


*Figure 5: Section across CTW including BTRRC031 and BTRRC032.*

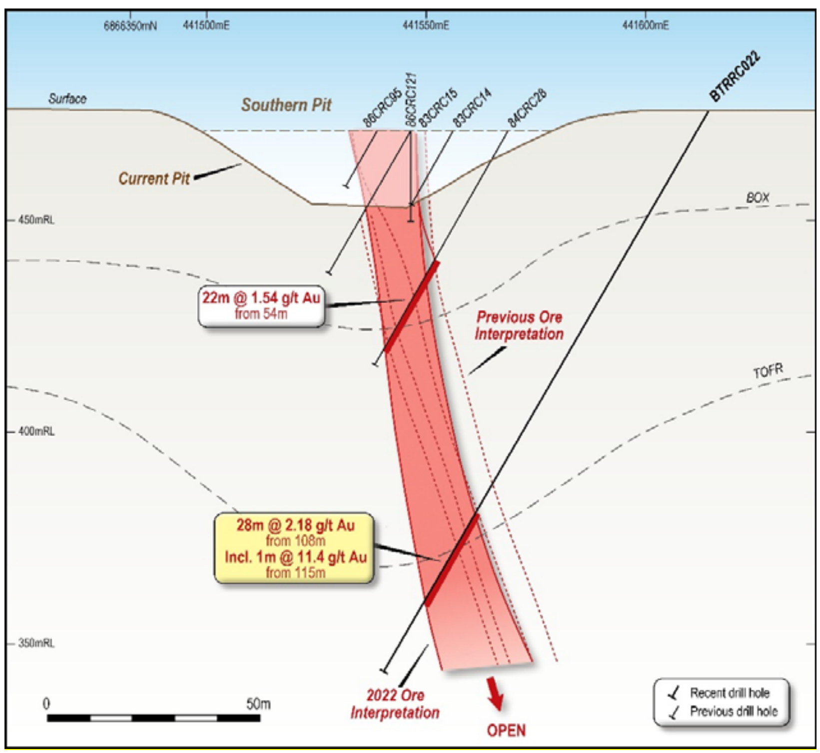


*Figure 6: Section across CTW including BTRRC022*

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

❖ *Brightstar Reporting Group*

Exploration activities in the Brightstar area has been limited to nearly 2,000 metres of early stage aircore testing of anomalous areas previously exploited by prospectors and turn of the 20th century hand miners. These areas include Jubilee, Rowena, Sailor Prince and Queen of Hearts.

Aircore drilling has been undertaken adjacent to these prospective areas to generate anomalies for further exploration follow-up. Anomalies were generated at the Jubilee, Rowena, and Sailor Prince project areas (See Figure 8). A number of holes were unable to be completed due to terrain or clearing difficulties, but the programs were sufficiently completed to successfully test the area. The Jubilee and Rowena anomalies are single point anomalies only. The Sailor Prince anomaly is composed of 5 holes with >100ppb with the highest-grade intersection 1m @ 4.85g/t Au. The thin cover and regolith sequence intersected in these project areas indicates that the 200m spaced drillholes may be too far apart to guarantee an effective test of the regolith sequence here. Follow up activities will therefore be planned based on tighter drill spacing for cover testing and targeted bedrock investigations. Queen of Hearts South results are awaited.

*Table 2: Aircore drilling FY2022.*

| Project | No of Holes Completed | Total Metres |
|---|---|---|
| Jubilee | 10 | 185 |
| Rowena | 22 | 436 |
| Sailor Prince | 19 | 304 |
| Queen of Hearts South | 25 | 991 |
| Total | 76 | 1,916 |

*Figure 7: Aircore Drilling at Sailor Prince.*

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

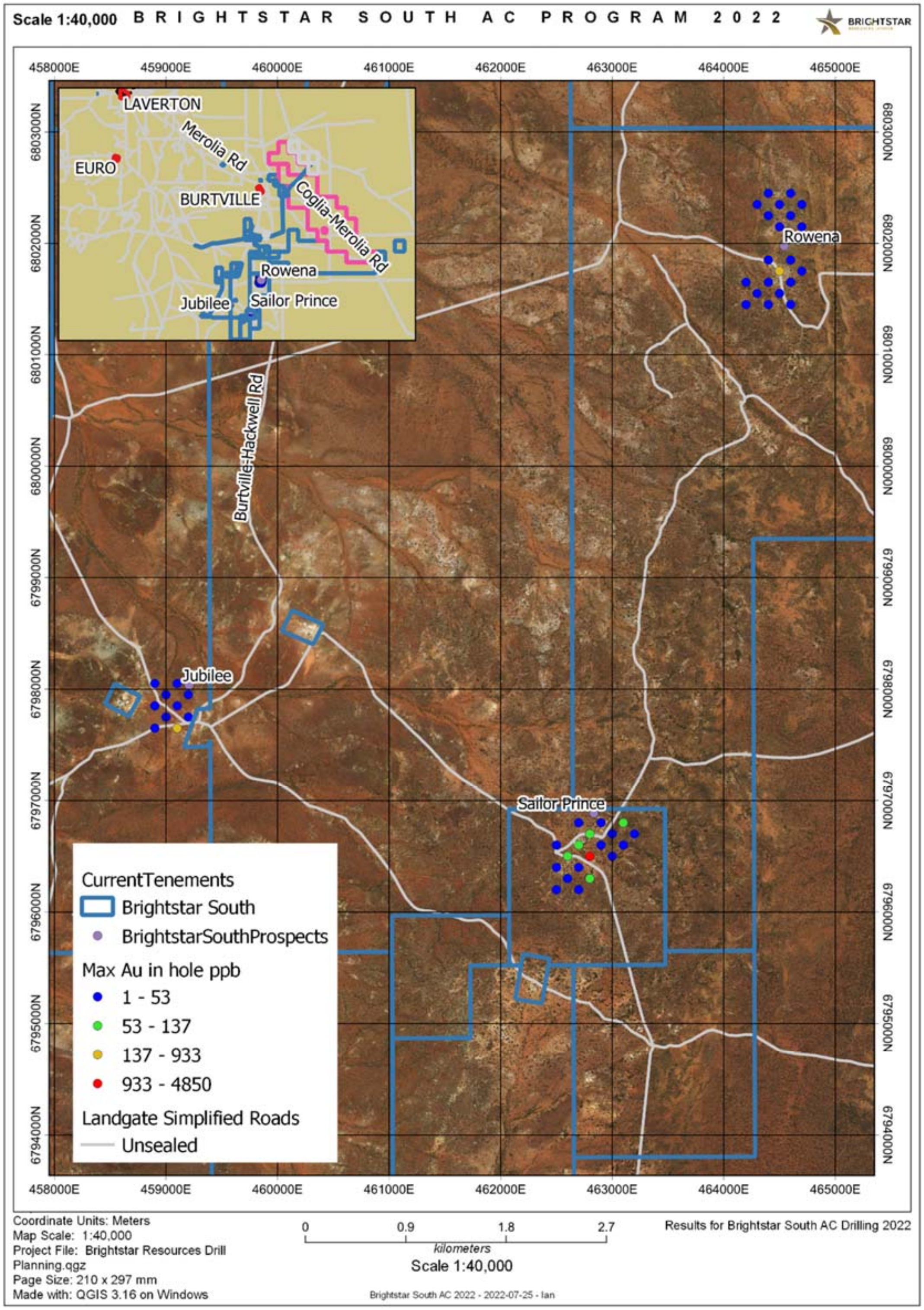


*Figure 8: Max Au in Hole for 2022 Brightstar South Aircore Programs.*

**DIRECTORS' REPORT (continued)**

**Review of operations (continued)**

Concerns about the location of the pit at Alpha and the opportunity for cutbacks on the original design instigated a pit wall sampling program along either side of the Alpha ramp in December 2021. 384 samples were taken by chipping off rock from the wall with a rock hammer approximately 1-1.5m up from the base of the wall and collected into a numbered calico sample bag. Sample weights collected had an average weight of 1.4kg. A total of 384 samples were taken.

The assay results ranged from below detection (<0.01 ppm) up to 8.58 g/t Au. There is a main zone of mineralisation running across both sample traverses. This appears to be trending northwest at approximately 290°. This is presumably the reason the ramp slot was positioned as it was (Figure 9). The mineralisation appears to be part of a set of right lateral stepping en-echelon veins. The main body of mineralisation was mined in the pit and it is assumed a further vein set occurs to the west which is then possibly truncated by the NE fault seen in the top left-hand corner of Figure 6. The start of a third vein system is possibly present at the eastern end of the northern sampling line. The tenor of mineralisation appears to decrease to the east. This could be due to the NE fault being the primary source of mineralising fluids and the further southeast the lower the grade. Alternatively, it could be due to the relative elevation of the preserved vein set. As the en-echelon vein systems step east, the main zone of mineralisation may drop in elevation, therefore higher-grade mineralisation may be present below the elevation sampled in the ramp. The eastern most system may be just the tip of the iceberg.

Further drilling will be required to determine the controls on mineralisation at Alpha.

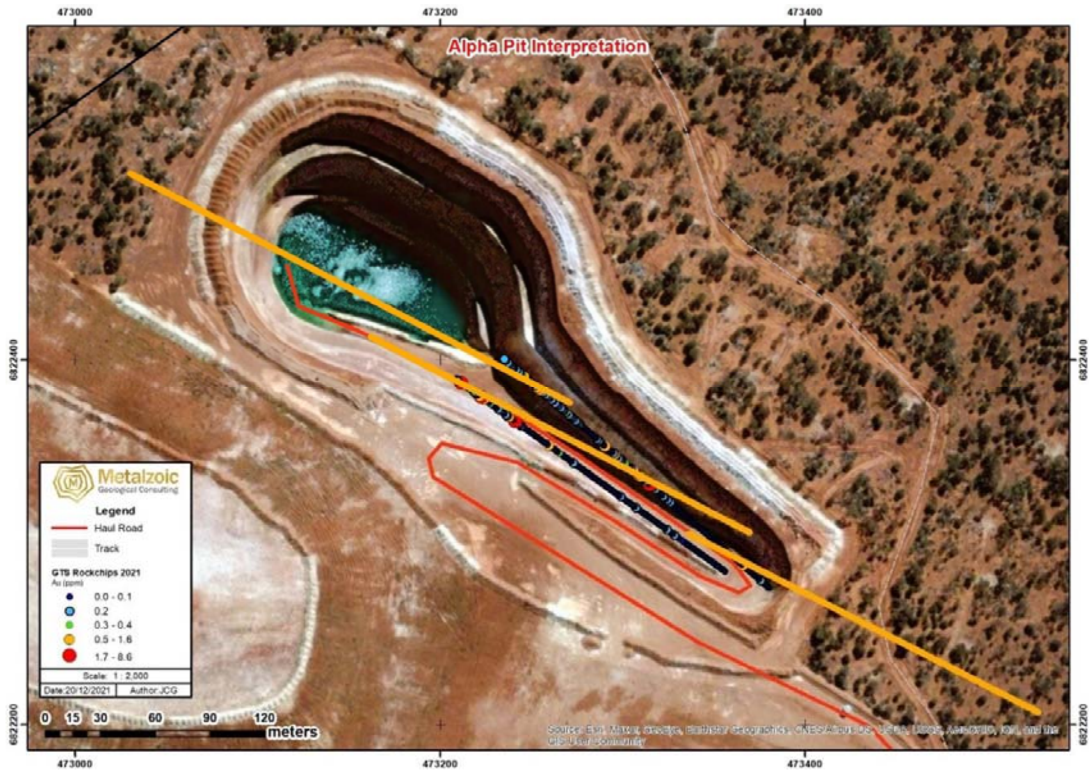


*Figure 9: Pit Wall Sampling in Alpha Pit.*

## DIRECTORS' REPORT (continued)

### JORC Resources and Reserves

The first significant Resource Development RC drill program undertaken on BTR leases since 2014 was completed at Cork Tree Well and informs the re-invigorated mineral resource estimate with high-quality modern exploration data. The new MRE was announced after the end of the report period however all new drilling included in the new interpretation and most of the technical work (interpretation and estimation) was completed in FY2022.

