

ASX

AUSTRALIAN STOCK EXCHANGE

MARKET RELEASE

8 October 2003

Goldstar Resources NL

Goldstar Resources NL has applied for admission to the official list of Australian Stock Exchange Limited and for quotation of its securities. It has been given a provisional ASX code. Provision of an ASX code and publication of the following information does not mean that the entity will be admitted or that its securities will be quoted.

Pam Ross
Manager Company Announcements Office

Gordon Hill (Non-executive Chairman)
Andrew King (Managing Director)
Duncan Greenaway (Exploration Director)
Eileen Carr (Non-executive Director)

Ian Pankhurst (for Duncan Greenaway)

Duncan Greenaway

Ray Hazeldene

Peter Ball

Unit 4, 26 Clive Street
West Perth, Western Australia
Telephone: +61 8 9321 1577
Facsimile: +61 8 9321 1566
Email: reception@goldstarltd.com.au
Website: www.goldstarltd.com.au

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia
Telephone: +61 8 9315 0933
Facsimile: +61 8 9315 2233

Southern Cross Equities Limited
Level 15, 167 Macquarie Street
Sydney, New South Wales
Telephone: +61 2 9231 0880
Telephone: +61 2 9231 0588

Snowden Corporate Services Pty Ltd
87 Colin Street
West Perth, Western Australia

Richard O'Shannassy & Co
Level 3, 89 St Georges Terrace
Perth, Western Australia

Hardies Lawyers
45 Ventnor Avenue
West Perth, Western Australia

Hall Chadwick
Level 41, The Bank West Tower
108 St Georges Terrace
Perth, Western Australia

GDR

GOLDSTAR

7349 1016 0001

ABN 76 098 939 274

PROSPECTUS

For the offer of up to 24 million Shares at
25 cents each to raise up to \$6 million

Accounting Index
Company Information



Southern Cross Equities

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IMPORTANT NOTICES

This prospectus has been issued by Goldstar and was lodged with ASIC on, and is dated, 19 September 2003. Neither ASIC nor ASX take any responsibility for the contents of this prospectus.

The Company has issued both a printed and an electronic version of this prospectus and the electronic version may be accessed at www.goldstaritd.com.au. This prospectus should be read in its entirety before deciding to invest in the Shares offered by this prospectus. The Board considers an investment in the Shares to be speculative and recommends that you should consult with your financial advisor as to the course you should follow with respect to the Shares. No Shares (or other securities) will be issued on the basis of this prospectus later than 13 months after the date of this prospectus.

This prospectus should only be accessed from within Australia as the Shares have only been qualified for issuance in Australia. Hence, this prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Where this prospectus has been dispatched to, or accessed electronically by, Non-Residents and where that jurisdiction's securities legislation requires registration of this prospectus, this prospectus is provided for information purposes only. Non-Residents should refer to *Additional Information - Non-Residents* for further details.

The Company reserves the right not to accept an application form from any person if it has reason to believe that when that person was given the application form, that person was not provided with a complete and unaltered copy of this prospectus and any relevant supplementary or replacement prospectus. If you have received an application form for the Shares without a complete and unaltered copy of this prospectus, please contact the Company who will send you, free of charge, either a printed or an electronic version of this prospectus (or both).

Certain terms and abbreviations used in this prospectus (usually capitalised) are defined terms. See *Glossary* for further details.

CHAIRMAN'S LETTER



Australian Based Directors: (L to R) Gordon Hill, Duncan Greenaway, Ian Parkhurst, Andrew King

Dear Investor,

On behalf of the board of directors, it is my pleasure to offer you Shares in Goldstar Resources NL.

Goldstar offers prospective shareholders the chance to invest in a company that has an opportunity to generate early and sustainable cashflow from its exciting portfolio of Australian mineral resource assets. The Company is confident that this portfolio has the ability to generate a number of sizeable gold deposits that should translate into significant shareholder wealth. Goldstar is also assessing the merits of a number of other assets to add to the strength of this portfolio.

Goldstar's most exciting and advanced project is the **Walhalla Project** in Victoria, which has strong potential to host combined gold resources in excess of 1 million ounces. The project contains Cohen's Shoot, which returned 1.46 million

ounces of gold at over 1 ounce per tonne. The Company has identified a number of priority targets, including the Empress Shoot, which it believes may result in the discovery of repetitions of Cohen's Shoot. The Walhalla Project also provides an opportunity for a significant early cashflow, given the Indicated and Inferred gold resource of 677,000 tonnes grading 5.5 g/t (for 119,000 ounces) at Cohen's Shoot stockwork. Goldstar's short-term aim is to significantly increase this resource, enabling early production and cashflow.

Evaluation of exploration and mining data has also highlighted the potential of the Company's other projects. The **Peak Hill Project** in Western Australia is considered highly prospective for a major gold deposit of up to 500,000 ounces. The project contains possible extensions or repetitions of geological structures that have produced significant gold deposits in the recent past. At the **Millrose Project** in Western Australia, Goldstar hopes to at least replicate the discovery of the 251,000 ounce gold resource located immediately along strike from the project area. Several major targets have already been identified at Millrose from the limited amount of work undertaken to date.

The **Top Camp Project**, near Cloncurry, Queensland, has the potential to host a significant gold-copper deposit, due to its close proximity to numerous significant gold and copper-gold deposits that include Ernest Henry, Mt Isa and Starra. A number of exciting anomalous zones have already been identified within the project area.

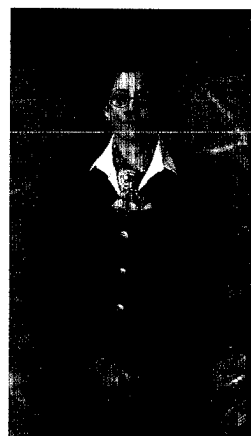
The **Brankeet Project**, in central Victoria, is considered prospective for bulk-tonnage, disseminated gold deposits, as well as narrow high-grade quartz reefs. This is based on the project's mining history and similar geological setting to the nearby Meade's gold mine.

The Company's goal is to generate early and sustainable cashflow from its project portfolio, particularly from the Walhalla Project. Goldstar's Board and management team, who possess extensive mining industry experience and unique geological knowledge with respect to the Company's key projects, were handpicked with this goal in mind. Goldstar is focused on rapidly becoming a significant mining house.

On behalf of the board of directors of Goldstar Resources NL, I recommend this investment opportunity to you and look forward to welcoming you as a Shareholder.

Yours Sincerely

Gordon Hill
Non-executive Chairman



UK Based Director: Eileen Carr

INVESTMENT HIGHLIGHTS

Project and Corporate Highlights

- Highly prospective setting of the Walhalla Project, covering a large part of an historic goldfield that produced over 3 million ounces of gold at 26.0 g/t.
- Resource containing 119,000 ounces of gold in the stockwork surrounding the original Cohen's Shoot workings at the Walhalla Project.
- Potential of the Walhalla Project to host combined gold resources in excess of 1 million ounces, including repetitions of Cohen's Shoot.
- Exciting location of the Peak Hill Project, lying within a goldfield boasting historical production of over 900,000 ounces of gold.
- Belief that the Peak Hill Project may contain a gold deposit of up to 500,000 ounces.
- Prospectivity of the Millrose Project, which may contain strike repeats to the north and south of a known gold deposit.
- Central location of the Top Camp Project in close proximity to major gold and copper-gold deposits which include Ernest Henry, Mt Isa and Starra.
- Potential of the Top Camp Project to contain gold-copper deposits typical of those previously discovered in the region, given the anomalous zones identified to date.
- Opportunity to discover both bulk-tonnage, disseminated gold deposits and narrow high-grade quartz reef deposits at the Brankeet Project.
- Board and management team possessing invaluable knowledge and expertise with respect to the Company's key projects and corporate governance.
- Focused development strategies combined with a tight capital structure.

Summary of the Offer

Offer price	25 cents per Share
Number of Shares to be issued pursuant to the Offer	24,000,000
Funds to be raised pursuant to the Offer	\$6,000,000
Total Shares on issue at the Listing Date	47,426,752
Market capitalisation at the Listing Date	\$11.85 million

Up to an additional 1.2 million Shares may be issued upon completion of the Offer to Southern Cross Equities and VSA Resources (see *Corporate Overview* for further details).

Indicative Timetable

Offer opening date	1 October 2003
Offer closing date (5:00pm WST)	15 October 2003
Expected Listing Date	21 October 2003

The above dates are indicative only and may change without notice.

CORPORATE OVERVIEW

Objectives

Goldstar's specific objectives are to:

- delineate combined gold resources in excess of 1 million ounces at the Walhalla Project at similar grades to Cohen's Shoot, through the evaluation of the Empress Shoot, Cohen's Shear Zone and prospective parallel structures;
- refine and extend the existing Cohen's Shoot stockwork resource at the Walhalla Project with the aim of generating early production and cashflow;
- confirm the potential for a gold resource of up to 500,000 ounces at the Peak Hill Project;
- evaluate gold targets at the Millrose Project for the purpose of discovering a stand-alone resource or a resource of strategic importance to regional producers;
- implement a value adding exploration strategy at the Top Camp Project aimed at attracting interest from a major international or Australian company to expedite exploration and development; and
- determine the mineralised structures and resource potential at the Brankeet Project.

Goldstar intends to maintain a watching brief for other attractive opportunities in the metals and mining industry. Following the completion of the Offer, the Company will have enough working capital to carry out these objectives (see *Details of the Offer* for further details).

Exploration and Mine Development Philosophy

Goldstar is focused on developing a portfolio of projects that contain either clearly identified targets or defined resources located within areas of highly profitable mineral production. While the Company is currently targeting gold resources in Australia, it may evaluate opportunities in other mineral commodities or geographical locations.

Goldstar will predominantly pursue gold opportunities capable of being progressed to development and mining within a short timeframe. The aim is to generate an early and sustainable cashflow to provide a solid financial foundation from which the Company can develop into a significant mining house.

Goldstar will continue to employ the latest, proven exploration techniques at all of its projects. To this end, the Company is investigating the use of a new geophysical technique that offers improved targeting of both structural controls and stratigraphy, thereby reducing exploration costs.

Goldstar will objectively evaluate all current and future projects against a rigid set of criteria centred around early production, sustainable cashflow and significant resource size. The Company will relinquish, joint venture or sell any project that does not meet these criteria.

Goldstar's current focus is on adding value to its most prospective projects to enable the commencement of a bankable feasibility study. Since procuring the projects, the Company has already enhanced the stockwork resource at the Walhalla Project and undertaken the first stages of data review and evaluation for the more exploration-based projects within its portfolio. This will enable the next stage of exploration to commence immediately following the Listing Date.

CORPORATE OVERVIEW (cont)

Capital Structure

The expected capital structure of the Company following the completion of the Offer is as follows:

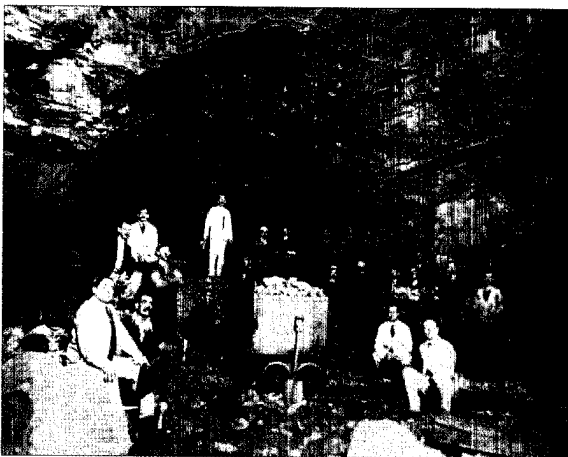
Shares	Number
Shares on issue prior to undertaking the Offer	21,326,752
Shares to be issued to project vendors	2,100,000
Shares to be issued pursuant to the Offer	24,000,000
Total Shares on issue at the Listing Date	47,426,752

Should only the minimum subscription of 20 million Shares be reached (raising \$5 million), the total Shares on issue at the Listing Date is expected to be 43,426,752 Shares.

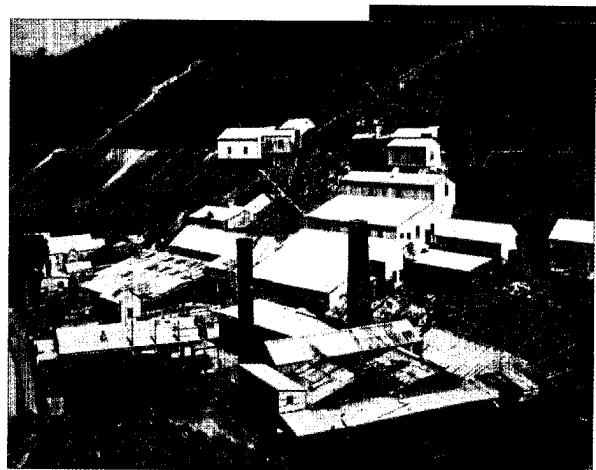
Up to an additional 1.2 million Shares at an issue price of 25 cents each, that is, to a maximum value of \$300,000 if the Offer is fully subscribed, may be issued upon completion of the Offer to Southern Cross Equities and VSA Resources in lieu of the payment of cash fees for the provision of capital raising services in relation to the Offer. See *Details of the Offer* and *Summary of Material Documents* for further details. Southern Cross Equities will be issued 1 million options, exercisable at 35 cents each and expiring 5 years from the date of issue, for the provision of ongoing corporate advice to the Company (see *Terms of Securities* for further details).

The Shares to the vendors of the Peak Hill, Millrose and Top Camp Projects will be issued contemporaneously with the Offer. In addition, up to 1 million Shares may be issued to the vendor of the Top Camp Project should certain exploration and resource definition milestones be achieved at the Top Camp Project. Should a decision to mine be made at the Top Camp Project, 1 million options to acquire 1 million Shares, the terms of which are yet to be agreed upon, will be issued to the vendor of the Top Camp Project. See *Summary of Material Documents* for further details.

There will also be up to 8 million Contributing Shares on issue following the completion of the Offer (see *Terms of Securities* for further details). ASX may classify any securities issued prior to the Listing Date, excluding those issued pursuant to the Offer, as restricted securities (full details of which will be released to ASX as part of the Company's pre-quotations disclosure).



Walhalla Long Tunnel mine chamber (1800's)



Walhalla Long Tunnel battery (early 1900's)

DETAILS OF THE OFFER

The Offer

This prospectus is for the offer of up to 24 million Shares at an issue price of 25 cents each to raise up to \$6 million (**Offer**). No Shares will be issued pursuant to the Offer until the minimum subscription of 20 million Shares raising \$5 million is reached. If the minimum subscription is not reached within four months of the date of this prospectus, no Shares will be issued under this prospectus. Over-subscriptions will not be accepted.

Use of Proceeds

The expected application of the funds raised pursuant to this prospectus is as follows:

Description	Minimum Subscription (\$)	Offer (\$)
Project Development	2,828,776	3,829,501
Project Acquisitions	200,000	200,000
Contribution to the expenses of the Offer	329,000	379,000
Corporate & administrative overheads (first 2 years)	832,979	832,979
General working capital	809,245	758,520
Total	\$5,000,000	\$6,000,000

Please note that due to rounding techniques, the amounts disclosed in the *Independent Geologist's Report* under project development may differ by one or two dollars. Corporate and administrative overheads are the first 2 years post the Listing Date. Should only the minimum subscription be reached, the Company will still have enough working capital to carry out its objectives. See *Project Overview - Indicative Development Expenditure* for further details.

Acceptance

If you wish to participate in the Offer, you must complete the application form accompanying this prospectus in accordance with the instructions set out therein. The Board reserves the right to accept any application in whole or in part, or to reject any application.

Application Monies

Application monies will be held in a separate bank account on behalf of applicants until the Shares are issued. If any application is rejected in whole or in part, the amount tendered in respect of Shares that have not been issued will be repaid to the unsuccessful applicant, without interest.

Issue of Shares

If the Board decides to accept your application and issue Shares, either in whole or in part, they will, subject to ASX granting the Company conditional approval to be admitted to the Official List and the minimum subscription being reached, issue the Shares and dispatch a holding statement to you as soon as practicable after the closing date, together with any application monies received in excess of the number of Shares that you have been issued.

Opening and Closing Date

The opening date for acceptances of the Offer will be 1 October 2003 (subject to the completion of the exposure period required by the Corporations Act, that ends on 26 September 2003, unless the exposure period is extended by ASIC). The closing date for acceptances of the Offer will be 5:00pm (WST) on 15 October 2003. The Board reserves the right to close the Offer at any other date and time, without notice.

DETAILS OF THE OFFER (cont)

Stock Exchange Listing and Quotation of Shares

The Company will apply within 7 days after the date of this prospectus for admission to the Official List and for its Shares to be quoted on ASX. If the application is not made within 7 days after the date of this prospectus or if the Shares are not granted quotation within 3 months after the date of this prospectus, the Company shall:

- a) repay all application monies received with respect to the Offer; or
- b) give the applicants a supplementary or replacement prospectus and a 1 month period to withdraw their applications and be repaid; or
- c) issue the Shares to the applicants and give them a supplementary or replacement prospectus and a 1 month period to withdraw their applications and be repaid.

The fact that ASX may grant quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares.

Sponsoring Broker and Offer Fees

Southern Cross Equities have agreed to act as Sponsoring Broker to the Offer and will manage the Offer. In addition, London based VSA Resources have agreed to seek equity financing for the Company pursuant to the Offer on a best efforts basis. See *Summary of Material Documents* for further details.

With respect to valid applications lodged by other stockbrokers or organisations who hold an Australian Financial Services Licence that are accepted by the Company, the capital raising fees payable to these parties will need to be negotiated directly with Southern Cross Equities.



Walhalla Township - Old mine dump in foreground

BOARD OF DIRECTORS AND MANAGEMENT

Gordon Hill

(52) - LLB, JP

Non-executive Chairman

Mr Hill is a former Minister in the Government of Western Australia, holding senior portfolios including Mines, Trade, Fisheries, and Employment and Training. He served the State of Western Australia in that capacity for 7 years and was a Member of Parliament for over 12 years. Mr Hill developed strategic plans for enhancing investment in the fast-growing mining and petroleum sector, and was responsible for introducing policy initiatives that were incorporated into legislation and practice.

Mr Hill is a Barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia. He is the Chairman and a director of several Australian and international public and private companies. Mr Hill's commercial and legal experience extends to joint venture and native title negotiations, corporate and business advice, and litigation.



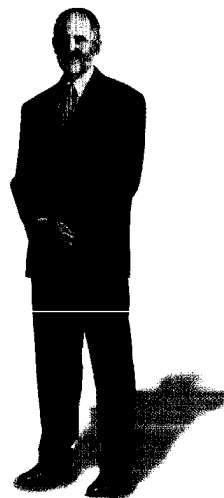
Andrew King

(50) - Dip. Min. Eng., Cert. Acc & Fin, MAusIMM, MIEAust, MAICD

Managing Director

Mr King is a mining engineer with an extensive background in the management and development of mining companies and their operations. He has accumulated over 28 years experience in the mineral resources industry and has been involved with a number of commodities, including gold, base metals, iron ore and coal. Mr King also holds qualifications in accounting and financial management and is a member of the Australian Institute of Company Directors.

Prior to co-founding Goldstar, Mr King held for 4 years the position of General Manager with Tectonic Resources NL and was responsible for overseeing the acquisition, development and debt and equity financing of the RAV 8 Nickel Deposit. Prior to this, he was employed as Operations Manager for Mt Edon Gold Mines (Aust) Pty Ltd (**Mt Edon**) for a 6 year period. During his tenure, Mt Edon grew from a small gold producer to become a significant force in the gold mining industry.



Duncan Greenaway

(50) - B.Sc., M.Sc., Dip. L. Arch., MAICD

Exploration Director

Mr Greenaway is a geologist with over 27 years experience in the mineral resources industry, with a particular focus on gold and coal. He has been involved in project management and developing innovative exploration programs that have resulted in significant resource increases. Mr Greenaway has held a number of senior positions within the industry, including Chief Geologist at Mt Edon for over 4 years and Exploration Manager at Gabriel Resources in Romania.

Mr Greenaway brings a considerable depth of experience to Goldstar in the development of mining projects, including an involvement in both open-cut and underground operations in Australasia, Southern Africa and Eastern Europe. He is also currently a director of Gemstar Diamonds Limited. Along with Mr Andrew King, Mr Greenaway founded Goldstar.



BOARD OF DIRECTORS AND MANAGEMENT (cont)

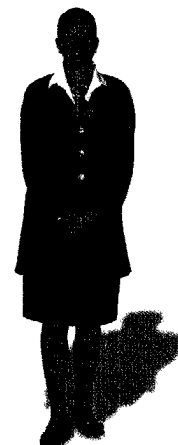
Eileen Carr

(46) - FCCA, MSc. Management (Lon), SLOAN Fellow (LBS)

Non-executive Director

Ms Carr is an accountant with over 20 years experience in the mining and oil and gas industries. She previously held the key position of Finance Director at both Cluff Mining Ltd and Cluff Resources Plc, companies which controlled extensive mining operations located throughout Africa. Ms Carr was heavily involved in the takeover of Cluff Resources Plc by Ashanti Goldfields Co in the mid 90's. She also held the position of Business Manager of the Swiss based private trading company Marc Rich (Glencore).

Ms Carr is currently the Chief Finance Officer and Company Secretary of Monterrico Metals Plc, a Peruvian focused gold and base metals explorer that recently listed on London's Alternative Investment Market.



Ian Pankhurst

(50) - B.Eng., Dip. Acc. & Fin. Man., Dip. Risk Management, MAusIMM

Alternate Director for Duncan Greenaway

Mr Pankhurst is a mining engineer with over 30 years experience in the mining industry, particularly in the metalliferous and coal mining sectors. Mr Pankhurst has held a variety of senior management positions within the mining industry and government, including roles in operations, planning and strategic development.

Mr Pankhurst currently operates his own consulting business, providing corporate and operational services to mining companies in Australia, Canada, South Africa and Japan. He is a director of Mitsui Matsushima Australia, a Japanese company with coal mining interests in Australia and Canada. He is also Managing Director of Australian Auger Mining Pty Limited, operating at several sites within Australia.



Ray Hazeldene

(51) - Dip. App. Geol., Grad. Dip. App. Geol., MAusIMM, MAIG

Manager - Victoria

Mr Hazeldene is a geologist with over 25 years experience exploring and developing gold and base metal projects in Eastern Australia and New Zealand. Mr Hazeldene was responsible for the identification and definition of new resources at Walhalla, Cassilis, Tallangalook and Benambra in Victoria, Woodlawn in New South Wales and Reefton in New Zealand. He previously held the position of Chief Geologist with Walhalla Mining Company NL and Duketon Goldfields NL.

Mr Hazeldene possesses an in-depth understanding of, and has extensive experience with respect to, the areas comprising the Walhalla and Brankeet Projects in Victoria. He was instrumental in the initial recognition and definition of the stockwork resource at the Walhalla Project.

Peter Ball

(50) - B.Sc., MAusIMM

Consulting Resource Geologist

Mr Ball is a geologist with over 27 years experience in resource and project evaluation, and mining and exploration geology. He has held senior positions at a number of companies including Manager Technical Services at Aurora Gold Ltd, Manager Technical Systems at Mt Edon and Senior Geologist Computing at Ok Tedi Mining Limited. Mr Ball works as an independent consultant with specialist skills in preparing technical reviews, resource estimations and feasibility studies. He has extensive experience with gold, copper-gold and base metals, both in Australia and Southeast Asia.

Mr Ball's role at Goldstar is to manage database compilation and validation for all of the Company's projects, culminating, where appropriate, in resource estimations. He is considered a "Competent Person" under the JORC Code.

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RECOVER OVERVIEW



PROJECT OVERVIEW (cont)

History and Background

Goldstar was incorporated in December 2001 by Mr Andrew King and Mr Duncan Greenaway with the intention of putting together a portfolio of near-production Australian gold opportunities. Messrs King and Greenaway have, between them, been involved in the development of a number of gold mining operations over the past 15 years throughout the world. Immediately following incorporation, the Company set about evaluating the prospectivity of a number of gold projects. The key parameters for deciding whether Goldstar would attempt to procure these projects were:

- the project had to be located in a region of historical production and have existing resources; or
- the project had to possess a number of exploration targets where value could readily be added through the experience of the in-house technical team.

The Company is not interested in securing large tracts of land for grass-roots exploration.

Victoria was targeted as a prospective project location as it contains some of the last remaining areas in Australia of significant past production not hitherto explored or developed using modern techniques. The Western Australian project areas were identified because of historical production or recently discovered resources. Queensland presented an opportunity to procure a project in a region of significant mineral discovery and production. The end result is a portfolio of highly prospective projects across each of these States.

Goldstar has since set about establishing a team of highly regarded on-the-ground technicians in each State to impart their project specific knowledge and expertise to assist the Company in assessing project prospectivity and preparing development strategies. The expertise and skill of the technical team and Board assembled is expected to provide a great benefit to the Company in implementing its project development strategies.

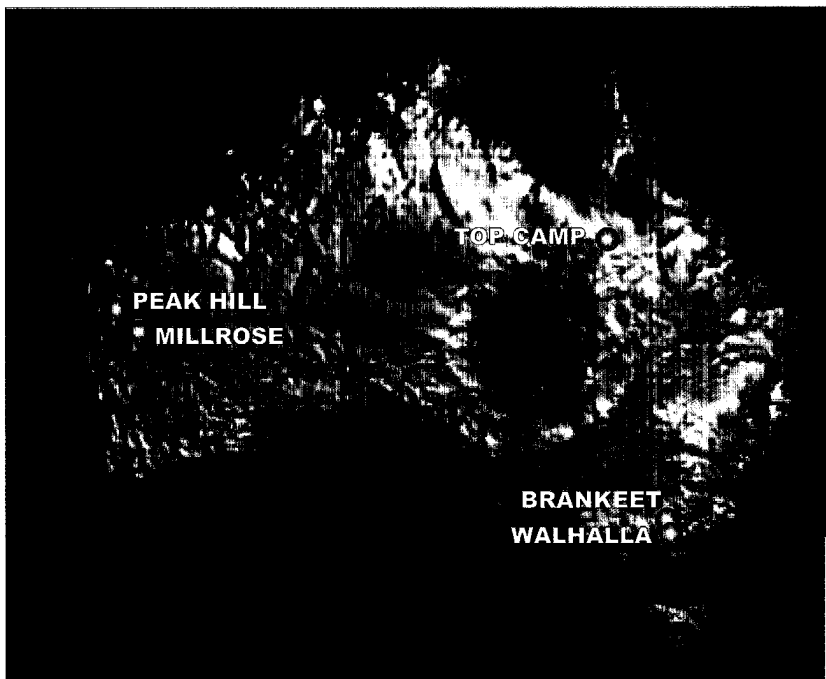
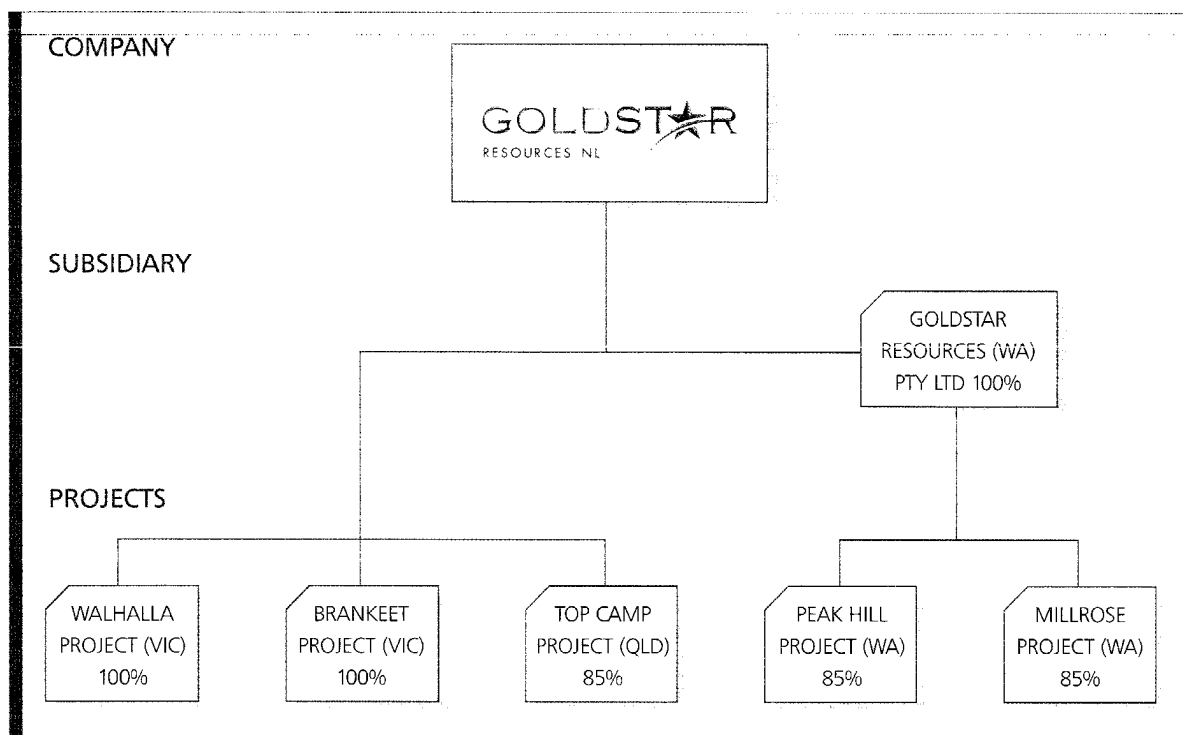


Figure 1.1 Goldstar Resources NL - Project location plan

PROJECT OVERVIEW (cont)

Project Structure

The following diagram sets out the Company's current project structure:



Indicative Development Expenditure

Goldstar proposes to spend the following amounts through its planned development strategies for each project over a 2 year period following the Listing Date:

Project	Year 1 (\$)	Year 2 (\$)	Total (\$)
Walhalla Project	1,969,785	1,070,498	3,040,283
Brankeet Project	63,940	33,690	97,630
Peak Hill Project	147,461	123,461	270,922
Millrose Project	152,991	87,073	240,064
Top Camp Project	83,412	97,190	180,602
Total	\$2,417,589	\$1,411,912	\$3,829,501

Please note that due to rounding techniques, the amounts disclosed in the *Independent Geologist's Report* under project development may differ by one or two dollars. Should only the minimum subscription be reached, the amounts applied to the Walhalla Project will decrease to \$1,554,054 in year 1 and \$485,504 in year 2, with amounts applied to all other projects remaining the same. Expenditure may be reallocated amongst existing or new projects or to general working capital, should the results from the initial stages of the development strategies not match expectations. The Company does not intend to necessarily restrict its activities solely to the aforementioned projects and will evaluate other exploration and/or mining opportunities as they arise. See *Summary of Material Documents* for further details with respect to the acquisition costs of the projects (where relevant), which are not included in the above amounts. The costs relating to the service agreements of executive directors and key management have been allocated between project development expenditure and corporate & administrative overheads based on time allocation expectations prepared by the Board (see *Summary of Material Documents* for further details with respect to the service agreements).

PROJECT OVERVIEW (cont)

WALHALLA PROJECT

The Walhalla Project, 180km east of Melbourne, covers 217km² of the historic Walhalla-Woods Point Goldfield. This goldfield has produced over 3 million ounces of gold at an average recovered grade of 26.0 g/t. The project area already contains defined resources and has the potential to deliver million ounce reefs similar to the original Cohen's Shoot.

The Company has acquired a 100% interest in the Walhalla Project (see *Summary of Material Documents* for further details).

Geological Setting

The Walhalla Project is situated within a geological setting that hosts the majority of Victoria's major gold districts. The project area covers a large part of the Walhalla-Woods Point Goldfield, which comprises over 200 historic mines that in total produced over 3 million ounces of gold from hardrock deposits between the 1860's and the 1980's, at an average recovered grade of 26.0 g/t. Deposits in this goldfield are hosted along distinct linear structures that trend sub-parallel to the major regional structures.

Mining History

The Walhalla Goldfield produced approximately 1.5 million ounces of gold between 1863 and 1914 and contained Cohen's Shoot, one of the richest individual gold deposits in Victoria's history. Cohen's Shoot produced around 1.46 million ounces of gold at an average recovered grade of over 1 ounce per tonne through to 1914 and supported a number of mines. The Long Tunnel Mine at Cohen's Shoot, which operated from 1863 to 1914, returned £510 in dividends for every £10 invested. The shoot is hosted along the north-trending Cohen's Shear Zone, which can be traced for over 4km. A second shoot, termed the Empress Shoot, is located at the southern end of Cohen's Shear Zone. The Empress Shoot, whilst overshadowed at the time by the activity at Cohen's Shoot, produced a total of 26,961 ounces of gold at an average recovered grade of approximately 10 g/t. The Empress Shoot was never followed through onto the Cohen's Shoot leases owing to restrictive tribute conditions. The entire 4km length of Cohen's Shear Zone is considered prospective for repetitions of Cohen's Shoot.

In addition, a number of mines located outside of Cohen's Shear Zone produced significant amounts of gold, including Tubal Cain (33,278 ounces), Happy-Go-Lucky (14,000 ounces), Longfellow's (10,000 ounces) and Eureka (2,669 ounces). It should be noted that the Company has sole access to what it believes is the only set of historical mine records.

Exploration History

Most of the recent exploration work carried out within the project area focused on the evaluation of Cohen's Shoot, and to a lesser extent, the Empress Shoot. Between 1983 and 1987, Walhalla Mining Company NL evaluated the identified quartz stockwork surrounding the central and northern parts of Cohen's Shoot. This resulted in the identification of an unclassified resource of 550,000 tonnes at 5.1 g/t gold, above a 3 g/t gold cut-off (pre JORC Code). RC drilling later undertaken by Intrepid Mining Corporation NL (**Intrepid**) resulted in an increase in the resource estimate by 150,000 tonnes at a similar grade. No further exploration work at the stockwork has been undertaken since that time.

Other exploration activities were focused on historic gold workings located within close proximity to Cohen's Shoot. RC drilling of a number of anomalies between the old workings at Muelemans and Black Diamond returned mineralised intercepts warranting additional attention. Follow-up trench sampling by Intrepid at Eureka returned a best result of 16m at 2.7 g/t gold. Sampling of underground exposures of dyke and reef at Longfellow's returned 52 samples over a 200m strike length that averaged 5 g/t gold. No exploration has been carried out within the majority of the project area utilising modern techniques.

PROJECT OVERVIEW (cont)

Stockwork Resource Estimate

A resource estimate was completed on behalf of Goldstar in November 2002 for the stockwork surrounding Cohen's Shoot using all of the currently available data. A resource of 677,000 tonnes grading 5.5 g/t gold (above a 3 g/t gold cut-off) was reported, as follows:

Stockwork Resource Estimate							
	Indicated		Inferred		Total		Gold
	Tonnes	Gold g/t	Tonnes	Gold g/t	Tonnes	Gold g/t	Ounces
Total	467,100	5.2	209,900	6.1	677,000	5.5	119,000

The resource model is considered adequate for the definition of a global resource tonnage.

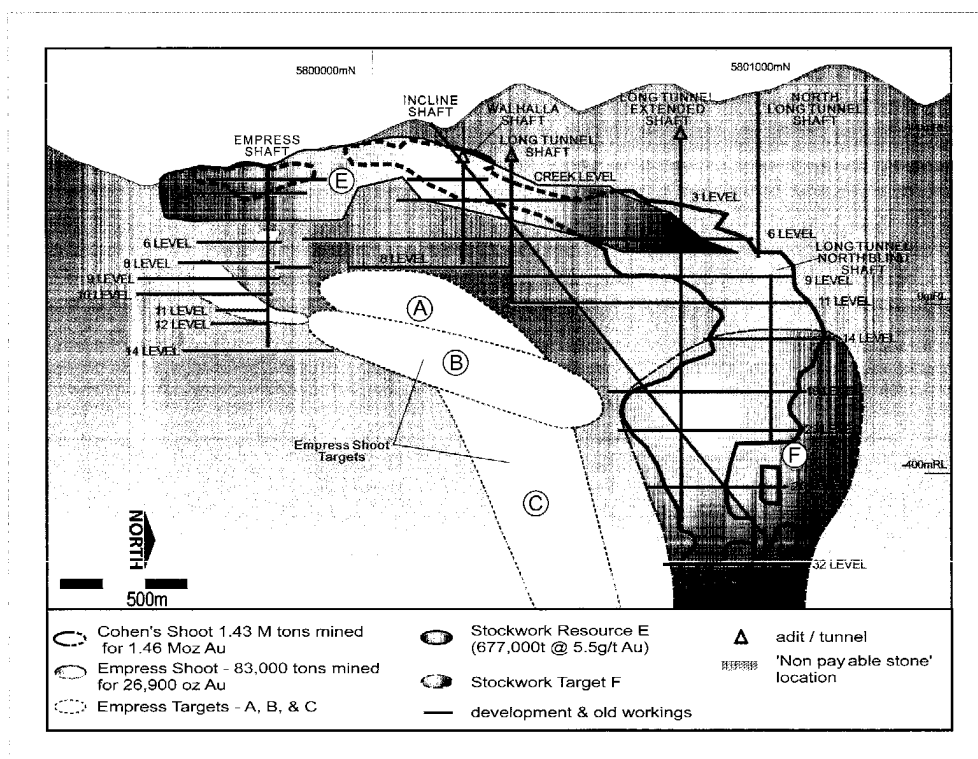


Figure 2.1 Walhalla Project - Schematic longitudinal projection of Cohen's and Empress Shoots and priority exploration targets (Prepared by DMS in September 2003 for this prospectus)

Exploration Potential

Goldstar's principal objective is the delineation of combined gold resources in excess of 1 million ounces at the Walhalla Project at grades similar to Cohen's Shoot.

Three-dimensional computer modelling for the Empress and Cohen's Shoots and the associated stockwork has resulted in the identification of a number of priority targets along Cohen's Shear Zone, as follows:

- Empress Shoot - Upper North-Plunging Extension:** A drive on 8 level towards the Empress tribute area encountered "non-payable stone" (ie, a cut-off grade of 11 to 14 g/t gold) for 300 feet along a north-plunging structure. See longitudinal section target A.
- Empress Shoot - Lower North-Plunging Extension:** The Company has developed a conceptual target based on a down-plunge projection of the Empress Shoot at depth in relation to the high-grade bulge on Cohen's Shoot. See longitudinal section target B.
- Empress Shoot - Vertical Shoot at Depth:** Goldstar has developed a target representing a conceptual parallel shoot to the vertical component seen in Cohen's Shoot at depth. See longitudinal section target C.
- Stockwork Resource:** Confirmation of grade and tonnage. Extensions along strike require further assessment (see longitudinal section target E). Further potential exists to increase the resource at depth below 6 level, associated with the lower levels of Cohen's Shoot. See longitudinal section target F.
- Northern Extension of Cohen's Shear Zone:** Cohen's Shear Zone has been traced over a strike length of 4km, the majority of which is located to the north of Cohen's Shoot. The northern strike extent of this shear therefore represents a priority exploration target for repetitions of Cohen's Shoot.

PROJECT OVERVIEW (cont)

The Empress Shoot has a similar dip and geological setting as Cohen's Shoot. The Company believes that the Empress Shoot is a separate ore body that may represent another Cohen's Shoot. The Company is confident that the above targets could host combined gold resources in excess of 1 million ounces, at grades similar to those already mined at Cohen's Shoot.

In addition, significant potential exists for the discovery of gold deposits on **parallel structures** to the east and west of Cohen's Shear Zone, as well as further **regional development** with respect to the outlying project areas. Goldstar considers the parallel structures to the west may host deposits similar in style to those at Cohen's Shoot, while the eastern structure is similar to the dyke bulge style mineralisation seen at A1 and Morning Star to the north.

Proposed Development Strategy

The Company has outlined an aggressive 2 year exploration program that is expected to progress the Walhalla Project to pre-feasibility status. The program, with budgeted expenditure of \$1,969,785 and \$1,070,498 for years 1 and 2 respectively following the Listing Date, is staged as follows:

- 1. Stockwork Development and the Empress Shoot:** Goldstar will complete a program of underground drilling to improve the confidence level and enhance the overall grade of the stockwork resource. The aim is to upgrade it to reserve status, as well as assess the likelihood of an increase in the resource inventory. In addition, Goldstar will evaluate target areas identified at the Empress Shoot through a comprehensive drill program and resource modelling. Metallurgical testwork on bulk core samples will also be carried out to assess mining methods and ore treatment options.
- 2. Cohen's Shear Zone and Parallel Structures:** The Company will evaluate the strike and depth of Cohen's Shear Zone and parallel structures for repetitions of Cohen's Shoot.
- 3. Regional Development:** Goldstar will focus on the development of regional targets through the compilation of a geographical information system dataset. The aim is to generate targets for subsequent field evaluation.

Should only the minimum subscription be reached, the amounts applied to the Walhalla Project will decrease to \$1,554,054 in year 1 and \$485,504 in year 2.

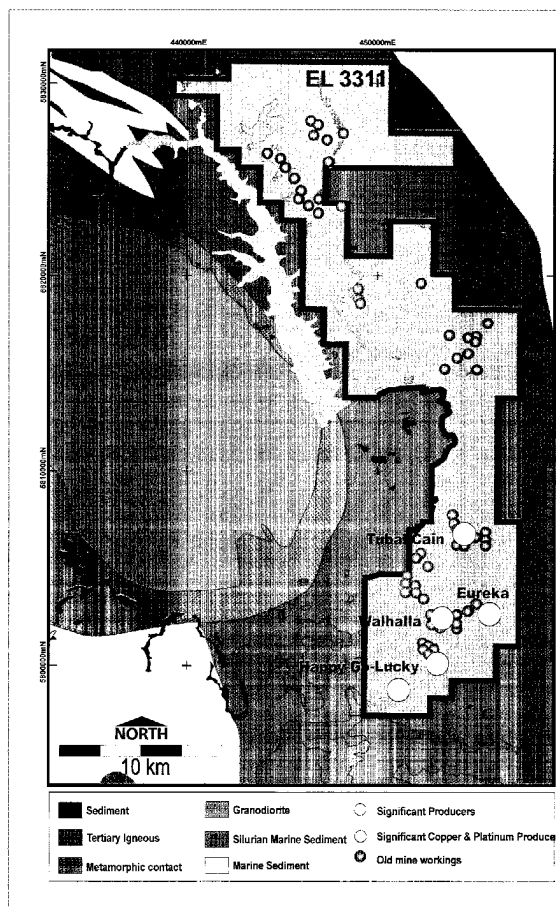


Figure 2.2 Walhalla Tenement outline showing regional geology, major production areas and overall mine workings (Prepared by DMS in September 2003 for this prospectus)

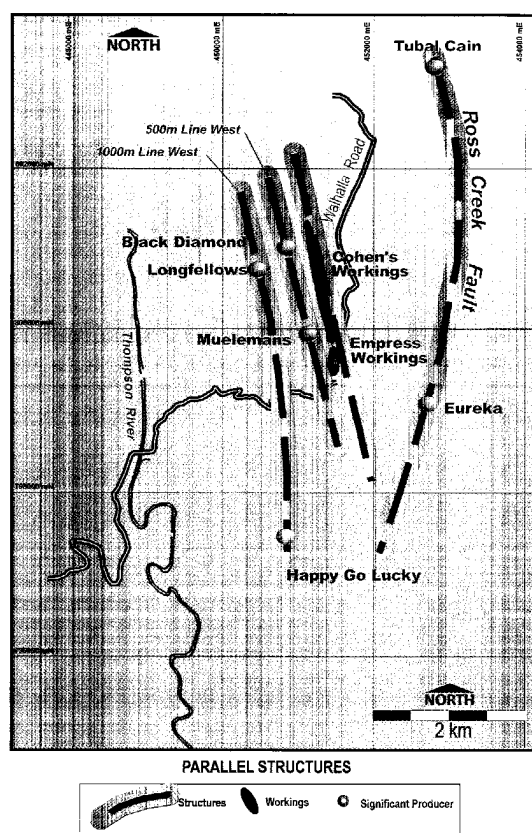


Figure 2.3 Walhalla localised schematic highlighting old workings and potential parallel structures (Prepared by DMS in September 2003 for this prospectus)

PROJECT OVERVIEW (cont)

BRANKEET PROJECT

The Brankeet Project is considered prospective to host several heap leachable, disseminated gold deposits due to its close proximity and similar geological setting to the Meade's gold resource.

