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**GOLDSTAR RESOURCES NL**  
**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**  
**ACN 098 939 274**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10.00 am (EST)

**DATE:** Friday, 12 June 2009

**PLACE:** RACV City Club, 501 Bourke Street, Melbourne, Victoria 3000

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 3) 8080 7170.*

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (EST) on Friday, 12 June 2009 at:

RACV City Club, 501 Bourke Street, Melbourne Victoria 3000.

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form (**see page 52**) and return by:

- (a) post to Goldstar Resources NL (subject to Deed of Company Arrangement), Level 11, 330 Collins Street, Melbourne, VIC 3000; or
- (b) facsimile to the Company on facsimile number (+61 3) 8080 7174,

so that it is received not later than 10.00am am (EST) on Wednesday, 10 June 2009.

**Proxy Forms received later than this time will be invalid.**

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## LETTER TO SHAREHOLDERS

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Dear Shareholder

Most shareholders will be aware that following the appointment of voluntary Administrators on 8 January 2009, a statement was issued by the Australian Securities Exchange (ASX) that trading in Goldstar shares was suspended from 8 January 2009. Subsequently, at a meeting of creditors held on 27 February 2009, creditors resolved to accept the Deed of Company Arrangement (DOCA) proposal. The DOCA was executed on 27 February 2009.

Had the DOCA not been accepted by creditors, I understand that the Administrators would have recommended the appointment of a liquidator which in my view would clearly not have been in the best interests of shareholders.

The principal objective of the DOCA is to restore the operational independence of the Company and to maximise the return to shareholders and creditors as compared with the liquidation scenario. This can only occur if the terms of the DOCA are met which is the main purpose of the resolutions as set out in this Notice of Meeting (Notice).

In accordance with the DOCA, the Company is aiming to raise sufficient funds from new capital and a re-negotiated converting loan agreement from Silja Investment Limited, to enable full payment of the costs and expenses of the Administrators, payment of 100% of the admitted claims of unsecured creditors and most importantly for shareholders, fund the ongoing feasibility study of the Walhalla Gold Project (Project) and exploration of the Company's highly prospective tenement package.

Following execution of the DOCA, the previous directors other than Graeme Sloan resigned as directors of the Company and two new directors were appointed. As at 27 February 2009, the Board consisted of myself as Executive Chairman with Alexander Haller and Graeme Sloan as non-executive directors.

The new Board and management team have made a significant effort in respect of the DOCA. The new team is committed to having the Company's shares reinstated and quoted on the ASX following the successful completion of the planned capital raising of approximately A\$6.0 million. These funds, together with the A\$4.6 million available under the re-negotiated converting loan agreement, will place the Company in a sound financial position to progress the Company's activities.

Consistent with the relaunching of the Company, the new Board is recommending a change of company name to Orion Gold NL as set out in Resolution 12 of the Notice. The directors consider this an essential element in the future marketing and growth of the Company.

The new Board and management rate the prospectivity of the Walhalla region very highly given the historical gold production in the region and the Company's previously reported gold resources. Subject to shareholder approval of the resolutions to be put to the meeting of shareholders on 12 June 2009, we will immediately arrange and oversee a geological and technical assessment, interpretation and evaluation of the Project and related tenement package. The proposed assessment will form the basis of the planned feasibility study which is aimed at enabling the Company to commit to developing the Project as soon as possible and for the Company to become Victoria's next gold producer.

The new Board is committed to delivering value to shareholders from the Walhalla region and will establish an enthusiastic team with a proven track record of exploration, operational and commercial success. Our belief in the Walhalla region is supported by fact:-

- The Walhalla region is Victoria's sixth largest historical gold producing region with over 400 known reef and alluvial gold deposits;
- Cohen's Reef has been mined to a depth of over one kilometre and has produced around 1.5 million ounces of gold with mining ceasing in 1913 in high grade mineralisation; and

- The many known high quality reefs in the region highlight the enormous potential of the Company's tenements which are located in one of the world's major orogenic gold provinces.

The prospectivity of the region was recognised as far back as the late 1800's and early 1900's. H. Herman (Acting Government Geologist) in a Report on the Walhalla Goldfield in 1901 remarked *'the most striking features of Cohen's Reef are ... the persistency of its main shoot of stone and its general highly auriferous character therein. Scarcely less important, though not so generally known, is the occurrence of the numerous subsidiary branch reefs or splices which yielded such profitable returns in the upper levels of the old Walhalla Long Tunnel Extended Companies... Several very profitable of these so-called 'eastern' and 'western' reefs were revealed by long cross-cutting from the level - a method of prospecting which does not appear to have been vigorously followed in recent years.'*

The Walhalla region to this day has not had anywhere near enough modern day exploration or capital applied to it to enable realisation of its riches. The new Board and management are committed to seeing this happen with the support of the Company's shareholders, stakeholders, the local community and the Victorian Government.

Yours faithfully

**Goldstar Resources NL**



**Denis Waddell**

**Executive Chairman**

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## NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders will be held at 10.00 am (EST) on Friday, 12 June 2009 at RACV City Club, 501 Bourke Street, Melbourne, Victoria 3000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the securities of the Company have been suspended from trading since 8 January 2009. To enable the Company to continue its activities and seek re-quotations of its securities on ASX, the Company is seeking to raise funds pursuant to the capital raising the subject of Resolution 4. The Resolutions contained in this Notice of Meeting are therefore important and affect the future of the Company. Shareholders are urged to give careful consideration to the Notice of Meeting and the contents of the Explanatory Statement.

**If all of the Resolutions are passed and the proposed capital raising set out in this Notice of Meeting is completed, the Company will be in a position to seek the reinstatement of its securities to official quotation on ASX. This reinstatement is, of course, subject to the discretion of the ASX.**

**If Shareholders reject the proposed capital raising, the Shares will not be released from suspension and the Directors will need to consider other alternatives.**

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 10.00 am (EST) on 10 June 2009.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

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### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 14,325,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 2. RESOLUTION 2 – AMENDMENT TO CONVERTING LOAN AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose ASX Listing Rule 10.1 and for all other purposes, approval is given to the amendment of the Converting Loan Agreement*

*between the Company and Silja Investment Limited dated 9 September 2008 (and accordingly, the obligations secured by the charge relating to the Converting Loan Agreement) as set out in Section 3.1 of the Explanatory Statement, provided that this approval:*

- (a) is given subject to and conditionally upon the passing of Resolutions 3, 4, 5 and 6; and*
- (b) shall be of no force or effect unless the approvals the subject of Resolutions 3, 4, 5 and 6 are validly given."*

**Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approval required under ASX Listing Rule 10.1 which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Silja Investment Limited and any associates of Silja Investment Limited. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 3. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES

NOTE: This Resolution 3 will not be proposed unless Resolution 2 is passed.

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Item 7 of Section 611 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given to:*

- (a) the issue to Silja Investment Limited of the 'Second Tranche Note' and the 'Third Tranche Note' pursuant to the Converting Loan Agreement (as amended); and*
- (b) a relevant interest in up to 884,919,139 Shares (to be issued on conversion of all convertible notes issued pursuant to the Converting Loan Agreement) being acquired by each of Silja Investment Limited, Zachary Asset Holdings Limited, Josephine Haller, Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited,*

*on the terms and conditions set out in the Explanatory Statement, provided that this approval:*

- (c) is given subject to and conditionally upon the passing of Resolutions 2, 4, 5 and 6; and*
- (d) shall be of no force or effect unless the approvals the subject of Resolutions 2, 4, 5 and 6 are validly given."*

**Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approval required for the purpose of Item 7 of Section 611 of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Silja Investment Limited and any associates of Silja Investment Limited. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 4. RESOLUTION 4 – CAPITAL RAISING

NOTE: This Resolution 4 will not be proposed unless Resolutions 2 and 3 are passed.

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue of up to 600,000,000 Shares on the terms and conditions set out in the Explanatory Statement provided that this approval:*

- (a) is given subject to and conditionally upon the passing of Resolutions 2, 3, 5 and 6; and*
- (b) shall be of no force or effect unless the approvals the subject of Resolutions 2, 3, 5 and 6 are validly given.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 5. RESOLUTION 5 – PARTICIPATION BY SILJA INVESTMENT LIMITED IN CAPITAL RAISING

NOTE: This Resolution 5 will not be proposed unless Resolutions 2, 3 and 4 are passed.

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 10.11, Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given for:*

- (a) the allotment and issue of up to 300,000,000 of the Shares referred to in Resolution 4 to Silja Investment Limited (or its nominee); and*
- (b) a relevant interest in up to 300,000,000 Shares being acquired by each of Silja Investment Limited, Zachary Asset Holdings Limited, Josephine Haller, Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited,*

*on the terms and conditions set out in the Explanatory Statement provided that this approval:*

- (d) is given subject to and conditionally upon the passing of Resolutions 2, 3, 4 and 6; and*

- (e) *shall be of no force or effect unless the approval the subject of Resolutions 2, 3, 4 and 6 are validly given."*

**Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approval required under Item 7 of Section 611 of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Silja Investment Limited and any associates of Silja Investment Limited. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 6. RESOLUTION 6 – ISSUE OF OPTIONS TO SILJA INVESTMENT LIMITED

NOTE: This Resolution 6 will not be proposed unless Resolutions 2, 3, 4 and 5 are passed.

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of ASX Listing Rule 10.11, Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given for:*

- (a) *the allotment and issue of up to 300,000,000 Options to Silja Investment Limited (or its nominee); and*
- (b) *a relevant interest in up to 300,000,000 Shares (to be issued on the exercise of the Options) being acquired by each of Silja Investment Limited, Zachary Asset Holdings Limited, Josephine Haller, Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited,*

*on the terms and conditions set out in the Explanatory Statement provided that this approval:*

- (d) *is given subject to and conditionally upon the passing of Resolutions 2, 3, 4 and 5; and*
- (e) *shall be of no force or effect unless the approval the subject of Resolutions 2, 3, 4 and 5 are validly given."*

**Expert's Report:** Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International Securities for the purposes of the Shareholder approval required under Item 7 of Section 611 of the Corporations Act which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Silja Investment Limited and any associates of Silja Investment Limited. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – ELECTION OF DIRECTOR – DENIS WADDELL**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 7.3(f) of the Constitution and for all other purposes, Mr Denis Waddell, a Director who was appointed on 27 February 2009, retires, and being eligible, is elected as a Director.”*

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**8. RESOLUTION 8 – ELECTION OF DIRECTOR – ALEXANDER HALLER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 7.3(f) of the Constitution and for all other purposes, Mr Alexander Haller, a Director who was appointed on 27 February 2009, retires, and being eligible, is elected as a Director.”*

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**9. RESOLUTION 9 – ISSUE OF EMPLOYEE OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 2 to 6, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 20,000,000 Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**10. RESOLUTION 10 – ISSUE OF DIRECTOR OPTIONS**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolutions 2 to 7, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 40,000,000 Director Options to Mr Denis Waddell (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Waddell (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**11. RESOLUTION 11 – ADOPTION OF A NEW CONSTITUTION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, subject to the passing of all other Resolutions, pursuant to Section 136(2) of the Corporations Act and for all other purposes, the Company adopts a new constitution in the form as signed by the Chairman of the General Meeting for identification purposes, in lieu of the existing constitution of the Company, at the close of the General Meeting."*

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**12. RESOLUTION 12 – CHANGE OF NAME**


To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*"That, pursuant to Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "Orion Gold NL."*

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DATED: 30 APRIL 2009

BY ORDER OF THE BOARD



DARREN HOTTON  
GOLDSTAR RESOURCES NL (SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
COMPANY SECRETARY

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00 am (EST) on 12 June 2009 at RACV City Club, 501 Bourke Street, Melbourne, Victoria 3000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. OVERVIEW

#### 1.1 Background

The Shares of the Company were suspended from trading by ASX on 8 January 2009, and Craig Crosbie and Brett Lord were appointed as Administrators of the Company on that date (**Administrators**).

At a meeting of creditors of the Company held on 27 February 2009, creditors resolved to accept the Deed of Company Arrangement (**DOCA**) proposal put forward for the Company. The formal DOCA was executed on 27 February 2009.

The DOCA, subject to conditions being met, requires that sufficient funds received by the Company from monies raised from a capital raising (subject to shareholder approval) (**Capital Raising**) and proceeds from loan funds from Silja Investment Limited (**Silja**) must be made available to the Administrators to enable the full payment of:

- (a) the costs and expenses of the Administrators; and
- (b) 100% of the admitted claims of secured and unsecured creditors (excluding amounts owing to Mr Andrew King, Moonshadow Holdings Pty Limited, Mr Errol de Boulay and E & D Management Services Pty Limited).

A summary of the terms of the DOCA is set out in Section 1.6 of this Explanatory Statement.

As contemplated by the terms of the DOCA, Gordon Hill, Eileen Carr and Jeffrey O'Leary resigned as directors of the Company upon the execution of the DOCA. Graeme Sloan remains as a Director, and Denis Waddell and Alexander Haller were appointed as Directors of the Company on 27 February 2009. Shareholder approval for these appointments is being sought pursuant to Resolutions 7 and 8.

If the proposed Capital Raising is completed, the Company will seek the reinstatement of the quotation of its Shares on ASX.

#### 1.2 The Company Business

The Directors intend that the Company continue with its current activities, including progressing the feasibility study at the Walhalla Gold Project and conducting a review and evaluation of the Company's exploration portfolio to prioritise and undertake exploration programmes. The Company proposes to raise sufficient working capital to continue the existing activities of the Company.

### 1.3 Purpose of Capital Raising

Pursuant to Resolution 4, the Company is seeking Shareholder approval to issue up to 600,000,000 Shares at an issue price of \$0.01 per Share (**Capital Raising**).

Up to 300,000,000 of these Shares will be offered to Silja (or its nominee). Separate Shareholder approval for Silja's participation in the Capital Raising is being sought pursuant to Resolution 5.

The purpose of the Capital Raising is to:

- (a) meet the costs of the Administrators;
- (b) repay the admitted claims of creditors in full;
- (c) progress the feasibility study at Walhalla;
- (d) conduct a review and evaluation of the Company's exploration portfolio to prioritise and undertake exploration programmes; and
- (e) provide working capital, including expenses associated with the Capital Raising.

### 1.4 Use of Funds – Expenditure Budget

The Company's use of funds estimates are the best estimates available to the Company at this time. It is important to recognise that although certain of the budget allocations are committed expenditures, work programmes are subject to changes in line with emerging results, circumstances and opportunities.

It is proposed that the funds raised will be applied as follows:

	<b>Amount (\$)</b>
Total funds raised (1)	10.6 million
Utilised as follows:	
Progress feasibility study for the Walhalla Gold Project	3.2 million
Undertake review and evaluation of all Company projects to prioritise and undertake exploration programmes.	2.7 million
Payment to the Administrators to satisfy obligations under the DOCA	1.1 million
Working capital, including expenses associated with the Capital Raising	3.6 million
<b>Total funds utilised</b>	<b>10.6 million</b>

(1) Assumes the Company issues 600,000,000 fully paid ordinary shares at an issue price of \$0.01 per share and draws down on the Second Tranche Note and Third Tranche Note to raise \$4.6 million.

## 1.5 Pro forma Balance Sheet

Outlined below is a pro forma balance sheet of the Company following implementation of all the Resolutions outlined in this Notice of Meeting.

	Notes	30 Nov 2008 (\$'000)	Adjustments (\$'000)	Pro forma (\$'000)
<b>CURRENT ASSETS</b>				
Cash	3	535	8,519	9,054
Restricted cash		250	---	250
Trade and other receivables		40	(29)	11
Inventories		21	(11)	10
Prepayments		75	(38)	38
<b>TOTAL CURRENT ASSETS</b>		<b>921</b>	<b>8,441</b>	<b>9,362</b>
<b>NON CURRENT ASSETS</b>				
Other finance assets		16	---	16
Property plant and equipment	4	2,521	(1,917)	604
Deferred exploration, evaluation & development	5	31,236	(25,936)	5,300
<b>TOTAL NON-CURRENT</b>		<b>33,773</b>	<b>(27,853)</b>	<b>5,920</b>
<b>TOTAL ASSETS</b>		<b>34,694</b>	<b>(19,412)</b>	<b>15,282</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		734	(252)	482
Provisions		47	---	47
<b>TOTAL CURRENT LIABILITIES</b>		<b>781</b>	<b>(252)</b>	<b>529</b>
<b>NON CURRENT LIABILITIES</b>				
Convertible note	6	1,286	4,284	5,570
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,286</b>	<b>4,284</b>	<b>5,570</b>
<b>TOTAL LIABILITIES</b>		<b>2,067</b>	<b>4,032</b>	<b>6,099</b>
<b>NET ASSETS</b>		<b>32,627</b>	<b>(23,444)</b>	<b>9,183</b>

<b>EQUITY</b>				
Issued capital	7	39,307	5,700	45,007
Accumulated losses		(7,141)	(29,532)	(36,673)
Convertible note premium reserve	6	142	364	506
Other reserves		319	24	343
<b>TOTAL EQUITY</b>		<b>32,627</b>	<b>(23,444)</b>	<b>9,183</b>

**Notes:**

1. The pro-forma balance sheet of the Company above is based on management accounts for the Company as at 30 November 2008 and contains abridged and unaudited financial information. It is provided for illustrative purposes only, is based on estimates and is prepared on an abbreviated basis. The information does not contain all the figures or disclosures usually provided in a balance sheet or an Annual Report in accordance with the Corporations Act.

