TechStar Limited

Dear Shareholder,

Financial year 2005/06 has been a busy year for TechStar, and this Annual General Meeting continues the trend in setting the company for the future.

As well as the usual AGM resolutions accepting the financial accounts and re-appointing retiring directors, there are 2 resolutions which consolidate the re-focusing of the Company started at last year's AGM with the approval to acquire the IPOH Group of companies with their bentonite-based environmental remediation technologies.

The first resolution is to approve the acquisition of Ipoh Pacific Resources Pty Ltd, the owner of the large, high quality Mantuan Downs bentonite resource.

This is a very strategic move for the Company because with this purchase we will acquire an asset which will provide a significant underpinning cash flow for the Company, through direct sales of the bentonite. Additionally, it provides a classic case of vertical integration through guaranteeing high quality supply for the environmental remediation products.

Techstar directors commissioned an independent mining engineer's report which reported favourably on Mantuan Downs, and the initial geological resource estimate following a drilling program advised that there are reserves of over 15 million tonnes, easily extracted with much of the bentonite less than 1 metre below the surface.

Enclosed with this notice of meeting is the independent experts report completed by Interfinancial which also supports the transaction.

It is anticipated that the resource will commence mineral production and generation of revenues in the first half of calendar 2007.

The second resolution seeks to change the name of the Company to Prime Mineral Industries Limited to more accurately reflect our business as we move forward.

We are developing mineral-based technologies, and exploiting the Mantuan Downs mineral resource. The very high quality of the product from Mantuan Downs, as compared to other bentonites, is such that we have registered a new marketing name for the product, Mantuanite, and have been approached by the leading global distributors seeking product samples.

The new name reflects these facts.

To fund the development of the resource and the technologies we raised some new equity during the year by way of direct placement to professional investors at 5 cents per share.

We consider that it is important to offer current shareholders the opportunity to also participate in the Company's future at that price, so have included a share private placement scheme for each shareholder to invest from $100 up to $5,000 to acquire up to 125,000 shares at 4 cents per share.

The Board is very committed and confident in the direction and the future of the Company. We hold 83,338,461 shares between us and new director John Fick invested $150,000 recently. All eligible directors will take up the $5,000 offer and we will be working hard to ensure shareholders benefit from this new direction which provides so much opportunity.

Yours faithfully

TECHSTAR LIMITED

Brian Jones
Chairman

ABN 49 089 206 986

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of Meeting:	29 November, 2006
Time of Meeting:	10 am (Brisbane Time)
Place of Meeting:	Junction Room Promenade Level 175 Eagle Street Brisbane Qld 4001

This Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser before voting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of TechStar Limited ("the Company") will be held at the Junction Room, Promenade Level, 175 Eagle Street, Brisbane Qld 4001 on 29 November 2006 at 10.00 am Brisbane time.

FINANCIAL REPORTS

"To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Income Statements, Balance Sheets, Statements of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2006."

1. RE-ELECTION OF DIRECTOR – MR. B. P. JONES

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

"That Mr. B. P. Jones, who retires in accordance with article 18 of the Company's Constitution and being eligible offers himself for re-election, be re-elected a Director of the Company."

2. RE-ELECTION OF DIRECTOR – MR. J. W. LAWRIE

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

"That Mr. J. W. Lawrie, who retires in accordance with article 18 of the Company's Constitution and being eligible offers himself for re-election, be re-elected a Director of the Company."

3. APPOINTMENT OF DIRECTOR – MR. J. FICK

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

"That Mr. J. Fick who retires in accordance with the Company's Constitution and being eligible offers himself for re-election, be re-elected a Director of the Company."

4. REMUNERATION REPORT

To consider and, if thought fit, approve without modification the following ordinary resolution:

"That the remuneration report section of the Directors Report for the Company for the year ended 30 June 2006 be adopted."

The vote on this resolution 4 is advisory only and does not bind the Directors of the Company.

5. CHANGE OF NAME

To consider and, if thought fit, approve without modification the following special resolution:

"That the name of the Company be changed to Prime Mineral Industries Limited."

6. **ACQUISTION OF NEW BUSINESS**

To consider and, if thought fit, approve without modification the following ordinary resolution:

*"That for the purpose of ASX Listing Rules 7.1, 10.1, 10.11 and 11.1.2, Chapter 2E of the Corporations Act 2001 (Cwlth) (**Corporations Act**) and Item 7 of Section 611 of the Corporations Act, and for all other intents and purposes, the members of the Company hereby approve the acquisition of Ipoh Pacific Resources Pty Limited for a consideration of 40,000,000 fully paid ordinary shares (TSR) in the capital of the Company (**Shares**), at an issue price of five (5) cents per Share, to the shareholders of Ipoh Pacific Resources Pty Limited in connection with the acquisition by the Company of Ipoh Pacific Resources Pty Limited, upon the terms and conditions described in the Explanatory Memorandum accompanying this Notice."*

Voting Exclusion Statement

The Company will:

- disregard any votes cast on Resolution 6 by J. Fick, E. A. Byrne Henderson, P. Byrne and C. Dredge, M. J. Ilett, S. Warrilow, Miralie Pty Ltd, S. Trewin, 22 Market Street Property Trust , Capital Technic Group Pty Ltd and any associate of such person; and
- those persons who may participate in the issue of shares the subject of resolution 6 and any associate of such person;

However, the Company need not disregard a vote if:

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the chairman 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.*

The Explanatory Memorandum provides details of the above Resolutions.

Dated this 27th day of October, 2006.

BY ORDER OF THE BOARD

Michael Ilett
Company Secretary

Notes:

1. For the purposes of the Corporations Act 2001, all securities of the Company that are quoted securities at 10.00pm on 23 October 2006, will be taken, for the purposes of the Meeting, to be held by the persons who held them at the time, and such persons are eligible to vote at the Meeting.
2. A form of proxy is provided with this Notice.
3. A shareholder who is entitled to attend and cast a vote has a right to appoint a proxy.
4. A proxy need not be a shareholder of the Company.
5. A shareholder who is entitled to cast two or more votes may appoint not more than 2 proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights.

TECHSTAR LIMITED
ABN 49 089 206 986

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum forms part of a Notice convening the Annual General Meeting of Shareholders of the Company to be held on 29 November 2006 at 10.00 am (Brisbane Time). This Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Terms used in this Explanatory Memorandum are defined in the glossary of terms outlined in this Explanatory Memorandum.

Resolutions 1, 2, 3, 4 and 6 to be considered by the meeting are ordinary resolutions requiring a simple majority of the votes cast by members attending and voting at the meeting.

Resolution 5 to be considered by the meeting is a special resolution and requires at least 75% of the votes cast by members attending and voting at the meeting.

This Explanatory Memorandum is divided into 3 parts:-

Part A – which deals with financial statements and reports and auditors report.
Part B – which deals with resolutions 1 to 5, which are items of ordinary business.
Part C – which deals with resolution 6, which is other business.

Part A – Financial Reports

1. CONSIDER THE FINANCIAL STATEMENTS & REPORTS OF DIRECTORS & AUDITORS THEREON

The Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Income Statements, Balance Sheets, Statements of Cashflows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2006 were released to the Australian Stock Exchange Limited on 30 September 2006, and are included in the Company's Annual Report. These are placed before the shareholders for any discussion. No voting is required for this item.

Part B – Resolutions 1 to 5

1. RESOLUTION 1 – RE-ELECTION OF MR. B. P. JONES AS A DIRECTOR

Mr. B. P. Jones retires in accordance with Article 18 of the Company's Constitution and, being eligible, offers himself for re-election. Details of the experience of Mr. B. P. Jones are stated in the Annual Report enclosed with this Notice.

The Directors (with Mr. B. P. Jones abstaining) recommend that you vote in favour of this Ordinary Resolution.

2. RESOLUTION 2 – RE-ELECTION OF MR. J. W. LAURIE AS A DIRECTOR

Mr. J. W. Laurie retires in accordance with Article 18 of the Company's Constitution and, being eligible, offers himself for re-election. Details of the experience of Mr. J. W. Laurie are stated in the Annual Report enclosed with this Notice.

The Directors (with Mr. J. W. Laurie abstaining) recommend that you vote in favour of this Ordinary Resolution.

3. **RESOLUTION 3 – ELECTION OF MR. J. FICK AS A DIRECTOR**

Mr. J. Fick who was appointed as a Director on 8 June 2006 be elected as a Director of the Company pursuant to Article 15.3 of the Company's Constitution. Details of the experience of Mr. J. Fick are stated in the Annual Report enclosed with this Notice

The Directors (with Mr. J. Fick abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. **RESOLUTION 4 – REMUNERATION REPORT**

The Company is required to submit the Remuneration Report for consideration and adoption by way of a non-binding advisory resolution. The Remuneration Report can be found in the Directors Report contained in the Annual Report enclosed with this Notice.

The Remuneration Report:

(a) explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;

(b) explains the relationship between the Board's remuneration policy and the Company's performance;

(c) sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and

(d) details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this resolution is advisory only and does not bind the Directors of the Company.

5. **RESOLUTION 5 – CHANGE OF NAME**

The Corporations Act requires the approval of shareholders by special resolution to a change of name.

The Directors believe that the proposed new name of the company, Prime Mineral Industries Limited, better reflects the focus and interests of the company in moving forward. The Company will be developing the bentonite mineral resource for sale of product to provide a strong underpinning cash flow for the Company.

In addition, the Company through vertical integration will be using that bentonite resource as an in-house supply for the development and distribution of the range of bentonite-based technologies which are currently in development and either nearing commercialisation or subject to distribution and sale agreements.

Directors therefore recommend the change of name to shareholders.

Part C – Resolutions 6

6. ACQUISITION OF NEW BUSINESS

Listing Rule 10

TechStar proposes to issue shares to a number of parties including Mr. Paul Byrne, Mr. Christopher Dredge, Capital Technic Group Pty Ltd a company associated with Mr. John Fick and to Mrs Betty Byrne-Henderson in consideration for the acquisition of Ipoh Pacific Resources Pty Ltd ("Ipoh Pacific Resource").

Mr Paul Byrne, Mr John Fick and Mr Chris Dredge as Directors of TechStar Limited are considered to be related parties. Mrs Betty Byrne-Henderson is also a related party as the mother of Mr Paul Byrne.

Listing Rule 10.11 obliges the Company not to issue securities to a related party (subject to certain exceptions set out in ASX Listing Rule 10.12, none of which is presently available) unless the holders of the ordinary shares approve the issue. Accordingly approval of shareholders under Listing Rule 10.11 is required in respect of Resolution 6.

Additionally, Listing Rule 10.1 provides that a listed company must not acquire a substantial asset from a related party without seeking the prior approval of shareholders. The acquisition of the Ipoh Pacific Resources will constitute the acquisition of a substantial asset. Accordingly, shareholder approval under Listing Rule 10.1 to the acquisition of the Ipoh Pacific Resources is also being sought under Resolution 6.

Listing Rule 11.1.2

ASX considers that if the acquisition contemplated under Resolutions 6 are carried into effect, there will be a significant change to the nature or scale of the Company's activities, and pursuant to Listing Rule 11.1.2 ASX requires approval of shareholders under that Rule.

Chapter 2E of the Corporations Act

Similarly Chapter 2E of the Corporations Act requires shareholders to approve financial benefits (which has wide meaning) given to related parties of the Company. As Mr Paul Byrne, Mr John Fick, Mr Christopher Dredge and Mrs Byrne-Henderson are related parties of TechStar, shares to be issued to them and cash to be paid to them under the Share Purchase Agreement in consideration of the acquisition of Ipoh Pacific Resources is a financial benefit and also requires approval under Chapter 2E of the Corporations Act.

A copy of the Notice and the Explanatory Memorandum which accompanies the Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.

Item 7 of Section 611

Following completion of the arrangements the subject of Resolution 6, shareholders of Ipoh Pacific Resources who have already have a relevant interest in more than 20% of the issued voting shares of the Company will, as a result of the issue of the Acquisition Shares by the Company, increase their relevant interest in issued voting shares of the Company. Under the Corporations Act a person with a relevant interest in more than 20%, but less than 90%, of the issued shares of a listed company cannot increase their relevant interest unless it is done in a manner permitted by the Corporations Act. Item 7 of Section 611 of the Corporations Act enables such an acquisition if it is approved by shareholders, hence the requirement for shareholder approval under this section.

Background to acquisition of New Business

1. Overview

In December 2005 TechStar completed the acquisition of the technology companies, Ipoh Pacific Limited and Exnox Technologies Limited which held intellectual property and/or global marketing rights to a range of environmental remediation products based on the unique properties of bentonite. These companies have projects that use modified bentonite for various technologies including the clean-up of oil spills, both in water and on land; the high level removal of carcinogenic and other toxic organic compounds from smoke including tobacco smoke; and improvements in soil productivity.

As part of that acquisition TechStar also acquired a farm-in right to acquire 1/3 interest in the Mantuan Downs calcium bentonite resource from Ipoh Pacific Resources which holds the exploration tenement. TechStar also held pre-emptive rights to acquire the remaining 2/3 of Mantuan Downs for a consideration to be negotiated.

The acquisition of Ipoh Pacific Resources will secure the Mantuan Downs bentonite resource which is now seen by TechStar as providing a classic case of vertical integration by ensuring supply for environmental remediation products. In addition, the resource should provide an underpinning cash flow, through direct sales, to support the R&D programs for the technology projects that have potential to deliver good returns.

Mantuan Downs is located 90km west of Springsure and 150km south west of Emerald in Central Queensland. The Mantuan Downs bentonite resource is a large scale mineral resource of high quality bentonite of good thickness located just below the surface.

The Directors of the Company commissioned an independent mining engineer to prepare a valuation and feasibility report which has reported favourably on Mantuan Downs, both as to valuation and mining prospects.

Development of the mine to first production of commercial product will take approximately 6 months and cost approximately $250,000.

Ipoh Pacific Resources holds two tenements, EPM 13886 centred on Mantuan Downs, and EPM 14516 at Buckland Plains. The Mantuan Downs tenement covers an area of 84.4 sq kms, with an initial area of 2.74 sq kms of this tenement pegged on 1 June 2006 for the first mining lease application.

The following Mantuan Downs resource estimate to Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) standard has been assessed by Mr RC Pyper BSc(Geol), FAusIMM, Consulting Geologist:

Mineral Resource

Upper Bentonite Zone	**Tonnes**	**Grade**
Indicated	7,222,500	102
Inferred	367,500	102
Total Upper Zone	**7,590,000**	**102**
Lower Bentonite Zone		
Indicated	4,925,000	93
Inferred	2,500,000	90
Total	**7,425,000**	**92**
Global Total	**15,015,000**	

Further details on the Mantuan Downs are contained in the Minnelex Pty Ltd assessment of the Ipoh Resource Estimates for the Mantuan Downs bentonite deposit prepared by Mr R C Pyper. A copy of this report has been attached to this Explanatory Memorandum.

2. Share Purchase Agreement

The Company has entered into the Share Purchase Agreement with the owners of Ipoh Pacific Resources. Under this agreement, TechStar will acquire 100% ownership of Ipoh Pacific Resources which will provide the Company with the right to ownership and exploitation of the Mantuan Downs bentonite resource under the Tenements that are held by Ipoh Pacific Resources.

The consideration for the acquisition will be the issue of the Acquisition Shares by the Company. The following vendors will participate in the acquisition shares in proportion to their respective holdings in Ipoh Pacific Resources Pty Ltd:

Vendor	Ipoh Pacific Resources shares sold to TechStar
Paul Byrne	3,095
Chris Dredge	2,045
EA Byrne-Henderson	2,045
Michael Johann Ilett	750
Stephen Warrilow	150
Miralie Pty Limited	60
Steve Trewin	105
22 Market Street Property Trust	750
Capital Technic Group Pty Ltd	3,000
Total	**12,000**

The agreement is subject to and conditional upon a number of conditions precedent, including (amongst others):

(a) Shareholders in TechStar approving the transaction (which approval TechStar is seeking to obtain pursuant to Resolution 6);

(b) TechStar having conducted the due diligence investigations in respect of Ipoh Pacific Resources and being satisfied in its sole and absolute discretion, with the results of the due diligence inquiries; and

(c) The consent, if required, of the Minister for Natural Resources and Mines in respect of any change in ownership of Ipoh Pacific Resources.

The shareholders in Ipoh Pacific Resources have provided certain warranties in favour of TechStar including as to:

(a) The shareholders' title to the Ipoh Pacific Resources shares at completion;

(b) The absence of litigation in Ipoh Pacific Resources; and

(c) The accuracy of Ipoh Pacific Resources' accounts.

TechStar has also provided warranties in favour of the shareholders in Ipoh Pacific Resources, including as to TechStar's good standing, as to the absence of litigation and compliance with laws. Each of the parties has provided mutual indemnities with respect to any breach of the agreement, including breaches of warranties.

Separately to the Share Purchase Agreement, Messrs Byrne and Dredge have agreed to forgive debts owing to them by TechStar of $284,781.20 and $265,615.00 respectively, upon completion of the TechStar's acquisition of Ipoh Pacific Resources. The debts arose from payments made by Messrs Byrne and Dredge to CSIRO, Uni of South Australia and Department of Primary Industries for various bentonite based projects under project payment guidelines.

It is noted that Messrs Byrne and Dredge will not forgive these debts if the acquisition of the business, being the subject of Resolution 6 is not approved by shareholders.

3. Particulars of Acquisition Shares

No funds will be raised from the issue of the Acquisition Shares, being the subject of Resolution 6, as they shall be issued as part consideration for the Company's acquisition of all the issued shares in Ipoh Pacific Resources. The Shares will be issued as soon as is practicable following the meeting, but in any event not later than 1 month following the date of the Meeting.