The Brankeet Project is located 300km northeast of Melbourne in Victoria and approximately 30km northwest of Mansfield near the historic mining centre of Tallangalook. The project covers an area of approximately 51km². The Company is the registered holder of the Brankeet Project (see *Solicitors' Report on Tenements* for further details).

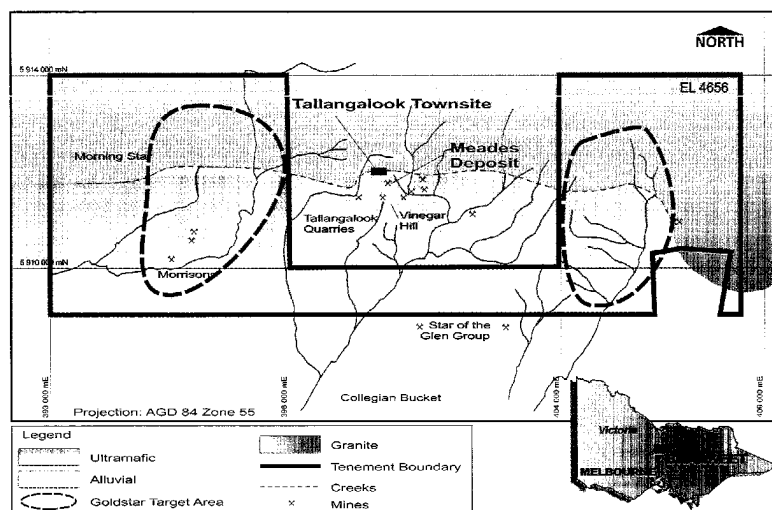


Figure 2.4 Brankeet Project - Regional location schematic and tenement geology with initial exploration areas, old mine and alluvial workings (Prepared by DMS in September 2003 for this prospectus)

Geological Setting

The Brankeet Project covers a contact zone with the Strathbogie Granite to the immediate east and west of the old Meade's gold mine, which is excised from Goldstar's tenement. A number of scattered gold occurrences are located within this 3km wide contact zone, with the more significant historical gold production coming from the area around Meade's and the historic mining centre of Tallangalook. A low-grade, heap leachable gold resource of 1.47 million tonnes at 1.6 g/t (above a cut-off of 0.7g/t) has been outlined at the old Meade's mine by Duketon Goldfields Ltd.

Mining and Exploration History

The Brankeet Project and the surrounding area cover a large number of alluvial and hard-rock workings that were exploited between 1860 and 1938. It is estimated that some 135,000 ounces of alluvial gold and 11,000 ounces of hard-rock gold were recovered from these workings. Between 1860 and 1938, the Tallangalook mining operation, just outside of the Brankeet Project, produced 8,615 ounces of gold at an average grade of 3.02 g/t, from both hardrock and alluvial sources. To the south of the project, the hardrock Star of the Glen deposit produced 2,349 ounces of gold at a grade of 18.57 g/t between 1890 and 1894, and the alluvial Collegian Bucket deposit produced 11,012 ounces of gold between 1910 and 1921. There is no record of any modern exploration activity in or surrounding the project area other than that completed by Duketon Goldfields Ltd.

Exploration Potential

The Brankeet Project is considered prospective for both bulk-tonnage, low-grade disseminated gold deposits and narrow high-grade quartz reefs. A number of targets outside of the Meade's resource have been identified by Duketon Goldfields Ltd. Anomalies located in close proximity to the northeast-southwest trending linear features are seen as being the most prospective owing to the similarity in setting to the Meade's resource.

Proposed Development Strategy

Goldstar has proposed a staged program of exploration over a 2 year period for the Brankeet Project, which includes data review, geological mapping, reinterpretation of the geophysical data and geochemical sampling. The aim is to locate and evaluate Meade's style structures and establish the resource potential of the project area within the 2 year timeframe. Budgeted expenditure at the Brankeet Project is \$63,940 and \$33,690 for years 1 and 2 respectively following the Listing Date.

PROJECT OVERVIEW (cont)

PEAK HILL PROJECT

The Peak Hill Project lies within the 900,000 ounce Peak Hill Goldfield and is considered highly prospective for a significant gold deposit.

The Peak Hill Project is located approximately 100km north of Meekatharra in Western Australia and currently covers an area of around 80km². The project is subdivided into two sub-areas, being the Peak Hill sub-area (E52/1621, P52/990 and P52/991) and the Murphy Creek sub-area (M52/548 and M52/588). The Company's assigned 85% participating interest in the Peak Hill Project was obtained through an agreement for a joint venture with Murchison Resources and Mr Scott Wilson (see *Summary of Material Documents* for further details).

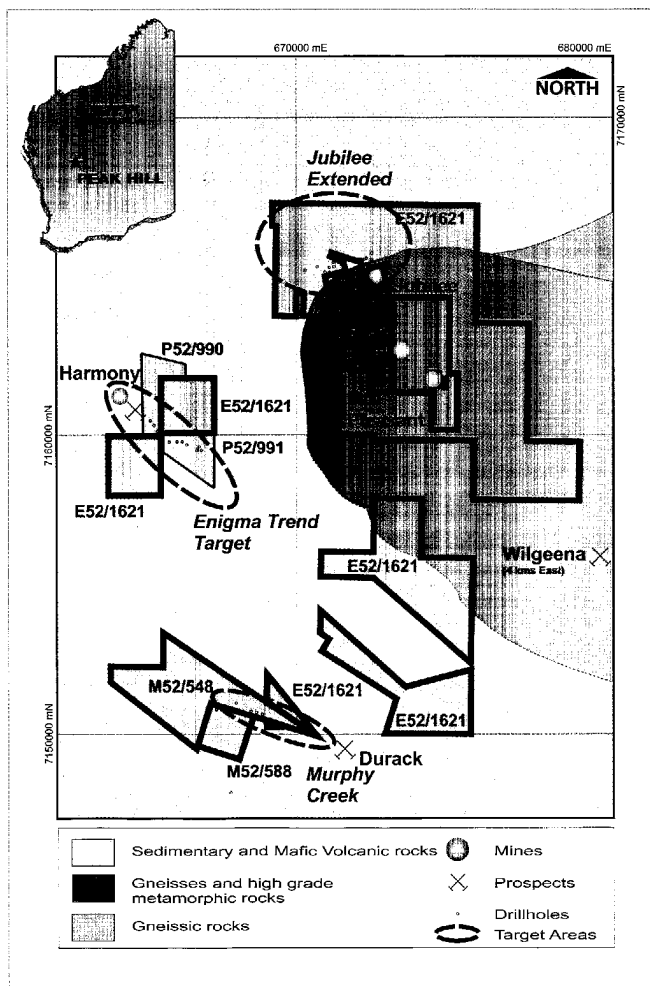


Figure 2.5 Peak Hill Project - Tenement outline and key exploration targets overlain on schematic of regional geology (Prepared by DMS in September 2003 for this prospectus)

Geological Setting

The Peak Hill Goldfield is located along the southern margin of a Proterozoic orogenic belt that is developed around the northern edge of the Yilgarn Craton. The Peak Hill Project surrounds the former Peak Hill, Fiveways and Jubilee gold mines, hosts the former Mount Pleasant gold mine and lies to the immediate east of the former Harmony gold mine. Gold mineralisation within the Peak Hill sub-area is generally associated with structurally controlled quartz vein and stockwork deposits, which generally trend parallel to the host thrust or fault structures. The Murphy Creek sub-area contains the strike extension of the system that appears to host the Durack gold deposit, which lies immediately to the east of the sub-area and contains a JORC Code compliant resource of 557,000 tonnes at 2.18 g/t gold.

Mining and Exploration History

The Peak Hill Goldfield has yielded over 900,000 ounces of gold, predominantly from the former Peak Hill, Fiveways, Jubilee, Mount Pleasant and Harmony gold mines over the last 20 years. The goldfield forms part of a larger gold province that extends to the Labouchere, Fortnum and Horseshoe mines to the northwest, which collectively have produced in excess of 1.5 million ounces of gold. A JORC Code compliant gold resource of 1.77 million tonnes at 2.64 g/t for approximately 151,000 ounces reportedly remains at the Peak Hill gold mine.

A number of significant drilling results have been returned from the **Peak Hill sub-area**. These include 6m at 21.2 g/t gold from 51m and 2m at 76.0 g/t gold from 48m at the Jubilee Extended prospect, and 15m at 4.6 g/t gold from 44m and 3m at 7.0 g/t gold from 41m

at the Enigma prospect. At the **Murphy Creek sub-area**, Troy Resources Limited outlined a broad, 4km long corridor of volcanic and volcanoclastic rocks associated with anomalous gold mineralisation containing localised zones of economic grade. Additional drilling along this corridor produced significant drillhole intercepts that include 5m at 5.1 g/t gold from 45m and 6m at 2.7 g/t from 95m. The drillhole database for the Peak Hill Project exceeds a total of 108,000m, an extremely valuable exploration tool that has not been fully utilised.

PROJECT OVERVIEW (cont)

Exploration Potential

The Peak Hill Project is considered highly prospective for a significant gold deposit. Given the amount of data available, the Company believes that the project has the ability to deliver a significant resource within a short timeframe through the application of modern exploration techniques.

The **Peak Hill sub-area** contains a number of priority gold targets, including the Jubilee Extended and Enigma prospects, which are believed to be extensions or parallel structures to the gold mineralisation previously exploited at the Jubilee and Harmony mines respectively. In addition, repetitions of the lodes mined at the Mt Pleasant mine may exist beneath and in close proximity to the former open pit. The **Murphy Creek sub-area** contains a number of significant drillhole intersections from previous exploration along strike and to the west of the Durack gold deposit. The 4km corridor that straddles Goldstar's tenements is interpreted to be an extension of the host lithology for the Durack gold deposit.

Proposed Development Strategy

Goldstar intends to implement an exploration program involving data modelling and mineralisation re interpretation, to establish focused targets, and drill testing. The Company will initially concentrate on the Murphy Creek sub-area, assessing the corridor that extends from the Durack gold deposit. Work at the Peak Hill sub-area will commence in year 2, pending tenement granting, and will focus on the assessment of the Jubilee Extended and Enigma prospects. The aim is to establish the resource potential of the Peak Hill Project within the 2 year timeframe. Budgeted expenditure at the Peak Hill Project is \$147,461 and \$123,461 for years 1 and 2 respectively following the Listing Date.



PROJECT OVERVIEW (cont)

MILLROSE PROJECT

The Millrose Project is located immediately along strike to the north and south of the 251,000 ounce Millrose gold deposit. A number of targets have been identified that could potentially replicate this deposit. In addition, drilling during the 1990's identified potential for nickel sulphide mineralisation.

The Millrose Project covers an area of around 188km² approximately 80km east-northeast of Wiluna and 30km east of the Jundee-Nimary Bore mining centre in Western Australia. The Millrose Project is separated into 2 distinct blocks of tenements referred to as Millrose South (E53/975) and Millrose North (all other tenements). The Company's assigned 85% participating interest in the Millrose Project was obtained through an agreement for a joint venture with Murchison Resources and Mr Scott Wilson (see *Summary of Material Documents* for further details).

Geological Setting

The Millrose Project is located along the northeastern arm of the Archaean Lake Violet–Millrose greenstone belt. The 3km to 10km wide belt is bound by granite to the east and west and separated into eastern and western domains by a large strike-parallel fault located approximately 1km from the eastern margin of the belt. The project area covers some 35km of strike length of the regional-scale Celia Lineament. Further south, the greenstone belt connects with the Yandal greenstone belt, the host of several significant gold mines which include Bronzewing, Mt McClure, Jundee and Nimary Bore.

The Millrose Project sits immediately along strike and to either side of the Millrose gold deposit, a JORC Code compliant 251,000 ounce gold resource (ie, 3.7 million tonnes at 2.13 g/t gold) recently defined by Audax Resources Ltd and Mines & Resources Australia Pty Ltd. The main controlling feature of this deposit is the central part of a steep east dipping shear related to the Celia Lineament.

Exploration History

In 1989, BHP Gold Mines and Newcrest Mining Ltd reported gold mineralisation from drilling at the present site of the Millrose gold deposit. Aberfoyle Resources Ltd also encountered gold mineralisation through drilling at the Millrose North block, including best intersections of 10m at 3.84 g/t gold from 62m and 5m at 2.22 g/t gold from 103m. In 1997, Mines & Resources Australia Pty Ltd and Murchison Resources undertook a drilling program within a north-northwest trending corridor extending through Millrose North and returned 5m at 2.42 g/t gold from 94m.

During the early 1990's, drilling undertaken at Millrose North by Marymia Exploration NL intersected nickel sulphide mineralisation.

The Company has assembled a drillhole database in excess of 90,000m incorporating all available data generated since 1989. Goldstar considers the greenstone belt to be ineffectively tested thus far owing to the limited drillhole depths and their wide spacing.

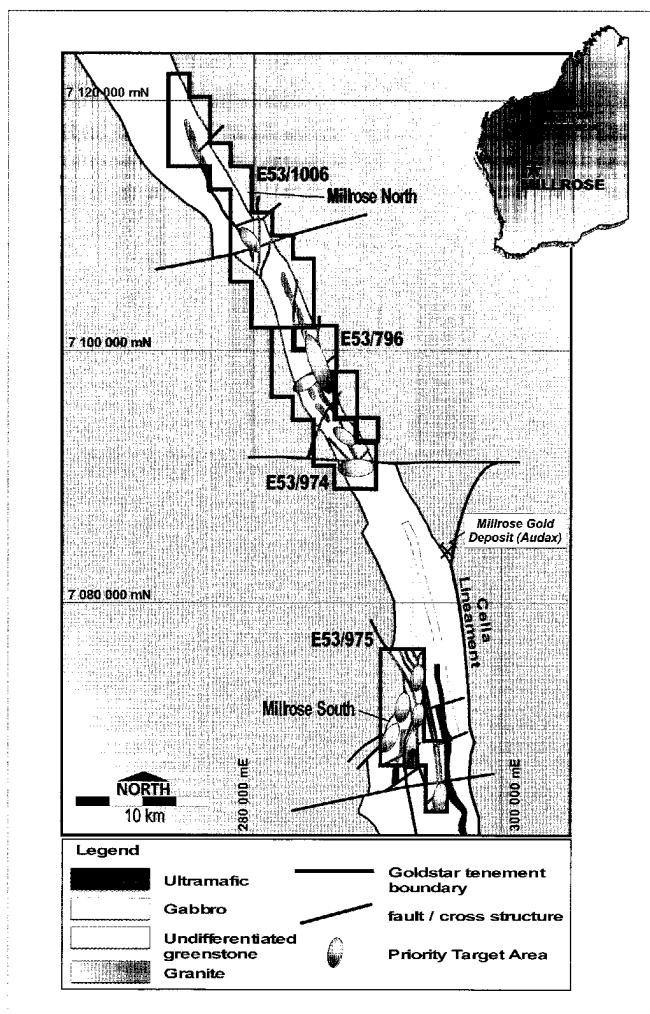


Figure 2.6 Millrose Project - Schematic showing the Millrose North and South areas, major structural features and priority exploration targets (Prepared by DMS in September 2003 for this prospectus)

PROJECT OVERVIEW (cont)

Exploration Potential

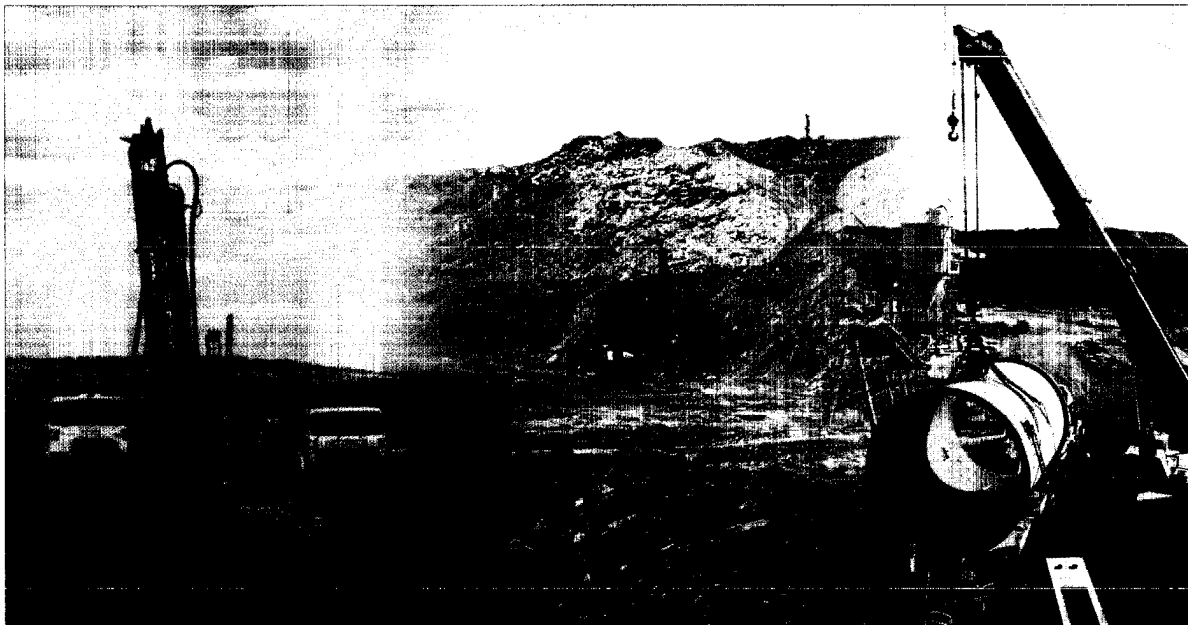
The Millrose Project provides the Company with access to possible strike repeats of the high-grade areas of gold mineralisation to the north and south at the Millrose deposit. The ultimate intention is to either establish a stand-alone resource or produce gold through a combined effort that could include the Millrose deposit. Goldstar has identified a number of targets which it believes could replicate the Millrose gold deposit, given geological and structural similarities to known regional deposits.

At the Northern Corridor Prospect, gold mineralisation has been outlined within a north-northwest trending corridor extending over a strike length of 5km within Millrose North, interpreted to lie along strike from the Millrose gold deposit and to be related to shearing developed along the Celia Lineament. Goldstar considers that the prospect may contain low-grade supergene gold resources and zones of high-grade mineralisation at depth. The Millrose North Prospect is located along the interpreted northern strike extension of the Celia Lineament. Detailed drilling has outlined a number of significant supergene gold intersections that require further testing.

A number of other structural targets have been generated from the interpretation of existing exploration data at Millrose North and Millrose South, including where the interpreted position of the Celia Lineament is intersected by northeast or northwest trending cross structures.

Proposed Development Strategy

Goldstar's strategy for the Millrose Project will initially involve the integration of all historical data, including drillhole and geophysical data, into one coherent database to improve the understanding of the geological controls of the mineralisation. The aim is to confirm existing structural targets and generate additional targets, particularly at depth. Geochemical sampling and initial RC drill testing of deep targets identified from the data review will be undertaken within E53/796 at Millrose North. During year 2, Goldstar intends to commence field evaluation of the remaining tenements, pending their granting. Budgeted expenditure at the Millrose Project is \$152,991 and \$87,073 for years 1 and 2 respectively following the Listing Date.



PROJECT OVERVIEW (cont)

TOP CAMP PROJECT

The exciting Top Camp Project is located in close proximity to a number of significant gold and copper-gold deposits.

The Top Camp Project is located 35km south-southwest of Cloncurry in western Queensland. The Company's 85% interest in the Top Camp Project was obtained through an agreement for a joint venture with Findex (see *Summary of Material Documents* for further details).

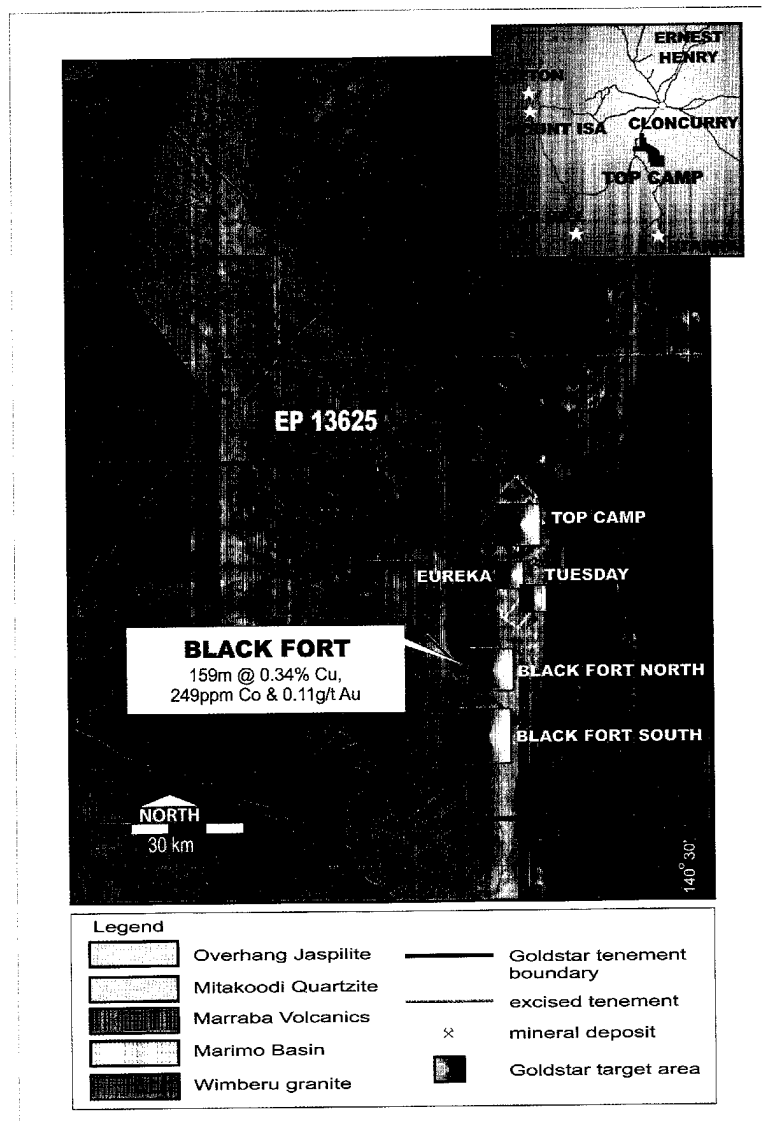


Figure 2.7 Top Camp Project - Location map showing regional geology, discovery hole and initial exploration targets (Prepared by DMS in September 2003 for this prospectus)

Geological Setting

The Top Camp Project is located in close proximity to a number of major gold and copper-gold deposits. Several significant deposits are located within a 100km radius of the project, including Starra (6.9 million tonnes at 4.8 g/t gold and 1.65% copper), Ernest Henry (167 million tonnes at 0.54 g/t gold and 1.1% copper), Osborne (11.35 million tonnes at 1.28 g/t gold and 3% copper) and Tick Hill (0.47 million tonnes at 27 g/t gold). The Top Camp Project lies on a major terrane boundary where the Cloncurry terrane overlays the Mt Isa terrane.

Mining and Exploration History

The Top Camp Project contains numerous small, manganese, copper and alluvial gold workings along the Cloncurry River. A large volume of data has been generated from the base metal, copper, gold and uranium exploration undertaken at the project. Exploration has highlighted the existence of several prospects within the project area. The Black Fort South and Black Fort North prospects were previously highlighted by geochemistry. Percussion drilling at the Eureka and Tuesday workings, excised from the project area, returned best results of 10m at 2.09 g/t gold from 36m and 2m at 8.74 g/t gold from 76m. RC drilling in the northern part of the prospect intersected significant widths of anomalous copper mineralisation. Gold mineralisation was outlined at the Top Camp prospect along a prominent north-south trending ridge. RC drilling carried out over this zone, excised from the project area, returned only one significant intersection of 2m at 3.58 g/t gold. Narrow intervals of anomalous copper (up to 2,356 ppm), zinc (up to 2,522 ppm) and cobalt (up to 149 ppm) mineralisation were also reported.

PROJECT OVERVIEW (cont)

Exploration Potential

The Top Camp Project is considered highly prospective for gold-copper deposits typical of those previously discovered in the Cloncurry district. Goldstar has recognised a number of discrete anomalous zones within the project area. At the Black Fort South prospect, a coherent 3km long copper and gold soil anomaly extending west outside of the project area has been identified. This style of mineralisation is considered by Goldstar to be similar to the Osborne copper-gold-cobalt deposit. Further to the south, a structural target coincident with copper and gold anomalism has been identified. The main target type in this area is similar to the Starra deposit. A zinc anomaly has been identified to the east of the Black Fort South prospect, which may represent a Mt Isa style lead-zinc target. At the Black Fort North prospect, Goldstar has identified a structural target containing a number of soil anomalies where low levels of zinc and copper have been identified, including an anomalous drill intersection of 159m at 0.34% copper, 249 ppm cobalt and 0.11 g/t gold. The style of mineralisation is considered comparable to the setting of the Mt Isa mineralisation.

At the Eureka and Tuesday workings, significant areas of copper and zinc anomalism to the north and south of the existing third party mining lease have been identified. The geochemical anomalies in this area remain untested. Copper, gold and zinc mineralisation requiring further testing has been identified at the Top Camp prospect.

Proposed Development Strategy

The exploration approach being undertaken, involving the thorough compilation and analysis of existing data to clearly define proposed target areas, is an essential pre-requisite for the discovery of a large mineralised system. The Black Fort South prospect will be the initial focus for field exploration, with planned activities including geophysical interpretation, geochemical sampling and drill testing of targets. The Company will continue to add value to the Top Camp Project in an effort to secure the assistance of a major Australian or international company to fund the generation and assessment of additional targets. Budgeted expenditure at the Top Camp Project is \$83,412 and \$97,190 for years 1 and 2 respectively following the Listing Date.

For a detailed geological analysis of the Company's projects, please see *Independent Geologist's Report*.

THE UNIVERSITY OF CHICAGO



87 Colin Street, West Perth, WA 6005
PO Box 77, West Perth, WA 6872

Tel: (61 8) 9481 6690 Fax: (61 8) 9322 2576
E-mail: snowden@snowden.com.au
www.snowdengroup.com

PERTH, KALGOORLIE, BRISBANE, VANCOUVER, JOHANNESBURG

8 September 2003

The Directors
Goldstar Resources NL
Unit 4, 26 Clive Street
WEST PERTH WA 6005

Dear Sirs

INDEPENDENT GEOLOGIST'S REPORT ON THE MINERAL ASSETS OF GOLDSTAR RESOURCES NL

At your request Snowden Corporate Services Pty Ltd (**Snowden**) has prepared an Independent Geologist's Report of Goldstar Resources NL's (**Goldstar**) mineral assets which comprise the Walhalla gold mine and Brankeet gold exploration projects located in Victoria, the Millrose and Peak Hill gold exploration projects located in Western Australia and the Top Camp gold-copper exploration project located in Queensland. It is Snowden's understanding that this report will be included in a Prospectus to be lodged with the Australian Securities and Investments Commission (**ASIC**). The purpose of the Prospectus is to offer for subscription 24 million ordinary shares at an issue price of \$0.25 per share to raise a total of \$6 million (with a minimum subscription of \$5 million) before costs of the issue to fund the future assessment of the projects.

The objective of this report is to present for each project a geological description, an outline of previous mining and exploration work and an opinion on the exploration potential of the projects and on the proposed costed exploration programs for the next two years.

Snowden has based its assessment of Goldstar's mineral assets on a site visit to the Walhalla project between 14th and 16th January 2003, discussions with key company personnel and a review of technical information compiled by Goldstar's consultants, reports by previous tenement holders, published technical documents and various company reports. A listing of the documents referenced is provided at the end of this report. No site visits were carried out to Goldstar's other mineral properties as they represent early-stage exploration projects where there has been no recent developments over and above what is presented in the technical information.

Consents have been sought from Goldstar's consultants to include technical information and opinions expressed by them. None of the other entities referred to in this report have consented to their inclusion in this Prospectus and have only been referred to in the context of reporting material fact.

Snowden has satisfied itself and Goldstar has warranted that all material information in the possession of Goldstar and its consultants has been fully disclosed to Snowden. A draft version of this report was provided to the directors of Goldstar for comment in respect of omission and factual accuracy.

Apart from its wholly owned exploration licences at the Walhalla and Brankeet projects, ownership of the tenements contained within Goldstar's other project areas are subject to several agreements, the terms of which are summarised in the relevant sections of this report.

The current ownership status and legal standing of the tenements within each project area is dealt with in the Solicitor's Report on Tenements section of this Prospectus. Snowden has not independently verified ownership and the current standing of the tenements and is not qualified to make legal representations in this regard. Rather we have relied upon information provided by Goldstar and its tenement consultants, Australian Tenement Management Pty Ltd and Digital Mapping Services Pty Ltd. Snowden has prepared this report on the understanding that all Goldstar's tenements are currently in good standing and that there is no cause to doubt the eventual granting of any tenement applications.

Snowden has not attempted to establish the legal status of tenements within each project area with respect to Native Title or potential environmental and access restrictions. Again this matter is dealt with in the Solicitor's Report in this Prospectus.

The proposed exploration programs developed by the management and consultants of Goldstar and reviewed by Snowden have been designed to realise the potential of the projects in a prudent and efficient manner. The exploration programs currently planned by Goldstar on each of their project areas amount to \$2,417,589 in Year 1 and \$1,411,912 in Year 2 (or \$2,001,858 in Year 1 and \$826,918 in Year 2 should a minimum subscription of \$5 million be achieved) following their equity raising. We note that these amounts exceed the statutory minimum expenditure obligations for each tenement.

From Snowden's assessment of Goldstar's project areas, it is our opinion that the projects are of merit, are worthy of further exploration and that the exploration programs proposed over the respective projects have been carefully conceived and costed. Snowden cautions, however, that the proposed exploration programs may change in Year 2 from that currently stated and will be dependent on the results from the Year 1 program.

Goldstar's planned commitment of \$3.83 million (or \$2.83 million should the minimum subscription be achieved) to the exploration and evaluation of its projects represents about 77.4% (or 83% should the minimum subscription be achieved) of the funds proposed to be raised by Goldstar after costs of the issue and administration and acquisition costs, and satisfies the requirements of ASX Listing Rules 1.3.3 (a) and (b).

Snowden Corporate Services Pty Ltd is a wholly owned subsidiary of Snowden Mining Industry Consultants Pty Ltd, an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate services. The company, which operates from offices in Perth, Kalgoorlie, Brisbane, Johannesburg and Vancouver, has prepared independent expert's reports and mineral asset valuations on a variety of mineral commodities in many countries.

This report has been prepared by Mr Philip Retter (Manager Corporate Services) and reviewed by Dr Philip Snowden (Principal Consultant and Managing Director) of Snowden's Perth office in accordance with the Australasian Institute of Mining and Metallurgy's (AusIMM) Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Experts Reports (the VALMIN Code) and Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code).

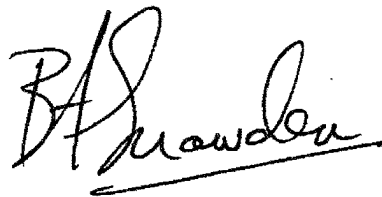
Neither Snowden nor those involved in the preparation of this report have any material interest in Goldstar or in the mineral properties considered in this report. Snowden is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

Snowden has given and has not before lodgement of the prospectus with ASIC withdrawn its written consent to being named as author of this report and to the inclusion of this in the Prospectus by Goldstar.

Yours faithfully



Mr P C Retter B AppSc (Hons), MAIG
Manager Corporate Services



Dr P A Snowden BSc (Hons), D Phil, MAIG, FAusIMM, CPGeo
Principal Geologist and Managing Director

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1.0 SUMMARY

Snowden Corporate Services Pty Ltd (**Snowden**) has prepared an Independent Geologist's Report of Goldstar Resources NL's (**Goldstar**) mineral assets which comprise the Walhalla gold mine and Brankeet gold exploration projects located in Victoria, the Millrose and Peak Hill gold exploration projects located in Western Australia and the Top Camp gold-copper exploration project located in Queensland. The principal findings from Snowden's technical review are presented as follows.

Walhalla Project

Goldstar has acquired a 100% interest in EL 3311, referred to as the Walhalla project, that covers the historic mining centre of Walhalla which has produced in excess of 1.5 Moz of gold between 1863 and 1914. The gold-bearing quartz fissure lodes at Walhalla are hosted in a north-striking sequence of deformed Lower Devonian sedimentary rocks which have been intruded by a suite of intermediate to mafic dykes.

The majority of the historical gold production at Walhalla was from Cohen's Shoot with a recorded production of around 1.46 Moz Au from approximately 1.43 M tons (imperial) of ore at an average grade of slightly more than 1 oz/ton (imperial). The shoot, which is hosted by the north-trending Cohen's Shear Zone, extends over a strike length of approximately 1,500 m and was exploited to a depth of around 1,028 m (35 Level). A second shoot, termed the Empress Shoot, is located at the southern end of Cohen's Shear Zone.

In the upper levels of Cohen's Shoot there are a number of footwall splay reefs. A wide zone of quartz stockwork mineralisation is hosted in the intervening zone between the shoot and the footwall splay reefs. The stockwork zone extends over a strike length of 1.5 km and to a maximum depth of 250 m in the north, down the plunge of the shoot. The zone ranges in width from 30 m to 50 m near surface and progressively tapers with depth. Within this stockwork zone, a gold resource has been outlined confined to a 10 to 20 m wide zone which progressively narrows at depth to approximately 6 m in width.

DataGeo Geological Consultants completed a resource estimate in November 2002 on behalf of Goldstar for the stockwork and reef mineralisation at Cohen's and Empress Shoots using all available located drillhole and underground channel sampling data. DataGeo reported a combined Indicated and Inferred Mineral Resource of 677,000 t grading 5.5 g/t Au above a 3 g/t Au cut-off which included an allowance for mining voids. The resource, by classification, is summarised in the following table.

Summary of Mineral Resource for Cohen's and Empress Shoots above 3.0 g/t Au cut-off

Zone	Indicated		Inferred		Total		Total
	Tonnes	Au g/t	Tonnes	Au g/t	Tonnes	Au g/t	Au Oz
Stockwork							
North	268,500	5.1	146,100	6.0	414,600	5.4	71,400
South	163,500	5.1	63,800	7.0	227,300	5.6	40,800
Stope Fill							
Cohen's	35,100	6.0			35,100	6.0	6,800
Total	467,100	5.2	209,900	6.1	677,000	5.5	119,000

Snowden has reviewed the resource model and concluded that the accuracy of the grade envelopes is adequate for definition of a global resource but has recognised issues concerning data quality including combining of drill hole data with channel sampling data and grade smoothing as a consequence of the ordinary kriging process. Snowden acknowledges, however, that additional exploration drillhole information generated by Goldstar will be included in future resource estimates and will increase the confidence in this resource. Snowden has concluded that, pending a full audit of the database and geostatistical assessment, a major portion of the Walhalla project is likely to be able to support the Indicated category of resource where sufficient data is present and grade continuity can be assumed.

Outside of Cohen's Shear Zone, gold was also historically exploited at the Black Diamond, Mueleman's and Longfellow's mines on sub-parallel structures associated with dykes about 500 m and 1000 m to the west of Cohen's Shear Zone. Other historically exploited deposits included Tubal Cain and Eureka along the Ross Creek Fault to the east of Cohen's Shear Zone. The Tubal Cain and Eureka workings exploited 'dyke bulge' deposits similar in style to the historically significant A1 (production of 0.54 Moz) and Morning Star (production of 0.63 Moz) deposits to the north of Goldstar's EL. Limited modern exploration work has been completed over these mine workings. It is noteworthy that a trench excavated in 1996 through a dyke to the north of the Eureka mine workings intersected 16 m at 2.7 g/t Au.

Cu-Ni-Au-Platinum Group Element (PGE) mineralisation was historically exploited at the Cooper's Creek mine in the south of EL 3311. The deposit is related to a magmatic segregation of sulphide minerals in a north-plunging syndinal drag fold hosted by a mafic dyke bulge. One hole drilled in 1987 down plunge of the historic mine workings intersected a 36 m zone of mineralisation (303 m to 339 m downhole) grading 1.75% Cu, 0.2% Ni, 8.6 g/t Ag, 0.78 g/t Pt, 1.08g/t Pd and 0.39g/t Au.

1.0 SUMMARY (cont)

Goldstar's principal objective at Walhalla is to expand the previously outlined stockwork gold resource at Cohen's Shoot and progress it into production within a short timeframe. The company will also be investigating the potential for further high-grade reef deposits and stockwork zones both at depth and along strike of Cohen's Shear Zone and also about the numerous smaller historic gold mines located on the sub-parallel structures to the east and west of Cohen's Shear Zone.

Goldstar has proposed a 3-stage work program for the ongoing assessment of the project. The first phase will involve further underground drilling within the stockwork resource to improve the confidence in its tonnage and grade. The second phase will involve drill evaluation of the strike and depth potential of Empress Shoot by means of limited underground development from the existing adit and drill testing of the potential southern extensions of Cohen's Shoot. It is intended to prioritise and complete an initial assessment of other regional target areas within the EL during the third phase. Should a minimum subscription of \$5 million be achieved, drill testing of the potential southern extensions of Cohen's Shoot and the initial assessment of the other regional targets will not proceed.

Should Goldstar's proposed program be successful, it should be possible to advance the stockwork resource to the stage of feasibility within the 2 year period.

Brankeet Project

Goldstar's wholly-owned Brankeet project comprises one granted EL located to the north of Walhalla and surrounds the Meade's gold deposit (1.47 Mt at 1.6 g/t Au) which is a low-grade disseminated gold resource related to a granite contact aureole. The project area has not been subject to any modern exploration work, however, the favourable geological setting of the EL together with the widespread distribution of alluvial gold and the presence of several small hard rock workings indicates that the project area is prospective for further bulk-tonnage low-grade gold resources similar to Meade's. Goldstar has proposed a staged program of exploration which includes a data review, reinterpretation of the geophysical data, geological mapping and geochemical sampling to rapidly assess the potential of the project area.

Peak Hill Project

Goldstar's Peak Hill project in Western Australia surrounds the recently decommissioned Peak Hill gold mining operation that produced in excess of 600,000 oz of gold from several open pits adjoining Goldstar's project area. Goldstar has entered into an agreement to acquire an 85% interest in five tenements that lie along the immediate strike extensions of several former open pit mining operations and two undeveloped gold resources.

A considerable amount of previous exploration work has been completed within Goldstar's Peak Hill project area and has resulted in several zones of significant gold mineralisation being outlined at the Jubilee Extended, Enigma and Murphy Creek prospects from mostly shallow drilling. Goldstar has assembled a database of over 2,500 drill holes and has identified potential for resources of low-grade supergene gold mineralisation and medium to high-grade gold mineralisation at depth within fresh bedrock.

The exploration program proposed for Goldstar's Peak Hill project will largely stem from a detailed interpretation of the database. Initial work will concentrate over the Murphy Creek prospect area and progress to the other prospect areas on granting of the tenements.

Millrose Project

Goldstar's Millrose project in the Northeastern Goldfields region of Western Australia covers the immediate northern and southern strike extensions of the Millrose gold deposit (3.7 Mt at 2.13 g/t Au) that is hosted in a concealed, narrow greenstone belt which connects with the Yandal greenstone belt to the south. Goldstar has entered into an agreement to acquire an 85% interest in the six tenements that make up the project area.

Two prospect areas have previously been outlined to the north of the Millrose gold deposit from the significant amount of exploration work that has taken place within the project tenements. This work indicated potential for low-grade supergene gold resources and possibly higher-grade primary gold mineralisation. Goldstar has also identified several other structural targets from its interpretation of the aeromagnetic data that have yet to be assessed in any detail. Nickel sulphide mineralisation has also been reported within Goldstar's project area from drilling completed by two previous exploration groups.

Goldstar's proposed exploration of the project tenements will follow on from a detailed reassessment of the previous exploration data, which includes some 1,500 drill holes and various geophysical surveys, prior to the commencement of further drilling.

Top Camp Project

Goldstar's Top Camp project is located within the highly mineralised Mt Isa Province of North Queensland to the southwest of Cloncurry. Goldstar has entered into an agreement to acquire an 85% interest in a single exploration permit within an area that was historically exploited for copper, manganese and alluvial gold. Previous exploration work completed within the tenement has outlined zones of anomalous low-grade copper and gold mineralisation. It is Goldstar's intention to carry out a limited program of surface geochemistry and drilling over the main target areas and then consider the best alternatives for taking the project into its next phase of development.

2.0 WALHALLA PROJECT

2.1 INTRODUCTION

Goldstar's Walhalla project is located approximately 180 km east of Melbourne, Victoria and is contained within a single granted exploration licence (EL) of approximately 217 km² in area (Figure 2.1). Goldstar has acquired a 100% interest in EL 3311 which covers the historic mining centre of Walhalla that produced in excess of 1.5 Moz of gold between 1863 and 1914.

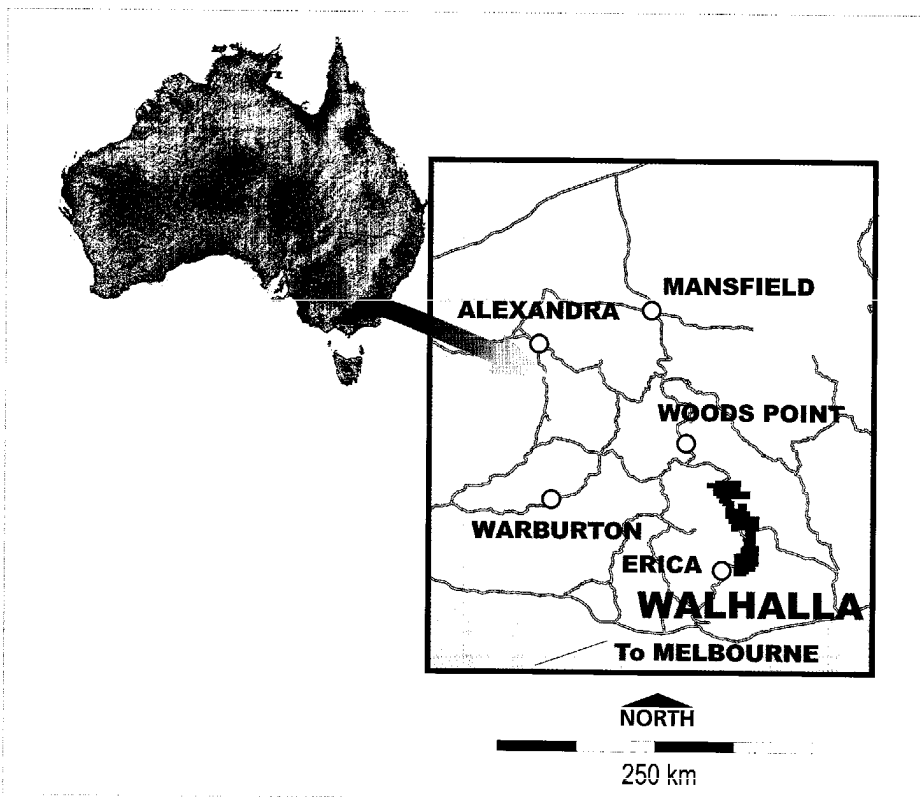


Figure 2.1 Location plan of the Walhalla Project (prepared by Goldstar)

The project area can be easily reached via sealed roads from Melbourne within 3 hours. Well maintained unsealed forestry roads suitable for use by four wheel drive vehicles provide access throughout most of the EL, however, some restrictions are imposed on their usage during the winter months.