The Company has yet to complete the consolidated interim financial report for the half-year ended 31 December 2008. The consolidated interim financial report for the half-year ended 31 December 2008 is expected to be available before the date of the General Meeting of the Shareholders to which this Notice of Meeting relates.

2. The going concern basis of preparation has been adopted.

Based on the proposed capitalisation and drawdown of on the second tranche and third tranche of the convertible note as detailed in the Company's pro-forma cash asset (see note 3), and the Company's forecast use of funds in the first half of calendar 2009, the Directors consider that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and therefore the going concern basis of preparation remains appropriate.

To enable the Company to continue its activities and seek re-quotation of its securities on ASX, the Company is seeking to raise funds pursuant to the Capital Raising the subject of Resolution 4 of this Notice of Meeting as detailed in the proforma cash assets. In the event that Shareholders reject the proposed Capital Raising, the Shares will not be released from suspension, the cash will not be raised and the Directors will need to consider other alternatives and to seek alternative sources of funding. Should the Company be unsuccessful in relation to either the Capital Raising or the other alternatives the Company may not be able to continue as a going concern. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in management accounts for the Company as at 30 November 2008.

3. Cash comprises cash at bank and in hand and short-term deposits with an original maturity of twelve months or less. Adjustments arising in the preparation of the pro-forma cash balance are summarised as follows:

	<b>Amount \$'000</b>
Cash at 30 November 2008	535
Issue 600 million fully paid ordinary shares at an issue price of \$0.01 per share	6,000
Draw down on the 'Second Tranche Note' and 'Third Tranche Note'	4,600
Payment to the Administrators to satisfy obligations under the DOCA, working capital, including expenses associated with the Capital Raising	(2,081)
Pro-forma Cash	9,054

4. At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Company is undertaking the impairment assessment referred to above as part of the completion of its consolidated interim financial report for the half-year ended 31 December 2008. The Directors currently expect that the carrying value of property, plant and equipment in the balance sheet as at 31 December 2008 will be written down by \$1.9 million to a value of \$0.6 million. The expected impairment of property, plant and equipment principally relates to a reduction in the recoverable amount of the skipway and the ball mill, as the Company plans to undertake a review and evaluation of the Company's mineral assets following the Capital Raising.

5. Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:
- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
  - exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against exploration expenditure in the event that an area of interest is abandoned or if the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the financial performance for the year.

The Company is undertaking a review of the carrying value of each area of interest as part of the completion of its consolidated interim financial report for the half-year ended 31 December 2008. The Directors currently expect that the carrying value of deferred exploration, evaluation and development in the balance sheet as at 31 December 2008 will be written down by \$25.9 million to a value of \$5.3 million. Approximately \$23.9 million of the write down relates to deferred exploration, evaluation and development expenditure at the Walhalla exploration portfolio. The Capital Raising that the Company is proposing will enable the Company to conduct a formal review and evaluation of the

Company's entire exploration portfolio. Although the Directors believe the Company's mineral assets to be highly prospective, until this review and evaluation is completed, the Directors consider it appropriate that the carrying value of deferred exploration, evaluation and development be written down to a carrying value that approximates the Company's expected enterprise value after the Capital Raising based on a reasonable estimate of the value of the known gold resource at Walhalla.

6. Pursuant to a Converting Loan Agreement, the First Tranche Note of \$1.4 million was issued on 25 November 2008 and Directors expect the Second Tranche Note of \$1.6 million and Third Tranche Note of \$3.0 million to be issued immediately following the raising of funds pursuant to the Capital Raising. These notes can be converted to share capital of the Company at the option of the holder and accordingly are considered as compound financial instruments.

The component of the convertible notes that exhibits characteristics of a liability is initially recognised as a liability in the balance sheet at the fair value of a similar liability that does not have an equity conversion option and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance (interest) cost.

The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest expense on compound instruments is determined based on the liability component and includes the actual interest paid or payable to holders. There are no dividends associated with the equity component.

The going concern basis of preparation has been adopted (see note 2) and on that basis, the convertible notes are considered a non-current liability.

7. The Company is seeking to raise funds pursuant to the Capital Raising the subject of Resolution 4 of this Notice of Meeting. The pro-forma balance sheet assumes the Company issues 600,000,000 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$6.0 million before estimated expenses associated with the Capital Raising of \$0.3 million.

## **1.6 Summary of the terms of the DOCA**

The DOCA was entered into by the Company and the Administrators on 27 February 2009.

The key terms of the DOCA are as follows:

- (a) The Company appoints the Administrators, and the Administrators have accepted an appointment, as the administrators of the DOCA.
- (b) The operation of the DOCA is conditional upon:
  - (i) the Company receiving from Denis Waddell, Martin Bouwmeester, Graeme Sloan or their nominees:
    - (A) application(s) for subscription of 22,500,000 Shares (to be issued by the Company fully paid at an issue price of \$0.01 per Share) from applicants to whom the Company may issue the Shares applied for without disclosure under Part 6D.2 of the Corporations Act;

- (B) to the extent that it is required to satisfy paragraph (A), a certificate(s) satisfying section 708(8)(c)) of the Act in respect of each applicant for Shares; and
    - (C) cheque(s) in payment of the issue price of each of the Shares referred to in paragraph (A) less any amount previously received by the Company in accordance with paragraph (iii);
  - (ii) copies of each of the documents referred to in paragraph (i) of this definition being provided to Silja; and
  - (iii) Denis Waddell, Martin Bouwmeester and Graeme Sloan paying, or causing to be paid, \$50,000 to the Company, noting that, if application is made for Shares in accordance with paragraph (i), any amount previously received by the Company pursuant to this paragraph shall constitute part payment of the total issue price for those Shares;
- (c) The DOCA will terminate if:
- (i) each of the following occur:
    - (A) a payment being made to the Deed Fund pursuant to clause 6.3 or clause 8.3 of the DOCA; and
    - (B) the Administrators either:
      - (I) pay to each Admitted Creditor the Dividend to which that Admitted Creditor is entitled; or
      - (II) apply the entirety of the Deed Fund in accordance with Clause 14.1 of the DOCA,

with payments the subject of clause 14.3(c) of the DOCA being treated as paid for the purposes of this paragraph.
  - (ii) the Court makes an order terminating the DOCA; or
  - (iii) the creditors pass a resolution terminating the DOCA at a meeting of creditors that was convened under Section 445F of the Act by a notice setting out the proposed resolution.
- (d) Upon the DOCA becoming effective, the Company must:
- (i) seek Shareholder approval to the extent required by the ASX Listing Rules, the Corporations Act and the Company's constitution to the issue by the Company of up to 900,000,000 Shares to be issued fully paid at not more than \$0.01 per Share including up to 600,000,000 of such Shares being allocated to Silja (or its nominee) (**Capital Raising**);
  - (ii) convene a meeting of Shareholders to seek the approvals referred to in the preceding paragraph, such meeting to be held within 60 days of the date on which the DOCA becomes effective (or such later date as Silja agrees in writing. In this regard, Silja has agreed to the General Meeting being held on before 30 June 2009);

- (iii) do all things required on the part of the Company to have the ASX lift the suspension on the trading of the Company's Shares including (without limit to this generality) lodging (within 60 days of the date on which the DOCA becomes effective or by such later date as Silja agrees in writing) with the ASX such documents and reports as ASX may require. In this regard, Silja has agreed to the lodgement of such documents prior to 30 June 2009;
  - (iv) subject to the granting of the approval referred to in paragraph (i) proceed with the Capital Raising with a closing date not later than 30 June 2009 (or such later date as Silja and the Administrators agree in writing).
- (e) The Company's obligation to undertake the Capital Raising shall not derogate from the Company's obligation pursuant to clause 4.6 of a converting loan agreement between Silja and the Company dated 9 September 2008, and approved by Shareholders on 25 November 2008 (**Converting Loan Agreement**), to draw down on the 'Second Tranche Note'. The draw down of the Second Tranche Note will occur immediately following the completion of the Capital Raising.
- (f) Upon the receipt of funds from the Capital Raising, the Company must pay to the Deed Fund such amount as is required to permit the Administrators to pay:
- (i) the costs of the DOCA and the Administrators; and
  - (ii) 100% of each admitted claim.
- (g) Effective from the commencement of the DOCA, Silja released from the fixed charge all of the assets which became the subject of the fixed charge due to crystallisation of that charge prior to the commencement of the DOCA. All assets of the Company will continue to be subject to a charge that will resume its status as a fixed and floating charge.
- (h) Effective from the granting of the approvals being sought pursuant to the Resolutions set out in the Notice of Meeting, Silja agrees to waive:
- (i) all defaults by the Company under the Converting Loan Agreement which occurred prior to the commencement of the DOCA; and
  - (ii) the requirement for satisfaction of some of the conditions precedent to the Converting Loan Agreement, to the extent that they were not satisfied prior to the commencement of the DOCA.
- (i) If by 30 June 2009 the Company has not received funds pursuant to the proposed Capital Raising, Silja must pay to the Deed Fund such amount as is required to permit the Administrators to pay:
- (i) the costs of the DOCA and the Administrators; and
  - (ii) 100% of each admitted claim which section 556 of the Corporations Act requires be paid in priority to an unsecured debt or claim; and
  - (iii) 10% of each admitted claim to which section 556 of the Corporations Act does not accord such a priority.

- (j) The Administrators shall be entitled to be remunerated for work necessarily performed in relation to the execution and performance of the DOCA.
- (k) The Administrators are entitled to be indemnified out of the Deed Fund for all costs and expenses relating to the DOCA.
- (l) The Administrators must apply the Deed Fund in the following order of priority:
  - (i) in payment of (or provision for) the costs and expenses of the DOCA due (or to become due) from time to time;
  - (ii) then in payment to Admitted Creditors in accordance with clauses 14.2 - 14.3 of the DOCA; and
  - (iii) then (and including upon termination of the DOCA pursuant to clause 22 of the DOCA) in payment to the Company,

and otherwise in accordance with section 556 of the Corporations Act.
- (m) All claims against the Company which arose on or before 8 January 2009 will be forever released and extinguished on and from the date that the DOCA terminates following a payment being made to the Deed Fund, as described in clause 1.6(c)(i) above.
- (n) Following a payment being made to the Deed Fund, as described in clause 1.6(c)(i) above Creditors must accept their entitlements pursuant to the DOCA in full satisfaction and complete discharge of all claims which they have or claim to have against the Company as at 8 January 2009 and each creditor must, if called upon to do so, execute and deliver to the Company such forms of release of any claim as the Administrators or the Company may require.
- (o) All claims which the Company may have against:
  - (i) Moonshadow Holdings Pty Limited (**Moonshadow**) in respect of a payment of \$385,000 made by the Company to Moonshadow;
  - (ii) E&D Management Services Pty Limited (**E&D**) in respect of a payment by the Company of \$64,000 to E&D; and
  - (iii) any person (including, without limitation to this generality, a person who was a director of the Company at the time of the payment),

in respect of those payments shall be forever released, discharged and extinguished on and from the date that the DOCA terminates.
- (p) The DOCA will be pleaded by the Company against any creditor in bar of any claim the subject of the DOCA which is not admitted or established under the provisions of the DOCA.
- (q) In addition, the DOCA contains standard terms and conditions typical of a document of this type.

## 1.7 ASX Listing

ASX has advised the Company that upon completion of the Capital Raising and the satisfaction of various other conditions, it would normally intend to reinstate the Company's Shares to official quotation.

It is considered by the Directors that the conditions are capable of being satisfied and are not unusual in matters of this nature.

## 1.8 Conclusion

The Resolutions set out in the Notice of Meeting are important and affect the future of the Company. Shareholders are therefore urged to give careful consideration to the Notice of Meeting and the contents of this Explanatory Statement.

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## 2. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

### 2.1 General

On 24 February 2009, the Company issued 5,000,000 Shares to Tarney Holdings Pty Ltd <DP & FL Waddell Family A/C> at an issue price of \$0.01 per Share to raise \$50,000.

On 3 March 2009, the Company issued 9,325,000 Shares to allottees listed in the table below at an issue price of \$0.01 per Share to raise \$93,250.

Allottee	Number of Shares
Perth Select Seafoods Pty Ltd	1,825,000
Valentino Nominees Pty Ltd <Colby Family A/C>	7,500,000
<b>Total</b>	<b>9,325,000</b>

The subscribers pursuant to this issue were not related parties of the Company.

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### 2.2 Technical information required by ASX Listing Rule 7.5

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 14,325,000 Shares were allotted;
- (b) the issue price was \$0.01 per Share;

- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to the parties identified in Section 2.1 above; and
- (e) the funds raised from this issue will be used to pay the costs of the Administrators, costs relating to the preparation and execution of the DOCA and for working capital purposes.

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### 3. RESOLUTION 2 – AMENDMENT TO CONVERTING LOAN AGREEMENT

#### 3.1 Background

The converting loan agreement between Silja Investment Limited (**Silja**) and the Company dated 9 September 2008 (**Converting Loan Agreement**) provided for Silja to provide a total of up to approximately \$6 million in debt funding to the Company by way of the following convertible notes:

- (a) First Tranche Note - \$1,400,000;
- (b) Second Tranche Note - \$1,600,000; and
- (c) Third Tranche Note - \$3,000,000.

The issue of the convertible notes was subject to the satisfaction of a number of conditions precedent, including Shareholder approval, which was given at a general meeting of the Company held on 25 November 2008. The First Tranche Note was issued on that date, however, as at the date of this Notice of Meeting, the Second Tranche Note and the Third Tranche Note have not been issued.

The DOCA provides for amendment of the Converting Loan Agreement as follows:

- (a) in addition to the conditions precedent in the Converting Loan Agreement, Silja shall not be obliged to subscribe for the Second Tranche Note until:
  - (i) it is satisfied that each of the Company's Victorian mining tenements and joint ventures is in good standing and not liable to termination; and
  - (ii) the Company has received applications for 250,000,000 Shares pursuant to the Capital Raising the subject of Resolution 4;
- (b) to extend the last date for satisfaction of the conditions precedent to subscription for the Second Tranche Note to 30 June 2009; and
- (c) to extend the last date for subscription of the Third Tranche Note to the later of:
  - (i) 8 weeks after the date upon which Shareholder approval is obtained pursuant to this Resolution; and
  - (ii) 1 July 2009.

In addition to the above variations, the parties have agreed, subject to Shareholder approval, to further vary the Converting Loan Agreement as follows:

- (a) to make the issue of the Second Tranche Note and the Third Tranche Note conditional upon the Company issuing a minimum of 500,000,000 Shares under the Capital Raising unless otherwise agreed by the Company and Silja;
- (b) to oblige the Company to draw down the Second Tranche Note and Third Tranche Note immediately upon the completion of the Capital Raising;
- (c) to oblige Silja to subscribe for the Third Tranche Note upon the issue to Silja of a draw down notice in respect of the Third Tranche Note by the Company (currently, the subscription for the Third Tranche Note is at the election of Silja). Silja is already obliged to subscribe for the Second Tranche Note upon the issue of a draw down notice by the Company; and
- (d) to amend the conversion terms of the Third Tranche Note so that they are the same as the Second Tranche Note. That is, the Third Tranche Note will be convertible into that number of Shares calculated by dividing the amount of principal and interest so being converted by the lesser of:
  - (i) 0.10 (i.e. the Shares will have an issue price of \$0.10 each); and
  - (ii) the lowest price at which the Company issues any new Shares prior to the Maturity Date.

Shareholders should note that, if the Capital Raising the subject of Resolution 4 is approved, the Company will issue Shares at an issue price of \$0.01 per Share. Accordingly, this would result in the maximum conversion price of the Third Tranche Note being \$0.01 per Share. If the Company issues Shares at price lower than \$0.01 prior to the maturity date of the convertible notes, the conversion price will be lower than \$0.01.

As security for the Convertible Notes, the Company has granted Silja a first ranking charge over all of its assets and undertakings. Approval pursuant to ASX Listing Rule 10.1 was previously obtained for the grant of this charge as it related to the original Converting Loan Agreement because the value of the debt secured is greater than 5% of the equity interests of the Company.

The Company considers it prudent to re-seek this approval to ensure that the charge continues to secure the obligations of the Company under the varied Converting Loan Agreement. Further information in relation to Listing Rule 10.1 is set out in Section 3.3 below.

Accordingly, Resolution 2 seeks Shareholder approval to vary the terms of the Converting Loan Agreement as set out above, for the purpose of ASX Listing Rule 10.1 and all other purposes.