These shares will rank equally with all other shares on issue and in all other respects the rights and entitlements of the holder of those shares will be identical to the rights and entitlements of the holders of ordinary shares.

The table below details the number of Acquisition Shares to be allotted and the manner of the cash payment in relation to the acquisition of the Ipoh Pacific Resources.

Vendor	Ipoh Pacific Resources shares sold to TechStar	No. of Acquisition Shares to be allotted by TechStar
Paul Byrne	3,095	10,316,666
Chris Dredge	2,045	6,816,667
EA Byrne-Henderson	2,045	6,816,667
Michael Johann Ilett	750	2,500,000
Stephen Warrilow	150	500,000
Miralie Pty Limited	60	200,000
Steve Trewin	105	350,000
22 Market Street Property Trust	750	2,500,000
Capital Technic Group Pty Ltd	3,000	10,000,000
Total	**12,000**	**40,000,000**

It is noted that as related parties, Paul Byrne, Chris Dredge, E A Byrne-Henderson and the Capital Technic Group Pty Ltd will have their acquisition shares held in escrow for a period of 12 months commencing on the date on which is the latest of the date following the date the acquisition shares are issued and the restriction agreements are entered into. The other vendors are not subject to escrow.

4. Independent Expert's Report

The Company has, in accordance with ASIC Policy Statement 74, commissioned an independent expert's report by InterFinancial Limited ("InterFinancial") as to whether the acquisition of the Ipoh Pacific Resources and the issue by TechStar of the Acquisition Shares is fair and reasonable to the non-associated shareholders of TechStar.

A copy of InterFinancial's report accompanies this Explanatory Memorandum. InterFinancial has concluded in the Independent Expert's Report on the proposed acquisition of the Mantuan Downs Bentonite Project that:

"Given the early stage of commercial development of the project we are however unable to assign any meaningfully probability to the occurrence of any one these scenarios, or to usefully narrow the range of possible values. We are therefore unable to express an opinion as to the likely or expected value of Mantuan Downs and consequently we are unable to conclude whether or not the proposed transaction is fair from the perspective of TSR's shareholders. Because we are unable to conclude that the proposed transaction is Fair we are required to give the opinion that it is Not Fair."

"In addition to the issues of valuation in the proposed transaction, we have also considered the issue of whether the acquisition is reasonable and in the best interests of TSR shareholders. In particular we have considered the advantages and disadvantages of the Acquisition and the position of TSR shareholders in the event that the Acquisition is not approved and no better proposal is advanced."

"On balance, not withstanding our opinion that the transaction is Not Fair, we believe that the position of the Shareholders is more advantageous if the Acquisition proceeds than if it does not proceed and that the proposed transaction is therefore Reasonable." This Explanatory Memorandum should be read in conjunction with the independent expert's report of InterFinancial.

5. Item 7 of Section 611 of the Corporations Act

If Shareholders approve Resolution 6, Messrs Paul Byrne and his associates will increase their relevant interest in voting shares in the Company to 36.35%. This will be the maximum extent of the voting power of Mr Byrne and his associates on the basis that all the shares the subject of the Notice of Meeting are issued. The securities to be issued to Mr P. Byrne and his associates are as follows:

Holder	Number of Shares to be issued	Existing Holding	New Shareholding	Voting Power
EA Byrne Henderson	6,816,666	**29,333,553**	**36,150,219**	15.14%
Paul Byrne	10,316,666	**25,332,464**	**35,649,130**	14.93%
Moray Holdings Pty Ltd	-	**10,000,000**	**10,000,000**	4.19%
B J Byrne Nominees Pty Ltd	-	**5,000,000**	**5,000,000**	2.09%
Louise Anne Fleury	-	**1,013**	**1,013**	< 1%
TOTAL	**17,133,332**	**69,667,030**	**86,800,362**	**36.35%**

Mr Chris Dredge and his associates will increase their relevant interest in voting shares in the Company to 17.65%. This will be the maximum extent of the voting power of Mr Chris Dredge and his associates on the basis that all the shares the subject of the Notice of Meeting are issued.

The securities to be issued to Mr C. Dredge and his associates are as follows:

Holder	Number of Shares to be issued	Existing Holding	New Shareholding	Voting Power
Chris Dredge	6,816,667	35,331,957	42,148,624	17.65%
Nanette Dredge	-	1,013	1,013	<1%
TOTAL	**6,816,667**	**35,332,970**	**42,149,637**	**17.65%**

Mr John Fick and his associates will increase their relevant interest in voting shares in the Company to 5.44%. This will be the maximum extent of the voting power of Mr John Fick and his associates on the basis that all the shares the subject of the Notice of Meeting are issued.

The securities to be issued to Mr J. Fick and his associates are as follows:

Holder	Number of Shares to be issued	Existing Holding	New Shareholding	Voting Power
Capital Technic Group Pty Ltd ATF The Capital Superannuation Fund	-	3,000,000	3,000,000	1.26%
Capital Technic Group Pty Ltd	10,000,000	-	10,000,000	4.19%
TOTAL	**10,000,000**	**3,000,000**	**13,000,000**	**5.44%**

Messrs Byrne, Messrs Dredge and Messrs Fick intend to develop the Mantuan Downs bentonite resource held at Mantuan Downs and the commercialise the Company's bentonite related environmental technologies.

6. Additional Information for the purposes of Chapter 2E of the Corporations Act

Chapter 2E of the *Corporations Act 2001 (Cwlth)* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A "related party" for the purposes of the *Corporations Act 2001 (Cwlth)* is defined widely and it includes a director of the public company.

A "financial benefit" for the purposes of the *Corporations Act 2001 (Cwlth)* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

Resolution 6, if passed, will confer financial benefits on Mr Paul Byrne, Mr. John Fick, Mr. Christopher Dredge and Mrs. E.A Byrne Henderson, and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason and for all other purposes the following information is provided to shareholders.

The related party to whom Resolution 6 would permit the financial benefit to be given

Mr Paul Byrne, Mr John Fick and Mr. Christopher Dredge, who are Directors of the Company.

The nature of the financial benefit

The nature of the proposed financial benefit to be given is:

(a) in the case of Mr Byrne - the issue of in aggregate 17,133,332 Shares in consideration for the sale of all of Mr Byrne's interest (and the interest of those persons and entities associated with him) in Ipoh Pacific Resources representing Mr Byrne and his associates' pro rata entitlement to consideration under the Share Purchase Agreement;

(b) in the case of Mr Dredge - the issue of in aggregate 6,816,667 Shares in consideration for the sale of all of Mr Dredge's interest in Ipoh Pacific Resources, representing Mr Dredge's pro rata entitlement to consideration under the Share Purchase Agreement.

(c) in the case of Mr Fick - the issue of in aggregate 10,000,000 Shares in consideration for the sale of all of Mr John Fick's interest in Ipoh Pacific Resources, representing Mr Fick's pro rata entitlement to consideration under the Share Purchase Agreement.

Directors' Recommendation

See "Other Material Information" later in this Explanatory Memorandum.

Directors' Interest

Mr Byrne has interest in other TechStar shares as detailed earlier. Details of the additional financial benefit to be provided to Mr Byrne pursuant to Resolution 6 are set out below:

Holder	Current Holdings	Existing Holding	New Shareholding
EA Byrne Henderson	6,816,666	29,333,553	36,150,219
Paul Byrne	10,316,666	25,332,464	35,649,130
Moray Holdings Pty Ltd	-	10,000,000	10,000,000
B J Byrne Nominees Pty Ltd	-	5,000,000	5,000,000
Louise Anne Fleury	-	1,013	1,013
TOTAL	**17,133,332**	**69,667,030**	**86,800,362**

Mr Dredge has interest in other TechStar shares as detailed earlier.

Details of the additional financial benefit to be provided to Mr Dredge pursuant to Resolution 6 are set out below:

Holder	Number of Shares to be issued	Existing Holding	New Shareholding
Chris Dredge	6,816,667	35,331,957	42,148,624
Nanette Dredge	-	1,013	1,013
TOTAL	**6,816,667**	**35,332,970**	**42,149,637**

Mr Fick has interest in other TechStar shares as detailed earlier. Details of the additional financial benefit to be provided to Mr Fick pursuant to Resolution 6 are set out below:

Holder	Number of Shares to be issued	Existing Holding	New Shareholding
Capital Technic Group Pty Ltd ATF The Capital Superannuation Fund	-	3,000,000	3,000,000
Capital Technic Group Pty Ltd	10,000,000	-	10,000,000
TOTAL	**10,000,000**	**3,000,000**	**13,000,000**

Valuation

Whilst there is an inherent degree of uncertainty in placing a value on the Acquisition Shares to be issued, as TechStar is listed on ASX, the average sale price of TechStar Shares on ASX can provide an indication of value.

The volume weighted average trading price of TechStar Shares for the 5 trading period ending 18th October was 4.9 cents**.** On this basis, that number of Shares to be issued to persons or entities associated with Mr Byrne and associates have an approximate value of $839,533, Shares to be issued to Mr Dredge and associates have an approximate value of $334,017 and Shares to be issued to Mr Fick and associates have an approximate value of $490,000.

Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its directors except as follows:

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Shares to each of the recipients is the potentially dilutionary impact on the issued share capital of the Company. To the extent that the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is considered to be more than offset by the advantages accruing from the Company acquiring Ipoh Pacific Resources pursuant to the Share Purchase Agreements.

It is also considered that the potential increase of value in the Shares is dependent upon an accompanying increase in the value of the Company generally.

Taxation Consequences

The acquisition of the shares in Ipoh Pacific Resources is expected to attract transfer duty in Queensland. No GST will be payable by the Company in respect of the issue of the Shares (or if it is then it will be recoverable as an input credit).

Dilutionary Effect

The issue of Shares to Mr Byrne and his associates, Mr Fick and his Associates and to Mr Dredge pursuant to Resolution 6 will have the following dilutionary effect on the current issued capital of the Company:

Shareholders	**No. of Shares prior to issue under Resolution 6**	**Percentage Holdings %**	**No. of Shares post issue under Resolution 6**	**Percentage Holdings %**
Shares held by Mr Byrne, Mr Fick and Mr Dredge and their associates	108,000,000	54.34%	141,949,999	59.45%
Other Shareholders	90,751,606	45.66%	96,801,683	40.55%
Total	**198,751,606**	**100%**	**238,751,682**	**100%**

Except as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 6.

Effect on Financial Position

To illustrate the effect of the Business Acquisition on the financial position of the Company, the Pro Forma Balance Sheet set out below has been based on the Audited Balance Sheet as at 30 June 2006 adjusted to reflect Issue of Share Capital, the Business Acquisition and the Debt forgiveness:

	Audited 30 June 2006	Transaction	Unaudited Pro-forma 30 June 2006
Current assets			
Cash	100,850		100,850
Trade and other receivables	91,751		91,751
Total Current assets	**192,601**		**192,601**
Non-Current Assets			
Property, plant and equipment	9,240		9,240
Mantuan Downs resource	-	2,000,000	2,000,000
Intangible assets	8,175,279		8,175,279
Total Non-Current Assets	**8,184,519**		**10,184,519**
Total Assets	**8,377,120**		**10,377,120**
Current Liabilities			
Trade and other payables	2,152,126	(550,396)	1,601,730
Other financial liabilities	42,889		42,889
Provisions	25,834		25,834
Total Current Liabilities	**2,220,849**		**1,670,453**

Non-current Liabilities			
Financial liabilities	**1,185,933**		**1,185,933**
Total Non-Current Liabilities	**1,185,933**		**1,185,933**
Total Liabilities	**3,406,782**		**2,856,386**
Net Assets	**4,970,338**		**7,520,734**
Contributed Equity	19,976,275	2,000,000	**21,976,275**
Accumulated Losses	(15,005,937)	550,396	(14,455,541)
TOTAL EQUITY	**4,970,338**		**7,520,734**

Notes to Pro Forma:

The un-audited pro forma statement of financial position comprises the consolidated audited balance sheet as at 30 June 2006, adjusted by the acquisition of Mantuan Downs for the purchase consideration of $2 million funded through the issue of 40 million ordinary shares at an issue price of 5 cents per share and the financial liabilities adjusted by the combined debt forgiveness by Messrs Byrne and Dredge of $550,396.

Other material information

Advantages and Disadvantages

Share Purchase Agreement

Controlling the bentonite resource at Mantuan Downs provides a much more certain and more secure business model particularly following the Company's announcement to ASX that the Company has signed an agreement with a Dubai-based environmental company to supply up to 1,000,000 tonnes of bentonite per annum for use in the remediation and improvement of Middle East desert soils, and the regional petroleum industry.

In addition the forgiveness of debt due by a subsidiary of the Company to Byrne and Dredge will provide a direct benefit of $550,396 for the Company.

The disadvantage for shareholders will be the dilution effect on their shareholding with the issue of 40,000,000 new Shares representing approximately 20% of the number of existing Shares. This issue of shares will also increase the control of the Ipoh Pacific Resources shareholders over the Company.

Capital Structure

Set out below is a table which indicates the issued capital of the Company after the issue of the Acquisition Shares. The number of shares held prior to the Acquisition of the business which is 198,751,606 ordinary shares. The number of shares held after the acquisition of the business which is the subject to resolution 6 will be 238,751,682 shares as represented by the following table:

Shareholder	TechStar Shares	Holding
Paul Byrne and associates	86,800,362	36.36%
Christopher Dredge and associates	42,149,637	17.65%
John Fick and associates	13,000,000	5.44%
Directors (excluding Mr Byrne, Mr Fick and Mr Dredge and associates)	9,672,014	4.06%

Other existing shareholders	87,129,669	36.49%
Total	**238,751,682**	**100%**

TechStar share price

The volume weighted average price for TechStar shares for the 5 trading days ending 18 October 2006 was 4.9 cents.

For the last 3 month period the highest closing price for the Company's shares on ASX was 6.5 cents and the lowest closing price was 3 cents.

Status of Existing Projects

This acquisition of Ipoh Pacific Resources is seen as an ideal vertical integration proposal, providing TechStar with the raw materials used in its environmental remediation products, and generating a supporting cashflow for the continued R&D on those and other products in the portfolio through to commercialisation.

The Company changed its technology focus during the year as the original research and development projects moved towards maturity, and Directors reviewed other opportunities to bring into TechStar's research and development portfolio.

As a result, the Ipoh environmental technology projects were acquired in December 2005. Since that time, the Company has been establishing the research and development protocols for these new projects.

In particular, TechStar signed a partnership agreement with CRC Care, headed by eminent environmental scientist, Professor Ravi Naidu, whereby TechStar will outsource research for these projects to CRC Care. CRC Care operates in collaboration with University of South Australia's Centre for the Environmental Assessment and Remediation.

CRC Care will complete the research and development for the Company's range of technologies, will complete endorsements of viability for the products, and will provide TechStar with the first right to commercialise all other bentonite-based technologies which are developed by CRC Care.

The Company also took the step of engaging a leading technology commercialisation firm, Capital Technic Consulting Pty Ltd, to provide overall management and co-ordination support for the technology portfolio, including management of the CRC Care process, development of appropriate commercialisation strategies, and management of the commercialisation process.

In a further step towards concentrating on bentonite-based products, TechStar signed an agreement to acquire the company which owns a large, superior quality bentonite resource at Mantuan Downs in Central Queensland. This acquisition will be put to the AGM for approval. Details of the resource are provided below.

The status of the TechStar portfolio is as follows:

Bentonite-based technologies

Improved Crop Yield

This project is a joint venture between TechStar and CSIRO. Field trials by the CSIRO using sorghum, maize and sugar cane show the application of Mantuan Downs beneficiated bentonite can reverse the affects of soil degradation, significantly reduce the leaching of valuable plant nutrients, reduce water requirements, and sustain a significant increase in crop yield.

TechStar is working with CSIRO to finalise a global licensing structure, and has signed agreements for delivery of significant tonnage of the product into the Middle East.

Reduction of Toxic Compounds from Industrial Sites and Cigarette Smoke

Laboratory testing by University of South Australia's Centre for the Environmental Assessment and Remediation (CERAR), which works in collaboration with CRC Care showed chemically modified bentonite when used in cigarette filters successfully reduced the levels of more than 120 potentially toxic organic carcinogenic compounds without adversely affecting nicotine levels.

The Intellectual Property associated with the technology is owned by TechStar. With preliminary testing being completed and reported, TechStar has requested CRC Care to undertake more detailed research with respect to the project which can be presented to potential licensees such as major tobacco and protective mask companies.

Remediation of Heavy Metal Contaminated Sites

This project being run by CRC Care aims to develop and field trial a cost effective technology that minimises human exposure to contaminated soils through the use of a bentonite-based material.

This project has the support of the South Korean Government, and CRC Care has successfully completed trials in South Korea, and is progressing trials in China, which have also been successful. CRC Care is preparing a final report for TechStar.

Removal of Oil Spills

The new oil spill removal technology developed by CSIRO uses modified industrial waste clays that, when contained in porous bags ("Spillows") made of spun bound propylene, float on water and absorb large amounts of oil and diesel. The same product can be applied to ground based oil spills including bunkering around oil storage and refining sites. TechStar made the final development payment to CSIRO in June 2006, and signed the global licensing agreement for that technology with CSIRO.

Further refinement of the technology is continuing with commercial applications likely within 12 months.

Wastewater Remediation

Water contamination is a critically important and emerging issue in many countries in the Australian-Asia Pacific region. Almost all the contaminated sites are legacies of waste disposals during the past 50 years.

Ipoh and the University of South Australia are jointly developing a solution to remediate industrial and municipal waste water. Laboratory trials were positive. The environmental research has been absorbed into CRC Care, and TSR is now working with that body to confirm the research.