| | | Measured | | | Indicated | | | Inferred | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Location | Cut-off (g/t) | KTonnes | g/t Au | KOunces | KTonnes | g/t Au | KOunces | KTonnes | g/t Au | KOunces | KTonnes | g/t Au | KOunces |
| Alpha | 0.5 | 623 | 1.6 | 33 | 374 | 2.1 | 25 | 455 | 3.3 | 48 | 1,452 | 2.3 | 106 |
| Beta | 0.5 | 345 | 1.7 | 19 | 576 | 1.6 | 29 | 961 | 1.7 | 54 | 1,882 | 1.7 | 102 |
| Cork Tree Well | 0.5 | 0 | 0 | 0 | 1,759 | 1.7 | 95 | 3,851 | 1.3 | 158 | 5,610 | 1.4 | 252 |
| Total | | 968 | 1.6 | 52 | 2,709 | 1.7 | 175 | 5,267 | 1.6 | 268 | 7,194 | 1.6 | 460 |

All data is rounded and discrepancies in summation may occur

### Competent Person's Statement

The information in the Report that relates to Mineral Resources of the Alpha, Beta and Cork Tree Well deposit is based on information compiled by Mr Richard Maddocks of Auralia Mining Consulting Pty Ltd. Mr Maddocks is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he has undertaken to qualify as a "Competent Person" as that term is defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Resources (JORC Code 2012)". Mr Maddocks consents to the inclusion in this report of the matters based in this information in the form and context in which it appears. Mr Maddocks was employed as a contractor of BTR.

### Directors

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

### Names, qualifications, experience, and special responsibilities

**William Hobba**

Managing Director

William Hobba has been a director of BTR for the past seven years. Mr Hobba has previously served as a non-executive director and technical advisor of BTR. Mr Hobba's appointment to the position of Managing Director reflects the leadership role in recapitalisation and planning to return to production. Mr Hobba is an experienced minesite technical advisor who brings 40 years of operational experience in developing mine sites to his role, including over ten years' experience constructing and operating the Brightstar plant.

Mr Hobba holds no directorships in other listed companies in Australia.

**Yongji Duan**

Chairman (Non-Executive)

Yongji Duan is the Chairman of the board of directors of Stone Resources Limited, a previous major shareholder of Brightstar Resources Limited. He joined Stone Group Corporation in 1985 and has served as Vice President and President prior to his promotion to the Chairman of its board of directors in 1999. He was appointed President and Chief Executive Officer of Stone Group Holdings Limited and its subsidiaries in 2002.

As a well-known entrepreneur and business leader in Chinafrom 1999 to 2007, he has held the position as Director of Beijing Centergate Technologies (Holding) Co. Ltd., a company listed on Shenzhen Stock Exchange. From 2003 to 2008, he also served as Director of SINA Corporation (NASDAQ: SINA).

## DIRECTORS' REPORT (continued)

### Directors (continued)

Mr Duan graduated from Tsinghua University and was a researcher at Beijing University of Aeronautics & Astronautics. He acted as Vice Director of 621 Laboratory at China National Space Administration from 1982 to 1984.

Mr Duan holds no other directorships in other listed companies in Australia.

**Josh Hunt**

Director (Non-Executive)

Josh Hunt 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 assists the BTR board with corporate governance, company law and capital market management going forward.

Mr Hunt is also a director of ASX listed I Synergy Group Limited (ASX:IS3).

### Directors' relevant interests in shares or options

The relevant interests of each director, at the date of the directors' report, in shares or options over any such instruments are outlined in the following table:

| Directors | Ordinary Shares | Unlisted Options |
|---|---:|---:|
| William Hobba | 68,727,775 | - |
| Yongji Duan | 31,449,497 | - |
| Josh Hunt | 3,357,999 | - |

### Other Key Management Personnel

**Luke Wang**

Company Secretary

Mr Wang is a Certified Practising Accountant. He joined the Company in 2012. In addition to the Company Secretary work, Mr Wang is also managing the Group's accounting and financial reporting, as well as assisting with tenement management and various administration tasks

**Tony Lau, FCPA (HK)**

Joint Company Secretary (Resigned 19 July 2021)

Mr Lau has over 20 years of audit, accounting, and corporate finance experience. He worked in PricewaterhouseCoopers in Hong Kong for 12 years and thereafter held a senior finance executive for a number of PRC Groups in Hong Kong. He had extensive exposures in working on complex projects including overseas mergers, acquisitions, and IPOs.

### Principal Activities

The principal activities of the Group during the financial year were mineral exploration.

### Significant changes in state of affairs

Other than those disclosed in the director's report, there were no significant changes in the state of affairs of the Group during the financial year.

### Results

The consolidated loss after income tax attributable to the members of the Group was $3,950,250 (2021: $60,551,860 profit).

## DIRECTORS' REPORT (continued)

### Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### Significant events after balance date

Subsequent to the financial year end, the Company has scheduled a General Meeting for 17 October 2022.

There were no other significant events occurring after balance sheet.

### Likely developments

The Group will continue to progress its develop plan by moving its focus from resource expansion to converting its resource to reserves with the ultimate target of restarting mining and milling operations.

### Environmental legislation

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Group monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

### Business Risks

The Board and Management have identified the following specific risks relevant to the Company's current/ongoing business and operations:

*Fluctuations in commodity prices and outlook*

The Group's is by its nature exposed to fluctuations in the gold price and the Australian dollar exchange rate. Volatility in the gold price and Australian dollar effects the perceived value of the Group and its business performance. Declining gold prices can also impact operations by requiring a reassessment of the feasibility of a particular exploration or development project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment could cause delays and/or may interrupt operations, which may have a material adverse effect on our results of operations and financial condition.

*Mineral resources and estimates and exploration*

The Group's mineral resources and estimates are estimates, based on interpretations of geological data obtained from drillholes and other sampling techniques. Actual mineralisation or geological conditions may be different from those predicted. Market price fluctuations of gold as well as increased production and capital costs may render the Group's resources unprofitable to develop at a particular site or sites for periods of time or may render estimates containing relatively lower grade mineralisation uneconomic. Estimated resources may have to be re-estimated based on actual production experience. Any of these factors may require the Group to reduce its estimates, which could have a negative impact on the Group's financial results.

The Group's exploration projects involve many risks and are frequently unsuccessful. Once a site with mineralisation is discovered (or acquired), it may take several years from the initial phases of drilling until production is possible. There is no assurance that current or future exploration programs will be successful. There is a risk that depletion of resources will not be offset by discoveries or acquisitions.

*Mining, exploration and insurance*

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, unavailability of materials and equipment, pit wall failures, rock bursts, seismic events, cave-ins and weather conditions (including flooding and bush fires), most of which are beyond the Group's control. These risks and hazards could result in significant costs or delays that could have a material adverse effect on the Group's financial performance, liquidity and results of operation. There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining, such as unusual or unexpected geological conditions, underground access, ambient rock temperature, rock bursts, seismicity and cave ins.
Unforeseen geological and geotechnical difficulties could impact operations and/or require additional operating or capital expenditure to rectify problems and thereby have an adverse effect on the Company's financial and operational performance.

**DIRECTORS' REPORT (continued)**

**Business Risks (continued)**

The Group maintains insurance to cover the most common of these risks and hazards. The insurance is maintained in amounts that are considered reasonable depending on the circumstances surrounding each identified risk. However, property, liability and other insurance may not provide sufficient coverage for losses related to these or other risks or hazards.

*Environmental, health, safety and permitting*

The Group's activities are subject to laws and regulations governing the protection and management of the environment, water management, waste disposal, worker health and safety, mine development and rehabilitation and the protection of endangered and other special status species. The Group's ability to obtain permits and approvals and to successfully operate may be adversely impacted by real or perceived detrimental events associated with the Group's activities or those of other mining companies affecting the environment, human health and safety of the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Group's operations, including its ability to continue operations.

The Group has implemented health, safety and community initiatives at its sites to manage the health and safety of its employees, contractors and members of the community. While these control measures are in place there is no guarantee that these will eliminate the occurrence of incidents which may result in personal injury or damage to property. In certain instances such occurrences could give rise to regulatory fines and/or civil liability.

*Climate change*

The Group recognises that physical and non-physical impacts of climate change may affect assets, productivity, markets and the community. Risks related to the physical impacts of climate change include the risks associated with increased severity of extreme weather events and chronic risks resulting from longer-term changes in climate patterns. Non-physical risks and opportunities arise from a variety of policy, legal, technological and market responses to the challenges posed by climate change.

*Risk management*

The Group manages the risks listed above, and other day-to-day risks through an established management framework which conforms to Australian and international standards and guidance. The Group's risk reporting and control mechanisms are designed to ensure strategic, operational, legal, financial, reputational and other risks are identified, assessed and appropriately managed. The financial reporting and control mechanisms are reviewed during the period by management and the external auditors.

The Group regularly reviews the risk portfolio of the business and the effectiveness of the Group's management of those risks.

**Shares under option**

Unissued ordinary shares of Group under option as at 30 June 2022 are as follows:

| Date options issued | Number of shares under option | Exercise price of option | Expiry date of options |
|---|---|---|---|
| 9 April 2020 | 15,000,000 | $0.01 | 8 April 2023 |
| 31 December 2020 | 4,000,000 | $0.06 | 31 December 2023 |
| 31 December 2020 | 4,000,000 | $0.08 | 31 December 2023 |
| 31 December 2020 | 4,000,000 | $0.10 | 31 December 2023 |
| 12 February 2021 | 1,000,000 | $0.10 | 12 February 2024 |
| 22 June 2021 | 5,000,000 | $0.045 | 22 June 2024 |
| 1 December 2021 | 2,200,000 | $0.05 | 1 December 2024 |
| 1 December 2021 | 20,000,000 | $0.05 | 31 December 2024 |

No option holder has any right under the options to participate in any other share issue of the Company. No shares were issued during or after the reporting period upon the exercise of options, as at the date of this report.

## DIRECTORS' REPORT (continued)

### Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

| | Directors' Meetings | Eligible to attend |
|---|---|---|
| Number of meetings held: | 6 | |
| Number of meetings attended: | | |
| Mr William Hobba | 6 | 6 |
| Mr Yongji Duan | 5 | 6 |
| Mr Josh Hunt | 6 | 6 |

### Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

### Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 June 2022.

### Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

### Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest $1 (where rounding is applicable).

### Remuneration report (audited)

The Directors present the Group's 2022 remuneration report which details the remuneration information for Brightstar Resources Limited's executive directors, non-executive directors and other key management personnel.

