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ASX/MEDIA RELEASE

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GOLDSTAR APPROVES \$5.2 MILLION EXPENDITURE FOR EUREKA BULK SAMPLING PROGRAM

- **Positive Scoping Study completed confirming \$5.2M cost estimate for Bulk Sampling Program, well within budget expectations.**
 - **80% of costs associated with components that would be utilised as part of future mining operations at Eureka.**
 - **Civil works already 40% complete, with underground mining scheduled to commence in September 2006 Quarter.**
 - **Program includes installation of innovative Skipway haulage system, to play a key role in future commercial development at Walhalla.**
 - **Bulk Sampling Program to provide key grade, mining and metallurgical data for development/exploitation of Eureka and other dyke bulges.**
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Goldstar Resources NL (**ASX: GDR**) today announced formal Board approval for expenditure of approximately \$5.2 million on the Bulk Sample Program for the **Eureka Dyke Bulge** at its Walhalla Gold Project in Victoria's Gippsland region. The overall cost of the program is well within Goldstar's original budget estimates and will be funded from existing cash resources, of which \$8M was raised in March/April 2006.

Surface and civil works started at Eureka in May with underground mining scheduled to commence in the September 2006 Quarter. Mining, sampling and metallurgical testing will be ongoing through the December Quarter, resulting in a series of milestone announcements on key results between now and the end of the year. The Eureka Bulk Sampling Program (EBSP) will employ state-of-the-art mining technology and an innovative haulage system which will play a key role in future commercial operations.

The EBSP further advances Goldstar's objective of achieving early gold production from Walhalla. The key deliverables from the program will include an assessment of gold grades within the dyke bulge, establishing optimum mining methods plus identifying metallurgical and process parameters.

BULK SAMPLING PROGRAM

The EBSP will involve the extraction of a bulk sample from the quartz reefs, dyke and sediments within the Eureka Dyke Bulge. Work has already been completed on re-establishing access to the Stockade Flat and Western Adit. (Fig1)

The bulk sampling location, in the central portion of the Eureka Dyke Bulge, is approximately 100m below the Eureka ridge line and 180m from the entrance to the old Western Adit. After stripping out the Western Adit, the mining team will develop two cross-cuts to access between 4 and 6 of the potentially high-grade quartz reefs within the currently identified package of 8 reefs. Once these reefs have been accessed, a total of at least 400m of strike driving will be undertaken along them to obtain representative samples.