Research on several other bentonite technologies acquired with Ipoh is continuing.

Co-operative Research Centre for Contamination Assessment and Remediation of the Environment ("CRC Care")

This body has become the major research centre for TechStar for its product development.

CRC Care is a public/private partnership developed under the auspices of, and with funding support from, the Federal Government. The partnership brings together corporate, academic and government organisations to develop technologies for assessing and managing contamination in land, groundwater and air, and developing environmentally acceptable solutions.

TechStar, through its acquisition of Exnox Technologies Ltd as part of the Ipoh Group transaction has joined with major industry partners including The Australian Institute of Petroleum, Alcoa, Rio Tinto, Coffey Geo-sciences, the Department of Defence and others to develop these technologies with support from government.

Original Projects

SportzWhistle – electronic whistle

TechStar has signed two agreements in June 2006 with New Zealand-based Titchfield Services Limited.

The first agreement provides for Titchfield to acquire the Sportzwhistle company and the Sportzwhistle technology for a purchase price of $1,750,000 to be paid over 5 years through a revenue-sharing royalty. TechStar will also receive a perpetual trailing royalty.

The second agreement provides for Titchfield to acquire the emergency response vest technology for a purchase price of $250,000, also to be paid over 5 years through a revenue-sharing royalty. TechStar will also receive a perpetual trailing royalty.

These divestments are scheduled for completion during late 2006.

Ironbar – Reomate reinforcing bar tying tool, and Reotie wire bar ties

Following development of several prototypes in China by Shanghai Quoter Hardware Company in conjunction with the Shanghai University, TechStar has now engaged an Australian-based mechanical design consultancy to complete commercial pre-production models of the Reomate for final field testing.

This project has taken longer than anticipated because, while the prototype delivered reinforcing wire ties at the rate of one per second, converting the prototype to a tool capable of mass production and sustained reliability has taken time. However the Reomate is an exciting project stimulating serious international interest with industry experts who are confident that the tool will fill a real need in the building sector. This confidence is reinforced by continuing strong interest from an American building products manufacturer.

Augen Technologies (EyeBionics™)

The "bionic eye" technology is an Australian product developed by scientists at the University of NSW and Newcastle University.

TechStar presented the technology to several potential investors, including overseas governments, during the year without success. The Company is now considering alternate funding structures which would enable Eyebionics to access the additional external funding. TechStar will retain an ongoing involvement to promote the project's future. TechStar has not entered into any agreements regarding this technology.

Directors Recommendation and Voting Intention

Messrs Brian Jones, John Laurie and Peter Ziegler recommend that shareholders vote in favour of Resolution 6. The reason for their recommendation is as follows:

1. The issue of the shares is part of an arrangement whereby the Company is acquiring all of the issued capital in Ipoh Pacific Resources. These arrangements are described in detail above. It is the directors' view that the transaction represents a significant positive investment by the Company;
2. The acquisition of Ipoh Pacific Resources will better secure the Mantuan Downs bentonite resource which is considered to provide vertical integration by ensuring supply for environmental remediation products. In addition, the resource should provide an underpinning cashflow, through direct sales, to support the R&D programs for the bentonite-related technology projects of TechStar group companies that have potential to deliver good returns;
3. An independent expert's report has been prepared by InterFinancial Limited into the arrangements pursuant to the Share Purchase Agreement. A copy of the report is attached to this Explanatory Memorandum. In summary InterFinancial expresses the opinion that "the proposed Acquisition is Not Fair but is Reasonable to TSR shareholders; and they therefore consider that the Directors of TSR are justified in recommending the Shareholders vote in favour of the Acquisition.";
4. Messrs Byrne and Dredge have agreed to forgive TechStar's indebtedness to them of $284,781.20 and $265,000.00 upon TechStar's completion of the acquisition of Ipoh Pacific Resources under the Share Purchase Agreement; and
5. Messrs Byrne and Dredge have abstained from making a recommendation to shareholders in respect of Resolution 6 as they have a material personal interest in the subject matter of the resolution in that they and Mr Byrnes associates will be issued Shares and receive cash payments in relation to the acquisition of Ipoh Pacific Resources.

All Directors recommend that shareholders approve the Remuneration Report (Resolution 4), and proposed change of name (Resolution 5). Mr. B. P. Jones, Mr. J. W. Laurie and Mr P. A. Ziegler recommend the approval for the acquisition of the new business (Resolution 6). As Mr. P. Byrne, Mr. C. Dredge and Mr. J. Fick have a material interest in the subject matter relating to Resolution 6 they have abstained from making a recommendation on this resolution.

GLOSSARY OF TERMS

Act	Corporations Act 2001.
Acquisition Shares	means 40,000,000 fully paid ordinary shares in the Company to be issued at a issue price of five (5) cents per share to the owners of Ipoh Pacific Resources;
ASIC	Australian and Securities and Investments Commission.
ASX	Australian Stock Exchange Limited ACN 008 624 691.
Corporations Act	means the Corporations Act 2001 (Cwth).
Company or TechStar	TechStar Limited ACN 089 206 986

Ipoh Pacific Resources	Ipoh Pacific Resources Pty Limited ACN 104 553 504
Listing Rules	means the official listing rules of the ASX
Meeting	means the meeting of shareholders convened by the Notice for 29 November 2006 and any adjournment thereof.
Shares	Ordinary shares in the issued capital of the Company
Share Purchase Agreement	means the share purchase agreement entered into with the shareholders of Ipoh Pacific Resources Pty Ltd relating to the acquisition of the issued share capital of Ipoh Pacific Resources Pty Ltd.
Tenements	EPM 13886 and EPM 14516
TSR	means Techstar Limited

Any inquiries in relation to the Resolutions or the Explanatory Notes should be directed to Mr Brian Jones (Chairman) as follows:

Mr Brian Jones
TechStar Limited
Ph: 07 3832 4928
Email: bjones@techstarlimited.com

7. SHAREHOLDER VOTING

The Board has made a determination that all the shares of the Company will be taken, for the purposes of determining the right of shareholders to attend and vote at the Meeting, to be held by the persons who held them at 7pm on 27 November 2006 (being a time that is not more than 48 hours before the Meeting).

8. OTHER INFORMATION

There is no other information known to the Company that is material to a shareholder's decision on how to vote on the resolutions set out in the Notice of Meeting. However, should any shareholder be in doubt as to how he/she should vote on the resolutions and/or as to how it may affect him/her, he/she should seek advice from his/her accountant, solicitor or other professional advisor as soon as possible. Queries as to the lodgment of proxies and other formalities in relation to the Meeting to be held on 29 November 2006 should be directed to the Company Secretary (telephone 07 3221 0679).

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Attached to the Notice of Annual General Meeting accompanying this Explanatory Memorandum is a proxy form for use by shareholders. All shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person and are eligible to vote, to complete, sign and return the proxy form. Lodgement of a proxy form will not preclude a shareholder from attending and voting at the meeting in person.

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion or number of votes that the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy may, but need not, be a shareholder of the Company. Shareholders who are a body corporate are able to appoint representatives to attend and vote at the Meeting under Section 250D of the Corporations Act 2001 (Cwlth). The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act 2001 (Cwlth).

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) and certificates appointing body corporate representatives or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) or certificate appointing a body corporate representative must be deposited at, posted to, or sent by facsimile transmission to the Company's Registered Office:

Postal Address:
Company Secretary
Techstar Limited
P.O. Box 7018,
Riverside Centre, Brisbane Qld 4001

Fax Number + 61 7 3832 3234

The proxy from must be delivered not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form.

PROXY FORM

To: The Secretary
TechStar Limited
PO Box 7018
Riverside Centre
BRISBANE QLD 4001
Fax: +61 7 3832 3234

I/We ____

____

of ____

____

being a shareholder/(s) of TechStar Limited ("**Company**") and entitled to

________________________ shares in the Company hereby appoint ___________________________

of ____

or failing him/her____

of ____

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Junction Room, Promenade Level, 175 Eagle Street, Brisbane Qld 4001on Wednesday 29 November 2006 at 10 am (Brisbane time) and at any adjournment

thereof in respect of ________________________ of my/our shares or, failing any number being specified, **ALL** of my/our shares in the Company.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [ ]%. (The Company on request will supply an additional proxy form.)

The Chair of the meeting intends to vote all undirected proxies in favour of all the resolutions in respect of any undirected proxies which may be granted in favour of the Chair.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

If the Chair of the 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 a resolution, please place a mark in the box. ☐

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he as an interest in the outcome of the resolutions and that votes cast by the Chair of the meeting for those resolutions 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 the resolution and your votes will not be counted in calculating the required majority if the poll is called on the resolution.

I/we direct my/our proxy to vote as indicated below:
RESOLUTIONS

	FOR	AGAINST	ABSTAIN
Financial Reports	☐	☐	☐
1. Re-election of Mr B P Jones as a Director	☐	☐	☐
2. Re-election of Mr J W Lawrie as a Director	☐	☐	☐
3. Appointment of Mr J J Fick as a Director	☐	☐	☐
4. Approval of the change of name	☐	☐	☐
5. Approval of the Acquisition of Business	☐	☐	☐

As witness my/our hand/s this day of 2006

If a natural person:

SIGNED by)
)

____
in the presence of:

____
Witness

____
Name (Printed)

If a company:

EXECUTED by)
)
in accordance with its)
constitution)

Director	Director/Secretary
Name (Printed)	Name (Printed)

If by power of attorney:

SIGNED for and on behalf of)
by)
under a Power of Attorney)
dated and who declares that he/she has)
not received any revocation of such Power of)
Attorney in the presence of :)

Signature of Attorney	Signature of Witness

(After completion of this proxy form, please deliver it or fax it to the offices of TechStar Limited)

NOTIFICATION OF CHANGE OF ADDRESS OF SHAREHOLDER - ISSUER SPONSORED ONLY

NOTE: If your holding is CHESS sponsored, contact your sponsoring broker, who is the only person who can make a change to your address details.

To: Link Market Services Limited
Level 12
300 Queen Street
Brisbane Q 4000
Fax No. 3221 3149

Dear Sir

I/We ....

of (insert new address) ....

formerly of (insert old address) ....

being an Issuer Sponsored shareholder and/or optionholder of TechStar Limited, request you to record my new address detailed above.

Signed (all holders to sign) ....

Date ..../.............../.............

InterFinancial

Investment Bankers and Corporate Advisers

Incorporating Equity Capital Markets Limited

Established 1987




TechStar Limited

Independent Expert's Report

Proposed Acquisition of the Mantuan Downs Bentonite Project

October 2006

Opinion: Not Fair but Reasonable

InterFinancial Limited

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PO Box R1764 Royal Exchange Sydney 2000 NSW

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Email sydney@InterFinancial.com.au

Contents

InterFinancial Limited

Financial Services Guide

About us

InterFinancial Limited, ABN 14 010 740 342, Australian Financial Services Licence No. 238136 , ("InterFinancial" or "we" or "us" or "our") has been engaged by the directors of TechStar Limited (TSR) to provide general financial product advice in the form of an Independent Expert's Report (Report) in connection with the proposed acquisition of the Mantuan Downs bentonite project (the Acquisition).

The Corporations Act 2001 (Cth) requires us to provide this Financial Services Guide (FSG) in connection with the attached Report prepared for the benefit of TSR. However, you are not the party who engaged us to prepare the Report. We are not acting for any person other than TSR. This FSG provides important information designed to assist retail clients in their views of any general financial product advice provided by InterFinancial in the Report. This FSG contains information about our engagement by the directors of TSR to prepare the Report in connection with the proposed Acquisition, the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

Financial services we are licensed to provide

Our Australian Financial Services Licence authorises us to provide the following services to both retail and wholesale clients:

- to provide financial product advice in relation to deposit products, securities, derivatives, managed investment schemes (excluding investor directed portfolio services), superannuation, and government debentures, stocks and bonds; and
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of the abovementioned financial products.

General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant offer document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

Remuneration, commissions and other benefits

InterFinancial charges fees for its services, and will receive a fee for its work on this Report. These fees have been agreed on, and will be paid solely by TSR, who has engaged our services for the purpose of providing this Report. InterFinancial may seek reimbursement of any out of pocket expenses incurred in providing these services. Further details on our fees are set out in section 14 of the Report.

Associations and relationships

Other than as set out in this FSG, InterFinancial has no associations or relationships with any person that might reasonably be expected to be capable of influencing it in providing advice under the Engagement. InterFinancial, its officers, employees, consultants and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees for services rendered in producing this Report. Neither InterFinancial nor its directors, executives or consultants have an interest in securities, directly or indirectly, which are the subject of the Report. InterFinancial may perform paid services in the ordinary course of business for entities that are the subject of this Report.

Complaints

Our Australian Financial Services Licence requires us to have an internal complaints-handling mechanism. All complaints must be addressed to us in writing. If we are not able to resolve your complaint to your satisfaction, you are entitled to have your matter referred to the Financial Industry Complaints Service (FICS). You will not be charged for using the FICS service.

Contact Information

To contact InterFinancial:	To contact the FICS:
Level 3, Emirates House 167 Eagle Street GPO Box 975 Brisbane, Qld 4000 Tel: 07 3218 9100 Fax: 07 3218 9199	Financial Industry Complaints Service Limited PO Box 579 Collins Street West Melbourne, Vic 8007 Tel: 1800 355 405 Fax: 023 9621 2291

InterFinancial Limited – October 16, 2006

16 October 2006

The Directors
TechStar Limited
Level 37, 123 Eagle Street
Brisbane QLD 4000

Dear Sirs

INDEPENDENT EXPERT'S REPORT – PROPOSED ACQUISITION

1. INTRODUCTION

TechStar Limited ("**TSR**", or "**the Company**") is a publicly listed Australian Company established in December 1999 to take Australian concepts and technology from individual inventors, companies and research institutions through to commercialisation.

In November 2005 the Company made a strategic move into bentonite-based environmental remediation technologies with the purchase of an environmental technology company, IPOH Pacific Limited and its associated company Exnox Technology Limited ("t**he 2005 Transaction**"). IPOH Pacific Limited is engaged in the business of developing and commercialising a number of environmental remediation and protection solutions based on the use of bentonite clay.

The acquisition of these interests in bentonite technologies was accomplished by the issue of new shares in TSR to the shareholders of IPOH Pacific Limited and Exnox Technology Limited. The acquisition and the issue of shares was approved by the TSR shareholders at a General Meeting on Tuesday 29th November 2005. This issue of shares resulted in each of Betty Byrne-Henderson, Paul Byrne and Chris Dredge (together, "**the Ipoh Group Shareholders**") becoming Substantial Shareholders in TSR. In aggregate the Ipoh Group Shareholders and their associates presently control approximately 53.6% of the issued capital of TSR.

On completion of the 2005 Transaction TSR acquired the right to acquire a $33^{1}/_{3}$% interest in the Mantuan Downs bentonite resource ("**Mantuan Downs**") within Exploration Permit 13886 located 75km west of Springsure in Central Queensland by paying for the completion of a Bankable Feasibility Study (BFS). The rationale for the acquisition of this mineral resource was to provide TSR with control over a strategic input to the commercialization of the bentonite technologies and, potentially, as a source of early cash flow for distribution to shareholders by way of dividends.

These matters were disclosed to the shareholders of TSR in the Notice of Meeting and Explanatory Memorandum dated 27th October 2005.

1. On 21st June 2006 the directors of TSR announced their intention to acquire the full 100% interest in Mantuan Downs held by Ipoh Pacific Resources Pty Ltd ("**IPR**") by acquiring all of the issued shares in IPR ("**the Acquisition**").

   The proposed consideration for this Acquisition is 40 million TSR fully paid ordinary shares.

The major shareholders of IPR are Betty Byrne-Henderson, Paul Byrne and Chris Dredge all of whom are substantial shareholders in TSR. Paul Byrne and Chris Dredge are also both directors of TSR. Pursuant to the provisions of Section 228 of the Corporations Act Messrs Burn and Dredge are related parties of TSR. The issuing of shares in TSR to Messrs Byrne and Dredge as a result of TSR's acquisition of IPR is a related party benefit as defined in Chapter 2E of the Corporations Act. Accordingly a Meeting of Shareholders is required to approve the Acquisition and an independent valuation is required to be provided to Shareholders before the Meeting.

Further, Rule 10.1 of the ASX Listing Rules provided that a listed company may not acquire a substantial asset from a related party or a substantial shareholder (a shareholder with greater than 10% of the shares in the listed company) without the approval of its shareholders. Rule 10.7 provides that if the acquisition is of a "*classified asset*" as defined in the Listing Rules then the consideration must consist of securities in the company that will be subject to trading restrictions. The Acquisition is likely to be considered an acquisition of a classified asset.

Listing Rule 10.10 requires that a report from an independent expert is to be provided to shareholders together with the notice of meeting stating whether the Acquisition is fair and reasonable to the non-associated shareholders entitled to vote on the Acquisition. Finally Listing Rule 10.11 provides that equity securities may not be issued to a related party without shareholder approval or issued to a person whose relationship with a related party is in the opinion of the ASX such that approval should be obtained.

The directors of TSR have therefore requested that InterFinancial Limited ("**IFL**") prepare an independent expert's report ("**Report**") to express an opinion as to the fairness and reasonableness of the proposed Acquisition and whether or not the proposed Acquisition is in the best interests of TSR shareholders and the reasons for that opinion. The Report will form part of the Notice of Meeting to be sent by TSR to its shareholders.

IFL is an Australian investment bank that specialises in providing advice and valuation services to participants in asset transactions. The authors of this Report are qualified and experienced in valuing assets and transactions in the mineral resources industry.

We disclose particulars of IFL in the Financial Services Guide which is attached to this Report and details of the qualifications and experience of the authors in subsection 14.1.