***Details of key management personnel***

*(i) Directors*

| | |
|---|---|
| William Hobba | Managing Director |
| Yongji Duan | Non-Executive Chairman |
| Josh Hunt | Non-Executive Director |

*(ii) Other Key Officers*

| | |
|---|---|
| Yafei (Luke) Wang | Company Secretary (*appointed on 19 July 2021, formerly Joint Company Secretary*) |
| Tony Lau | Joint Company Secretary (*resigned on 19 July 2021*) |

***Remuneration philosophy***

The philosophy of the Group in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees.

## DIRECTORS' REPORT (continued)

**Remuneration report (audited) (continued)**

***Remuneration committee***

There is no separate Remuneration Committee. The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions.

***Remuneration structure***

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

*Non-executive director remuneration*

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. In the current year, no advice was sought. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group and are able to participate in the option plan.

*Senior manager and executive director remuneration*

Remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary. In the current year, no advice was obtained.

Senior managers are given the opportunity to receive their remuneration in a variety of forms including cash, shares issued in lieu of salary, and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

*Voting and comments made at the Company's 2021 Annual General Meeting ("AGM")*

The Group received more than 99% of yes votes on its remuneration report for the 2021 financial year. The Group did not receive any feedback at the AGM or throughout the year on its remuneration practices.

*Executive Service Agreements*

The key terms of Mr Hobba and Mr Wang's service agreements are set out below:

William Hobba, Managing Director

(a) Terms of agreement dated 1 December 2020, commencing 3 December 2020 for a term of three years

(b) Remuneration:
  - Base salary of $120,000 plus statutory superannuation;
  - Reimbursement of telephone, travel and other expenses reasonably incurred in connection with his employment; and
  - Eligibility to participate in any executive bonus scheme as approved and implemented by the Group.

(c) Termination of the agreement by either Mr Hobba or the Group can be made upon giving one month's written notice or by the Group immediately upon giving written notice with payment in lieu.

**DIRECTORS' REPORT (continued)**

**Remuneration report (audited) (continued)**

Yafei (Luke) Wang, Financial Controller and Company Secretary

(a) Terms of agreement dated 23 November 2020, commencing 23 November 2020 for a term of three years
(b) Remuneration:
- Base salary of $100,000 plus statutory superannuation

(c) Termination of the agreement by either Mr Wang or the Group can be made upon giving one month's written notice or by the Group immediately upon giving written notice with payment in lieu.

*Key Performance Indicators of the Group over the last five years*

Information about the Group's earnings and changes in shareholder wealth for the financial year and previous 4 financial years is outlined in the following table:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Net profit / (loss) after tax** | (3,950,250) | 60,551,860 | (6,617,894) | (4,140,859) | (5,156,614) |
| **Basic (loss) / profit (cents per share)** | (0.73) | 10.25 | (0.80) | (0.51) | (0.66) |
| **Dividends paid (cents per share)** | - | - | - | - | - |
| **Share price at end of year** | 0.018 | 0.031 | 0.004 | 0.002 | 0.003 |

## DIRECTORS' REPORT (continued)

**Remuneration report (audited) – (continued)**

**Table 1: Key Management Personnel Remuneration (directors) for the years ended 30 June 2022 and 30 June 2021**

| | | Short-term Employee Benefits | | | Short-term Share-based payments | | Post-Employment Benefits | |
|---|---|---|---|---|---|---|---|---|
| | | **Salary & Fees** $ | **Deferred remuneration payment** (i) $ | **Other** $ | **Share-based payments (Shares)** $ | **Share-based payments (Options)** $ | **Superannuation** $ | **Total** $ |
| **Directors** | | | | | | | | |
| William Hobba | **2022** | **120,000** | **66,000** | **73,829** (ii) | **-** | **-** | **12,000** | **271,829** |
| | 2021 | 92,786 | 18,533 | 358,767 | 300,000 | - | 7,057 | 777,143 |
| Yongji Duan | **2022** | **38,262** | **38,256** | **-** | **-** | **-** | **-** | **76,518** |
| | 2021 | 45,509 | 31,009 | - | - | - | - | 76,518 |
| Josh Hunt | **2022** | **48,000** | **-** | **-** | **-** | **-** | **-** | **48,000** |
| | 2021 | 6,000 | - | - | 60,000 | - | - | 66,000 |
| **Other Key Management Personnel** | | | | | | | | |
| Yafei (Luke) Wang | **2022** | **100,000** | **-** | **200** | **-** | **39,830** | **10,000** | **150,030** |
| | 2021 | 90,281 | - | - | - | - | 8,577 | 98,858 |
| Tony Lau (iii) | **2022** | **4,583** | **-** | **150,000** (iv) | **150,000** (iv) | **-** | **-** | **304,583** |
| | 2021 | 13,750 | 13,750 | - | - | - | - | 27,500 |
| Totals | **2022** | **310,845** | **104,256** | **224,029** | **150,000** | **39,830** | **22,000** | **850,960** |
| | 2021 | 248,326 | 63,292 | 358,767 | 360,000 | - | 15,634 | 1,046,019 |

(i) Under mutual agreement, certain Directors agreed to defer the payment of a portion of their remuneration, which will be settled in either cash or equity at the Company's discretion.

(ii) Reimbursement of expenses as per the rates set out in Mr Hobba's Executive Services Agreement as Managing Director.

(iii) Mr Lau resigned on 19 July 2021.

(iv) On 1 December 2021, the Group issued 5,172,414 shares to Mr Tony Lau for a total value of $150,000, as part settlement sum, with a further $150,000 paid in cash to Mr Tony Lau. This settlement sum was for services performed by Mr Lau during his tenure as company secretary. The issue of shares was approved by shareholders at the Group's 2021 Annual General Meeting ("AGM").

## DIRECTORS' REPORT (continued)

**Remuneration report (audited) – (continued)**

**Table 2: Key Management Personnel Shareholdings for the years ended 30 June 2022 and 30 June 2021**

*Ordinary shares held in Brightstar Resources Limited (number)*

| | | **Balance at beginning of period** | Granted as remuneration | Other | **Balance at end of period** |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| William Hobba | **2022** | **68,727,775** | **-** | **-** | **68,727,775** |
| | 2021 | 38,727,775 | 30,000,000 | - | 68,727,775 |
| Yongji Duan | **2022** | **31,449,497** | **-** | **-** | **31,449,497** |
| | 2021 | 31,449,497 | - | - | 31,449,497 |
| Josh Hunt | **2022** | **3,357,999** | **-** | **-** | **3,357,999** |
| | 2021 | - | 3,150,000 | 207,999 | 3,357,999 |
| ***Other Key Management Personnel*** | | | | | |
| Luke Wang | **2022** | **-** | **-** | **-** | **-** |
| | 2021 | - | - | - | - |
| Tony Lau (i) | **2022** | **10,000,000** | **5,172,414** (ii) | **15,172,414** | **-** |
| | 2021 | 10,000,000 | - | - | 10,000,000 |
| | **2022** | **113,535,271** | **5,172,414** | **15,172,414** | **103,535,271** |
| | 2021 | 80,177,272 | 33,150,000 | 207,999 | 113,535,271 |

(i) Mr Lau resigned on 19 July 2021

(ii) On 1 December 2021, the Group issued 5,172,414 shares to Mr Tony Lau for a total value of $150,000, as part settlement sum, with a further $150,000 paid in cash to Mr Tony Lau. This settlement sum was for services performed by Mr Lau during his tenure as company secretary. The issue of shares was approved by shareholders at the Group's 2021 Annual General Meeting ("AGM").

**DIRECTORS' REPORT (continued)**

**Remuneration report (audited) – (continued)**

**Table 3: Key Management Personnel Option holding for the years ended 30 June 2022 and 30 June 2021**

*Options over ordinary shares held in Brightstar Resources Limited (number)*

| | | **Balance at beginning of period** | Granted as remuneration | Other | **Balance at end of period** |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Yongji Duan | **2022** | **-** | **-** | **-** | **-** |
| | 2021 | - | - | - | - |
| William Hobba | **2022** | **-** | **-** | **-** | **-** |
| | 2021 | - | - | - | - |
| Josh Hunt | **2022** | **-** | **-** | **-** | **-** |
| | 2021 | - | - | - | - |
| **Other Key Officer** | | | | | |
| Luke Wang | **2022** | **-** | **1,000,000** (i) | **-** | **1,000,000** |
| | 2021 | | | | |
| Tony Lau (ii) | **2022** | **-** | **-** | **-** | **-** |
| | 2021 | | | | |
| | **2022** | **-** | **1,000,000** | **-** | **1,000,000** |
| | 2021 | - | - | - | - |

(i) On 1 December 2021, the Company issued 1,000,00 Loyalty Options, exercisable at $0.05 each, to Mr Wang in recognition of his employment periods with the Company. The options were for a 3 year term and vested immediately. The fair value of these options granted was calculated by using the Black Scholes Option Pricing Model. An accrued expense recognised for the period in respect of this issue was $39,830.

(ii) Mr Lau resigned on 19 July 2021

## DIRECTORS' REPORT (continued)

**Remuneration report (audited) – (continued)**

**Other transactions and balances with Key Management Personnel**

Some Directors and executives hold positions within other entities that cause them to have control or exert significant influence over the financial or operating policies of those entities. However, these entities did not transact with the Company during the current and previous reporting periods.

Under mutual agreement, certain Directors and Executives agreed to part payment of their remuneration, which was deferred and will be settled in either cash or equity at the Company's discretion. The balance of outstanding amounts owing to the Directors and Executives as at 30 June 2022 year end is as follows. These amounts are included within Table 2 as remuneration to the respective Director and Executive:

**Table 5: Key Management Personnel balances payable as at 30 June 2022 and 30 June 2021**

| Transaction | | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| **Directors** | | | |
| Yongji Duan | Deferred remuneration payment | 95,098 | 56,841 |
| William Hobba | Deferred remuneration payment | 94,133 | 28,133 |
| **Other Key Officer** | | | |
| Tony Lau (i) | Deferred remuneration payment | - | 13,750 |

(i) Mr Lau resigned on 19 July 2021

**END OF AUDITED REMUNERATION REPORT**

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

William Hobba
Managing Director
30 September 2022

PITCHER PARTNERS

**AUDITOR'S INDEPENDENCE DECLARATION**

**TO THE DIRECTORS OF BRIGHTSTAR RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

In relation to the independent audit for the year ended 30 June 2022, 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

PAUL MULLIGAN
Executive Director
Perth, 30 September 2022



**Pitcher Partners BA&A Pty Ltd**

An independent Western Australian Company ABN 76 601 361 095.
Level 11, 12-14 The Esplanade, Perth WA 6000
Registered Audit Company Number 467435.
Liability limited by a scheme under Professional Standards Legislation.