The majority of the EL is located within State Forest reserves which are controlled by the Victorian Department of Primary Industry although small privately owned landholdings are found in the vicinity of the Walhalla township and around the now-abandoned sites of Maidentown and Aberfeldy. Parks Victoria and the local Shire administer the southern half of the EL which is subject of the "Walhalla Historic Area Management Plan". The Plan sets out provisions that allow for exploration and mining activities, subject to State Government regulations and permits, to coexist with tourism whilst preserving the historical and cultural significance of the area.

The topography of the project area is dominated by moderately to deeply incised mountain ranges with elevations ranging from 300 m to 1,200 m above sea level.

The registered holder of EL 3311 is Goldstar Resources NL (Table 2.1).

Table 2.1

Walhalla Project tenements

Tenement	Status	Area (km ²)	Registered Holder	Minimum Expenditure Commitment
EL 3311	Granted 10th Nov 1993	217	Goldstar Resources NL	\$80,000

Goldstar has advised Snowden that it has acquired a 100% interest in the EL. Perseverance Mining is entitled to a net smelter return of 4% from future gold production in excess of 500,000 oz from within the EL. Cobra Resources is entitled to a 4% net smelter return from the production of nickel, cobalt and platinum group elements (PGE's) from within the tenement. Both royalties will reduce in the event that a Government royalty is introduced.

2.0 WALHALLA PROJECT (cont)

2.2 GEOLOGICAL SETTING

2.2.1 Regional

The Walhalla project is situated within Phanerozoic accretionary sequences of the Lachlan Fold Belt which is the principal host to most of Victoria's major gold districts. The fold belt within Victoria is sub-divided into eight structural zones. From west to east these comprise the Stawell, Bendigo, Melbourne, Tabberabberan, Omeo, Deddick, Kuark and Mallacoota zones that are separated by major fault systems (VandenBerg et al, 2000).

The Melbourne zone in central Victoria covers an area of approximately 40,000 km². Historic gold production from within this zone has amounted to over 98 t (about 3.15 Moz) mainly from its eastern margin within the Walhalla-Woods Point Goldfield (Bowen and Whiting, 1975). Goldstar's EL 3311 covers the southern half of the Walhalla-Woods Point Goldfield within the most highly deformed and metamorphosed portion of this zone.

The Walhalla-Woods Point Goldfield is hosted in a tightly folded sequence of Lower Devonian shallow marine siltstones and sandstones of the north-striking Walhalla Synclinorium (Figure 2.2). A later suite of intermediate to mafic dykes (referred to as the Woods Point Dyke Swarm) intruded this sequence during the Middle Devonian. Granitoids were emplaced to the west and north during the Upper Devonian. Of particular significance is the Baw Baw Granodiorite batholith to the immediate west of Goldstar's project area which may have been responsible for the arcuate shape of the Walhalla Synclinorium (Figure 2.2). The Synclinorium is constrained to the west by the Mount Easton Thrust and to the east by the Mt Useful Fault Zone and Mt Wellington greenstone axis.

Outliers of Tertiary basalt and gravel deposits are preserved on some peaks mainly to the south of the EL. Recent alluvial deposits are also found along some of the waterways but owing to the rugged topography they are of limited extent. Many have been exploited for gold in the past.

The gold deposits of the Walhalla-Woods Point Goldfield are hosted along distinct linear, north-striking structures that trend sub-parallel to the major regional structures. The most significant of these is the Ross Creek Fault along which the historic A1 (production of 0.54 Moz Au) and the Morning Star (production of 0.63 Moz Au) mines are hosted to the immediate north of EL 3311.

The gold mineralising event at Walhalla is interpreted to have taken place prior to the emplacement of the granitoids but post the intrusion of the dyke swarm (Hazeldene, 2003). Typically, the gold mineralisation is located along fractures in fissure lodes formed within or alongside the dykes (eg. Cohen's Shoot). The dykes are usually only a few metres thick but can 'bulge' up to 300 m in thickness (eg. Tubal Cain; Figure 2.2). The auriferous quartz-carbonate veins within the dykes are generally related to conjugate fault sets that form the famous 'ladder veins' of the Walhalla-Woods Point Goldfield.

2.2.2 Local

At Walhalla, the majority of the historical gold production was from Cohen's Shoot with a recorded production of around 1.46 Moz Au from approximately 1.43 M tons (imperial) of ore at an average grade of slightly more than 1 oz/ton (imperial). Cohen's Shoot, which is hosted by the north-trending Cohen's Shear Zone, extends over a strike length of approximately 1,500 m and was exploited to a depth of around 1,028 m (35 Level).

Cohen's Shoot outcrops over a strike length of around 500 m in the south while the host shear zone can be traced for over 4 km, mostly to the north. The shoot is bounded by two sub parallel, west-dipping thrust faults termed the Hangingwall and Footwall faults (Hazeldene, 2003).

In its upper levels, Cohen's Shoot dips at around 50° to the west and pitches about 30° to the north (Figure 2.3). In the footwall of the shoot there are a number of splay reefs with a shallower dip to the main reef. Between Cohen's Shoot and the footwall splay reefs there is a wide zone of quartz stockwork mineralisation. The stockwork zone extends over a strike length of 1.5 km and to a maximum depth of 250 m in the north, down the plunge of the shoot. In its upper levels, the zone ranges in width from 30 m up to 50 m in the north and progressively tapers with depth. Within this stockwork zone, a gold resource has been outlined confined to a 10 to 20 m wide zone which progressively narrows at depth to approximately 6 m in width.

At a depth of around 400 m, the dip of Cohen's Shoot steepens and progressively becomes vertical to overturned and thinner. The pitch of the shoot also reverses (Figure 2.3). The unusual shape of the shoot within the variable west-dipping quartz reefs is interpreted to have resulted from the constraining affect of the Hangingwall and Footwall faults (Hazeldene, 1994). The western Hangingwall fault forms the southern limit of the shoot while the Footwall fault defines its northern limit. According to Hazeldene (1994), the significance of these faults had not been previously recognised owing to their acute angle (less than 15°) to the strike of the reef.

2.0 WALHALLA PROJECT (cont)

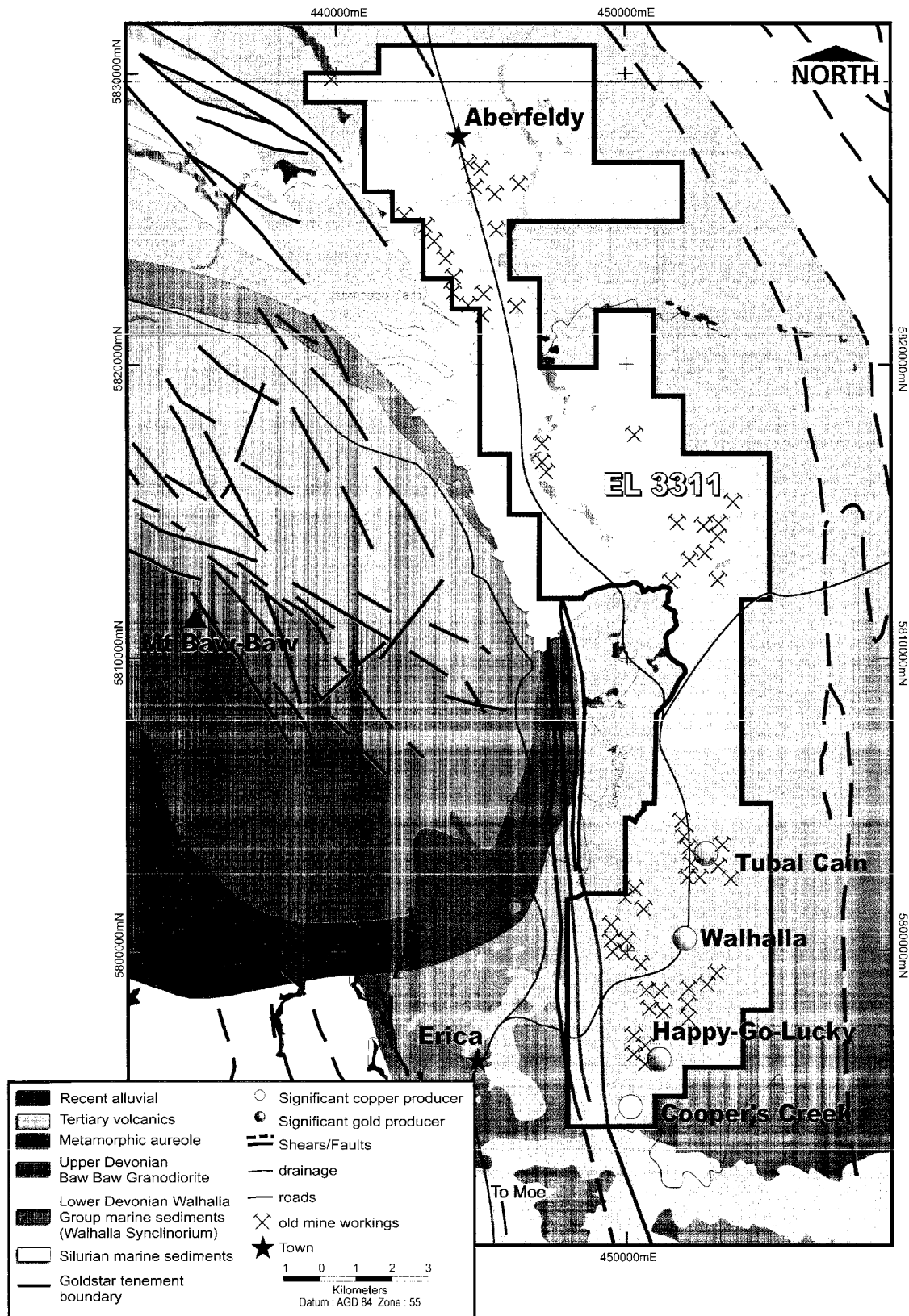


Figure 2.2 Geological setting of the Walhalla project area (after Vandenberg, 1977)

2.0 WALHALLA PROJECT (cont)

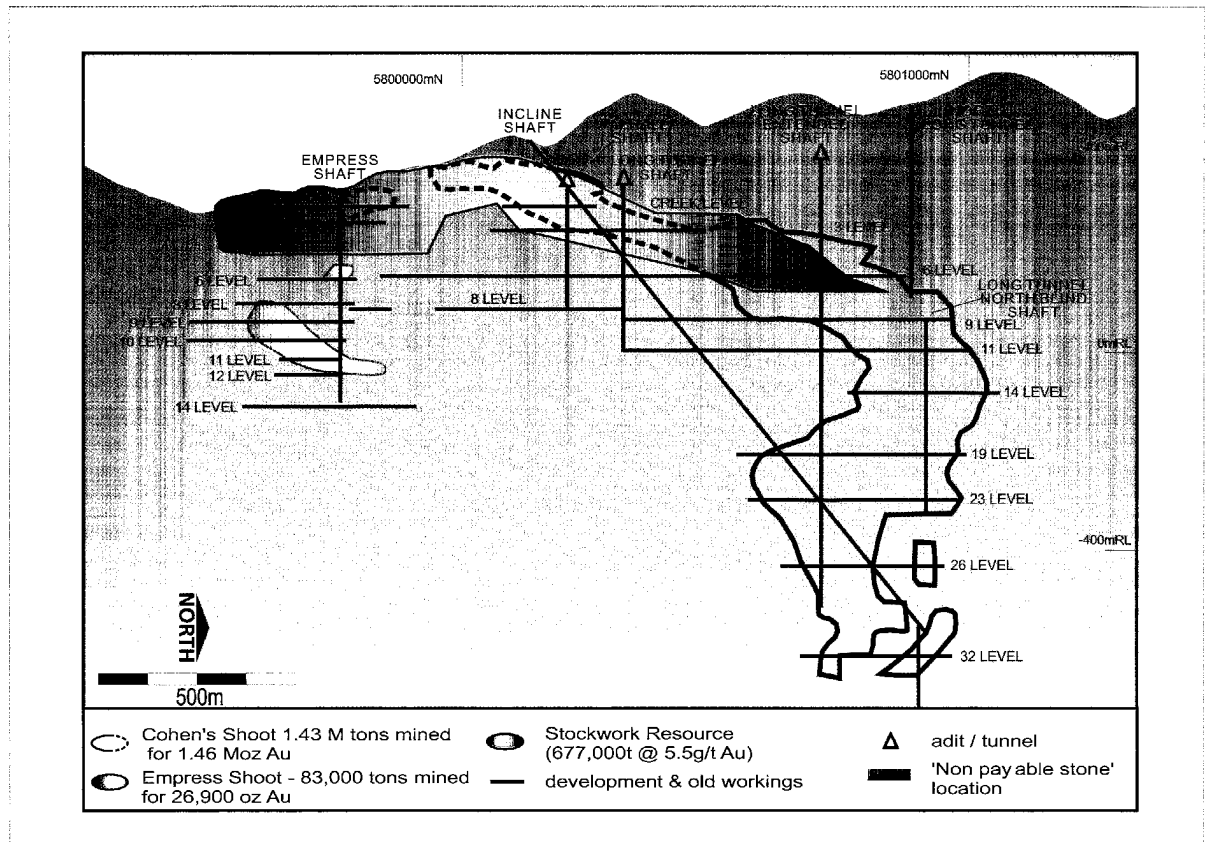


Figure 2.3 Longitudinal section of Cohen's and Empress Shoots (prepared by Goldstar)

A second shoot, termed the Empress Shoot, is located at the southern end of Cohen's Shear Zone (Figure 2.3).

Cohen's Shear Zone is hosted within sedimentary rocks of the Lower Devonian Walhalla Group. The Walhalla Group is subdivided into the Norton Gully Sandstone (or 'western sequence') which consists of a sequence of thick-bedded units of siltstone with occasional interbeds of fine-grained sandstone folded into large, open symmetrical folds. Overlying this is a sequence of thin-bedded sandstones and shales of the Monty's Hut Formation (or 'mine sequence'; Tomlinson, 1990). Most of the historic mine workings, quartz veins and dykes are hosted within the eastern ('mine') sequence which is dominated by steeply west-dipping, finely bedded (<0.1 m) shale and sandstone units which are tightly to isoclinally folded and often have faulted out fold hinges. Both sequences have been overprinted with a steep west-dipping cleavage with Cohen's Shear Zone being confined to the contact between the eastern and western sequences.

Most of Cohen's Shoot is in contact with or in close proximity to narrow diorite dykes (Figure 2.4). Apart from a dyke bulge (>10 m) coincident with the north-plunging Cohen's Shoot, the dykes mostly range in width from 0.5 m to 2 m. The dykes are generally altered and contain abundant sericite and sulphide minerals (pyrite and arsenopyrite). The distribution of the dykes encountered in the mine workings is irregular and tend to pinch and swell, bifurcate and converge. The spatial association of the dykes with the quartz veins is interpreted to be structural (competency contrast) rather than chemical (Hazeldene, 1994).

Of the five principal quartz vein types identified at Walhalla (Tomlinson, 1986), gold is only associated with the laminated veins (eg. in Cohen's Shoot and the stockwork zone). The laminations in the quartz veins manifest as a thin selvage of country rock incorporated into the veins through a crack and seal mechanism. Pyrite and arsenopyrite mineralisation was introduced in the latter stages of vein development (Hazeldene, 1994).

Gold mostly occurs as free irregular to globular particles ranging in size from 0.05 mm (50 microns) to 1 mm (1,000 microns) and as irregular fine aggregates of less than 0.1 mm (100 microns) associated with the laminations in the reefs or with fractures within and around arsenopyrite grains in the stockwork zone veins.

Arsenopyrite is the most common sulphide mineral associated with the gold mineralisation and typically occurs as fine-grained, 0.1 to 3 mm long, rhomb shaped needles. Pyrite is the second most abundant sulphide mineral. Other less common sulphide minerals include galena, tetrahedrite, chalcopyrite and sphalerite.

2.0 WALHALLA PROJECT (cont)

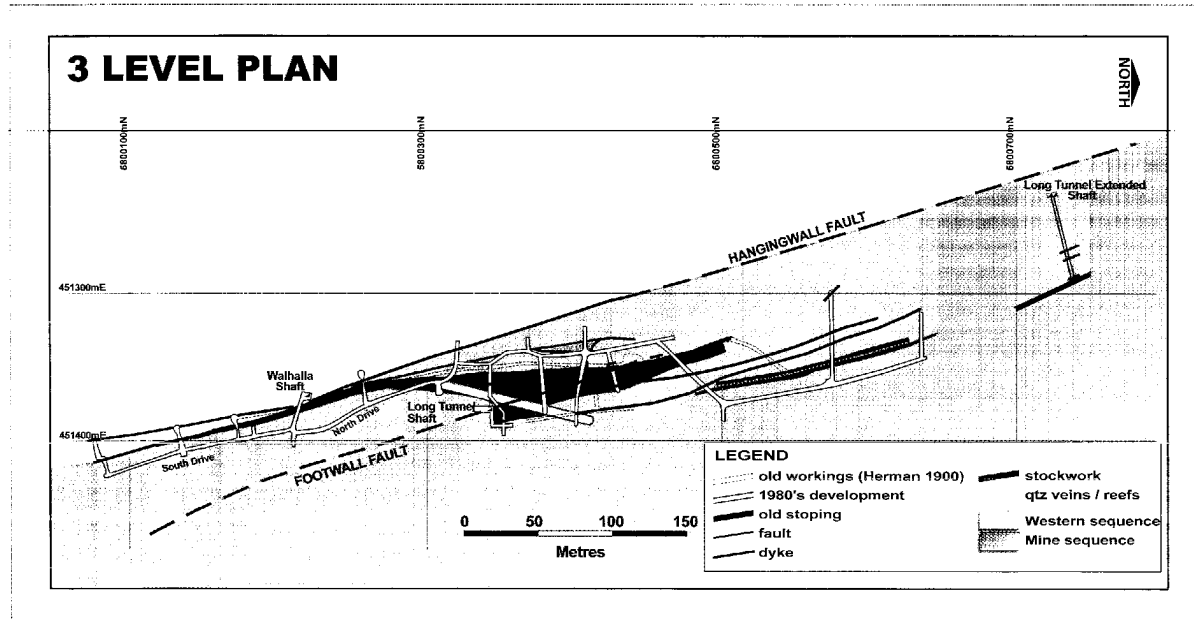


Figure 2.4 Cohen's Shoot Level 3 (248 mRL) geology plan (after Hazeldene, 2003)

Hazeldene (1994) interpreted faulting to be the principal control on the gold mineralisation hosted along Cohen's Shear Zone. According to Hazeldene, early-stage high angle faults acted as the focus for the dyke intrusions with subsequent faulting, localised on the contacts of the competent dykes, providing sites for quartz reef development. Continued fault movements contributed to the development of the laminated veins which in turn provided sites for the gold and sulphide mineralisation. Later faulting disrupted the quartz reef system resulting in a series of discontinuous, steeply dipping reefs. This interpretation predicts that the shoots are fault displaced components of the original reef. As such, there is potential to intersect displaced shoots both along the strike length and at depth within Cohen's Shear Zone providing that dykes are present

Alternatively, structural geology consultants ERA-Maptec in 1995 proposed that the faulting was contemporaneous with reef emplacement and represented bounding structures with Cohen's and Empress shoots being formed in dilatationary transfer zones between the faults. Therefore, any zones of weakness (ie. tensional shears or faults) produced by movement along the bounding faults could be potential sites for shoot development. Since the 'mine sequence' rocks are consistently present between the bounding faults then under this interpretation there is potential for repeats of Cohen's and Empress shoots both along the strike length and at depth within Cohen's Shear Zone.

Importantly, regardless of which model is correct, there is potential for further reefs and/or shoots at depth and along strike within Cohen's Shear Zone.

Gold was also historically exploited at the Black Diamond, Mueleman's and Longfellow's mines on sub-parallel structures associated with dykes about 500 m and 1000 m to the west of Cohen's Shear Zone (Figure 2.5). Other historically exploited deposits included Tubal Cain and Eureka along the Ross Creek Fault to the east of Cohen's Shear Zone (Figure 2.5). These workings exploited similar dyke bulge deposits to the A1 and Morning Star deposits further to the north of Goldstar's EL (Hazeldene, 1986). The Tubal Cain deposit, located 3.6 km northeast of Walhalla, is the largest dyke bulge in the goldfield and produced over 33,000 oz Au to a depth of 90 m.

Cu-Ni-Au-Platinum Group Element (PGE) mineralisation was historically exploited at the Cooper's Creek mine in the south of EL 3311 (Figure 2.5). The deposit is related to a magmatic segregation in a north-plunging synclinal drag fold within a more mafic dyke bulge.

2.0 WALHALLA PROJECT (cont)

2.3 MINING HISTORY

2.3.1 Cohen's Shoot

Total hardrock gold production between the 1860's and 1980's from the Walhalla-Woods Point Goldfield was in excess of 3 Moz. Over half of this amount was recovered from the Walhalla Goldfield, of which 1.46 Moz is directly attributable to recorded production from Cohen's Shoot. In terms of quartz reef production in Victoria, the Walhalla-Woods Point Goldfield was second only to Bendigo which produced over 17 Moz of gold. Significantly, the average grade of the 200 or so mines in the goldfield was unusually high at 26 g/t Au compared with a state average of 15 g/t Au.

Gold was discovered at Walhalla in 1863. Although the quartz reef deposits were rich at surface with grades of up to 8 oz/ton, it took over 12 months before the first battery was erected in the town due to the rugged topography which limited access.

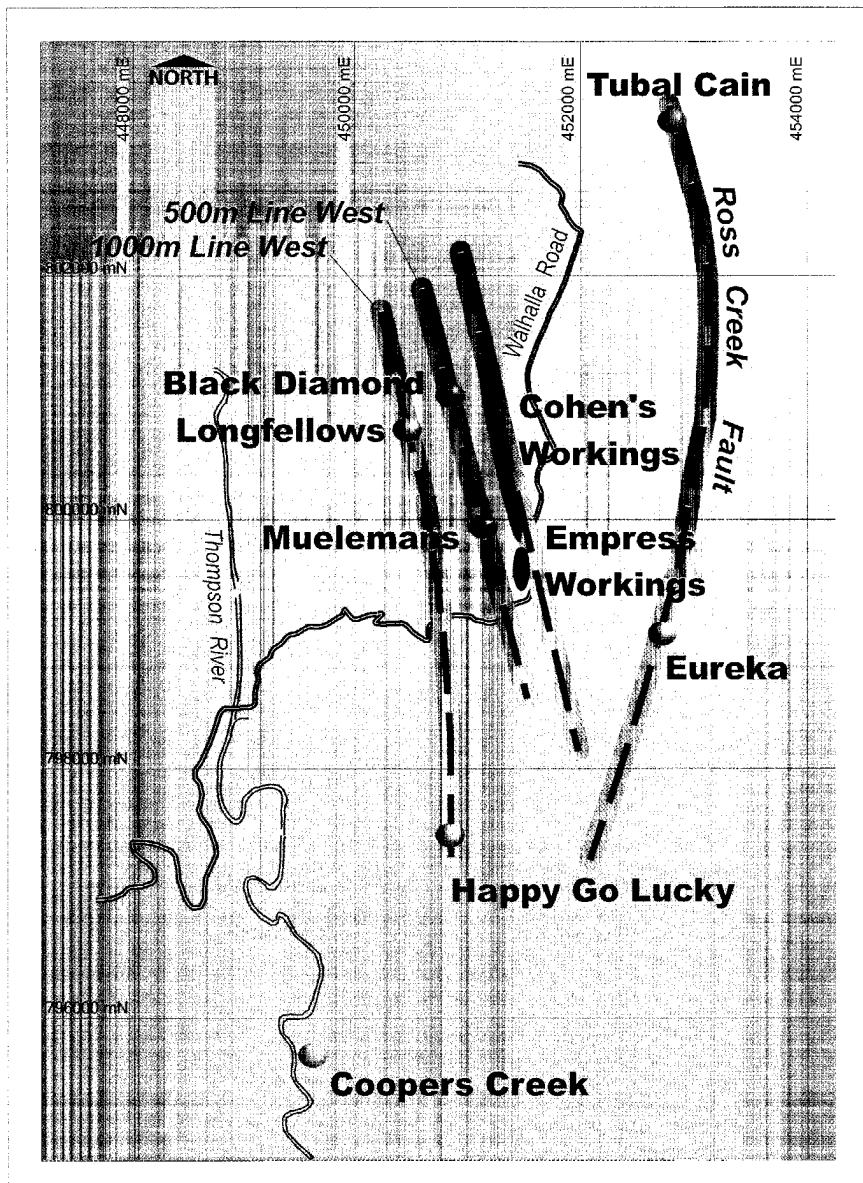


Figure 2.5 Historical mines in the Walhalla Goldfield (prepared by Goldstar)

During the 1860's, gold production was mostly by small syndicates restricted to working above creek level within numerous claims. By 1870, amalgamation of the small claims resulted in gold production being dominated by several companies. The Walhalla Company, and later the Long Tunnel Company, were the dominant producers during the 1870's. The Long Tunnel Company after 2 years of development work intersected Cohen's Shoot at 6 Level, 180 metres below creek level (Figure 2.3). By the end of 1881, the Walhalla Company had exhausted its ore and closed, but the Long Tunnel Extended Company had intersected the Cohen's Shoot at 7 Level and commenced production (Figure 2.3).

2.0 WALHALLA PROJECT (cont)

Throughout the 1880's, both the Long Tunnel Company and the Long Tunnel Extended Company competed for gold production dominance. The Long Tunnel Company had acquired all the ground to the south and northwest of its initial claims (including the old Walhalla Company ground) and carried out exploratory development to the south of the old Walhalla Company Shaft along 8 Level (Figure 2.3).

By 1890, the Long Tunnel Extended Company reached 12 Level on high-grade ore but the Long Tunnel Company had exhausted its ore supply and ceased all development work to the south. The area south of the Empress Shaft was let on tribute to the Great South Long Tunnel Company for a period of 15 years (Figure 2.3). The Long Tunnel Company then proceeded with development to the northwest and by 1892 it had sunk a blind shaft and was producing ore from its northwest claims.

It is noteworthy that the Long Tunnel Mine was the only mine in Australia established before 1880 to pay over £1,000,000 in dividends. The company had paid out a total of £1,283,400 in dividends (ie. £510 for every original £10 share) and was the highest dividend paying mine in Victoria. In comparison, the Long Tunnel Extended Company paid out £788,640 in dividends.

As the depth of the mines increased during the 1890's the cost of mining had also soared. It cost the Long Tunnel Company 18 g/t Au to mine and treat its ore and was also losing between 3 and 8 g/t in the tailings. Because of the Long Tunnel's high costs and the Long Tunnel Extended's decreasing strike length of reef (which was both a function of its lease shape and the dip of the shoot) an amalgamation of the companies was proposed in 1900 but the proposal was subsequently rejected.

Meanwhile, after having endured 20 years of development work to the north of Long Tunnel Extended's claims, the mining operations of the North Long Tunnel and the Long Tunnel Consuls Companies failed and closed soon after the turn of the century owing to the reversal in pitch of Cohen's Shoot.

Shortly thereafter, the Long Tunnel Company accepted a proposal to sink an incline shaft to intersect Cohen's Shoot at depth to the north of the Long Tunnel Extended claims (Figure 2.3). Work on the shaft commenced in 1902, sinking from surface and 9 Level simultaneously. The 14 feet by 5 feet incline shaft was sunk to a total length of 1,220 m at an angle of 49° and reached 31 Level (vertical depth of around 940 m) by 1908 where development of a vertical shaft to 35 Level (vertical depth of 1,028 m) commenced. Rich ore (3 oz/ton) was located to the south of Long Tunnel Extended's boundary which largely paid for the development.

In 1912, the Long Tunnel Extended Mine closed its operation due to Cohen's Shoot extending beyond its claim boundary. The closure placed immense pressure on the Long Tunnel Company which had to upgrade its ventilation system and double its pumping capacity to cope with the resultant increased water flow. The increased mining costs along with poor ground conditions, a shortage of experienced miners (the closure of the Long Tunnel Extended Mine had reduced the labour pool) and insufficient exploratory development forced the closure of the Long Tunnel Mine in 1913. The last levels mined (Levels 31 to 33) recorded grades of up to 6 oz per ton albeit over shorter strike lengths (up to 60 feet) with the width of the shoot averaging 18 inches (Paull, 1963).

A local consortium purchased the mine for £7,500 in 1913 and reopened and extended the mine to Level 35. Due to poor ground conditions and an even more acute shortage of labour (World War I was imminent), the mine closed and was left to flood. Production from the consortium has not been documented, however, the last recorded crushing of 865 tons was in July 1914 for a yield of 440 oz of gold (Paull, 1963).

There was a brief resurgence in mining activity above creek level during the 1930's and 1940's. The New Long Tunnel Company exploited the upper levels of the old Long Tunnel Extended mine workings and also drove a long crosscut from the North Long Tunnel Shaft Flat to the Black Diamond Dyke and developed a rise up to the Black Diamond workings (Figure 2.5; Kenny, 1933). There is no record of any mining activity below creek level until 1985 when the Walhalla Mining Company commenced reclamation of the Walhalla and Inclined Shafts.

Approximately 45,500 kg (or 1.46 Moz) of gold from approximately 1.43 M tons of ore was recorded in Victorian Geological Survey reports (1901 to 1918) as having been produced from Cohen's Shoot. The production statistics from each of the major mines is summarised in Table 2.2.

Table 2.2

Historical mine production from Cohen's Shoot

Company	Production
Cohen's South (1868 – 1874)	5,380 oz (167 kg) gold
Walhalla (1863 – 1881)	144,000 oz (4,479 kg) gold
Wellesley (1865 – 1869)	18,012 oz (560 kg) gold
Long Tunnel (1863 – 1914)	821,119 oz (25,540 kg) gold
Long Tunnel Extended (1873 – 1912)	440,312 oz (13,690 kg) gold
North Long Tunnel (1875 – 1904)	1,173 oz (36 kg) gold
Other	32,608 oz (1,014 kg) gold
Total	1,462,604 oz (45,492 kg) gold

2.0 WALHALLA PROJECT (cont)

2.3.2 Empress Shoot

Empress Shoot, located to the immediate south of Cohen's Shoot (Figure 2.3), was the site of the original gold discovery at Walhalla in 1863 but was only worked sporadically. To some extent the significance of Empress Shoot was overshadowed by the extensive development work taking place on Cohen's Shoot. A summary of the mining history on Empress Shoot is presented in Table 2.3.

Table 2.3

Historical recorded mine production from Empress Shoot

Company	Production	Comments
South Gippsland (1865 – 1868)	1,654 oz (51 kg) from 1,654 tons	Mined to 10 m below creek level.
Empress (1868 – 1872)	1,456 oz (45 kg) from 4,161 tons	Sunk shaft 38 m to 1 Level and intersected a 1 m reef 10 m east of shaft.
United Walhalla (1874)	Nil	Sunk shaft 92 m to 3 Level.
Walhalla (1877 – 1881)	Unknown	3 Level driven 198 m south from Walhalla Shaft. 6 Level driven 468 m south.
Long Tunnel (1882 – 1914)	Unknown	8 Level driven south from Walhalla Shaft. At 308 m a 5 m long south plunging shoot intersected, at 396 m a 92 m long north plunging shoot was stoped.
Long Tunnel (1888).	Unknown	Empress Shaft enlarged. A crosscut at 3 Level driven 38 m west. An area south of Empress Shaft let on tribute to Great Southern Long Tunnel Company.
The Great Long Tunnel Tribute (from the Long Tunnel Co) (1889 – 1904)	23,851 oz (742 kg) from 77,285 tons	Empress Shaft sunk to 14 Level (440 m). Plats and crosscuts at all levels except 8 and 13. Production from all levels except 2, 3 and 4.
Total	26,961 oz (838 kg)	

2.3.3 Cooper's Creek

The Cooper's Creek copper mine (Figure 2.5) was discovered in 1865 and produced approximately 10,000 t of ore from an open cut and shallow underground workings between 1865 and 1881. The grade of the ore was reportedly up to 24.5% Cu, 3.75% Ni and 6 oz/ton Ag (Cochrane, 1982). No PGE production data was documented.

During the period from 1906 to 1913, a further 2,500 t of ore was mined at a grade of 3.75% Cu, 0.34% Ni, 1.5 g/t Au, 2.3 g/t Pt, 3.9 g/t Pd and 13.2 g/t Ag (Cochrane, 1982). Direct smelting of this material on site produced 218 tonnes of matte containing 12 t Cu, 1,172 oz Ag, 96 oz Au and 311 oz Pt.

The Cooper's Creek deposit is related to a north-plunging synclinal drag fold hosted dyke bulge. The north-trending dyke bulge dips steeply to the east and is approximately 150 m long with a maximum width at surface of 30 m. In plan, the southern end of the dyke bulge is keel shaped and plunges to the north at about 65°. The composition of the dyke is variable but in general is considered a variably altered hornblende porphyrite (Hazeldene, 1987).

Two lodes were exploited at the mine. The "Contact Lode" is situated on the western margin of the dyke bulge in a short shear zone which separates the dyke from the adjoining metasediments. The "Dyke Lode" consists of disseminated sulphide mineralisation at the base of the dyke keel. The ore from both lodes is similar in composition. The major sulphide minerals identified are chalcopyrite and pyrite with some pyrrhotite. Gold is present as electrum while palladium and platinum are associated with merenskyite ((Pd,Pt)(Te,Bi)₂) and sperrylite (PtAs₂) respectively. Other recorded minerals include pentlandite, arsenopyrite, galena, chalcocite, tetrahedrite, ilmenite, cubanite (CuFe₂S₃), gersdorffite (NiAsS), bravoite ((Fe,Ni,Co)₂S₂) and violarite (FeNi₂S₄; Cochrane, 1982).

It is noteworthy that the Cooper's Creek mine was Victoria's most significant copper producer until the discovery and development of the Benambra base metal mine in 1990.

2.3.4 Tubal Cain

The Tubal Cain mine workings are centred on a large dyke bulge on the Ross Creek fault (Figure 2.5). Discovered in 1865, the Tubal Cain Company and various small groups produced 30,000 oz Au to a depth of 90m (prior to 1900) from veins on the northern and eastern edges of the dyke. Between 1903 and 1906 the Coronation Company worked the southern veins for 3,278 oz Au from 3,650 tonnes.

2.0 WALHALLA PROJECT (cont)

2.3.5 Other

Mining took place at the Black Diamond fissure lode/dyke bulge (Figure 2.5) in the late 1800's although no production data was recorded. During the 1930's, mining recommenced on 5 upper levels (surface to 100 m depth) supported by a shaft and a 400 m long adit driven 110 m below the mine workings from the North Long Tunnel Shaft Flat in the Walhalla valley.

Eureka (Figure 2.5) was discovered in the mid-1860's. Four levels were developed to exploit vein mineralisation within a dyke bulge. The mine produced a total of 2,669 oz Au from surface to a depth of 80 metres.

The Longfellow's fissure lode/stockwork (Figure 2.5) was discovered in 1865 and was mined to 180 m below surface. Total recorded gold production was in the order of 10,000 oz.

The Happy-Go-Lucky fissure lode (Figure 2.5) was exploited between 1865 and the 1880's. Over 14,000 oz Au was produced to a depth of 100 m.

A significant number of other historic hardrock and alluvial gold mines are located in the outlying areas of EL 3311 (Figure 2.2). Production records for these mines are not available.

Table 2.4

Principal mines outside of Cohen's Shear Zone

Prospect	Location	Production	Depth Worked (m)	Type
Black Diamond	500 m W of Walhalla	Unknown	0 to 200	Fissure Lode/Dyke Bulge
Longfellow's	1 km W of Walhalla	10,000 oz Au	0 to 180	Fissure Lode/Stockwork
Happy-Go-Lucky	3 km S of Walhalla	14,000 oz Au	0 to 100	Fissure Lode
Tubal Cain	3.6 km NE of Walhalla	33,278 oz Au	0 to 90	Dyke Bulge/Ladder Veins
Eureka	2 km E of Walhalla	2,669 oz Au	0 to 80	Dyke Bulge/Ladder Veins
Cooper's Creek	5 km SW of Walhalla	Cu, Ni, PGE's, Ag & Au	0 to 100	Dyke Bulge/Sulphide Cumulate

2.4 PREVIOUS EXPLORATION

Most of the previous modern exploration work carried out within EL 3311 focussed on the evaluation of the Empress and Cohen's Shoots. Limited work was carried out over several of the neighbouring mine workings.

2.4.1 Cohen's and Empress Shoots

Between 1975 and 1981, Tallangalook Pty Ltd held a search lease to evaluate the gold potential of several air photo lineaments to the east of Cohen's Shoot. Eight diamond holes were drilled by Pan D'Or Mining NL and Walhalla Resources Ltd across these lineaments but only intersected unmineralised fault zones. Although Goldstar has located the results from this drilling, the exact location of the holes is uncertain.

Between 1983 and 1987, Walhalla Resources was taken over by Pan D'Or Mining and became the Walhalla Mining Company. This company formed a joint venture with Australian Anglo American Searches to evaluate the identified quartz stockwork zone surrounding the central and northern part of Cohen's Shoot. The Walhalla Joint Venture (**WJV**) refurbished several of the mine workings and established new development on 3 and 6 Levels. Channel sampling and mapping of the stockwork mineralisation in the underground workings led to the estimation of an unclassified resource of 550,000 t at 5.1 g/t Au above a 3 g/t Au cut-off. The resource included some 1,968 samples collected from in excess of 2,550 m of underground sampling. A pre-feasibility study completed in 1987 indicated that the resource was not economic to exploit.

In 1987, the Walhalla Mining Company sold its 50% interest in the joint venture to Giant Resources NL for \$44 M. The new WJV channel sampled many of the locations previously sampled by Walhalla Mining Company using a diamond saw. Between 1988 and 1990, the WJV drilled 45 diamond holes (WA, WC, WE, WS and WN series) from surface and underground for a total of 4,624 m. The holes tested the stockwork mineralisation, its potential northern extensions and the upper levels of the Empress Shoot.

Outside of the stockwork resource, significant gold mineralisation was encountered from a drillhole completed below the area between the northern and southern stockwork zones, interpreted as the top of the Empress Shoot (Figure 2.3). Three wedges were also completed up-dip of the parent hole (WE89D010) within a vertical distance of 20m. The drillhole intersections are summarised in Table 2.5.

2.0 WALHALLA PROJECT (cont)

Table 2.5

Summary of significant drillhole intercepts from Cohen's and Empress Shoots

Hole ID	Easting	Northing	From (m)	To (m)	Length (m)	Grade (g/t Au)
WE89D010	4513375	799901.88	258.20	263.20	5.00	4.59
WEW1D010			258.40	262.65	4.25	11.15
WEW2D010			258.80	263.80	5.00	4.58
WEW3D010			259.55	263.95	4.40	11.11

In 1990, the WJV (which at that stage comprised Poseidon Ltd and Aymleg Pty Ltd, the receivers to Giant Resources) unsuccessfully attempted to sell the project and eventually abandoned the tenements in 1993. The abandoned area was incorporated into EL 3311 which was granted to Livre Holdings Pty Ltd in 1994. Ownership of EL 3311 was transferred to Intrepid Mining Corporation NL in 1995.

Between 1995 and 1997, Intrepid Mining drilled a total of 47 RC holes (WP series for 3,777 m) along the southern extension of Cohen's and Empress Shoots and associated stockwork zone. This drilling resulted in an increase of the previous resource estimate by 150,000 tonnes at a similar grade (Intrepid Mining, 1997).

Ownership of EL 3311 was transferred to Perseverance Mining Pty Ltd in 1997, however, no further exploration work was carried out. Perseverance Mining sold its 100% interest in the EL to Goldstar in August 2003.

The database for Cohen's and Empress Shoots since the commencement of exploration activities in 1983 is summarised in Table 2.6.

Table 2.6

Summary of database for Cohen's and Empress Shoots

Sample type	No of channel samples/holes	Total metres
Channel	1,968	2,558.48
RC (reverse circulation drillholes)	47	3,777.10
DD (diamond drillholes)	45	4,625.41
Total	2,060	10,960.99

2.4.2 Adjoining Prospect Areas

As previously outlined in Section 2.3, there are a number of historic gold workings within close proximity to Cohen's Shoot which were previously evaluated by several exploration and mining groups.

Between 1969 and 1974, Cooper's Creek Mining and Exploration NL (**CCME**) reassessed the Cooper's Creek copper mine (Figure 2.5). The company's activities included rehabilitation of the underground workings (total of 192 m), the construction of a simple blast furnace and the drilling of 46 diamond core holes from surface and underground (for 1,261 m) and several percussion holes (for 610 m). Significant drillhole intersections reported by CCME (Hazeldene, 1996) from the underground holes included 17.7 m at 4.2% Cu (Hole 10), 18.3 m at 3.5% Cu (Hole 2) and 10.4 m at 3.9% Cu (Hole 6). CCME reported a resource of 40,000 t grading 6.8 g/t PGE and 2.5 g/t Au associated with a cumulate sulphide zone at the keel of the dyke bulge (Dyke Lode). Goldstar has been unable to locate any information regarding the location of these drillholes or the basis for the resource estimate. CCME also carried out some regional exploration work for copper and nickel and drilled the East Walhalla prospect, a small dyke bulge with prospecting pits located to the east of Walhalla (Hazeldene, 2003).

In 1981, Tallangalook Pty Ltd entered into a joint venture with CRA Exploration Pty Ltd (**CRAE**) to explore for copper and nickel mineralisation in the Cooper's Creek area. CRAE carried out a regional geophysical and geochemical survey and completed a single drillhole (DD81ML001) under the old mine workings to investigate the continuity of the mineralised dyke bulge at depth. The hole intersected a thin dyke but failed to intersect the bulge.

Between 1984 and 1987, CRAE explored for gold within a tenement surrounding the WJV that extended north from the Cooper's Creek copper mine to the Black Diamond/Longfellow's area (Figure 2.5). CRAE drilled 9 RC holes (RC86ML2 to 10 for 854 m) into a number of geophysical anomalies between the old workings at Mueleman's and Black Diamond. Significant intercepts reported were 4 m at 3.33 g/t Au from 70 m (downhole) in RC86ML4 and 3 m at 3.75 g/t Au from 64 m (downhole) in RC86ML5 (Table 2.7). The Walhalla Mining Company also completed channel sampling of the mine workings in 1986 on 2 Level and 4 Level (Table 2.7; Hazeldene, 2003).

In 1986, Golden Shamrock Mines Ltd (**GSM**) drilled a second hole (CC002) up-plunge of the CRAE hole at the Cooper's Creek copper mine. The hole intersected a 43 m thick dyke bulge but failed to encounter any significant mineralisation. GSM, in joint

2.0 WALHALLA PROJECT (cont)

venture with Austplat Minerals NL, drilled a further hole (CC003) in 1987 down the western side of the dyke bulge to the immediate north of the previous hole. The hole intersected a 36 m zone of mineralisation (303 m to 339 m downhole) grading 1.75% Cu, 0.2% Ni, 8.6 g/t Ag, 0.78 g/t Pt, 1.08g/t Pd and 0.39g/t Au (Hazeldene, 1996).

In 1986 and 1987, the WJV drilled four diamond holes (TC1 to 4 for 1,469 m) to evaluate the extensions of the Tubal Cain dyke bulge mineralisation (Figure 2.5). Table 2.8 summarises the significant intersections from holes TC1 and TC2 (Hazeldene, 1987). Goldstar has been unable to locate the assay data for holes TC3 and 4.