IFL is independent of TSR and has been paid a fixed fee to provide this Report but has no other direct or indirect involvement with, or interests in, the Acquisition. Neither IFL nor its directors, employees or their associates receives any other income or benefit from TSR, IPR or the shareholders of those companies.

We disclose the fee payable and our terms of engagement in section 14 of this Report.

2. SUMMARY OF OPINION

2.1 Fairness

We have estimated the value of the consideration to be paid by TSR for the purchase of Mantuan Downs at $2 million.

We provide detail of our estimation of the value of consideration in section 9 of this Report.

We have reviewed expert reports concerning the resource itself and the potential development of the Mantuan Downs project. We have also considered commercial information provided to us by TSR regarding the terms of the transaction, marketing and business development activities undertaken by the Company for the sale of calcium bentonite that might be mined from the Mantuan Downs deposit.

On the basis of this information and having regard to the methodologies that would typically be used to determine a value for a mineral deposit such as this, we conclude that:

1. The Mantuan Downs deposit contains a substantial resource of calcium bentonite, defined to a JORC Indicated and Inferred standard - and because of these factors it is more likely than not to have a material market value independent of this transaction; but
2. The commercial uncertainty inherent in the current early stage of development of the deposit makes the application of usual valuation techniques highly unreliable in determining an objective transaction value for the asset.

As an illustration of the effect of this uncertainty, we are able to estimate a range of values for the asset of between over $15 million and zero using different combinations of commercial assumptions that each, in our opinion, might constitute a reasonable and supportable scenario under the present state of market development.

Given the early stage of commercial development of the project we are however unable to assign any meaningful probability to the occurrence of any one of these scenarios, or to usefully narrow the range of possible values. We are therefore unable to express an opinion as to the likely or expected value of Mantuan Downs and consequently we are unable to conclude whether or not the proposed transaction is fair from the perspective of TSR's shareholders. Because we are unable to conclude that the proposed transaction is Fair we are required to give the opinion that it is Not Fair.

As a guide to assist shareholders, we provide a discussion on valuation methodologies in section 8, an analysis of the apparent economic sensitivity of the Mantuan Downs project in subsection 6.5 and a discussion on the Acquisition valuation issues in section 10.

2.2 Reasonableness

In addition to the issues of valuation in the proposed transaction, we have also considered the issue of whether the Acquisition is reasonable and in the best interests of TSR Shareholders. In particular we have considered the advantages and disadvantages of the Acquisition and the position of TSR shareholders in the event that the Acquisition is not approved and no better proposal is advanced.

On balance, notwithstanding our opinion that the transaction is Not Fair, we believe that the position of Shareholders is more advantageous if the Acquisition proceeds than if it does not proceed and that the proposed transaction is therefore Reasonable.

We provide a discussion on our view of the advantages and disadvantages of the Acquisition and the issues facing TSR shareholders if the Acquisition is not approved in subsections 12.1, 12.2 and 12.3 of this Report.

2.3 Opinion

In summary, considering the circumstances of the transaction, **IFL expresses the opinion that the proposed Acquisition is Not Fair but is Reasonable to TSR Shareholders**. We therefore consider that the Directors of TSR are justified in recommending that Shareholders vote in favour of the Acquisition.

IFL understands that this Report will be provided to TSR Shareholders with accompanying material from the Company that will describe the proposed transaction and the intended voting process. The purpose of this Report is to assist Shareholders in deciding whether to vote in favour or against the Acquisition. Shareholders should therefore ensure that they read this Report in full as well as all material and other information provided by the Company.

It is important to note that this Report provides general advice and we have not taken account of individual Shareholder circumstances or investment requirements. If a Shareholder is unsure how to interpret this Report, or how the Acquisition might affect the value of their investment, we advise them to seek professional advice before voting on the proposal.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Parties

Techstar Limited (ABN 49 089 206 986), a corporation organised and existing under the laws of Australia, having its principal office at Level 37, 123 Eagle Street, Brisbane, Queensland 4000; and

Ipoh Pacific Resources Pty Limited (ABN 104 553 504), a corporation organized and existing under the laws of Australia, having its principal office at Level 37, 123 Eagle Street, Brisbane, Queensland 4000.

3.2 Proposed Acquisition

On 15th December 2005, TSR acquired two companies in the Ipoh Group, Ipoh Pacific Limited and Exnox Technologies Limited. As a consequence of that acquisition TSR acquired the right to acquire a one third interest in Exploration Permit 13886 - Mantuan Downs located 75km west of Springsure in Central Queensland from the current tenement holder Ipoh Pacific Resources Pty Ltd - plus a first right to purchase the remainder of the resource.

As announced on 21st June 2006, TSR and the owners of IPR (who are now the majority shareholders in TSR), have agreed that 100% of IPR should be acquired by TSR to give the company total control of the resource. The current shareholders of IPR are Betty Byrne-Henderson, Paul Byrne, and Christopher Dredge; Mr Byrne and Mr Dredge are also directors of TSR.

A Share Sale Agreement has been signed between TSR and the shareholders of IPR conditional upon a satisfactory Independent Expert's report, shareholder approval and ASX and ASIC approval ("**the Proposal**"). Therefore TSR is required to call a General Meeting of shareholders to approve the acquisition, and as this is a related party transaction, an Independent Expert's Report is required to be provided to shareholders.

3.3 Transaction Structure

The consideration for the acquisition of all of the issued capital in IPR is 40 million TSR fully paid ordinary shares. Payment of this consideration is conditional on shareholder approval.

3.4 Assets to be acquired

The principal asset to be acquired by TSR is 100% of the issued capital of IPR. IPR's only significant asset is its 100% interest in Mantaun Downs. The Directors of TSR have represented to us that IPR has no material liabilities. Shareholders should note however that IFL has not undertaken any audit or investigation of the financial or corporate affairs of IPR to confirm this statement.

In addition to the shares in IPR, the current Directors of IPR, Betty Byrne-Henderson, Paul Byrne and Chris Dredge, have each agreed to forgive debts to themselves that are liabilities of Ipoh Pacific Limited (a wholly owned subsidiary of TSR) in the event that the Acquisition is approved. In aggregate this forgiveness would represent a reduction in the liabilities of TSR of approximately $550,396.

4. SCOPE OF THE REPORT

The Acquisition a 100% interest in Mantuan Downs and the associated vendor loan is likely to give a financial benefit to related parties of TSR, namely the IPR shareholders – Betty Byrne-Henderson, Paul Byrne and Chris Dredge.

TSR is therefore proceeding by way of the process set out in Chapter 2E of the Corporations Law, and is seeking shareholder approval for the Acquisition before giving any financial benefit to those related parties.

The accompanying Notice of Meeting and Explanatory Memorandum is required to set out all of the information required by the Corporations Law and the ASX listing rules for shareholders in considering their voting intentions concerning the Acquisition.

In addition the Company must provide an independent expert's report which must express opinions on whether the Acquisition is fair and reasonable to TSR shareholders. The report must also express an opinion on whether the Acquisition is in the best interests of TSR shareholders, and give the reasons for that opinion.

Further guidance on appropriate matters to be set out in those documents are available from the ASX Listing rules noted above, ASX Guidance Note 24, ASIC Policy Statements 74 and 75, and ASIC Practice Note 43 on Valuations.

The Directors of TSR have engaged InterFinancial to prepare an Independent Expert's Report for TSR shareholders to assist those shareholders consider and decide how to vote on the resolutions to be put to those shareholders at the 2006 Annual General Meeting.

5. EVALUATION OF THE TRANSACTION

In determining whether the Acquisition is fair and reasonable, we have had regard to the views expressed by the Australian Securities and Investments Commission ("**ASIC**') in their Policy Statements 74 and 75 and Practice Notes 42 and 43.

Policy Statement 74 states that to determine whether a proposal is fair and reasonable, the likely advantages and disadvantages to the shareholders if a proposal is implemented must be compared to the likely advantages and disadvantages if a proposal is not implemented. Policy Statement 74 states that fairness and reasonableness should be judged in all the circumstances. In essence, a proposal will be fair and reasonable if the shareholders are better off if the proposal is implemented, that is, the expected advantages outweigh the disadvantages.

Although the term "*fair and reasonable*" has no legal definition, over time a commonly accepted meaning has evolved. "*Fairness*" relates to price whereas "*reasonableness*" involves consideration of factors other than price. Fairness is said to involve a comparison of the value of the consideration with the value that may be attributed to the securities, which are the subject of the transaction, based on the valuation of the underlying business and assets. The concept of reasonableness involves an analysis of factors other than fairness that non-associated members might consider prior to voting on the Proposal.

ASIC Policy Statements 74 and 75 also requires the Independent Expert to provide an opinion as to whether there is any premium for control being received as consideration as a result of the Proposal. In giving an opinion as to whether any control premium is being received, the Independent Expert needs to consider whether there has been a change in control; and quantify the control premium. If there is a premium being received, the higher the premium, and the greater the benefit for all shareholders, however, any such benefit may be offset against a change in control.

Having regard to these matters, IFL has completed this evaluation in two parts:

1. An assessment of the fairness of the proposed Acquisition to Shareholders of TSR. In order to assess whether the proposed transaction is 'Fair' we have compared the value of the consideration to be paid against the value of the asset to be acquired by TSR. In our opinion it is necessary to make this comparison on consistent terms taking account of factors such as risk, timing and certainty of value; and
2. An assessment of the reasonableness of the proposed Acquisition to Shareholders of TSR. In order to assess whether the proposed transaction is 'Reasonable' we have examined factors other than Fairness to which Shareholders might give consideration, prior to deciding the resolution.

5.1 Structure of the Report

Our Report to Shareholders is structured as follows:

- *To provide context to Shareholders we examine the valuation issues and prospective economics of the Mantuan Downs project in section 6.*

- *Given that shares in TSR form the consideration, we examine the shareholding structure of TSR (current and post Acquisition) and the recent share market valuation of the Company in section 7.*
- *We discuss the available valuation methodologies in general terms in section 8.*
- *We provide our assessment of the value of the consideration to be paid by TSR in section 9 and our assessment of the value to be acquired by Shareholders in TSR in section 10.*
- *We provide our opinion on the Fairness of the Acquisition in section 11 and our opinion on the Reasonableness of the Acquisition in section 12.*

In reading this Report, Shareholders should take account of the Limitations and Qualifications on our opinion outlined in section 13 and section 14.

6. THE MANTUAN DOWNS PROJECT

We have examined the present state of development of the Mantuan Downs project and the likelihood and potential extent of its development as a producing bentonite mine. In forming our view of the transaction we have relied on technical, economic and commercial information furnished by TSR, third-party information in the public domain as well as our own knowledge and experience of the commercial issues involved in developing mineral resources projects in Australia.

In particular we have drawn on a reserves report provided to us by TSR and a report and an economic model prepared for the purpose of this Report by Coffey Mining Pty Ltd ("**Coffey**"). These reports were:

1. *"Assessment of the Ipoh Resource Estimates for the Mantuan Downs Bentonite Deposit":* **R.C.W. Pyper, Minnelex Pty Ltd, 14th June 2006**;
2. *"Scoping Study – Mantuan Downs Bentonite Deposit Unprocessed Option:* **A.C Robertson, Coffey Mining Pty Ltd, August 2006;**
3. "*Mantuan Downs Cash Flow Model":* **Coffey Mining Pty Ltd, July 2006**.

We understand that the reserve report by Minnelex Pty Ltd was prepared as an independent report for TSR and that the author, Mr Robert Pyper, has consented to the report being published. We understand that Coffey has a continuing professional relationship with TSR that might prevent them being considered as independent and we have taken this into consideration in reviewing and using the material prepared by them.

6.1 Bentonite

Bentonite is a soft clay mineral formed from the chemical weathering of volcanic rocks and debris. The properties and quality of bentonite vary depending on the weathering environment and the original composition of the volcanic material. Bentonite clays are encountered quite commonly throughout those regions of eastern Queensland which have experienced volcanism in the geological past. The discovery and description of potentially economic-scale bentonite deposits is however fairly limited.

Mantuan Downs is a deposit of calcium bentonite. This mineral has an extensive range of uses in a wide variety of industries either in the calcium form or as sodium-exchanged bentonite (where the calcium ion is exchanged for sodium during processing).

The economic value of bentonite clay to industry is derived from its peculiar physical properties, in particular its ability to bind to a wide range of organic and inorganic molecules, its properties as a ceramic and its great capacity to absorb water and form a plastic waterproof membrane or a gel-like slurry. Calcium bentonite shares the same adsorptive characteristics as sodium bentonite but has a much lower capacity to swell when wet.

6.2 The Mantuan Downs Bentonite Resource

Bentonite was discovered on the Mantuan Downs property in 1966-68. Since then the mineral rights to the deposit have passed through several hands leading to the grant to IPR of EPM 13886 Mantuan Downs for a five-year term commencing March 2003.

Considerable exploration work has been undertaken on the permit including 104 drill holes (with about 60 m of cores) a number of costeans and laboratory testing. This work has provided substantive information on the geology and quality of the deposit.

Exploration has concentrated on an area where the bentonite seams thicken and present a development opportunity for a shallow, low stripping-ratio open-cut mining operation. Within this area bentonite is deposited in two seams, each approximately 4 metres thick overlain by about 0.8 metres of overburden. Tests conducted on the clay indicate a high Cation Adsorption Capacity (93 meq/100g to 102 meq/100g) which makes it particularly suitable for applications which rely on bentonite's capacity to bind to chemicals.

The technical information available within this area (the "**Resource Area**") is sufficient to allow the bentonite resource to be determined to a JORC standard. The independent geologist Minnelex has confirmed IPR's resource calculation of:

Indicated Resource	12,147,500 tonnes
Inferred Resource	2,867,500 tonnes
Global Resource	15,015,000 tonnes

The limits of the bentonite mineralisation outside the Resource Area have not been determined to JORC standards; although the independent geologist notes; "*Additional calcium bentonite of good quality has also been located outside of the resource area but within the tenement.*"

6.3 TSR's Proposed Project Development

TSR plans to develop Mantuan Downs using a strategy of actively developing new markets rather than displacing domestic production in existing markets. In particular TSR plans to develop markets:

- for desert soil improvement in the United Arab Emirates ("**UAE**") and the Middle East more generally;
- in Australia for the control of phosphorous and other chemicals in run-off water entering coastal waters in environmentally sensitive areas of Queensland;
- in Malaysia for use in palm oil clarification;
- in Australia and internationally using the Company's bentonite technologies.

The Company is actively pursuing each of these strategies. In the course of reviewing TSR's business plans for the purposes of this Report, we have sighted documents and correspondence that lead us to believe that the Company is:

1. in discussions to form a marketing joint venture based in Dubai to pursue opportunities to use Mantuan Downs bentonite in the UAE and the Middle East;
2. a participant in the CRC for Contamination Assessment and Remediation of the Environment – a partnership to develop technological solutions for assessing and managing contamination in land, groundwater and air;
3. in early stage discussions with an Asian palm oil refiner regarding the potential to use Mantuan Downs bentonite as a clarifying agent.

TSR has stated that it expects to develop an initial market for its bentonite production of 200,000 tonnes per annum and intends to significantly expand this level of sales by developing the potential Middle Eastern market. In recent announcements to the market, TSR has stated an expectation that the Middle Eastern market for Mantuan Downs bentonite could eventually reach as high as 1 million tonnes per annum.

6.4 Third Party Project Review

Coffey has prepared a mine plan and a cash flow model for the purposes of this Report. The model forecasts the economics of bentonite production from Mantuan Downs for a range of production levels (from 20,000 tonnes per annum to 100,000 tonnes per annum) and reports the resultant cash flows.

In our view Coffey is a significant professional organisation, experienced in the design and costing of mining operations such that proposed for Mantuan Downs. Based on our review of the model we believe that the forecast provides a reasonable representation of the capital and operating costs that would be expected for that project.

In its Base Case the model calculates revenue on the basis of an assumed ex-mine price of $37.50 per tonne for raw, unprocessed bentonite. This pricing appears to be conservative when compared against prices reported by government agencies such as the Australian Bureau of Statistics (2003/04 average Queensland bentonite price: $53.53/tonne) – although we note that such prices are aggregates and may contain pricing for value-added products that TSR does not intend to supply in the early stage of development of Mantuan Downs.

The key assumptions of the Coffey Base Case model are:

- Opencut mining on a Mining Lease (yet to be granted) over the Resource Area;
- Production and sale of raw, sun-dried, unprocessed calcium bentonite;
- Base case production rate is 60,000 tonnes per annum;
- First sales achieved 12 months after commitment to project development;
- Bentonite production for a 20 year period;
- Production is railed from a loading facility at Springsure to the Port of Gladstone for export;
- Mining is conducted using earthmoving contractors;
- Mining costs on the basis of current cost experience for comparable operations; and
- Continuous rehabilitation of the opencut mine as mining progresses.

The Coffey model produces a Discounted Cash Flow ("**DCF**") valuation of the Mantuan Downs project. This valuation methodology is described in more detail in subsection 8.1.

Using the above assumptions (and further assuming that Mantuan Downs enters production in mid 2007), the Coffey model generates a Base Case valuation of approximately $3.1 million on an after tax basis using a 20.1% discount rate (the selection of discount rate is discussed in Appendix 1).

It is very important to note that we do not present this specific value as the valuation of Mantuan Downs for the purposes of this Report. This value is presented as the basis for our discussion of the investment risk issues that attach to the project.

Shareholders should read the discussion on Sensitivity Analysis in subsection 6.5 and our opinion on the valuation as set out in subsection 10.3 .