**Adelaide Brisbane Melbourne Newcastle Perth Sydney**

**Pitcher Partners is an association of independent firms.**
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 June 2022

| | Notes | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|---|
| Other income | 2(a) | 150,573 | 62,060,466 |
| Remeasurement of Rehabilitation Provision | 15 | - | 3,033,794 |
| Mine site expenses | 2(b) | (336,813) | (332,002) |
| Exploration expenditure | | (673,934) | (222,722) |
| Depreciation and amortisation expense | 2(c) | (394,942) | (382,456) |
| Director fees | | (255,707) | (151,367) |
| Impairment expenses | 2(d) | (47,828) | (32,084) |
| Finance costs | 2(e) | (957,128) | (1,622,983) |
| Administration expenses | 2(f) | (186,516) | (208,962) |
| Consulting expenses | 2(f) | (380,338) | (648,407) |
| Employee benefits expense | 2(g) | (651,924) | (702,641) |
| Other expenses | 2(f)(g) | (215,693) | (238,776) |
| **(Loss) / profit before income tax** | | **(3,950,250)** | **60,551,860** |
| Income tax | 3 | - | - |
| **Net (loss) / profit for the year** | | **(3,950,250)** | **60,551,860** |
| **Other comprehensive income for the year, net of tax** | | **-** | **-** |
| **Total comprehensive loss for the year** | | **(3,950,250)** | **60,551,860** |
| **Total comprehensive (loss) / income for the year** | | **(3,950,250)** | **60,551,860** |
| Basic (loss)/earnings per share per share (cents per share) | 5 | **(0.73)** | **10.25** |
| Diluted (loss)/earnings per share (cents per share) | 5 | **(0.73)** | **9.89** |

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 June 2022

| | Notes | Consolidated 2022 $ | 2021 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 1,601,324 | 985,036 |
| Trade and other receivables | 7 | 403 | 179 |
| Other financial assets | 8 | 25,000 | 25,000 |
| Other current assets | | 26,142 | 23,051 |
| **Total Current Assets** | | 1,652,869 | 1,033,266 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 86,183 | 454,899 |
| Right-of-use asset | 10 | 14,908 | 13,574 |
| Deferred exploration and evaluation expenditure | 11 | 13,270,922 | 9,313,231 |
| **Total Non-Current Assets** | | 13,372,013 | 9,781,704 |
| **Total Assets** | | 15,024,882 | 10,814,970 |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 2,040,334 | 962,968 |
| Lease liabilities | 13 | 14,907 | 15,639 |
| Borrowings | 14 | - | 630,000 |
| Provisions | 15 | 145,225 | 112,740 |
| **Total Current Liabilities** | | 2,200,466 | 1,721,347 |
| **Non-Current Liabilities** | | | |
| Lease liabilities | 13 | - | - |
| Borrowings | 14 | 628,736 | - |
| Provisions | 15 | 3,111,668 | 3,044,667 |
| Other financial liabilities | 16 | 4,434,667 | 3,715,060 |
| **Total Non-Current Liabilities** | | 8,175,071 | 6,759,727 |
| **Total Liabilities** | | 10,375,537 | 8,481,074 |
| **Net Assets** | | 4,649,345 | 2,333,896 |
| **Equity** | | | |
| Issued capital | 17 | 43,254,388 | 37,857,909 |
| Accumulated losses | | (44,870,886) | (40,920,635) |
| Reserve | 18 | 6,265,842 | 5,396,622 |
| **Total Equity** | | 4,649,344 | 2,333,896 |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS
# FOR THE YEAR ENDED 30 June 2022

| | Notes | Consolidated 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | - | 131,289 |
| Payments to suppliers and employees | | (1,391,789) | (1,129,956) |
| Dividends received | | - | 105,867 |
| Interest received | | 523 | 633 |
| Interest on lease liabilities | | (392) | (1,969) |
| Government grants received | | - | 50,000 |
| Net cash used in operating activities | 6(ii) | (1,391,658) | (844,136) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of other financial assets | | - | 4,628,618 |
| Proceeds from sale of property, plant and equipment | | - | 8,000 |
| Proceeds from sale of exploration assets | | 10,000 | 250,000 |
| Payments for property, plant and equipment | | (27,559) | (161,907) |
| Payments for exploration and evaluation expenditure | | (2,453,136) | (688,962) |
| Payments for acquisition of exploration assets | | (60,000) | - |
| Net cash (used in)/provided by investing activities | | (2,530,695) | 4,035,749 |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | | (17,838) | (16,746) |
| Payments for share buy-back | | - | (2,239,864) |
| Proceeds from capital raising | | 4,847,318 | - |
| Capital raising costs | | (290,839) | - |
| Net cash (used in)/provided by financing activities | | 4,538,641 | (2,256,610) |
| Net increase/(decrease) in cash held | | 616,288 | 935,003 |
| Cash and cash equivalents at beginning of period | | 985,035 | 50,032 |
| **Cash and cash equivalents at end of period** | 6(i) | 1,601,323 | 985,035 |

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 June 2022

| Consolidated | Note | Issued Capital | Accumulated Losses | Reserve | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance as at 1 July 2020** | | 51,541,309 | (101,472,495) | 8,846 | (49,922,340) |
| Profit for the year | | - | 60,551,860 | - | 60,551,860 |
| Other comprehensive loss | | - | - | - | - |
| **Total comprehensive loss for the year** | | - | 60,551,860 | - | 60,551,860 |
| Shares issued during the year | 17 | 559,850 | - | - | 559,850 |
| Share buy-back during the year | | (14,243,250) | - | - | (14,243,250) |
| Transaction costs on issue of shares | | - | - | - | - |
| Share based payment expense | | - | - | 477,066 | 477,066 |
| Ordinary share buy-back and cancellation | | - | - | 4,910,710 | 4,910,710 |
| **Balance at 30 June 2021** | | **37,857,909** | **(40,920,635)** | **5,396,622** | **2,333,896** |
| **Balance as at 1 July 2021** | | 37,857,909 | (40,920,635) | 5,396,622 | 2,333,896 |
| Loss for the year | | - | (3,950,250) | - | (3,950,250) |
| Other comprehensive loss | | - | - | - | - |
| **Total comprehensive loss for the year** | | - | (3,950,250) | - | (3,950,250) |
| Shares issued during the year | 17 | 5,687,318 | - | - | 5,687,318 |
| Transaction costs on issue of shares | | (290,839) | - | - | (290,839) |
| Share based payment expense | 18 | - | - | 869,220 | 869,220 |
| **Balance at 30 June 2022** | | **43,254,388** | **(44,870,886)** | **6,265,842** | **4,649,344** |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Brightstar Resources Limited is a company limited by shares, incorporated and domiciled in Australia. The Company is a for-profit entity. Its registered office and principal place of business is 3/25 Belgravia Street, Belmont, WA 6104.

### (a) Basis of preparation of the financial report

The financial report covers Brightstar Resources Limited ("the Company") and its controlled entities as a group (together referred to as the "Group").

This financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report was approved by the directors on 30 September 2022.

*Compliance with IFRS*

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

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

*Fair value measurement*

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

### (b) Going Concern

The financial report has been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future.

The Group has recorded a net loss of $3,950,250 (2021: $60,551,860 profit), reported net cash used in operating and $1,391,658 (2021: outflows of 844,136) and as that date cash and cash equivalents of $1,601,324 (2021: $985,036).

The directors have prepared a cash flow forecast for the period ending 30 September 2023. It is recognised 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 for the Group to continue to actively explore and develop its mineral properties, until recommencement of mining and milling operations. The directors may also look to delay the timing of certain budgeted expenditures in accordance with their development plan.

At the end of the reporting period, the Company reached various agreements with SRHKL in relation to extinguishment of its existing debts. Once settled the Company will be relieved from the obligation to pay cash to SRHKL to satisfy its debt and be able to use its existing cash to fund its projects and further progress exploration programs.

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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Going Concern (continued)**

However, the Group acknowledge that the status of going concern relies on the development of the Company's projects and subsequent capital raising to support the development. Should the Group be unable to raise further debt or capital, there exists a material uncertainty that the Group may in the future not be able to continue as a going concern. 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.

**(c) New and revised accounting standards effective for the current reporting period**

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.

**(d) Accounting standards issued but not yet effective**

The Group has considered all Standards and Interpretations issued but not yet effective for the current reporting period and has determined that their implication to the financial statements is either not relevant or not material.

**(d) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entity to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter group balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is obtained by the Group and are de recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non controlling interests. Non controlling interests are initially recognised either at fair value or at the non controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition by acquisition basis. Non controlling interests in the results of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income and the statement of financial position respectively.

**(e) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements in accordance with AASB requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised; if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*(i) Significant accounting judgements include:*

***Exploration and evaluation costs***

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active Group operations in, or relating to, the area of interest are continuing.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*(ii) Significant accounting estimates and assumptions include:*

***Impairment of exploration and evaluation assets***

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

On a regular basis, management consider whether there are indicators as to whether the asset carrying values exceed their recoverable amounts. This consideration includes assessment of the following:

(a) expiration of the period for which the entity has the right to explore in the specific area of interest with no plans for renewal;

(b) substantive expenditure on further exploration for and evaluation in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where an impairment indicator is identified, the determination of the recoverable amount requires the use of estimates and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimate include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

***Recoverability of Mine Property and Plant***

Certain assumptions are required to be made in order to assess the recoverability of Mine Property and Plant. The recoverable amount of Mine Property and Plant is the higher of fair value less costs of disposal and value in use. Mine Property and Plant values are tested on a “Fair value less costs of disposal” as a basis to determine any impairment. In estimating the fair value of Mine Property and Plant, the Group engages third party qualified valuers to perform the valuation of Mine Property and Plant.

The key areas of judgement and estimate include:

– Auction Value of Mine Property and Plant (last performed in July 2017); and
– Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

***Provision for restoration and rehabilitation obligations***

The estimated costs of future site rehabilitation and restoration, including heritage preservation where required, associated with previous mining and/or exploration activity are provided for as and when an obligation arises and are included in the costs of the related area of interest. These costs include the dismantling and removal of any plant, equipment and building structures and rehabilitation, where such work is deemed appropriate by the relevant government authorities and the cost of making safe any remaining aspects of the previous mining operation. The costs are based on estimates of future costs, current legal requirements and existing technology.

The provision is based on the best available information of costs expected to be incurred at the expiry of the respective license agreements. Such costs have been provided for at the present value of future expected expenditure discounted using a rate adjusted for risks specific to the liability. On an ongoing basis the closure liability is remeasured at each reporting period in line with the changes in time value of money (recognised as a finance cost in profit or loss and an increase in provision), and changes in estimates of future costs or methods of rehabilitation. Changes in the closure liability are recognised prospectively.

Certain assumptions are required to be made in determining the amount expected to be incurred to settle its obligations in relation to restoration and rehabilitation of the mine site. Key assumptions include the amount and timing of future cash flow estimates.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Critical accounting judgements and key sources of estimation uncertainty (continued)**

***Share-based payments***

The Group measures the cost of equity-settled transactions with suppliers and employees by reference to the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted. The fair value of the equity instruments granted is determined using an appropriate option pricing model taking into account the terms and conditions upon which the instruments were granted. Volatility for these calculations is determined with reference to the Group's historical volatility for a comparable or appropriate period. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Please refer to Note 18 for further details.

**(f) Income tax**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(g) Goods and services tax (GST)**

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows..

**(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position

**(i) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|---|---|
| Office furniture and equipment | 5 - 8 years |
| Plant and equipment | 3 - 5 years |
| Motor vehicles | 4 - 5 years |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Property, plant and equipment (continued)**

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is based on the fair value less costs of disposal.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit or loss as impairment expenses.

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(j) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(k) Mine development expenditure**

Mine development expenditure represents the accumulation of all exploration and evaluation expenditure incurred in respect of areas of interest in which a decision to mine has been made. Plant construction and commissioning costs are included as mine development expenditure until the commissioning phase is completed.

Once commission phase is completed and production commences, all assets under mine development expenditure is transferred to mine property and plant. As at the date of the financial report, there are no mine development expenditure recognised by the Group.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(l) Mine property and plant**

Once mine construction is completed, assets from mine development expenditure are transferred to mine property and plant (which is a sub category in property, plant and equipment). Mine property and plant are stated at cost, less accumulated depreciation and accumulated losses.