### **3.2 Terms of Convertible Notes**

The material terms of the Convertible Notes pursuant to the Converting Loan Agreement (incorporating the variations referred to in Section 3.1 of the Explanatory Statement) are as follows:

- (a) the Convertible Notes will be issued in two (2) tranches, referred to as the Second Tranche Note and Third Tranche Note respectively;
- (b) subject to:
  - (i) the receipt of Shareholder approval; and

- (ii) unless otherwise agreed by the Company and Silja, the Minimum Subscription being raised pursuant to the Capital Raising,

the Company will draw down on the Second Tranche Note and the Third Tranche Note immediately following the completion of the Capital Raising;
- (c) the maturity date for both of the Convertible Notes is 5.00pm (WST) on 31 August 2013 (**Maturity Date**);
- (d) the face values of the Convertible Notes are as follows:
  - (i) Second Tranche Note - \$1,600,000; and
  - (ii) Third Tranche Note - \$3,000,000;
- (e) each of the Convertible Notes are convertible at the election of Silja (in whole or in part) at any time into that number of Shares calculated by dividing the amount of principal and interest so being converted by the lesser of:
  - (i) 0.10 (i.e. the Shares will have an issue price of \$0.10 each); and
  - (ii) the lowest price at which the Company issues any new Shares prior to the Maturity Date;
- (f) if Silja does not elect to convert the Convertible Notes, then the Company may choose to repurchase the Convertible Notes after three (3) years from their issue date has expired by repaying the amount outstanding on any Convertible Note (principal and interest) together with the amount of interest which would have been paid on that part of the Convertible Note repurchased between the date of repurchase and the Maturity Date for the Convertible Note being repurchased had that Convertible Note remained outstanding until its maturity. The Company may not redeem the Convertible Notes prior to this period without the consent of Silja;
- (g) within 30 Business Days of the receipt of a repurchase notice, Silja may elect to convert the Convertible Note the subject of the repurchase notice. Upon such election, the Company's right to repurchase that Convertible Note will no longer apply;
- (h) at the time of subscription for the Third Tranche Note, the holder will be entitled to nominate an additional director to the board of directors of the Company (bringing the total number of directors the holder may nominate to two (2) directors);
- (i) interest is payable on the Convertible Notes at a rate of 9% per annum (net of all withholding and other taxes) and will be capitalised at quarterly intervals;
- (j) as security for the Convertible Notes, the Company has granted Silja a first ranking charge over all of its assets and undertakings;
- (k) the Convertible Notes are transferable at the election of the holder; and
- (l) the Company has given Silja various negative covenants, including a covenant that the Company will not grant security to any other third parties without Silja's consent.

### 3.3 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that a listed entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities).

An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules.

For the purposes of ASX Listing Rule 10.1, Silja is a substantial holder because it indirectly holds in excess of 10% of the issued shares in the Company. Silja is also a related party of the Company by virtue of the fact that it is ultimately controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company.

As security for the Convertible Notes, the Company has granted Silja a first ranking charge over all of its assets and undertakings. Approval pursuant to ASX Listing Rule 10.1 was sought for the grant of this charge as it related to the original Converting Loan Agreement, because the value of the debt secured is greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX, and the grant of the charge over the assets of the Company is deemed to be a disposal of those assets for the purpose of ASX Listing Rule 10.1.

The Company considers it prudent to re-seek Shareholder approval pursuant to ASX Listing Rule 10.1 to ensure that the charge continues to secure the obligations of the Company under the varied Converting Loan Agreement.

### 3.4 Independent Expert's Report

ASX Listing Rule 10.10 requires that the explanatory material provided to shareholders for the purpose of seeking approval under ASX Listing Rule 10.1 must include a report on the proposed transaction from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Stantons International Securities concluding that the proposed transaction, **in view of the current financial state of the Company may be considered to be fair and reasonable** to the non-associated Shareholders of the Company.

The transaction will result in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the transaction on the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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## 4. RESOLUTION 3 – ISSUE OF CONVERTIBLE NOTES

### 4.1 General

Please refer to Section 3.1 of this Explanatory Statement for information relating to the Converting Loan Agreement and the proposed amendments to the Converting Loan Agreement.

The Company considers that Shareholder approval is required to issue the Second Tranche Note and the Third Tranche Note (together, the **Convertible Notes**) to Silja pursuant to the varied Converting Loan Agreement for the following reasons:

- (a) the Convertible Notes were not issued within three months of the general meeting held 25 November 2008, as was required by the approval given at that meeting;
- (b) if the Convertible Notes are issued pursuant to the varied Converting Loan Agreement, they will be issued on different terms than those approved at the general meeting held 25 November 2008;
- (c) Silja is now a related party of the Company, by virtue of the fact that it is controlled by a relative of Mr Alexander Haller, who was appointed as a Director on 27 February 2009; and
- (d) persons additional to those referred to for the purposes of the general meeting held 25 November 2008 (namely Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited) are now interested in Silja and will acquire a relevant interest in the Convertible Notes and any Shares issued upon conversion of a convertible note.

Accordingly, Resolution 3 seeks Shareholder approval for the issue of the Convertible Notes to Silja pursuant to the Converting Loan Agreement (as varied in accordance with Resolution 2), for the purpose of ASX Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act.

Shareholders should note that Resolution 3 will not be proposed unless Shareholders approve the variations to the Converting Loan Agreement the subject of Resolution 2.

#### **4.2 Item 7 of Section 611 of the Corporations Act Authorisation**

As stated above, the issue of the Convertible Notes was approved by Shareholders for the purpose of Item 7 of Section 611 of the Corporations Act at a general meeting of the Company held on 25 November 2008.

As the Company proposes to issue the Convertible Notes on amended terms (being the terms of the Converting Loan Agreement amended as set out in Section 3.1 of this Explanatory Statement), the Board considers it appropriate to re-seek Shareholder approval to issue the Convertible Notes for the purpose of Item 7 of Section 611 of the Corporations Act.

Please refer to Section 6.3 of this Explanatory Statement for further details in relation to Item 7 of Section 611 of the Corporations Act, and further information relating to the proposed issue of the Convertible Notes for the purpose of seeking Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act.

#### **4.3 Listing Rule 10.11**

If Resolution 3 is passed, securities will be issued to Silja, who is a related party of the Company by virtue of the fact that it is controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Convertible Notes to Silja pursuant to the amended Converting Loan Agreement.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Convertible Notes as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of securities to Silja will not be included in the 15% calculation for the purposes of Listing Rule 7.1. The issue of Shares upon the conversion of the Convertible Notes will not need any further Shareholder approval pursuant to Listing Rule 10.11 or Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of Convertible Notes to Silja:

- (a) the maximum number of Convertible Notes to be issued is two (2);
- (b) the Convertible Notes will be issued to Silja (or its nominee);
- (c) the terms of the Convertible Notes (as varied in accordance with Resolution 2) are set out in Section 3.2 of this Explanatory Statement;
- (d) the Convertible Notes will be issued as a means of Silja providing approximately \$4.6 million in funding to the Company;
- (e) the Convertible Notes are convertible into that number of Shares calculated by dividing the amount of principal and interest so being converted by the lesser of:
  - (i) 0.10 (i.e. the Shares will have an issue price of \$0.10 each); and
  - (ii) the lowest price at which the Company issues any new Shares prior to the relevant Maturity Date.

Shareholders should note that, if the Capital Raising the subject of Resolution 4 is approved, the Company will issue Shares at an issue price of \$0.01 per Share. Accordingly, assuming that:

- (iii) no Shares are issued at a price less than \$0.01 per Share before the date of conversion (and accordingly, the Convertible Notes convert at an issue price of \$0.01 per Share);
- (iv) the Convertible Notes are issued in early July 2009; and
- (v) the Convertible Notes are converted in full (including all capitalised interest accrued between the date of issue and the date of conversion) on the Maturity Date of 31 August 2013;

the Company will issue:

- (vi) 231,967,363 Shares to Silja upon conversion of the Second Tranche Note; and
- (vii) 434,938,577 Shares to Silja upon conversion of the Third Tranche Note.

By way of comparison, assuming that the Company issues Shares at an issue price of \$0.005 between the date of issue of the Convertible Notes and the date of conversion (and accordingly, the Convertible Notes convert at an issue price of \$0.005 per Share), and that the other assumptions set out above remain constant, the Company will issue:

- (viii) 463,934,726 Shares to Silja upon conversion of the Second Tranche Note; and

- (ix) 869,877,154 Shares to Silja upon conversion of the Third Tranche Note;
- (f) the Second Tranche Note and the Third Tranche Note will be issued no later than one month after the date of the General Meeting;
- (g) the funds raised from the issue of the Convertible Notes will be used for the purposes set out in Section 1.4 of this Explanatory Statement; and
- (h) Silja is a related party of the Company by virtue of the fact that it is ultimately controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company, and because it and Mr Haller are acting in concert with respect to their respective holdings of shares in the Company. 100% of the issued capital of Silja is presently held by Z Nominees Limited as nominee for Zachary Asset Holdings Limited (**ZAH**), however it is proposed that Zamin Gold Limited (which is controlled by Zamin Holdings Limited and Cayman National Trustees Co. Limited) will acquire a holding exceeding 20% in the issued capital of Silja and will act in concert with ZAH concerning the Convertible Notes. All of the issued capital of ZAH is currently owned by Mrs Josephine Haller.

#### 4.4 Advantages and Disadvantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 3:

- (a) by approving the issue of the Convertible Notes, the Company will be able to access up to approximately \$4.6 million in debt funding. In the current market conditions, funding in this amount is difficult to otherwise obtain and the Company does not currently have any other viable sources of debt funding available to it; and
- (b) if Shareholders do not approve Resolution 3, then the Company will not be able to complete the Capital Raising (as Resolution 4 is subject to the passing of Resolution 3) or seek reinstatement of its Shares on ASX.

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 3:

- (a) if the Convertible Notes are converted into Shares, there may be a significant dilution to the current holdings of Shareholders; and
- (b) the Company has granted Silja security over all of its assets. If the Company is unable to repay the debt when due (or otherwise defaults under the security), Silja will have first priority to the Company's assets in administration or liquidation. This will result in Shareholders having less chance of receiving a significant or any return in these circumstances.

#### 4.5 Interests and recommendation of Directors

The Directors (other than Mr Haller) do not have any personal interests in the outcome of Resolution 3.

Based on the information available, including that contained in this Explanatory Statement, all of the Directors consider that the Resolution 2 is in the best interests of the Company and (other than Mr Haller) recommend that Shareholders vote in favour of Resolution 3.

## 4.6 Independent Expert's Report

Item 7 of Section 611 of the Corporations Act requires that the explanatory material provided to shareholders for the purpose of seeking approval under that rule must include a report on the proposed acquisition from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Stantons International Securities concluding that the proposed transaction is **fair and reasonable** to the non-associated Shareholders of the Company.

The transaction will result in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the transaction on the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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## 5. RESOLUTION 4 – CAPITAL RAISING

### 5.1 General

As set out in Section 1.3 of this Explanatory Statement, the Company is seeking Shareholder approval to issue up to 600,000,000 Shares at an issue price of \$0.01 per Share (**Capital Raising**).

The Company intends to issue a minimum of 500,000,000 Shares under the Capital Raising (**Minimum Subscription**). Of the Minimum Subscription, the Company will procure subscription for a minimum of 250,000,000 Shares from investors other than Silja, and Silja (or its nominee) will be allocated up to 300,000,000 Shares. Separate Shareholder approval for Silja's participation in the Capital Raising is being sought pursuant to Resolution 5.

Unless otherwise agreed by the Company and Silja, the Second Tranche Note and Third Tranche Note will only be drawn down if the Minimum Subscription is met.

Resolution 4 therefore seeks Shareholder approval for the purpose of Listing Rule 7.1 of the ASX Listing Rules, to allot and issue up to 600,000,000 Shares at an issue price of \$0.01 per Share,

The effect of Resolution 4 will be to allow the Directors to issue the Shares pursuant to the Capital Raising during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 5.2 ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 2.1 above.

### 5.3 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 600,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX

waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

- (c) the issue price will be \$0.01 per Share;
- (d) the Directors will determine to whom the Shares will be issued but these persons, other than Silja, will not be related parties of the Company. Separate Shareholder approval for Silja's participation in the Capital Raising is being sought pursuant to Resolution 5;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised from the issue of the Shares will be used in accordance with the DOCA and for the purposes set out in Section 1.4 of this Explanatory Statement.

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## **6. RESOLUTION 5 – PARTICIPATION BY SILJA INVESTMENT LIMITED IN CAPITAL RAISING**

### **6.1 General**

As set out in Section 5.1 of this Explanatory Statement, in accordance with the terms of the DOCA, up to 300,000,000 of Shares the subject of the Capital Raising will be offered to Silja (or its nominee).

Silja is a related party of the Company by virtue of the fact that it is controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company.

Further, in the event that the 300,000,000 Shares the subject of this Resolution are issued to Silja pursuant to the Capital Raising, the voting power of Silja and its associates will increase from a point below 20% to above 20%.

Accordingly, Resolution 5 seeks Shareholder approval:

- (a) for the purpose of ASX Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act, to allot and issue up to 300,000,000 of the Shares the subject of the Capital Raising to Silja (or its nominee); and
- (b) for the purpose of item 7 of section 611 of the Corporations Act, for each of Silja, Zachary Asset Holdings Limited, Josephine Haller, Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co acquiring a relevant interest in up to 300,000,000 Shares the subject of the Capital Raising.

Shareholder approval is not being sought pursuant to Chapter 2E of the Corporations Act for the issue of Shares to Silja, as the Directors (other than Mr Haller) consider that, as the Shares are being offered to Silja on the same terms as other investors in the Capital Raising, the participation by Silja in the Capital Raising is on arm's length terms.

### **6.2 Listing Rule 10.11**

If Resolution 5 is passed, securities will be issued to Silja, who is a related party of the Company for the reasons explained above. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Shares to Silja.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of Shares to Silja pursuant to the Capital Raising:

- (a) the maximum number of securities to be issued by the Company to Silja pursuant to the Capital Raising is 300,000,000 Shares;
- (b) the allottee of the Shares will be Silja Investment Limited (or its nominee);
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the issue price will be \$0.01 per Share;
- (e) the Shares will be issued to Silja not later than 1 month after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (f) the funds raised from the issue of the Shares will be used in accordance with the DOCA and for the purposes set out in Section 1.4 of this Explanatory Statement; and
- (g) Silja is a related party of the Company for the reasons explained above. 100% of the issued capital of Silja is held by Z Nominees Limited as nominee for Zachary Asset Holdings Limited (**ZAH**), however it is intended that Zamin Gold Limited (which is controlled by Zamin Holdings Limited and Cayman National Trustees Co. Limited) will acquire a holding exceeding 20% in the issued capital of Silja and will act in concert with ZAH concerning the convertible notes. All of the issued capital of ZAH is currently owned by Mrs Josephine Haller.

### 6.3 Item 7 of Section 611 of the Corporations Act Authorisation

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point above 20% and below 90%.

#### *Voting Power and Relevant Interests*

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person ("**second person**") will be an "associate" of the other person ("**first person**") if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or

- (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs.

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Section 608(3) of the Corporations Act provides that a person has the relevant interests in any securities held by a body corporate in which the person's voting power is above 20%.

#### ***Deemed Relevant Interests, Voting Power and Associates***

Z Nominees Limited (**Z Nominees**), a company incorporated in Jersey, Channel Islands, is currently the largest shareholder in the Company, holding 23,489,242 Shares as nominee for Silja. Z Nominees holds all of the issued capital of Silja as a nominee for ZAH, a company incorporated in Jersey, Channel Islands. All of the issued capital of ZAH is held for Mrs Josephine Haller.

Accordingly, in accordance with Section 608(3), Mrs Josephine Haller and ZAH are taken to have relevant interest in the Company's shares to the extent of the Shares which Z Nominees holds for Silja.

Z Nominees is taken not to have a relevant interest in the Company's Shares as a result of the operation of Section 609(2), which provides that generally a person does not have a relevant interest in shares if that person holds shares as a nominee.

Mr Alexander Haller and Silja / ZAH propose to act in concert with respect to their respective holdings of shares in the Company. Also, the Company has been advised that Silja has engaged Mr Alexander Haller, a Director of the Company, as an investment advisor. As a result of these matters and his relationship with Mrs Haller, Mr Haller has a deemed relevant interest in the securities to be issued to Silja and the securities held by Z Nominees on behalf of Silja, and is also considered to be an associate of Mrs Haller and Silja / ZAH. Mr Haller also holds 370,367 shares on his own behalf and is the beneficial owner of a further 52,800 shares.

Further, ZAH and Mr Haller propose to act in concert with Zamin Gold Limited with respect to the Company's shares. Zamin Gold Limited is a wholly owned subsidiary of Zamin Holdings Limited, which in turn is controlled and majority owned by

Cayman National Trustees Co. Limited. In the event that the Capital Raising proceeds, Zamin Gold Limited will be obliged and entitled to acquire a holding exceeding 20% in the issued capital of Silja. Accordingly, in the event that Resolutions 2 to 6 are passed, and the Capital Raising proceeds, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited will have a relevant interest in the securities to be issued to Silja and the securities held by Z Nominees on behalf of Silja.