6.5 Sensitivity Analysis

The Mantuan Downs project is at an early stage of development. While the technical parameters of an economic forecast (for example the mine plan, capital costs and operating costs) can be estimated with reasonable confidence the commercial assumptions (for example sales price, sales quantity and the timing of sales) are necessarily uncertain as no commercial arrangements have yet been concluded.

We have therefore used the Coffey model as a tool to examine the sensitivity of the DCF value of the project to changes in the underlying assumptions. The purpose of this analysis is to provide a basis to evaluate the reliability of the estimated value calculated using the DCF technique and also to examine the risk to shareholders that the project will achieve the transaction value.

Sensitivity of Coffey 'Base Case' Valuation to Changes in Assumptions

Parameter Change	-20%	-10%	Base Case	+10%	+20%	Sensitivity
Operating Costs	$3.8 m	$3.5 m	$3.1 m	$2.7 m	$2.3 m	**1.20**
Capital Costs	$3.3 m	$3.2 m	$3.1 m	$3.0 m	$2.9 m	**0.33**
Sales Price	$1.6 m	$2.3 m	$3.1 m	$3.9 m	$4.6 m	**2.47**
Sales Volume	$1.8 m	$2.2 m	$3.1 m	$3.6 m	$4.0 m	**1.49**

Note: Values in millions, calculated on a post tax DCF basis using a 20.1% discount rate

The above table illustrates the effect on the value of the Coffey Base Case of incremental changes to the key parameters within the Coffey model. The sensitivity of the project value to these changes is shown as a unit-less number calculated by dividing the percentage change in value by the percentage change in parameter:

- Where the sensitivity value is less than 1 the value of the project is insensitive to changes in that particular parameter – that is the proportional change in value is less than the change in the particular assumption;
- Where the sensitivity value is greater than 1 the value of the project is sensitive to changes in that particular parameter– that is the proportional change in value is more than the change in the particular assumption.

From this analysis we conclude that within the production range contemplated by the Coffey study, the value of the Mantuan Downs project is:

1. Highly sensitive to variations in the assumed ex-mine price;
2. Sensitive to variations in assumed sales tonnage;
3. Normally sensitive to variations in assumed operating costs; and
4. Insensitive to variations in assumed capital costs.

In addition we have considered a number of specific sensitivity cases that do not lend themselves to the calculation of a simple sensitivity value. In these cases we have considered the materiality of the variation in project value caused by the changes to the Base Case assumptions as discussed in the following subsections:

6.5.1 Large Changes in Volume of Production and Sales

The Coffey Base Case assumes mine production based on bentonite sales of 60,000 tonnes per annum. We note that this is significantly less than the quantity that TSR plans to sell into the export market although large in comparison to the total Australian bentonite market. We have used the Coffey model to provide a guide to the project values that would be achieved if TSR obtains markets other than at the assumed rate:

Annual Sales (tonnes)	Project Value
20,000	-\$0.5 m
40,000	\$1.2 m
60,000	\$3.1 m
80,000	\$4.6 m
100,000	\$6.8 m

Note: Values in millions, calculated on a post tax DCF basis using a 20.1% discount rate

The Coffey model is designed around a mine plan with an operating range of 20,000 to 100,000 tonnes per annum. Assuming that no further cost efficiencies can be obtained with the increase in scale, we have used the production sensitivity within this range to estimate a project value of approximately $15.1 million for Mantuan Downs operating at TSR's planned 200,000 tonnes per annum.

On the basis of this we conclude that the value of the Mantuan Downs project is materially affected by variations in the rate of production and sales achieved.

6.5.2 Ramp-up in Production Rate

The Coffey model assumes that the intended production rate is achieved in the first year of production and maintained at that rate for the life of the project. Often however mining projects tend to ramp-up to their designed production level during their early years of production – particularly when they are producing for developing markets.

We have examined the impact of this type of ramp-up by modelling a number of cases where production builds progressively to the assumed design level. The effect of this is to reduce both early revenue and the project value.

- Assuming that the project builds up evenly to the Coffey Base Case sales rate of 60,000 tonnes per annum over two years, the value of the project falls from $3.1 million to $2.5 million;

- Assuming that the project builds up evenly to the Coffey Base Case sales rate of 60,000 tonnes per annum over three years the value of the project falls from $3.1 million to $2.5 million.

The project value of the 60,000 tonne case is somewhat more sensitive to a build-up to full production; this reflects the economic and timing effects of the higher capital burden on the smaller project (the capital cost of a 60,000 tonne development is essentially the same as for a 100,000 tonne development).

6.5.3 Delay of Project Commitment

Coffey has advised that the mine will take 12 months to develop. The values calculated above are based on the assumption that TSR is able to commit to the development of Mantuan Downs as of the date of valuation and that production commences twelve months after that commitment (in line with Coffey's forecast).

This assumption is made for convenience in the valuation exercise and would in practice represent a very aggressive timetable given that amongst other things:

- A mining licence is yet to be awarded;
- Native title issues are yet to be resolved;
- Commercial sales are yet to be concluded;
- Mining services are yet to be secured (including mining contracts, transport arrangement and port arrangements).

We note that there does not appear to be any particular impediment with regard to any of these matters, however in our view it would be challenging to assume for valuation purposes that they will all be resolved to allow first sales within twelve months of the date of this Report. (In this regard we note that TSR has announced its expectation that the Mantuan Downs project will take 12 months to develop – not that development will be complete within 12 months of the acquisition.)

We have therefore examined the impact of time delay on the valuation by calculating the discount that would be applied to the DCF values to adjust for the time that passes from the date of this valuation to the date of project commitment.

On this basis the values of any of the assumed project developments discussed in this Report would be discounted for variation in timing assumptions by the following factors:

Time to Commitment (years)	1	2	3	4
Discount Factor	0.86	0.73	0.64	0.55

Thus, for example, if commitment to a development of the scale of the Coffey Base Case were to take place one year after the valuation date, the DCF project value above would be adjusted as follows: $3.1 million x 0.86 = $2.7 million. The same basis of calculation would apply to other possible project valuations.

6.6 Key Project Risk Issues

In addition to the risk issues discussed above, we have also considered a number of key project specific risks that at present cannot be reliably quantified. These risks are discussed in the following subsections:

6.6.1 Resource Risk

Mantuan Downs is a substantial resource of good quality bentonite. The size of the resource in the prospective Mining Lease and elsewhere in the tenement appears to be sufficient to support TSR's larger scale market development plans.

The resource risk has been substantially mitigated by previous exploration work and given that the resource is delineated to a JORC standard we believe that the resource risk (ie that there is insufficient mineral to support project development at the planned rates) is low.

6.6.2 Development Risk

As a 'greenfields' project Mantuan Downs is subject to the normal development risks that are typical of mining projects in Australia. In particular we note that the resource is not covered by a Mining Lease. TSR has informed us that it is working towards satisfying the requirements for the award of a Mining Lease, in particular producing the Plan of Development and Environmental Impact Statements. We also understand that a Native Title Agreement is being negotiated between TSR and the traditional owners, the Bidjara people.

The Mantuan Downs area is conveniently located to a railhead at Springsure that would provide access to Australian markets and export markets through the Port of Gladstone. Based on our knowledge of the Central Queensland transport corridor we expect that rail and port capacity will be available, however we understand that TSR has not yet commenced substantive commercial negotiations with Queensland Rail or the Gladstone Harbour Authority.

Having regard to these factors we believe that the principal Development Risk is in the timing of commitment to the project. Timing will substantially be dictated by third parties in the negotiation and bureaucratic processes involved in obtaining the necessary consents and agreements to commence production.

As discussed above, the valuation of the Mantuan Downs project is affected by the timing to commitment. In our opinion this is a material risk factor, although one that appears to be capable of satisfactory resolution by the TSR.

6.6.3 Mining Risk

We understand that the Mantuan Downs deposit is a simple shallow structure that is not likely to present significant technical mining risks.

Mantuan Downs will be competing for resources with other extractive industries (particularly the Central Queensland coal mining industry) and this may increase costs above forecasts used in this Report. We note however that the project valuation is not particularly sensitive to operating costs and quite insensitive to increases in capital costs.

6.6.4 Commercial Risk

Mantuan Downs faces the usual risks associated with the greenfields development of industrial minerals projects. In particular these include the need to secure markets as an unfamiliar and untried supplier and to simultaneously displace established suppliers.

We note that TSR has adopted a strategy of mitigating these risks by forming downstream relationships within developing markets (for example, the marketing joint venture in Dubai, and the CRC for Contamination Assessment and Remediation of the Environment). Despite these initiatives, the market development of Mantuan Downs is at a very early stage and in our opinion the principal investment risks are the commercial issues of price, quantity and timing for the sales of product.

As discussed above the valuation of Mantuan Downs is particularly sensitive to ex-mine price, sales quantity, the timing of project commitment and the timing of development of sales volume. At present there is insufficient information to form a reliable opinion on the likely outcomes of the commercial discussions that are in progress between TSR and the various counterparties. From a valuation perspective a wide range of potential outcomes are available for each of these risk factors.

It is important to note that the effect of the resolution of these risks would not necessarily be negative for TSR shareholders. For example the value of the Mantuan Downs project benefits significantly from improved price and sales volume and TSR's marketing initiatives are aimed at delivering a higher price and greater quantity than the assumptions incorporated in the Coffey Base Case.

In our opinion therefore the combination of the current commercial uncertainty and the sensitivity of the valuation to the individual commercial factors present a significant technical issue in determining a DCF value for Mantuan Downs. A simple review of the sensitivity analysis presented above demonstrates that a very wide range of potential project values can be calculated using different but reasonable commercial assumptions.

We discuss this issue in more detail in our assessment of the fairness of the Acquisition in subsection 10.3.1.

7. TECHSTAR

7.1 TSR Overview

TSR is listed on the Australian Stock Exchange (ASX code: TSR) and was established originally to take innovative Australian concepts and technology from individual inventors, companies and research institutions across Australia through to commercialisation.

The Company is presently pursuing the commercialization of a number of projects, including:

7.1.1 Devices

1. The Augen "EyeBionics": a vision prosthesis designed to assist the visually impaired and totally blind see movement, light and shade, structure and shapes;
2. SportzWiz: a hand-held electronic whistle designed to be used by referees to control sporting events and as a safety and security device for the police, lifesavers and armed forces; and
3. Reomate: a battery-operated hand-tool system that overcomes the requirement for construction workers to manually tie reinforcing steel for concrete form-work.

These devices have been developed to a pre-commercial stage. At present the Company is in the process of divesting the SportzWiz and Reomate technologies and is seeking project funding for the Augen technologies.

7.1.2 Bentonite-based Technologies

1. Removal of Oil Spills by Organically Modified Clays: an oil spill removal technology developed for IPOH by the CSIRO using modified industrial clays that

when contained in porous bags ("Spillows") made of spun bound propylene absorbs large amounts of oil and diesel and float on water as spill control barriers.

2. Improved Crop Yield using Beneficiated Clay: a treatment of degraded or 'poor' soils that is designed to reduce the leaching of plant nutrients, reduce water requirements and sustain a significant increase in crop yield.
3. Reduction of Toxic Compounds from Industrial Sites and Cigarette Smoke: a technology applying chemically modified clays as a selective filtration/absorption with particular application to cigarette filters and industrial filtration systems to reduce toxic emissions.
4. Remediation of Heavy Metal Contaminated Sites: a technology to minimise human exposure to contaminated soils through the use of a clay-based synthetic material to bind heavy metals.
5. Remediation of Contaminated Soils using Bioavailability Reduction: a technology to reduce the bio-availability of heavy metals and other pollutants in contaminated soils using bentonite's capacity to draw and bind other compounds to it.
6. Clay-Based Technology for Wastewater Remediation: a technology to remediate industrial and municipal waste water.
7. Methane Reduction in Livestock: a joint venture with the Queensland Government Department of Primary Industries to determine the utility of bentonite in reducing methane emissions and improving productivity in animals.

These technologies are TSR's principal business focus. The Company is working in conjunction with a range of partners in industry, government and research establishments with the objective of commercializing or completing the development of these technologies.

The bentonite-based technologies are all substantially or wholly based on the application and use of the unique chemical and physical properties of bentonite clay. The Directors of TSR therefore considered that a cost effective supply of bentonite would be an important requirement for the successful long term implementation of the above initiatives. As part of the acquisition of IPOH in 2005 TSR acquired the right to earn a one third interest in the Mantuan Downs project by funding a Bankable Feasibility Study.

At the date of this Report TSR has not funded the Bankable Feasibility Study and holds no interest in Mantuan Downs.

7.2 Capital Structure and Market Value of TSR Shares

Given that the consideration in the Acquisition is a substantial placement of shares we have specifically considered the effect on control of the issue of new shares and the market value of TSR shares.

7.2.1 Capital Structure

As at 23rd August 2006, TSR had 195,751,606 ordinary shares on issue. The table below shows the shareholdings of the major shareholders pre and post the proposed Acquisition.

Shareholder	Current Shareholding	Shares Issued	New Shareholding
Betty Byrne-Henderson & Associates	34,333,553	13,333,334	47,666,887
Paul Byrne & Associates	35,333,477	13,333,334	48,666,811
Chris Dredge & Associates	35,332,970	13,333,334	48,666,304
Other Directors	9,672,014		9,672,014
Other Shareholders	78,079,592		78,079,592
Placement Shares	3,000,000	14,000,000	17,000,000
Total Shares Issued	**195,751,606**	**54,000,002**	**246,751,606**

We note that the Ipoh Group Shareholders presently control an aggregate interest of 53.64% of the shares on issue and that post Acquisition the Ipoh Group Shareholders would control an aggregate interest of 58.06%. Similarly the individual interests of the members of the Ipoh Group Shareholders increase from approximately 17.5%-18%% to 19%-19.5%%.

In our opinion the effect of the proposed share issue does not constitute a transfer of control to the Ipoh Group Shareholders, or to an individual shareholder, nor does the additional interest represent a material increase in control of TSR. We therefore do not believe that it is necessary to incorporate a control premium in the valuation of the Acquisition.

7.2.2 Share Price Performance

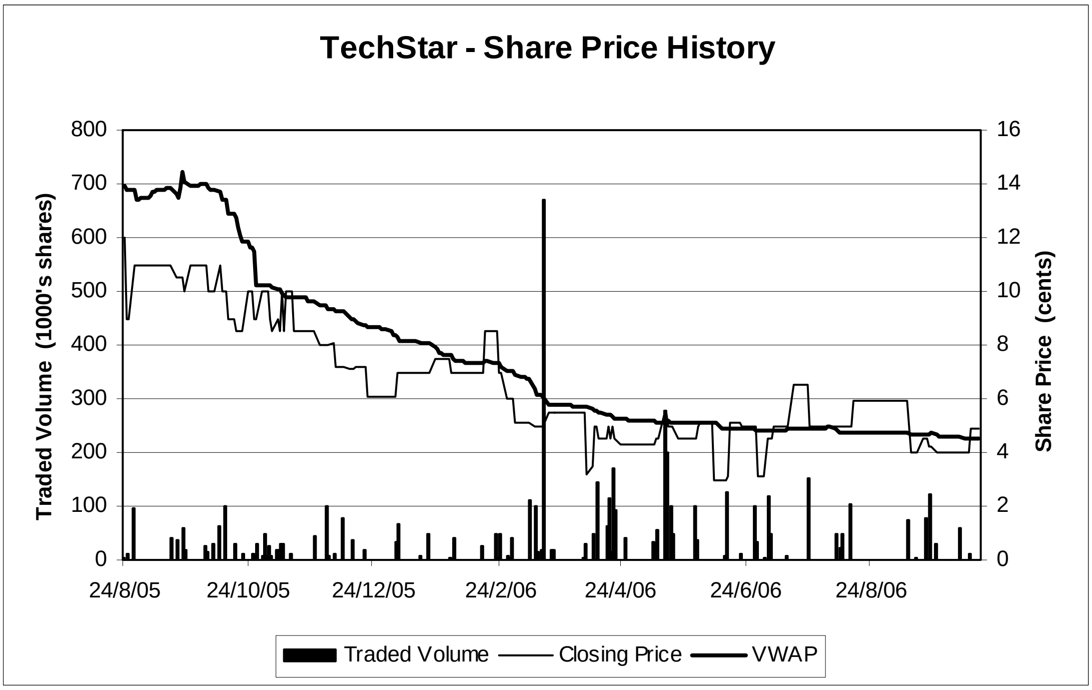
In our opinion TSR is a speculative investment in which a substantial portion of the value of the enterprise is contained in the expectation that the Company will be able to benefit from the commercialisation of its technologies.

TSR is subject to the Continuous Disclosure requirements of the ASX Listing Rules and we have no reason to believe that the market is not fully informed about the Company's prospects. In our opinion it is therefore reasonable to assume that the market value of the Company is embodied in TSR's share price. Consequently, in assessing the value of TSR shares as consideration in this Acquisition we have reviewed the recent share price performance of the Company up to the date of this Report.

The chart shown below shows TSRs share price performance since August 2005. The average share price has declined on low, irregularly-traded volumes to stabilise at around the current price of approximately 5 cents. The chart shows closing price, volume and the Volume Weighted Average Price ("VWAP") on a 60 day rolling average.

The VWAP for the first quarter of 2006 was approximately 5.7 cents while the VWAP for the three months to 15 October 2006 was approximately 4.5 cents.

Notwithstanding the low traded volumes in the marketplace, we note that in June and July 2006 TSR made placements totalling 9 million new shares to sophisticated investors at a price of 5 cents per share. Accordingly, having regard to the price history discussed above, we consider that a share price of 5 cents per share represents fair market value for the purposes of valuing the consideration in this Acquisition.