Table 2.7

Summary of significant intercepts from the Black Diamond prospect

Channel/Hole ID	Sample type	Easting	Northing	From (m)	To (m)	Length (m)	Grade (g/t Au)
BD_WW01	CH	450774.9	801108.0			0.10	3.38
BD_WW04	CH	450769.7	801120.6			2.40	1.71
BD_WW07	CH	450765.9	801117.7			1.99	10.97
BD_WW08	CH	450757.6	801118.8			2.00	1.61
BD_WW09	CH	450757.9	801119.2			0.60	1.24
BD_WW10	CH	450756.3	801120.3			2.01	1.58
BD_WW11	CH	450770.4	801115.4			1.22	1.59
BD_WW13	CH	450770.8	801116.3			2.00	2.18
BD_WW14	CH	450772.1	801114.8			2.00	1.26
BD_WW15	CH	450774.5	801108.9			1.99	1.90
BD_WW16	CH	450775.3	801109.5			1.99	3.30
BD_WW17	CH	450775.1	801106.3			2.02	1.12
BD_WW18	CH	450774.0	801104.6			1.99	7.53
BD_WW19	CH	450772.9	801102.9			2.01	2.08
BD_WW20	CH	450770.5	801104.7			1.99	1.09
BD_WW21	CH	450768.9	801105.9			1.99	1.03
BD_WW22	CH	450767.3	801107.1			2.01	1.55
BD_WW25	CH	450783.6	800977.6			0.50	1.90
BD_WW27	CH	450785.3	800972.9			0.60	5.71
BD_WW29	CH	450787.0	800968.2			0.60	4.10
BD_WW33	CH	450790.4	800958.8			0.80	1.18
BD_WW36	CH	450793.3	800949.2			0.60	1.37
BD_WW41	CH	450797.1	800939.9			0.60	4.33
BD_WW43	CH	450798.8	800935.3			0.40	3.54
RC86ML4	RC	450850.0	801090.0	70.00	74.00	4.00	3.33
RC86ML5	RC	450850.0	801090.0	60.00	62.00	2.00	1.69
				64.00	67.00	3.00	3.75

CH – Channel sample
RC – RC drillhole sample

In 1995, Intrepid Mining drilled a further 4 RC holes at Tubal Cain (TP 1 to 4) to test the potential for low-grade disseminated gold mineralisation associated with a soil geochemistry anomaly. Table 2.8 summarises the significant intersections from this drilling campaign. The program confirmed that gold grades were generally less than 0.5 g/t associated with the altered lamprophyre dyke with higher grades being restricted to zones of quartz-carbonate veining (Allwood, 1995).

2.0 WALHALLA PROJECT (cont)

Table 2.8

Summary of significant intercepts from the Tubal Cain prospect

Channel/hole ID	Sample type	Easting	Northing	From (m)	To (m)	Length (m)	Grade (g/t Au)
TC001	DD	452660.5	803330.6	131.00	133.00	2.00	1.41
TC001				165.00	166.00	1.00	1.87
TC001				183.00	184.00	1.00	1.95
TC001				230.00	231.00	1.00	2.93
TC001				232.00	233.00	1.00	1.89
TC001				257.00	258.00	1.00	1.16
TC002	DD	452698.4	803185.7	118.00	119.00	1.00	1.09
TC002				164.00	166.00	2.00	1.20
TC002				223.00	225.00	2.00	3.11
TP001	RC	452842.0	803134.5	14.00	16.00	2.00	2.35
TP001	RC			24.00	26.00	2.00	2.69
TP001	RC			68.00	69.00	1.00	2.89
TP002	RC	452857.5	803101.5	16.00	18.00	2.00	1.35
TP004	RC	452881.0	803080.5	9.00	10.00	1.00	1.28

RC – RC drillhole sample

DD – Diamond drillhole sample

Intrepid Mining also collected in excess of 200 soil samples from a 20 m x 100 m grid over the Eureka workings during 1995 (Figure 2.5). Five gold-arsenic anomalies were outlined and were evaluated in 1996 by trenching. The best result reported was 16 m at 2.7 g/t Au from a trench through the dyke to the north of the mine workings (Intrepid Mining, 1997).

During this period, Intrepid Mining also sampled underground exposures of dyke and reef at Longfellow's (Figure 2.5) and reported 52 samples over a 200 m strike length averaging 5 g/t Au (uncut; Intrepid Mining, 1997). These samples were collected approximately 50 m below surface along the strike of the dyke.

Outside of the area immediately surrounding Walhalla the only recorded exploration work has been limited to magnetic surveys and soil, rock chip and stream sediment sampling.

2.5 RESOURCE ESTIMATES

DataGeo Geological Consultants (**DataGeo**) completed a resource estimate in November 2002 on behalf of Goldstar for the stockwork and reef mineralisation at Cohen's and Empress Shoots using all available located drillhole and underground channel sampling data. The resource model is based on three-dimensional wireframes of the stockwork mineralisation, previously mined stopes and Cohen's Shear Zone with gold grades estimated by ordinary kriging. Tonnage estimates are derived from theoretical bulk density estimates for each major rock type.

DataGeo reported a combined Indicated and Inferred Mineral Resource of 677,000 t grading 5.5 g/t Au above a 3 g/t Au cut-off and included an allowance for mining voids. The resource, by classification, is summarised in Table 2.9.

Table 2.9

Summary of Mineral Resource for Cohen's and Empress Shoots above 3.0 g/t Au cut-off

Zone	Indicated		Inferred Total		Total		Total
	Tonnes	Au g/t	Tonnes	Au g/t	Tonnes	Au g/t	Au Oz
Stockwork							
North	268,500	5.1	146,100	6.0	414,600	5.4	71,400
South	163,500	5.1	63,800	7.0	227,300	5.6	40,800
Stope Fill							
Cohen's	35,100	6.0			35,100	6.0	6,800
Total	467,100	5.2	209,900	6.1	677,000	5.5	119,000

2.0 WALHALLA PROJECT (cont)

The resource classification was based on a combination of semivariogram range and average sample density. Approximately 70% of the in situ resource is currently allocated to the Indicated Resource category in terms of the JORC code. Snowden has found the resource classification methodology to be reasonable and no significant anomalies were noted in the resource model. In Snowden's opinion, and pending a full audit of the geological and assay database and geostatistical assessment, a major portion of the Walhalla project is likely to be able to support an Indicated category where sufficient data is present and grade continuity can be assumed.

Snowden has reviewed the resource model and has noted a significant amount of grade smoothing as a consequence of the ordinary kriging process with the net result of overestimating tonnes and underestimating gold grades. In Snowden's opinion, the global tonnes may be overestimated by as much as 20% and global gold grades underestimated by 20%.

Snowden has undertaken a preliminary semivariogram analysis of the North and South stockwork zones (Figure 2.3). Results suggest semivariogram ranges in excess of 100 m along strike and ranges of between 30 m and 40 m in the down-dip and cross-dip directions. Snowden suggests, based on the DataGeo's current resource classification criteria, that the estimated tonnes in the Indicated Resource category may be conservative.

Snowden acknowledges the approach by DataGeo of using 5 samples or less for block estimation to reflect the in situ variability observed in the composited gold assays. However, as a result of the limited number of samples used for grade estimation, Snowden considers that the local grade estimates, especially in the less well drilled areas, will have low confidence (conditional bias). Therefore, it is Snowden's opinion that the in situ resource estimate should only be considered as a global estimate of the contained gold within the Walhalla project area.

The Walhalla project database used in the resource estimate consists of diamond and RC drilling and underground channel samples obtained from development drives and crosscuts (Table 2.10).

Only channel sample data from the later WJV sampling program was used in the resource estimate, as locations for the channel sampling data from the earlier Walhalla Mining Company program was unavailable. Channel sampling within the mineralised envelope occurred at intervals of between 25 m and 60 m along strike and from 25 m to 90 m in the vertical direction. The channel samples were treated in the same manner as the drilling data with each channel sample given a collar coordinate, direction and length. Snowden recommends further analysis be undertaken to determine the validity of combining diamond and RC drilling data with channel sampling assay data for grade estimation purposes.

Table 2.10

Data used in resource estimate

Sample Series	Type	Number Channels /Holes	Number of metres
C, GS, RAI	CH	1,917	2,489.78
WP	RC	35	2,476.30
DD, W	DD	36	2,688.76
Total		1,988	7,654.84

CH – Channel sample

RC – RC drillhole sample

DD – Diamond drillhole sample

Snowden recognises that data quality issues represent a significant risk factor for the project. The historical nature of the channel sample data, inability to accurately locate the channel samples, inability to validate the assay methods and the current practice of mixing sample types for grade estimation purposes increases the uncertainty in the current resource estimate. Snowden notes that in areas where re-assaying was undertaken, the re-assayed gold grades have in general been lower than the historical assay estimates.

The samples were assayed using either the fire assay (FA) or the atomic absorption spectrometry (AAS) method. Snowden is not aware of a coarse gold component (>0.1 mm) within the mineralisation, however, if this was significant the FA results will most likely be biased low in the presence of coarse gold.

In determining gold grade estimates, Snowden found the DataGeo top-cut strategy to be ineffective in eliminating the impact of the high-grade outlier assay values. Snowden observed poor continuity between the truncated high-grade assays and adjacent assay grades using the current top-cut strategy. Snowden recommends that the South stockwork top-cut be reduced from 30 g/t Au (99.6 percentile) to 20 g/t Au (99.0 percentile) and the North stockwork top-cut reduced from 20 g/t Au (99.6 percentile) to 10 g/t Au (98.8 percentile). This would result in an overall reduction of 9% in the average grade of the assay data for the combined North and South stockwork zones.

Snowden has reviewed the grade estimation methodology with a view to determine the appropriateness of the approach for this style of deposit. It is Snowden's opinion that ordinary kriging will give a reasonable result at the global level. However, grade smoothing as a result of wide spaced data will introduce more tonnes at a lower grade for a given cut-off. At the mining stage, grade control sampling and selective mining practices will tend to reduce the overall ore tonnes and improve the grade. As more

2.0 WALHALLA PROJECT (cont)

exploration data becomes available, Snowden recommends that other appropriate grade estimation techniques be evaluated to develop a recoverable resource estimate.

Based on the current level of data and Snowden's experience with underground, vein-type gold deposits, a variance up to $\pm 50\%$ in the estimated tonnes and up to $\pm 30\%$ in the estimated gold grades would appear to be a reasonable expectation of risk at this stage of the project. In determining these variances, Snowden has taken into account the variable data sources, data spacing, grade and geological continuity issues. Snowden recommends additional infill drilling and assay database verification work to better define the mining envelope to improve overall confidence in the resource estimate. Furthermore, Snowden recommends that additional work be undertaken to review the current domain shapes to confirm that they reflect expected mining volumes and dilution issues.

It is Snowden's opinion based on a high level review of the geological model that the accuracy of the grade envelopes is adequate for definition of a global resource tonnage, but is not representative of local tonnage and grade variations that are likely to be experienced during mining. Snowden acknowledges, however, that additional exploration drillhole information generated by Goldstar will be included in future resource estimates and this will assist in better defining the mineralised envelope and therefore increase the confidence in the grade envelopes for mine planning purposes.

Table 2.11 summarises the relevant resource assessment factors determined by DataGeo in its resource estimate.

Table 2.11

Walhalla Project – resource assessment and reporting criteria (after DataGeo, 2002)

SAMPLING TECHNIQUES AND DATA

Data collection techniques	Channel sampling (surface and underground), reverse circulation and diamond drilling used. Diamond and most RC holes were surveyed with single shot downhole camera or north-seeking gyro. Channel samples taken were from 4 levels and from surface using traditional techniques using either parallel saw cuts or trenches.
Logging	All samples logged for material type.
Sample recovery	Sample recovery was not recorded, but visual inspection of core indicated good recovery. Channel sampling techniques employed should have returned 100% material recovery.
Sub-sampling techniques and sample preparation	Diamond core was sampled as half core with downhole intervals based on geological logging to nominal 1m length. RC samples were collected from the drill spoil. In addition a 2 kg riffle-split sample representing 1m downhole is also collected from RC holes for use if the composite sample returns a grade above threshold. All samples are crushed and ground and a 50 g sample pulverised to a nominal 85% passing 75 microns prior to assay. Channel samples were collected on plastic sheeting and all samples bagged, dried and crushed with a 1 kg sample taken for assay.
Sample assay methods	Samples were assayed for Au by AAS and fire assay. No original assay sheets were available therefore some uncertainty exists concerning the assay method. Many other elements were assayed but the results have not been found.
Quality of assay data and laboratory tests	No information available.
Verification of sampling and assaying	Repeat analysis and comparison between AAS and FA indicate acceptable repeatability.

ASSESSMENT AND REPORTING CRITERIA

Location of data points	Most drill hole locations were picked up from local control points to $\pm 1\text{m}$ accuracy, some discrepancies in RL were detected and have been adjusted against surface pickups. Channel sample midpoints were located from plans. The accuracy of the channel samples when converted to drillholes is $\pm 0.5\text{m}$.
Data density and distribution	The northern resource estimation is based on continuous channel sampling from 4 levels (360 m, 335 m, 248 m and 158 m) and surface (380 to 400 m RL) with channels taken on both sides of cross-cuts which are at 25 to 40 m spacing along strike. The southern resource is based mostly on channel samples (upper levels) from crosscuts at 12.5 to 60 m intervals along strike with vertical separation between levels of 15 m and 25 m. For the lower levels, defined solely by drilling, the data separation averages 25 m along strike with an average 2 drill intersections per section between 20 and 40m apart down-dip.
Audits and reviews	None undertaken at this time.

2.0 WALHALLA PROJECT (cont)

ESTIMATION AND REPORTING OF MINERAL RESOURCES

Database Integrity	The data is housed in a computerised database. The channel samples have been checked against level plans to validate location and grade. Drill holes have been checked against logs and survey information to check location and grade.
Geological interpretation modelling.	Sectional and level geological interpretations incorporate lithological, structural and assay information to define the mineralisation zones. Mineralisation zones, geology and topography were modelled using wireframes and/or solid models and then incorporated into a base block model with a 5 mE x 25 mN x 5 mRL parent block size.
Compositing and Geostatistics	Downhole and along channel compositing to 1m was undertaken with composites tagged against the mineralised zones. All composites were manually checked for validity. Variography within individual mineralisation zones did not readily confirm the proposed geological orientations.
Estimation and modelling techniques	Block gold grades were estimated using ordinary kriging techniques within the mineralisation zones. Search orientation and distances were determined by the geology and variography. Grade top cutting was employed. Modelled grades were validated visually and by comparison with input data.
Cut-off grades parameters	Mineralisation envelope is based on presence or absence of stockwork. Reported cutoff grades reflect the likely grade required for underground mining balanced against preserving "orebody" continuity.
Mining factors assumptions	Resource estimate assumes underground mining using large blocks. The grade estimate within geological boundary constraints includes internal dilution, but does not allow for edge dilution and ore loss.
Metallurgical factors or assumptions	No metallurgical factors were directly applied to the resource modelling.
Tonnage factors (in situ bulk densities)	Taken from historical information.
Classification	The resource classification is based on a combination of geological confidence and drillhole separation.
Audits or reviews	No external audit or review has yet been undertaken of this resource.

2.6 MINING AND METALLURGICAL CONSIDERATIONS

In 1987 James Askew and Associates completed a preliminary feasibility study for the WJV. The study was based on the stockwork resource at Cohen's Shoot of 550,000 t at 5.1 g/t Au. Of this, 373,000 t at 5.0 g/t Au was deemed a 'mineable reserve' after allowances for dilution and recovery, however, the resource as it stood did not justify the capital costs required to develop the mine. Decline access from Empress Shoot was proposed with underhand cut and fill stoping as the preferred mining method for the ore.

The results from the limited metallurgical testwork completed indicated that recoveries by direct cyanidation were in the order of 40 to 50%. As a consequence, gravity concentration and flotation was proposed for the treatment of the ore to produce a high arsenic sulphide concentrate for sale which contained around 95% of the gold.

Goldstar is currently considering exploiting the stockwork resource at Walhalla using decline access from Empress Shoot to the south of the Walhalla township to minimise any potential environmental or social impact. Waste would be transported to an approved location either within or outside of the State Forest reserve. Goldstar is also investigating establishing a processing facility for the ore on private property outside of the State Forest. As part of its proposed work program, a bulk sample will be collected for further metallurgical testwork to establish the most viable processing route for the ore.

Goldstar has also adopted the following operational philosophy:

- consultation and working with the regulatory bodies and the local community;
- minimisation of impact on the local environment; and
- maximising the involvement of the local community where appropriate in the support and operation of any mining activity.

Of critical importance to the viability of establishing a mining operation at Walhalla and its future profitability, exploration work by Goldstar should not only be directed towards increasing the tonnage of the stockwork resource but also to improving its overall grade.

2.0 WALHALLA PROJECT (cont)

2.7 EXPLORATION POTENTIAL

2.7.1 Cohen's and Empress Shoots

Goldstar recognises the following exploration targets along Cohen's Shear Zone:

Empress Shoot – upper north-plunging extension

Historic records indicate that an exploratory drive on 8 Level from the Cohen's Shoot mining area (Long Tunnel Company - pre 1900) south towards the Empress tribute area encountered "non-payable stone" for 300 feet hosted along a north-plunging structure (Figure 2.6 - Target A). It is noteworthy that "non-payable" ore at this time was relative to the mining cut-off grade which was in the order of 11-14 g/t Au along this level (Herman, 1901). Drillhole WE88-D003, that was completed by the WJV, passed above and to the east of this location. The hole, although not apparently mineralised, did intersect a major dyke at a down hole depth of 427 m and a significant fault at 500 m before terminating in the mine sequence (Hazeldene, 2003). No geological or assay information is available for this hole.

Empress Shoot – lower north-plunging extension

Target B (Figure 2.6) is a conceptual target based on the down-plunge projection of the Empress Shoot in relation to the high-grade bulge on Cohen's Shoot.

Empress Shoot - vertical shoot at depth

Target C (Figure 2.6) represents a conceptual shoot parallel to the depth extent of Cohen's Shoot. Variography studies by Goldstar within the stockwork zone of Cohen's Shoot supports a potential vertical component to the high-grade gold mineralisation.

Cohen's and Empress shoot stockwork zone – surface to 6 Level

The Cohen's Shoot stockwork zone (Target E - Figure 2.6) encompasses the resource area described in Section 2.5. Goldstar considers that there is potential to increase the tonnage and grade of this resource once infill/extension drilling has been carried out.

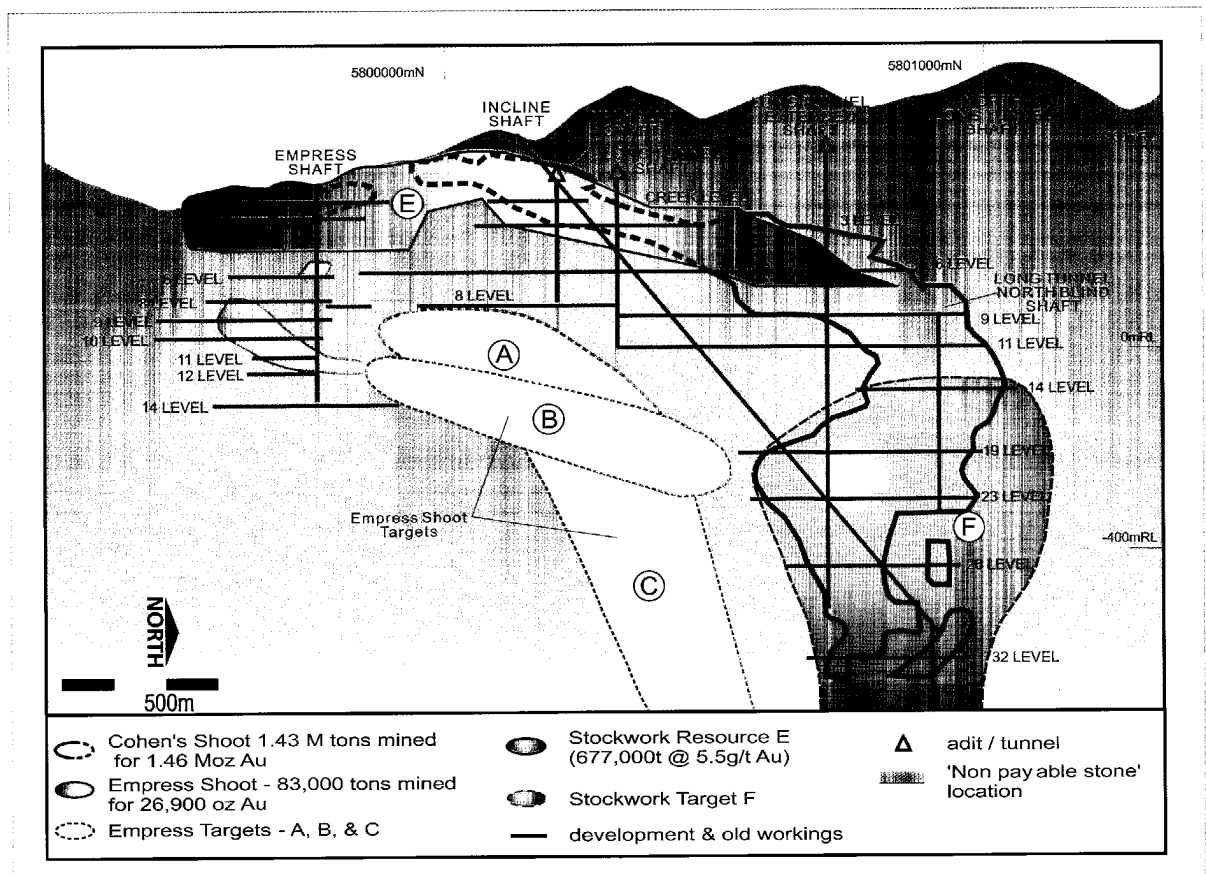


Figure 2.6 Longitudinal section of Cohen's and Empress shoots showing principal exploration targets (prepared by Goldstar 2002)

2.0 WALHALLA PROJECT (cont)

Cohen's and Empress shoot stockwork zone – below 6 level.

Goldstar considers that there is good potential for additional stockwork mineralisation at depth below 6 Level in the vicinity of Cohen's Shoot (Target F - Figure 2.6). Previous workers interpreted that the stockwork zone did not extend below 6 Level. However, an examination of the historic records by Goldstar suggests that splay reefs were recorded below 14 Level.

Northern extension of Cohen's Shear Zone

Cohen's Shear Zone has been traced over a strike length of 4 km with the majority being located to the north of Cohen's Shoot. The northern strike extent of this shear therefore represents a priority exploration target for repetitions of Cohen's Shoot.

2.7.2 Other Targets

Outside of Cohen's Shear Zone, Goldstar considers there is significant exploration potential about many of the smaller historical gold mines. EL 3311 covers the southern part of the Walhalla-Woods Point Goldfield where gold deposits tend to occur on distinct structures that sub-parallel the main regional structures. The most significant of these is the Ross Creek Fault along which the historic A1 and Morning Star mines occur at Woods Point to the immediate north of EL 3311. Goldstar considers that geological settings similar to those hosting the Cohen's Shoot, A1 and Morning Star deposits exist within the southern portion of EL 3311 about the many shallow historic mining operations.

Prospective sub-parallel structures to the immediate west of Cohen's Shear Zone include the Longfellow's to Happy-Go-Lucky trend and the Black Diamond to Meulemans trend (Figure 2.5). To the east of Cohen's Shear Zone, dyke bulges at the Eureka and Tubal Cain workings are located along the interpreted southern strike extent of the Ross Creek Fault (Hazeldene, 2003).

The following prospects are considered by Goldstar as priority exploration targets:

Tubal Cain

The limited drilling completed to date over the Tubal Cain workings has not been encouraging in terms of grade, but has outlined the presence of narrow zones of low-grade gold mineralisation. Surface geochemistry and ground geophysics have highlighted the potential for the dyke bulge to be considerably larger than what was exposed in the old mine workings.

Eureka

Based on the results from the surface geochemistry and ground geophysical surveys at Eureka, there is potential for strike extensions or repetitions of the gold mineralisation along the Ross Creek Fault host structure.

Cooper's Creek

Considerable resource potential remains at depth for Cu-Ni-PGE mineralisation within the north-plunging keel zone of the dyke bulge at the Cooper's Creek copper mine as indicated by the significant intersection in Golden Shamrock Mines' drillhole CC03.

Longfellow's and Happy-Go-Lucky

Goldstar considers the reefs at Longfellow's and Happy-Go-Lucky to be continuous at depth and along strike.

Conceptual targets

A series of sub-parallel linear features exist to the west of Cohen's Shoot. The most significant of these is the Longfellow's-Happy-Go-Lucky trend located approximately 1 km to the west of Cohen's Shoot. Along this trend there is a significant number of smaller workings. The Black Diamond-Meulemans trend, located around 500 m to the west of Cohen's Shoot, also hosts numerous old workings.

The Ross Creek Fault is the most significant parallel structure to the east of Cohen's Shoot in terms of historic gold production which was mainly associated with dyke bulge deposits (ie. Tubal Cain and Eureka). There are a number of old workings in the vicinity of the fault between these two deposits.

2.8 PROPOSED EXPLORATION PROGRAM AND EXPENDITURE

Goldstar has proposed a staged program of exploration and development over a two year period for the Walhalla project.

Phase 1: During this phase, Goldstar intends to complete a program of underground drilling to improve the confidence in the overall grade of the Cohen's and Empress stockwork resource and progress it to "reserve" status. Drill testing of the Empress Shoot and metallurgical testwork on composited wide diameter drill core samples will also be carried out along with further resource modelling.

Phase 2: This phase will involve drill evaluation of the strike and depth potential of Empress Shoot by means of limited underground development from the existing adit, drill testing of the potential southern extensions of Cohen's Shoot and the initial evaluation of the adjoining prospect areas hosted along sub-parallel structures.

Phase 3: This phase will focus on the regional potential of EL 3311 through the compilation of a GIS dataset to generate and prioritise targets for follow-up field evaluation.

2.0 WALHALLA PROJECT (cont)

Snowden has reviewed the proposed exploration budget for Goldstar's \$6 M capital raising, which is summarised in Table 2.12, and has found it to be realistic in the context of the equity being raised. The exploration program is mostly dedicated to further evaluation of Cohen's and Empress Shoots. Limited exploration work is proposed over the adjoining prospect areas during this period. Snowden notes that the proposed Year 2 exploration program will be dependent on the results from the first year of exploration. It should be possible, however, to evaluate the resources at Cohen's and Empress Shoots to the stage of feasibility within the 2 year period.

Table 2.12

Walhalla Project – proposed exploration budget

	Cost Centre	Year 1	Year 2	Total
Phase 1	Drilling (all costs) and analytical work	\$200,000	-	\$200,000
	Underground development for drill access	\$150,000	-	\$150,000
	Consultants (geology, resource, metallurgy, engineering)	\$90,000	-	\$90,000
	Bulk sample collection/metallurgical sampling	\$21,100	-	\$21,100
	Scoping studies	\$72,000	\$108,000	\$180,000
	Sub Total	\$533,100	\$108,000	\$641,100
Phase 2	Empress Shoot			
	Drilling (all costs) and analytical work	\$45,000	\$60,000	\$105,000
	Underground development for drill access	\$300,000	-	\$300,000
	Consultants (geology)	\$27,500	\$7,500	\$35,000
	Sub Total	\$372,500	\$67,500	\$440,000
	Cohen's Shoot			
	Dewatering	\$85,000	\$60,000	\$145,000
	Drilling (all costs) and analytical work	\$50,000	\$150,000	\$200,000
	Underground development for drill access	\$176,000	\$264,000	\$440,000
	Consultants (geology)	\$15,000	\$10,000	\$25,000
	Sub Total	\$326,000	\$484,000	\$810,000
	Other Structural Targets			
	Drilling (all costs) and analytical work	\$193,200	\$82,800	\$276,000
Geochemistry and geophysics	\$102,000	-	\$102,000	
Sub Total	\$295,200	\$82,800	\$378,000	
Phase 3	Database compilation	\$28,000	-	\$28,000
	Database review and target generation	\$36,000	-	\$36,000
	Geochemistry and geophysics	\$15,937	\$47,813	\$63,750
	Sub Total	\$79,937	\$47,813	\$127,750
	Supervision (wages, salaries and on-site costs)	\$178,977	\$178,977*	\$357,953
	Rent and rates	\$5,500	\$4,500	\$10,000
Contingency (10%)	\$178,571	\$96,909	\$275,480	
TOTAL		\$1,969,785	\$1,070,498	\$3,040,283

* Minor rounding errors effect the cross and vertical additions

Should a minimum subscription of \$5 million be achieved, drill testing of the potential southern extensions of Cohen's Shoot in Phase 2 and the initial assessment of the other regional targets in Phase 3 will not proceed. In this circumstance, the proposed exploration budget will amount to \$1,554,054 in Year 1 and \$485,504 in Year 2.

3.0 BRANKEET PROJECT

3.1 INTRODUCTION

Goldstar's Brankeet project is located 300 km northeast of Melbourne and approximately 30 km northwest of Mansfield near the historic mining centre of Tallangalook (Figure 3.1 and Figure 3.2). The project area can be reached from Melbourne via sealed roads within 2.5 hours.

The project comprises a single EL (EL 4656) covering a total area of 51 km² and is 100% owned by Goldstar (Table 3.1).

Table 3.1

Brankeet Project tenements

Tenement	Status	Area (km ²)	Registered Holder	Minimum Expenditure Commitment
EL 4656	Granted 5 Feb 2003	51	Goldstar Resources NL	\$30,000

The EL covers a granite contact zone to the immediate east and west of the historic Meade's gold mine which is excised from Goldstar's tenement (Figure 3.2). A gold resource of 1.47 Mt at 1.6 g/t Au (above a cut-off of 0.7g/t Au) has been outlined at the old Meade's mine (or Golden Mountain project) by Duketon Goldfields Ltd (December 1997 quarterly report). Both alluvial and hard-rock gold was mined within Goldstar's EL during the late 19th and early 20th centuries, however, there is no record of any modern exploration work.

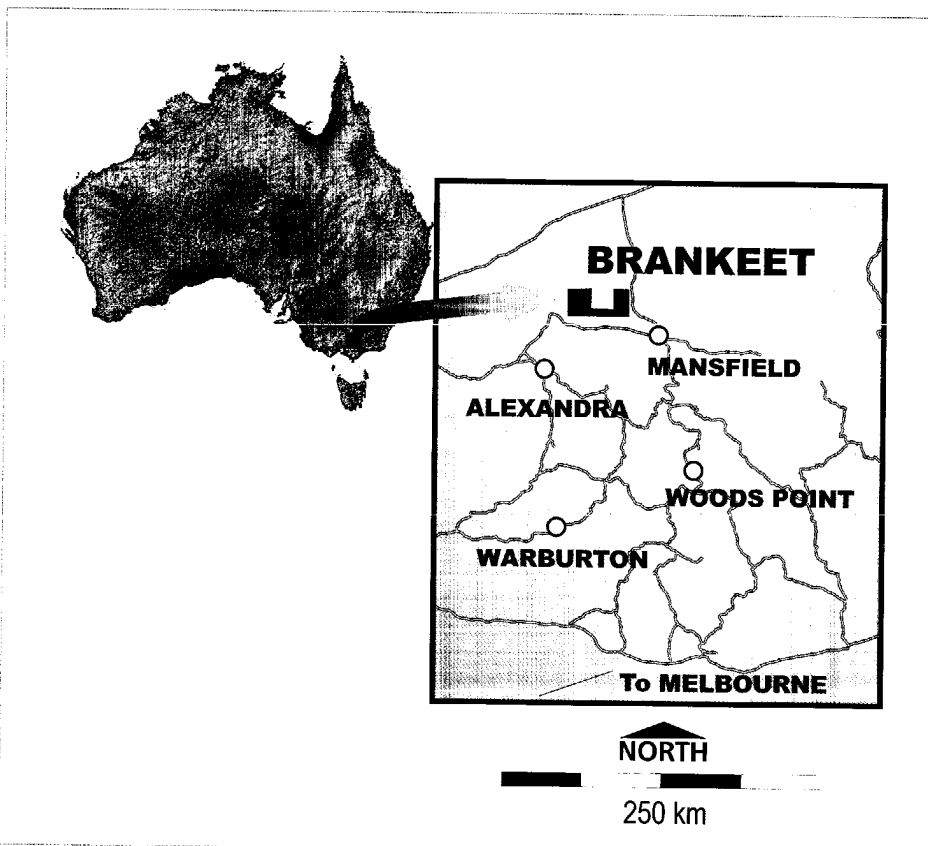


Figure 3.1 Location plan of the Brankeet Project (prepared by Goldstar)

The majority of Goldstar's EL is located within a State Forest reserve with the remaining area covered by privately owned farms. The topography of the project area is rugged and straddles a prominent break in elevation between the undulating Strathbogje Plateau and the Mansfield Basin. Elevations range from 500 m in the valleys to 1,031 m at Mt. Strathbogje.

3.0 BRANKEET PROJECT (cont)

3.2 GEOLOGICAL SETTING

The Brankeet Project is located at the northern end of the Walhalla Synclinorium (refer to Section 2.2.1) where the Upper Devonian Strathbogie Granite truncates north-northwest trending Lower Devonian sandstones, siltstones and shales of the Walhalla Synclinorium. The granite contact zone is irregular but generally strikes east-west and dips steeply to the south. Within the contact zone, which reaches up to 3 km in width, the sedimentary rocks have been metamorphosed. There are a number of scattered gold occurrences within this contact aureole with the most significant production coming from the area around Meade's and the historic mining town of Tallangalook (Figure 3.2; Hazeldene, 2000).

The Meade's deposit is located within 200 m of the granite intrusion with the host sedimentary rocks metamorphosed to a cordierite hornfels and fractured by prominent sub-vertical joint sets and steep west-dipping, north-trending faults. There is evidence that the faults predate the granite intrusion (Baldwin, 1994) and control the distribution of the gold mineralisation, with the highest grade zones forming steep north-plunging, pipe-like bodies about fault intersections within a low-grade disseminated halo (Hazeldene, 2000). The gold is typically very fine grained and may sometimes be associated with pyrite, arsenopyrite and quartz veinlets.

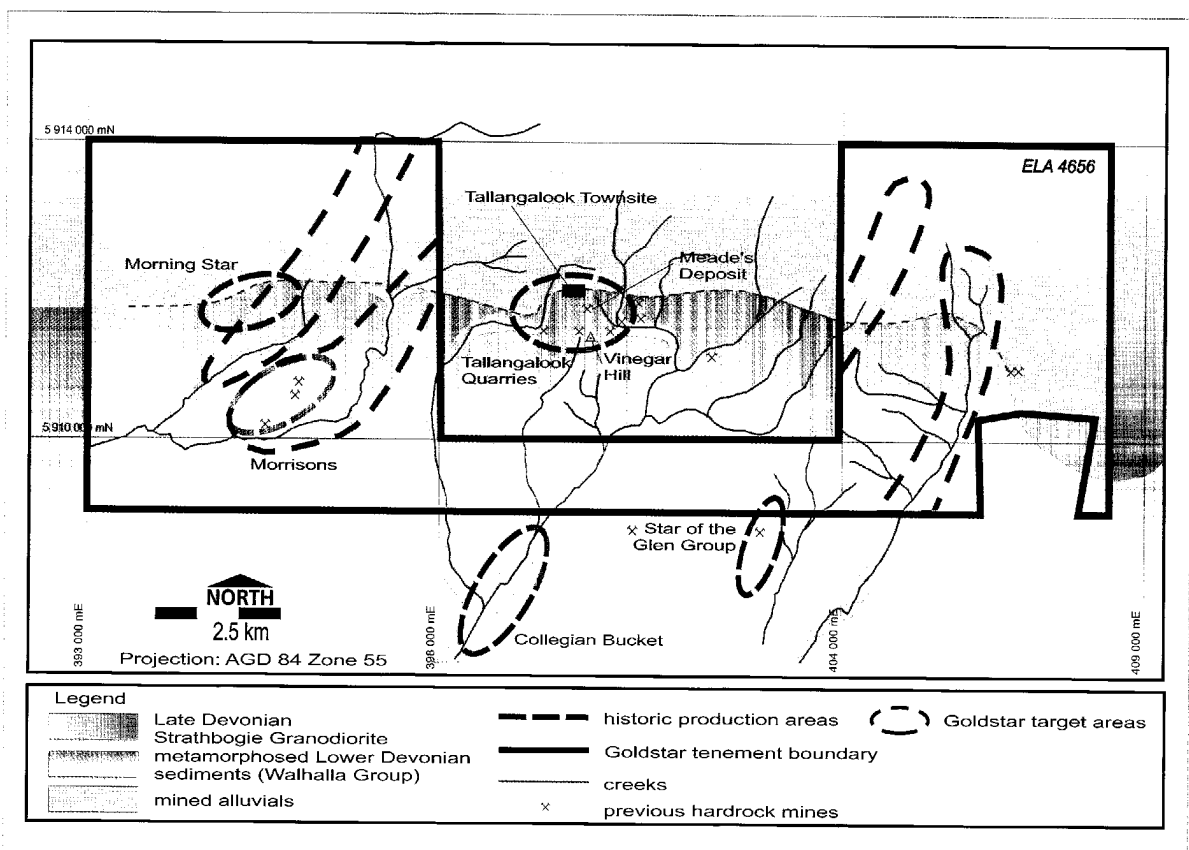


Figure 3.2 Geological map of the Brankeet Project (after Griffiths, 1976)

3.3 MINING AND EXPLORATION HISTORY

Goldstar's EL and the surrounding area covers a large number of alluvial and hard-rock gold workings that were exploited between 1860 and the 1930's. It is estimated that some 135,000 oz of alluvial gold and 11,000 oz of hard-rock gold were recovered from the district (Griffiths, 1976).

Alluvial workings are common along all of the streams draining the Strathbogie Granite. Numerous small hard-rock mines are found both adjacent to the granite contact and further to the south. One of the more significant workings, Star of the Glen (located to the south of Goldstar's tenement), has a recorded production of 3,933 t at a grade of approximately 18 g/t Au between 1890 and 1894 (Table 3.2). The location of Star of the Glen and other significant workings is presented in Figure 3.2.

3.0 BRANKEET PROJECT (cont)

Table 3.2

Brankeet Project – historic gold production statistics

Name	Deposit Type	Year(s)	Tonnes/Area	Oz Au	Au Grade	
					oz/ton	g/t
Morning Star*	hardrock	1909	347	40	0.11	3.57
Morrison's*	hardrock	1891	400	15	0.04	1.17
Tallangalook Quarries	hardrock/alluvial	1860-1938	88,783	8,615	0.10	3.02
Collegian Bucket	alluvial	1910-21	118 acres	11,012		
Star of the Glen	hardrock	1890-1894	3,933	2,349	0.60	18.57

* - contained within Goldstar's EL

Between the 1860's and 1938, the Tallangalook mining operation extracted 88,783 t at an average grade of around 3 g/t Au (Table 3.2). The Meade's mine, which formed part of this operation, produced slightly less than half this tonnage at about 2.5 g/t Au from three open pits to a depth of 27 m. An open pit Measured, Indicated and Inferred Resource of 1.47 Mt at 1.6 g/t Au (above a cut-off of 0.7g/t Au) has been outlined at the Meade's mine (or Golden Mountain project) by Duketon Goldfields Ltd (December 1997 quarterly report). Treatment by heap leaching was proposed for this resource.

Apart from the resource drilling at Meade's, there is no record of any other modern exploration activity in the surrounding area.

3.4 EXPLORATION POTENTIAL

Goldstar considers the Brankeet project area to be prospective for both bulk tonnage, low-grade disseminated gold deposits and narrow high-grade quartz reef deposits.

Superimposition of aeromagnetic linear features on gold and arsenic soil geochemistry plans by Duketon Goldfields (Hazeldene, 2000) identified several targets outside of the Meade's deposit area (Figure 3.2). Gold anomalies in close proximity to northeast-southwest trending linear features are seen as the most prospective owing to the similarity in setting to Meade's.

3.5 PROPOSED EXPLORATION AND EXPENDITURE

Goldstar has proposed a staged program of exploration over a two year period for the Brankeet project which includes a data review, reinterpretation of the geophysical data, geological mapping and geochemical sampling. Snowden has reviewed the proposed exploration budget for Goldstar's \$6 M capital raising, which is summarised in Table 3.3, and has found it to be realistic in the context of the equity being raised. There are no changes proposed to this budget should a minimum subscription of \$5 million be achieved.

Snowden notes that the proposed Year 2 exploration program will be dependent on the results from the first year of exploration. It should be possible, however, to establish the resource potential of the project area within the 2 year period.

Table 3.3

Brankeet Project – proposed exploration budget

Project	Year 1	Year 2	Total
Geochemistry	\$6,250	\$3,750	\$10,000
Geophysics	\$8,000	-	\$8,000
Mapping	\$6,250	\$3,750	\$10,000
Contractors	\$12,000	-	\$12,000
Supervision (wages, salaries and on-site costs)	\$19,002	\$19,002	\$38,004
Rents, rates	\$6,625	\$4,125	\$10,750
Contingency (10%)	\$5,813	\$3,063	\$8,876
TOTAL	\$63,940	\$33,690	\$97,630

4.0 PEAK HILL PROJECT

4.1 INTRODUCTION

Goldstar's Peak Hill Project is located approximately 100 km north of Meekatharra, Western Australia and consists of one EL application, two PL applications and two granted MLs which collectively cover an area of around 80 km² (Table 4.1). The project area, which lies within the Peak Hill Goldfield, surrounds the former Peak Hill, Fiveways and Jubilee gold mines, hosts the former Mount Pleasant gold mine and lies to the immediate east of the former Harmony gold mine (Figure 4.1). The Peak Hill Goldfield has produced over 900,000 oz of gold, principally from these five deposits mostly within the last 20 years (Moroney, 1999). The Peak Hill Goldfield forms part of a larger gold province that extends to Labouchere, Fortnum and Horseshoe to the northwest, which has collectively produced more than 1.5 Moz of gold.

Table 4.1

Peak Hill Project tenements

Tenement	Status	Area	Registered Holder	Minimum Expenditure Commitment
E52/1621	Application	37 blocks*	Murchison Resources Pty Ltd	\$33,300 on granting
M52/548	Granted 17 June 1999	1,000 ha	Scott Wilson	\$100,000
M52/588	Granted 17 June 1999	201 ha	Scott Wilson	\$20,100
P52/990	Application	200 ha	Murchison Resources Pty Ltd	\$8,000.00 on granting
P52/991	Application	200 ha	Murchison Resources Pty Ltd	\$8,000.00 on granting

* - Goldstar anticipates that this area will reduce to 62.7 km² on granting after allowance is made for competing tenements

Snowden has been advised by Goldstar that it has entered into a heads of agreement for a joint venture with Murchison Resources Pty Ltd (**Murchison**) and Scott Wilson whereby the Company can acquire an 85% interest in the project. The consideration payable to the vendors is \$100,000 and the issue of 800,000 Goldstar shares. The Vendor's 15% interest is free carried until such time as a decision to mine is made.

Access to the project from Meekatharra is via the sealed Great Northern Hwy and then by unsealed, all-weather roads. Access throughout the project tenements is provided by numerous station and exploration tracks suitable for use by four wheel drive vehicles. The topography of the project area is generally flat with minor hills in the northeast.

4.2 GEOLOGICAL SETTING

4.2.1 Regional Geology

The Peak Hill Goldfield is located along the southern margin of a Proterozoic orogenic belt (Capricorn Orogen) that is developed around the northern edge of the Yilgarn Craton. The Capricorn Orogen separates Archaean rocks of the Yilgarn Craton to the south and the Pilbara Craton to the north. Locally, the Proterozoic sequence has been tightly folded into a complex synclinorium between the Gooding Dome to the southeast and the Marymia Dome to the east. Younger sediments of the Proterozoic Bangemall Group and Earahedy Group overlie the northern and eastern portions respectively of the Capricorn Orogen.

