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Historic gold town of Walhalla looks set for a come back

3/4/06 - Goldstar Resources says some of the biggest breakthroughs in its drive to resurrect the historic Victorian gold mining province of Walhalla have come over a cup of coffee.

Chief executive Andrew King says chatting to descendents of old miners and to companies that have worked in the area has provided information that has been invaluable in the hunt for gold beneath the old mines from the 1850's gold rush.

One shareholder whose father and grandfather had been prospectors around Walhalla brought in a yellowed map of some of the old workings that has helped the company build its geological model.

"It's about not being afraid to go and tap on someone's door or spend half an hour listening to a few yarns because sometimes those yarns really open up an opportunity," King said.

Digging through old archives has also turned up some lost gems, including a hand drawn long sketch of the gold workings from the 1870's.

Goldstar is one of a number of companies drilling beneath the historic Victorian workings for the gold the old timers left behind.

The most successful of these has been Bendigo Mining, which recently poured its first gold and now has a market capitalisation of around \$1 billion.

The success of the Bendigo and Ballarat Goldfields, coupled with the relentless rise of the gold price, has helped boost investor interest in Goldstar and in the latest Victorian gold rush.

Selling the story to the market has been a hard slog because Goldstar's nuggety gold mineralisation means it does not have a resource that meets Joint Ore Reserves Committee (JORC) definitions.

The nuggety gold at Walhalla, as well as Bendigo and Ballarat, is concentrated in pockets rather than spread evenly through the rock so it is difficult to establish an overall gold grade and get a JORC compliant resource.

Instead of a resource, Goldstar has to talk in terms of exploration potential which makes some investors twitchy.

But the company is working hard to prove that there is more than 3.5 million ounces of gold in the ground at Walhalla, located 180 kilometres east of Melbourne, and will soon start a bulk sampling program at its Eureka target.

Its drilling program at Eureka has returned some astounding hits and Goldstar says it now knows there are at least 1.33 million tonnes of ore there and the potential for more to be found.

The incredibly rugged mountainous terrain at Walhalla has also been cited as

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an obstacle, but Goldstar says it has had no trouble getting drill rigs in and out and will be able transport the ore out on an innovative mini-tramway.

King says all the work done across the company's tenements is starting to be recognised.

"People are waking up to what Goldstar is doing," he says.

"I believe we are starting to see the development of a decent gold province here on our Walhalla tenement."

The company recently completed an \$8 million capital raising that it plans to pour back into its exploration program.

It has also extended its area with the purchase of the rights to surrounding tenements.

One investor who does seem convinced of Walhalla's potential is Kingsgate Consolidated, which has taken up a 19.7 per cent stake in the company.

Kingsgate is currently preoccupied by its takeover bid for WA explorer Andean Resources, but there is speculation it has Goldstar in its sights.

King says he is not fretting about the possibility and that having Kingsgate as a major shareholder has been good for Goldstar's profile.

Having Goldstar begin production could spark some new life in the sleepy town of Walhalla, which currently makes a living out of tourists visiting the old gold fields.

In the 1860's the town was thriving with a population of about 2,000 and dozens of hotels full of thirsty miners but on Friday the population has dwindled to 11.

Source: AAP NewsWire

<http://www.industrysearch.com.au/news/viewrecord.asp?ID=19886>