8. VALUATION METHODOLOGIES

In determining if the purchase price to be paid for the acquisition of Mantuan Downs is fair and reasonable it is necessary to determine an appropriate valuation for the bentonite resource which TSR proposes to acquire. A number of valuation methodologies are available although not all are applicable and nor does sufficient information always exist to use them reliably.

The methods commonly used for valuing mineral resources at the stage of commercial development of Mantuan Downs are set out in the following sub-sections.

8.1 Discounted Cash Flows ("DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset depends on its future net cash flows, discounted to their net present value ("**NPV**") at an appropriate discount rate (the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

This methodology is based on a forecast of the expected cash flows generated by the asset or business. It follows that the reliability of the valuation is directly controlled by the accuracy and certainty of the estimation and modelling of the cash flow forecast. In situations where a high degree of uncertainty exists in the forecast assumptions the calculated DCF value may itself become so uncertain as to be unreliable or misleading.

DCF valuations are particularly applicable to assets or businesses which are based on the consumption of a finite resource rather than the continuous manufacture of goods or delivery of a service. As such it is a methodology very often applied to mining operations which typically consume a reserve of ore or mineral.

8.2 Farm-in Valuations

A farm-in is a transaction whereby the holder of an interest in a project or asset gives away an interest (typically a partial interest) to a third party in exchange for that party preforming work or undertaking agreed expenditure on behalf of the holder. Farm-ins are quite common in mineral projects and are used as a mechanism to share the cost and risk of exploration and appraisal of a resource.

If a willing buyer acquires an interest (x%) in a permit for a price ($y) then the implied value (V) for the permit is:

1. V=$y/x% if the $y is retained by the seller
2. V=$y/x% - $y if the $y is to be spent on the permit. In this case the value of the joint venture between the two parties would be V + $y; that is, the implied value of the permit plus the cash which would be spent on the permit. Obviously over time, subject to the level of success of the exploration, the value of the permit and joint venture would most likely change.

In the case where the farm-in is staged then the valuation of the transaction can be calculated at the discounted sum of each of the future payments. Each payment would also be subjected to the probability of completion of that expenditure.

A farm-in to a project under valuation (or a comparable proxy) can be used as an indication of the market value of that project. However, the reliability of this methodology in valuing an independent asset can be compromised by many factors that are specific to the circumstances of the farm in, for example:

- The comparative technical and commercial merits of the projects;
- Whether control of the project passes with the farm-in;
- The relative value to the parties of the work or expenditure obligation;
- The riskiness of the project – and the perception of that riskiness between the parties;
- The ‘option value’ embodied in the commercial terms of the farm-in; for example, break conditions, the ability to gain information without committing to further expenditure, withdrawal rights etc;
- The terms of the joint venture (or other commercial or corporate structure) under which the project will be taken forward.

These factors, and others similar to them, can have significant value implications that are not embodied in the apparent price of the farm-in.

8.3 Previous Exploration Expenditure

Previous exploration expenditure on a tenement can be used to provide an indicative level of value. Highly prospective tenements (and hence by implication greater value tenements) will generally encourage a higher level of exploration expenditure. This is a very raw evaluation as sunk costs have been incurred on a pre-risk basis (that is exploration dollars are spent in the hope that a commercial discovery may be made, not on the present knowledge of the resource) and the implication that the current value is related to the level of previous expenditure is often tenuous.

However, where exploration results cannot be defined in dollar terms and in the absence of other methodologies it can provide a relative guide to value.

8.4 Previous Transactions

If an asset or project of similar type, size and location has been sold on an arm's length basis for a disclosed price then that value can be inferred as a proxy valuation.

Similarly to the case of the farm-in methodology, a comparison of previous transactions may be unreliable as more than a guide because it is often not possible to accurately compare the commercial merits of projects or to determine the extent to which 'non-price' issues have a significant impact on the valuation.

8.5 Comparative Values

If other listed companies hold similar assets to those assets to those under valuation, an inferred value can be determined from analysis of their financial reports and share price performance.

The reliability and usefulness of this methodology depends on the availability of companies with comparable assets. The methodology suffers from the same technical deficiencies discussed above for Farm-ins and Comparable Transactions. Typically this methodology gives an indirect valuation that may be useful as a comparative check.

8.6 Earnings-Based Valuations

The apparent value of a company may be ranked relative to its peers by comparison of their earnings. Assuming a suitable level of consistency between the businesses this provides an indirect valuation for a company based on the price that the market is prepared to pay for similar assets at any particular time.

The reliability and usefulness of this methodology depends upon a wide range of factors; of particular importance are the comparability between businesses, the expected future quality of earnings (of both the company under valuation and the general market) and market sentiment. In our opinion this methodology has application as a screening or ranking tool but is not a rigorous approach to the valuation of businesses.

9. VALUE OF THE CONSIDERATION TO BE PAID BY TSR

The consideration proposed to be paid by TSR to the shareholders of IPR for the acquisition of 100% of the issued capital of IPR consists of 40,000,000 ordinary shares which, as discussed above in section 6.3.2, IFL values for the purposes of this Report at 5 cents each, providing a consideration of $2,000,000.

10. VALUE OF THE ACQUISITION TO TSR

We have been informed by TSR that the only material asset of IPR is the 100% interest in the Mantuan Downs exploration permit EPM 13886. We have also been informed by TSR that on the basis of its due diligence IPR has no material liabilities.

We have not conducted any due diligence review of IPR, have not sighted any audited accounts for IPR and are not aware of any tax assets or other financial assets of material value.

As we understand the Acquisition, if it is approved by Shareholders TSR will acquire three elements of value:

1. The vehicle, Ipoh Pacific Resources Pty Ltd;
2. Forgiveness of existing loans to TSR;
3. A 100% interest in EP 13886.

10.1 Value of the Vehicle Ipoh Pacific Resources Pty Ltd

IPR is an unlisted vehicle and in our opinion has no intrinsic value as a corporate structure other than the value of the interest that it holds in the Mantuan Downs exploration permit.

10.2 Value of Forgiveness of Existing Loans to TSR

As a result of the 2005 transaction TSR acquired the liabilities of Ipoh Pacific Limited. These liabilities included personal debts to Directors of the Company, Christopher Paul Dredge and Paul James Byrne. We understand that subject to the completion of the acquisition of the Company by TSR these liabilities, totalling $550,396.20, will be forgiven in their entirety.

We value this element of the Acquisition at the face value of these debts: $550,396.20.

10.3 Value of Mantuan Downs Project

As discussed above in section 6 we understand that Mantuan Downs is a large calcium bentonite deposit, defined to JORC standard as a resource that would be considered large in the context of the Queensland industry. In addition, we understand that the technical characteristics of the bentonite are favourable and that the product would potentially be suitable for a range of high-value applications.

The deposit is located in an area which is accessible to the services and infrastructure required to mine, transport and export the mineral. As such we believe that Mantuan Downs project has a substantial market value independently of the proposed transaction between TSR and the shareholders of IPL.

We have considered a range of valuation methodologies that might be applied to value the Mantuan Downs project. The general applications of these methodologies are described in section 8 of this Report.

In our opinion these methodologies cannot be applied to the Mantuan Downs project to determine a reliable estimate of the fair value of the asset and we are unable to determine an objective transaction value for IPR. The reasons for our opinion are as follows:

10.3.1 Discounted Cash Flow

As discussed in section 6, Coffey has provided us with a cash flow model of the Mantuan Downs project that allows us to calculate a net present value of the project under varying assumptions. We have used this model to calculate a range of potential values that has provided us with a sensitivity analysis of the impact on value of changes in assumptions.

Our conclusions from this analysis are that an estimate of value of Mantuan Downs is:

1. Sensitive to the realised mine-gate price for bentonite: a 10% increase in price delivers a 24.7%% increase in post tax project value;
2. Somewhat sensitive to the volume of sales of bentonite: a 10% increase in sales volume delivers a 14.9% increase in post tax project value;

3. Materially affected by the timing of the startup of the project;

4. Materially affected by the timing of buildup to the planned rate of production.

The result of these sensitivities is that the estimated project value varies significantly across what might be regarded as a reasonable range of commercial assumptions. For example the Coffey Base Case values Mantuan Downs at $3.1 million assuming an ex-mine bentonite price of $37.50/tonne. However by assuming an increase of $7.50/tonne in the FOB price of bentonite (still less than other reported ex-mine prices), and no other changes, the value of the same Base Case increases by nearly 50% to about $4.6 million.

Similarly it is possible to choose equally reasonable commercial assumptions that deliver substantially greater project value than the Base Case – or indeed no value at all.

We understand that TSR is currently undertaking marketing efforts leveraged off its bentonite technologies aimed at creating market demand for calcium bentonite from Mantuan Downs and achieving a premium price for the product. At present however these commercial initiatives are at an early stage and do not yet provide any substantive indication of likely pricing, sales quantity or project timing.

Given the early stage of the development of Mantuan Downs and considering the inherent uncertainty of the commercial forecasts that are presently available, we are of the opinion that DCF methodology is an unreliable indicator of value at present.

10.3.2 Comparable Transactions

There is no regular or established market for bentonite assets in Australia and we are not aware of any comparable asset sales or exchanges that are useful in determining a fair value in this case.

10.3.3 Valuations of Comparable Businesses

There are a number of listed companies that are in the business of mining and selling industrial minerals that might be considered for comparison of their economic and business performances. However:

1. We are not aware of any listed business (or other business that discloses its financial results) that is primarily a producer of calcium bentonite of comparable quality;

2. Mantuan Downs is not in production and therefore has no trading or production history with which to make comparison.

In our opinion therefore the Comparable Business methodology does not provide a reliable basis for estimating the transaction value of Mantuan Downs as an asset.

10.3.4 Farm-in Valuation

As a condition precedent to the acquisition of IPOH Pacific and Enox in November 2005, TSR entered into a farmin agreement with IPR by which it obtained the option to acquire a $33^1/_3$% interest in Mantuan Downs by funding a bankable feasibility study. The cost estimate for this study was disclosed at the time of the transaction as a maximum of $120,000, although a more recent estimate puts the cost at about $250,000. On the basis of the farm-in methodology discussed above, this implies an approximate value of $360,000 to $750,000 for a 100% interest in Mantuan Downs.

We note that in the absence of any better methodology the Directors of TSR used this approach in the 27 October 2005 Explanatory Memorandum as a guide to the value of benefits to be transferred to related parties as a result of the farm-in.

We have considered this valuation methodology in the context of the complex series of related party financial and asset transactions that accompanied the farm-in and do not believe that it can be used in isolation as a reliable measure of the fair market value of Mantuan Downs.

11. OPINION ON FAIRNESS

We have considered the methodologies and techniques available to estimate the value of the Mantuan Downs project. We have noted that there is no established or regular market for bentonite interests and that project is at an early stage of development with a broad range of possible commercial outcomes before it. Therefore the application of these valuation methodologies necessarily generates a wide range of possible values that can, in our opinion, each be supported by a reasonable judgement of the commercial assumptions that set that particular value.

We are therefore of the opinion that at present it is not possible to apply a valuation technique to determine an objective and reliable fair market value for Mantuan Downs. Consequently we are unable to compare the consideration offered by TSR to the value of the asset on consistent terms.

In the result we are unable to conclude whether the Transaction is fair or unfair to the shareholders of TSR. **Because we are unable to form a conclusion that the Transaction is Fair, we are required to treat the Transaction as Not Fair to Shareholders of TSR.**

12. OPINION ON REASONABLENESS

To form an opinion of the reasonableness of the proposal, we have considered the following:

1. Advantages to shareholders of TSR of accepting the Proposal;
2. Disadvantages to shareholders of TSR of accepting the Proposal;
3. The likely position of the Company if the Acquisition does not proceed.

12.1 Advantages to Shareholders

If the Proposal is approved we consider that the following advantages will apply to Shareholders of TSR:

12.1.1 Provides TSR with Full Control of the Mantuan Downs Project

The Proposal will deliver TSR full control of the Mantuan Downs project as opposed to a $33^{1}/_{3}$% joint venture interest. TSR can be expected to benefit from the increased flexibility and certainty in financing, managing and developing the project without the requirement to consider joint venturer needs and issues.

TSR is also likely to benefit from full control through the increase in commercial simplicity and certainty this will provide to potential customers.

12.1.2 Alignment with TSR Bentonite Strategies

The Proposal is consistent with TSR's vertical integration strategy. In particular, control of Mantuan Downs allows TSR to pursue the:

- development of markets within the environmental management industry without necessary reliance upon or consideration of third party bentonite suppliers;
- application and development of bentonite technologies without necessary reliance upon or consideration of third party bentonite suppliers.

In this regard we note that the strategy of TSR becoming a bentonite producer at Mantuan Downs was presented to TSR shareholders and approved as an integral part of acquiring the bentonite technologies owned by IPOH Pacific and Enox.

12.1.3 Diversity

If the project is commercially developed, Mantuan Downs would provide TSR with a cash flow independent of the commercialisation of its technologies. The acquisition potentially extends the range of business activities available to TSR.

12.1.4 Equity Financing

The consideration in the transaction is paid by way of the issue of new equity. This conserves cash within TSR and serves as a mechanism to share the commercialisation and development risk of the new asset with the vendors.

12.1.5 Reduction in Debt

The forgiveness of debts owed by TSR to Christopher Dredge and Paul Byrne will reduce the total indebtedness of the company by $550,396.20. Given that the Company would have approximately 249.7 million shares on issue following the Acquisition this is equivalent to 0.22 cents per share or approximately 4.5% of the share price at the date of this Report.

12.2 Disadvantages to Shareholders

If the Proposal is approved we consider that the following disadvantages will apply to Shareholders of TSR:

12.2.1 Dilution of Minority Interests

The issue of 40 million new shares will dilute the minority shareholders interests and control in the Company.

As discussed in subsection 7.2.1 we hold the opinion that the issue of shares will not impact materially on the control of TSR by the existing major shareholders Betty Byrne-Henderson, Paul Byrne and Chris Dredge.

12.2.2 Uncertainty of Realisation of Value

As discussed in subsection 10.3, the development of Mantuan Downs is at an early stage and there is a high degree of uncertainty regarding the timing and value that will actually be realised by TSR's shareholders from any future exploitation of the resource.

Given the difficulty in applying an accurate valuation to industrial minerals projects such as Mantuan Downs, it is also possible that the market price of TSR shares may not fully reflect the value of the acquisition until it is informed of the commercial prospects for development with a higher degree of certainty than is presently available.

12.2.3 Opportunity Cost

The proposed issue of shares for this transaction may reduce the capacity of TSR to issue new capital for other purposes. It is possible that this may restrict the Company's ability to take advantage of other opportunities that may offer Shareholders greater returns than the ownership of Mantuan Downs.

12.2.4 Change in Nature of Business

TSR has previously been a business primarily engaged in financing, developing and commercialising technologies. The proposed acquisition and development of Mantuan Downs is likely to mean that a substantial part of TSR's business will be in mining and raw materials marketing.

It is possible that the change in nature of the business of TSR may not suit the portfolio or other investment requirements of some shareholders.

12.3 Position of Shareholders if the Proposal is Not Approved

The Directors of TSR have proposed the acquisition of Mantuan Downs as a part of their business plans to achieve the objectives of the Company by commercialising bentonite technologies. If the Proposal is not approved, we believe that the position of Shareholders may be affected as follows:

12.3.1 Potential Loss of Opportunity

As discussed in section 6, although at an early stage of commercial development, we consider that Mantuan Downs is a mineral resource with substantial development prospects.

If the Proposal is not approved, there is no certainty how the Mantuan Downs project will be developed as a joint venture or how the future ownership interests in the project will be managed. This may represent a loss of opportunity to TSR to exploit the bentonite resource at Mantuan Downs and add value to the bentonite technologies it already owns.

12.3.2 Potential Loss of Alignment of Objectives

Shareholders have previously approved TSR's bentonite strategy and the issue of shares that deliver a substantial shareholding to the Directors Paul Byrne and Chris Dredge and to Betty Byrne-Henderson. The Acquisition is consistent with the execution of the strategy.

If the proposal is not approved, the result will be a setback to the business plans put forward by the Directors with the support of the major shareholders. The result of this is likely to be a loss of alignment between the interests of the minority shareholders, the majority shareholders and the Independent Directors. In our opinion this is likely to lead to uncertainty in the business prospects of TSR and this uncertainty may be reflected in a depression of the share price.

12.4 Opinion

We have considered the advantages and disadvantages to shareholders of the acquisition of Mantuan Downs and the likely position of Shareholders if the Proposal is not approved. On balance we believe that the advantages of the Acquisition are greater than the disadvantages.

Taking account of the issues discussed above, we believe that the proposed Acquisition is Reasonable notwithstanding our opinion that it is Not Fair.

13. LIMITATIONS AND RELIANCE ON INFORMATION

13.1 Sources of Information

In addition to materials disclosed in the body of this Report IFL has relied on the following information:

1. Notice of Annual General Meeting & Explanatory Memorandum – 27/10/2005
2. Announcements and reports made by TSR to the Australian Stock Exchange and published on the ASX website, www.asx.com.au;
3. Commercially confidential internal TSR documents and correspondence.
4. Discussions with the Directors and Management of TSR.

13.2 Assumptions

IFL's opinion is based on economic, share-market, business trading, financial and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If they did change materially subsequent to the date of this Report the opinion could be different in these changed circumstances. However, IFL has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this Report or to review, revise or update its Report or opinion.

This Report is also based on financial and other information provided by TSR. IFL has considered and relied upon this information and its completeness, accuracy and fair presentation. TSR has represented in writing to IFL that, to its knowledge, the information provided was complete, accurate and not misleading in any material respect. IFL has no reason to believe that any information supplied to it was false or that any material information has been withheld from it nor has anything come to its attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its Report.