Deformed trough and shelf sediments of the Yerrida and Bryah Groups and iron and manganese-rich sediments of the Padbury Group dominate the geology of the Peak Hill district (Figure 4.1). Tholeiitic and komatiitic volcanic rocks, collectively referred to as the Narracoota volcanics, are found interbedded with a thick succession of clastic sediments (locally dominated by turbidites) of the Thaduna greywacke member of the Padbury Group. Occasional fine-grained chert formations are also present.

Fold axes vary from a northeasterly trend to the east of Peak Hill to a northwesterly trend to the west. Regional scale faults are commonly east-west or northeast trending.

Apart from a schist unit, informally referred to as the Peak Hill schist, inliers of basement granites and high-grade metamorphic rocks of the Peak Hill Group have been interpreted from the aeromagnetic data (Moroney, 1999), but have not been intersected in any of the drilling completed to date within the district.

Surficial deposits of alluvium and colluvium blanket large areas of the district and overlie a truncated laterite profile. The alluvium and colluvium is typically a ferruginised hardpan. Outcrop of basement rocks is sparse.

The principal stratigraphic components of the sequence exposed in the Peak Hill district is summarised in Table 4.2.

4.0 PEAK HILL PROJECT (cont)

Table 4.2

Peak Hill Project stratigraphic sequence

Age	Group	Formation/rock type
Proterozoic	Bangemall	Sandstone, siltstone, shale
	Padbury	Millidie Creek – sericitic siltstone, chloritic siltstone, BIF, dolomitic arenite
		Robinson Range – ferruginous shale, BIF
		Wilthorpe – quartz pebble conglomerate
		Labouchere – turbidite sequence (Thaduna quartz wacke, siltstone)
	Bryah	Horseshoe – quartz wacke, manganiferous shale, BIF
		Ravelstone – lithic and quartz wacke
Narracoota – mafic/ultramafic volcanic rocks and dykes, tuffs and intercalated sedimentary rocks		
Yerrida	Karalundi – conglomerate, quartz wacke	
	Doolgunna – arkose wacke	
Archaean	Peak Hill	Mylonitic schist, quartz muscovite schist and calc-silicate schist.
		Granite rocks and amphibolite

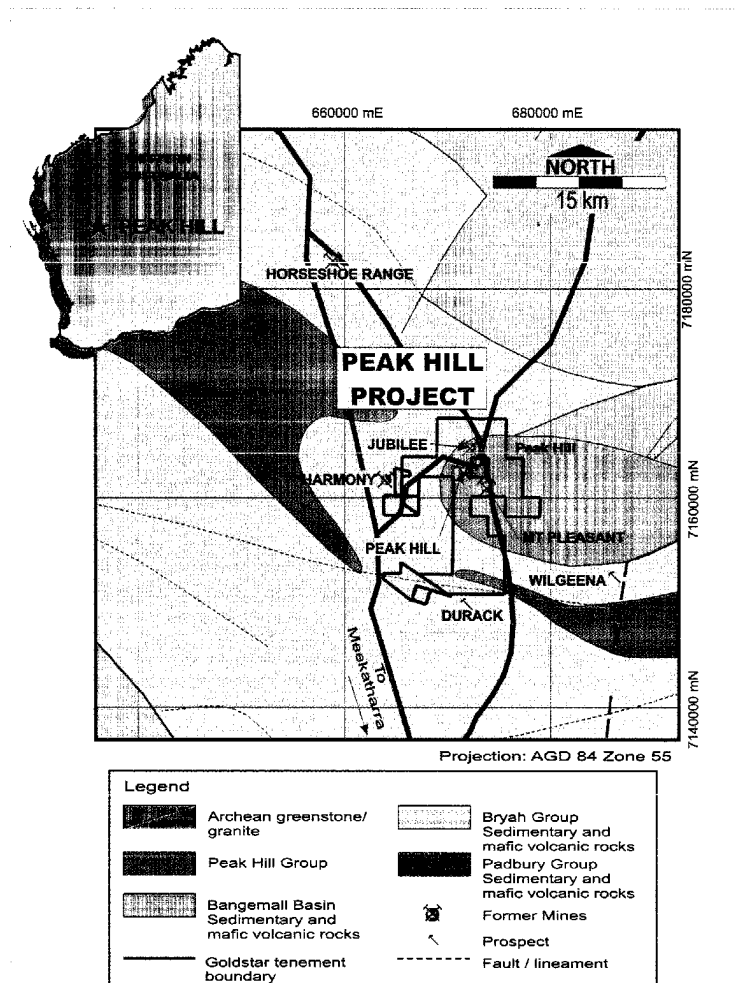


Figure 4.1 Location plan and geological setting of the Peak Hill Project (tenement areas shown are as applied for, geology after Fitton, 2000)

4.2.2 Local Geology

Goldstar's project area surrounds the former Peak Hill gold project, which is currently owned by Barrick Gold of Australia Ltd (Barrick) and Rio Tinto subsidiary North Mining Ltd (North; Figure 4.1). The Peak Hill district produced over 0.9 Moz of gold prior to the closure of the Peak Hill gold project in 1999 (Table 4.3) mainly from the Peak Hill, Fiveways, Jubilee, Mount Pleasant and Harmony mines (Moroney, 1999). As at 30 June 1998, a Measured, Indicated and Inferred Resource (excluding stockpiles) of 1.77 Mt at 2.64g/t Au above a 1g/t cut-off (approximately 151,000 in situ ounces) was reported for the project (Moroney, 1999) which included remnant resources adjacent to and beneath the former open pits (Peak Hill, Fiveways, Jubilee and Harmony) and an undeveloped resource at the North Enigma prospect (Figure 4.2).

4.0 PEAK HILL PROJECT (cont)

Table 4.3

Peak Hill Goldfield – previous gold production

Mine	Gold production (oz)	
	Historic	Recent
Peak Hill (incl. Fiveways & Jubilee)	273,372	406,666
Mt Pleasant	2,000	12,800
Harmony	-	221,000
Total	275,372	640,466

For the purpose of this review, Goldstar's Peak Hill project is divided into two sub-areas. The Peak Hill sub-area consists of EL 52/1621 and PLs 52/990 and 52/991 that surround the Peak Hill gold mine and the Murphy Creek sub-area to the south, which consists of two granted MLs (Figure 4.2).

Gold mineralisation in the Peak Hill sub-area is generally associated with structurally controlled quartz vein and stockwork deposits and in some instances with the margins of the Peak Hill schist (ie. at Peak Hill and Fiveways). The quartz vein deposits trend parallel to the host thrust or fault structures (ie. along the northwest Enigma trend at Harmony and North Enigma) or are hosted within tensional features associated with these structures.

Goldstar's exploration targets within this sub-area include:

- the Jubilee Extended prospect, located along the northwest margin of the Peak Hill schist, which is a potential zone of quartz stockwork gold mineralisation similar in style to the adjoining Jubilee deposit;
- the Enigma prospect covers the potential southeast extension of the Harmony deposit and the Enigma North prospect along the same structural trend. Gold mineralisation is related to quartz veins that strike parallel to the host structure; and
- extensions to the Mt Pleasant deposit associated with quartz-carbonate veins in the Peak Hill schist.

In addition to the above targets, Goldstar considers there is potential for gold mineralisation within sedimentary rocks of the Narracoota volcanics associated with the buried granitoid bodies that have been interpreted from the aeromagnetic data (Goldstar, 2003).

The Murphy Creek sub-area lies immediately to the west of the Durack gold deposit of Grange Resources Ltd which has a published Measured, Indicated and Inferred Resource of 557,000 tonnes at 2.18g/t Au at a 1g/t Au cut-off (Grange Resources, 2001). The deposit trends west-northwest and is hosted in deeply weathered metasediments (including minor banded iron formation, chert and jaspilite) and mafic/ultramafic rocks. A west-northwest trending structure along the northeastern boundary of the Murphy Creek sub-area represents the potential strike extension of the shear or fault system that appears to host the Durack gold deposit (Figure 4.2).

Exposures of weathered volcanic rocks and metasediments of the prospective Narracoota volcanics are found within the Murphy Creek sub-area. The hilly areas along the northeast boundary and to the west of the sub-area comprise metasediments of the younger Padbury Group (Goldstar, 2003).

4.3 MINING AND EXPLORATION HISTORY

4.3.1 Peak Hill Sub-area

Previous exploration work within the Peak Hill sub-area has mainly been by the Peak Hill Joint Venture (**PHJV**) which commenced production at the Peak Hill gold project in 1988. Since that time, the joint venture has comprised the following companies:

- Grants Patch Mining Ltd and Peko Gold Ltd (subsidiary company of North Broken Hill Peko Ltd and then North Ltd) until 1993;
- Grants Patch Mining became a wholly owned subsidiary of Plutonic Resources Ltd following the takeover of Forsayth NL in 1993;
- in 1995, the PHJV comprised Plutonic Resources (67%) and North Ltd (33%);
- Plutonic Resources' interest was acquired by Homestake Gold of Australia Ltd following its takeover in 1998;
- North became a wholly owned subsidiary of Rio Tinto Ltd in 2000; and
- Barrick Gold Corporation merged with Homestake in 2001.

During this period, a large database comprising airborne geophysical surveys, surface geochemical surveys (stream sediment, soil and rock sampling and shallow AC drilling) and drilling data was generated.

4.0 PEAK HILL PROJECT (cont)

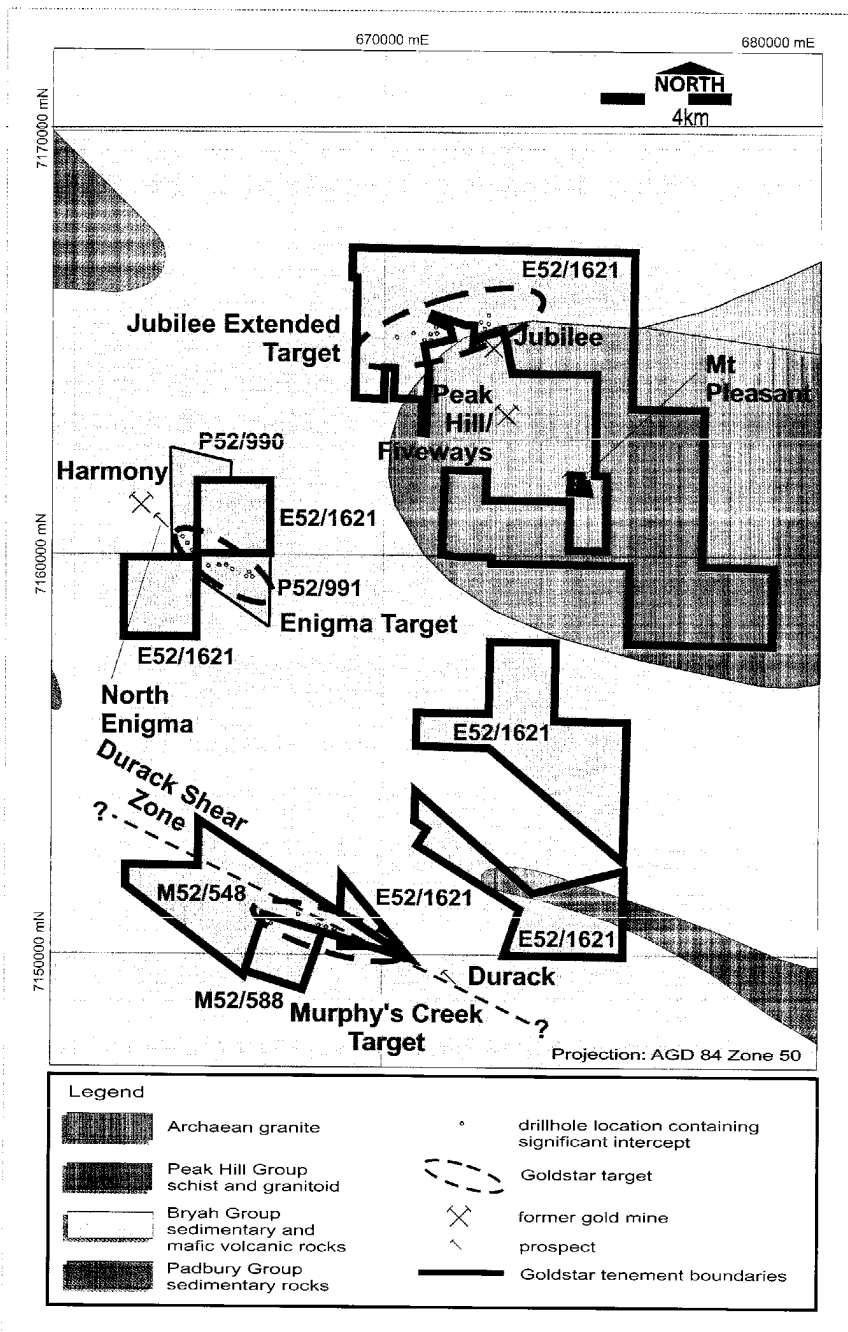


Figure 4.2 Geology and main prospect areas of the Peak Hill Project area (tenement areas shown are exclusive of overlapping tenements as at September 2003, geology after Fitton, 2000)

The Mt Pleasant gold deposit, which is located in Goldstar's project area (Figure 4.2), was previously exploited in an open pit operation by the PHJV (Table 4.3). The deposit is related to a package of flat-lying to sub-vertical quartz-carbonate veins within a northwest plunging antiform hosted in the Peak Hill schist.

The Jubilee Extended prospect in the northern block of EL 52/1621 (Figure 4.2) has been drilled over a 1.5 km strike length at intervals of 25 m to 50 m along 25 m to 100 m spaced north-south traverses. The drillholes averaged between 50 m and 60 m in depth with several holes extending to a depth of 100 m. Shallow (20 m to 40 m), close-spaced drilling (12.5 m by 12.5 m) was completed in one area. According to Goldstar, the gold mineralisation at Jubilee Extended is associated with a quartz vein stockwork zone hosted along the contact zone with the Peak Hill schist and is localised by a northwest plunging antiform. The more significant drillhole results from the Jubilee Extended prospect are summarised in Table 4.4.

4.0 PEAK HILL PROJECT (cont)

Table 4.4

Peak Hill sub-area - significant drillhole intercepts from the Jubilee Extended prospect

Hole ID	Easting	Northing	From (m)	To (m)	Intercept (m)	Au g/t
CHRC6	670804	7165220	51	57	6	21.2
CHRC8	670905	7165325	129	130	1	158.3
CHRC9	670904	7165268	79	81	2	17.3
CHRC11	671005	7165373	107	108	1	12.5
CHRC19	670404	7165256	96	98	2	7.6
CHRC24	670701	7165078	20	24	4	9.0
CHRC3	670703	7165126	79	83	4	6.9
CHRC36	670903	7165240	96	104	8	8.4
GT003	671996	7165335	3	7	4	5.5
GT006	671966	7165291	58	60	2	4.9
GT011	671896	7165283	10	13	3	5.5
GT013	671924	7165312	30	31	1	6.6
JRC150	671106	7165397	52	54	2	25.7
JRC165	672104	7165383	10	18	8	5.7
JRC297	672381	7165405	47	50	3	6.4
JRC303	672356	7165405	27	31	4	11.0
JRC309	672205	7165357	3	6	3	8.6
			11	17	6	4.8
			52	54	2	13.3
JRC314	672155	7165358	16	17	1	8.6
			21	26	5	2.9
JRC315	672158	7165383	6	9	3	31.7
			53	55	2	4.8
JRC316	672105	7165358	63	65	2	10.3
JRC370	672331	7165405	21	23	2	5.7
JRC376	672180	7165357	48	50	2	76.0
JRC378	672181	7165395	19	21	2	6.5
JRC386	672131	7165395	6	7	1	5.5
			23	27	4	2.4
JRC402	672193	7165357	6	15	9	2.2
JRC403	672193	7165370	23	27	4	4.9
JRC416	672218	7165369	20	32	12	2.5
JRC420	672144	7165395	27	30	3	3.1
JRC427	672204	7165368	19	23	4	2.1
JRC431	672231	7165382	4	5	1	5.0
JRC434	672243	7165356	31	32	1	8.2
JRC456	672318	7165393	34	36	2	9.2
JRC460	672330	7165393	2	3	1	8.2
JRC469	672344	7165418	31	34	3	15.1
JRC471	672356	7165393	38	40	2	43.1
L51/2	669987	7165147	36	44	8	4.9*
PHR1140	670650	7164998	44	45	1	6.3
PHRC0749	670804	7165211	45	46	1	15.8
PHRC0988	671926	7165416	73	74	1	6.7
PHRCD1007	672361	7165686	366	370	4	2.8

* - denotes composite sample

4.0 PEAK HILL PROJECT (cont)

The drillhole intercepts presented in the above and ensuing tables have been extracted from Goldstar's database by applying the following filters:

- a composite grade greater than 5 g/t Au; or
- where the first and last 1 m re-sample from the composite is greater than 1g/t Au with one sample above 5 g/t Au.

Previous drilling over the Enigma prospect (Figure 4.2) was carried out on northeast-southwest oriented sections over a 5 km strike length. The holes, which averaged between 60 m and 80 m in depth, were drilled at 25 m and 50 m intervals along 25 m to 100 m spaced traverses. According to Goldstar, the gold mineralisation is related to quartz veins and silica-pyrite alteration hosted within mafic volcanic rocks of the Narracoota volcanics which have been disrupted by northwest trending thrusts. The more significant drillhole results from the Enigma prospect in the western block of EL 52/1621 and PLs 52/990 and P52/991 (Figure 4.2) are summarised in Table 4.5.

Table 4.5

Peak Hill sub-area - significant drillhole intercepts from Enigma prospect

Hole ID	Easting	Northing	From (m)	To (m)	Intercept (m)	Au g/t
ENS0002	666146	7160045	62	67	5	71
H1276	666198	7160074	17	18	1	14.5
H1277	666163	7160055	44	59	15	4.6
PHR0345	665546	7160262	24	26	2	4.8
PHR0351	665953	7159939	30	33	3	2.3
PHR0451	666855	7159340	29	33	4	3.9
PHR0543	665055	7160905	56	58	2	6.8
PHR0611	666711	7159352	41	44	3	70
PHRC0701	666111	7160026	95	98	3	3.1
PHRC0792	665730	7160135	39	40	1	9.9
PHRC0885	665843	7160015	40	43	3	3.0

4.3.2 Murphy Creek Sub-area

Recent exploration work completed within the Murphy Creek sub-area is summarised below:

- **1985 to 1988:** A joint venture between Horseshoe Gold Mines Pty Ltd, Hunter Resources Ltd and Lac Minerals Australia NL concentrated along the contact of the Narracoota volcanics in the southern portion of Goldstar's tenements. Work completed included regional aerial photography, geological mapping, an aeromagnetic survey, surface geochemical sampling and RAB drilling (Wilson, 1992). Most of the RAB drilling was carried out to the south of the current Murphy Creek tenements.
- **1989 to 1991:** WMC Ltd completed 8 lag sample traverses, ground magnetics and drilled 8 percussion holes mainly in the western portion of the tenements. The vertical percussion holes intersected between 15 and 20 m of transported colluvium overlying weathered Narracoota volcanics. An interpretation by WMC of the former joint venture's aeromagnetic data revealed a number of significant structures traversing the area (Wilson, 1992).
- **1992 to 2000:** Troy Resources Ltd (Troy) entered into an option to purchase agreement with the vendor, Scott Wilson, in August 1992. Initial exploration work by Troy included surface geochemical surveys, geological mapping, an interpretation of the aeromagnetic data and RAB hole re-sampling. Troy's exploration program evaluated a 5 km strike extent of the Narracoota volcanics and Thaduna greywacke and included a 43 hole hardpan geochemical survey and a bedrock RAB drilling program to evaluate the gold anomalies defined in the hardpan survey. Four campaigns of RAB drilling were completed for a total of 13,897 m from 958 holes during 1995. Five RC drill holes for 400 m were also completed to test best RAB anomalies at depth. Troy's work outlined a broad, elongate (4 km) corridor of volcanic and volcanoclastic rocks at Murphy Creek associated with anomalous gold mineralisation containing localised higher grade zones (Figure 4.2). During 1996, Troy completed further geochemical surveys and drilled numerous RAB holes in the southern part of its tenement holding. Samples from the RAB program were assayed as 5 m composites with the best recorded result of 5m at 0.18 g/t Au from 35m depth in hole MCR 329 (Ringrose, 1997). Between 1998 and 2000, Troy drilled additional RAB and RC holes along the 4 km corridor of volcanic and volcanoclastic rocks. The more significant drillhole intercepts from Troy's program are summarised in Table 4.6.

4.0 PEAK HILL PROJECT (cont)

Table 4.6

Murphy Creek sub-area - significant drillhole intercepts

Hole ID	Easting	Northing	From (m)	To (m)	Intercept (m)	Au g/t
MCR023	669551	7151023	45	50*	5	5.1
MCR052	667664	7151435	36	39*	3	15.4
MCR350	669839	7150864	10	18	8	4.8
MCR418	669377	7151026	95	101	6	2.7
MCR002	667699	7151403	42	46	4	4.6

* - denotes base of hole

The Murphy Creek prospect has been drilled on 100 m spaced north-south traverses. The holes were generally drilled at 50 m centres and were mostly less than 50 m in depth. According to Goldstar, the gold mineralisation is associated with steeply dipping quartz veins that trend parallel to an apparent northwest striking fault or shear within mafic volcanic rocks of the Narracoota volcanics.

The drillhole database currently available to Goldstar from all previous exploration completed within its Peak Hill project area totals 2,658 holes for 108,000 m of drilling (Table 4.7).

Table 4.7

Peak Hill Project drillhole database

Hole Type	No of holes	Total Metres
Air Core (AC)	276	9,483
Rotary Air Blast (RAB)	1,281	70,312
Rotary Air Blast (RAB) – hardpan holes*	795	5,646
Reverse Circulation (RC)	305	21,896
Reverse Circulation (RC) with Diamond core tails	1	723.7
Total	2,658	108,060.7

* - the RAB hardpan holes were from a geochemical program designed to test the hardpan areas in the southern tenements.

The above table does not include the drilling undertaken in and around the former Mt Pleasant mine which is contained within Goldstar's tenement holding (Figure 4.2). This information has been excluded as there are no reliable records to establish which holes lie outside the limits of the open pit.

4.4 EXPLORATION POTENTIAL

4.4.1 Peak Hill Sub-area

The Peak Hill sub-area contains two areas of gold mineralisation at the Jubilee Extended and Enigma prospects (Figure 4.2) that have been defined from previous exploration work and warrant further evaluation. Goldstar has also identified additional conceptual targets associated with interpreted dilational zones both between and at the intersection of north to northwest trending thrust and fault structures as well as sediment-hosted targets associated with the inferred granitoid intrusives. These target areas are considered by Goldstar to be analogous to the settings of the Peak Hill, Harmony and Mt Pleasant deposits. Goldstar's priority exploration targets are summarised as follows:

Jubilee Extended prospect (northern part of E52/1621 adjacent to PHJV)

At the Jubilee Extended prospect (Figure 4.2), Goldstar has interpreted the trend of the significant drillhole intercepts to represent an apparent extension (or parallel structure) to the gold mineralisation previously exploited in the Jubilee open pit to the immediate south.

The Peak Hill schist contact at Jubilee Extended is possibly related to a fault or unconformity and as such acted as a potential conduit for the mineralising fluids. Also in this area are potential dilation sites located along or at the intersection of thrusts and inferred granitoid intrusions. Some of the thrust/contact zones have been densely drilled along the apparent strike extensions of the former Jubilee open pit (Figure 4.2), however, according to Goldstar the drilling has not adequately tested the mineralisation.

It is Goldstar's opinion that the Jubilee Extended prospect, as demonstrated by the significant intercepts presented in Table 4.4 and pending the completion of further drilling, represents a potentially exploitable open pit resource. In addition, it is Goldstar's opinion that there is considerable potential to enhance the resource potential by infill drilling along the 1.5 km strike length and at depth where current drilling information is sporadic. This prospect will initially be the subject of a detailed data review and geological modelling.

4.0 PEAK HILL PROJECT (cont)

Enigma prospect (western part of E52/1621, P52/990 and P52/991)

The Enigma prospect covers the northwest striking Enigma trend which extends into the former Harmony open pit and the Enigma North Prospect to the immediate west of Goldstar's tenements (Figure 4.2). To date, drilling along this trend has been shallow (<70 m) and, in Goldstar's opinion, has failed to adequately test the potential of the gold mineralisation identified to date.

Goldstar recognises that potential exists to outline an open pit resource along the Enigma trend. This prospect will be subject to a detailed data review followed by infill drilling over the existing grid which will include deeper drilling.

Mt Pleasant prospect (E52/1621)

Goldstar considers that potential remains for repetitions of the lodes previously mined at the Mt Pleasant deposit. These lodes, if present, would occur at depth beneath and to the northwest of the former open pit. In addition, potential exists to the east of the open pit straddling Goldstar's tenement boundary where previous RAB drilling has intersected anomalous gold mineralisation (up to 54 ppb) but has failed to reach fresh bedrock.

Southern part of E52/1621

Any potential in this area is likely to be associated with the inferred granitoid intrusions previously described.

4.4.2 Murphy Creek Sub-area

The Murphy Creek sub-area contains a number of significant drillhole intersections from previous exploration work along strike and to the west of the Durack gold deposit (Figure 4.2). The anomalous 4 km long corridor of volcanic and volcanoclastic rocks contained in Goldstar's tenements is interpreted by the Company as an extension of the Durack gold deposit's host lithologies (deeply weathered metasediments, including minor banded iron formation, chert and jaspilite, and mafic/ultramafic rocks). At Durack, the mineralised quartz veins are sub-vertical and are best developed in proximity to north-south trending cross-structures (Moroney, 1999).

Drilling completed to date has mostly been wide-spaced and Goldstar considers there is potential to enhance the resource potential of the prospect by selective infill drilling along the 4 km strike length contained within Goldstar's tenements. Prior to the commencement of drilling, the current data set will be reviewed to specifically target the zones of higher grade gold mineralisation.

4.5 PROPOSED EXPLORATION AND EXPENDITURE

Goldstar intends to apply a strategy that includes a detailed reassessment and remodelling of the large amounts of historic exploration data generated from within its project area to improve the understanding of the geological controls of the mineralisation for exploration targeting. The review will include an interpretation of the available geophysical data to confirm the structural and lithological targets and an analysis of the drillhole database to establish the areas that require additional testing, particularly at depth.

Goldstar has proposed a staged program of exploration over a two year period for the Peak Hill project. The Year 1 budget will focus on the granted MLs 52/548 and 588 in the Murphy Creek sub-area where it is proposed to complete the compilation and evaluation of the exploration data (including an interpretation of the aeromagnetic data) and RC drilling along the mineralised corridor extending from the Durack gold deposit.

It is proposed to continue the evaluation work over the Murphy Creek sub-area during Year 2 should the results from the Year 1 program prove sufficiently encouraging. Should this not be the case, then it is proposed to commence exploration activities over the Peak Hill sub-area following the grant of the project tenements. The proposed activities will include further compilation and evaluation of the previous exploration data, heritage clearance surveys, geochemical sampling and RC drilling over the Enigma and Jubilee Extended prospects.

Snowden has reviewed the proposed exploration budget for Goldstar's \$6 M capital raising, which is summarised in Table 4.8, and has found it to be realistic in the context of the equity being raised. There are no changes proposed to this budget should a minimum subscription of \$5 million be achieved. Snowden notes that the proposed Year 2 exploration program will be dependent on the results from the first year of exploration. It should be possible to establish the resource potential of the project area within the 2 year period.

Table 4.8

Peak Hill Project – proposed exploration budget

Project	Year 1	Year 2	Total
Geochemistry	\$5,000	-	\$5,000
Geophysics	\$1,250	\$3,750	\$5,000
Drilling (all costs) and analytical work	\$45,000	\$15,000	\$60,000
Contract wages	\$31,250	\$15,750	\$47,000
Accommodation and messing	\$4,788	\$2,873	\$7,660
Supervision	\$23,871	\$23,871	\$47,743
Acquisition	\$100,000	-	\$100,000
Rents, rates	\$13,806	\$50,994	\$64,799
Contingency (10%)	\$22,496	\$11,223	\$33,719
TOTAL	\$247,461	\$123,461	\$370,922

5.0 MILLROSE PROJECT

5.1 INTRODUCTION

The Millrose project, in which Goldstar is acquiring an 85% interest, covers an area of approximately 188 km² within one granted EL, three EL applications and two PL applications. The project tenements are located approximately 80 km east-northeast of Wiluna and 30 km east of the Jundee/Nimary Bore mining centre in Western Australia (Figure 5.1).

The project area can be accessed on unsealed, all weather roads from Wiluna via the Gunbarrel Highway to the Lake Violet turn off and then via the Granite Peak Road which traverses the project. Access within the project area, particularly the northern tenements, is relatively poor and is limited to a network of station tracks and old exploration lines suitable for use by four wheel drive vehicles. The project lies on the Millrose and Lake Violet pastoral leases. The terrain within the project area is relatively flat and is dominated by salt lakes and sand cover.

The Millrose Project comprises two separate blocks of tenements referred to as Millrose North and Millrose South (Table 5.1, Figure 5.2).

Table 5.1

Millrose Project tenements

Tenement	Status	Area	Registered Holder	Minimum Expenditure Commitment
E53/796	Granted 9 November 1998	6 blocks	Murchison Resources Pty Ltd	\$20,000
E53/974	Application	15 blocks	Murchison Resources Pty Ltd	\$20,000 on granting
E53/975	Application	13 blocks	Murchison Resources Pty Ltd	\$20,000 on granting
E53/1006	Application	26 blocks	Murchison Resources Pty Ltd	\$23,400 on granting
P53/1143	Application	150 ha	Murchison Resources Pty Ltd	\$6,000 on granting
P53/1144	Application	150 ha	Murchison Resources Pty Ltd	\$6,000 on granting

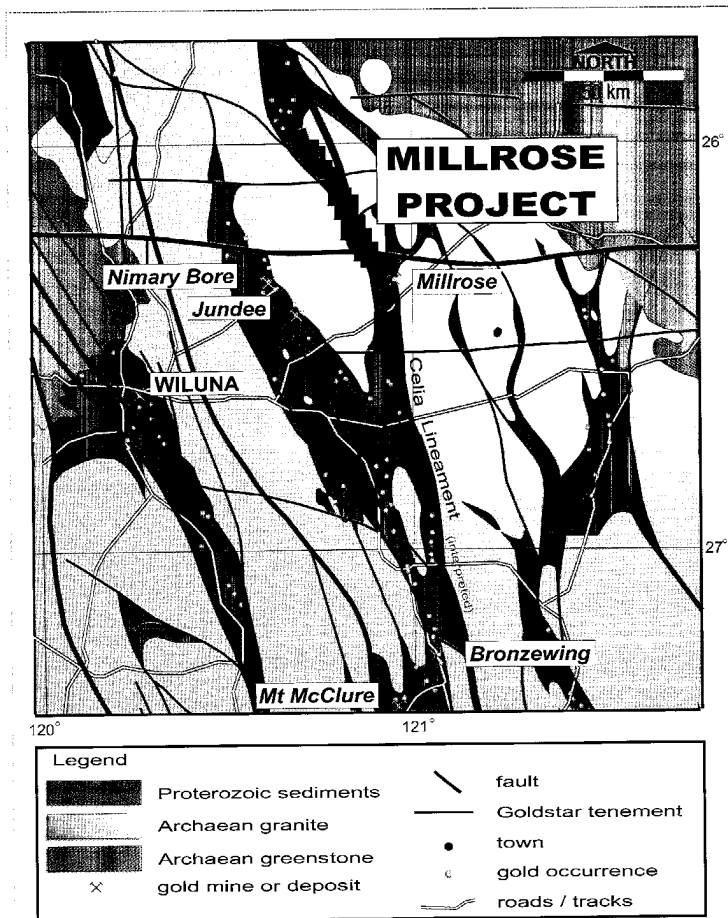


Figure 5.1 Location plan and geological setting of the Millrose Project (after Fitton, 2000)

Goldstar has advised Snowden that it has entered into a heads of agreement for a joint venture with Murchison Resources Pty Ltd (**Murchison**) whereby the Company can acquire an 85% interest in the project. The consideration payable to the vendors is \$100,000 and the issue of 800,000 Goldstar Shares. The vendor's 15% interest is free carried until such time as a decision to mine is made.

5.2 GEOLOGICAL SETTING

Goldstar's Millrose project tenements are located along the northeastern arm of the Archaean Lake Violet–Millrose greenstone belt (Elias and Bunting, 1982) and encompass around 35 km of strike of the regional-scale Celia Lineament (Figure 5.1). Further to the south, the greenstone belt connects with the Yandal greenstone belt which hosts several significant gold mines including Bronzewing, Mt McClure, Jundee and Nimary Bore.

Much of the Lake Violet–Millrose greenstone belt in the vicinity of Goldstar's project area is buried under Quaternary cover comprising sheet wash, playa lake sediments and aeolian sands. As a consequence, the geology of the project area has mostly been interpreted from drillhole and aeromagnetic data. Structurally, the rocks in this portion of the belt are sheared owing to their interpreted position in relation to the Celia Lineament which forms the belt's eastern boundary.

5.0 MILLROSE PROJECT (cont)

The 3 to 10 km wide greenstone belt is bound to the east and west by granite and was initially interpreted by Falconbridge (Australia) Pty Ltd (**Falconbridge**) as a single lithological domain dominated by mafic volcanic rocks (including pillow basalts and ultramafics), felsic volcanic rocks (including andesites, rhyolites and related clastic sediments) and minor banded iron formation (BIF). The eastern granite-greenstone contact was interpreted to be coincident with the regional-scale Celia Lineament (Figure 5.2; Marymia, 1993).

A more recent interpretation from additional aeromagnetic data combined with the original survey data by Southern Geoscience Consultants (Ashley, 1992) that was commissioned by Marymia Exploration NL (**Marymia**) proposed that the greenstone belt was divided into two domains. The western domain, comprising mafic and ultramafic volcanic rocks, was interpreted to be separated from the eastern domain by a large strike-parallel fault located approximately 1 km from the eastern margin of the greenstone belt. The eastern domain, which was considered to cover a shear zone coincident with the Celia Lineament, was distinguished from the western domain by the presence of banded iron formation (**BIF**).

Several secondary crosscutting, north-northeast trending sinistral and northeast trending dextral faults were interpreted to displace the stratigraphy to the east of the bounding fault structure and several northwest-trending secondary structures were interpreted to lie west of the bounding fault structure. The most significant of these structures is a late-stage west-northwest trending sinistral fault in the southern part of the Millrose North block which displaces the greenstone stratigraphy by up to 3 km (Figure 5.2).

Marymia (Marymia, 1993) tested this interpretation by drilling and formed the opinion that the division of the greenstone belt into two domains was not justified and concluded that the only significant structures present were the Celia Lineament, which marked the eastern margin of the greenstone belt, and a large west-northwest trending sinistral fault that offset the greenstone belt by 3 km (Figure 5.2). Marymia attributed the linear magnetic anomalies to ultramafic units rather than banded iron formations (Marymia, 1993). In addition, Marymia noted that the linear magnetic anomalies were less continuous than those in the west which possibly reflected an increasing intensity of tectonic deformation.

Immediately along strike and between Goldstar's two tenement blocks is the Millrose gold deposit of Audax Resources Ltd (**Audax**) and Mines and Resources Australia Pty Ltd (**MRA**) with a published Indicated and Inferred Resource above a 1 g/t cut-off of 3.7 Mt at 2.13 g/t Au (~251,000 oz Au; Audax, 2003). The main controlling feature of the Millrose deposit is interpreted to be the central part of a steep east dipping shear related to the Celia Lineament. The host lithologies within the shear zone generally comprise intermediate to felsic volcanoclastic rocks and epiclastic sediments with two narrow BIF units on the western margin of the mineralised zone. The rocks are commonly mylonitised with very few relic textures preserved (Audax, 2003).

5.3 MINING AND EXPLORATION HISTORY

There are very few documented gold occurrences and no record of any significant gold production within this part of the Lake Violet-Millrose greenstone belt as earlier prospecting activities were hampered by the excessive thickness of alluvial cover. Some significant drillhole gold intersections were reported from Horse Well, approximately 20 km north of Goldstar's project area, associated with felsic volcanic rocks which Goldstar has been unable to verify.

Recent exploration work completed within the Millrose project area is summarised in Table 5.2 with the locations of this work presented in Figure 5.3.

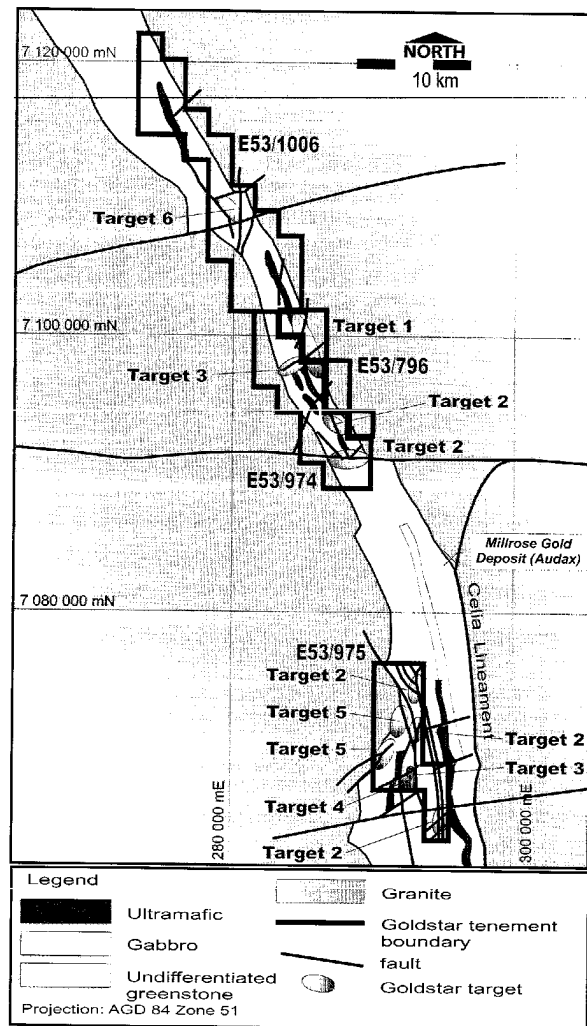


Figure 5.2 Geology of the Millrose project area (prepared by Goldstar, geology after Marymia, 1993)

5.0 MILLROSE PROJECT (cont)

Table 5.2

Millrose Project – summary of previous exploration

Company	Date	Coverage	Target	Activities
Falconbridge (Australia) Pty Ltd	1971 to 1974	All tenements	Ni, Cu	Aeromagnetic data acquisition and interpretation, mapping, IP surveys, drilling
Newmont Holdings Pty Ltd	1986	EL 53/796, 974, 975	Au	Mapping, surface sampling
BHP Gold Mines/ Newcrest Mining Ltd	1989	EL 53/796, 974, 975	Au, Ni	Rock chip sampling, RAB and RC drilling
Marymia Exploration NL	1991 to 1993	EL 53/796, 974, 975	Au, Ni	Geophysical interpretation, RAB and AC drilling
Aberfoyle Resources Ltd	1994 to 1997	EL 53/796, 974, 975	Au, Ni	RAB, AC, RC and diamond drilling
Eagle Mining Corporation	1997	EL 53/1006	Au	RAB, AC and RC drilling
Mines and Resources Australia Pty Ltd	1997 to 2000	EL 53/796, 974, 975	Au	RAB, AC and RC drilling

The highlights from this exploration work are:

- Drilling by Falconbridge between 1971 and 1974 reported Ni-sulphide mineralisation in ultramafic rocks within the Millrose North block (Grigson, 1994).
- Gold mineralisation was reported by BHP Gold/Newcrest in 1989 (Marymia, 1993) from drilling at the present site of Audax and MRA's Millrose deposit and to the immediate east of the Millrose South block.
- Marymia intersected Ni-sulphide mineralisation (0.64% Ni in 5 m composite sample) from a single hole (ROMM000064 from 20 m downhole) within the Millrose North block. This hole also contained anomalous levels of palladium (up to 54 ppb) and platinum (up to 42 ppb; Marymia, 1993).
- Aberfoyle encountered gold mineralisation in several drillholes at the Northern Corridor prospect in the Millrose North block. The most significant intersections reported were; 5m at 1.99 g/t Au (hole ROMM000345 from 50 m), 10 m at 3.84 g/t Au (hole RCMN000005 from 62 m), 5 m at 2.22 g/t Au (RCMN000004 from 103 m) and 3 m at 1.17 g/t Au (RCMN000019 from 141 m; Teakle, 1996).
- Aberfoyle completed additional drilling at Northern Corridor prospect in 1996 to better define the extent of the gold mineralisation associated with supergene anomalies. Anomalous gold mineralisation was also reported from Spinifex Well and Spinifex Well South located on the eastern and southeastern boundaries respectively of the Millrose South block, however, the drilling generally failed to penetrate the base of oxidation (Teakle, 1997).
- Aberfoyle tested the potential for primary mineralisation at the Northern Corridor prospect between 1996 and 1997 by deep RC and diamond drilling and reported a best result of 3 m at 1.95 g/t Au (PDMN000039 from 196 m; Baldwin, 1998).

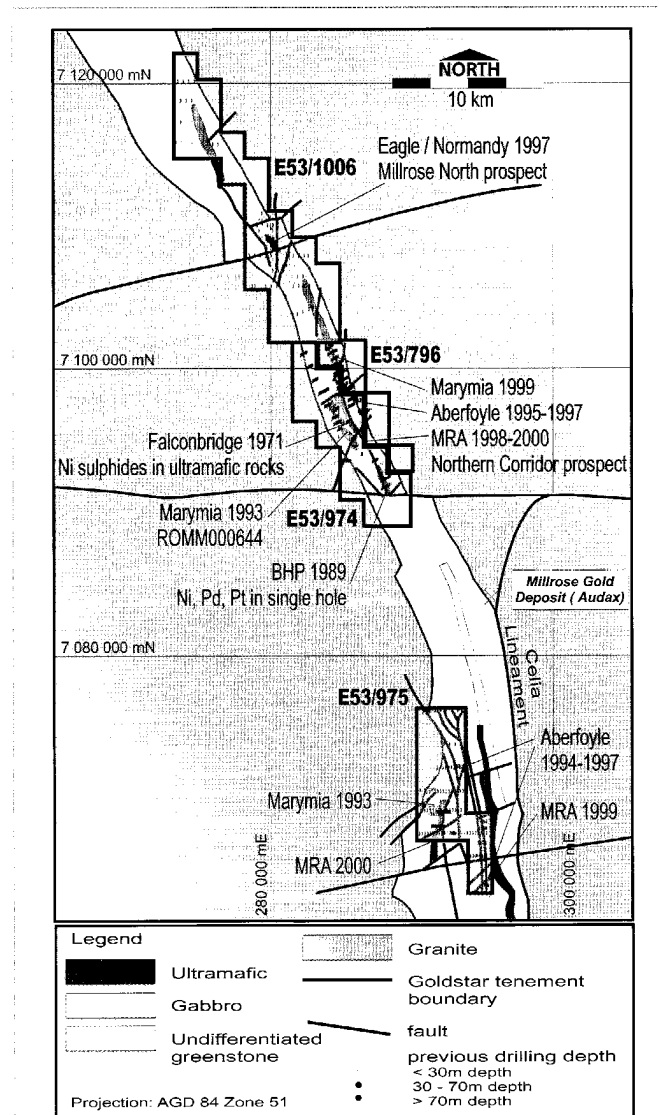


Figure 5.3 Summary of previous exploration work within the Millrose project area (prepared by Goldstar, geology after Marymia, 1993)

5.0 MILLROSE PROJECT (cont)

- In 1997, Eagle Mining Corporation in joint venture with Normandy Mining Ltd evaluated the northern part of the Millrose North block (tenement E53/1006) by drilling and identified the Millrose North prospect (Eagle Mining, 1997).
- In late 1997, MRA farmed into the project with Murchison Resources. After a reassessment of the geophysical data, MRA drilled the Northern Corridor prospect with the best result of 5 m at 2.42 g/t Au from 94 m depth in hole MMCAC036 (Weber, 1999).