When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of mine development expenditure only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Where mine property and plant is in production, amortisation of mine property and plant is provided on a unit of production basis, which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves. In accordance with its policy, the Group reviews the estimated useful lives of its mine property and plant on an ongoing basis.

Where the Group's mine property and plant is in care and maintenance, the Group has impaired assets to its fair value less cost of disposal and the Group amortises over a straight-line basis to account for the physical wear and tear while the asset remains idle, over an estimated remaining useful life of 5 years.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is fully provided against or written off in the financial year in which this is determined.

**(m) Leases**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Borrowing costs**

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

**(o) Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9 Financial Instruments.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Group are subsequently measured at amortised cost.

**(p) Provisions – Employee benefits**

*(i) Wages, Salaries and Annual Leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long Service Leave*

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting. Consideration is given to expected future wage and salary levels, experience of employee of departures, and period of service.

**(q) Provision for restoration and rehabilitation**

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner unless they are not expected to be recovered over the course of the Groups operation where they are recognised in the Statement of Profit or Loss. The unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(r) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(s) Earnings per share**

Basic earnings per share ('EPS') is calculated as net profit or loss attributable to members of the Company for the reporting period, after excluding any costs for servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted earnings is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary share and the effect on revenues and expenses of conversion, by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

**(t) Other revenue and other income**

Interest revenue is measured in accordance with the effective interest method.

Dividend and other distribution revenue is recognised when the right to receive a dividend or other distribution has been established. Dividends and other distributions received from associates and joint ventures are accounted for in accordance with the equity method.

All revenue is measured net of the amount of goods and services tax (GST).

**(u) Government grants**

The Group recognises stimulus package from the Australian Taxation Office ("ATO") as a government grant when there is reasonable assurance that the entity will comply with the conditions attached to them, and the grant will be received. The amount is recognised as other income in profit or loss.

**(v) Events after the reporting date**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial report is authorised for issue.

The amounts recognised in the financial statements reflect events after the reporting period that provide evidence of conditions that existed at the reporting date. Whereas, events after the reporting period that are indicative of conditions that arose after the reporting period (i.e., which did not exist at the reporting date) are excluded from the determination of the amounts recognised in the financial statements.

**(w) Rounding of 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 to the nearest dollar (where indicated).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(a) Other income** | | |
| Bank interest | 385 | 419 |
| Shared service income | - | 96,065 |
| Gain/(Loss) from sale of other financial assets | - | (1,361,246) |
| Gain from sale of non-current assets | - | 7,912 |
| Gain from sale of exploration assets | (2,099) | 5,872,106 |
| Debt forgiven | - | 57,252,627 |
| Expected credit loss | 36,674 | 37,500 |
| Dividends | - | 105,867 |
| Government grant | - | 50,000 |
| Finance Income | 113,525 | - |
| Other | 2,088 | (784) |
| | 150,573 | 62,060,466 |

| | | |
|---|---|---|
| **(b) Mine site expenses** | | |
| Mine site expenditure under care and maintenance | 336,813 | 332,002 |

| | | |
|---|---|---|
| **(c) Depreciation and amortisation expense** | | |
| Mine property and plant (refer to Note 9) | 358,983 | 358,984 |
| Other property, plant and equipment (refer to Note 9) | 19,404 | 6,506 |
| Right-of-use assets (refer to Note 10) | 16,555 | 16,966 |
| | 394,942 | 382,456 |

| | | |
|---|---|---|
| **(d) Impairment expense** | | |
| Impairment of deferred exploration expenditure Alpha Mine (refer to Note 11) | 47,828 | 32,084 |
| | 47,828 | 32,084 |

| | | |
|---|---|---|
| **(e) Finance costs** | | |
| Interest expenses | 58,259 | 1,240,463 |
| Unwind of discount – borrowings (refer to Note 14) | 112,261 | - |
| Unwind of discount – financial liability (refer to Note 16) | 719,607 | 382,520 |
| Unwind of discount – rehabilitation provision (refer to Note 15) | 67,001 | - |
| | 957,128 | 1,622,983 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE (continued)

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(f) Share-based payments are included within:** | | |
| Administration expense | - | 59,850 |
| Employee benefits expense (refer to Note 18) | 87,626 | 300,000 |
| Consulting expenses (refer to Note 17) | 150,000 | 427,066 |
| | 237,626 | 786,916 |

| | | |
|---|---|---|
| **(g) Employee benefits expense:** | | |
| Wages and salaries | 237,957 | 299,028 |
| Superannuation | 22,000 | 25,114 |
| Share-based payment expense (refer to Note 18) | 87,626 | 300,000 |
| Other employment related expenses | 304,341 | 78,499 |
| | 651,924 | 702,641 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

**NOTE 3: INCOME TAX**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(a) Income tax recognised in statement of income** | | |
| Accounting income/(loss) before tax from continuing operations | (3,920,251) | 60,551,860 |
| Income tax expense/(benefit) calculated at an income tax rate of % (2021:30%) | (1,185,075) | 18,165,558 |
| Non-deductible expenses: | 242,293 | 468,950 |
| Non-assessable debt forgiveness income | (11,002) | (17,202,038) |
| Franking credits converted to losses | - | (31,760) |
| Utilisation of previously unrecognised losses | - | (1,400,710) |
| Unused tax losses and temporary differences not recognised | 953,784 | - |
| Income tax expense reported in the statement of comprehensive income | - | - |
| **(b) Recognised deferred tax balances 30% (2021: 30%)** | | |
| ***Deferred tax assets comprise:*** | | |
| Losses offset against future taxable income – revenue | 7,390,954 | 5,952,417 |
| Provision for doubtful debts | 40,242 | 44,041 |
| Mining assets (plant and equipment) | 510,483 | 422,207 |
| Provision for rehabilitation | 933,500 | 906,376 |
| Other business related costs | 81,159 | 16,130 |
| Other provisions | 43,567 | 33,822 |
| Accrued expenses | 117,994 | 29,188 |
| Deferred tax losses not brought to account | (6,611,451) | (4,714,184) |
| | 2,506,448 | 2,689,997 |
| ***Deferred tax liabilities comprise:*** | | |
| Prepayments | (4,766) | (3,803) |
| Accrued income | - | - |
| Exploration expenditure capitalised | (2,501,682) | (2,686,194) |
| | (2,506,448) | (2,689,997) |

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2021: 30%) payable by Australian corporate entities on taxable profits under Australian tax law. The company does not currently qualify as a Small Business Entity and as such has recognised future deferred tax assets at 30%. The Company has conducted a preliminary review in respect of losses incurred prior to 4 November 2011 and has determined that they are likely able to be used by meeting the Same Business Test (SBT) and Continuity of Ownership Test (COT). Losses incurred between 4 November 2011 and the date of the effectuation of the DECA are able to be utilised under the COT.

**(c) Unrecognised deferred tax assets**

The Group has unrecognised deferred assets relating to revenue tax losses of $24,636,514 (2021: $19,841,391), capital tax losses of $287,945 (2021: $287,945) and other deferred tax assets arising from temporary differences of $5,710,010 (2021: $4,714,184).

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

### NOTE 4: 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 the Group considers that it has one reportable segment being mineral exploration with the state of Western Australia.

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

### NOTE 5: EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | Cents per share | Cents per share |
| *Basic and diluted (loss) / earnings per share:* | | |
| Total basic (loss) / earnings per share | (0.73) | 10.25 |
| Total diluted (loss) / earnings per share | (0.73) | 9.89 |

*Basic and diluted (loss) / earnings per share*

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted (loss) / earnings per share is as follows:

| | $ | $ |
|---|---|---|
| (Loss) / Earnings | (3,950,250) | 60,551,860 |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 543,711,556 | 590,814,907 |
| Adjusted weighted average number of ordinary shares for the purposes of diluted loss per share | 543,711,556 | 612,302,578 |

Share options are not dilutive as their inclusion would give rise to a reduced loss per share. The above adjusted weighted average number of shares incorporates an adjustment to the calculation to incorporate the effects of bonus elements (if any) in relation to rights issues in the current and previous financial year.

### NOTE 6: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Cash at bank and on hand | 1,601,324 | 985,036 |
| | 1,601,324 | 985,036 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2022, the Group did not have any undrawn committed borrowing facilities.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 6: CASH AND CASH EQUIVALENTS (Continued)

### (i) Reconciliation to Cash Flow Statement

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Cash and cash equivalents | 1,601,324 | 985,036 |

### (ii) Reconciliation of loss for the year to net cash flows used in operating activities

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **Profit/(loss) for the year:** | (3,950,250) | 60,551,860 |
| Depreciation and amortisation | 394,942 | 382,456 |
| Impairment expenses | 47,828 | 32,084 |
| Exploration expenditure written off | 673,934 | - |
| (Gain) / Loss from sale of other financial assets | - | 1,361,246 |
| (Gain) / Loss from sale of exploration assets | 2,099 | (5,872,106) |
| (Gain) / Loss from sale of non-current asset | - | (7,912) |
| Debt forgiven | - | (35,436,134) |
| Bad debt written-off | 12,378 | - |
| Creditor written-off | (36,674) | (37,500) |
| Finance Income | (1,673) | - |
| Unwind of discount – financial liability | 720,016 | 382,520 |
| Interest on lease liabilities | (391) | 1,969 |
| Other non-cash balance | 24,688 | 35,531 |
| Equity payment to suppliers and key management personnel | 237,626 | 786,916 |
| ***(Increase)/decrease in assets:*** | | |
| Current receivables | (224) | 35,438 |
| Other current assets | (3,091) | (6,693) |
| ***Increase/(decrease) in liabilities:*** | | |
| Current payables | 387,648 | (20,021,508) |
| Current provisions | 32,485 | 1,491 |
| Provision for rehabilitation | 67,001 | (3,033,794) |
| Net cash used in operating activities | (1,391,658) | (844,136) |

### (iii) Non-cash investing and financing activities

2022

The Group issued 15,000,000 fully paid ordinary shares at $0.046 per share and 20,000,000 unlisted options exercisable at five cents to Milford Resources Pty Ltd as consideration for the acquisition of tenement E38/3500 and E38/3504. This amount has been capitalised into deferred exploration and evaluation expenditure at 30 June 2022. Refer to Note 11 for further details.

The Group also issued 5,172,414 fully paid ordinary shares to Mr Tony Lau as a part payment settlement, and 2,200,000 unlisted options exercisable at five cents to two employees of Brightstar for provision of services. Refer to Note 18 and Note 21 for further details.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 6: CASH AND CASH EQUIVALENTS (Continued)**

All the securities issued have been approved by shareholders at the 2021 AGM. Refer to Note 17 and Note 18 for further details.

**2021**

The Group issued 4,000,000 fully paid ordinary shares at $0.05 per share to Mining Equities Pty Ltd as consideration for the acquisition of tenement E38/3438. This amount has been capitalised into deferred exploration and evaluation expenditure at 30 June 2021.

The Group also issued 30,000,000 and 3,150,000 fully paid ordinary shares to Mr Hobba and Mr Hunt respectively. These shares were issued for $NIL consideration in lieu of remuneration and reimbursements outstanding to Mr Hobba ($300,000), and in lieu of a portion of Mr Hunt's remuneration over the next 12 months. These amounts were issued in November 2020 upon receiving approval for their issue at the AGM.