The information provided to IFL has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Acquisition is in the best interests of TSR shareholders. However, in preparing reports such as this IFL does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose.

Except as expressly set out in this Report, IFL has not attempted to independently verify the completeness, accuracy or fair presentation of any of the information provided by TSR. In any event, an opinion as to whether a transaction is in the best interests of shareholders is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgements of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this Report does not imply that IFL has audited in any way the management accounts or other records of TSR. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the methods of accounting in previous years (except where noted or where required due to a change in accounting standards).

In forming its opinion, IFL has also assumed that:

1. the information set out in the accompanying Explanatory Memorandum is complete, accurate and fairly presented in all material respects;
2. the publicly available information relied on by IFL in its analysis was accurate and not misleading;
3. the legal agreements required to give effect to the Acquisition will be implemented in accordance with their terms; and
4. the legal mechanisms to effect the Acquisition are appropriate and will be effective.

14. QUALIFICATIONS, DECLARATIONS AND CONSENTS

14.1 Qualifications

IFL provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital Acquisitions.

The persons responsible for preparing this Report on behalf of IFL are Dr Victor Rudenno B.E., M.Com., PhD, SFFinsia, MAusIMM and Rob Crook BSc (Mining Engineering), MBA, MIEAust, CPEng, both of whom have appropriate experience in relevant corporate advisory matters. Each of the above is an authorised representative of IFL pursuant to its Dealer's Representative Licence held under Corporations Act.

14.2 Declarations

It is not intended that this Report should be used or relied upon for any purpose other than as an expression of IFL's opinion as to whether the Acquisition is in the best interests of TSR Shareholders. IFL expressly disclaims any liability to any TSR shareholder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose.

This Report has been prepared by IFL with care and diligence and the statements and opinions given by IFL in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading.

IFL makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by TSR to their respective creditors as at the date of this Report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of individual companies in the group with whom they conduct business.

IFL has had no involvement in the preparation of the Explanatory Memorandum and has not verified or approved any of the contents of the Explanatory Memorandum. IFL does not accept any responsibility for the contents of the Explanatory Memorandum (except for this Report).

14.3 Independence

IFL is entitled to receive a fee of $35,000 for the preparation of this Report. Except for this fee, IFL has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Neither the signatories to this Report nor IFL, hold securities in TSR and have not held such securities at any time over the last two years.

Neither the signatories to this Report nor IFL have had within the past two years any business relationship material to an assessment of IFL's impartiality with TSR, or their associates, other than in connection with the preparation of this Report.

Prior to accepting this engagement IFL considered its independence with respect to TSR and any of their respective associates with reference to the ASIC Practice Note 42 entitled 'Independence of Expert's Reports" and other related ASIC Policy Statements and Practice Notes. In IFL's opinion it is independent of TSR and their respective associates.

14.4 Indemnities

TSR has agreed that, to the extent permitted by law, TSR will indemnify IFL and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this Report arising out of any misstatement or omission in any material or information provided to IFL. This indemnity will not apply in respect of the proportion of any liability found by a court to be attributable to any conduct involving negligence or wilful misconduct by IFL. TSR has also agreed to indemnify IFL and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where IFL or its employees and officers are found to have been negligent or engaged in wilful misconduct in which case IFL shall bear such costs.

Advance drafts of this Report were provided to senior management and directors of TSR for their comments as to factual accuracy rather than opinions, which are the responsibility of IFL. Certain changes were made to this Report as a result of the circulation of the draft Report. However, there was no alteration to the methodology, conclusions or recommendations made to TSR shareholders as a result of issuing the draft reports.

14.5 Consents

IFL consents to the issuing of this Report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to TSR Shareholders in relation to the Acquisition. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without the prior written consent of IFL as to the form and context in which it appears.

IFL takes no responsibility for the Explanatory Memorandum other than this Report.

14.6 Other

The opinion is made at the date of this Report and reflects circumstances and conditions as at that date. A Shareholders decision on how to vote on the proposal may be affected by a shareholders own circumstances. Shareholders who are in doubt as to the action they should take should consult their own independent professional adviser.

Yours faithfully

Victor Rudenno	**Rob Crook**
BE., M.Com., PhD, SFFinsia, MAusIMM	BSc, MBA, MIEAust, CPEng

Appendix 1: Selection of a Discount Rate

Overview

Selection of the appropriate discount rate to apply to the forecast cash flows of any resource project fundamentally is a matter of judgement of what is the appropriate rate to apply on behalf of the shareholders of TSR. There is a formulaic approach that can and is derived by theory but it should be stressed that there is no "correct" discount rate. Despite the growing acceptance and application of various theoretical models, many companies may rely on less sophisticated approaches and use relatively arbitrary "hurdle rates" which do not vary significantly over time despite interest rate movements.

IFL considers the rates adopted to be reasonable discount rates that TSR Shareholders would use irrespective of the outcome or shortcomings of applying any particular theoretical model.

The discount rates that IFL has adopted are reasonable relative to the rates derived from theoretical models and have been based on an estimated weighted average cost of capital ("**WACC**") based on a weighted average of the cost of debt and the cost of equity. There are three main elements to the determination of an appropriate WACC, namely cost of equity, cost of debt and debt/equity mix.

The cost of equity was derived from the Capital Asset Pricing Model ("**CAPM**") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. However, while the theory underlying the CAPM is rigorous the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide.

Where appropriate the cost of debt was determined by reference to the pricing implied by the debt markets in Australia. Selection of an appropriate debt/equity mix is a matter of judgement and generally represents an appropriate level of gearing, stated in market value terms, that a comparable company would maintain in the long run. TSR currently has little debt and, once the Mantuan Downs project is in production, in our opinion the Company would be able to obtain debt secured on the project to fund future capital needs. A 20% debt to capital ratio is considered a reasonable long term level for the purposes of this report.

Weighted Average Cost of Capital (WACC)

The WACC is given by Officer's (1994) formula used to calculate an after-tax WACC under a dividend imputation system:

$$WACC = r_e \frac{E}{V} + r_d \frac{D}{V}\left(1 - t_c\left(1-\gamma\right)\right)$$

Where

V	sum of debt and equity values;
E	value of equity;
D	value of debt;
Re	cost of equity;
Rd	cost of debt;
t_c	the corporate tax rate; and
γ	the value of imputation tax credits (gamma)

This is an after tax discount rate to be applied to nominal ungeared after-tax cash flows.

Overview of the CAPM

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. CAPM is based on the assumption that investors require a premium for investing in equities above risk free investments (such as Australian government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks relating to a company may be divided into specific risks and systematic risks. Specific risks are risks that are specific to a particular company or business and are, unrelated to movements in equity markets generally. Systematic risk is the risk that returns from an investment or business will vary with market returns in general. If returns on an investment were expected to be completely correlated with returns on the market in general, then the return required on the investment would be equal to the return required from the market in general (ie. the risk free rate plus the market risk premium).

CAPM postulates that the return required on investment or assets can be estimated by applying to the market risk premium a measure of systematic risk described as the beta factor. The beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. An investment with a beta of more than 1 is riskier than the market and an investment with a beta of less than 1 is less risky.

The formula for deriving the discount rate using CAPM is as follows:

Re = Rf + Beta (Rm - Rf)

Where

Re	is the expected return on equity;
Rf	is the risk free rate;
Beta	is the beta factor;
Rm	is the expected market return; and
Rm – Rf	is the market risk premium.

The beta for a company is normally estimated by observing the historical relationship between returns from the company or comparable companies and returns from the market in general. The market risk premium is estimated by reference to the actual long run premium earned on equity investments by comparison with a risk free investment.

Risk-Free Rate

For the purpose of the valuation, IFL has adopted a risk free rate of 5.73 (as at 25th August, 2006). The risk free rate approximates the yield to maturity on 10 year Australian Government bonds prevailing during August 2006.

Market Risk Premium

The market risk premium (Rm - Rf) represents the "extra" return that investors require to invest in equity securities as a whole over a risk free investment which is not observable and therefore a historical premium is used as a proxy. Australian studies have been limited but indicate that the long run average premium has been in the order of 6% measured over more than 100 years of data. [1]

The market risk premium is not constant and may change over time as investors perceive that equities are more risky than at other times and will increase or decrease their expected premium.

A market risk premium of 6% has been assumed which IFL believes is within the range of generally accepted figures of long term market risk premiums in the Australian capital market.

Equity Beta

Beta is a measure of the expected covariance (ie. volatility and correlation of returns) between returns on an investment and returns on the market as a whole. The expected beta factor cannot be observed. The conventional practice is to calculate a historical beta from past share price data and use it as a proxy for the future.

For TSR, Ordinary Least Squares ("**OLS**") betas have been calculated based on daily, weekly and monthly price movements against the All Ordinaries Accumulation Index over a five year period.

Industry betas are calculated by estimating the beta for firms in the mining sector and then adjusting it for TSR's specific financial leverage, as measured by market value debt to equity ratios. Industry betas generally provide a more stable platform for evaluating risk and are less subject to statistical error. However, the industry betas tend not to be reflective of the inherent risk of the smaller stocks in the estimation sample. Hence, the use of industry betas may underprice the risk inherent in TSR's stock.

Another commonly employed methodology of obtaining a beta estimate is to obtain comparable companies and consequently de-levering and re-levering to the target company's capital structure. However, there are no listed companies with comparable business operations with that of TSR.

Table 1: Beta Methodologies and Results

Methodology	OLS Beta	Industry Beta	Adjusted Beta[1]
Beta estimate	0.85	0.84	1.31

Due to the thin trading of TSR stock during some periods, IFL has calculated TSR's betas and made necessary adjustments for both thin and non-synchronous trading aspects of TSR stock. This provides a beta estimate that is not biased towards zero due to periods where TSR stock has not traded.

Accordingly, having regard to the above factors, IFL believes that a beta of 1.31 is a reasonable estimate of the appropriate beta for TSR's stock.

Cost of Debt

Neither TSR pre Acquisition nor post Acquisition, have or is unlikely to have any debt in the medium term. A cost of debt of 7.5% has been adopted, which is a 1.85% premium over the risk-free rate. This figure represents the expected future cost of borrowing over the duration of the cash flow model. IFL believes that this would be a reasonable estimate of an average interest rate, including margins that would match the duration of the cash flows assuming that the operations were funded with a mixture of short term and long term debt.

Debt/Equity Mix

The selection of the appropriate debt/equity ratio is very subjective and should be consistent with

[1] IFL used five years of weekly data to calculate the adjusted beta. Adjustments were made by re-weighting observations that saw periods where there was no weekly trading volume.

the level implicit in the measurement of beta. The debt levels should be the weighted average measured over the same period as the beta factor rather than just at the current point in time which is not possible in this situation. The tax deductibility of the cost of debt means that the higher the proportion of debt the lower the WACC, although this could be offset, at least in part, by an increase in the beta as leverage increases.

Debt levels should reflect the optimum level of gearing utilised by the firm to maximise shareholder returns. The optimal capital structure is assumed to be an optimal trade-off between the tax deductibility of debt, and the added financial risk associated with additional debt. It is reasonable to assume that firms in certain growth industries may be less debt-laden than firms in more mature industries (e.g. utilities are typically 50% debt financed or more) in order to reserve cash for acquisition funding or other growth strategies.

IFL considers that an optimal capital structure of 20% debt is appropriate for TSR.

Dividend Imputation (Gamma)

Under Australia's dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company. It can therefore be argued that the benefit of dividend imputation should be added into any analysis of value.

There is no generally accepted method of allowing for dividend imputation. Over time dividend imputation may become factored into the determination of discount rates by corporations and investors. While shareholders are undoubtedly attracted by franking credits there is no clear evidence that they will actually pay extra for them or build it into values based on long term cash flows. It is unlikely that TSR will pay any dividends in the near term and in IFL's opinion it is appropriate to assign a value of zero to any attached franking credits.

Adjustments to WACC

One shortfall of the WACC/CAPM evaluation framework is its inability to capture the risks inherent in small stocks. The WACC for small companies does not account for all of the risk faced by investors in small companies. Some of these risks include:

Project specific risk – small companies have a smaller portfolio of projects. Failure of a single project may have widespread implications for the profitability and hence returns of a small company. IFL generally uses discounts of 25% to compensate for project-specific risk.

Lack of Liquidity – An investment in unlisted assets cannot be readily bought and sold. This lack of liquidity makes the investment less attractive, and therefore less valuable, than otherwise similar investments that are more liquid. The size of the liquidity discount applied to a business or asset will depend upon a number of factors. Businesses that generate substantial cash flows should have smaller liquidity discounts. Empirical evidence on illiquidity discounts shows an average discount of 30% to 35% (Damadoran, 1996; Lonegan, 1998). In its valuations of companies in an Australian context IFL generally uses discounts of 30% as the price for lack of liquidity

Lack of Size – There is no doubt that larger companies, in terms of market capitalisation, deserve to, and do, trade at higher investment multiples than smaller companies. Goldman Sachs JBWere (2002) published a report on the Emerging Companies sector called 'Playing the Smalls'. The report shows an average discount for size of 19% to 20% between 1993 and the end of 2001. In its valuations of companies IFL generally uses discounts of 20% as the price for lack of size.

IFL has applied a premium of 75% to the cost of equity (Re) estimate to account for the issues of project specific risk, size, and lack of liquidity.

Conclusion

Using a cost of equity of 13.6%, a cost of debt of 7.5%, an equity beta of 1.31, a debt/value of 20%, and a size, liquidity and project specific risk premium of 75%, IFL estimates the WACC for TSR at 20.1%.

Table 2: WACC Parameters Summary

Parameter	Value
Equity beta	1.31
Gamma	0
Debt / Value	20.0%
Market risk premium	6.0%
Risk-free rate	5.73
Corporate tax rate	30%
Cost of debt	7.5%
Cost of equity	13.6%
Size/liquidity/risk premium	75%
TSR WACC	**20.1%**

InterFinancial Limited – August 2006

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Assessment of the IPOH Resource Estimates

for the

Mantuan Downs Bentonite Deposit

Author:

14 June 2006
Robert Pyper
Principal, Minnelex Pty Ltd

Introduction

The Mantuan calcium bentonite deposit is secured by EPM 13886 which was granted to Ipoh Pacific Resources Pty Ltd on 7 March 2003 for a term of five years and comprises 29 sub blocks.

The information used to prepare this report is drawn from information provided by the directors of IPOH, much of which is also available on open file with the Queensland Department of Mines and Energy. A site visit was made in 2005 to examine the layout of drill holes and trenches. The deposit has been well documented by both government and company geologists in the past. Considerable field data on the deposit is available and some references used are listed in this report. The author has no reason to doubt the authenticity or substance of the investigative reports or information provided.

The report has been prepared by R C W Pyper, BSc, FAusIMM, GAICD. Consultant Geologist.

Location

The tenements are located on the 1:250,000 Springsure Sheet and are 98 km by road westerly from the railhead at Springsure, Figure 1. The road is partly sealed. From Springsure the rail connects via Emerald to Gladstone, a distance of about 438 km. Sealed roads follow the Dawson Highway to Gladstone and the Capricorn Highway to Rockhampton. Gladstone is a rapidly developing commercial centre.

Regional Geology

The country is flat, almost treeless pasture used for cattle grazing. The bentonite is within the lower portion of the Upper Permian Black Alley Shale. The Shale unit consists of interbedded black shale, bentonitic clay and tuff. These were laid down slowly in a restricted marine basin. The bentonite within the unit has been traced in an easterly direction from the main deposit for some 120 km and all possibly productive bentonite zones appear to have been taken up by IPOH.

The EPM 13886 lies north northwest of Mantuan Downs homestead. A number of fairly continuous calcium bentonite seams are present in the shale unit here which dips southwest at less than 5 degrees and outcrops over a 6 km x 14 km area. The bentonite sediments form an upper and lower series separated by a thin fawn coloured sandstone marker horizon. The upper series bentonite seams are more continuous and thicker than the lower, ranging up to 4 metres (m) thick. A characteristic feature of the lower series is the number of bentonite seams with up to 10 seams present, ranging in thickness from 10 centimetres (cm) to 1.5 m.

Mineralisation

Bentonite is in demand for its useful properties, which cover a great range of industrial applications. Bentonite consists predominantly of smectite minerals dominated by the swelling clay montmorillonite, a loosely bound sheet silicate with exchangeable Na, Ca and Mg cations. The most useful properties of bentonite include its ability to exchange cations, its swelling and hydration capacity, its ability to act as a binder, its impermeability and its special properties of viscosity and thixotropy.

The 1 g swelling index (1 g in 100 ml of water on the –1mm +0.5 mm fraction) is of primary importance when measuring the quality of bentonite clays; as is the cation exchange capacity (CEC). Both of these relate in a general way to the Na content and the crystal structure and hence to the mineral species present. Natural sodium bentonite has dominant sodium cations and a very high swelling capacity. Sodium clays with a high Swelling Index (SI), generally in excess of 50, also show “clumping” characteristics when water is added. The 1 g SI and the CEC are approximately related to the sodium ion content.

Calcium bentonite, has the ion Ca++ as the dominant exchangeable ion. They have a low swell factor, commonly between 24-30, but on treatment with soda ash this can rise to around 130. Calcium bentonites therefore have a foot in both camps. They are highly adsorbent and used principally in filtering, clarifying, bleaching and decolourising and to a lesser extent in other applications such as pet waste and pesticide carriers. New applications are still being found, such as in agriculture, some of which are expected to substantially expand demand.

If treated with soda ash to improve its swelling capacity, calcium bentonite may be referred to as sodium exchanged bentonite. Acid activated bentonite is a calcium bentonite that has been treated with inorganic acids to increase the surface area and porosity. White bentonite is a high brightness, white calcium bentonite.

