

24 October 2006

Dear Shareholder,

By now you will have received Goldstar's latest Annual Report detailing your Company's activities at the Walhalla Gold Project in Victoria to June 2006.

Since then, Goldstar has made some major advances, in particular at both the Eureka and Tubal Cain deposits at Walhalla and we consider it important that you have the opportunity for a comprehensive update on these exciting developments.

I therefore have pleasure in enclosing a copy of our September 2006 Quarterly Report to the Australian Stock Exchange, which contains an excellent summary of our activities and achievements over the past few months.

The exploration success of the last quarter has seen the development of a geological model for Tubal Cain which makes it at least twice the size of Eureka. In addition, the spectacular recent gold intercept at Eureka adds further weight to its potential as the most likely early source of Goldstar's first gold production at Walhalla.

On the 31st October this year your Company will mark its third anniversary as a listed Company. In that short period of time, I believe our progress has been impressive. Your board of directors has used the company's investment dollars cautiously and, for a relatively small capital outlay in comparison to some other exploration companies in Australia, Goldstar has taken significant steps towards the commencement of gold production and has added substantial value to its core asset at Walhalla.

The intensive activity of the past three years has culminated in the recently commenced Eureka Bulk Sampling Program (EBSP), which represents a definitive milestone in the Company's history and a key step towards gold production.

I hope that you find the attached report informative, and take this opportunity to thank you for your continued support.

On behalf of your board of directors we look forward to sharing with you in the future growth of Goldstar.

Yours faithfully,



Gordon Hill
Chairman