Goldstar has assembled a drillhole database for the project incorporating all available exploration data generated since 1989 and includes work by BHP Gold, Newcrest, Marymia, Aberfoyle, Eagle Mining/Normandy and MRA (Table 5.3).

Table 5.3

Millrose Project drillhole database

Hole Type	No of holes	Total Metres
Air Core (AC)	705	52,339
Rotary Air Blast (RAB)	760	28,882
Reverse Circulation (RC)	64	9,104
Diamond core (DD - re-entries from AC collars)	3	89
Total	1,532	90,414

Within Goldstar's project area, approximately 30 to 40% of the greenstone belt has been covered by drilling, however, Goldstar considers that only 10 to 15% of this work has effectively tested its potential for gold mineralisation owing to the limited depths and wide spacing of the drilling. Figure 5.3 highlights the distribution and depth of this drilling within Goldstar's tenements.

5.4 EXPLORATION POTENTIAL

5.4.1 Northern Corridor Prospect

As outlined in the previous section, gold mineralisation has been outlined at the Northern Corridor prospect along a north-northwest trending corridor that extends over a strike length in excess of 5 km within ELs 53/796 and 974 of Goldstar's Millrose North block (Figure 5.2 - Target 1 and Figure 5.4).

Within this corridor both supergene and primary gold mineralisation has been encountered in the drilling completed to date. Table 5.4 summarises the significant gold intersections from this work.

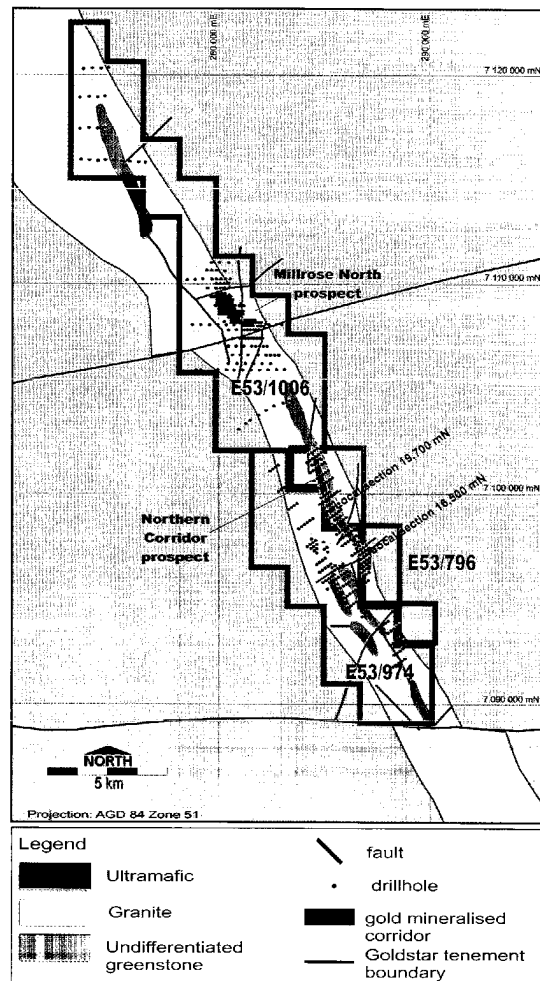


Figure 5.4 Millrose Project – North Block prospects (prepared by Goldstar, geology after Marymia, 1993)

5.0 MILLROSE PROJECT (cont)

Table 5.4

Millrose Project - significant drillhole intersections from the Northern Corridor prospect (ELs 53/796 and 974)

Hole ID	Easting	Northing	Intercept				Including			
			From (m)	To (m)	Length (m)	Au g/t	From (m)	To (m)	Length (m)	Au g/t
ACMN000061	285613	7098890	56	58	2	2.30				
ACMN000062	285654	7099022	44	46	2	5.70				
ACMN000065	285591	7098991	54	56	2	2.60				
ACMN000111*	286012	7098518	80	92	12	1.10				
PDMN000029	285551	7098971	57	59	2	4.70				
PDMN000039	285271	7100031	196	199	3	1.95				
RCMN000001	285148	7099977	67	74	7	1.40				
RCMN000003	285146	7099870	105	110	5	1.70				
RCMN000004	285014	7100139	103	108	5	2.20				
RCMN000005	285193	7099781	41	72	31	1.80	47	72	25	1.8
							55	72	17	2.5
							62	72	10	3.8
RCMN000006	286454	7098189	48	50	2	1.20				
RCMN000012	284985	7100234	110	114	4	1.30				
RCMN000016	285157	7099817	124	126	2	1.60				
RCMN000017	285157	7099764	120	122	2	1.20				
RCMN000018	285083	7100050	60	63	3	1.50				
RCMN000019	285052	7100035	141	144	3	1.17				
RCMN000028	285596	7098993	51	54	3	1.95				
RCMN000032	285585	7098787	81	83	2	1.46				
RCMN000037	285291	7099762	57	70	13	1.10	57	59	2	2.5
							66	70	4	1.9
			84	92	8	1.30				
RCMN000038	285327	7099780	149	152	3	1.10				
ROMM000310	285145	7099969	56	59	3	1.20				
MMCAC014	286333	7098052	65	68	3	1.10				
MMCAC025	285734	7098755	89	91	2	1.20				
MMCAC036	285264	7099712	64	69	5	2.40				

*- composite sample

A representative cross section of the supergene gold mineralisation is presented in Figure 5.5 with its location shown on Figure 5.4.

5.0 MILLROSE PROJECT (cont)

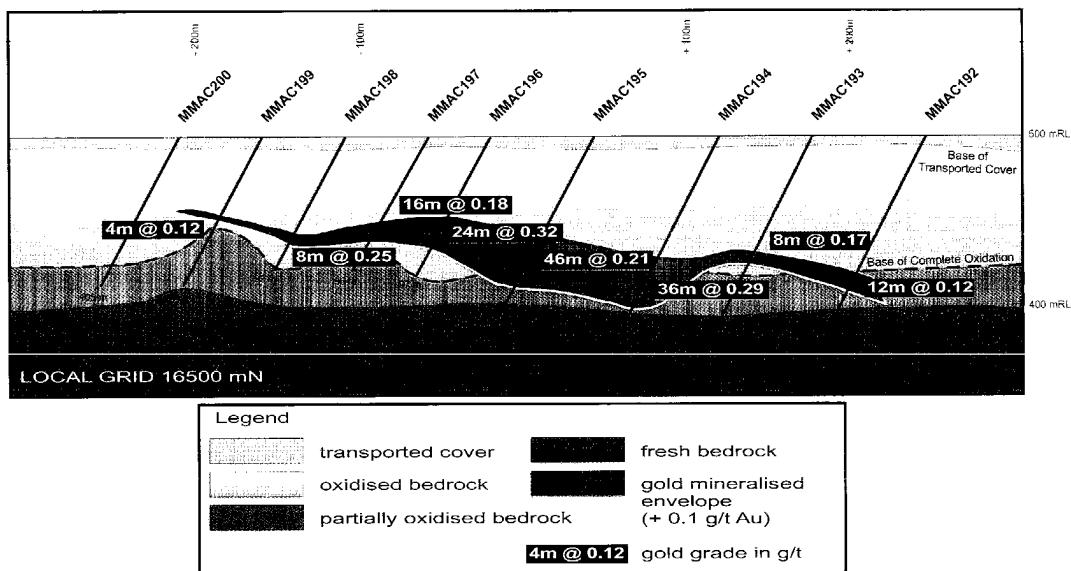


Figure 5.5 Millrose Project – representative cross section of supergene mineralisation at the Northern Corridor prospect (prepared by Goldstar)

A representative cross section of the primary gold mineralisation is presented in Figure 5.6 with its location shown on Figure 5.4.

Goldstar has interpreted the gold mineralisation contained in the Northern Corridor prospect to lie along strike from Audax's/MRA's Millrose gold deposit (Figure 5.2) and to be related to shearing developed along the Celia Lineament in the east of the greenstone belt. Based on the interpretation of the airborne magnetics data by Southern Geoscience Consultants (Ashley, 1992), the grade of the gold mineralisation along this trend appears to improve where northeast trending cross structures intersect the north-northwest trending Celia Lineament. The cross structures are interpreted by Goldstar to be dilational link or jog structures and their repeated intersection with the Celia Lineament along its strike are considered to be favourable sites for gold mineralisation.

Previous drilling has been carried out at 12.5 m to 50 m centres along traverses spaced at 25 m to 100 m apart along the strike of the prospect (Figure 5.3 and Figure 5.4), although very few holes penetrated into fresh bedrock. Most of the significant drill intersections were related to supergene mineralisation, however, several primary intersections of interest were reported (the best being 3 m at 1.95 g/t Au from hole PDMN000039; Table 5.4). Goldstar considers that there is good potential to outline both low-grade supergene gold resources along the mineralised corridor and possibly zones of high-grade primary mineralisation at depth overlying favourable structural sites.

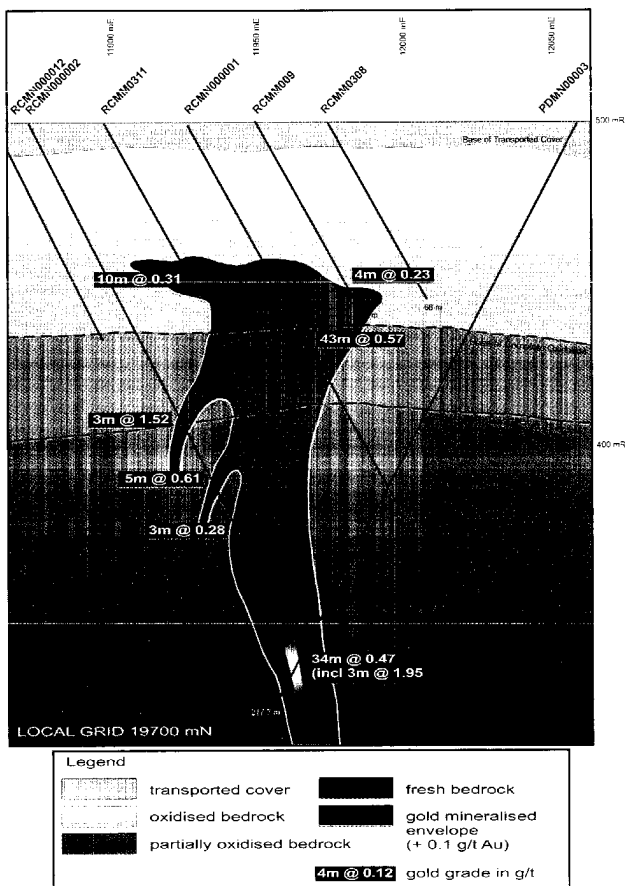


Figure 5.6 Millrose Project – Representative cross section of primary mineralisation at the Northern Corridor prospect (prepared by Goldstar)

5.0 MILLROSE PROJECT (cont)

5.4.2 Millrose North Prospect

The Millrose North prospect is located in EL 53/1006 (Figure 5.2 and Figure 5.4) along the interpreted northern strike extension of the Celia Lineament. The prospect was the subject of detailed drill testing by Eagle Mining and Normandy in 1997 (Figure 5.3 and Figure 5.4). Table 5.5 summarises the significant (>1g/t Au) gold intersections from this prospect. Most of the intersections are supergene related owing to limited testing of the primary zone. Goldstar considers the Millrose North prospect to represent a lower priority target due to the excessive thickness of alluvial cover (52 m down hole is the shallowest bedrock intersection).

Table 5.5

Millrose Project - significant drillhole intersections from the Millrose North prospect (EL 53/1006)

Hole ID	Easting	Northing	Intercept				Including			
			From (m)	To (m)	Length (m)	Au g/t	From (m)	To (m)	Length (m)	Au g/t
emcFMAC107*	280075	7109350	64	90	26	2.40	74	90	16	3.4
emcFMAC108*	280025	7109350	74	82	8	2.50				
emcFMAC121*	280375	7108950	56	60	4	2.70				
emcFMAC136*	280625	7108700	88	97	9	3.10				
emcFMAC171*	280650	7108500	60	89	29	1.30	68	72	4	3.6
							84	89	5	1.7
emcFMAC38*	280200	7109200	52	68	16	1.50				
emcFMAC58*	280050	7109400	72	84	12	1.70				
emcFMAC65*	280050	7109300	68	76	8	2.60				
emcFMAC68*	280100	7109250	72	77	5	1.30				
emcFMAC79*	280200	7109150	60	68	8	2.00				
emcFMAC94*	280350	7108800	28	40	12	3.50				
emcFMRC10	280170	7109175	75	78	3	1.80				
emcFMRC11	280250	7109175	132	136	4	1.60				
emcFMRC13	280070	7109325	77	82	5	2.70				
emcFMRC14	280110	7109375	86	89	3	4.50				
emcFMRC17	280000	7109350	87	90	3	3.50				
emcFMRC19	280125	7109300	87	89	2	3.20				
EmcFMRC20	280175	7109225	94	98	4	1.00				
			102	105	3	2.80				
EmcFMRC23	280555	7108700	67	69	2	4.00				
EmcFMRC25	280720	7108500	140	143	3	1.40				
EmcFMRC5	280070	7109275	73	75	2	1.30				

*- composite sample

5.4.3 Other Targets

Other target areas arising from Goldstar's interpretation of the airborne magnetic data are detailed as follows:

Target 2

There are a number of areas outside of the Northern Corridor prospect within the Millrose North and South blocks where the interpreted position of the Celia Lineament is intersected by northeast or northwest trending cross structures. Goldstar has identified five such locations where these structural sites have not been adequately tested by drilling (Figure 5.2 – Target 2). In the Millrose south block, these locations include the Spinifex Well and Spinifex Well South prospects that were previously evaluated by Aberfoyle. At these prospects, anomalous gold mineralisation is associated with mafic schists near the western margin of a porphyry body in the vicinity of an interpreted cross fault.

5.0 MILLROSE PROJECT (cont)

Target 3

Previous drilling within EL 53/974 of the Millrose North block encountered weak levels of gold mineralisation and one significant intercept (Table 5.6) in an area where interpreted banded iron formations or ultramafic intrusive rocks have been disrupted either by buried porphyries or cross-structures (Figure 5.2 – Target 3). Much of this area had only been tested by vertical RAB drilling to limited depths which was largely ineffective.

Table 5.6

Millrose Project - significant drillhole intersection from Target 3 (EL 53/974)

Hole ID	Easting	Northing	Intercept			Au g/t
			From (m)	To (m)	Length (m)	
ROMM000345	284518	7097591	50	55	5	2.00

Target 4

Target 4 in the Millrose South block is located in the centre of the greenstone belt (Figure 5.2) where a rhomb-like structural array has been interpreted developed about several intersecting structures which may be associated with a buried internal intrusive body.

Target 5

Target 5, located along the western margin of the greenstone belt in the Millrose South block (Figure 5.2), is related to cross cutting structures in a setting analogous to Target 2 along the Celia Lineament.

5.5 PROPOSED EXPLORATION AND EXPENDITURE

Goldstar has proposed a staged program of exploration over a two year period for the Millrose project. In its Year 1 budget, Goldstar intends to apply a strategy that includes a detailed reassessment and remodelling of the large amounts of historic data to improve its understanding of the geological controls of the gold mineralisation for exploration planning. The review will include an interpretation of the available geophysical data to confirm the structural targets and an analysis of the drillhole database to establish areas that require additional testing particularly at depth. It is also proposed to conduct some geochemical sampling (if appropriate) and initial RC drill testing of potential deep targets identified from the data review within the granted tenement, EL 53/796.

In the Year 2 budget it is intended to commence the field evaluation of the remaining tenement areas on granting. The work proposed will include heritage clearance surveys, geochemical sampling and RC drilling of structural targets.

Snowden has reviewed the proposed exploration budget for Goldstar's \$6 M capital raising, which is summarised in Table 5.7, and has found it to be realistic in the context of the equity being raised. There are no changes proposed to this budget should a minimum subscription of \$5 million be achieved. Snowden notes that the proposed Year 2 exploration program will be dependent on the results from the first year of exploration. It should be possible, however, to establish the resource potential of the project area within the 2 year period.

Table 5.7

Millrose Project - proposed exploration budget

Project	Year 1	Year 2	Total
Geochemistry	\$5,000	-	\$5,000
Geophysics	\$6,250	\$3,750	\$10,000
Drilling (all costs) and analytical work	\$45,000	\$15,000	\$60,000
Contract wages	\$36,100	\$12,450	\$48,550
Accommodation and messing	\$6,460	\$2,280	\$8,740
Supervision	\$23,871	\$23,871	\$47,743
Acquisition	\$100,000	-	\$100,000
Rents, rates	\$7,310	\$21,806	\$29,116
Contingency (10%)	\$22,999	\$7,916	\$30,915
TOTAL	\$252,991	\$87,073	\$340,064

6.0 TOP CAMP PROJECT

6.1 INTRODUCTION

Goldstar's Top Camp project is located 35 km south-southwest of Cloncurry in western Queensland (Figure 6.1) and comprises a single Exploration Permit for Minerals (EPM 13625) covering an area of 58 graticular blocks that surrounds seven third party mining leases (Table 6.1). The project area can be reached from Cloncurry via the sealed Barkley Highway and then south along the mostly unsealed Cloncurry-Duchess Road. Well formed station tracks provide access through the project (Figure 6.1).

The topography of the project area ranges from being flat to areas of rugged hills.

Table 6.1

Top Camp Project tenements

Tenement	Status	Area (blocks)	Registered Holder	Minimum Expenditure Commitment
EPM 13625	Granted 11 June 2002	58	Findex Pty Ltd	\$40,000

Goldstar has entered into a heads of agreement for a joint venture with Findex Pty Ltd (Findex) whereby the Company can acquire an 85% interest in the project. The consideration payable to Findex is the reimbursement of \$20,000 in expenditure related to the acquisition of the tenement and the issue of up to 1.5 million Goldstar shares. These shares will be issued in three stages subject to certain success criteria. The Vendor's 15% interest is free carried until such time as a decision to mine is made. At this time the Vendor shall also be issued 1.0 million options to acquire Goldstar shares.

6.2 GEOLOGICAL SETTING

6.2.1 Regional Geology

Goldstar's Top Camp project area straddles the boundary between the Mt Isa and Cloncurry terranes. Laing (1998) proposed that during the first episode of deformation, the Cloncurry terrane was rafted onto the Mt Isa terrane. Lying along this terrane boundary and in proximity to the Top Camp project is a sequence of black shales, slates and siltstones of the Marimo Basin, which formed during a period of northeast-southwest extension. The opening of this basin is consistent with the dextral movement of the Cloncurry terrane relative to the Mt Isa terrane. This dominantly extensional event also controlled the shape of the Wimberu Granite intrusion to the southwest of the project which is considered coeval with the formation of the basin. There is also evidence for extension along a north-northwest/south-southeast axis at about the same time as indicated by the shape of the Williams granite intrusion, which is located to the southeast of the project area.

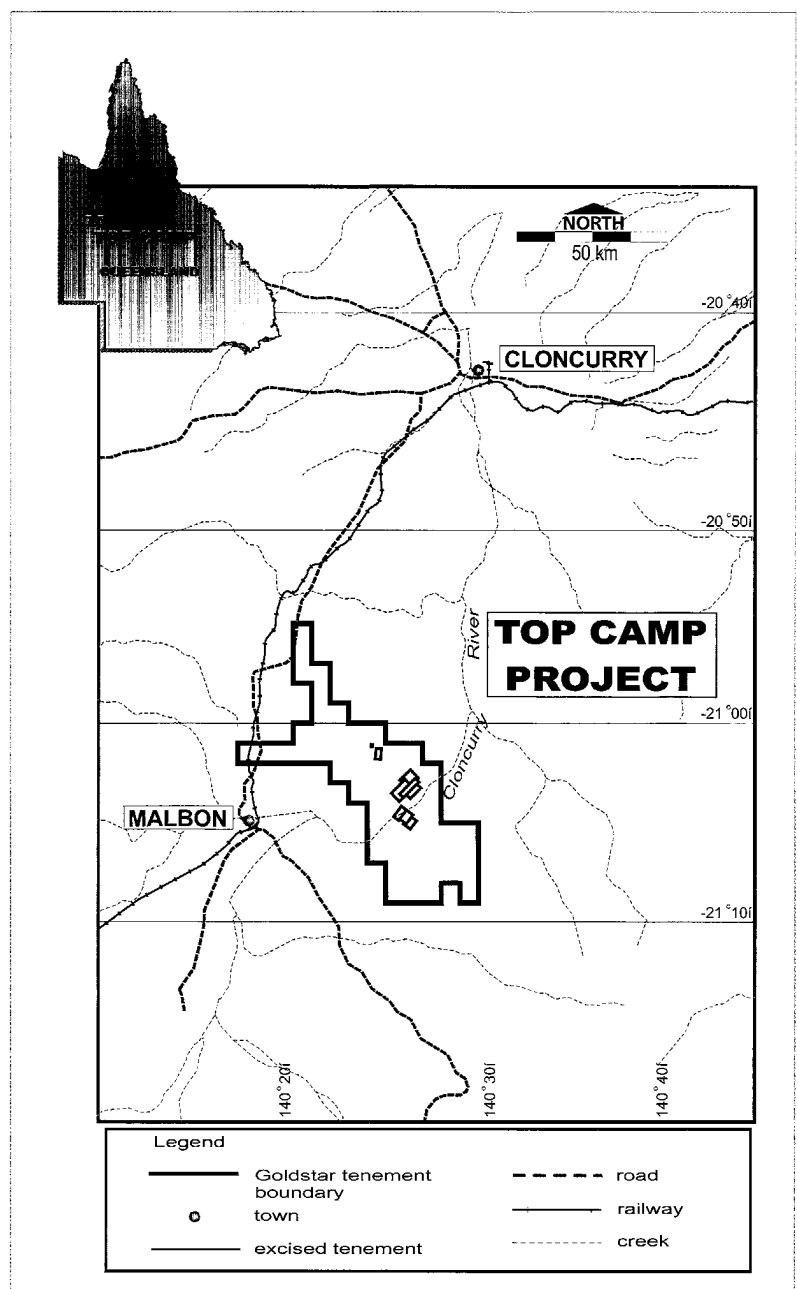


Figure 6.1 Location plan of the Top Camp Project (prepared by Goldstar)

6.0 TOP CAMP PROJECT (cont)

The proximity of the project area to this major terrane boundary suggests that the interpreted faults and thrusts are related to deep seated structures.

This part of the Mt Isa and Cloncurry terranes is known as the Eastern Succession and is highly prospective for iron oxide hosted copper-gold deposits and pluton related gold deposits (Wall et al, 2000). Within a 100 km radius of the project are several significant deposits including Starra (65 km to the south with a pre-mining resource of 6.9 Mt at 4.8 g/t Au and 1.65% Cu), Ernest Henry (60 km to the northeast with a pre-mining resource of 167 Mt at 0.54 g/t Au and 1.1% Cu), Osborne (100 km to the south with a pre-mining resource of 11.35 Mt at 1.28 g/t Au and 3.0% Cu) and Tick Hill (100 km to the southwest with a pre-mining resource of 0.47 Mt at 27 g/t Au). Three of these deposits are typical iron oxide hosted copper-gold deposits with the fourth (Tick Hill) representing a pluton related high-grade gold deposit (Williams, 1998).

6.2.2 Local Geology

Within the Top Camp project area, the dominant lithologies from west to east are the Marraba Volcanics, the Mitakoodi Quartzite and the Overhang Jaspilite (Figure 6.2).

The regional aeromagnetics data indicates that Marraba Volcanics in proximity to the Wimberu Granite contact have undergone pervasive magnetisation/haematisation (Figure 6.3 - purple colours in southwest corner). The alteration zone is anomalous in copper (from stream sediment sampling) but contains relatively few copper occurrences and where present, they appear to be located on the margins of the alteration zone (Young, 2003). The alteration zone is apparently constrained by the adjoining impervious Mitakoodi Quartzite (Figure 6.2).

The Overhang Jaspilite consists of black shales, calcareous siltstones, arenites, banded iron formations, dolomitic carbonate beds, cherts and probable evaporites. The reactive nature of the Overhang Jaspilite has permitted the alteration (magnetisation) to extend well into this unit and therefore through Goldstar's EPM. Field evidence supporting this includes the occurrence of quartz-magnetite-manganese breccia/replacement bodies in the unit (Young, 2003). The Overhang Jaspilite is therefore considered a potential host for mineralisation derived from the Wimberu Granite which has circulated through and extensively leached the copper and gold mineralisation from the Marraba Volcanics (Young, 2003).

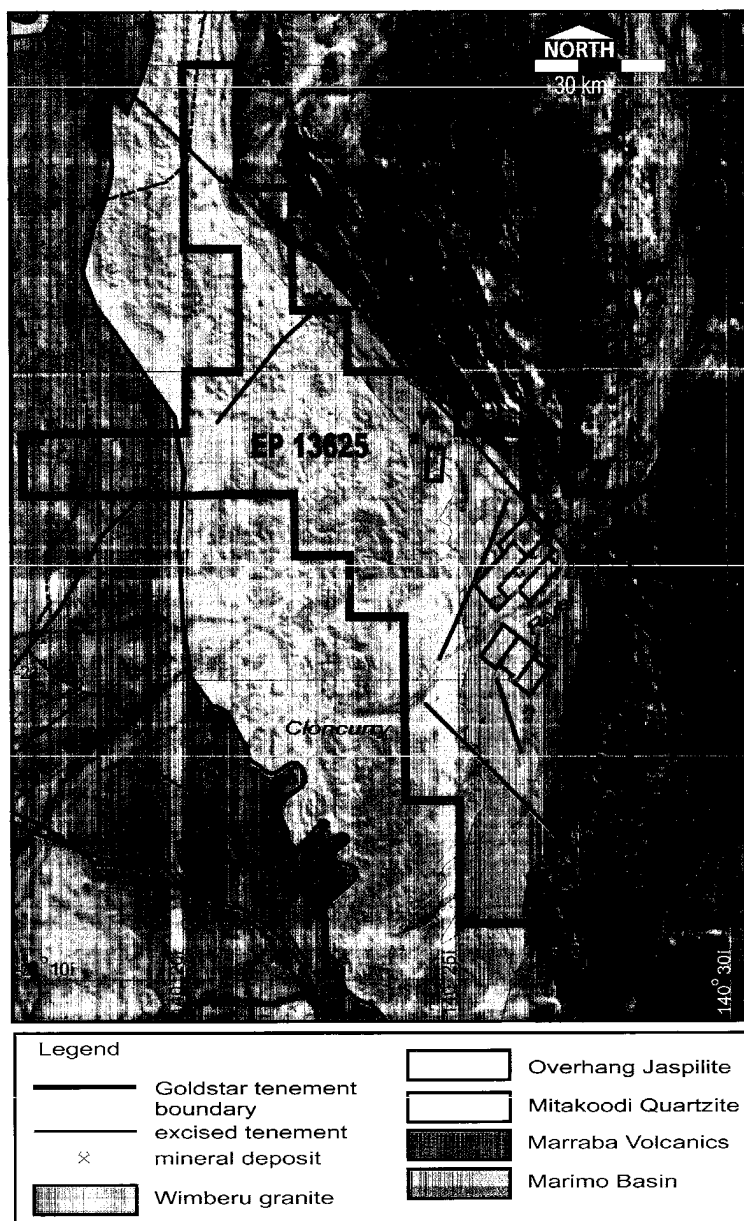


Figure 6.2 Top Camp Project - geology superimposed on Landsat TM image (after Young, 2003)

6.0 TOP CAMP PROJECT (cont)

6.3 MINING AND EXPLORATION HISTORY

Within Goldstar's project area there are numerous small, open cut manganese and copper mining operations and alluvial gold workings along the Cloncurry River and its tributaries. It is estimated that some 25,000 oz of gold was produced from this district between 1867 and 1887 (Paull, 1998).

More recently, the project has been explored for base metals, copper, gold and uranium. In total, 12 exploration campaigns by a number of companies were conducted in the period from 1955 to 1998. A summary of the previous exploration activities is presented in Table 6.2.

Table 6.2

Top Camp Project – summary of previous exploration work

Company	Date	Coverage	Target	Activities
Mt Isa Mines Ltd	1955	Partial	Cu	Mapping, airphoto interpretation, soil sampling
Rio Tinto Ltd	1960	Partial	Base metals	Mapping, rock chipping
CEC	1966	Partial	Cu	Mapping, percussion drilling
Western Nuclear Australia	1969	Partial	Cu, Au & U	Mapping, stream sediment sampling
Aminco & Associates	1970	Partial	Cu & Au	Literature review
Pegmin Ltd	1971	Partial	Base metals & Au	Literature review, mapping, rock chip sampling, percussion drilling
Edinburgh Mining Pty Ltd	1971	Partial	Cu, Au & U	Literature review
CEC	1976	Partial	Base metals	Mapping, rock chip sampling, percussion drilling
CRAE	1980	Minor	Base metals & U	Mapping, stream and soil sampling, diamond drilling
Kaparous/Arion Australia	1984	Minor	Cu & Au	Literature review, mapping, rock chip sampling, trenching
Australian Anglo American	1985	Majority	Au & base metals	Stream sampling, soil, rock chip sampling, percussion drilling
Lake Gregory Pty Ltd	1989	10%	Au & Cu	Mapping, rock chip and stream sediment sampling (BLEG)
Battle Mountain (Aust.) Inc.	1990	Majority	Au & Cu	Stream sediment (BCL), -80# soil and rock chip sampling
Cyprus Gold Australia	1992 - 1994		All	Au & base metals Stream sediment (BCL), -80#, soil, rock chip sampling, trenching, mapping, percussion and diamond drilling
MIM Exploration	1994 - 1997		All	Au & Cu -80#, soil, aeromagnetic and helimag surveys, percussion and diamond drilling
Great Central Mines	1997- 2000		All	Au Bulk soil samples

The southern and central parts of the Top Camp project area have been comprehensively stream sediment sampled returning anomalous copper and gold results coincident with the Overhang Jaspilite. The jaspilite units and associated magnetite alteration are clearly evident on the aeromagnetic images in the southern half of the project area (Figure 6.3). The geochemistry had highlighted three target areas at the Black Fort South, Black Fort North and Top Camp prospects (Figure 6.3).

Eleven soil sampling surveys have been carried out over the Overhang Jaspilite throughout the project area at spacings ranging from 400 m x 100 m in the north to 100 m x 50 m in the central and southern areas. The entire sampled area returned elevated copper, lead and zinc values, the extent of which has not yet been fully defined, with sporadic high gold values and coherent zones of anomalous cobalt. The soil geochemical surveys did, however, confirm the Black Fort South, Black Fort North and Top Camp prospects and defined additional prospects located south of the Top Camp and Black Fort South prospects (Figure 6.3).

Some 58 diamond, percussion and RAB holes have been drilled within Goldstar's project area by Australian Anglo American, Cyprus Gold Australia and Mount Isa Mines between 1985 and 1996 (Table 6.3).

Table 6.3

Top Camp Project – summary of previous drillholes

Hole Type	Number	Metres
Diamond	4	1,047.2
Percussion	24	3,589.5
RAB	30	271.5
Total	58	4,908.2

6.0 TOP CAMP PROJECT (cont)



Figure 6.3 Top Camp Project – regional aeromagnetics image with main target areas (after Young, 2003)

Most of these holes were drilled at the Top Camp and Black Fort prospects as well as in the MLs that are excised from the EPM.

6.3.1 Eureka/Tuesday Prospect

This prospect area covers the Eureka and Tuesday copper and gold workings and several other historic manganese and alluvial gold workings (Figure 6.3). In addition to the previous surface geochemistry programs (rock and soil) completed within the prospect, there have been five phases of drilling carried out.

The first program was by Australian Anglo American in 1985 who completed 6 percussion holes. Four of the holes (PDH 5 to 8) evaluated the Tuesday and Eureka workings which are currently excised from Goldstar's tenement. The best results were 4 m at 1.09 g/t Au from 32 m, 10 m at 2.09 g/t Au from 36 m and 2 m at 8.74 g/t Au from 76 m (Paull, 1998). The remaining two holes (PDH 9 and 10) were drilled adjacent to the Cloncurry river where anomalous rock chip gold values had previously been obtained. PDH 9, which is contained within an excised tenement, returned 2 m at 0.24 g/t Au from 14 m.

In 1992, Cyprus Gold completed 4 RC holes (BFR 1 to 4) for 426 m in the central northern part of the prospect to evaluate two significant copper anomalies outlined from surface rock chip sampling. Holes BFR 2 and 3 intersected significant widths of anomalous copper mineralisation (126 m at 0.25% Cu and 132 m at 0.39% Cu respectively; Paull, 1998).

During 1993, Cyprus Gold drilled a further three RC drillholes (BFR 6, 7 and 8), a precollar for 464.3 m and a 120 m diamond core tail (BFRD 5) over the same anomalies. BFR 7 intersected 26 m at 0.3% Cu from 50 m and the vertical precollar and diamond tail intersected a combined interval of 166 m at 0.24% Cu (Paull, 1998).

A further 10 RC drillholes (BFR 11-20), two precollars for 1,913.5 m and three diamond tails (BFRD 3, 9 & 10) for 740 m were completed in 1994. BFR 14 intersected 2 m at 1.34 % Cu from 82 m. The three diamond holes were aimed at further delineating the depth potential of the previously intersected copper mineralisation. Hole BFRD 9 was abandoned due to poor ground conditions and hole BFRD 10 intersected 20 m at 0.21% Cu. A combined intercept of 159 m at 0.34% Cu, 249 ppm Co and 0.11 g/t Au was reported from BFRD 3 following the completion of a diamond core tail of BFR 3 (Figure 6.4; Paull, 1998).

In 1996, Mount Isa Mines drilled three RC holes (BF001P-003P) for 329 m to evaluate a Cu-Co-Au anomaly in the vicinity of the Cyprus Gold holes within a group of MLs currently excised from Goldstar's project area. Hole BF001P returned 14 m at 0.56% Cu (Paull, 1998).

6.3.2 Top Camp Prospect

Previous stream sediment and rock chip sampling at the Top Camp prospect outlined gold mineralisation associated with a variably quartz stockworked metasandstone outcropping along a prominent north-south trending ridge flanking the western side of some historic alluvial gold workings (Figure 6.3).

Two programs of drilling were carried out over this zone, the first by Australian Anglo American followed by Cyprus Gold. Australian Anglo American drilled eight RC holes (PDH 1-4 and 11-14) for a total of 618 m within a group of MLs currently excised from Goldstar's project area. Generally low grades of gold mineralisation were encountered in these holes with only one significant intersection reported, 2 m at 3.58 g/t Au in PDH 3 (Paull, 1998). There were also narrow intervals of anomalous copper (up to 2,356 ppm), zinc (up to 2,522 ppm) and cobalt (up to 149 ppm) mineralisation reported.

Cyprus drilled ten holes (TCR 1-10) for 847 m during its initial program in 1992 and a further four holes (TCR 10-14) for 724 m in its 1994 program. All of these holes were located within the group of MLs currently excised from Goldstar's project area. The holes intersected narrow intervals of copper (up to 2 m at 8.38%), zinc (up to 8,370 ppm), lead (up to 1,400 ppm) and cobalt (up to 740 ppm) mineralisation (Paull, 1998).

6.0 TOP CAMP PROJECT (cont)

6.4 EXPLORATION POTENTIAL

The Overhang Jaspilite within Goldstar's project area has been intensely folded resulting in structural trap sites that can be targeted for future exploration. It is noteworthy that the hinge region of antinormal parasitic folds are the locus of the mineralisation at the Starra deposit (pre-mining resource of 6.9 Mt at 4.8g/t Au and 1.65% Cu; Williams, 1998) which is located some 65 km to the south. Goldstar is of the opinion that there has been a lack of drill testing of these structural positions within its project area.

Goldstar has recognised a number of discrete anomalous zones within its project area associated with the hinges of the interpreted parasitic folds. These anomalies are best evidenced at the Eureka/Tuesday (copper, gold and zinc), Black Fort North (gold, copper, cobalt and zinc) and Black Fort South (copper, gold, lead and zinc) prospects and at the Eureka/Tuesday (copper and gold) workings. Seven third party MLs currently cover the Top Camp prospect and Eureka/Tuesday workings.

There is also an anomalous zinc zone associated with brecciated slate of the Marimo Basin located to the east of the main Overhang Jaspilite zone which could indicate the presence of a different style of mineralisation (eg. Mt Isa Pb-Zn style) in this area.

6.4.1 Eureka/Tuesday Prospect (Au, Cu and Zn)

Although the Eureka and Tuesday workings are located within excluded MLs, Goldstar has recognised significant areas of gold, copper and zinc anomalism from previous surface geochemistry to the north and south of the MLs. The area referred to as Target C is interpreted by Goldstar to represent the southern extension of the Top Camp magnetic feature about a complex parasitic fold in an area predominantly covered by the Cloncurry River sediments. This zone extends south from Top Camp and beyond the Eureka/Tuesday prospects. The geochemical anomalies in this area remain untested.

6.4.2 Black Fort North Prospect (Au, Cu, Co and Zn)

Goldstar has interpreted a fold hinge structure to the east of the Black Fort North prospect. Soil geochemistry anomalies, in particular zinc, have outlined this fold hinge. Most of the previous drilling was to the west of this target, although several of the holes by Cyprus Gold and MIM tested part of the copper soil anomaly (Figure 6.4). One of these holes intersected anomalous to low-grade copper mineralisation over a significant width (159 m at 0.34% Cu, 249 ppm Co and 0.11 g/t Au from surface in BFRD 3 including 52 m at 0.70% Cu, 563 ppm Co and 0.31 g/t Au from 80m; Paull, 1998).

This zone was previously interpreted by Cyprus Gold as secondary or supergene mineralisation due to the association with manganese. A review of the drill log by Goldstar suggests the presence of primary chalcopyrite and carrollite (a copper-cobalt-nickel sulphide mineral) mineralisation associated with late stage quartz-calcite-dolomite vein networks and fractures in jaspilitic pelitic schists and graphitic shales. Zones of silica-dolomite alteration were also observed by Cyprus Gold near the base of the hole which is interpreted by Goldstar as the unweathered equivalent of the widespread gossanous quartz-manganese jasper (ironstone) at surface.

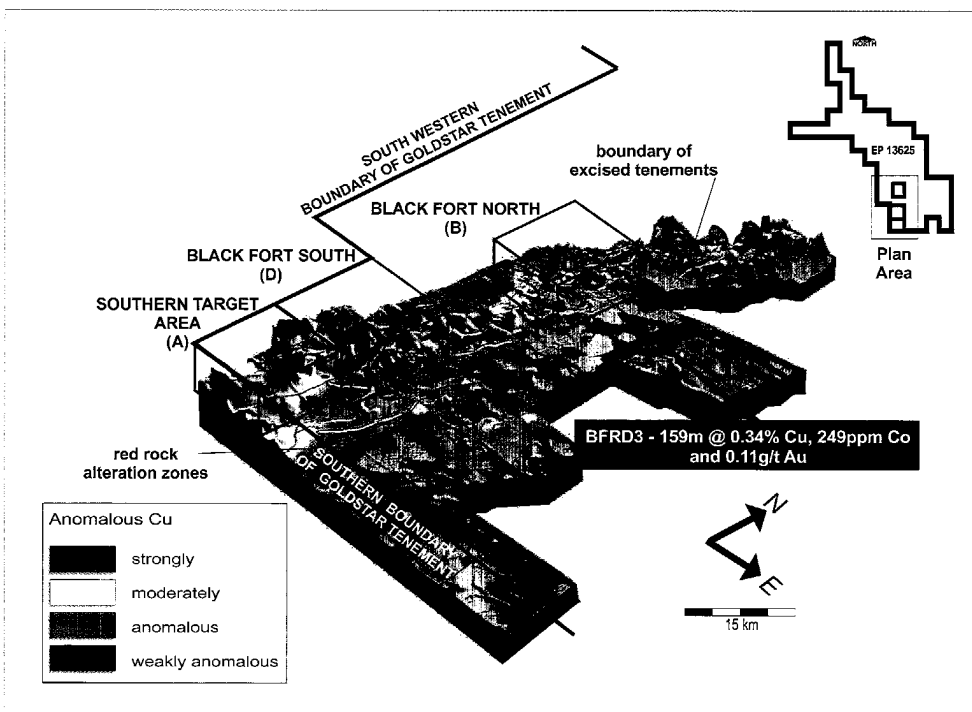


Figure 6.4 Top Camp Project – 3D enhancement of the copper soil geochemistry at the Black Fort North prospect (after Young, 2003)

This style of mineralisation and alteration is considered by Goldstar to be comparable to the setting of the Mt Isa copper deposit which is located in dilation zones related to thrust faulting. The structural and magnetic targets further to the east have not been tested.

6.0 TOP CAMP PROJECT (cont)

6.4.3 Black Fort South Prospect (Cu, Au, Zn, Pb and Ag)

The Black Fort South prospect area (Target D) is a coherent 3 km long copper and gold soil anomaly associated with magnetic anomalies that extends outside of Goldstar's EPM to the west. Sequences of quartz-magnetite altered carbonaceous pelitic schists host the mineralised zones previously identified by Cyprus Gold. Some of the more significant drillhole intersections from this work included 26 m at 0.3% Cu from 50 m in BFR 7 and 2 m at 1.34% Cu in BFR 14 from 82 m, however, gold was only present in trace concentrations. This style of mineralisation is considered by Goldstar to be similar to the Osborne Cu-Au-Co deposit (pre-mining resource of 11.3 Mt at 3% Cu, 1.3 g/t Au; Williams, 1998) where magnetite and pyrrhotite mineralisation is associated with a feeder fault. At Black Fort South, only some of the significant copper and gold geochemical anomalies have been drilled.

Further to the south of the Black Fort South prospect, a parasitic fold hinge target (Target A) has been identified which is considered by Goldstar to be analogous to the setting of the Black Fort North prospect. The structure is coincident with copper and gold soil anomalies and red rock alteration (haematite alteration of K feldspar) in the hanging wall of a folded magnetite horizon. This area remains untested by drilling. The main target type in this area would be similar to the Starra deposit.

A zinc target (Target E), which has a different structural and geological setting to the other target areas, has been identified to the east of the Black Fort South prospect. A prominent soil geochemical anomaly is associated with brecciated slate of the Marimo Basin sediments and extends over a 1.5 km strike length. The anomaly may represent a Mt Isa style lead-zinc target associated with black shales close to a structural discontinuity or thrust fault.

6.5 PROPOSED EXPLORATION AND EXPENDITURE

Goldstar has proposed a staged program of exploration over a two year period for the Top Camp project. Exploration activities will include a geophysical interpretation, geochemical sampling and the drill testing of targets at the Black Fort South prospect. It is Goldstar's intention to generate further targets for future assessment, which is outside the scope of its current budget, or to attract a third party to fund the ongoing exploration work.

Snowden has reviewed the proposed exploration budget for Goldstar's \$6 M capital raising, which is summarised in Table 6.4, and has found it to be realistic in the context of the equity being raised. There are no changes proposed to this budget should a minimum subscription of \$5 million be achieved. Snowden notes that the proposed Year 2 exploration program will be dependent on the results from the first year of exploration. It should be possible, however, to establish the resource potential of the project area within the 2 year period.