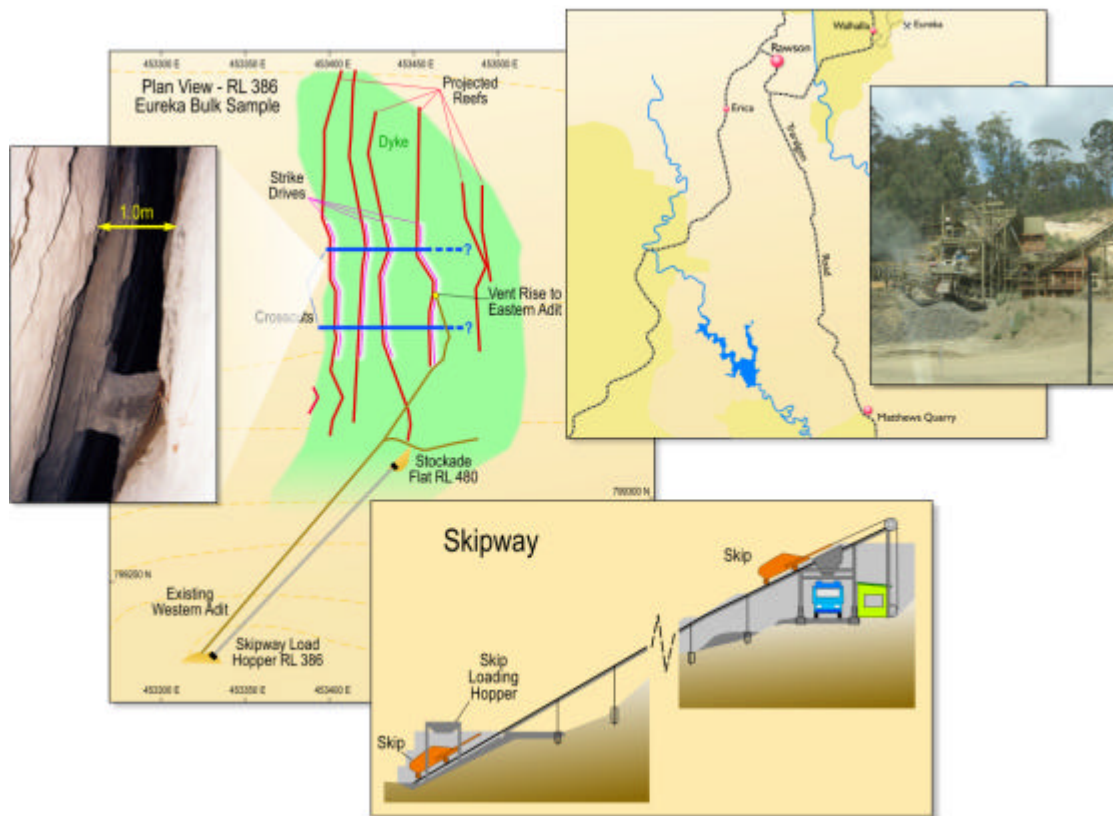


Fig 1: Schematic of Eureka Bulk Sampling Location, Skipway and Quarry Location.

Mined material will be removed via the Western Adit and then transported to Stockade Flat utilising an innovative Skipway haulage system. This Skipway will deliver the material to a central dispatch point, where it will be loaded onto trucks and carted by road to nearby Matthews Quarry for crushing and sampling.

The Skipway is a significant innovation that was developed by Goldstar to accommodate the unique terrain at Walhalla. It will facilitate efficient and cost effective material haulage up steep slopes with minimal environmental impact, overcoming one of the most challenging operational aspects of the East Gippsland environment.

The Eureka Skipway will have a haulage capacity of approximately 400,000tpa, far in excess of that required for the EBSP. The design capacity is considered sufficient for the early stages of production. Also, as it is fully transportable, the Skipway represents a highly efficient and flexible production solution which will play an integral part in the future commercial development of the field.

CAPITAL COSTS, CURRENT STATUS AND TIMEFRAME

The Scoping Study concluded that the overall cost of the Bulk Sampling Program will be approximately \$5.2 million, including infrastructure, mining, crushing, sampling, consulting and labour costs. This figure includes a 15% contingency factor for any items not on a fixed price contract. **Significantly, approximately 80% of the cost represents expenditure on development and infrastructure components that could be utilised as part of any potential future mining operations at Eureka.**

The overall cost has been reduced by maximising usage of existing surface and underground development. Of the balance, a major proportion relates to the Skipway haulage system, which is suitable for use in any future commercial mining operations.

All contracts for the EBSP have now been let. In keeping with the Company's philosophy of supporting local industry, the Mining contract, Skipway fabrication and Crushing contracts have been awarded, based on competitive bids, to Gippsland-based contracting groups. **Surface and civil works are currently approximately 40% complete.**

Underground mining is scheduled to commence during the current Quarter with the first work being the widening of the Western Adit. The overall mining program is scheduled for completion by November 2006. Crushing, processing and analysis of the samples will be run in parallel with the mining, with initial results available soon after the commencement of the strike driving. It is anticipated that full results from the EBSP will be available before the end of calendar 2006.

BULK SAMPLING – KEY DELIVERABLES

Key deliverables from the EBSP will include:

- an assessment of the gold grade for the Eureka Dyke Bulge, which has the potential to provide a framework for a JORC compliant resource estimation for Eureka and is a key component of the forthcoming Feasibility Study;
- a review of the various mining methods to enable selection of the optimum method;
- establishment of metallurgical and process parameters for a future plant design

Results from the EBSP will be reported regularly, including progress with infrastructure and access development, mining, sampling and metallurgical test work. SRK Consulting has been commissioned to develop and then overview the sampling procedures for the EBSP. SRK will also, if required, be responsible for preparing an Independent Geologist's Report on the EBSP. Similarly, consulting group, Bemex Corporation, has been appointed to manage and report on the metallurgical test work, as well as supervise the crushing and sampling.

The EBSP represents a significant step in Goldstar's continued progress towards achieving early gold production from the Walhalla field. It will also add considerably to the understanding of the commercial potential of the dyke bulges located within the major mineralised structures of the field.

Subject to a successful outcome of the EBSP, work will commence immediately on a full Feasibility Study on mining development at Eureka and in turn pave the way for the commencement of early gold production from the Walhalla Field.

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Information in this report relating to Exploration Potential in the Walhalla area applies to zones identified as having potential to host gold mineralisation. Reference is made to ranges in both grade values and widths in measures to comply with parameters as set out under Clause 18 of the JORC Code. Use of the term Exploration Potential in no way implies the status of Mineral Resource nor is there certainty that future exploration of such Potential will result in its direct conversion into the status of Mineral Resource. It is based upon information compiled by a Competent Person as defined in the Code being Mr Peter Ball (B.Sc MAusIMM) of Datageo Geological Consultants. Mr Ball has sufficient experience in mineral resource estimation relevant to the style of mineralisation and type of deposit under consideration, and consent to the inclusion in the public release of the matters based on their information in the form and context in which it appears.