On the basis of the information set out above, Silja, ZAH, Mrs Josephine Haller, Mr Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co. Limited are considered to be associates of Silja (and also of Mr Haller and visa versa) and are referred to collectively as the **Associated Parties**. In accordance with Section 610 of the Corporations Act, the voting power of each of the Associated Parties is to be determined according to the Shares in which they and the other Associated Parties have a relevant interest.

In the event that the Convertible Notes the subject of Resolution 3 are converted, the 300,000,000 Shares the subject of Resolution 5 are issued to Silja pursuant to the Capital Raising, and the 300,000,000 Silja Options the subject to Resolution 6 of exercised, the voting power of Silja and the Associated Parties will increase from a point below 20% to above 20%.

#### ***Section 611 Item 7 of the Corporations Act – Exemption from Section 606***

Section 611 provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Item 7 of Section 611).

For the exemption of Item 7 of Section 611 to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company that was material to the decision on how to vote on the resolution. In Regulatory Guide 111, the ASIC has indicated what additional information should be provided to shareholders in these circumstances.

For the purposes of the Corporations Act, and Regulatory Guide 111, the following information is disclosed in relation to the acquisition of relevant interest in the Company by the Associated Parties. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International Securities which forms part of this Explanatory Statement.

#### ***Assumptions***

The figures in the following section assume that:

- (a) the Company has allotted and issued 600,000,000 Shares pursuant to the Capital Raising;
- (b) the Company has a total of 764,955,097 fully paid ordinary shares on issue and does not issue any other Shares;
- (c) the Company has 2,351,000 partly paid ordinary shares on issue, with 0.1 cents paid and 9.9 cents outstanding, which equates to 23,510 votes that can be cast on a poll in respect of those shares and accordingly, there are 1,064,978,606 votes attaching to all shares on issue;
- (d) Silja subscribes for 300,000,000 Shares pursuant to the Capital Raising (**Silja Placement Shares**);

- (e) Zamin Gold Limited acquires a 20% interest in Silja prior to the completion of the Capital Raising and the conversion of any Convertible Notes;
- (f) the Initial Loan (under the Converting Loan Agreement) was advanced on 11 September 2008;
- (g) the First Tranche Note was issued on 25 November 2008;
- (h) the Second Tranche Note and Third Tranche Note are both issued on 1 July 2009;
- (i) interest is payable on the First Tranche Note, the Second Tranche Note and the Third Tranche Note at a rate of 9% per annum and is capitalised quarterly. In addition, 9% interest was payable on the amount of the First Tranche Note calculated from 11 September 2008 to the date of issue of the First Tranche Note (being 25 November 2008);
- (j) the Convertible Notes are all converted in full on the Maturity Date and all capitalised interest is also converted on this date (with the Company having not elected to repurchase any of the Convertible Notes prior to this date), resulting in the issue of:
  - (i) 218,013,199 Shares upon conversion of the First Tranche Note;
  - (ii) 231,967,363 Shares upon the conversion of the Second Tranche Note: and
  - (iii) 434,938,577 Shares upon the conversion of the Third Tranche Note;
- (k) the First Tranche Note, the Second Tranche Note and Third Tranche Note each convert at \$0.01 per Share; and
- (l) Silja exercises the 300,000 Silja Options the subject of Resolution 6.

For further information relating to the Shareholder approval obtained on 25 November 2008 (including a summary of the terms of the original Converting Loan Agreement), please refer to the Explanatory Statement and Independent Expert Report in the Notice of Extraordinary General Meeting issued by the Company on 30 September 2008, and an addendum to this notice issued on 23 October 2008. These documents are available from the ASX website, [www.asx.com.au](http://www.asx.com.au).

***Prescribed Information***

- (a) The identity of each person proposing to make an acquisition of a relevant interest ("**Acquirer**") and the Associated Parties is:

<b>Acquirer</b>	<b>Associated Parties</b>
Silja	ZAH, Mrs Josephine Haller, Mr Alexander Haller, Zamin Gold Limited, Zamin Holdings Limited and Cayman National Trustees Co, Limited

- (b) *As at the date of this Notice, the following parties had a relevant interest in shares of the Company:*

<b>Party</b>	<b>Relevant Interest</b>	<b>Capacity</b>
Silja	23,489,242	Section 608(2)
ZAH	23,489,242	Section 608(3)
Mrs Josephine Haller	23,489,242	Section 608(3)
Mr Alexander Haller	23,489,242 370,367 52,800	Section 608(3) Direct holder Beneficial Owner
Zamin Gold Limited	Nil	N/A
Zamin Holdings Limited	Nil	N/A
Cayman National Trustees Co, Limited	Nil	N/A

- (c) *The relevant interests of Silja and the Associated Parties and their voting power is set out in the table below:*

***Relevant interest in Shares***

<b>Party</b>	<b>Current</b>	<b>After issue of Silja Placement Shares</b>	<b>After issue of Silja Placement Shares and conversion of Tranche 1 Note</b>	<b>After issue of Silja Placement Shares and conversion of Tranche 1 Note, Tranche 2 Note and Tranche 3 Note</b>	<b>After issue of Silja Placement Shares, conversion of Tranche 1 Note, Tranche 2 Note and Tranche 3 Note and exercise of Silja Options</b>
<b>Silja</b>	23,489,242	323,489,242	541,502,441	1,208,408,381	1,508,408,381
<b>ZAH</b>	23,489,242	323,489,242	541,502,441	1,208,408,381	1,508,408,381
<b>Josephine Haller</b>	23,489,242	323,489,242	541,502,441	1,208,408,381	1,508,408,381
<b>Alexander Haller</b>	23,912,409	323,912,409	541,925,608	1,208,831,548	1,508,831,548
<b>Zamin Gold Limited</b>	Nil	323,489,242	541,502,441	1,208,408,381	1,508,408,381
<b>Zamin Holdings Limited</b>	Nil	323,489,242	541,502,441	1,208,408,381	1,508,408,381
<b>Cayman National Trustees Co, Limited</b>	Nil	323,489,242	541,502,441	1,208,408,381	1,508,408,381

## *Voting Power*

Party	Current	After issue of Silja Placement Shares	After issue of Silja Placement Shares and conversion of Tranche 1 Note	After issue of Silja Placement Shares and conversion of Tranche 1 Note, Tranche 2 Note and Tranche 3 Note	After issue of Silja Placement Shares, conversion of Tranche 1 Note, Tranche 2 Note and Tranche 3 Note and exercise of Silja Options
Silja	14.49%	42.34%	55.13%	73.27%	77.38%
ZAH	14.49%	42.34%	55.13%	73.27%	77.38%
Josephine Haller	14.49%	42.34%	55.13%	73.27%	77.38%
Alexander Haller	14.49%	42.34%	55.13%	73.27%	77.38%
Zamin Gold Limited	14.49%	42.34%	55.13%	73.27%	77.38%
Zamin Holdings Limited	14.49%	42.34%	55.13%	73.27%	77.38%
Cayman National Trustees Co, Limited	14.49%	42.34%	55.13%	73.27%	77.38%

*The maximum increase in Silja's and the Associated Parties' voting power will be 62.89%.*

### ***Intentions of the Associated Parties in relation to the Company***

The Company understands that the Associated Parties:

- (a) have no intention of making any changes to the business of the Company;
- (b) do not propose to change the employment arrangements of the Company;
- (c) do not intend to redeploy any fixed assets of the Company;
- (d) do not have any present intention to inject further capital into the Company (other than in accordance with their obligations under the Converting Loan Agreement);
- (e) do not intend to transfer any property between the Company and the Vendors or any person associated with any of them; and
- (f) have no current intention to change the Company's existing policies in relation to financial matters or dividends.

## 6.4 Advantages and Disadvantages

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 5:

- (a) if Shareholders do not approve Resolution 5, then the Company will not be able to complete the Capital Raising or seek reinstatement of its Shares on ASX. By completing the Capital Raising, the Company will be able to raise up to \$6 million in equity funding. In the current market conditions, equity funding in this amount is difficult to otherwise obtain and (other than the debt funding to be raised pursuant to the issue of the Convertible Notes) the Company does not currently have any other viable sources of funding available to it.

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 5:

- (a) if the Capital Raising (including the issue of Shares to Silja) is completed, there may be a significant dilution to the current holdings of Shareholders; and
- (b) in the event that the 300,000,000 Shares the subject of Resolution 5 are issued to Silja pursuant to the Capital Raising, Silja and its associates will have a significant controlling interest in the Company.

## 6.5 Interests and recommendation of Directors

The Directors (other than Mr Haller) do not have any personal interests in the outcome of Resolution 5.

Based on the information available, including that contained in this Explanatory Statement, all of the Directors consider that the Resolution 5 is in the best interests of the Company and (other than Mr Haller) recommend that Shareholders vote in favour of Resolution 5.

## 6.6 Independent Expert's Report

Item 7 of Section 611 of the Corporations Act provides that shareholder approval sought for the purpose of this Item must include a report on the proposed acquisition from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Stantons International Securities concluding that the proposed transaction is **fair and reasonable** to the non-associated Shareholders of the Company.

The transaction will result in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the transaction on the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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## 7. RESOLUTION 6 – ISSUE OF OPTIONS TO SILJA INVESTMENT LIMITED

### 7.1 Background

The Company has agreed, subject to Shareholder approval, to issue 300,000,000 Options to Silja (**Silja Options**). Each Silja Option has an exercise price of \$0.01 each and an exercise period of 15 months from the date of issue.

If Silja elects to exercise all of the Silja Options, Silja will contribute a further \$3 million in equity funding to the Company.

### 7.2 Item 7 of Section 611 of the Corporations Act Authorisation

If the Silja Options are exercised, Silja and the Associated Parties will acquire a relevant interest in the Shares issued upon the exercise of the Silja Options. This will result in the voting power of Silja and the Associated Parties increasing from a starting point above 20% and below 90%.

Accordingly, Shareholder approval is required for the purpose of Item 7 of Section 611 of the Corporations Act to enable Silja to exercise the Silja Options.

Please refer to Section 6.3 of this Explanatory Statement for further details in relation to Item 7 of Section 611 of the Corporations Act, and further information relating to the proposed issue of the Silja Options for the purpose of seeking Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act.

### 7.3 Listing Rule 10.11

If Resolution 6 is passed, securities will be issued to Silja, who is a related party of the Company by virtue of the fact that it is controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company. For this reason, Shareholder approval under Listing Rule 10.11 is required prior to issuing the Silja Options to Silja.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Silja Options as approval is being obtained under Listing Rule 10.11. Shareholders should note that the issue of securities to Silja will not be included in the 15% calculation for the purposes of Listing Rule 7.1. The issue of Shares upon the exercise of the Silja Options will not need any further Shareholder approval pursuant to Listing Rule 10.11 or Listing Rule 7.1.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of the Silja Options to Silja:

- (a) the maximum number of Silja Options to be issued is 300,000,000;
- (b) the Silja Options will be issued to Silja (or its nominee);
- (c) the Silja Options will be issued on the terms and conditions set out in Schedule 1;
- (d) the Silja Options will be issued for nil cash consideration and accordingly no funds will be raised from the issue of the Silja Options;
- (e) if the Silja Options are exercised, \$3,000,000 will be raised and these funds will be used for the purposes set out in Section 1.4 of this Explanatory Statement;

- (f) the Silja Options will be issued no later than one month after the date of the General Meeting; and
- (g) Silja is a related party of the Company by virtue of the fact that it is ultimately controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller, who is a Director of the Company, and because it and Mr Haller are acting in concert with respect to their respective holdings of shares in the Company. 100% of the issued capital of Silja is presently held by Z Nominees Limited as nominee for Zachary Asset Holdings Limited (**ZAH**), however it is proposed that Zamin Gold Limited (which is controlled by Zamin Holdings Limited and Cayman National Trustees Co. Limited) will acquire a holding exceeding 20% in the issued capital of Silja and will act in concert with ZAH concerning the Silja Options. All of the issued capital of ZAH is currently owned by Mrs Josephine Haller.

#### **7.4 Advantages and Disadvantages**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 6:

- (a) by approving the issue of the Silja Options, the Company may be able to access up to approximately \$3 million in equity funding if the Silja Options are exercised; and
- (b) if Shareholders do not approve Resolution 6, then the Company will not be able to complete the Capital Raising (as Resolution 4 is subject to the passing of Resolution 6) or seek reinstatement of its Shares on ASX.

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 6:

- (c) if the Silja Options are exercised:
  - (i) there may be a significant dilution to the current holdings of Shareholders; and
  - (ii) Silja and its associates will increase their already significant controlling interest in the Company; and
- (d) if, at the time of exercise of the Silja Options, the Shares are trading on ASX at a price that is higher than the exercise price of the Silja Options, there may be a perceived cost to the Company.

#### **7.5 Interests and recommendation of Directors**

The Directors (other than Mr Haller) do not have any personal interests in the outcome of Resolution 6.

Based on the information available, including that contained in this Explanatory Statement, all of the Directors consider that the Resolution 6 is in the best interests of the Company and (other than Mr Haller) recommend that Shareholders vote in favour of Resolution 6.

#### **7.6 Independent Expert's Report**

Item 7 of Section 611 of the Corporations Act requires that the explanatory material provided to shareholders for the purpose of seeking approval under that rule must include a report on the proposed acquisition from an independent expert.

Accompanying this Explanatory Statement is an Independent Expert's Report prepared by Stantons International Securities concluding that the proposed transaction is **fair and reasonable** to the non-associated Shareholders of the Company.

The transaction will result in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the transaction on the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

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## 8. RESOLUTIONS 7 AND 8 – ELECTION OF DIRECTORS

Clause 7.2(b) of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following general meeting and is then eligible for election.

Mr Denis Waddell and Mr Alexander Haller were both appointed as Directors on 27 February 2009.

Accordingly, Messrs Waddell and Haller will retire in accordance with clause 7.3(f) of the Constitution and, being eligible, seek election.

Mr Waddell is a Chartered Accountant with extensive experience in the management of exploration and mining companies. Prior to establishing Tanami Gold NL in 1994, Denis was the Finance Director of the Metana Minerals NL group. During the past 20 years, Denis has gained considerable experience in corporate, finance and operations management of exploration and mining companies. Mr Waddell is also Chairman of Tanami Gold NL.

Mr Haller is a partner of Zachary Capital Management, providing advisory services to a number private investment companies including Silja, focusing on the principal investment activities for these companies. From 2001 to 2007 Alexander worked in the corporate finance division at JPMorgan in the U.S, advising on corporate mergers and acquisitions as well as financing in both the equity and debt capital markets. Alexander has a B.Sc. in Economics from the University of Bristol.

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## 9. RESOLUTION 9 – ISSUE OF EMPLOYEE OPTIONS

### 9.1 General

Resolution 9 seeks Shareholder approval for the allotment and issue of 20,000,000 Options (**Employee Options**) to the Company's General Manager – Business Development, Mr Martin Bouwmeester, as consideration for services by Mr Bouwmeester to the Company in his role as General Manager – Business Development.

Mr Bouwmeester is not a related party of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 2.1 above.

The effect of Resolution 9 will be to allow the Directors to issue the Employee Options during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## 9.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Employee Options:

- (a) the maximum number of Employee Options to be granted is 20,000,000;
- (b) the Employee Options will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Employee Options will be issued for nil cash consideration;
- (d) the Employee Options will be allotted and issued to the Company's General Manager – Business Development, Mr Martin Bouwmeester (or nominee);
- (e) the Employee Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the issue of the Employee Options as the Employee Options are being issued in consideration for services by Mr Bouwmeester to the Company in his role as General Manager – Business Development.

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## 10. RESOLUTION 10 – ISSUE OF DIRECTOR OPTIONS

### 10.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 40,000,000 Options (**Director Options**) to Mr Denis Waddell on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to Mr Waddell requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a Director, Mr Waddell is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to Mr Waddell.

## 10.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related party is Mr Denis Waddell and he is a related party by virtue of being a Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to Mr Waddell is 40,000,000;
- (c) the Director Options will be granted to Mr Waddell no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 3;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 4;
- (g) the relevant interests of Mr Waddell in securities of the Company are set out below;

Shares	Options
5,000,000	Nil

- (h) the remuneration and emoluments from the Company to Mr Waddell for both the current financial year and previous financial year are set out below:

Current Financial Year	Previous Financial Year
Nil	Nil

- (i) if the Director Options granted to Mr Waddell are exercised, a total of 40,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 164,955,097 to 204,955,097 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

<b>Issued Shares as at the date of this Notice of Meeting</b>	<b>Director Options to be issued</b>	<b>Issued Shares upon exercise of all Director Options</b>	<b>Dilutionary effect upon exercise of Director Options</b>
164,955,097	40,000,000	204,955,097	19.52%

The passing of Resolution 10 is conditional upon Shareholders approving the Capital Raising the subject of Resolution 4, and the Company does not intend to issue the Director Options unless the Capital Raising is completed. Accordingly, the dilutionary effect upon the exercise of the Director Options assuming the issue of 600,000,000 Shares pursuant to the Capital Raising is a more appropriate indicator of the dilutionary effect of the issue of the Director Options, which is as follows:

<b>Issued Shares assuming completion of the Capital Raising</b>	<b>Director Options to be issued</b>	<b>Issued Shares upon exercise of all Director Options</b>	<b>Dilutionary effect upon exercise of Director Options</b>
764,955,097	40,000,000	804,955,097	4.97%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	<b>Price</b>	<b>Date</b>
Highest	28 cents	5 June 2008
Lowest	2.9 cents	2 January 2009
Last	3.3 cents	8 January 2009

Note – Shareholders should note that these trades occurred prior to the suspension of the Company's Shares from trading on 8 January 2009.