**NOTE 7: TRADE AND OTHER RECEIVABLES (CURRENT)**

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Trade receivables | - | - |
| Other receivables | 403 | 179 |
| | 403 | 179 |

**NOTE 8: OTHER FINANCIAL ASSETS**

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Deposit for credit cards | 25,000 | 25,000 |
| | 25,000 | 25,000 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Office furniture and equipment | Plant and equipment | Motor vehicles | Mine property and plant[1] | Total |
| | $ | $ | $ | $ | $ |
| **Year ended 30 June 2021** | | | | | |
| At 1 July 2020, net of accumulated depreciation and impairment | 518 | 1,729 | 755 | 717,967 | 720,969 |
| Additions | 29,150 | - | 70,359 | - | 99,508 |
| Disposal / write-offs | (88) | - | - | - | (88) |
| Depreciation charge for the year | (2,702) | (1,090) | (2,715) | (358,984) | (365,491) |
| At 30 June 2021, net of accumulated depreciation and impairment | 26,877 | 639 | 68,399 | 358,983 | 454,899 |
| **Year ended 30 June 2022** | | | | | |
| At 1 July 2021, net of accumulated depreciation and impairment | 26,877 | 639 | 68,399 | 358,983 | 454,898 |
| Additions | 9,674 | - | - | - | 9,674 |
| Disposal / write-offs | - | - | - | - | |
| Depreciation charge for the year | (9,622) | (639) | (9,145) | (358,983) | (378,389) |
| At 30 June 2022, net of accumulated depreciation and impairment | 26,928 | - | 59,253 | - | 86,183 |
| **At 1 July 2021** | | | | | |
| Cost | 95,560 | 1,161,949 | 224,228 | 39,139,173 | 40,620,910 |
| Accumulated depreciation and impairment | (68,683) | (1,161,310) | (155,829) | (38,780,190) | (40,166,012) |
| Net carrying amount | 26,877 | 639 | 68,399 | 358,983 | 454,899 |
| **At 30 June 2022** | | | | | |
| Cost | 104,543 | 1,161,949 | 224,228 | 39,139,173 | 40,629,889 |
| Accumulated depreciation and impairment | (77,615) | (1,161,949) | (164,975) | (39,139,173) | (40,543,710) |
| Net carrying amount | 26,928 | - | 59,253 | - | 86,183 |

(1) Mine Property and Plant: Since processing of mined ore ceased in January 2012 and toll treatment ceased in August 2012 and pending its reinstatement, an assessment of the recoverable value of non-current assets in compliance with AASB 136 was carried out in accordance with assumptions disclosed in Note 1(e) “Recoverability of mine property and plant” and impairments were recognised. The total impairment value recognised of $14,941,733 remains unchanged. The Board recognise that the previously impairment value of $14,941,733 can be written back in future periods.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 June 2022**

**NOTE 10: RIGHT-OF-USE ASSETS**

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Cost | 65,934 | 48,044 |
| Accumulated depreciation | (51,026) | (34,471) |
| Net carrying amount | 14,908 | 13,573 |

Reconciliation of movement in Right-of-Use Assets

| | Office premises<br>$ | Total<br>$ |
|---|---|---|
| **Year ended 30 June 2022** | | |
| Opening carrying amount | 14,908 | 14,908 |
| Renewed lease | 17,890 | 17,890 |
| Discount received | - | - |
| Depreciation charge for the year | (16,555) | (16,965) |
| Closing carrying amount | 14,908 | 13,574 |

(1) The Group has one lease relating to its office premises in Perth. The right of use assets do not have an option to purchase at the end of the term. The lease has been extended for a period of one year, with an expiry of 30 April 2023.

**NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021 |
| Costs carried forward in respect of: | | |
| **Exploration and evaluation expenditure** | | |
| Balance at beginning of year | 9,313,231 | 2,686,636 |
| Expenditure incurred | 3,006,429 | 621,887 |
| Expenditure written off | (532,504) | (32,220) |
| Impairment of Alpha and Beta mines (2) | (47,828) | (32,084) |
| Tenements transferred from/(to) held-for-sale (3) | - | 5,819,012 |
| Acquisition of tenements (4) | 1,531,594 | 250,000 |
| Balance at end of financial year | 13,270,922 | 9,313,231 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

### NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (continued)

(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.

(4) As announced on 25 October 2021, the Group acquired a two prospective exploration licences within Western Australia, collectively known as "Comet Well", from Milford Resources Pty Ltd. The purpose of the acquisition was to obtain tenure over ground adjacent and contiguous to Brightstar's existing exploration licences at Alpha and Beta.

Under the terms of the acquisition, the Group paid total consideration of $1,531,594, consisting of:

- $50,000 in cash;
- 15,000,000 fully paid ordinary shares in the Group, prices at the 10 day VWAP prior to the date of the agreement, valued at $690,000 based on a 10 day VWAP of $0.046 per share (Note 17);
- 20,000,000 unlisted options exercisable at $0.05 each with an expiry date of 31 December 2024, valued at $781,594 utilising a Black-Scholes (Note 18); and
- A 1% NSR over Comet Well. No value has been placed on this NSR as the amount is unable to be reliably estimate, given the early stage of exploration at Comet Well.

### NOTE 12: TRADE AND OTHER PAYABLES (CURRENT)

| | Consolidated 2022 $ | 2021 |
|---|---|---|
| Trade payables (1) | 830,584 | 178,001 |
| Other payables and accruals (2) | 1,209,750 | 784,967 |
| | 2,040,334 | 962,968 |

(1) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(2) Other payables include

- $608,997 interest accrued on borrowings. This amount is expected to be waived upon repayment of the principal amount owing to Great Cortex International Ltd (2021: $550,347). Refer to Note 14 for further information.

- $189,231 outstanding and payable to Directors who mutually agreed with the Group to defer the payment of a portion of their remuneration, which will be settled in either cash or equity at the Company's discretion (2021: $135,309).

- $300,000 Call Option Fee payable to Stone Resources (HK) Limited (SRHKL). On 27 September 2021, the Group signed a Call Option Deed with SRHKL, under which SRHKL agreed to grant the Group or its nominee an option to purchase the 3% net smelter royalty (NSR) which is applicable to a substantial portion of the Group's tenements holdings.

-$111,522 of other accrued expenses and payable amounts.

This Call Option Deed was expected to be settled seven days after the Group's 2021 Annual General Meeting, however the Group is still working through the requirements of shareholder approval. It is envisaged this process will be resolved prior to 31 October 2022. The exercise price of this Call Option is US$25 million, and the expiry is 5 calendar years since settlement date of this Call Option Deed.

The Call Option Fee will be settled in BTR shares, subject to shareholder approval. SRHKL has no rights to compel or demand exercise of the Call Option. Purchase of part of the NSR is allowed by the Call Option.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 June 2022**

**NOTE 13: LEASE LIABILITIES**

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| Current | 14,907 | 15,639 |
| Non-current | - | - |
| | 14,907 | 15,639 |

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities relate to the Group's office premise lease and is unsecured.

**NOTE 14: BORROWINGS**

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Current | - | 630,000 |
| Non-current | 628,736 | - |
| | 628,736 | 630,000 |

Reconciliation of movement in borrowings:

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Opening balance | 630,000 | 630,000 |
| Repayment | (630,000) | |
| Recognise new liability at fair value on date of modification | 516,475 | - |
| Unwind of discount | 112,261 | - |
| | 628,736 | 630,000 |

Great Cortex International Ltd (Cortex) provided a loan of AUD$630,000 which has been accruing interest at 9.31% per annum since February 2012.

On 27 September 2021 the Company entered a settlement deed with Cortex ("Cortex Settlement Deed"), agreeing to pay AUD$630,000 on or before 18 November 2023. Subject to full payment of the AUD$630,000, the original loan agreement which was executed in September 2012 will be terminated, and all liabilities under that loan agreement including interest accrued will be deemed to have been discharged.

The Cortex Settlement Deed was accounted for as a substantial modification under Australian Accounting Standards. Accordingly, the Group de-recognised the existing liability as at the date of the as non-current, and revalued the liability at its fair value on the date of the modification. This liability has then been subsequently measured at amortised cost. The financing cost for the period was $112,261.

In June 2022, the Company and Cortex agreed to settle the $630,000 by issuance of 19,090,909 BTR shares at an issue price of $0.033 per share. This agreement is currently pending shareholder approval.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 15: PROVISIONS

| | Rehabilitation | Employee benefits | Total |
|---|---|---|---|
| | $ | $ | $ |
| At 1 July 2021 | | | |
| Current | - | 112,740 | 112,740 |
| Non-current | 3,044,667 | - | 3,044,667 |
| | 3,044,667 | 112,740 | 3,157,407 |
| At 30 June 2022 | | | |
| Current | - | 145,225 | 145,225 |
| Non-current | 3,111,668 | - | 3,111,668 |
| | 3,111,668 | 145,225 | 3,256,893 |

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 | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Balance at beginning of financial year | 3,044,667 | 3,583,061 |
| Addition | - | - |
| Utilised | - | - |
| Transferred from/(to) Liabilities held for sale | - | 2,495,400 |
| Adjustment based on reassessment | - | (3,033,794) |
| Unwind of discount | 67,001 | - |
| Balance at end of financial year | 3,111,668 | 3,044,667 |

## NOTE 16: OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Amounts payable under share buy-back | 4,434,667 | 3,715,060 |
| Total other financial liabilities | 4,434,667 | 3,715,060 |

Following 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 30 June 2022, 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 $3,332,530 (measured first) at net present value, with the residual $2,067,460 being attributed to the equity component. The remaining liability is initially accounted for at fair value and subsequently measured at amortised cost. The financing cost for the period was $719,607 (2021 - $382,530)

During the year, the Group reached agreement with the SRHKL to extinguish the $5,400,000 debt in exchange for the grant of a 1.5% NSR royalty on six tenements which are not covered by the original DECA. The agreement is currently pending shareholders approval (see Note 21 for further information).

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 June 2022**

**NOTE 17: ISSUED CAPITAL**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Ordinary shares issued and fully paid | 43,254,388 | 37,857,909 |

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | **No.** | **$** | **No.** | **$** |
| *Movement in ordinary shares on issue* | | | | |
| Balance at beginning of financial year | 439,750,764 | 37,857,909 | 836,053,708 | 51,541,309 |
| Share issues (1)(2)(3)(4) | 207,110,105 | 5,687,318 | 37,150,000 | 559,850 |
| Shares repurchase and cancellation (5) | - | - | (433,452,944) | (14,243,250) |
| Costs associated with issue of shares | - | (290,839) | - | - |
| Balance at end of financial year | 646,860,869 | 43,254,388 | 439,750,764 | 37,857,909 |

(1) On 8 October 2021, the Company completed the issue by way of placement of 86,937,691 fully paid ordinary shares in the Company at a price of $0.027 per share to raise $2,347,317 (before costs).

(2) On 1 December 2021, the Company issued 5,172,414 fully paid ordinary shares to Mr Tony Lau as part payment of settlement for a total value of $150,000. Refer to Note 21 for further information

(3) On 1 December 2021, the Company issued 15,000,000 shares to Milford Resources Pty Ltd, at a price of $0.046 per share, as part consideration for Comet Well. The shares issued, valued at $690,000, are subject to a 12-months voluntary escrow period from the date of issue. Refer to Note 4 for further information.