Table 6.4

Top Camp Project – proposed exploration budget

Project	Year 1	Year 2	Total
Geochemistry	\$20,635	-	\$20,635
Geophysics	\$7,990	-	\$7,990
Drilling (all costs) and analytical work	\$20,085	\$60,255	\$80,340
Contract wages	\$8,170	-	\$8,170
Supervision (wages, salaries and on-site costs)	\$17,424	\$17,424	\$34,849
Rents, rates	\$1,525	\$10,675	\$12,200
Contingency (10%)	\$7,583	\$8,835	\$16,418
TOTAL	\$83,412	\$97,190	\$180,602

7.0 DECLARATIONS BY SNOWDEN CORPORATE SERVICES PTY LTD

7.1 INDEPENDENCE

Snowden Corporate Services Pty Ltd is a wholly owned subsidiary of Snowden Mining Industry Consultants Pty Ltd, an independent firm of consultants providing a comprehensive range of specialist technical and financial services to the mining industry in Australia and overseas, through offices in Perth, Kalgoorlie, Brisbane, Johannesburg and Vancouver. Our services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

This report has been prepared independently and in accordance with the VALMIN Code of the AusIMM. The authors do not hold any interest in Goldstar, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Snowden's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

7.2 QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Philip Retter (Manager Corporate Services), Mr Mark Sweeney (Principal Resource Consultant) and Dr Philip Snowden (Principal Consultant and Managing Director).

Mr Philip Retter BAppSc (Hons), MAIG, MGSA (Author) is a professional geologist with 18 years experience including 11 years mining and exploration experience in Australia and 7 years as an independent consultant based in Jakarta, Indonesia. Mr Retter joined Snowden in July 1996 as the General Manager of its Jakarta office and is currently the Manager of Snowden Corporate Services in Perth. He has been involved in independent reviews and valuations of precious and base metal projects throughout Australia and SE Asia. Mr Retter is a Member of the Australian Institute of Geoscientists ("AIG") and has the appropriate relevant qualifications, experience and competence to be considered a "Competent Person" as defined in the JORC and VALMIN Codes.

Mr Mark Sweeney BSc (Hons), MSc, MAusIMM (Reviewer – Walhalla resource) has 18 years experience in the mining industry, including seven years with Rio Tinto Technical Services consulting on gold, copper, iron, nickel, coal, mineral sands, borate and diamonds within the Rio Tinto group. He is experienced in reviews, audits, resource estimation and reconciliation studies. Recent highlights include the implementation of resource estimation and conditional simulation techniques into various Rio Tinto mining operations for product specification, mine planning and NPV analysis. Mr Sweeney has the appropriate relevant qualifications, experience and competence to be considered a "Competent Person" under the definitions provided in the JORC Code.

Dr Philip Snowden BSc (Hons), PhD, FAusIMM, MAIG (Reviewer) is a professional geologist with 29 years experience in the minerals industry including 10 years lecturing in geology in Southern Africa, 6 years with Anglo American Gold and Uranium Division in South Africa and 14 years as an independent geological consultant based in Perth. Dr Snowden is Managing Director of Snowden, a Fellow of the AusIMM and a Member of the AIG. Dr Snowden has undertaken numerous independent reviews and valuations of exploration and mining projects throughout Australia, Africa and SE Asia. Dr Snowden has the appropriate relevant qualifications, experience and competence to be considered an "Expert" under the definitions provided in the VALMIN Code and a "Competent Person" as defined in the JORC Code.

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APPENDIX 1

GLOSSARY OF TECHNICAL TERMS

Abbreviations	oz – ounce, km – kilometre, m – metre, M – million, t – tonne, ha – hectare, g/t – grams per tonne, ppm – parts per million, ppb – parts per billion, BLEG – bulk leach extractable gold, E – east, N – north, RL – reduced level, EL – Exploration Licence, PL – Prospecting Licence, ML – Mining Lease, GIS – Geographic information system, PGE – platinum group elements
Accretion	The process of growth of a geological terrain by the addition of rocks to the outside.
Aeromagnetics	A geophysical technique utilised from an airborne craft.
Aircore	A method of rotary drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
Alluvium	Unconsolidated detrital material deposited by stream or river
Alteration	A change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Andesite	A dark, fine-grained extrusive igneous rock composed of feldspar and iron and magnesium rich minerals with more silica and sodium than compared to basalt.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Anticline/Antiform	Applied to strata which dip in opposite directions from a common ridge or axis.
Archaean	The oldest rocks of the Earth's crust - older than 2 400 million years.
Arenite	A general term for a sedimentary rock composed of sand fragments.
Arsenopyrite	An iron sulphide mineral containing arsenic.
Atomic Absorption Spectroscopy (AAS)	Analytical technique
Banded Iron Formation (BIF)	A rock composed of iron oxides and chert with distinct layers or bands.
Basalt	A dark, fine-grained extrusive igneous rock composed of feldspar and iron and magnesium rich minerals.
Batholith	A large intrusive mass of igneous rock.
Biotite	A dark coloured mica mineral.
Breccia	Fragmented rock with angular components.
Bulk Density	The weight of a material divided by the volume it occupies (including pore spaces).
Carbonate	Common mineral type consisting of carbonates of calcium, iron, and/or magnesium.
Chalcocite	A copper sulphide mineral.
Chalcopyrite	A copper iron sulphide mineral, the most important ore of copper
Chemical symbols	Au – Gold, Ni – Nickel, Cu – Copper, Zn – Zinc, Co – Cobalt, Pb – Lead, As – Arsenic, Ag – Silver, Pt – Platinum, Pd – Palladium, Te – Tellurium, Bi – Bismuth, Fe – Iron, S – Sulphur.
Chert	A hard, extremely fine grained sedimentary rock consisting almost entirely of interlocking quartz crystals, of which flint is a dark variety
Clastic	Term to describe sedimentary rocks that consist of fragments of rock or other material that have been transported from their place of origin.
Cleavage	The surface along which a rock splits.
Colluvium	Loose soil or rock fragments accumulated by slow down-slope creep or rain-wash, as found at the base of slopes or hillsides
Cordierite	A common magnesium-iron aluminium silicate metamorphic mineral.
Craton	A stable part of the earth's crust.
Devonian	A period of geological time from 354 to 410 million years.
Dextral	A geological structure with a right-handed movement or offset.
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Diorite	A dark, coarse-grained intrusive igneous rock composed of feldspar and iron and magnesium rich minerals.
Dip	The angle at which rock stratum or structure is inclined from the horizontal.
Dolerite	A medium grained basic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
Dolomite	A carbonate rock composed of calcium and magnesium.
Dyke	A tabular intrusion of igneous rock that cuts across the planar structure of the surrounding rock.
Epiclastic	A clastic rock formed by surface processes.
Evaporite	A sedimentary rock formed from the evaporation of saline water.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Felsic (composition)	Light coloured rock containing an abundance of any of the following:- feldspars, feldspathoids and silica.
Ferruginous	Containing iron

APPENDIX 1 (cont)

Fire Assay	Analytical technique that extracts precious metals under high temperatures in a furnace.
Footwall	The underlying side of a fault, orebody or mine workings.
Galena	A lead sulphide mineral
Geochemical exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical exploration	The exploration of an area in which physical properties (eg. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.
Gossan	The oxidised, near surface part of underlying primary sulphide minerals.
Grade	g/t - grams per tonne, ppb – parts per billion, ppm – parts per million, dwt - pennyweight
Granite	A medium to coarse-grained felsic intrusive rock which contains 10-50% quartz.
Granitoid	A textural term to describe igneous rocks that resemble granite.
Granodiorite	A coarse grained igneous rock containing quartz, plagioclase (sodium - calcium feldspar) and potassium feldspar, with biotite, hornblende or pyroxene
Greenstone	A collective term for slightly altered mafic igneous rocks.
Greywacke	A sandstone composed of minerals and rock fragments derived from dark coloured rocks.
Haematite	An iron oxide mineral and common ore of iron.
Hangingwall	The overlying side of a fault, orebody or mine workings.
Hardpan	A general term for a hard crust on the surface or in the upper levels of the weathering profile.
Hornfels	A metamorphic rock produced from shale by contact with an igneous intrusion.
Hydrothermal	A term applied to magmatic emanations rich in water and to the alteration products and mineral deposits produced by them.
Igneous	A rock that has solidified from molten material or magma
Ilmenite	An iron titanium oxide mineral.
Intrusion/Intrusives	A body of igneous rock that invades older rocks.
Isoclinal	A fold with sides that have a parallel dip.
Jasper	An iron-rich siliceous rock
Jaspilite	A banded, ferruginous, siliceous rock
Komatiite	An ultramafic volcanic rock with a high magnesium content.
Kriging	A method of spatial data interpolation to estimate mineral resources.
Lag	A residual deposit remaining after finer particles have been blown away by wind
Lamprophyre	A general term for mafic dyke rocks.
Landsat	Multispectral images of the earth's surface collected by a satellite.
Laterite	Highly weathered residual material rich in secondary oxides of iron and/or aluminium
Lineament	A linear feature of regional extent, generally recognisable in the topography; commonly detected by satellite imagery.
Lithology	A term pertaining to the general characteristics of rocks. It generally relates to descriptions based on hand sized specimens and outcrops rather than microscopic or chemical features.
Lode deposit	A vein or other tabular mineral deposit with distinct boundaries.
Mafic (composition)	Igneous rocks composed dominantly of iron and magnesium minerals.
Magnetite	A magnetic iron oxide mineral.
Metamorphism (metamorphic rocks)	The process by which changes are brought about in earth's crust by the agencies of heat, pressure and chemically active fluids.
Metasediment	Metamorphosed sedimentary rock.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction.
Mylonite	A dense, fine grained rock often within banding formed by shearing.
Orogen	A period of mountain building.
Pentlandite	A nickel iron sulphide mineral.
Percussion drilling	Method of drilling where rock is broken by the hammering action of a bit and the cuttings are carried to the surface by pressurised air returning outside the drill pipe.
Phanerozoic	The period of time after the Precambrian era to the present.
Pitch	The inclination of a linear geological structure from the horizontal measured in the plane of the structure.
Plunge	The inclination of a linear geological structure from the horizontal.

APPENDIX 1 (cont)

Pluton	A general term for a large igneous intrusion.
Porphyry	An igneous rock that contains conspicuous crystals in a fine-grained matrix.
Porphyrite	A general term for andesitic volcanic rocks that exhibit a porphyry texture.
Primary	Un-oxidised.
Proterozoic	The Precambrian era after Archaean.
Pyrite, pyrrhotite	A common pale bronze iron sulphide mineral
Quartz	Mineral species composed of crystalline silica.
Quartzite	A metamorphic rock composed mainly of quartz.
Quaternary	A period of geological time from the present to 1.8 million years.
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
Rhyolite	The volcanic equivalent of granite.
Rock chip sample	A series of rock chips or fragments taken at regular intervals across a rock exposure.
Rotary Air Blast (RAB) drilling	Method of drilling in which the cuttings from the bit are carried to the surface by pressurised air returning outside the drill pipe. Most "RAB" drills are very mobile and designed for shallow, low-cost drilling of relatively soft rocks.
Saprolite	A weathered or decomposed, clay-rich rock.
Schist	Fine grained micaceous metamorphic rock with laminated fabric.
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice.
Sericite	A pale fibrous mica mineral.
Shale	Fine-grained sedimentary rock with well defined bedding planes
Shear zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Silicified	Alteration of a rock by introduction of silica
Sinistral	A geological structure with a leftward movement or offset.
Sphalerite	A zinc sulphide mineral
Stockwork	A network of veins
Stope	An underground excavation in an orebody.
Stratigraphy	The study of formation, composition and correlation of sedimentary rocks.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Sulphides	Minerals consisting of a chemical combination of sulphur with a metal.
Supergene	An enrichment or deposit formed by descending fluids in weathered rock.
Syncline/Synform	A fold in a sequence of rocks forming a trough.
Synclorium	A composite syncline of large dimensions.
Tailings	Finely ground waste product from the crushing and grinding of ore.
Tectonic	Forces or movements resulting in the formation of structural features.
Tertiary	A period of geological time from 1.8 to 66 million years.
Tetrahedrite	A copper antimony sulphide mineral.
Tholeiite	A common type of basalt characterised by crystals of plagioclase and pyroxene in a glassy matrix.
Turbidite	A sedimentary rock formed from sediment flow down a slope at high speed.
Ultramafic	An igneous rock comprised chiefly of mafic minerals
Variogram (Variography)	A display (study) of the relationship between differences in pairs of measurements and the distance of the corresponding points from each other.
Volcanics	Collective term for extrusive igneous rocks.
Volcaniclastic	Sediments comprising rock fragments derived by explosion or eruption from a volcanic vent
Wireframe	Three-dimensional vector surfaces produced on computers.

SOLICITORS' REPORT ON TENEMENTS

**RICHARD
O'SHANNASSY & CO.**
SOLICITORS
ABN 20 132 235 665

3RD FLOOR
89 ST GEORGE'S TERRACE
PERTH, WESTERN AUSTRALIA, 6000
TELEPHONE: (08) 9481 2744
FACSIMILE: (08) 9481 2745
E-MAIL: richard@oshannassy.com.au

ENQUIRIES: RICHARD O'SHANNASSY
OUR REF: GOL03077
YOUR REF:

15 September 2003

The Directors
Goldstar Resources NL
Unit 4
26 Clive Street
WEST PERTH WA 6005

Dear Sirs

SOLICITORS' REPORT ON TENEMENTS

This report has been prepared for inclusion in a prospectus ("Prospectus") to be issued by Goldstar Resources NL ("Company") in relation to the offer of up to 24 million shares, at an issue price of 25 cents each, to raise up to \$6 million, with a minimum subscription of 20 million shares raising \$5 million. The Company will undertake the offer in conjunction with seeking admission to the official list of the Australian Stock Exchange Limited.

The report relates to various Western Australian, Victorian and Queensland Mining Tenements listed in the Schedule of Mining Tenements in which the Company holds an interest or claims an interest ("Mining Tenements"). The Schedule of Mining Tenements includes the Notes to the Schedule of Mining Tenements. The Schedule of Mining Tenements is attached to, and forms part of, this report.

SEARCHES

For the purposes of this report, we have conducted or caused to be conducted:-

- (a) searches of the Western Australian Mining Tenements ("WA Tenements") in the Register maintained by the Department of Industry and Resources ("WA Department") pursuant to the Mining Act 1978 of Western Australia ("WA Mining Act") on 4 September 2003;
- (b) searches of the Victorian Mining Tenements ("Victorian Tenements") in the Mining Register maintained by the Department of Primary Industries ("Victorian Department") pursuant to the Mineral Resources Development Act 1990 of Victoria ("Victorian Mining Act") on 11 September 2003;
- (c) searches of the Queensland Mining Tenement ("Queensland Tenement") in the Register maintained by the Department of Natural Resources and Mines ("Queensland Department") pursuant to the Mineral Resources Act 1989 of Queensland ("Queensland Mining Act") on 8 September 2003;
- (d) enquiries of the Land Claims Mapping Unit of the Department of Land Information of Western Australia as to the extent of any Native Title claims extending over the WA Tenements;
- (e) searches of Native Title claims maintained by the National Native Title Tribunal in respect of the areas within the boundaries of the Victorian Tenements and the Queensland Tenement;
- (f) enquiries of the Department of Indigenous Affairs in respect of registered Aboriginal sites within the boundaries of the WA Tenements; and
- (g) enquiries of Victorian Communities and Heritage Victoria in respect of Aboriginal and non-Aboriginal heritage sites within the boundaries of the Victorian Tenements.

SOLICITORS' REPORT ON TENEMENTS (cont)

OPINION

As a result of our searches and enquiries, but subject to the assumptions, qualifications and exceptions set out in this report, we are satisfied that as at 4 September 2003 in respect of the WA Tenements, 11 September 2003 in respect of the Victorian Tenements and 8 September 2003 in respect of the Queensland Tenement:-

- (a) the details included in this report are accurate as to the status of the Mining Tenements and the registered holders of, or applicants for, those Mining Tenements;
- (b) all applicable rents and other fees due under the WA Mining Act, Victorian Mining Act and Queensland Mining Act in respect of the Mining Tenements have been paid;
- (c) adequate expenditure to meet the expenditure requirements under the WA Mining Act, Victorian Mining Act and Queensland Mining Act has been incurred, or exemptions applied for and/or obtained, in respect of the granted Mining Tenements; and
- (d) none of the granted Mining Tenements are subject to any unusual conditions of a material nature.

MINING TENEMENTS GENERALLY

WESTERN AUSTRALIA

The WA Tenements comprise granted mining leases, exploration licences granted or applied for under the WA Mining Act and two applications for prospecting licences.

Subject to certain obligations and any conditions imposed in respect of the relevant tenement, the holder of a mining lease is authorised to mine for and dispose of any minerals on the land in respect of which the lease was granted. The holder is entitled to exclusive rights to use, occupy and enjoy the land for mining purposes and owns all minerals lawfully mined. A mining lease has an initial term of twenty one (21) years. It may be renewed for a further period of twenty one (21) years and, at the discretion of the Minister for successive terms each of not more than twenty one (21) years. Mining leases are subject to minimum annual expenditure requirements. An exploration licence remains in force for a period of five years and may, in certain circumstances, be extended by a further period or periods of one or two years on application. At the end of the third and fourth years of the term of an exploration licence the holder must relinquish not less than half of the area of the licence. No legal or equitable interest in or affecting an exploration licence can be transferred or otherwise dealt with during the first year of its term without the prior written consent of the Minister. Exploration licences are subject to minimum annual expenditure requirements. A prospecting licence authorises the holder to enter upon land for the purpose of prospecting for minerals. It also permits the undertaking of operations and works necessary for that purpose, including digging pits, trenches and holes, sinking bores and tunnelling. A prospecting licence holder may excavate, extract or remove earth, soil, rocks, stone, fluid or mineral bearing substances not exceeding 500 tonnes. A prospecting licence remains in force for a period of four (4) years from the date on which it was granted.

The holder of a mining tenement in Western Australia may apply for exemption from compliance with minimum expenditure requirements on certain grounds set out in Section 102(2) of the WA Mining Act or at the discretion of the Minister. Failure to comply with expenditure requirements, unless exempted, renders the mining tenement liable to forfeiture.

The WA Mining Act confers on the holder of an exploration licence which is in force, the right to apply for and, subject to the WA Mining Act, have granted one or more mining leases over any parts of the land the subject of that licence.

A number of the WA Tenements (seven in total) are applications. The WA Mining Act does not permit the transfer of tenement applications, however, this does not prevent an agreement being made which contemplates the transfer of an interest in a tenement once the grant of that tenement has occurred.

A royalty regime for gold applies under the WA Mining Act to gold produced or obtained from tenements on and from 1 July 1998. The regime is complex with various provisions for relief and exemptions. However, the following general principles apply:-

- (a) the rate of royalty payable for gold produced on and after 1 July 2000 is 2.5% of the realised value;
- (b) but if, between 1 July 2000 and 30 June 2005, the average gold spot price for a quarter is less than \$450.00 per ounce in Australian currency then the rate of royalty payable for gold produced in that quarter is 1.25% of the realised value; and
- (c) in any event, no royalty is payable in respect of the first 2,500 ounces of gold produced during a financial year from gold bearing material produced or obtained from the same gold royalty project.

SOLICITORS' REPORT ON TENEMENTS (cont)

QUEENSLAND

The Queensland Tenement comprises Exploration Permit EPM13625 in the district of Mt Isa.

Exploration permits are usually granted for either all minerals (other than coal) or for coal. An exploration permit allows the holder to undertake a range of bona fide exploration activities but not including drilling for water. Bulk sampling requires Ministerial approval. Production and sale of minerals is not permitted. Exploration permits remain in force for a period of five years and at the end of years three and four the holder must relinquish not less than half of the area of the permit.

If a resource is identified, the holder of an exploration permit may apply for a mineral development licence which provides secure tenure to conduct more thorough testing or until the feasibility of mining is assessed. An exploration permit holder may also apply for a mining lease which permits production.

There is presently no royalty on gold production in Queensland.

VICTORIA

The Victorian Tenements comprise 2 exploration licences.

An exploration licence may be granted for up to 5 years and is, subject to the consent of the Minister, renewable for up to 5 years. An exploration licence authorises the holder to undertake low impact exploration work or exploration activities set out in an approved work plan. At the end of the second and fourth years of the initial term of an exploration licence at least 25% and 35%, respectively, of the total graticular sections covered by the licence as originally granted must be surrendered. Transfers of exploration licences require Ministerial approval.

There is presently no royalty on gold production in Victoria.

NATIVE TITLE - GENERALLY

The Native Title Act 1993 (legislation which, with all its amendments to date, is referred to in this report as the "Commonwealth Act"), amongst other things:-

- (a) regulates the recognition and protection of Native Title;
- (b) confirms the validity of titles granted by the Federal Government prior to the commencement of the Commonwealth Act on 1 January 1994;
- (c) specifies procedures to be complied with for certain future acts which affect Native Title; and
- (d) specifies procedures by which Aboriginal peoples can claim Native Title and how Native Title holders can claim compensation.

The Commonwealth Act was extensively amended in 1998 by the Native Title Amendment Act 1998. Those amendments included the validation of any titles which may have been invalidly granted over pastoral leases and certain other leasehold interests during the period 1 January 1994 to 23 December 1996. Other significant amendments included a revised threshold test for the acceptance of Native Title claims, confirmation of extinguishment of Native Title by the grant of "Exclusive Possession" pastoral leases and certain other leasehold interests and provisions intended to deal with overlapping claims.

The Western Australian Government has implemented the Titles (Validation) and Native Title (Effect of Past Acts) Act 1995 which adopts the Commonwealth Act in Western Australia.

The Victorian Government has implemented the Land Titles Validation Act 1994 which adopts the validation provisions of the Commonwealth Act and applies them in Victoria.

The Queensland Government has implemented the Native Title (Queensland) Act 1993 which adopts the validation provisions of the Commonwealth Act and applies them in Queensland.

SOLICITORS' REPORT ON TENEMENTS (cont)

NATIVE TITLE – NATIVE TITLE CLAIMS

Persons claiming to hold Native Title may lodge an application for determination of Native Title (being a Native Title claim) with the Federal Court. Applications which are lodged with the Federal Court will also be referred to the National Native Title Tribunal for the purposes of registration of the claim.

If the Native Title Registrar is satisfied the lodged claim meets the registration requirements set out in the Commonwealth Act then the claim will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal. Claimants of registered claims are afforded certain procedural rights under the Commonwealth Act including the "right to negotiate" and unless mining tenements are granted in compliance with these rights under the Commonwealth Act ("Future Act Procedures") they will be invalid unless otherwise validated.

All of the WA Tenements relate to land which is currently the subject of a Native Title Claim. These claims are identified in the Schedule of Mining Tenements. One of the Victorian Tenements relates to land which is currently the subject of a Native Title Claim. The Queensland Tenement relates to land which is currently the subject of a Native Title Claim.

It is important to note that the registration of a Native Title Claim is not an indication that Native Title in fact exists to the land or waters covered by that claim. Conversely, the fact that a claim is not registered or lodged in respect of land does not mean that Native Title does not exist to that land or waters. This is a matter to be ultimately determined by the Federal Court. The conduct of historical searches of the underlying land tenure for the area of the Mining Tenements may assist in determining whether Native Title has been extinguished in respect of any of the areas the subject of the Mining Tenements. However, we have not conducted any independent investigations in this regard.

NATIVE TITLE – VALIDITY OF TITLES

The existence of Native Title to an area as at the date of grant of a Mining Tenement may render the tenement invalid if the provisions of the Commonwealth Act are not complied with or if they do not fall within the validation regimes provided in the Commonwealth Act.

(a) Grants

(i) Grants made before 1 January 1994:

EL3311 in Victoria was granted prior to 1 January 1994 and that grant has been validated as a "past act" under the Commonwealth Act and the Land Titles Validation Act 1994 (Vic), meaning that the grant of that Mining Tenement was fully effective, despite any failure to protect any Native Title rights.

Other than EL3311, none of the Mining Tenements were granted prior to 1 January 1994 (being the date of commencement of the Commonwealth Act).

(ii) Grants since 31 December 1995:

Western Australia generally began complying with the Future Act Procedures after 31 December 1995. In order to establish whether the Future Act Procedures were followed in respect of any WA Tenements granted after this date, it would be necessary to make detailed enquiries of the WA Department and the National Native Title Tribunal. We have not been provided with any information which indicates whether the Future Act Procedures have been complied with in relation to the WA Tenements which have been so granted.

We are informed by the Queensland Department that notification of the application for EPM13625 was given under the provisions of the Queensland Mining Act rather than under the Commonwealth Act – specifically, pursuant to the alternative provisions of the Queensland Mining Act which commenced on 27 November 1998. On 26 May 2000 the Commonwealth Attorney-General made a number of determinations under Section 43A of the Commonwealth Act, which commenced to operate on 18 September 2000, including a determination that approved the grant, or renewal, of an exploration permit under Part 5 of the Queensland Mining Act to which Division 2 or Division 5 of Part 15 of the Queensland Mining Act applies including the variation of conditions to include or add "non-exclusive land" to an exploration permit where the variation or addition is only for "low impact activities" within the meaning of Section 482 of the Queensland Mining Act. The activities permitted to be carried out under EPM13625 are low impact activities.

The validity of the determination made by the Commonwealth Attorney-General for the grant of exploration permits for low impact activities was confirmed by a single judge of the Federal Court in *Central Queensland Land Council (Aboriginal Corporation) -v- Commonwealth Attorney-General* [2002] FCA 58 (8 February 2002) and by the Full Court of the Federal Court in *State of Queensland -v- Central Queensland Land Council (Aboriginal Corporation)* [2002] FCAFC371 (27 November 2002).

EL4656 in Victoria was granted pursuant to the Future Act Procedures.

SOLICITORS' REPORT ON TENEMENTS (cont)

(b) Renewals

Under the Commonwealth Act, the right to negotiate process generally does not apply to renewals after 23 December 1996 provided the renewal is granted on the same basis as the initial grant or previous renewal. Effectively, the same or lesser rights must be granted over the same area, or part thereof, for the same or a lesser period. This was the case in respect of EL3311 in Victoria.

(c) Applications for Mining Tenements

Applications for mining tenements the subject of Native Title claims generally require compliance with the Future Act Procedures. Depending on the type of application, the "right to negotiate" may be the relevant Future Act Procedure. That process also applies to application for the grant of mining leases over areas the subject of exploration licences.

The "right to negotiate" process in Western Australia involves the State publishing a notice regarding the grant. In the following three months, persons (including registered Native Title claimants) have the right to take steps to become "Native Title Parties" in relation to the notice. There is a period of at least six months commencing from the notice date in which the State, the mining tenement applicant and the Native Title Parties must negotiate in good faith about the grant. If the parties fail to reach an agreement which enables the tenement to be granted, the matter can be referred to the National Native Title Tribunal for a decision as to whether the grant should be made. The National Native Title Tribunal must make a decision as soon as practicable, but has at least six months to do so. The decision of the National Native Title Tribunal is subject to Ministerial overrule if it is in the national interest or, in certain cases, in the State's interest to overrule the National Native Title Tribunal's decision.

The "right to negotiate" process does not have to be pursued if an indigenous land use agreement is negotiated.

In Western Australia applications for exploration licences may be notified as grants to which the expedited procedure applies (we have not made any enquiries in this regard). The expedited procedure can be faster than the right to negotiate process. Apart from notification, the WA Department does not release details as to the progress of negotiations, if any, with the relevant Native Title claimants.

In order for the existing applications comprised within the WA Tenements to be granted, agreements may need to be reached with each of the groups who have the "right to negotiate" in order to secure the grant of those applications. If agreement cannot be reached then the arbitration procedures described above can be invoked. Although time consuming, arbitration can often result in the grant of a tenement.

ABORIGINAL AND NON-ABORIGINAL HERITAGE

Legislation

The Aboriginal and Torres Strait Islanders Heritage Act 1984 (Commonwealth) ("Commonwealth Heritage Act") applies to each of the Mining Tenements and is aimed at the preservation and protection from desecration of significant Aboriginal areas and objects through their use in a manner inconsistent with Aboriginal tradition.

The Aboriginal Heritage Act 1972 (WA) ("WA Heritage Act") also applies to each of the WA Tenements and makes it an offence to in any way alter or damage an Aboriginal site or object on or under any sacred, ritual or ceremonial site which is of importance or of special significance to Aboriginal persons in the absence of a consent to the activity from the Minister under Section 18 or the existence of a defence set out in Section 62 of the WA Heritage Act. A register of Aboriginal sites is maintained by the Department of Indigenous Affairs Western Australia.

Under Part 15 of the Queensland Mining Act it is a condition of a low impact exploration permit that the permit holder must not act under the permit to enter, for the first time, any area of non-exclusive land unless the holder has consulted with each registered Native Title Party for the area relating to the protection and avoidance of any area or site on the land or waters to which the Native Title rights and interests are claimed. We understand that there is presently no access agreement between the holder of EPM13625 and the registered Native Title claimants. Ordinarily, an access agreement would deal with the identification and protection of Aboriginal cultural heritage, including obtaining the necessary permits under the Cultural Records Act 1987 (Queensland).

SOLICITORS' REPORT ON TENEMENTS (cont)

After a period of three months from the notification of an application for an exploration permit, a permit holder may give notice to each registered Native Title Party of the commencement of a consultation period for entry to an area. If agreement as to the terms of any access agreement is not reached during the consultation period then the permit holder or the registered Native Title Party may ask the Mining Registrar to hold a conference for mediation as to the access agreement. If an access agreement is not obtained within one month after the Mining Registrar has been asked to hold a mediation conference, the permit holder or the registered Native Title Party may ask the Mining Registrar to refer the matter to the Land and Resources Tribunal for decision. That Tribunal must then decide the terms of the access agreement and is also required to make a compensation trust decision for the registered Native Title Party.

Under the Victorian Archaeological and Aboriginal Relics Preservation Act 1972 it is an offence for a person to wilfully or negligently deface or damage or otherwise interfere with a relic or carry out an act likely to endanger a relic. Further, there is an obligation for a person who discovers a relic to forthwith report the discovery "unless he has reasonable grounds to believe that the relic is recorded in the register". Compliance with these requirements is necessary even where no relics or sites have been registered.

Search Results

We have conducted searches of the register of Aboriginal sites maintained by the Department of Indigenous Affairs in relation to the areas covered by the WA Mining Tenements and the results are disclosed in the Notes to the Schedule of Mining Tenements. It is possible that there are Aboriginal sites that have not yet been entered on the Register of Aboriginal sites. The WA Heritage Act protects all Aboriginal sites whether or not they are registered.

Our enquiries of the Victorian Communities Department on 4 March 2003 have revealed that the Victorian Tenements are not (currently) affected by any Aboriginal cultural heritage relics registered under the Archaeological and Aboriginal Relics Preservation Act 1972 (Vic). The results of our enquiries of Heritage Victoria are disclosed in the Notes to the Schedule of Mining Tenements. There is a risk that future exploration and/or production activities may be precluded in certain areas on the Mining Tenements by operation of the Commonwealth Heritage Act and/or the State-based heritage legislation if those activities may adversely impact upon an Aboriginal site or a non-Aboriginal heritage site.

Assumptions and Qualifications

In this report:-

- (a) We have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives.
- (b) We have assumed the accuracy and completeness of the Mining Tenement searches and other information or responses which we have obtained from the WA Department, Victorian Department and Queensland Department as well as the Land Claims Mapping Unit of the Department of Land Administration (Western Australia) National Native Title Tribunal, Department of Indigenous Affairs (WA), Victorian Communities and Heritage Victoria.
- (c) We have assumed that all the necessary statutory, administrative and other procedures have been complied with in respect of each granted Mining Tenement as required from time to time.
- (d) With respect to any application for a tenement, at his discretion, but usually in accordance with guidelines issued by the WA Department, the Minister may impose "reasonable conditions" for the prevention or reduction of injury to the land or anything on it. We express no opinion as to whether any conditions which this report indicates may be imposed will be imposed nor that no other conditions (which are not indicated in this report) will be imposed upon the grant of such tenements or following the grant of such tenements.
- (e) A number of the Mining Tenements (8 in total) are applications. We express no opinion as to whether all or any of such applications will ultimately be granted nor as to the conditions upon which any such grant may be made.
- (f) In preparing this report we have relied upon searches which may not necessarily be complete or up to date and we cannot comment on whether or not the position disclosed in such searches may have changed between the date on which our searches were undertaken and the date of this report.
- (g) Our report is strictly limited to the matters stated in it and does not extend by implication to any other matter.

Yours faithfully



RICHARD O'SHANNASSY & CO.

SOLICITORS' REPORT ON TENEMENTS (cont)

MINING TENEMENT SCHEDULE

TENEMENT	REGISTERED HOLDER OR APPLICANT	AREA	START DATE/APPLICATION DATE	EXPIRY DATE	RENT FOR NEXT YEAR	MIN. EXPENDITURE FOR CURRENT YEAR	STATUS	NATIVE TITLE STATUS	NOTES	
WESTERN AUSTRALIA										
MILLROSE										
E53/796	Murchison	6 blocks	09.11.98	08.11.03	\$558.36	\$20,000	Live	NT1	1,2,3,4,5,16	
E53/974	Murchison	15 blocks	Recommended for approval 12.04.01	N/A	N/A	N/A	Pending	NT1	6	
E53/975	Murchison	13 blocks	Recommended for approval 26.04.01	N/A	N/A	N/A	Pending	NT1	7	
E53/1006	Murchison	26 blocks	Recommended for approval 27.09.01	N/A	N/A	N/A	Pending	NT1	8	
P53/1143	Murchison	150 ha	24.12.01	N/A	N/A	N/A	Pending	NT1	9	
P53/1144	Murchison	150 ha	24.12.01	N/A	N/A	N/A	Pending	NT1	9	
PEAK HILL										
E52/1621	Murchison	37 blocks	Recommended for approval 29.04.02	N/A	N/A	N/A	Pending	NT2	10,11	
P52/990	Murchison	200 ha	03.07.00	N/A	N/A	N/A	Pending	NT2	12	
P52/991	Murchison	200 ha	03.07.00	N/A	N/A	N/A	Pending	NT2	12	
M52/548	Wilson	1,000 ha	17.06.99	16.06.20	\$12,320	\$100,000	Live	NT2	5,13,14	
M52/588	Wilson	200.9 ha	17.06.99	16.06.20	\$2,476	\$20,100	Live	NT2	5,13,14,15	
QUEENSLAND										
TOP CAMP										
EPM13625	Findex 15% Company 85%	58 sub-blocks	11.06.02	10.06.07	\$6,052.30	\$40,000	Granted	NT3	17, 18, 19, 20, 21, 22	
VICTORIA										
WALHALLA										
EL3311	Company	2170 grats	10.11.93	10.11.03	Nil	\$80,000	Live	NT4	23, 24, 25, 26, 27, 28, 31	
BRANKEET										
EL4656	Company	51.0 grats	06.02.03	05.02.08	Nil	\$22,650	Live	NT5	23, 29, 30, 31	
KEY TO TENEMENT TYPE:										
P	-	Prospecting Licence (Western Australia)								Murchison Resources Pty Ltd
E	-	Exploration Licence (Western Australia)								Wilson
M	-	Mining Lease (Western Australia)								Perseverance
EL	-	Exploration Licence (Victoria)								Perseverance Mining Pty Ltd
EPM	-	Exploration for Productive Mining (Queensland)								Findex Pty Ltd
KEY TO PARTIES:										
Murchison - Murchison Resources Pty Ltd										
Wilson - Scott Walter Wilson										
Perseverance - Perseverance Mining Pty Ltd										
Findex - Findex Pty Ltd										

SOLICITORS' REPORT ON TENEMENTS (cont)

NOTES:

1. This tenement originally comprised 12 graticular blocks. 6 blocks were surrendered on 05.04.02.
 2. Application 47H/023 was lodged on 06.11.02 for relief from section 65(1)(b) relating to surrender requirement at end of fourth year of term.
 3. Area of E53/321 is not included in E53/796.
 4. Certain standard endorsements and conditions apply to all exploration licences.
 5. In order for the agreement referred to in the Additional Information – Summary of Material Contracts section of the Company's Prospectus to be legally effectual, pursuant to which the Company claims contractual interests in the WA Tenements, it is necessary that such agreement be registered against the relevant Mining Tenements. An agreement dated 24 April 2002 made between the Company, Murchison and Wilson has been registered in respect of E53/796, M52/548 and M52/588. It is not possible to register an agreement in respect of an application for a mining tenement.
 6. Rent of \$1,236.00 has been paid in respect of the first year.
 7. Rent of \$1,071.20 has been paid in respect of the first year.
 8. Rent of \$2,142.40 has been paid in respect of the first year.
 9. Rent of \$232.50 has been paid in respect of the first year.
 10. Rent of \$3,048.00 has been paid in respect of the first year.
 11. There are 5 registered Aboriginal sites on this tenement area.
 12. Rent of \$340.00 has been paid in respect of the first year.
 13. Certain standard endorsements and conditions apply to all mining leases. M52/548 also has the standard endorsements and conditions applicable to E53/796.
 14. This tenement has the following endorsement upon it: "Persons claiming native title to the land the subject of this mining tenement entered into a deed under the Native Title Act 1993 with the State of Western Australia, the Minister for Mines and the tenement holder agreeing to the grant of the tenement." The deed is an Indigenous Land Use Agreement made on or about 26 October 2000 between the State of Western Australia and the Nhamuwallangga Wajarri and Ngarlawangga registered native title claimants.
 15. M52/588 is granted upon the same conditions as M52/548 except for the following additional condition:
Mining on any road, road verge or road reserve being confined to below a depth of 15 metres from the natural surface.
 16. There is 1 registered Aboriginal site on this tenement area.
 17. The area within Mining Leases 2510, 2764, 2785, 2786, 2787, 2788, 2792, 90152 and 90153 is excluded from the area the subject of EPM13625.
 18. The holder is authorised to explore for all minerals other than coal.
 19. The minimum expenditure required is \$40,000 (year 1), \$60,000 (year 2), \$80,000 (year 3), \$100,000 (year 4) and \$120,000 (year 5).
 20. The area of the exploration permit is contained within Restricted Areas 36 and 88 and Special Condition 1 applies to Block 894 Sub-Blocks R & W; the grant of this permit is conditional on the holder giving a written undertaking to the Director General of Natural Resources and Mines that the holder will not disturb, except for small scale sampling (such as coring), the actual dam site which is located within the nominated sub-blocks of the Restricted Area as shown on the plan attached to the exploration permit instrument. Any application for renewal of the exploration permit is to be referred to the State Water Projects for consideration.
 21. The Heads of Agreement dated 31 May 2002 between the Company and Findex is noted as a dealing on the exploration permit.
 22. Findex has been granted an environmental authority number M7136 pursuant to the Queensland Environmental Protection Act 1994 to undertake exploration activities on EPM13625 from the date of grant of that tenement. The authority requires Findex to give the Environmental Protection Agency a financial assurance in the amount and form and at a time required by the Environmental Protection Authority. Findex must comply with each of the Standard Environmental Conditions contained in the Code of Environmental Compliance for Exploration and Mineral Development Projects dated January 2001.
 23. Rent is not payable on exploration licences.
 24. The area of MIN5352 is excised from the exploration licence.
 25. A \$30,000 security bond has been lodged in respect of the exploration licence upon its transfer into the Company's name.
 26. The Company has lodged with the Victorian Department a Work Plan Variation (Phase 1) which identifies a staged development from exploration through to feasibility studies and commencement of mining. The Work Plan Variation (Phase 1) was approved in August, 2003.
 27. The following agreements are registered against this mining tenement:
 - Agreement registered 07/12/93 between Livre Holdings Pty Ltd and Gold Bar Pty Ltd;
 - Agreement registered 01/07/94 between Livre Holdings Pty Ltd and Gold Bar Pty Ltd and Intrepid Mining Corporation NL;
 - Memorandum of Understanding registered 11/02/99 between Perseverance Mining Pty Ltd and Cobra Resources NL;
 - Heads of Agreement registered 14/03/03 between Perseverance Mining Pty Ltd, the Company and Cobra Resources NL;
 28. The area subject to this mining tenement contains 19 heritage inventory sites and 5 heritage registered sites recorded under the Heritage Act 1995 (Vic). These sites may not be disturbed or damaged in the course of conducting exploration or mining operations.
 29. There are no expenditure reports or annual exploration reports submitted for this mining tenement given that it was granted recently.
 30. The area subject to this mining tenement contains 2 heritage inventory sites recorded under the Heritage Act 1995 (Vic).
 31. Under the Victorian Mining Act the holder of an exploration or mining licence must not do any work within 100 metres laterally of an archaeological site, place or object or within 100 metres below that area without prior written consent of the Executive Director of Heritage Victoria.
- NT1 Claim WC99/024 (Wiluna) is registered and may affect the tenement.
- NT2 Claim WC99/013 (Nhamuwallangga Wajarri & Ngarlawangga) is registered and may affect the tenement.
- NT3 Claim Q6031/99 (Kalkadoon) and Claim QG6106/98 (Mitakoodi/Juhnjar) are registered and may affect the tenement.
- NT4 Claim VG6007/98 (Gunai/Kurnai) was placed on the Register of Native Title Claims on 4 April 1997 and recorded as having complied with the section 190A registration test.
- NT5 There are no entries in the Register of Native Title Claims, the Register of Indigenous Land Use Agreements, the National Native Title Register or the Application Summary Register in respect of this mining tenement.

SUMMARY OF MATERIAL DOCUMENTS

The following is a summary of all material documents relating to the Company prepared by the Solicitors to the Company, Richard O'Shannassy & Co.

Heads of Agreement - Walhalla Project

Under a Heads of Agreement dated 2 July 2002 made between Perseverance Mining, Cobra Resources and the Company, the Company acquired 100% ownership of Exploration Licence 3311 on 29 August 2003. The consideration payable was \$535,000 to Perseverance Mining, as well as a 4% gold net smelter return payable to Perseverance Mining after the first 500,000 ounces of gold production and a 4% net smelter return to Cobra Resources in respect of nickel, cobalt and platinum group metals produced. Should the Victorian Government introduce its own metal royalties, the net smelter returns will reduce by the same percentage as that of the introduced metal royalties, to a maximum reduction of 2%.

Heads of Agreement - Millrose and Peak Hill Projects

Under a Heads of Agreement dated 24 April 2002 made between Murchison Resources and Scott Walter Wilson (the **Vendors**) and the Company, Goldstar acquired the right to an 85% interest (other than rights to any manganese) in two project areas, namely Peak Hill and Millrose. As from 24 April 2002, the Company was assigned an 85% participating interest in the project areas in consideration for having paid \$50,000 to the Vendors and agreeing to make payment of a further \$200,000 within thirty (30) days of the Listing Date, and issuing to the Vendors 1.6 million Shares at the time of the Offer.

Pursuant to a Deed of Variation dated 30 June 2003, it was agreed to extend the date by which the Company is required to list on ASX to 30 September 2003 and thereafter by two (2) further consecutive quarterly periods by way of payment to the Vendors of \$5,000 for each extension (the first of which has been made). In addition, the Company has assigned all of its rights and obligations under the Heads of Agreement to Goldstar Resources (WA) whose performance is guaranteed by the Company.

The Company is manager of, and sole funding exploration expenditure on, each project area until a decision to mine is made. Following a decision to mine being made, each party is required to contribute to all further expenditure in accordance with its participating interest, otherwise standard dilution provisions apply. If the Vendors' interest in a project area reduces to less than 5% then they may either elect to recommence contributing to expenditure or will otherwise be deemed to have withdrawn from the joint venture in respect of that project area and to have assigned the whole of their interest to the Company in consideration of being granted a 1% gross royalty upon all minerals realised by the Company from that project area.

Heads of Agreement - Top Camp Project

Under a Heads of Agreement dated 31 May 2002 made between Findex and the Company, Findex transferred to the Company an 85% interest in EPM13625 (**EPM**) as and from 31 May 2002 and the parties agree to associate themselves in a joint venture in relation to the EPM in consideration of the Company:

- a) having paid to Findex the sum of \$20,000;
- b) issuing to Findex at the time of the Offer 500,000 Shares;
- c) issuing to Findex a further 500,000 Shares upon achievement within the EPM of a new drill intersection of mineralisation at economic grade that equates to at least 35 equivalent metre gram of gold;
- d) issuing to Findex a further 500,000 Shares upon a measured and indicated mineral resource within the EPM of at least 100,000 ounces of gold or gold equivalent; and
- e) issuing to Findex a further 1,000,000 options to acquire Shares upon a decision to mine on the EPM being made by the Company.