- (k) the primary purpose of the grant of Director Options to Mr Waddell is to provide a market linked incentive package in his capacity as Chairman and for the future performance by Mr Waddell. The Board (other than Mr Waddell) considered the extensive experience and reputation of Mr Waddell within the mining industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to Mr Waddell. In addition, the Board considers the grant of the Director Options to Mr Waddell to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (l) the Board acknowledges the grant of Director Options to Mr Waddell is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Waddell reasonable in the circumstances, given the Company was in administration and the considerable effort needed in effecting the DOCA and the relisting of the Company, and the need to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves; and
- (m) Mr Waddell declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 10, recommend that Shareholders vote in favour of Resolution 10. The Board (other than Mr Waddell) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **11. RESOLUTION 11 – ADOPTION OF A NEW CONSTITUTION**

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 11 is a special resolution which will enable the Company to adopt a new constitution of the type required for a no liability company.

The new Constitution to be adopted contains a number of provisions designed to promote the more efficient running of the Company, which should be of long term benefit to the Company and its Shareholders. It has been updated to reflect recent amendments to the Corporations Act and Listing Rules.

It is not practicable to list all of the changes to the Constitution in this Explanatory Statement and Shareholders are invited to contact the Company if they have any queries or concerns. For this purpose, a copy of the proposed new constitution is available for review by Shareholders at the office of the Company.

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## **12. RESOLUTION 12 – CHANGE OF NAME**

Resolution 12 seeks Shareholder approval for the Company to change its name to "Orion Gold NL". The Directors believe that this name change is necessary to provide a new image as the Company moves into the future.

Section 157 of the Corporations Act requires the Shareholders to pass a special resolution to change the Company's name. Accordingly, Shareholder approval is sought pursuant to Resolution 12.

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## **13. ENQUIRIES**

Shareholders may contact the Company Secretary on (+ 61 3) 8080 7170 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the Australian Securities Exchange as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Company** means Goldstar Resources NL (subject to Deed of Company Arrangement) (ACN 098 939 274).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Director Options** means the Options the subject of Resolution 10, to be issued on the terms set out in Schedule 3.

**Directors** means the current directors of the Company.

**Employee Options** means the Options the subject of Resolution 9, to be issued on the terms set out in Schedule 2.

**EST** means Eastern Standard Time as observed in Melbourne, Victoria.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**General Meeting** means the meeting convened by the Notice of Meeting.

**Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Silja Options** means the Options the subject of Resolution 6, to be issued on the terms set out in Schedule 1.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF SILJA OPTIONS

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The Silja Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Silja Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Silja Option, the Optionholder must exercise the Silja Options in accordance with the terms and conditions of the Silja Options.
  - (b) The Silja Options will expire at 5:00 pm (EST) on that date which is 15 months from the date of issue of the Silja Options (**Expiry Date**). Any Silja Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (c) The amount payable upon exercise of each Silja Option will be \$0.01 (**Exercise Price**).
  - (d) The Silja Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
  - (e) An Optionholder may exercise their Silja Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Silja Options specifying the number of Silja Options being exercised; and
    - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Silja Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Silja Options specified in the Exercise Notice.
  - (h) The Silja Options are transferable.
  - (i) All Shares allotted upon the exercise of Silja Options will upon allotment rank *pari passu* in all respects with other Shares.
  - (j) The Company will not apply for quotation of the Silja Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Silja Options on ASX within 10 Business Days after the date of allotment of those Shares.
  - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
  - (l) There are no participating rights or entitlements inherent in the Silja Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Silja Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will

give Optionholders the opportunity to exercise their Silja Options prior to the date for determining entitlements to participate in any such issue.

- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Silja Options, the exercise price of the Silja Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Silja Options, the number of securities over which an Silja Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Silja Option had been exercised before the record date for the bonus issue.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF EMPLOYEE OPTIONS

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The Employee Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Employee Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Employee Option, the Optionholder must exercise the Employee Options in accordance with the terms and conditions of the Employee Options.
- (b) The Employee Options vest as follows:
  - (i) subject to paragraph (b), 50% of the Employee Options will vest on 1 March 2010 and 50% of the Employee Options will vest on 1 March 2011; and
  - (ii) notwithstanding paragraph (a), 100% of the Employee Options will vest immediately upon:
    - (A) the Board of the Company making a recommendation to Shareholders to accept a bid for the issued Shares of the Company; or
    - (B) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act; or
    - (C) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Employee Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- (c) The Employee Options will expire at 5:00 pm (EST) on 31 March 2014 (**Expiry Date**). Any Employee Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The amount payable upon exercise of each Employee Option will be \$0.01 (**Exercise Price**).
- (e) The Employee Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Employee Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Employee Options specifying the number of Employee Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Employee Options being exercised;(**Exercise Notice**).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Employee Options specified in the Exercise Notice.
- (i) The Employee Options are not transferable.
- (j) All Shares allotted upon the exercise of Employee Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Employee Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Employee Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Employee Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Employee Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Employee Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Employee Options, the exercise price of the Employee Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Employee Options, the number of securities over which an Employee Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Employee Option had been exercised before the record date for the bonus issue.

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### SCHEDULE 3 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) The Director Options vest as follows:
  - (i) subject to paragraph (b), 50% of the Director Options will vest on 1 March 2010 and 50% of the Director Options will vest on 1 March 2011; and
  - (ii) notwithstanding paragraph (a), 100% of the Director Options will vest immediately upon:
    - (A) the Board of the Company making a recommendation to Shareholders to accept a bid for the issued Shares of the Company;
    - (B) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act; or
    - (C) the date upon which a person or a group of associated persons becomes entitled (other than pursuant to the transactions contemplated by the Notice of Meeting), subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- (c) The Director Options will expire at 5:00 pm (WST) on 31 March 2014 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The amount payable upon exercise of each Director Option will be \$0.01 (**Exercise Price**).
- (e) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;(**Exercise Notice**).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (i) The Director Options are not transferable.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

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## SCHEDULE 4 – VALUATION OF DIRECTOR OPTIONS

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The Director Options to be issued to Mr Waddell pursuant to Resolution 10 have been independently valued by Stantons International Pty Ltd.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

<b>Assumptions:</b>			
Valuation date	9 March 2009		
Market price of Shares	1 cent		
Exercise price	1 cent		
Expiry date	31 March 2014		
Risk free interest rate	3.5%		
Volatility	100%	150%	200%
<b>Indicative value per Director Option</b>	0.75 cents	0.91 cents	0.97 cents
<b>Total Value of Director Options</b>	\$300,000	\$364,000	\$388,000

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

## PROXY FORM

**APPOINTMENT OF PROXY  
GOLDSTAR RESOURCES NL (SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
ACN 098 939 274**

### GENERAL MEETING

I/We

of

being a member of Goldstar Resources NL (Subject to Deed of Company Arrangement) entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR  the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 10.00 am (EST), on 12 June 2009 at RACV City Club, 501 Bourke Street, Melbourne, Victoria 3000, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 12** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 12 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 12 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 12 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 12.

*OR*

#### Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Ratification of Prior Issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Amendment to Converting Loan Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Participation by Silja in Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of Options to Silja Investment Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Election of Mr Waddell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Election of Mr Haller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Employee Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Issue of Director Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Adoption of New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Signature of Member(s):

Date: \_\_\_\_\_

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: \_\_\_\_\_ Contact Ph (daytime): \_\_\_\_\_

**GOLDSTAR RESOURCES NL (SUBJECT TO DEED OF COMPANY ARRANGEMENT)**  
**ACN 098 939 274**

**Instructions for Completing 'Appointment of Proxy' Form**

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
  - **(Individual):** Where the holding is in one name, the member must sign.
  - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Goldstar Resources NL, Level 11, 330 Collins Street, Melbourne, VIC 3000; or
  - (b) facsimile to the Company on facsimile number (+61 3) 8080 7174,so that it is received not later than 10.00 am (EST) on 10 June 2009.

**Proxy forms received later than this time will be invalid.**

30 April 2009

The Directors  
Goldstar Resources NL  
(Subject to Deed of Company Arrangement)  
Level 11  
330 Collins Street  
MELBOURNE VIC 3000

Dear Sirs,

**RE: GOLDSTAR RESOURCES NL (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (ABN 76 098 939 274) MEETING OF SHAREHOLDERS TO CONSIDER RESOLUTIONS UNDER SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT (“TCA”) AND AUSTRALIAN SECURITIES EXCHANGE (“ASX”) LISTING RULE 10.1 AND 10.11 RELATING TO THE PROPOSALS TO AMMEND THE SECURED CONVERTING LOAN AGREEMENT WITH SILJA INVESTMENT LIMITED, ALLOW THE ALLOTMENT AND ISSUE OF TWO CONVERTIBLE NOTES, ALLOW THE ISSUE OF UP TO 300,000,000 SHARES TO SILJA INVESTMENT LIMITED OR NOMINEES AND ALLOW THE ISSUE AND CONVERSION OF 300,000,000 SHARE OPTIONS TO SILJA INVESTMENT LIMITED**

## 1. INTRODUCTION

- 1.1 We have been requested by the Directors of Goldstar Resources NL (Subject to Deed of Company Arrangement) (“Goldstar” or “the Company”) to prepare an Independent Expert’s Report to determine the fairness and reasonableness of the transactions referred to in resolutions 2, 3, 5 and 6 as detailed in the Notice of Meeting to Goldstar shareholders (“the Notice”) to be issued to shareholders in May 2009. Resolution 2 relates to the proposals to amend the September 2008 Converting Loan Agreement between Silja Investment Limited (“Silja”) and the Company. Resolution 3 seeks approval to allot and issue two Convertible Notes that includes allowing the conversion of all of the tranches of Convertible Notes to Silja a Jersey incorporated company. Z Nominees Ltd (“Z Nominees”) is currently the largest shareholder in Goldstar, owning 23,489,242 shares in Goldstar as nominee for Silja and Z Nominees owns 100% of the issued capital of Silja as a nominee of Zachary Asset Holdings Limited (“ZAH”). All of the issued capital of ZAH is held for Mrs Josephine Haller a relative of Mr Alexander Haller. We have been advised that Alexander Haller has an interest in 423,167 shares in Goldstar and that due to relationships with Silja or ZAH, Alexander Haller has a relevant interest in the shares that Silja has a relevant interest. Resolution 5(a) relates to the proposal to allow Silja to subscribe for up to 300,000,000 ordinary shares in Goldstar at 1 cent per share as part of a public offering of up to 600,000,000 shares (resolution 4) (refer below). Resolution 5(b) refers to the relevant interests in relation to the 300,000,000 shares by Silja, ZAH, J & A Haller and other relevant parties being Zamin Gold Limited, Zamin Holdings Ltd and Cayman National Trustees Co. Limited. Section 6.3 of the Explanatory Statement to Shareholders (“EM”) refers to the various relationships. For the purposes of this report we

have referred to the combined interests of Silja, Z Nominees, ZAH, J & A Haller, Zamin Gold Limited, Zamin Holdings Ltd and Cayman National Trustees Co. Limited as the Silja Group. Resolution 6 refers to the issue (and allowing the exercise thereof) of up to 300,000,000 share options (“New Silja Share Options”) to Silja or nominees exercisable at 1 cent each on or before 15 months from issue date. Resolution 3(b) refers to allowing the Silja Group to obtain a relevant interest in shares issued as a result of conversion of the Convertible Notes (further details on the three tranches of Notes are outlined below and in the EM).

1.2 In September 2008 we prepared an Independent Expert’s Report (“IER”) on the fairness and reasonableness of the then proposal to issue Convertible Notes (see original material terms below) and we concluded that the proposal was not fair but reasonable. The shareholders voted on the proposal in November 2008 and approved the proposal relating to the Converting Loan Agreement, the issue of 15 million share options to Silja and allowing Silja to obtain a first ranking security over the assets and undertakings of Goldstar. Subsequent to our IER and the shareholders meeting that approved the issue of the converting notes (including the right to convert to ordinary shares in Goldstar), the share options and the charge, Goldstar was placed into Administration (on 8 January 2009) by Silja as Silja believed that there had been a material adverse change affecting the Company. In February 2009 after negotiations with various parties the creditors approved the execution of a Deed of Company Arrangement (“DOCA”) and the Administrators (Brett Stephen Lord and Craig David Crosbie of PPB insolvency specialists) were appointed as Administrators of the DOCA. Further details are outlined in the EM accompanying the Notice of Meeting (“Notice”).

1.3 Under the DOCA, a recapitalisation proposal is proposed that includes inter-alia:

- The Company receiving from Denis Waddell, Martin Bouwmeester and Graeme Sloan (or nominees) a total of \$225,000 by applying for 22,500,000 shares in the Company at 1 cent each. This clause is a condition precedent to the Arrangement under the DOCA. We have since been advised that 5,000,000 of the shares have been subscribed for by Denis Waddell on 24 February 2009, 9,325,000 shares were allotted to clients of a broker on 3 March 2009 and the balance of 8,175,000 shares will form part of the public offering as noted below;
- The issue (“public offering”) by the Company of up to 600,000,000 shares at 1 cent each to raise up to \$6,000,000 by way of a rights issue, a placement or a combination of both. No final decision has been made but we have been advised that between \$500,000 and \$1,000,000 may be offered to shareholders by way of a rights issue. Silja or parties nominated by Silja has agreed to subscribe for up to 300,000,000 of the shares and pay up to \$3,000,000. Under the DOCA Silja has stated its present intention to cause it or its nominees to subscribe for such number of shares to be offered pursuant to the public offering so that its outlay, including the funding of the Second Tranche Note and the Third Tranche Note totals \$10,000,000. As the Second and Third Tranche Notes total \$4,600,000 and the New Silja Share Options totals up to \$3,000,000, it implies that Silja or nominees intend to subscribe for 240,000,000 shares at 1 cent (\$2,400,000) each pursuant to the public offering;
- Upon the receipt of funds from the public offering or the Second Tranche Note (whichever occurs first), the Company will pay the Deed Administrators such funds which the Deed Administrators will advise at that time such monies to permit the Deed Administrators to pay the costs and expenses of the DOCA and a dividend of 100% of each admitted claim of creditors outstanding as at the date (8 January 2009) the Company went into Administration.
- Amend the Converting Loan Agreement as noted below; and

- All directors of the Company resign except for Graeme Sloan and Denis Waddell to be appointed a director (and chairman of the Board).
- 1.4 The Company as part of the debt raising in September 2008 borrowed \$1,400,000 (“Initial Loan”) from Silja and this debt has now been converted to the First Tranche Note as referred to below.
- 1.5 The original material terms of the Convertible Notes were as follows:
- (a) the Convertible Notes will be issued in three (3) tranches, referred to as the First Tranche Note, Second Tranche Note and Third Tranche Note respectively;
  - (b) the First Tranche Note and Second Tranche Note will be issued on the same terms as each other (other than face value) and on different terms to the Third Tranche Note;
  - (c) subject to the receipt of shareholder approval, the Company may draw down on the First Tranche Note and the Second Tranche Note at its election. Silja is not obliged to subscribe for the Third Tranche Note;
  - (d) the maturity date for all of the Convertible Notes is 5.00pm (WST) on 31 August 2013 (Maturity Date);
  - (e) the face values of the Convertible Notes are as follows:
    - (i) First Tranche Note - \$1,400,000 plus 9% interest on \$1,400,000 calculated from the date that the Initial Loan was made to the date of issue of the First Tranche Note;
    - (ii) Second Tranche Note - \$1,600,000; and
    - (iii) Third Tranche Note - \$3,000,000;
  - (f) each of the Convertible Notes is convertible at the election of Silja (in whole or in part) at any time as follows:
    - (i) the First Tranche Note and the Second Tranche Note may be converted into that number of shares calculated by dividing the amount of principal and interest so being converted by the lesser of:
      - (A) 0.10 (i.e. the shares will have an issue price of 10 cents each); and
      - (B) the lowest price at which the Borrower issues any new shares prior to the Maturity Date; and
    - (ii) the Third Tranche Note may be converted into that number of shares calculated by dividing the amount of principal and interest so being converted by that number which is a 20% discount to the volume weighted average price of the shares as traded on ASX over the 60 trading days prior to the date that Silja as Lender delivers a conversion notice to the Company;
  - (g) if Silja does not elect to convert the Convertible Notes, then the Company may choose to repurchase the Convertible Notes after three (3) years from their issue date has expired by repaying the amount outstanding on any Convertible Note (principal and interest) together with the amount of interest which would have been paid on that part of the Convertible Note repurchased between the date of repurchase and the Maturity Date for the Convertible Note being repurchased had Convertible that Note remained outstanding until its maturity. The Company may not redeem the Convertible Notes prior to this period without the consent of Silja;
  - (h) within 30 business days of the receipt of a repurchase notice, Silja may elect to convert the Convertible Note the subject of the repurchase notice. Upon such election, the Company’s right to repurchase that Convertible Note will no longer apply;

- (i) at the time of subscription for the Third Tranche Note, the holder will be entitled to nominate an additional director to the board of directors of the Company bringing the total number of directors the holder may nominate to two directors;
- (j) interest is payable on the Convertible Notes at a rate of 9% per annum (net of all withholding and other taxes) and will be capitalised at quarterly intervals;
- (k) as security for the Convertible Notes, the Company has granted Silja a first ranking charge over all of its assets and undertakings;
- (l) the Convertible Notes are transferable at the election of the holder; and
- (m) the Company has given Silja various negative covenants, including a covenant that the Company will not grant security to any other third parties without Silja's consent.