(4) On 23 March 2022, the Company completed the issue by way of placement of 100,000,000 fully paid ordinary shares in the Company at a price of $0.025 per share to raise $2,500,000 (before costs).

(5) 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 the consideration which includes adjustment for the deferred consideration was $9,332,540. These shares have been subsequently cancelled. The difference between the historical capital amount relating to these shares of $14,243,250 and the fair value of the consideration, amounting to $4,910,910 has been recognised as an equity reserve.

**NOTE 18: RESERVES**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Balance at beginning of financial year | 5,396,622 | 8,846 |
| Share based payments | 869,220 (1) | 477,066 (2) |
| Equity reserve (3) | - | 4,910,710 |
| Balance at end of financial year | 6,265,842 | 5,396,622 |

(1) During the reporting period, the Company issued 20,000,000 options exercisable on or before 31 December 2024 to Milford Resources Pty Ltd as part consideration for acquisition of two exploration licence tenements. The options are subjected to a 12 months voluntary escrow period from 1 December 2021. Refer to Note 4 for further information.

The fair value of these options granted was calculated by using the Black Scholes Option Pricing Model by applying the following inputs. The fair value of these options granted, $781,594, has been capitalised as deferred exploration and evaluation expenditure as at 30 June 2022.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

### NOTE 18: RESERVES (continued)

| | Milford Options |
|---|---|
| Number of instruments | 20,000,000 |
| Date of grant | 25 October 2021 |
| Share price at grant date | $0.050 |
| Volatility factor | 137.21% |
| Risk free rate | 0.66% |
| Expected life of instrument (years) | 3 years |
| Exercise price per instrument | $0.050 |
| Valuation per instrument | $0.0391 |
| **Total fair value of Milford Options** | **$781,594** |

(2) During the reporting period, the Company issued 2,200,00 Loyalty Options, exercisable at $0.05 each, to employees in recognition of their employment periods with the Company. The options were for a 3 year term and vested 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 $87,626.

| | Service Options |
|---|---|
| Number of instruments | 2,200,000 |
| Date of grant | 29 November 2021 |
| Share price at grant date | $0.051 |
| Volatility factor | 140.13% |
| Risk free rate | 0.92% |
| Expected life of instrument (years) | 3 years |
| Exercise price per instrument | $0.050 |
| Valuation per instrument | $0.0398 |
| **Total fair value of Loyalty Options** | **$87,626** |

(3) On 29 December 2020, 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 $274,174.

| | Tranche 1 | Tranche 2 | Tranche 3 |
|---|---|---|---|
| Number of instruments | 4,000,000 | 4,000,000 | 4,000,000 |
| Date of grant | 1 Sep 2020 | 1 Sep 2020 | 1 Sep 2020 |
| Expiry date | 31 Dec 2023 | 31 Dec 2023 | 31 Dec 2023 |
| Share price at grant date | $0.024 | $0.024 | $0.024 |
| Volatility factor | 241.79% | 241.79% | 241.79% |
| 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 | $0.0230 | $0.0228 | $0.0227 |
| Total expense | $91,936 | $91,363 | $90,875 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 June 2022

**NOTE 18: RESERVES (continued)**

(4) 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. The options were issued on 22 June 2021 and the fair value of these options 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 $152,892.

| | **PCF Options** |
|---|---|
| Number of instruments | 5,000,000 |
| Date of grant | 22 June 2021 |
| Expiry date | 22 June 2024 |
| Share price at grant date | $0.032 |
| Volatility factor | 239.84% |
| Risk free rate | 0.28% |
| Expected life of instrument (years) | 3 years |
| Exercise price per instrument | $0.045 |
| Valuation per instrument | $0.0306 |
| Total expense | $152,892 |

On 12 February 2021, the Company issued 1,000,000 Options exercisable on or before 12 February 2024 as part consideration for the acquisition of an exploration licence tenement. The total expense recognised for the period in respect of this issue was $50,000.

| | Consolidated | |
|---|---|---|
| **Share-based payments reserve** | 2022 $ | 2021 $ |
| Balance at beginning of financial year | 485,912 | 8,846 |
| Options issued | 869,220 | 477,066 |
| Balance at end of financial year | 1,355,132 | 485,912 |

**(3) Nature and Purpose of Reserves**

*Share-based payments reserve*

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

*Equity reserve*

This reserve was created to record the difference between the fair value of the buy-back consideration and the historical issue value of the buy-back shares upon completion of the DECA.

**NOTE 19: FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

**NOTE 19: FINANCIAL INSTRUMENTS (continued)**

| | Consolidated | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **(b) Categories of financial instruments** | | |
| **Financial assets** | | |
| Cash and cash equivalents (Note 6) | 1,601,324 | 985,036 |
| Trade and receivables (Note 7) | 403 | 179 |
| **Financial liabilities** | | |
| Trade and other payables (Note 12) | 2,040,334 | 962,698 |
| Lease liabilities (Note 13) | 14,907 | 15,639 |
| Borrowings (Note 14) | 628,736 | 630,000 |
| Other financial liabilities (Note 16) | 4,434,667 | 3,715,060 |

**(c) Market risk**

The Group's mining operations were under care and maintenance throughout the current year and therefore not exposed to market risk.

**(d) Foreign currency risk management**

The Group does not have any material exposure to foreign currency risk, other than its impact on the economy and commodity price generally.

**(e) Credit risk management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date of recognised financial assets is the carrying amount of those assets, net of any allowance for credit losses, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The credit risk on liquid funds is limited because the counterparties are banks with a minimum credit rating of AA assigned by reputable credit rating agencies. The Group's maximum exposure to credit risk at the reporting date was. The Group does not have any other material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the group.

**(f) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 June 2022**

**NOTE 19: FINANCIAL INSTRUMENTS (continued)**

**(f) Liquidity risk management (continued)**

Consolidated

| | Weighted Average Interest rate | Less than 1 month | 1 – 3 Months | 3 months – 1 year | 1 – 2 years | 2 – 5 years |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **2022** | | | | | | |
| Non-interest bearing | | 2,040,334 | - | - | - | - |
| Interest bearing loans | 9.31% | - | - | - | 630,000 (1) | - |
| Lease liabilities | 4.91% | 1,490 | 2,981 | 10,435 | - | - |
| Other financial liabilities | 19.37% | - | - | - | 5,400,000 (2) | - |
| | | **2,041,824** | **2,981** | **10,435** | **6,030,000** | **-** |
| **2021** | | | | | | |
| Non-interest bearing | | 962,968 | - | - | - | - |
| Interest bearing loans | 8.49% | 630,000 (1) | - | - | - | - |
| Lease liabilities | 4.91% | 1,348 | 2,696 | 11,595 | - | - |
| Other financial liabilities | 19.37% | - | - | - | - | 5,400,000 |
| | | **1,594,316** | **2,696** | **11,595** | **-** | 5,400,000 |

(1) During the year, the Company signed a settlement deed with Great Cortex to extend the repayment of the principal amount to 18 November 2023 and waive all accrued interest (repayable on demand and included in trade and other payables classified under non-interest bearing above) owing. A Deed of Variation was subsequently signed to allow the loan principal settled in equity, subject to shareholders approval. Refer to Note 22 for further details.

(2) During the year, the Group reached agreement with the SRHKL to extinguish the $5,400,000 debt in exchange for the grant of a 1.5% NSR royalty on six tenements which are not covered by the original DECA. The agreement is currently pending shareholders approval (see Note 21 for further information).

**(g) Commodity price risk**

The Group's mining operations were under care and maintenance throughout the current year and therefore not exposed to commodity risk.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 19: FINANCIAL INSTRUMENTS (continued)

### (h) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $ | $ | $ | $ |
| Financial Assets | | | | |
| Cash and cash equivalents | 1,601,324 | 985,036 | 1,601,324 | 985,036 |
| Trade and other receivables - current | 403 | 179 | 403 | 179 |
| Financial Liabilities | | | | |
| Trade and other payables | 2,040,334 | 962,698 | 2,040,334 | 962,698 |
| Lease liabilities | 14,907 | 15,639 | 14,907 | 15,639 |
| Borrowings | 628,736 | 630,000 | 628,736 | 630,000 |
| Other financial liabilities | 4,434,667 | 3,715,060 | 4,434,667 | 3,715,060 |

## NOTE 20: COMMITMENTS AND CONTINGENCIES

### Exploration commitments

The Group has an expenditure commitment of $731,720 for the year 2022-2 to sustain current tenements under lease from the Department of Mines, Industry Regulation and Safety (DMIRS). The expenditure commitment includes annual tenement rentals of $108,977 (2021: $124,702).

### Capital expenditure commitments

The Directors are not aware of any other commitments from the Group's operations as at 30 June 2022.

### Contingencies

The Group will pay SRHKL 3% net smelter return ("NSR") royalty on gold produced from most of the tenements listed in the Tenement Schedule in the Group's 2020 Annual Report. On 27 September 2021, the Group signed a Call Option Deed with SRHKL, under which SRHKL agreed to grant BTR or its nominee an option to purchase the 3% NSR. The exercise price of this Call Option is US$25 million, and the expiry is 5 calendar years since settlement date of this Call Option Deed. An Option Fee of $300,000 is payable to SRHKL on the settlement date. Equity settlement of the Option Fee is currently pending shareholders' approval. The exercise price, if exercised, can be settled in cash and/or BTR shares at the discretion of the Board. SRHKL has no rights to compel or demand exercise of the Call Option. Purchase of part of the NSR is allowed by the Call Option.

At end of the reporting period, the Group also agreed to grant a 1.5% NSR over six tenements, which are not covered by the original DECA, to SRHKL ("New Royalty"), in compensation for extinguishing the deferred DECA payment of $5,4000,000 (see Note 16), subject to shareholder approval. Total payable under the New Royalty is capped $16,200,000.

As part consideration for acquisition of exploration licences E38/3438, the Group agreed to pay Mining Equities Pty Ltd 1% NSR on minerals sold from the tenement.

Exploration licence E38/3279 is subject to 1% NSR on minerals sold from the tenement.

During the reporting period, the Group acquired two prospective exploration licences within Western Australia, E38/3500 and E38/3504 (Comet Well), from Milford Resources Pty Ltd. According to the acquisition agreement, Milford Resources Pty Ltd is entitled to a 1% net smelter return (NSR) royalty over the Comet Well tenements.

There were no other contingencies as at 30 June 2022 other than already disclosed.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 21: RELATED PARTY DISCLOSURE

During the interim period, no options and/or shares were issued to the Directors.

### (a) Individual Directors and executives compensation disclosures

Apart from the details disclosed in this Note, no Director has entered into a contract with the Group since the end of the previous financial year.

### (b) Subsidiaries

Brightstar Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

The consolidated financial statements include the financial statements of Brightstar Resources Limited and the subsidiaries listed in the following table.

| | *Country of* | *% Equity Interest* | |
|---|---|---|---|
| *Name* | *Incorporation* | *2022* | *2021* |
| Desert Exploration Pty Ltd | Australia | 100% | 100% |

### (c) Other key management personnel and director transactions

Purchases from and sales to related parties are made on terms equivalent to those that prevail in arm's length transactions.

During the year, the Group had entered into the following transactions with related parties.