The Company is manager of, and sole funding exploration expenditure on, the EPM until a decision to mine is made. Following a decision to mine being made, each party is required to contribute to all further expenditure in accordance with its participating interest, otherwise standard dilution provisions apply. If Findex's interest in the EPM reduces to less than 5% then it may either elect to recommence contributing to expenditure or will otherwise be deemed to have withdrawn from the joint venture and to have assigned the whole of its interest to the Company in consideration of being granted a 1% gross royalty upon all minerals realised by the Company from the EPM.

SUMMARY OF MATERIAL DOCUMENTS (con't)

Pursuant to a Deed of Assumption & Variation dated 8 September 2003, it was agreed that the date upon which the Company could issue 500,000 Shares pursuant to the Offer could be extended from 30 September 2003 to 31 December 2003 by payment by the Company to Findex of \$10,000 plus GST.

Moonshadow Holdings Pty Ltd Service Agreement

Pursuant to a Service Agreement dated 30 April 2003 between the Company, Moonshadow Holdings and Andrew John King, Moonshadow Holdings was contracted to provide the Company with the services of Mr Andrew King as Managing Director of the Company for a two year period commencing on the Listing Date (with automatic rights of renewal for further successive terms unless otherwise terminated).

The Company is to pay Moonshadow a consultancy fee of \$170,000 per annum (exclusive of GST). The consultancy fee is reviewable annually based on performance, productivity and such other matters as the Remuneration Committee of the Board determines. Apart from termination for gross misconduct or unremedied breach, the Company may terminate the Service Agreement at any time by making payment to Moonshadow Holdings of a lump sum equal to one half the annual consultancy fee plus an additional one month in respect of each year for which services have been provided from the Listing Date.

Moonshadow Holdings is a related party of the Company by virtue of Mr Andrew King, a director of the Company, controlling Moonshadow Holdings.

Dunmurry Geology and Exploration Pty Ltd Service Agreement

Pursuant to a Service Agreement dated 30 April 2003 between the Company, Dunmurry and Duncan Greenaway, Dunmurry was contracted to provide the Company with the services of Mr Duncan Greenaway as Exploration Director of the Company for a two year period commencing on the Listing Date (with automatic rights of renewal for further successive terms unless otherwise terminated). Mr Greenaway must devote a minimum 85% of his working time to the activities of the Company.

The Company is to pay Dunmurry a consultancy fee of \$114,000 per annum (exclusive of GST). The consultancy fee is reviewable annually based on performance, productivity and such other matters as the Remuneration Committee of the Board determines. Apart from termination for gross misconduct or unremedied breach, the Company may terminate the Service Agreement at any time by making payment to Dunmurry of a lump sum equal to one half of the annual consultancy fee plus an additional one month in respect of each year for which services have been provided from the Listing Date.

Dunmurry is a related party of the Company by virtue of Mr Duncan Greenaway, a director of the Company, controlling Dunmurry.

Mindeco Pty Ltd Service Agreement

Pursuant to a Service Agreement dated 23 May 2003 between the Company and Mindeco and Raymond Hazeldene, Mindeco was contracted to provide the Company with the services of Mr Ray Hazeldene as manager of the Company's operations in Victoria for a two year period commencing on the Listing Date (with automatic rights of renewal for further successive terms unless otherwise terminated).

The Company is to pay Mindeco a consultancy fee of \$120,000 per annum (exclusive of GST). The consultancy fee is reviewable annually based on performance, productivity and such other matters as the Remuneration Committee of the Board determines. Apart from termination for gross misconduct or unremedied breach, the Company may terminate the Service Agreement at any time by making payment to Mindeco of a lump sum equal to six months of the consultancy fee plus an additional one month in respect of each year for which services have been provided from the Listing Date.

Proposed Consulting Agreement

The Company proposes to enter into a Consultancy Agreement, following the completion of the Offer, for the provision of geological consultancy services by Mr Peter Ball and Digital Mapping Services Pty Ltd. Such services will include geological and resource modelling, data management, mapping and other related services in relation to the Company's projects at an estimated monthly fee of approximately \$14,000 (exclusive of GST).

SUMMARY OF MATERIAL DOCUMENTS (con't)

Deeds of Indemnity, Insurance and Access

The Company has entered into Deeds with each of its directors to:

- a) indemnify (to the maximum extent permitted by law) each director against certain liabilities (including costs, damages and expenses) incurred in the capacity of a director of the Company;
- b) maintain directors' and officers' insurance in favour of each director whilst he is a director of the Company and for a period of seven (7) years after he ceases to be a director of the Company; and
- c) allow each director to inspect and, if necessary, make copies of all Company records that are in any way relevant to the director's holding of office as a director of the Company or any proceedings to which the director is involved as a party, witness or otherwise because he is, or was, an officer of the Company.

Fees & Mandate Agreement - Southern Cross Equities Limited

Pursuant to a letter agreement dated 29 August 2003, the Company has appointed Southern Cross Equities as sponsoring broker and manager of the Offer. Southern Cross Equities has agreed to use its best endeavours to place 24 million Shares to its clients and to such other investors as the Board may nominate and will aim to provide a sufficient spread of investors to comply with ASX requirements.

In consideration of acting as sponsoring broker and manager of the Offer, Southern Cross Equities will be entitled to be paid all pre-agreed out of pocket expenses, a management fee of 1% of the total funds raised by the Issue plus GST, a placement fee of 4% of funds raised by the Offer or co-ordinated through Southern Cross Equities (plus GST) and the issue of 1 million unlisted five year options exercisable at \$0.35 each for ongoing corporate advice to the Company (see *Terms of Securities* for further details). Provision is made whereby Southern Cross Equities may take all or part of its fees by applying for Shares at the issue price of the Offer. The fee entitlement of Southern Cross Equities is payable on completion of the Offer.

Corporate Finance Services Agreement - VSA Resources Ltd

Pursuant to a letter agreement dated 22 August 2003, the Company entered into an agreement with VSA Resources to appoint VSA Resources as a corporate finance advisor and, on a best efforts basis, to seek equity financing for the Company by way of assisting in London with the Offer and securing investment commitments in respect of the Offer.

VSA Resources will be entitled to a fee of £5,000 for preparing and arranging meetings in London but this sum will be rebated against any commissions due. Where investment commitments to the Offer are procured by VSA Resources then a cash commission of 5% of the gross proceeds will be due and payable by the Company. VSA Resources may elect to take part of its fee entitlement in Shares and/or options in lieu of cash. VSA Resources has acknowledged to the Company that it has reached agreement with Southern Cross Equities whereby any fees due by the Company to VSA Resources in relation to the Offer will be paid instead by Southern Cross Equities from fees received from the Company.

VSA Resources' appointment is for the period 22 August 2003 ending on 31 December 2003 unless terminated earlier or extended by mutual agreement.

INDEPENDENT ACCOUNTANT'S REPORT

Our Ref: 5GOL01

16 September 2003



The Directors
Goldstar Resources NL
Unit 4, 26 Clive Street
WEST PERTH WA 6005

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

1. INTRODUCTION

The Directors of Goldstar Resources NL ("Goldstar" or "the Company") have requested Hall Chadwick to report on the Statement of Financial Position of Goldstar as at 30 June 2003 and the Pro Forma Statement of Financial Position of Goldstar as at 30 June 2003.

This report is for inclusion in a prospectus ("the Prospectus") to be dated on or about 19 September 2003 relating to the issue of up to 24,000,000 shares at an issue price of \$0.25 per share ("the Offer") to raise up to \$6,000,000.

The Offer has a minimum subscription of \$5,000,000 and is not underwritten. On completion of the Offer, the Company will apply for quotation of the Company's shares on the official list of the Australian Stock Exchange.

2. SCOPE OF OUR REPORT

Report on Historical Information

We have conducted an audit of the financial information comprising Goldstar's Statement of Financial Position as at 30 June 2003, as set out in Appendix A.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures include examination on a test basis, of evidence supporting the amounts and other disclosures set out in Appendices A and B and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Statement of Financial Position of Goldstar as at 30 June 2003 is presented fairly in accordance with the measurement requirements but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements, so as to present a view which is consistent with our understanding of the Company's financial position.

Report on Pro Forma Information

We have conducted a review of the Pro Forma Statement of Financial Position of the Company as at 30 June 2003, as set out in Appendix A.

The purpose of the Pro Forma Statement of Financial Position is to show the financial effects on the Company as if the transactions outlined in Appendix B had taken place as at 30 June 2003.

We have reviewed the financial information in order to state whether anything has come to our attention that would indicate that the Pro Forma Statement of Financial Position contained therein is not presented fairly on the basis of the assumptions included in Note 6 of Appendix B and in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements and was limited primarily to enquiries and discussions with the Directors and personnel of Goldstar, reading of Directors minutes and relevant contracts, analytical procedures applied to the financial data, performance of certain limited verification procedures and comparison for consistency in application of accounting standards and policies. The significant accounting policies of the Company are detailed in Appendix B.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. As we have not performed an audit on the Pro Forma financial information of the Company as at 30 June 2003 as set out in Appendices A and B to this report, we do not express an audit opinion.

Level 40
BankWest Tower
108 St George's Terrace
Perth 6000
Western Australia

GPO Box W2106
PERTH WA 6846

Telephone:
(08) 9320 2888
Facsimile:
(08) 9320 2999
Email:
hcperinfo@hallchadwick.com.au
www.hallchadwick.com.au

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National Association
Hall Chadwick

**International Association
AGN International**

**Association of
Independent Firms**

INDEPENDENT ACCOUNTANT'S REPORT (cont)

3. STATEMENTS

Historical Financial Information

Based on the scope of our audit, in our opinion, the Statement of Financial Position as at 30 June 2003 as contained in Appendix A, gives a true and fair view of Goldstar's financial position as at 30 June 2003 in accordance with the measurement requirements but not the disclosure requirements of applicable Accounting Standards and other mandatory professional reporting requirements.

Inherent Uncertainty

Without qualification in the opinion expressed above, attention is drawn to the following matters:

(a) The carrying value of the mining tenements of \$416,687 as referred to in Note 3 in Appendix B is dependent upon the completion of the Offer. Once the Offer is completed the carrying value is then dependent on the successful development and exploitation and/or sale of the company's interests therein at amounts equal to book value.

Pro Forma Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention which would require any modification to the Pro Forma Statement of Financial Position, as set out in Appendix A, in order for it to present fairly the financial position of the Company as at 30 June 2003, on the basis of the assumptions stated in Note 6 of Appendix B and in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements, had the transactions taken place on 30 June 2003.

4. SUBSEQUENT EVENTS

To the best of our knowledge and belief, and based on the work we have performed as described in the scope paragraph above, there have been no material transactions or events subsequent to 30 June 2003, other than those disclosed in this report, that would require a comment on, or adjustment to, the information referred to in our report or that would cause the information included in this report to be misleading.

5. DISCLOSURES

Hall Chadwick does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Hall Chadwick will receive a fee for the preparation of this report.

The Directors have agreed to indemnify and hold harmless Hall Chadwick and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Directors.

Consent for the inclusion of the Independent Accountants Report in this Prospectus in the form and context in which it appears has been given. At the date of this report this consent has not been withdrawn.

Yours faithfully



HALL CHADWICK
Chartered Accountants

Perth, 16 September 2003

APPENDIX A

STATEMENTS OF FINANCIAL POSITION

Set out below is the Statement of Financial Position of Goldstar as at 30 June 2003, and the Pro Forma Statement of Financial Position of the Company as at 30 June 2003 on the basis of the assumptions contained in Note 7 of Appendix B. The significant accounting policies upon which the Statement of Financial Position and the Pro Forma Statement of Financial Position of the Company are based are contained in Appendix B.

	NOTES	AUDITED GOLDSTAR 30-JUN-03 \$	REVIEWED PRO FORMA 30-JUN-03 \$
CURRENT ASSETS			
Cash Assets	2	332,661	5,886,541
Receivables		41,897	41,897
TOTAL CURRENT ASSETS		374,558	5,928,438
NON-CURRENT ASSETS			
Property, plant & equipment		2,537	2,537
Mining Tenements	3	416,687	1,646,687
Other Non Current Assets		140,880	-
TOTAL NON-CURRENT ASSETS		560,104	1,649,224
TOTAL ASSETS		934,662	7,577,662
CURRENT LIABILITIES			
Payables		98,133	98,133
TOTAL CURRENT LIABILITIES		98,133	98,133
TOTAL LIABILITIES		98,133	98,133
NET ASSETS		836,529	7,479,529
EQUITY			
Contributed Equity	4	1,085,740	7,728,740
Accumulated Losses		(249,211)	(249,211)
TOTAL EQUITY		836,529	7,479,529

The Statement of Financial Position should be read in conjunction with the accompanying notes detailed in Appendix B.

APPENDIX B NOTES TO STATEMENTS OF FINANCIAL POSITION

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company are detailed as follows:

(a) Basis of Accounting

The statements of financial position as at 30 June 2003 have been drawn up in accordance with the measurement requirements, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional requirements.

(b) Exploration expenditure on Mining Tenements

Exploration expenditure is accumulated in respect of each mining tenement. These costs are only carried forward to the extent that they are expected to be recouped through the successful mining of tenements or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(c) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is only taken up as income when received.

(d) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected cash flows have not been discounted to their present value.

(e) Property, plant & equipment

Cost and Valuation

All classes of property, plant & equipment are measured at cost.

Depreciation

Depreciation is provided on a reducing balance basis on property, plant & equipment, other than recently acquired furniture and fittings.

Major depreciation periods are:

- Equipment 2-5 years
- Furniture & fittings 5 years

(f) Accounts payable and other payables

Liabilities for accounts payable and other amounts are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on a received basis.

(g) Contributed equity

The contributed equity is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds.

APPENDIX B (cont)

(h) Revenue Recognition

Sale of goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Rendering of a service

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

	AUDITED GOLDSTAR 30-JUN-03 \$	REVIEWED PRO FORMA 30-JUN-03 \$
2. CASH ASSETS		
Cash on Hand	250	250
Cash at Bank	326,799	5,886,291
Cash at Bank – Trust Account	5,612	-
	<u>332,661</u>	<u>5,886,541</u>
3. MINING TENEMENTS		
Walhalla Project		
Walhalla EL 3311	188,445	693,445
Brankeet Project		
Brankeet ELA 4656	9,388	9,388
Peak Hill Project		
Peak Hill ELA 52/1621	41,186	126,901
Murphy Creek M52/548	50,479	136,194
Murphy Creek M52/588	18,186	103,901
Millrose Project		
Millrose E53/974	11,309	97,023
Millrose E53/975	22,854	108,568
Millrose E53/796	6,505	92,219
Millrose E53/999	9,304	95,017
Top Camp Project		
Top Camp EPM 13625	59,031	184,031
	<u>416,687</u>	<u>1,646,687</u>

APPENDIX B (cont)

3. MINING TENEMENTS (CONT'D)

The ownership of the tenements (except Walhalla EL3311 and Brankeet ELA4656) is reliant on the completion of the Offer and the listing of Goldstar on the Australian Stock Exchange. Each Heads of Agreement for the acquisition of the tenements has stipulated specific dates when the listing must occur.

If the listing of the Company does not occur within the dates stipulated in the respective Heads of Agreements, then ownership will revert back to its previous owners and all parties will be released from any future obligations under the Heads of Agreements. Costs of \$218,854 currently capitalised in \$416,687 will be written off.

	REVIEWED PRO FORMA 30-JUN-03 NUMBER	REVIEWED PRO FORMA 30-JUN-03 \$
4. ISSUED CAPITAL		
Issued and Paid Up Capital	55,426,752	7,728,740
Reconciliation:		
Opening Balance	17,726,751	1,085,740
• Shares issued by the company at \$0.25 per share pursuant to the Offer	24,000,000	6,000,000
• Contributing shares issued to founders, directors, promoters and seed capitalists at \$0.001 per share	8,000,000	8,000
• Shares issued via Mezzanine capital raising at \$0.175 per share	3,600,001	630,000
• Shares issued to the vendors of the Peak Hill and Millrose Project with a deemed issue price of \$0.25 as part consideration to acquire an 85% interest in the Projects	1,600,000	400,000
• Shares issued to the vendors of the Top Camp Project with a deemed issue price of \$0.25 as consideration to acquire an 85% interest in the Project	500,000	125,000
• Costs associated with the Offer	-	(520,000)
Closing Balance	55,426,752	7,728,740

APPENDIX B (cont)

4. ISSUED CAPITAL (CONT'D)

If only the minimum subscription is raised, then the cash and contributed equity positions will be reduced by \$950,000 after adjustment for a reduction in associated costs of \$50,000.

5. RELATED PARTY DISCLOSURES

We have not examined related party transactions as part of this independent accountants report as these are disclosed elsewhere in this prospectus.

6. ASSUMPTIONS ON WHICH THE PRO FORMA STATEMENT OF FINANCIAL POSITION IS BASED

The purpose of the Pro Forma Statement of Financial Position is to show the financial effects on the Company as if the following transactions had taken place as at 30 June 2003:

- the issue of 24,000,000 fully paid ordinary shares at \$0.25 per share raising \$6,000,000 pursuant to the Offer;
- the issue of 8,000,000 contributing shares to founders and promoters, paid up to \$0.001 each;
- the issue of 3,600,001 fully paid ordinary shares at \$0.175 per share raising \$630,000 pursuant to a Mezzanine Capital Raising;
- payment of \$475,000 to Perseverance Mining Pty Ltd for the acquisition of 100% of the Walhalla tenement;
- payment of \$30,000 environmental bond in relation to the Walhalla tenement;
- payment of \$200,000 to Murchison Resources Pty Ltd and Scott Walter Wilson within 30 days of the listing date for the acquisition of an 85% interest in the Peak Hill and Millrose Projects in addition to 1,600,000 shares with a deemed issue price of \$0.25 to be issued at the time of the Offer;
- the issue of 500,000 shares with a deemed issue price of \$0.25 to Findex Pty Ltd for the acquisition of an 85% interest in the Top Camp Project to be issued at the time of the Offer;
- adjustment of capitalised Pre IPO costs of \$140,880 to contributed equity; and
- additional costs of the Offer totalling \$379,120.

TERMS OF SECURITIES

RIGHTS ATTACHING TO SHARES

Voting

Subject to the Constitution and any rights or restrictions attached to a class of shares, at a meeting of shareholders, every shareholder present in person or by proxy, representative or attorney has:

- a) on a show of hands, one vote; and
- b) on a poll, one vote for each Share held (whether the issue price of the Share was paid up or credited or both) and for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid or credited on that share (excluding any amounts paid up in advance of the relevant due date for payment) bears to the total amounts paid and payable (including amounts credited) on that share.

In the case of an equality of votes, on a resolution at a meeting of shareholders, the chairperson of the meeting has a casting vote in addition to any votes which he or she has in respect of that resolution.

Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Board resolves but only out of profits of the Company. Dividends are payable as a proportion equal to the proportion which the amount paid on that share (including amounts credited) bears to the total amount paid or payable on that share.

Capitalisation of Profits

Subject to the Listing Rules, the Board may capitalise any profits of the Company and distribute that capital to shareholders in the same proportions as the shareholders are entitled to a distribution by dividend.

Rights on Winding Up

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may (with the sanction of a special resolution of shareholders) distribute among the shareholders the whole or any part of the property of the Company and may also decide how to distribute the property as between shareholders or different classes of shareholders and settle any dispute concerning the distribution.

Transfer of Shares

Shareholders may transfer shares by a proper transfer effected in accordance with the ASTC Operating Rules or an instrument in writing in the usual form or in any other form approved by the Board from time to time. The Board may refuse to register a transfer of shares in the circumstances permitted under the Corporations Act, the Listing Rules or the ASTC Operating Rules, or if the transfer is not in registrable form.

Variation of Rights

Subject to all relevant laws and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class or convert shares from one class to another by special resolution of the Company and by special resolution passed at a meeting of shareholders holding shares in that class or with the written consent of shareholders with at least 75% of the votes in that class.

Notices

Shareholders are entitled to receive notice of, attend and vote (in person or by proxy, representative or attorney) at, all meetings of shareholders and to receive all notices and other documents required to be furnished to shareholders in accordance with the Constitution, the Corporations Act and the Listing Rules.

TERMS OF SECURITIES (cont)

Terms of Contributing Shares

Contributing Shares will rank pari passu with all Shares on issue, except that:

- a) each Contributing Share:
 - i) ~~has an amount paid of 0.1 cents;~~
 - ii) has an amount unpaid of 9.9 cents;
 - iii) carries the right to participate in new issues of securities to holders of Shares (except bonus issues) on the same basis as holders of Shares;
 - iv) carries the right to participate in bonus issues of securities in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited);
 - v) carries the right to vote in the proportion which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited); and
 - vi) shall be subject to the restricted securities provisions of the Listing Rules;
- b) the Company shall not make a call in respect of any amount unpaid on a Contributing Share prior to 31 December 2006 unless the holder has consented to the making of that call;
- c) holders of Contributing Shares have no obligation to meet a call made by the Company, however, non-payment of a call will result in the forfeiture of the relevant Contributing Shares; and
- d) if there is a re-organisation of the issued capital of the Company (including, but not limited to, a consolidation, subdivision, cancellation, reduction or return of capital):
 - i) the number of Contributing Shares must be re-organised in the same proportion as all other classes of shares on issue; and
 - ii) the re-organisation must not involve a cancellation or reduction of the total amount payable and unpaid by holders of Contributing Shares.

Terms of Options to be issued to Southern Cross Equities

On the Listing Date, the Company intends to issue a total of 1 million options to Southern Cross Equities. Each option carries the right to subscribe for one Share and is exercisable at 35 cents. Options issued to Southern Cross Equities expire on the date being 5 years from the Listing Date and are otherwise subject to the Listing Rules.

RISKS

The Board considers that an investment in the Shares the subject of this prospectus is speculative due to the nature of the Company's business. The Board recommends that potential applicants consider the risks described below and information contained elsewhere in this prospectus, as well as consult with their professional advisors, before deciding whether or not to apply for the Shares.

The following is a non-exhaustive list of the risks that may have a material effect on the financial position and performance of the Company and the value of its securities, as well as the Company's exploration, development and mining activities, and ability to fund those activities.

General, Economic and Political Conditions

The value of the Company's securities are likely to fluctuate depending on various factors such as inflation and interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, mining industry conditions, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, and acts of terrorism.

Native Title and Aboriginal Heritage

Native title legally recognises the unique title rights of indigenous Australians over areas where those rights have not been lawfully extinguished. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status and renewal of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, may need to be negotiated with affected parties. A number of the Company's current tenements relate to land that is currently the subject of a native title claim, possibly precluding or delaying the granting of tenements.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. Aboriginal heritage may restrict access to the affected land and result in the preclusion of any exploration or mining activities in that area. Access agreements may need to be negotiated with affected parties. A number of the Company's current tenements relate to land against which aboriginal sites have been registered.

At this point in time, it is not possible to quantify the financial or other impact (if any) of native claim or Aboriginal heritage upon the Company. See *Solicitors' Report on Tenements* for further details.

Tenements

The Company's tenements are located in Victoria, Western Australian and Queensland, and as such, are subject to differing legislative requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted. The inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements. See *Solicitors' Report on Tenements* for further details.

Reliance on Key Personnel

The Company's success largely depends on the core competencies of its directors and management, and their familiarisation with, and ability to operate in, the metals and mining industry. In its initial stages, the Company will rely heavily upon Mr Andrew King and Mr Duncan Greenaway. The services of Messrs King and Greenaway have been secured by the Company for a period of 2 years from the Listing Date (see *Summary of Material Documents* for further details). The loss of one or both of these persons, or other key persons or consultants, could have a materially adverse affect on the Company. In addition, the company proposes to enter into a Consultancy Agreement following the completion of the Offer for the provision of a variety of services by Mr Peter Ball (see *Summary of Material Documents* for further details).

RISKS (cont)

Commodity and Currency Price Volatility

Commodity prices inherently fluctuate and are affected by numerous factors beyond the control of the Company, including global and regional demand for, and supply of, a particular commodity, forward selling by producers and the level of production costs in major commodity-producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation and interest rates. Commodities are principally sold throughout the world in US dollars.

As a result, any significant and/or sustained fluctuations in the exchange rate between the Australian and US dollars, and/or adverse movements in commodity prices (in particular, gold), could have a materially adverse affect on the Company's financial position and performance. The Company may undertake measures where deemed necessary by the Board to mitigate such risks.

Exploration

Exploration, by its nature, contains elements of significant risk. Ultimate success depends on the establishment of an efficient exploratory operation, obtainment of necessary government, statutory and other approvals and discovery and delineation of economically recoverable mineral resources. The exploration activities of the Company may be affected by a number of factors including, but not limited to, geological conditions, seasonal weather patterns, technical difficulties and failures, availability of the necessary technical equipment and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of funding.

There can be no assurances that the Company's current or future exploration activities will result in the discovery of mineral resources. Even if a mineral resource is identified, there can be no guarantee that it can be economically exploited.

Development and Mining

Possible future development of a mining operation at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineral resources, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, unexpected shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

In the event that the Company commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions and fires, explosions and other accidents. No assurances can be given that the Company will achieve commercial viability through the development and/or mining of its projects.

Resource Estimations

Resources estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations being made. Despite qualified professionals preparing the Company's resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

Environment

The Company's projects are subject to Australian State and Commonwealth laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all exploration and mining projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws and regulations.

RISKS (cont)

Joint Ventures

The future viability and success of any joint ventures entered into by, or interests in joint ventures assigned to, the Company could be affected by the financial failure or default of any one of the joint venture participants.

Shortage of Capital

The funds raised by the Offer will be used to carry out the Company's objectives, as detailed in this prospectus. Upon completion of the proposed development programs, the Company may require additional capital to fund further exploration at the Company's existing projects, undertake feasibility studies, develop mining operations and/or acquire new projects. The Company's ability to raise further capital, either equity or debt, within an acceptable time, of sufficient quantum and on terms acceptable to the Company will vary according to a number of factors, including:

- prospectivity of projects (existing and/or future);
- the results of exploration, subsequent feasibility studies, development and mining;
- stock market and industry conditions; and
- the price of relevant commodities and exchange rates.

No assurance can be given that future funding will be available to the Company on favourable terms, or at all. If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects.

ADDITIONAL INFORMATION

Interests, Fees and Benefits

The information set out below and elsewhere in this prospectus is provided for the purposes of section 711 of the Corporations Act.

- a) Mr Gordon Hill has a relevant interest in 200,000 Shares and 352,749 Contributing Shares.
- b) Mr Andrew King has a relevant interest in 1,245,000 Shares and 2,601,000 Contributing Shares.
- c) By an agreement dated 30 April 2003 between Moonshadow Holdings, Mr Andrew King and Goldstar, the Company has procured the services of Mr King as Managing Director for a period of 2 years from the Listing Date at an annual cost of \$170,000 (exclusive of GST) (see *Summary of Material Documents* for further details).
- d) A total of approximately \$150,000 (exclusive of GST) has been paid to Mr Andrew King and Moonshadow Holdings by the Company in relation to consultancy and director services provided by Mr King to the Company for the 22 month period since incorporation. Moonshadow Holdings is a related party of the Company by virtue of Mr Andrew King, a director of the Company, controlling Moonshadow Holdings.
- e) Mr Duncan Greenaway has a relevant interest in 1,125,000 Shares and 1,084,000 Contributing Shares.
- f) By an agreement dated 30 April 2003 between Dunmurry, Mr Duncan Greenaway and Goldstar, the Company has procured the services of Mr Greenaway as Exploration Director for a period of 2 years from the Listing Date at an annual cost of \$114,000 (exclusive of GST) (see *Summary of Material Documents* for further details).
- g) A total of approximately \$21,000 (exclusive of GST) has been paid to Mr Duncan Greenaway and Dunmurry by the Company in relation to consultancy and director services provided by Mr Greenaway to the Company since incorporation. Dunmurry is a related party of the Company by virtue of Mr Duncan Greenaway, a director of the Company, controlling Dunmurry.
- h) Ms Eileen Carr has a relevant interest in 285,715 Shares and 150,000 Contributing Shares.
- i) Mr Ian Pankhurst has a relevant interest in 2,325,000 Shares and 383,334 Contributing Shares.
- j) Southern Cross Equities have agreed to act as Sponsoring Broker to the Offer and will manage the Offer, and will be paid the fees disclosed in the *Summary of Material Documents* section of this prospectus. Southern Cross Equities will be issued 1 million options, exercisable at 35 cents each and expiring 5 years from the date of issue, for the provision of ongoing corporate advice to the Company (see *Terms of Securities* for further details).
- k) VSA Resources have agreed to seek equity financing for the Company under the Offer on a best efforts basis and will be paid the fees disclosed in the *Summary of Material Documents* section of this prospectus.
- l) Snowden Corporate Services Pty Ltd has been (or will be) paid a fee of approximately \$32,000 (exclusive of GST) for preparing the Independent Geologist's Report section of this prospectus. During the 2 years preceding the date of this prospectus, Snowden Corporate Services Pty Ltd has been (or will be) paid fees of approximately \$6,000 (exclusive of GST) for the provision of other professional services to the Company.
- m) Richard O'Shannassy & Co has been (or will be) paid a fee of approximately \$19,000 (inclusive of GST) for preparing the *Solicitors' Report on Tenements* and *Summary of Material Documents* sections of this prospectus and providing other legal services. During the 2 years preceding the date of this prospectus, Richard O'Shannassy & Co has been (or will be) paid fees of approximately \$15,000 (inclusive of GST) for the provision of other legal services to the Company.
- n) Hardies Lawyers has been (or will be) paid a fee of approximately \$15,000 (exclusive of GST) for providing compliance advice in relation to this prospectus, participating in the due diligence process and for providing other professional services in relation to this prospectus. During the 2 years preceding the date of this prospectus, Hardies Lawyers has been (or will be) paid fees of approximately \$14,000 (exclusive of GST) for the provision of other professional services to the Company.
- o) Hall Chadwick has been (or will be) paid a fee of approximately \$2,000 (exclusive of GST) for preparing the Independent Accountant's Report section of this prospectus. During the 2 years preceding the date of this prospectus, Hall Chadwick has been (or will be) paid fees of approximately \$3,000 (exclusive of GST) for the provision of other professional services to the Company.
- p) The Company's former corporate advisor, Montt Capital Pty Limited, has been paid a fee of approximately \$132,000 (including GST) for providing professional services in relation to this prospectus and other services to the Company during the 2 years preceding the date of this prospectus. Montt Fiduciary Pty Limited (an associate of Montt Capital Pty Limited) has a relevant interest in 762,500 Contributing Shares.
- q) DMS has been (or will be) paid a fee of approximately \$3,000 (exclusive of GST) for the provision of geological mapping services in relation to this prospectus.

ADDITIONAL INFORMATION (cont)

Subject to the Corporations Act and the Listing Rules, the Company may pay to the directors a maximum total amount of directors' fees (excluding salaries and other employee benefits) determined by the Company in general meeting or, until so determined, as the Board resolves. The Board may also determine the manner in which the directors' fees are divided between them, and until so determined, the amount is to be divided between the directors equally.

At the last general meeting of the Company, shareholders resolved that, in accordance with the Constitution, the annual aggregate fees payable to directors (as directors) shall be the product of \$24,000 multiplied by the weighted average number of directors for that year, to be distributed amongst the directors as they determine from time to time and, in the absence of agreement, equally, plus an additional \$6,000 per annum for the Chairman. The Company's current executive directors, Messrs King and Greenaway, who have separate service agreements with the Company, do not intend to seek payment of additional remuneration from these fees.

In addition, the Company must pay all reasonable travelling, accommodation and other expenses properly incurred by the directors in attending Board meetings, shareholders' meetings and otherwise in connection with the business of the Company.

Consents

The following persons have given their written consent to be named in this prospectus and for the inclusion of statements made by those persons (as described below) and have not withdrawn such consent before lodgement of this prospectus with ASIC.

- a) Southern Cross Equities has consented to being named as Sponsoring Broker to the Offer.
- b) VSA Resources has consented to being named in the prospectus and to the inclusion of any statement relating to its role to seek equity financing for the Company pursuant to the Offer on a best efforts basis.
- c) Snowden Corporate Services Pty Ltd has consented to being named as Independent Geologist to the Company and the inclusion of its *Independent Geologist's Report* in this prospectus (in the form and context in which it appears).
- d) Richard O'Shannassy & Co has consented to being named as Solicitors to the Company and the inclusion of its *Solicitors' Report on Tenements* and *Summary of Material Documents* in this prospectus (in the form and context in which they appear).
- e) Hardies Lawyers has consented to being named as Solicitors to the Company and has been involved in the preparation of this prospectus and the due diligence process.
- f) Hall Chadwick has consented to being named as Independent Accountant to the Company and the inclusion of its *Independent Accountant's Report* in this prospectus (in the form and context in which it appears).
- g) Security Transfer Registrars Pty Ltd has consented to being named as Share Registry to the Company.
- h) DMS has consented to the inclusion of a number of geological diagrams in this prospectus (as marked).

Other than as disclosed above, none of the abovementioned persons have been involved in the preparation, or authorised or caused the issue, of this prospectus. To the maximum extent permitted by law, each of the persons referred to above expressly disclaims and takes no responsibility for any part of this prospectus other than as disclosed above.

Expenses of the Offer

It is estimated that the expenses of the Offer will be \$520,000 (inclusive of capital raising fees paid with respect to the Offer), of which approximately \$141,000 has already been paid. Should only the minimum subscription of \$5 million be reached, it is estimated that the expenses of the Offer will be reduced to \$470,000.

Legal Proceedings

The Company is not involved in any legal or arbitration proceedings nor, so far as the Board is aware, are any such proceedings pending or threatened against the Company.

Constitution

The Constitution is deemed to be incorporated by reference into this prospectus in accordance with section 712 of the Corporations Act. A copy of the Constitution can be obtained from the Company's Registered Office, at no cost, or from ASIC.

The Constitution deals with such matters as transfer of shares, alterations of share capital, share buy-backs, disposal of less than a marketable parcel, variation of class rights, meetings of shareholders, polls, appointment and removal of directors, remuneration of directors and the Listing Rules.

ADDITIONAL INFORMATION (cont)

Employee Option Plan

The Company has established an Employee Option Plan (**Plan**). The Plan is designed to provide a long-term incentive for directors, employees and contractors of the Company (or its subsidiaries) by providing them with an opportunity to participate in the future growth of the Company. The Plan will take effect from the Listing Date. As such, at the date of this prospectus, no options have been issued under the Plan.

Corporate Governance Policy

The Board monitors the business affairs of the Company on behalf of shareholders and has formally adopted a corporate governance policy that is designed to encourage the directors to focus their attention on a wide range of corporate issues. Such issues include remuneration and performance appraisal, management and employees, accountability, strategic planning, risk assessment and management, trading in the Company's securities by the Board and management, information disclosure and ethical conduct. The corporate governance policy was prepared in accordance with the "Principles of Good Corporate Governance and Best Practice Recommendations" released by the ASX Corporate Governance Council in March 2003, to the extent that it is consistent with the objectives of the Company.

Balance Date

The balance date for the annual accounts will be 30 June.

Dividend Policy

The Company does not yet have a dividend policy. The Company currently has no intention to declare or distribute dividends. The payment of any future dividends will depend upon the future success of the Company's exploration, development and mining activities, profitability and financial position.

Non-Residents

Non-Residents should consult with their professional advisors as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for Shares. It is the responsibility of Non-Residents to obtain all necessary approvals so that they may legally subscribe for (and be issued) Shares. The return of a completed application form from a Non-Resident applicant will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Company may legally issue Shares to the applicant.

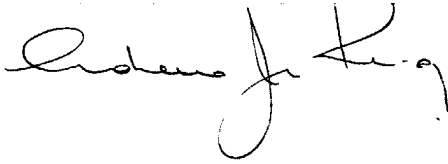
GLOSSARY

ASIC	Australian Securities & Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Operating Rules	Operating rules of ASTC from time to time.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
Board	Board of directors of the Company as constituted from time to time.
Brankeet Project	EL4656 in Victoria (see <i>Solicitors' Report on Tenements</i> for further details).
Cobra Resources Company	Cobra Resources Limited, renamed Resource Mining Corporation Limited (ABN 97 008 045 083). Goldstar Resources NL (ABN 76 098 939 274).
Constitution	Constitution of the Company as amended from time to time.
Contributing Share Corporations Act	Partly paid Share in the capital of the Company on the terms set out in <i>Terms of Securities</i> . Corporations Act 2001.
Dunmurry	Dunmurry Geology and Exploration Pty Ltd (ABN 82 102 258 551).
DMS	Digital Mapping Services Pty Ltd (ABN 99 064 487 172).
Findex	Findex Pty Ltd (ABN 63 010 645 851).
g/t	Grams per tonne.
Goldstar	Goldstar Resources NL (ABN 76 098 939 274).
Goldstar Resources (WA)	Goldstar Resources (WA) Pty Ltd (ACN 104 567 240).
JORC Code	Australasian Code for Reporting of Mineral Resources and Ore Reserves, as reviewed from time to time, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.
Listing Date	Date of commencement of official quotation of the Shares on ASX.
Listing Rules	Listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Millrose Project	E53/796, E53/974, E53/975, E53/1006, P53/1143 and P53/1144 in Western Australia (see <i>Solicitors' Report on Tenements</i> for further details).
Mindeco	Mindeco Pty Ltd (ABN 87 064 326 727).
Moonshadow Holdings	Moonshadow Holdings Pty Ltd (ABN 67 086 197 480) trading as Andrew King & Associates.
Murchison Resources	Murchison Resources Pty Ltd (ABN 98 009 175 491).
Non-Residents	Persons domiciled outside Australia.
Offer	Offer of Shares under this prospectus as per <i>Details of the Offer - The Offer</i> .
Official List	Official list of entities that ASX has admitted and not removed.
Peak Hill Project	E52/1621, M52/548, M52/588, P52/990 and P52/991 in Western Australia (see <i>Solicitors' Report on Tenements</i> for further details).
Perseverance Mining	Perseverance Mining Pty Limited (ABN 38 002 802 066).
Share	Fully paid ordinary share in the capital of the Company.
Southern Cross Equities	Southern Cross Equities Limited (ABN 87 071 935 441).
Top Camp Project	EPM13625 in Queensland (see <i>Solicitors' Report on Tenements</i> for further details).
VSA Resources	VSA Resources Ltd (Registered in England No. 2405923).
Walhalla Project	EL3311 in Victoria (see <i>Solicitors' Report on Tenements</i> for further details).
WST	Western Standard Time, Perth, Western Australia.

Please refer to *Independent Geologist's Report - Glossary of Technical Terms* for additional definitions with respect to geological terms and abbreviations.

DIRECTORS CONSENT

This prospectus has been issued by Goldstar and each director has consented in writing to the lodgement of this prospectus with ASIC.

A handwritten signature in black ink, appearing to read "Andrew King". The signature is written in a cursive style with a large, looping initial 'A'.

Andrew King
Managing Director

APPLICATION FORM

Applicants should read this prospectus in its entirety before completing this application form. A person who gives to another person access to this application form must, at the same time and by the same means, give that person access to the prospectus.

No of Shares applied for:	Identifying Stamp Only
Application monies at 25 cents per Share:	

Title	Given Names/Company Name	Surname/ACN
.....		
Joint applicants or account designation		
.....		
.....		

Postal Address
City/Town State Postcode
Email Address

Contact Name	Daytime Contact No.
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CHESS Details	PID	HIN
---------------	-----------	-----------

Tax File No/Exemption Category	Applicant 2	Applicant 3
.....

Drawer	Bank	Branch	Amount
.....	\$
.....	\$

DECLARATION By lodging this application form and a cheque for the application money the applicant hereby: a) applies for the number of Shares specified in the application form or such lesser number as may be allocated by the Board; b) agrees to be bound by the Constitution of the Company; c) authorises the Board to complete or amend this application form where necessary to correct any errors or omissions; and d) declares that the prospectus has been received (in full) by the applicant and is fully understood and read in its entirety.

APPLICATION FORM (cont)

NOTES

1. Enter the number of Shares you wish to apply for. Applications must be for a minimum of 8,000 Shares and thereafter in multiples of 2,000 Shares.
2. Enter the total amount of application monies payable. To calculate this amount, multiply the number of Shares you are applying for by the issue price for each Share.
3. Enter the full name(s) of all legal entities that are to be recorded as the registered holders.
4. Enter the postal address for all communications from the Company.
5. Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application form.
6. If you are CHESS sponsored, enter your Participant Identification Number (PID) and Holder Identification Number (HIN) in the CHESS HIN box, otherwise leave this box blank and a Shareholder Reference Number (SRN) will be allocated to you on issue.
7. Enter the tax file number(s) of the applicant(s) - this is not mandatory.
8. Unless otherwise agreed by the Company, payment must be made to "**Goldstar Resources NL**" by cheque drawn or payable on a bank within Australia, crossed "**Not Negotiable**" and be in Australian dollars. Receipt of payment will not be acknowledged.
9. This application form does not need to be signed. Return of this application form with the required application monies will constitute acceptance of that number of Shares stated on this form.

If you have received an application form without a complete and unaltered copy of this prospectus, please contact the Company who will send you, free of charge, either a printed or an electronic version of this prospectus (or both).

Please note that if an application form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Board as to whether to accept an application form, and how to construe, amend or complete it, shall be final. An application form will not be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Please deliver the completed application form (accompanied by a cheque for the application monies) at any time prior to closing date to **Southern Cross Equities**:

Delivery:

Level 15, 167 Macquarie Street
Sydney, New South Wales

Post:

PO Box R234
Royal Exchange, New South Wales, 2000

Please telephone Southern Cross Equities on (02) 9231 0880 if you have any questions with respect to this application form. Applications are for Shares as detailed in the prospectus dated 19 September 2003, which expires on 18 October 2004.

CORRECT FORMS OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Application forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full name and a surname is required for each natural person. Application forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below:

Type of Investor	Correct Form of Registrable Title
Trusts	Mr John David Brown < John David Brown A/C >
Deceased Estates	Mr John David Brown < Est John David Brown A/C >
Partnerships	Mr John David Brown and Mr Michael James Brown
Clubs/Unincorporated Bodies	Mr John David Brown < ABC Tennis Association A/C >
Super Funds	John Brown < Super Fund A/C >

APPLICATION FORM

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No of Shares applied for:	Identifying Stamp Only
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.....		
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.....		

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City/Town State Postcode
Email Address

Contact Name	Daytime Contact No.
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CHESS Details	PID	HIN
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.....

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.....	\$
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APPLICATION FORM (cont)

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3. Enter the full name(s) of all legal entities that are to be recorded as the registered holders.
4. Enter the postal address for all communications from the Company.
5. Enter the name and telephone number of the person who should be contacted if there are any questions with respect to this application form.
6. If you are CHESS sponsored, enter your Participant Identification Number (PID) and Holder Identification Number (HIN) in the CHESS HIN box, otherwise leave this box blank and a Shareholder Reference Number (SRN) will be allocated to you on issue.
7. Enter the tax file number(s) of the applicant(s) - this is not mandatory.
8. Unless otherwise agreed by the Company, payment must be made to "Goldstar Resources NL" by cheque drawn or payable on a bank within Australia, crossed "Not Negotiable" and be in Australian dollars. Receipt of payment will not be acknowledged.
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Type of Investor	Correct Form of Registrable Title
Trusts	Mr John David Brown < John David Brown A/C >
Deceased Estates	Mr John David Brown < Est John David Brown A/C >
Partnerships	Mr John David Brown and Mr Michael James Brown
Clubs/Unincorporated Bodies	Mr John David Brown < ABC Tennis Association A/C >
Super Funds	John Brown < Super Fund A/C >

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