1.6 The DOCA provided for some changes to the Converting Loan Agreement terms. The changes relate to:

- (a) in addition to the conditions precedent in the Converting Loan Agreement, Silja shall not be obliged to subscribe for the Second Tranche Note until:
  - (i) it is satisfied that each of the Company's Victorian mining tenements and joint ventures is in good standing and not liable to termination; and
  - (ii) the Company has received applications for 250,000,000 Shares pursuant to the Capital Raising the subject of Resolution 4;
- (b) to extend the last date for satisfaction of the conditions precedent to subscription for the Second Tranche Note and the Third Tranche Note to 30 June 2009; and
- (c) to extend the last date for subscription of the Third Tranche Note to the later of:
  - (i) 8 weeks after the date upon which Shareholder approval is obtained pursuant to this Resolution; and
  - (ii) 1 July 2009.

In addition to the above variations, the parties have agreed, subject to Shareholder approval; further vary the Converting Loan Agreement as follows:

- (a) to make the issue of the Second Tranche Note and the Third Tranche Note conditional upon the Company issuing a minimum of 500,000,000 shares pursuant to the Capital Raising (public issue); and
- (b) to oblige the Company to draw down the Second Tranche Note and Third Tranche Note immediately upon the completion of the Capital Raising;
- (c) to oblige Silja to subscribe for the Third Tranche Note upon the issue to Silja of a draw down notice in respect of the Third Tranche Note by the Company (currently, the subscription for the Third Tranche Note is at the election of Silja). Silja is already obliged to subscribe for the Second Tranche Note upon the issue of a draw down notice by the Company; and
- (d) to amend the conversion terms of the Third Tranche Note so that they are the same as the Second Tranche Note. That is, the Third Tranche Note will be

convertible into that number of Shares calculated by dividing the amount of principal and interest so being converted by the lesser of:

- (i) 0.10 (i.e. the Shares will have an issue price of \$0.10 each); and
- (ii) the lowest price at which the Company issues any new Shares prior to the Maturity Date.

Shareholders should note that, if the Capital Raising the subject of resolution 4 is approved, the Company will issue shares at an issue price of \$0.01 per share. Accordingly, this would result in the maximum conversion price of the Third Tranche Note being \$0.01 per share. If the Company issues shares at price lower than \$0.01 prior to the maturity date of the convertible notes, the conversion price will be lower than \$0.01 (1 cent).

- 1.7 It is noted that a public offering is to be undertaken at 1 cent per share, and thus the conversion price of the First Tranche Note, Second Tranche Note and Third Tranche Note will now be at maximum of 1 cent each. The actual conversion price could be lower for the First, Second and Third Tranche Note if a further capital raising is undertaken before conversion and maturity date of 31 August 2013. Shareholders should note that, if the Capital Raising (public issue) the subject of resolution 4 is approved, the Company will issue shares at an issue price of \$0.01 (1 cent) per share. Accordingly, this could result in a conversion price of the First, Second and Third Tranche Notes being \$0.01 (1 cent) per share. If the Company issues shares at a price lower than \$0.01 prior to the maturity date of the three tranches of Notes, the conversion price will be lower than \$0.01.
- 1.8 Prior to the Company going into Administration only the First Tranche Note had been issued and in view of the changed circumstances of the Company, the directors have sought to seek re-approval to issue the Second and Third Tranches of Notes and in effect allow all of the Convertible Notes to be converted to ordinary fully paid shares in Goldstar at the option of Silja. Our report covers the fairness and/or reasonableness to allow Goldstar to issue the Second and Third Tranche Notes and allow the exercise of any outstanding Tranche of the Convertible Notes to ordinary shares in Goldstar. It also covers the fairness and reasonableness of the issue of up to 300,000,000 shares as part of the public issue to Silja and the issue (and allowing exercise) of up to 300,000,000 New Silja Share Options to Silja. Silja would increase its shareholding substantially on issue of up to 300,000,000 shares, if any of the outstanding Notes are converted to shares and the New Silja Share Options are exercised.
- 1.9 There were also to be issued 15,000,000 share options ("Options") in Goldstar to Silja exercisable on or before 18 August 2012. There was to be three tranches of Options being:
  - Tranche 1 Options – 5,000,000 exercisable at 15 cents each;
  - Tranche 2 options – 5,000,000 exercisable at 20 cents each; and
  - Tranche 3 options – 5,000,000 exercisable at 25 cents each.

The approval for the issue of the Options was granted in November 2008 and it is assumed that Silja is entitled to receive the Options.

Under resolution 6, Silja or parties nominated by Silja will be issued up to 300,000,000 New Silja Share Options exercisable at 1 cent each on or before 15 months from date of issue. The issue of the New Silja Share Options is considered as the deferred part of the recapitalisation of Goldstar although there is no obligation on Silja (or nominees) to exercise such share options.

1.10 As security for the Convertible Notes, the Company granted a fixed and floating charge over the assets and undertakings of the Goldstar Group. The following are events of default under the Charge and Converting Loan Agreement:

- if the Company makes default in making a payment and such default remains outstanding for a period of 5 business days after receiving written demand for payment from Silja;
- if the Company breaches the terms of the Converting Loan Agreement or Charge and that breach is not capable of remedy;
- if the Company breaches the terms of the Converting Loan Agreement or Charge and that breach, if capable of remedy, has not been remedied within 5 business days of receiving notice of the breach from Silja requiring that breach to be remedied;
- if an order is made or a resolution is effectively passed for the winding up of the Company except for the purposes of a reconstruction or amalgamation with the prior written consent of Silja (such consent not to be unreasonably withheld);
- if the Company enters liquidation;
- if any covenant, representation, warranty, undertaking or statement made by the Company in relation to the entering of the Converting Loan Agreement shall prove to be materially incorrect as at the date it was made or given;
- if there is a material adverse change affecting the Company; and
- if the Company has defaulted in payment of an amount in excess of \$20,000 owing to any third party.

The Charge has been registered and is in force.

1.11 Under the DOCA, it is proposed that Silja may subscribe under the public offering (total 600,000,000 shares) noted above for up to 300,000,000 shares at 1 cent each (\$3,000,000). If this eventuates the Silja Group's shareholding interest would increase from approximately 14.29% to approximately 42.21% assuming 600,000,000 shares are issued pursuant to the public offering. The percentage would be approximately 45.16% if the minimum 550,000,000 shares were issued pursuant to the public offering (300,000,000 by Silja and 250,000,000 from non related parties). If Silja applied for 240,000,000 shares and a further 250,000,000 shares were issued pursuant to the public offering the Silja Group shareholding would approximate 40.15%. The above percentages are before conversion of any Options and conversion of any of the First, Second and possibly Third Tranche Notes. As noted above shareholders approval has already been obtained for Silja to convert any outstanding First, Second and Third Tranche Notes in November 2008 but due to changed circumstances of the Company are re-seeking shareholder approval relating to the Second and Third Tranche Notes.

1.12 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and

reasonableness of the transactions noted in resolutions 3, 6 and 6 pursuant to a Section 611 (Item 7) meeting.

- 1.13 ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities). An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purposes of ASX Listing Rule 10.1, Silja is a substantial shareholder because it is controlled by Z Nominees, an entity that holds in excess of 15% of the ordinary issued shares in the Company. Silja is also a related party by virtue of the fact that it is ultimately controlled by Mrs Josephine Haller, a relative of Mr Alexander Haller who is a Director of the Company. As security for the Convertible Notes, the Company has granted Silja a first ranking charge over all of its assets and undertakings. Approval pursuant to ASX Listing Rule 10.1 was sought for the grant of this charge as it related to the original Converting Loan Agreement, because the value of the debt secured is greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX, and the grant of the charge over the assets of the Company is deemed to be a disposal for the purpose of the ASX Listing Rules.

If resolution 2 is passed, the Converting Loan Agreement will be amended. As such, shareholder approval for the purposes of ASX Listing Rule 10.1 is required to enable the charge to secure the amended obligations under the varied Converting Loan Agreement.

- 1.14 Under ASIC Regulatory Guideline 111 "Contents of Expert Reports" and ASX Listing Rule 10.11 an Independent Expert's Report is required to report on the fairness and reasonableness of the transactions pursuant to resolutions 2, 3, 5 and 6. The Directors have requested Stantons International Securities to prepare an Independent Expert's Report to assist the shareholders in determining how to vote on resolutions 2, 3, 5 and 6 as outlined in the Notice.

- 1.15 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of Goldstar
- Basis of valuation of Goldstar
- Premium for control
- Fairness and Reasonableness of the Proposals
- Conclusion as to Fairness and Reasonableness
- Sources of information
- Appendix A and our Financial Services Guide

- 1.16 There are eight other resolutions being put to the shareholders of Goldstar. Resolution 1 refers to the ratification of 14,325,000 shares issued in February and March 2009 as part of the recapitalisation proposal under the DOCA (refer paragraph 1.3 above), resolution 4 relates to the public offering of up to 600,000,000 shares at 1 cent each to raise up to \$6,000,000, resolution 7 relates to the re-appointment of Denis Waddell as a director of Goldstar, resolution 8 relates to the re-appointment of Alexander Haller as a director of Goldstar, resolution 9 relates to the granting of 20,000,000 share options to Martin Bouwmeester or nominee, resolution 10 relates to the granting of 40,000,000 share options

to Denis Waddell, resolution 11 relates to the adoption of a new Constitution and resolution 12 relates to changing the name of the Company to Orion Gold NL. Technically we are not reporting on the fairness and reasonableness of resolution 4 but note that it is integral to the recapitalisation proposal under the DOCA. We are not reporting on the fairness and reasonableness of resolutions 1, 4 and 7 to 12.

## 2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transactions and proposals pursuant to resolutions 2, 3, 5 and 6, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Regulatory Statement 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to resolution are fair and reasonable, having regard to the interests of shareholders other than the proposed allottees (in this case, Silja and its associates including Z Nominees), and whether a premium for potential control is being paid by the allottees, will be required. Regulatory Statement 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not.

Accordingly, our report relating to resolutions 2, 3, 5 and 6 is concerned firstly with the fairness and reasonableness of the proposals from the point of view of the existing non associated shareholders of Goldstar, and secondly whether the price payable for the potential to obtain an increased significant shareholding interest (by the Silja Group) (initially up to 300,000,000 shares are issued to Silja and further shares may be issued if any of the outstanding Notes are converted to shares in Goldstar and the 300,000,000 New Silja Share Options are exercised) includes a premium for control.

### 2.2 In our opinion:

The proposals as outlined in resolution 2 whereby Goldstar will allow the amended terms as noted above and the proposals pursuant to resolution 3 that allow Silja to issue an additional two Convertible Notes and allow the conversion of the Notes to ordinary shares, are, on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Goldstar.**

The proposals as outlined in resolution 5 and 6 whereby Goldstar will issue (to Silja or nominees) up to 300,000,000 shares at 1 cent each and up to 300,000,000 New Silja Share Options exercisable at 1 cent each on or before 15 months from issue and allow the New Silja Share Options to be exercised are, on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Goldstar.**

The Company as part of the Convertible Notes issues with Silja have agreed to allow Silja to take a first ranking charge over the assets and undertakings of the Goldstar Group. Although this is not unusual to protect the lender (Silja), it may cause complications later on if the Company wishes to obtain debt finance to finance part of the development (if it occurs that cannot be guaranteed) of the Southern Crown Gold Project or other mineral projects of the Company. Any major financier would wish to have first security and this may lead to a rejection by financiers unless the charge by Silja was dropped to a second ranking charge. If debt finance is not required, then the issue is not a significant concern although if the Company failed, Silja could take control of the assets of Goldstar by appointing a Receiver and Manager. The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

### 3. IMPLICATIONS OF THE PROPOSALS

- 3.1 As at 28 April 2009, there were 164,955,097 fully paid ordinary shares on issue in Goldstar. In addition, there are a total of 2,351,000 partly paid shares outstanding as at 11 September 2008. The partly paid shares are paid to 0.1 cent each with unpaid calls of 9.9 cents each (\$232,749 of unpaid calls not paid). These partly paid shares were put to auction in August 2008 but none of the partly paid shares were sold to pay outstanding calls. As such they are still disclosed as partly paid shares. If the proposals with Silja and re capitalisation proceed, it is expected that the partly paid shares currently held in trust by Goldstar will be sold and they will become fully paid shares. In calculating possible percentages, we have assumed that the partly paid shares will convert to fully paid shares in the near future. Thus we assume for the purpose of this report that there will be 167,306,097 fully paid shares on issue prior to the public offering. The significant fully paid shareholders as at 18 March 2009 are disclosed as:

<u>Name of Shareholder (and associates)</u>	<u>No. of Shares</u>	<u>% Interest</u>
Z Nominees Ltd	23,489,242	14.04
Citicorp Nominees	20,857,383	12.47
Valentino Holdings Pty Ltd (Colby Family a/c)	7,500,000	4.48
Mineral Resources Limited ("MRL")	7,379,241	4.41
Tarney Holdings Pty Ltd (DP&FL Waddell Family)	5,000,000	2.99
ANZ Nominees	2,901,966	1.73
HALB Nominees Ltd	2,482,800	1.48
	<u>61,820,632</u>	<u>41.60</u>

- 3.2 The top twenty fully paid shareholders as at 19 March 2009 own 53.34% of the current issued capital. Z Nominees in 2006 acquired approximately 19 million of its shares at an average price of 37.6 cents per share. MRL acquired the majority (7,189,241 shares) of its fully paid shares on 1 May 2008 at a cost of 14.5 cents per share.
- 3.3 The unlisted share options currently on issue are 325,000 share options exercisable at 37.5 cents on or before 30 September 2009, 696,000 share options exercisable at 35 cents each on or before 27 September 2009. In addition, Silja is entitled to receive 15,000,000 share options issued of which 5,000,000 are exercisable at 15 cents each, 5,000,000 are exercisable at 20 cents each and 5,000,000 are exercisable at 25 cents each all on or before 18 August 2012. In addition if resolutions 8 and 9 are passed and consummated, Mr Denis Waddell (or nominee) will own 40,000,000 share options and Mr Martin Bouwmeester (or nominee) will own 20,000,000 options both exercisable at 1 cent each, 50% vest 1 March 2010 and 50% vest 31 March 2011 and all expire 31 March 2014. Furthermore, if

resolution 6 is passed, a further 300,000,000 share options (the New Silja Share Options) exercisable at 1 cent each on or before 15 months from issue date will be on issue.

- 3.4 Pursuant to the DOCA and recapitalisation proposal, it is proposed that the following number of shares (that includes the current partly paid shares) will be issued:

	<b>Maximum</b>	<b>Minimum</b>
On issue as at 28 April 2009	167,306,097	167,306,097
Issue pursuant to the public offering to Silja	300,000,000	240,000,000
Issue pursuant to the public offering	300,000,000	250,000,000
<b>Total shares on issue post consummation of resolutions 1 to 12</b>	<b>767,306,097</b>	<b>657,306,097</b>
<b>Potential issue of shares</b>		
Conversion of First Tranche Note at 1 cent each	218,013,199	218,013,199
Conversion of Second Tranche Note at 1 cent each	231,967,363	231,967,363
Total if First and Second Tranche Notes Converted	1,217,286,659	1,107,286,659
Conversion of Third Tranche Notes at 1.0 cent each	434,938,577	434,938,577
<b>Total potential shares on issue before conversion of any share options</b>	<b>1,652,225,236</b>	<b>1,542,225,236</b>

The above figures assume:

- The First Tranche Note is converted at Maturity Date of the Notes of 31 August 2013 at 1 cent each calculated from 11 September 2008. The First Tranche Note if interest at 9% is capitalised to the Maturity Date would total approximately \$2,180,132 and if converted to equity at 1 cent each approximately 218,013,199 shares would be issued to Silja.
- The Second Tranche Note is issued say on 1 July 2009 and is converted to shares at 1 cent each on 31 August 2013. The Second Tranche Note if interest at 9% is capitalised to the Maturity Date would total approximately \$2,319,674 and if converted at 1 cent per share to equity approximately 231,967,363 shares would be issued to Silja.
- The Third Tranche Note if interest at 9% is capitalised to the Maturity Date would total approximately \$4,349,386 and if converted to equity at 1.0 cent per share approximately 434,938,577 shares would be issued to Silja. This assumes the Third Tranche Note is issued at the same time as the Second Tranche Note.

