GOLDSTAR RESOURCES NL

ASX Release – 8 December 2006

LANDMARK A$13M CAPITAL RAISING TO ACCELERATE WALHALLA DEVELOPMENT

HIGHLIGHTS

- **Completion of an oversubscribed A$10M share placement at 65c per share, managed by global investment bank Royal Bank of Canada**
- **Intention to undertake A$3M Share Purchase Plan for existing shareholders on same terms as the placement and to be fully underwritten by Tolhurst Noall Limited.**
- **Kingsgate Consolidated Ltd finalises the sale of its entire 19.7% shareholding in Goldstar to an investor group led by RPG Partners**
- **Raising brings several key Australian and international institutional investors to the Goldstar share register.**
- **Funds raised to underpin expanded exploration, evaluation and development programs at the Walhalla Gold Project, including Mining Feasibility Studies at Eureka and Tubal Cain.**

Goldstar Resources NL (**ASX: GDR**) is pleased to advise that it has completed the book-build for a heavily oversubscribed $A10 million share placement, managed by global investment bank, Royal Bank of Canada ("RBC"). A fully underwritten A$3 million Share Purchase Plan for existing shareholders is intended to be announced which, together with the share placement, amounts to a **total capital raising of A$13 million**.

This landmark capital raising – which will result in the introduction of a number of strategic new Australian and International institutional investors to Goldstar's share register – positions the Company to accelerate its progress towards gold production at the 100%-owned Walhalla Gold Project in eastern Victoria. This will include expanded exploration, evaluation and development activities, as well as Mining Feasibility Studies on both the Eureka and Tubal Cain deposits.

In addition, Goldstar today announced that its major shareholder, Kingsgate Consolidated Ltd, has reached agreement to divest its entire 19.7% holding in the Company (20.7 million shares) to **an investor group led by RPG Partners.**

A$10M Share Placement

Pursuant to a mandate issued to RBC, Goldstar advises that a book-build has been successfully completed for the placement of 15,384,615 shares at an issue price of 65 cents per share to raise A$10 million. The placement closed well oversubscribed.

Goldstar Resources NL
ABN 76 098 939 274

Corporate Details
ASX Code: GDR

Issued Capital:
108M ord shares
(128M ord shares post raising)

Substantial Shareholders:
Kingsgate Consolidated (19.7%)
(to be replaced by RPG Partners)
Z Nominees Ltd (18.6%)
Directors & Associates (12.4%)

Directors:
Non-Executive Chairman:
Gordon Hill
Managing Director:
Andrew King
Non-Executive Directors:
Dr Jeffrey O'Leary
Eileen Carr
Ian Pankhurst

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The placement was completed with Australian and International institutions and investors pursuant to the "excluded offer" provisions (Section 708) of the Corporations Act. The placement can be completed within Goldstar's existing placement capacity and does not require further shareholder approval. The placement shares will rank pari passu with Goldstar's existing ordinary shares.

Share Purchase Plan

To acknowledge the long-term support of existing shareholders, the Company intends to announce a Share Purchase Plan ("SPP") to enable existing shareholders to participate in the capital raising. The Board recognises the importance of providing existing shareholders who have supported the Company with the SPP opportunity at this juncture, which represents a key milestone in Goldstar's development as a mid-tier Australian gold company.

The intended SPP will enable shareholders to purchase up to $5,000 worth of shares in the Company at a price of 65 cents per share. The SPP is non-renounceable and will be open to all shareholders who are registered holders of fully-paid shares in the Company at 5.00pm Western Standard Time on 5 December 2006 (the "Record Date"). Leading Australian-based stockbroking firm, Tolhurst Noall Limited, has agreed to fully underwrite the SPP which will involve the issue of a maximum of 4,615,385 new shares at a price of 65 cents per share.

Following allotment of all the new shares, Goldstar will have a total of 128 million shares on issue.

Divestment of Kingsgate Consolidated Ltd Shareholding

Goldstar also announced today that its major shareholder, Kingsgate Consolidated Ltd, has finalised the sale of its entire 19.7% holding in the Company, comprising 20.7 million shares, to a resource oriented investor.

Commenting on the transaction, Goldstar's Managing Director, Mr Andrew King, said: "On behalf of the Board, I would like to thank Kingsgate for their support over the past 18 months, including their participation in previous capital raisings. Kingsgate took up a strategic interest in the Company last year after recognising the significant potential of the Walhalla Gold Project, and they have seen a significant appreciation in their investment since then."

"We also take the opportunity to welcome RPG Partners to our share register," added Mr King. "They have investments in mining, power and logistics in Europe and build long term relationships with companies that are either in or near production. We look forward to their ongoing support as we take Goldstar into production initially at Eureka."

Use of Funds

The A$13 million capital raising represents a key step in Goldstar's continued growth strategy as an emerging mid-tier Victorian gold company. The raising will ensure that the Company is fully funded through to commencement of development of the Eureka Project in 2007.

Following completion of this capital raising, the Company will have some A$17 million in cash. The funds raised will be utilised to continue to fast track the Eureka Project towards early production and to commence scoping and bulk sampling studies on the Tubal Cain deposit. In addition, funds will be applied to drilling to confirm extensions to the Eureka and Tubal Cain dyke bulges, building further on the exploration success that has been achieved at both of these deposits over the past 12 months.

The funds will also enable Goldstar to accelerate regional drilling and exploration programs at Walhalla, including exploration focussing on other potential dyke bulges within the Ross Creek Line (RCL) of mineralisation, regional structural trends and key targets that have been developed and prioritised on the Company's leases over the last 6 months.

SUMMARY

This capital raising represents a significant milestone for Goldstar, following an active and successful year which has seen the Company take major steps towards its objective of commercialising the Walhalla Gold Project in Victoria.

Mr King said: "We are very pleased with the strong response from investors to the share placement, which reflects very positively on the progress we have made over the past 12 months in advancing towards production at Walhalla."

"This A$13 million capital raising significantly bolsters cash reserves as well as introducing a number of new institutional investors to our share register." he said. "This has resulted in a significant realignment of Goldstar's share register to position the Company for its forthcoming transition to commercial development of the Eureka Project."

"At the same time, the raising has been structured to enable existing shareholders to participate via the intended Share Purchase Plan and increase their exposure to the Company and its assets. We believe this aspect is very important at this key juncture in the Company's development."

"The raising places us in a very strong strategic position to take the project from the bulk sampling stage through feasibility and towards production. In addition, we will have sufficient funding in place to accelerate our drilling programs, which over the past year have added enormous value to this Project and to pursue our broader regional exploration initiative announced earlier this year."

"2007 will be a pivotal year for Goldstar and, having concluded these important transactions, we will have the funding in place to ensure that we achieve our objectives and deliver on our vision to become a significant mid-tier gold production company," Mr King added.

For further information:
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