On 27 September 2021, the Group signed a Call Option Deed with Stone Resources (HK) Limited (SRHKL), under which SRHKL agreed to grant the Group or its nominee an option to purchase the 3% net smelter royalty (NSR) which is applicable to a substantial portion of the Group's tenements holdings. SRHKL is a related party of the Company by virtue of Mr Yongji Duan being a director of both SRHKL and the Company.

This Call Option Deed is expected to be effective by 25 October 2022 once shareholder approval is obtained. The exercise price of this Call Option is US$25 million, and the expiry is 5 calendar years following shareholder approval.

An Option Fee of $300,000 is payable to SRHKL on the settlement date and the Group has elected to pay this fee via the issue of shares. The exercise price, if exercised, can be settled in cash and/or BTR shares at the discretion of the Board. SRHKL has no rights to compel or demand exercise of the Call Option. Purchase of part of the NSR is allowed by the Call Option.

On 27 September 2021, the Group executed two Settlement Deeds in relation to an outstanding liability owing to Great Cortex International Limited ("Great Cortex"), in which Mr Duan was a director (Mr. Duan ceased to be a Director of Great Cortex before 30 June 2021), and amounts owed to its former Company Secretary Mr Tony Lau. Under the Settlement Deeds:

i. The Group will repay the loan principal of $630,000 in cash to Great Cortex on or before 18 November 2023. All related expenses and amounts owing, including accrued interest payments, will be waived once Brightstar meets its obligations under the Settlement Deed.

   At end of reporting period, the above loan settlement agreement was varied and both parties agreed to settle the $630,000 in BTR shares instead of cash, subject to shareholder approval.

ii. A settlement sum of $300,000 will be paid to Mr Tony Lau, in cash and/or shares at the Group's discretion.

   With shareholder' approval obtained at the Group's 2021 AGM, 5,172,414 shares have been issued to Mr Tony Lau as part payment under the Settlement Deed, with a further $150,000 paid in cash to Mr Tony Lau during the period.

iii. All claims between the Parties relating to the past conduct of the Parties are settled in accordance with the terms of the Deeds.

At the end of the reporting period, the Group entered into a deed of variation of the Revised Debt and Equity Compromise Agreement (DECA) with SRHKL. It was agreed that the $5,400,000 debt owed to SRHKL under the DECA will be distinguished in exchange for the grant of a 1.5% NSR royalty on six tenements which are not covered by the original DECA ("New Royalty"). Total payable under the New Royalty is capped at $16,200,000.

Other than as outlined above, the Group did not enter into any further related party transactions with the Director, key management personnel or their related entities.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 June 2022

## NOTE 22: PARENT ENTITY DISCLOSURES

***Financial position***

| | 30 June 2022<br>$ | 30 June 2021<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 1,652,869 | 1,033,266 |
| Non-current assets | 13,372,013 | 9,901,812 |
| Total assets | 15,024,882 | 10,935,078 |
| | | |
| **Liabilities** | | |
| Current liabilities | 2,200,466 | 1,721,347 |
| Non-current liabilities | 8,175,071 | 6,759,727 |
| Total liabilities | 10,375,537 | 8,481,074 |
| | | |
| **Equity** | | |
| Issued capital | 43,254,388 | 37,857,909 |
| Accumulated losses | (44,883,720) | (40,933,470) |
| Reserves | 6,265,842 | 5,396,622 |
| Total equity | 4,636,510 | 2,321,061 |

***Financial performance***

| | 30 June 2022<br>$ | 30 June 2021<br>$ |
|---|---|---|
| Total loss and other comprehensive income for the year (after tax) | (3,950,250) | 60,551,860 |

***Commitments and Contingencies of the parent entity***

Commitments and contingencies of the parent entity are the same as those of the group (refer Note 21).

## NOTE 23: EVENTS AFTER THE BALANCE DATE

Subsequent to the financial year end, the Company has scheduled a General Meeting for 17 October 2022.

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

## NOTE 24: AUDITOR'S REMUNERATION

During the financial year the following fees were paid or payable for services provided by Pitcher Partners BA&A Pty Ltd, the auditor of the company, and its related entity.

| | Consolidated<br>2022<br>$ | <br>2021<br>$ |
|---|---|---|
| *Audit services - Pitcher Partners BA&A Pty Ltd* | | |
| - Audit or review of the financial statements | 40,600 | 39,500 |
| *Other services - Pitcher Partners Accountants & Advisors WA Pty Ltd* | | |
| - Taxation compliance services | 18,400 | 8,000 |
| | 59,000 | 47,500 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2022

## NOTE 25: DIRECTORS AND EXECUTIVES DISCLOSURES

### (a) Details of Key Management Personnel

*(i) Directors*

| | |
|---|---|
| William Hobba | Managing Director |
| Yongji Duan | Non-Executive Chairman |
| Josh Hunt | Non-Executive Director |

*(ii) Other Key Officer*

| | |
|---|---|
| Luke Wang | Company Secretary |
| Tony Lau | Joint Company Secretary (*resigned on 19 July 2021*) |

### (b) Other transactions and balances with Key Management Personnel

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

The following balances were payable at balance sheet date:

| | Transaction | 2022 $ | 2021 $ |
|---|---|---|---|
| **Directors** | | | |
| Yongji Duan | Deferred remuneration payment (1) | 95,098 | 56,841 |
| William Hobba | Deferred remuneration payment (1) | 94,133 | 28,133 |
| **Other Key Officer** | | | |
| Tony Lau (2) | Deferred remuneration payment (1) | - | 13,750 |

(1) Under mutual agreement, part payment of the remuneration has been deferred and will be settled in either cash or equity at the Company's discretion.

(2) Mr Lau resigned on 19 July 2021

### (c) Key Management Personnel Compensation

Refer to the Remuneration Report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2022.The totals of remuneration paid to key management personnel of the Company and the group during the year are as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Short term employee benefits (including deferred remuneration payment) | 639,130 | 670,385 |
| Post-employment benefits | 22,000 | 15,634 |
| Share-based payments | 189,830 | 360,000 |
| Total key management personnel compensation | 850,960 | 1,046,019 |

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Brightstar Resources Limited (the 'Company'):
   a. the accompanying financial statements, notes and the additional disclosures of the Group are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

This declaration is signed in accordance with a resolution of the Board of Directors pursuant to S.295 (5) of the Corporations Act 2001.

William Hobba
Managing Director
Dated this 30th day of September, 2022

**BRIGHTSTAR RESOURCES LIMITED**
**ABN 44 100 727 491**

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

## Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Brightstar Resources Limited (the "Company") and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1(b) in the financial report for the year ended 30 June 2022 which indicates that the Group recorded an operating loss of $3,950,250 (2021 Profit: $60,551,860), reported net cash used in operating activities of $1,391,658 (2021: $844,136) and as at that date had cash and cash equivalents of $1,601,324 (2021: $985,036). These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**BRIGHTSTAR RESOURCES LIMITED**
**ABN 44 100 727 491**

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

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Deferred exploration and evaluation expenditure**<br>Refer to Note 1(e), 1(j) and 11 to the financial report. | |
| As at 30 June 2022, the Group held capitalised exploration and evaluation expenditure of $13,270,923.<br>The carrying value of deferred exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the capitalised exploration and evaluation expenditure may exceed its recoverable amount.<br>The determination as to whether there are any indicators to require the deferred exploration and evaluation expenditure to be assessed for impairment involves a number of judgements including but not limited to:<br>• Whether the Group has tenure of the relevant area of interest;<br>• Whether the Group has sufficient funds to meet the relevant area of interest minimum expenditure requirements; and<br>• Whether there is sufficient information for a decision to be made that the relevant area of interest is not commercially viable.<br>During the year, the Group determined that there had been no indicators of impairment.<br>Given the size of the balance and the judgemental nature of the impairment indicator assessments associated with exploration and evaluation assets, we consider this is a key audit matter. | Our procedures included, amongst others:<br>Obtaining an understating of and evaluating the design and implementation of the relevant processes and controls associated with the capitalisation of exploration and evaluation expenditure, and those associated with the assessment of impairment indicators.<br>Examining the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation.  We also considered the status of the exploration licences as it related to tenure.<br>Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant area of interest, including an assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group.<br>Testing a sample of transactions by sighting evidence of signed contracts, related invoices and comparing the amount recognised as deferred exploration and evaluation assets is in accordance with AASB 6.<br>Reviewing management's evaluation and judgement as to whether the exploration activities within each relevant area of interest have reached a stage where the commercial viability of extracting the resource could be determined.<br>Assessing the adequacy of the disclosures included within the financial report. |

**Share-based payments**

Refer to Note 1(e) and 16 and 17 to the financial report.

During the year ended 30 June 2022, the Group has issued shares and options to advisors, suppliers, directors and employees, totalling a net value of $5,396,479

Under Australian Accounting Standards, equity settled awards for employees are measured at fair value of goods or services received, or on the measurement (grant) date taking into consideration the probability of the vesting conditions (if any) attached. This amount is recognised as an expense either immediately if there are no vesting conditions, or over the vesting period if there are vesting conditions.

In calculating the fair value there are a number of judgements management must make, including but not limited to:

- estimating expected future share price volatility;
- expected dividend yield; and
- risk-free rate of interest.

Due to the significance to the Group's financial report and the level of judgment involved in determining the valuation of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.

Our procedures included, amongst others:

Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the preparation of the valuation model used to assess the fair value of share based payments, including those relating to volatility of the underlying security and the appropriateness of the model used for valuation.

Critically evaluating and challenging the methodology and assumptions of management in their preparation of valuation model, including management's assessment of volatility, expected dividend yield, risk-free rate, and other inputs, including, agreeing these to internal and external sources of information as appropriate.

Assessing the adequacy of the disclosures included in the financial report.

**BRIGHTSTAR RESOURCES LIMITED**
**ABN 44 100 727 491**

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

**Rehabilitation provision**

Refer to Note 1(e),1(q) and 15 to the financial report.

The Group is liable to rehabilitate the environment disturbed by the historical operations at the Brightstar Beta Project. Rehabilitation activities are governed by a combination of legislative and licence requirements.

At 30 June 2022, the consolidated statement of financial position included a provision for such obligations of $3,111,668.

This was a key audit matter given the determination of this provision requires evaluating the key assumptions used by management and judgement in the assessment of the nature and extent of future works to be performed, the future cost of performing the works, the timing of when the rehabilitation will take place and the economic assumptions such as the discount and inflation rates applied to future cash outflows associated with rehabilitation activities to bring them to their present value.

Our procedures included, amongst others:

Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the estimation of costs and other inputs utilised within the rehabilitation estimate model.

Obtaining the Group's assessment of its obligations to rehabilitate disturbed areas and the estimated future cost of that work, which forms the basis for the rehabilitation provision calculations for the Brightstar Beta Project.

Evaluating and testing key assumptions including economic assumptions through the performance of the following procedures:

- considering the appropriateness of the qualifications and experience of the management consultant appointed as the preparer and an expert in his field
- examining supporting information for significant changes in future costs estimates from the prior year
- considering the appropriateness of the discount rate and inflation rates applied to future cash outflows used in calculating the provision

Assessing the adequacy of the disclosures included in the financial report.

PITCHER PARTNERS

**BRIGHTSTAR RESOURCES LIMITED**
**ABN 44 100 727 491**

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

*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 14 to 19 of the directors' report for the year ended 30 June 2022. In our opinion, the Remuneration Report of Brightstar Resources Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners BA&A PTY LTD

PITCHER PARTNERS BA&A PTY LTD

PAUL MULLIGAN
Executive Director
Perth, 30 September 2022