Further shares may be issued to Silja if Silja exercises the 300,000,000 New Silja Share Options noted above. To do so Silja would need to pay to Goldstar \$3,000,000 to exercise such share options. Further shares may also be issued to Silja if Silja exercises the 15,000,000 share options noted above. To do so Silja would need to pay \$750,000 to exercise 5,000,000 of the options at 15 cents each, pay \$1,000,000 to exercise 5,000,000 of the options at 20 cents each and pay \$1,250,000 to exercise 5,000,000 options at 25 cents each all on or before 18 August 2012.

- 3.5 In the event that Silja subscribes for 300,000,000 shares out of the 600,000,000 shares to be issued pursuant to the public offering, the Silja Group would own 323,912,409 shares (42.21%) out of the 767,306,097 shares on issue. In the event that Silja subscribes for 300,000,000 shares out of the 550,000,000 shares to be issued pursuant to the public offering in the event that the minimum 250,000,000 shares are subscribed for as noted above, the Silja Group would own 323,912,409 shares (45.16%) out of the 717,306,093 shares on issue. In the event that Silja subscribes for 240,000,000 shares out of the

600,000,000 shares to be issued pursuant to the public offering, the Silja Group would own 263,912,409 shares (34.39%) out of the 767,306,097 shares on issue. In the event that Silja subscribes for 240,000,000 shares out of the 550,000,000 shares to be issued pursuant to the public offering in the event that the minimum 250,000,000 shares are subscribed for as noted above, the Silja Group would own 263,912,409 shares (40.15%) out of the 657,306,097 shares on issue. In the event that the First Tranche Notes are converted to ordinary fully paid shares in Goldstar the shareholding interests of the Silja Group increases to possibly 541,925,608 fully paid shares representing approximately 57.94% of the expanded issued fully paid capital of the Company (935,319,296 shares may then be on issue assuming the minimum 550,000,000 shares are issued pursuant to the public offering). In the event that the First Tranche and Second Tranche Notes are converted to ordinary fully paid shares in Goldstar the shareholding interests of the Silja Group increases to possibly 773,892,971 fully paid shares representing approximately 66.30% of the expanded issued fully paid capital of the Company (1,167,286,659 shares may then be on issue assuming the minimum 550,000,000 shares are issued pursuant to the public offering). In the event that the First Tranche, Second Tranche and Third Tranche Notes are converted to ordinary fully paid shares in Goldstar the shareholding interests of the Silja Group increases to possibly 1,208,831,548 fully paid shares representing approximately 75.45% of the expanded issued fully paid capital of the Company (1,602,225,236 shares may then be on issue assuming the minimum 550,000,000 shares are issued pursuant to the public offering).

In the event that all of the Convertible Notes are converted to ordinary fully paid shares in Goldstar and all of the 300,000,000 New Silja Share Options are exercised by Silja, the shareholding interests of the Silja Group increases from the 23,912,409 shares (14.29%) to possibly up to 1,508,831,548 fully paid shares representing approximately 79.32% of the expanded issued fully paid capital of the Company (1,902,225,236 shares may then be on issue assuming no further capital raisings, 300,000,000 New Silja Share Options are exercised and the partly paid shares are sold to become fully paid shares). The actual potential shareholding interests of the Silja Group may vary depending on conversion prices, dates of drawn down of the Second and Third Tranche Notes and the amount subscribed for under the public raising.

In the event that the Convertible Notes are converted to ordinary fully paid shares in Goldstar, all of the 300,000,000 New Silja Share Options are exercised and all of the 15,000,000 options are exercised by Silja, the shareholding interests of the Silja Group increases from the 23,912,409 shares (14.29%) to possibly up to 1,523,831,548 fully paid shares representing approximately 79.48% of the expanded issued fully paid capital of the Company (1,917,225,236 shares may then be on issue assuming no further capital raisings, 300,000,000 New Silja Share Options are exercised and 15,000,000 share options are exercised and the partly paid shares are sold to become fully paid shares). The actual potential shareholding interests of the Silja Group may vary depending on conversion prices, dates of drawn down of the Second and Third Tranche Notes and the amount subscribed for under the public raising.

- 3.6 In relation to the Board of Directors control, the current directors are Messrs Denis Waddell, Graeme Sloan and Alexander Haller. Upon the execution of the DOCA, Messrs Gordon Hill, Eileen Carr and Jeff O'Leary resigned as directors. Graeme Sloan remained as a director and Denis Waddell and Alexander Haller were appointed as directors on 27 February 2009. Silja may nominate an additional director if it subscribes for the Third Tranche Note.

#### **4. FUTURE DIRECTION OF GOLDSTAR**

4.1 We have been advised by a Director of Goldstar that:

- The immediate short-term plan is to complete the issue and allotment of the Second Tranche Note and Third Tranche Note to Silja (to raise via convertible debts \$4,600,000) and issue up to 600,000,000 shares at 1 cent each pursuant to the public offering as outlined in resolution 4 and use the funds (minimum equity to be raised is \$4,900,000 and the maximum is \$6,000,000) for the purpose of progressing the feasibility study at Walhalla, conducting a review and evaluation of the Company's exploration programmes and to provide working capital, including settlement of expenses associated with the capital raisings. In addition the Company will pay the Deed Administrators fees and expenses and an amount to the Deed Administrators sufficient to pay all admitted creditors of the Company (excludes Silja) 100% of the amount owing as at 9 January 2009 and finalise the terms of the DOCA so that the Company is no longer in Administration (Deed of Company Arrangement). On completion of the capital raisings and removal of the Deed Administrators, the Company intends to seek re-quotations of its shares on the ASX;
- Composition of the Board of Directors of Goldstar is not proposed to change in the near future;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- The Company may seek to raise further capital if required to continue exploration programmes or develop the Company's mineral assets.

#### **5. BASIS OF TECHNICAL VALUATION OF GOLDSTAR**

##### **5.1 Issue of shares to Silja**

5.1.1 In considering the proposals as outlined in resolutions 2, 3, 5 and 6 we have sought to determine if the issue price of the shares to be issued to Silja is in excess of the current fair value of the shares in Goldstar on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of Goldstar.

5.1.2 The proposals pursuant to resolutions 2, 3, 5 and 6 would be fair to the existing non-associated shareholders if the issue price of the up to 300,000,000 shares to be issued to Silja are greater than or equal to the implicit value of the shares in Goldstar currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Goldstar shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Goldstar share are:

- Capitalised maintainable earnings/discounted cash flow,
- Takeover bid - the price which an alternative acquirer might be willing to offer,
- Adjusted net asset backing and windup value, and
- The market value price of Goldstar shares.

## 5.2 Capitalised Maintainable Earnings / Discounted Cash Flows

5.2.1 Goldstar currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate. The Company is currently in Administration and under a DOCA and needs funds to progress the feasibility study at Walhalla and conduct a review and evaluation of the Company's exploration portfolio to prioritise and undertake exploration programmes. It is likely too early to use a discounted cash flow model as proven and probable economic reserves are yet to be accurately determined. Currently, Goldstar does not have the funds and thus any perceived technical value of the Walhalla Project is theoretical as without funds it could not be developed (although feasibility studies will continue once funds are raised and no decision on development is likely until completion of the studies).

## 5.3 Takeover Bid

We have been advised by a Director of Goldstar that the Directors do not believe that there would be any person with an interest in taking over 100% of the Company by way of a formal takeover bid. To our knowledge, there are no current bids in the market place and the Directors of Goldstar have formed the view that there is unlikely to be any takeover bids made for Goldstar in the immediate future. It is noted however that the holding of the Silja Group could approximate 45.16% (and could be significantly more if shares are issued on conversion of First and Second Tranche Notes and even greater if the Third Tranche Notes are issued and converted to shares). There is no guarantee that Silja will convert Convertible Notes in the future and exercise any of the 300,000,000 New Silja Share Options (that are exercisable at 1 cent each on or before 15 months from issue date) and 15,000,000 Options that it is entitled to (exercisable in three equal tranches at 15 cents, 20 cents and 25 cents before 31 August 2012).

## 5.4 Net Asset Backing and Wind-Up Value

5.4.1 A summary of the unaudited consolidated balance sheet of Goldstar as at 30 November 2008 as adjusted for known movements to date of Administration and asset write downs of Goldstar is summarised below along with two pro-forma consolidated balance sheets after allowing for the following:

- the issue of \$1,600,000 of Second Tranche Note to Silja;
- the issue of \$3,000,000 of Third Tranche Note to Silja;
- the issue of 300,000,000 shares at 1 cent each to Silja to raise a gross \$3,000,000
- the issue of 14,325,000 shares at 1 cent each to raise a gross \$143,250;
- the issue of 300,000,000 shares at 1 cent each to raise \$3,000,000;
- the payment of further operating costs of \$150,000 until completion of the capital raisings;
- the incurring of \$82,000 of new creditors;
- the issue of 300,000,000 New Silja Share Options at a deemed valuation of \$1,307,488 and expensed;
- the issue of 60,000,000 share options at a deemed valuation of \$452,950 and expensed;
- the payment of capital raising costs of say \$300,000; and
- the payment of liabilities other than Silja's debt of \$1,400,000 of an estimated \$1,050,000.

	<b>Unaudited 30 November 2008</b>	<b>Unaudited Pro-forma 30 November 2008</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Current assets</b>		
Cash (restricted at 30 November)	250	250
Cash at bank	-	9,243
	<u>250</u>	<u>9,493</u>
<b>Non current assets</b>		
Plant and equipment	604	604
Other financial assets	16	16
Deferred exploration and evaluation costs (Victoria)	5,000	5,000
Deferred exploration and evaluation costs (Queensland)	100	100
Deferred exploration and evaluation costs (Western Australia)	200	200
	<u>5,920</u>	<u>5,920</u>
Total assets	<u>6,170</u>	<u>15,413</u>
<b>Current liabilities</b>		
Trade and other payables	1,050	82
Provisions	47	47
	<u>1,097</u>	<u>129</u>
<b>Non Current Liabilities</b>		
Convertible Notes (including interest)	1,428	6,028
	<u>1,428</u>	<u>6,028</u>
Total liabilities	<u>2,525</u>	<u>6,157</u>
<b>Net Assets</b>	<u>3,645</u>	<u>9,256</u>
<b>Equity</b>		
Issued capital	39,307	45,150
Reserves	319	2,079
Accumulated losses	(35,981)	(37,973)
<b>Net Equity</b>	<u>3,645</u>	<u>9,256</u>

5.4.2 Based on the book values at 30 November 2008 (as adjusted) this equates to a value per share (152,981,097 shares) of approximately 2.38 cents (ignoring the value, if any, of non-booked tax benefits). Under International Financial Reporting Standards ("IFRS"), part of the Convertible Notes would be treated as equity to reflect the ability of the holder of the Convertible Notes to convert to equity (at Silja's option). To simplify the balance sheets we have disclosed 100% of the Convertible Notes as liabilities.

5.4.3 Based on the pro-forma consolidated balance sheet the net book assets after taking into account the proposals pursuant to resolutions 2 to 12 and allowing for costs as noted above is approximately \$9,256,000. Thus, the net book asset backing per share (767,306,097 shares) would approximate 1.20 cents. If we assumed the minimum subscription of 240,000,000 shares by Silja or nominees and 250,000,000 by investors/shareholders under the public offering to raise a gross \$4,900,000 and assumed capital raising costs reduced from \$300,000 to \$245,000 the adjusted pro-forma balance sheet would disclose net assets of approximately \$8,211,000. The number of shares on issue would be 657,306,097, the

pro-forma net assets would be \$8,211,000 and the net asset backing per share would be approximately 1.24 cents.

However, based on information forwarded to 8 January 2009 Goldstar creditors by the Administrators the creditors would only receive approximately 10 cents in the dollar return in the absence of the recapitalisation proposal and even in this worst case scenario (10% return) the return to creditors would be greater than that achieved under liquidation as based in their calculations, the unsecured creditors would achieve nil return. This arguably implies that currently the shares in Goldstar (prior to the recapitalisation proposals being consummated) have nil or minimal value. Thus we conclude that the pre capitalisation value of a Goldstar share is minimal and less than 1 cent.

5.4.4 Using the pro-forma balance sheet noted above and the event that the Convertible Notes are converted to ordinary fully paid shares in Goldstar, the net asset position (ignoring any subsequent losses and share issues on conversion of all outstanding share options but allowing for the full capitalised interest on the Convertible Notes) would equate to:

Assume the First and Second Tranche Notes are converted (at 1 cent per share)

- \$12,284,000 and the number of shares on issue would be 1,217,286,659 resulting in an asset backing per share of approximately 1.00 cent.

Assume First, Second and Third Tranche Notes are converted (at 1 cent per share)

- \$15,284,000 and the number of shares on issue may be 1,652,225,236 resulting in an asset backing per share of approximately 0.92 cents.

## 5.5 Market Price of Goldstar Shares

5.5.1 We set out below a summary of share prices of Goldstar since 1 September 2008 to 8 January 2009, the day the Company appointed an Administrator:

<b>2008</b>	<b>High Cents</b>	<b>Low Cents</b>	<b>Last Sale Cents</b>	<b>Volumes Trade (000's)</b>
September	14.0	8.1	8.1	1,967
October	8.1	3.9	3.9	6,252
November	4.8	3.0	4.0	1,203
December	4.7	2.9	4.7	1,983
<b>2009</b>				
January	4.0	2.9	3.3	816

5.5.2 The share price has been steadily falling over the past six months partly due to a general fall in the market generally and particularly over the past few months due a decline in the gold price. The gold price in June 2008 was around US\$875 to US\$900 per ounce (and peaking at around US\$975 in mid July 2008) and as at 25 August 2008 it was US\$820 (it fell below US\$800 in early August 2008). As at 9 September 2008 the gold price was approximately US\$800. In March 2008 is reached over US\$1000 per ounce and for the period February 2008 to mid July 2008 gold traded in the range of US\$850 to US\$975. Between June 2009 and August 2009 the shares traded between 8.9 cents and 28 cents with the shares declining in price from June 2009. It is our belief that the fall in the share price of a Goldstar share has been affected by the fall in the price of gold as Goldstar is a

potential gold producer and the uncertainty surrounding the cash position of the Company. As the Company is under a DOCA and in Administration, the shares have been suspended from trading on ASX since 8 January 2009. The Deed Administrators have implied that the shares in the absence of the recapitalisation process as envisaged are near worthless and 8 January 2009 unsecured creditors would receive between nil and 10 cents in the dollar.

5.5.3 No independent valuations have been prepared on the mineral prospects of Goldstar and we do not consider it necessary to obtain an independent valuation of the mineral prospects for the purposes of this report. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Goldstar and other parties. We also note it is not the present intention of the Directors of Goldstar to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Goldstar based on the market perceptions of what the market considers a Goldstar share to be worth. It is noted that over the past year or so, many gold exploration and producer companies listed on the ASX were arguably trading at premiums to appraised technical values (this is a turn around from the early 2000's when a discount may have applied) although in recent months the premium has been reduced. The market capitalisation of Goldstar as at 8 January 2009 was approximately \$5 million that is less than the net equity position of around \$33 million as at 30 June 2008 and compares with the unaudited 30 November 2008 net assets (after write downs of mineral assets) of \$3,645,000. The Company's financial position is very poor and may not be able to continue exploration and evaluation of its exploration portfolio (including Walhalla) and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds (such as envisaged via the draw down of the Second Tranche Note of \$1,600,000 and the Third Tranche Note of \$3,000,000 and the raising of new capital of up to \$6,000,000 (this will be reduced by paying costs and Deed Administrator fees and expenses and repaying admitted 8 January 2009 creditors in full). There is a distinct possibility that if the recapitalisation proposal as envisaged under the DOCA (or some other similar recapitalisation proposal) is not completed, the Deed Administrators may sell the mineral assets of the Company and the Company may be forced into liquidation if the proceeds of the sales are insufficient to pay creditors and Silja. The Deed Administrators believe the recapitalisation proposal put by Silja in conjunction with Denis Waddell and others is in the best interests of creditors in that if the recapitalisation proposal is completed creditors as at 8 January 2009 will receive 100% in the dollar compared with approximately 10% in the dollar if it does not proceed. This implies that without the recapitalisation proposal the shares in Goldstar may be worthless or of minimal value.

5.5.4 The Company in late July 2008 had announced the proposal to undertake a non renounceable rights issue to shareholders to raise \$7,000,000 and it was proposed to be underwritten subject to normal underwriting clauses. However, due to prevailing market conditions, the rights issue had been cancelled. The initial rights issue was to be at 15 cents per share but as time progressed the share price started to fall and fell below 10 cents. The proposed underwriter and sub-underwriter were then looking at an issue at 80% of market when the share price was 9.5 cents (a potential issue price of 7.6 cents per share). The sub-underwriter then pulled out due to other commitments. We have been advised that several brokers were contacted to assist in a capital raising but notwithstanding the potential but not guaranteed development of the gold projects in Victoria, the brokers declined to assist in the capital raising process and in one case the terms were too onerous.

5.5.5 The Company's financial position is very poor (it is in fact under a DOCA) and may not be able to continue exploration and evaluation of its exploration portfolio and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds such as envisaged via the public offering of up to \$6,000,000 of which Silja is to subscribe to up to \$3,000,000 (minimum may be \$2,400,000 by Silja) and the draw down of the Second and Third Tranches Note if re-approved by shareholders (with amended terms) totalling \$4,600,000.

5.6 Preferred value of Goldstar fully paid shares (range) to arrive at fairness conclusion

5.6.1 Notwithstanding the good prospectivity of the Walhalla area without cash the Company cannot recommence exploration and evaluation of the mineral assets. The closing share price as at 9 January 2009 does not necessarily reflect fair value of the Company's shares in the current economic circumstances of the Company. If funds can be raised, future exploration and evaluation proves successful and development of the Company's mineral assets proceed, then arguably the fair value of a Goldstar share would be in excess of the 1 cent issue price under the proposed public offering to raise up to \$6,000,000 and the conversion price (maximum of 1 cent) relating to the First, Second and Third Tranche Notes. As discussed previously, the conversion price for the First, Second and Third Tranche Notes may even be less than 1 cent each if Goldstar undertakes a capital raising before the Maturity Date at less than 1 cent. Shareholders should note that, if the Capital Raising (public issue) the subject of resolution 4 is approved, the Company will issue shares at an issue price of \$0.01 per share. Accordingly, this would result in the maximum conversion price of the First, Second and Third Tranche Notes being \$0.01 per share. If the Company issues shares at price lower than \$0.01 prior to the maturity date of the convertible notes, the conversion price will be lower than \$0.01 (1 cent). For the purposes of this report we have assumed a conversion price of 1.0 cents per share for the First, Second and Third Tranche Notes. The share price in the future is unknown but it may be fair to say that if the development of the Company's mineral assets do proceed to production (more evaluation work is still required before a decision to mine is contemplated in regard to Walhalla) then it is likely that the share price would be higher than the share price at 8 January 2009. The future ultimate value of a Goldstar share will depend upon, inter alia:

- the future prospects of its mineral assets;
- the state of the gold and base metal market (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength of the Board and/or who makes up the Board;
- general economic conditions;
- the liquidity of shares in Goldstar; and
- possible ventures and acquisitions entered into by Goldstar.

It is noted that Silja is to subscribe for up to 300,000,000 shares at the same price (1 cent) as other investors and possibly shareholders are to subscribe for shares under the public offering. The Deed Administrators have implied that the shares in the absence of the recapitalisation process as envisaged are near worthless and 8 January 2009 unsecured creditors would receive between nil and 10 cents in the dollar. Thus we conclude that in the absence of the recapitalisation proposals being consummated and finalised, the current value of a Goldstar share is minimal and less than 1 cent.

## 6. PREMIUM FOR CONTROL

- 6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, if Silja before conversion of the Notes to ordinary fully paid shares in Goldstar, but assuming the issue of 300,000,000 shares to Silja and the issue of a further minimum of 250,000,000 shares pursuant to the public offering the Silja Group's collectively shareholding in Goldstar could increase to approximately 45.16% (and possibly more if the Notes are converted to share equity and the up to 300,000,000 New Silja Share Options and 15,00,000 Share Options are exercised) of the expanded issued capital of Goldstar. Accordingly, we have addressed whether a premium for control will be paid.
- 6.3 The last sale market value of a Goldstar share approximated 3.3 cents and it is noted that the shares prior to the appointment of Administrators traded from September 2008 in the 2.9 cent to 14 cent range although it is noted that the net book asset backing per share is now disclosed at approximately 2.38 cents (at 30 June 2008 before asset write-downs the net asset backing per share was over 20 cents). Therefore, Silja may not be considered to be paying a premium for potential control based on share prices but in our view it is not appropriate to use pre 8 January 2009 share prices in view of the financial circumstances of the Company and the view of the Administrators that unsecured creditors would not be paid out in full without the recapitalisation proposal proceeding. It is noted that Goldstar does not have sufficient funds to continue full evaluation of its Walhalla project and other projects and without an inflow of funds by way of a capital raising or a debt raising (as envisaged by the proposals with Silja) there is the possibility that the shares in Goldstar could fall below the 8 January 2009 share price of 3.3 cents and in fact could be placed into liquidation in the absence of an alternative proposal. As arguably the value of shares, in the absence of the recapitalisation proposal is nil or minimal, then as Silja is paying 1 cent per share (as is the other potential new investors that may include shareholders by way of a rights issue to raise between \$500,000 and \$1,000,000) Silja is paying a premium for control. The current shareholders do not receive directly cash to relinquish control but will have a collective interest in the Company of around 54.84% (refer paragraph 6.2 above) and will own shares in the Company that should be quoted on ASX and have sufficient funds to progress the feasibility studies at Walhalla in Victoria. If successful, the share price of Goldstar shares on ASX may increase to over 1 cent per share and are therefore benefiting.
- 6.4 We note that currently Silja does not have Board control of Goldstar. In the event that Silja is also issued Third Tranche Convertible Notes, Silja has the option to nominate another person to the Goldstar Board. The current Board following the signing of the DOCA is to be Graeme Sloan, Denis Waddell and Alexander Haller (a nominee of Silja) (refer paragraph 3.6 above).

## 7. FAIRNESS AND REASONABLENESS OF THE PROPOSALS

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed issues, pursuant to resolutions 2, 3, 5 and 6 and the recapitalisation proposals generally.

### Advantages

- 7.1 If shareholders do not approve resolutions 2 to 6 and the recapitalisation proposals generally, the DOCA comes to an end and the Administrators will either seek new investors (this may be unlikely as the Administrators have already gone through this process in January and February 2009) or recommend to creditors to wind up the Company. By raising \$1,600,000 (via the Second Tranche Note) and \$3,000,000 (via the Third Tranche Note) and a minimum of \$4,900,000 from the public offering and completion of the DOCA, the Company may have enough funds to progress the feasibility at Walhalla, conduct a review and evaluation of the Company's exploration portfolio and undertake exploration programmes. Should the Company complete the feasibility study at Walhalla and at some point of time commence development (although this cannot be guaranteed) there may be an opportunity for the Company to become a gold producer.
- 7.2 In the event that the recapitalisation process is not completed (that includes issuing up to 300,000,000 shares and 300,000,000 New Silja Share Options to Silja before conversion of any Notes), then it is probable that the Company may be forced into liquidation and shareholders would be severely disadvantaged. By agreeing to the proposals, the Company will be recapitalised, have cash and its shares would be requoted on the ASX. Shareholders are then provided with the opportunity to sell or remain a shareholder.

### Disadvantages

- 7.3 In the event that Silja acquires up to 300,000,000 shares at 1 cent each, the Silja Group could own approximately 45.16% of the expanded issued capital of Goldstar. The existing shareholders other than Silja are materially diluted to approximately 54.84%. However it is noted that without the recapitalisation proposal (or some other recapitalisation proposal) the shares in Goldstar are virtually worthless. There is the potential for Silja to increase its shareholding interest in Goldstar on conversion of Tranches of Convertible Notes if converted and exercise of the 300,000,000 New Silja Share Options. The actual percentages cannot be determined with any degree of accuracy but may be as high as 75.45% and thus the non associated shareholders may be diluted to as low as 24.55% (it could also increase further if all of the 15,000,000 Options are exercised). However, the current worth of a Goldstar share without the recapitalisation proposals with Silja arguably is nil or minimal. The conversions may only occur if the Company enters into a production mode and even then there is no guarantee or warranty that Silja will convert (or exercise 300,000,000 New Silja Share Options or 15,000,000 Options).
- 7.4 There is an interest cost in entering into the Convertible Notes although there is no cash outlay until such time as the Convertible Notes are repaid (may be three years after issue date and on the Maturity Date). If the Convertible Notes went to Maturity Date, the Company would end up paying interest of approximately \$1,499,806 if only the First and Second Tranche Notes were issued (the First tranche Note has already been issued as approved by shareholders in November 2008) and \$2,849,192 if also the Third Tranche Convertible Note was issued and drawn down at the same time as the Second Tranche Note. The total amount payable on Maturity Date may lie in the range of approximately \$4,499,806 (First and Second Tranche Notes) and approximately \$8,849,192 (all three

tranches of Notes). The Company may not be in a financial position to repay the Convertible Notes unless in the meantime the Company has become a successful and commercial gold producer.

### **Other Factors**

- 7.5 Silja is taking a risk in investing in Goldstar as to a large extent, Goldstar's future share price may be determined by the exploitation and/or commercial success (or otherwise) of its exploration portfolio (including the Walhalla Gold Field) and other mineral assets owned by Goldstar. There is a huge incentive for the Silja Group to make Goldstar a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price (currently suspended).
- 7.6 The opportunities to raise a total of up to \$10,600,000 (\$1,600,000 from the draw down of the Second Tranche Note, \$3,000,000 from the draw down of the Third Tranche Note and up to \$6,000,000 from the public offering) are considered limited in the current bear market associated with gold companies and the stock market generally.
- 7.7 By recapitalising as proposed, the Company will be drawing down on the Second Tranche Note and if the First and Second Tranche Notes are held to maturity and not converted to shares, will result in a debt to the Company of approximately \$4,499,806 assuming interest is capitalised at 9% per annum. The Company may not be in a financial position to repay the Convertible Notes unless in the meantime the Company has become a successful and commercial gold producer. The debt would increase up to a maximum of \$8,840,192 if the Third Tranche Note is issued at the same time as the Second Tranche Note and held to maturity.
- 7.8 The Company as part of the Convertible Notes issues with Silja agreed to allow Silja to take a first ranking charge over the assets and undertakings of the Goldstar Group. Although this is not unusual to protect the lender (Silja), it may cause complications later on if the Company wishes to obtain debt finance to finance part of the development of the Company's mineral assets. Any major financier would wish to have first security and this may lead to a rejection by financiers unless the charge by Silja was dropped to a second ranking charge. If debt finance is not required, then the issue is not a significant concern although if the Company failed, Silja could take control of the assets of Goldstar by appointing a Receiver and Manager. As it was, Silja appointed an Administrator in January 2009 due to the failure of Goldstar to meet certain conditions. The Company's current financial position is precarious (it is in Administration and under a DOCA) and the ability to continue to progress the potential of its Walhalla project is dependent on the draw down of the Second and Third Tranche Notes and the capital raising as envisaged via the public offering (in which is primarily being supported by Silja). Thus by allowing Silja to take a charge over the assets and undertakings is a risk that Silja obtains control of the assets if the Company could not repay the Convertible Notes when they fall due (in the event that Silja does not convert the Convertible Notes to share equity).
- 7.9 The number of shares that could be issued on the First, Second and Third Tranche Notes if converted may be less than 1 cent if Goldstar makes a share issue before conversion (and before Maturity Date) at less than 1 cent. The shareholders should be aware that Silja has the ability to take control of the assets of the Goldstar Group in the event that Goldstar defaults on repayment of the Notes.

- 7.10 There is always the possibility that the value of the Goldstar shares is in excess of the exercise prices of the up to 300,000,000 New Silja Share Options (exercisable at 1 cent each within 15 months from date of issue) and the three tranches of Options (15,000,000 Options in total) at the date of exercise. However, shareholders would also benefit from an increased share price.
- 7.11 The Company would receive up to a total of \$3,000,000 if Silja (or nominees) converted all of the up to 300,000,000 New Silja Share Options at 1 cent each on or before 15 months from date of issue. The accounting cost (not cash cost) of issuing 300,000,000 New Silja Share Options may be \$1,307,488. This assumes the following:
- Goldstar share price of 1 cent
  - Risk free interest rate of 3.5%
  - Volatility factor of 100%
  - 15 month term to expiry
  - Exercise price of 1 cent each

The accounting cost is necessary to account for the issue of the New Silja Share Options under IFRS and is not a cash outlay to Goldstar. The amount may be expensed to the income statement or treated as a capital raising cost and offset against equity.

## 8. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

- 8.1 After taking into account the factors referred to in Section 7 above and elsewhere in this report, we are of the opinion that the proposals as outlined in resolutions 2, 3, 5 and 6 are, **on balance, considered in view of the current financial position of the Company to be fair and reasonable to the non associated shareholders of Goldstar.**

## 9. SOURCES OF INFORMATION

- 9.1 In making our assessment as to whether the proposals pursuant to resolutions 2, 3, 5 and 6 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Goldstar about the present and future operations of Goldstar. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Directors and management of Goldstar.
- 9.2 Information we have received, includes, but is not limited to:
- Drafts (March and April) of Notice of General Meeting of Shareholders and Explanatory Memorandum of Goldstar for the General Meeting of Shareholders the Company plans to hold in June 2009;
  - Discussions with a director of Goldstar;
  - Shareholding details of Goldstar as at 18 March 2009;
  - Share prices of Goldstar since 1 July 2008 to 8 January 2009;
  - Annual Report of Goldstar for the year ended 30 June 2008;
  - Announcements made by Goldstar to the ASX from 1 January 2007 to 28 April 2009;
  - The preliminary evaluation report on the Southern Crown Gold Project by SRK;
  - The Convertible Loan Agreement;
  - The Deed of Charge;

- The unaudited balance sheet of Goldstar as at 30 November 2008 and a pro-forma balance sheet that assumed certain recapitalisation assumptions;
- Information provided to the 8 January 2009 creditors of Goldstar to 22 March 2009;
- The DOCA;
- Draft of amendment to the Convertible Loan Agreement;
- A calculation spreadsheet of interest on the Convertible Notes to Maturity Date; and
- Gold price history sheet sourced from the web.

9.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES**



**J P Van Dieren, FCA**  
**Director**

**APPENDIX A****AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Pty Ltd trading as Stantons International Securities dated 30 April 2009, allowing amendments to the converting Loan Agreement with Silja, the issue of two Convertible Notes and in effect allow the conversion by Silja of the First, Second and Third Tranche Notes and the issue of up to 300,000,000 ordinary shares and up to 300,000,000 New Silja Share Options (and allowing exercise of the New Silja Share Options) in Goldstar to Silja as outlined in paragraph 1 of the report and resolutions 2, 3, 5 and 6 in the Notice of Meeting to Shareholders to be forwarded to shareholders in May 2009 for a meeting of shareholders in June 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Goldstar or Silja other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$14,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Goldstar. Stantons International is a creditor of Goldstar to the extent of \$1,155. In September 2008, Stantons International Securities prepared an Independent Expert's Report ("IER") on the proposal to issue the three Tranches of Notes to Silja along with the issue of 15,000,000 Options to Silja. The fee outstanding relates to the valuation of share options in November 2008 and a minor amount of work on finalising the original IER. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

**QUALIFICATIONS**

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the Directors of Stantons International Services Pty Ltd are the Directors' of Stantons International Securities. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

### **DECLARATION**

This report has been prepared at the request of the Directors of Goldstar in order to assist them to assess the merits of the issue of up to 300,000,000 shares (and up to 300,000,000 New Silja Share Options and allowing the exercise of such share options) to Silja and allowing amendments to the Converting Loan Agreement with Silja, to issue two new Convertible Notes and in effect convert any outstanding Convertible Notes to ordinary shares in Goldstar to which this report relates. This report has been prepared for the benefit of Goldstar's shareholders and does not provide a general expression of Stantons International Securities' opinion as to the longer term value of Goldstar or the individual assets of Goldstar. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Goldstar or the ownership of Goldstar. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

### **DISCLAIMER**

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (Stantons International Pty Ltd) and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

### **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by Goldstar and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Goldstar has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) to recover any loss or damage which Goldstar may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Goldstar; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) against any claim arising (wholly or in part) from Goldstar or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Goldstar or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Goldstar directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE**  
**Dated 30 APRIL 2009**

**1. STANTONS INTERNATIONAL PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)**

Stantons International Securities ACN 103 088 697 (“**SIS**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

**2. FINANCIAL SERVICES GUIDE**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 319600**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

**3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

**4. GENERAL FINANCIAL PRODUCT ADVICE**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the

advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

**5. BENEFITS THAT WE MAY RECEIVE**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

**7. REFERRALS**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**8. ASSOCIATIONS AND RELATIONSHIPS**

SIS is a trading name owned by Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

**9. COMPLAINTS RESOLUTION**

**9.1 *Internal complaints resolution process***

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities  
Level 1  
1 Havelock Street  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

## **9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 30021

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

## **10. CONTACT DETAILS**

You may contact us using the details set out above or by telephone (08) 9481 3188 or facsimile (08) 9321 1204.