In the UK, fullers earth refers to calcium montmorillonite clay, whereas in the USA it is generally taken to mean any clay suitable for bleaching or absorbent uses.

Previous Work, EPM 13886 Mantuan Downs

Between 1966 and 1968, Uranium Consolidated NL and Tennent Minerals Pty Ltd (UCTM), carried out exploration under ATP 229, 312 and 400. A total of 104 holes were drilled to an average depth of 9m. Most drilling was in 1966 when 74 holes were drilled averaging about 244 m apart. A total of 60 m was cored the rest of the drilling was open hole.

The deposit of calcium bentonite was found to be associated with soft shales and thin sandstone partings. The area of interest had an overburden ratio estimated to be less than 2:1 with overburden depths ranging from 1.5 m to 9.1 m. The limits of the deposit were not defined, however a near surface zone of bentonite that appeared to be of suitable quality and thickness was partially drill tested. The average thickness of mineable material was estimated to be 1.2 m. UCTM concluded that they had outlined sufficient reserves to support a 50,000 tonnes per year (t/y) operation for at least 40 years. The 20 million tonne (Mt) resource was in the near surface upper shale horizon. Because of its soft nature, mining could be carried out by scrapers, dozers and front end loaders.

A comprehensive research programme was carried out by Dr Russell at the University of Queensland concluded that “The clays examined are non-swelling calcium montmorillonite of good purity, which are responsive to beneficiation with sodium carbonate.” He considered that they reached optimum properties with an addition of about 6% soda ash.

The results of various testwork programmes indicated some variation in the properties of the clays from area to area, but the overall quality of the samples was good when the clay is converted to a sodium exchange bentonite by extrusion. The effect of soda ash is to give a progressive increase in properties as the percentage added is increased, but there are indications that at 9% soda ash the properties are showing some deterioration with optimum quality obtained with an addition of between 4 and 5% soda ash on the dry weight basis. At this level, the plastic viscosity is at a maximum, the change in Bingham yield value is small and the fluid loss tends to a minimum.

From 1991 to 1992, Wareen Exploration Pty Ltd (Wareen) carried out work for a Brisbane Syndicate who were interested in the potential of the area. The work concentrated in area A and a detailed section through the main deposit was drawn up. This showed that although the drill holes are widely spaced, ranging from 250m to 400m apart, there was good continuity of calcium bentonite throughout a strike length of 2.5 km. Wareen estimated that there was a near surface, possibly commercial bentonite resource of 6 Mt.

Recent activities by IPOH commenced in 1999 and have included detailed evaluation and compilation of previous exploration results at Mantuan Downs and the construction of a GIS exploration database with computer generated cross sections and mineral resource estimates. IPOH also carried out a detailed resource estimates for Area A, which demonstrated an indicated resource of around 31 Mt of bentonite with an average “global” waste to ore ratio of approximately 0.8:1.

Backhoe pits, some at previous drill sites and sent for analysis confirmed the high CEC properties of the clay. Additional bentonite resources are covered along strike with EPM 13162 “Cona Creek” and EPM 13161 the “Buckland Creek” application.

Previous Resource Estimates

Prior to the detailed resource calculations of IPOH, area A was estimated to contain a drill Indicated Resource of 6 Mt located within a 2.5 sq km area and within a total bentonite zone amounting to about 20 Mt. This was based on a section through the main deposit drawn up by Wareen Exploration. Although the drill holes are widely spaced, ranging from 25m to 400m apart, there is good continuity of calcium bentonite throughout this area and the gentle sedimentary environment during deposition of volcanic ash (subsequently altered to bentonite) renders the likelihood of rapid facies change remote.

A triangulation method of resource estimates was adopted by IPOH in 2002, suitable for irregular, wide spaced drill holes and a simple flat lying deposit. The mean bentonite intercept assigned to each triangle or resource block was calculated as the sum of the bentonite thickness intercepted in each of the three drill holes forming the triangle divided by 3. Mean waste intercept was similarly calculated as the sum of the waste (including overburden and internal waste) thickness intercepted in each of the three drill holes forming the triangle divided by 3. The area of resource blocks was determined using Mapinfo GIS software and an assumed density was used of 2.6 t/m^3 for in-ground bentonite and 2.5 t/m^3 for overburden and internal waste. The calculation gave a total indicated bentonite resource of 30.9 Mt with 24.6 Mt of waste for a waste/ore ratio of 0.8 Subsequent to this, TIP carried out a feasibility study in 2006 for TexStar Limited

Current Stated Resource Position

Estimates of grade and tonnes for the Upper and Lower Bentonite Zones used a CEC cut-off of 60 meq/100g and an assumed bentonite and waste (overburden & interburden) density of 2.5. Where available, Volclay CEC figures were used in preference to IPOH figures. High CEC assays ≥ 120 meq/100g were cut to the average of assays in adjacent holes.

The resource calculations, tabulated by IPOH and shown below, have used the polygon method. A comparison of CECs assayed by IPOH (Australian Laboratory Services in Brisbane for total CEC using method ED-003 and partial CEC using method ED-004) has been checked against the trench samples excavated at the drill hole location and supervised by a Volclay geologist. Comparison samples were assayed at Volcay's Beijing Laboratory by the standard methyl blue method. The IPOH results are higher but given the cut-off factor used on higher samples they are unlikely to have much effect on the overall grade.

Table 1A: Upper Bentonite Horizon - Indicated Resource using width of assayed bentonite intersection

Ore Block	Width (m)	Length (m)	Area (m²)	Width of Assayed Intersection (m)	Vol (m³)	Density (t/m³)	Tonnes (t)	Grade Used (CEC)	Tonnes x Gra
MR2	200	100	20,000	0.7	14,000	2.5	35,000	99	3,465,000
MR3	200	100	20,000	3.5	70,000	2.5	175,000	95	16,625,000
MR8	200	200	40,000	3.7	148,000	2.5	370,000	98	36,260,000
MR9	200	200	40,000	1.3	52,000	2.5	130,000	102	13,260,000
MR12	200	200	40,000	4.6	184,000	2.5	460,000	106	48,760,000
MR13	200	200	40,000	4.0	160,000	2.5	400,000	103	41,200,000
MR14	200	200	40,000	3.1	124,000	2.5	310,000	105	32,550,000
MR15	200	150	30,000	2.3	69,000	2.5	172,500	98	16,905,000
MR17	200	200	40,000	4.1	164,000	2.5	410,000	98	40,180,000
MR18	200	200	40,000	4.2	168,000	2.5	420,000	95	39,900,000
MR19	200	200	40,000	3.8	152,000	2.5	380,000	104	39,520,000
MR20	200	200	40,000	4.0	160,000	2.5	400,000	104	41,600,000
MR23	200	200	40,000	1.6	64,000	2.5	160,000	90	14,400,000
MR24	200	200	40,000	3.9	156,000	2.5	390,000	107	41,730,000
MR25	200	200	40,000	3.0	120,000	2.5	300,000	101	30,300,000
MR26	200	200	40,000	2.7	108,000	2.5	270,000	107	28,890,000
MR27	200	200	40,000	2.8	112,000	2.5	280,000	112	31,360,000
MR28	200	200	40,000	3.0	120,000	2.5	300,000	117	35,100,000
MR29	200	200	40,000	1.6	64,000	2.5	160,000	96	15,360,000
MR31	200	200	40,000	2.0	80,000	2.5	200,000	101	20,200,000
MR32	200	200	40,000	3.0	120,000	2.5	300,000	91	27,300,000
MR33	200	200	40,000	4.0	160,000	2.5	400,000	100	40,000,000
MR34	200	200	40,000	3.7	148,000	2.5	370,000	101	37,370,000
MR35	200	200	40,000	4.3	172,000	2.5	430,000	104	44,720,000
						Total Tonnes	**7,222,500**		**736,955,00**
							Ave Grade	**102.0**	

The Indicated Resource for the upper bentonite horizon using the geological width of the bentonite intersection rather than the assayed width is very similar at 7,582,500 tonnes

Table 2: Upper Bentonite Horizon - Inferred Resource using width of bentonite intersection

Ore Block	Width (m)	Length (m)	Area (m²)	Width of Assayed Intersection (m)	Vol (m³)	Density (t/m³)	Tonnes (t)	Grade Used Ave of adjacent holes (CEC)	Tonnes x Gra
MR16	200	150	30,000	0.8	24,000	2.5	60,000	100	6,000,000
MR21	200	200	40,000	2.7	108,000	2.5	270,000	102	27,540,00
MR30	200	150	30,000	0.5	15,000	2.5	37,500	106	3,975,000
						Total Tonnes	**367,500**		**37,515,00**
							Ave Grade	**102.1**	

Note:Grade used (in blue) are average of adjacent bentonite intersections

Tabel 3A: Lower Bentonite Horizon - Indicated Resource using width of assayed intersection

Ore Block	Width (m)	Length (m)	Area (m²)	Width of Assayed Intersection (m)	Vol (m³)	Density (t/m³)	Tonnes (t)	Grade (CEC)	Tonnes x Gra
MR1	200	100	20,000	3.9	78,000	2.5	195,000	85	16,575,000
MR2	200	100	20,000	4.5	90,000	2.5	225,000	105	23,625,000
MR3	200	100	20,000	4.1	82,000	2.5	205,000	92	18,860,000
MR4	200	100	20,000	4	80,000	2.5	200,000	93	18,600,000
MR5	200	100	20,000	4	80,000	2.5	200,000	83	16,600,000
MR6	200	100	20,000	3	60,000	2.5	150,000	72	10,800,000
MR7	200	200	40,000	3.5	140,000	2.5	350,000	60	21,000,000
MR8	200	200	40,000	4.1	164,000	2.5	410,000	94	38,540,000
MR9	200	200	40,000	4.1	164,000	2.5	410,000	92	37,720,000
MR10	-	-	-	-	-	-	-	-	-
MR11	200	200	40,000	3.6	144,000	2.5	360,000	100	36,000,000
MR16	200	150	30,000	4	120,000	2.5	300,000	116	34,800,000
MR17	200	200	40,000	3.3	132,000	2.5	330,000	95	31,350,000
MR18	200	200	40,000	4	160,000	2.5	400,000	110	44,000,000
MR21	200	200	40,000	3	120,000	2.5	300,000	98	29,400,000
MR22	200	200	40,000	3	120,000	2.5	300,000	92	27,600,000
MR30	200	200	40,000	3	120,000	2.5	300,000	95	28,500,000
MR33	200	200	40,000	2.9	116,000	2.5	290,000	87	25,230,000
						Total Tonnes	**4,925,000**		459,200,00
							Ave Grade	**93.2**	

The Indicated Resource for the lower bentonite horizon using the geological width of the bentonite intersection rather than the assayed width is also very similar at 5,105,000 tonnes

Table 4: Lower Bentonite horizon - Inferred Resource using width of bentonite intersection

Ore Block	Width (m)	Length (m)	Area (m²)	Width of Bentonite Intersection (m)	Vol (m³)	Density (t/m³)	Tonnes (t)	Grade (CEC)	Tonnes x Gr
MR12	200	200	40,000	0.8	32,000	2.5	80,000	90	7,200,000
MR13	200	200	40,000	0.9	36,000	2.5	90,000	90	8,100,000
MR14	200	200	40,000	1.0	40,000	2.5	100,000	90	9,000,000
MR15	200	200	40,000	1.0	40,000	2.5	100,000	90	9,000,000
MR19	200	200	40,000	1.6	64,000	2.5	160,000	90	14,400,00
MR20	200	200	40,000	2.3	92,000	2.5	230,000	90	20,700,00
MR23	200	200	40,000	1.6	64,000	2.5	160,000	90	14,400,00
MR24	200	200	40,000	1.6	64,000	2.5	160,000	90	14,400,00
MR25	200	200	40,000	1.9	76,000	2.5	190,000	90	17,100,00
MR26	200	200	40,000	1.1	44,000	2.5	110,000	90	9,900,000
MR27	200	200	40,000	1.5	60,000	2.5	150,000	90	13,500,00
MR28	200	200	40,000	1.2	48,000	2.5	120,000	90	10,800,00
MR29	200	200	40,000	2.1	84,000	2.5	210,000	90	18,900,00
MR31	200	200	40,000	1.4	56,000	2.5	140,000	90	12,600,00
MR32	200	200	40,000	1.5	60,000	2.5	150,000	90	13,500,00
MR34	200	200	40,000	0.8	32,000	2.5	80,000	90	7,200,000
MR35	200	200	40,000	2.7	108,000	2.5	270,000	90	24,300,00
					Total Tonnes		**2,500,000**		225,000,0
							Ave Grade	**90.0**	

Note:Grade used (in green) are average grade for Lower Bentonite Horizon rounded down from 93.2 to 90

Summary Resource Estimates		
Ore		
Upper Bentonite Zone	**Tonnes**	**Grade (CEC)**
Indicated - Ore	7,222,500	102
Inferred - Ore	367,500	102
Total	**7,590,000**	**102**
Lower Bentonite Zone		
Indicated - Ore	4,925,000	93
Inferred - Ore	2,500,000	90
Total	**7,425,000**	**92**
Global Total Ore	**15,015,000**	
Waste (0verburden & Interburden)		
Upper Bentonite Zone	**Tonnes**	
Indicated - Waste	6,377,500	
Inferred - Waste	240,000	
Total	**6,617,500**	
Lower Bentonite Zone		
Indicated - Waste (Interburden)	1,065,000	
Inferred - Waste (Interburden)	690,000	
Total	**1,755,000**	
Global Total Waste	**8,372,500**	

Waste:Ore Upper Bentonite Zone	**0.87**
Waste:Ore Lower Bentonite Zone	**0.24**
Global Waste:Ore	**0.56**

Additional calcium bentonite of good quality has also been located outside the current resource area but within the tenement.

Conclusions

The IPOH report on grade and tonnes of bentonite within the drilled area has followed normal procedure for such calculations and would offer a reliable indication of the Indicated and Inferred Resources available. The specific gravity of the bentonite and infill material has not been determined and may be slightly lower than the figure used however it is unlikely to affect the tonnage by more than 10%. Given the obvious extension of the bentonite outside the drilled area adequate supplies appear to be assured.

Qualifications

Minnelex Pty Ltd is a Geological Consultancy, which has had considerable experience in the valuation of mineral properties. The person responsible for this report is:

R.C. Pyper	**BSc(Geol), FAusIMM, MAICD** **Consulting Geologist**

Mr Pyper is the Principal of Minnelex. He has had extensive experience in the mining industry over 40 years, the last 20 years of which have been as a consultant to the industry. He has been extensively involved in mineral project assessment and evaluation and has the appropriate relevant qualifications, experience and competence to be considered as an "Expert" as defined in ASIC Release 42, and as a Competent Person as defined in the JORC Code for the Reporting of Identified Mineral Resources and Ore Reserves.

Declaration

This report has been prepared for TecStar Limited. In the preparation of this report, Minnelex has relied to some extent on information provided by IPOH. We do not have reason to doubt the information so provided.

Disclamer Of Interests

At the date of this report, Minnelex and Robert Pyper do not have, nor have had, any relationship with IPOH.

Neither Minnelex nor R.C.W Pyper have received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully,

Minnelex Pty Ltd

R.C.W. Pyper
Principal

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ABN 49 089 206 986

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PO Box 7018
Riverside Centre Qld 4001

Telephone + 61 7 3221 0679
Facsimile + 61 7 3832 3234
Email: info@TechStarlimited.com
AUSTRALIA Website: www.TechStarlimited.com

SHAREHOLDERS' SHARE PLAN
APPLICATION FORM

Full Name: ____
(Surname Last)

Address: ____

Postal Address: ____

Shareholder Number: _________________

I/We the above mentioned being registered as ordinary shareholder(s) in the Company as at 5pm on 26 October 2006 do hereby apply for the number of Shares as stated below at an issue price of 4 cents ($0.04) per Share issued in accordance with the Terms of the TechStar Limited Shareholders' Share Plan ("Plan") and the Constitution of the Company. I/We understand that the right under the Plan to purchase Shares is non-renounceable, that is, I/We cannot transfer my/our right to purchase Shares under the Plan to anyone else.

NUMBER OF SHARES	APPLICATION AMOUNT PER SHARE	AMOUNT ENCLOSED
	AT 4 CENTS ($0.04) PER SHARE	$ __________________

IMPORTANT NOTICE

The maximum number of new shares you can apply for is 125,000 which will cost $5,000

APPLICATION

I/We enclose payment of 4 cents ($0.04) for each new fully paid ordinary share applied for. I/We hereby authorise you to place my/our name(s) on the register of members in respect of the new fully paid shares allotted to me/us and I/we agree to be bound by the Terms of the Plan and the Company's Constitution.

Payment may be made by cheque or by credit card. Please complete one of the following:

PAYMENT BY CHEQUE

Insert details of your cheque or bank cheques - please complete in BLOCK LETTERS

Name of Drawer	Cheque No.	Bank	Branch	Amount
				$

OR

PAYMENT BY CREDIT CARD

Please debit my credit card: ☐ Mastercard ☐ Bankcard ☐ Visa

Card No.: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Name on Card: ______________________________

Expiry Date: ____/____

Signature:

LODGE YOUR APPLICATION AS SOON AS POSSIBLE

NOTE: Return of the Application Form, together with your cheque(s) or credit card payment for the application monies, will constitute your offer to subscribe for Shares in the Company, and your acceptance of the Terms of the Plan. **No signature is required on this form unless you wish to pay for your Shares by way of credit card, in which case the credit holder must sign in the box above where indicated.**

CERTIFICATION
By completing and returning this Application Form, with my cheque(s) or credit card payment for the application monies, I/we hereby certify that the amount of Shares subscribed for by me/us pursuant to the TechStar Limited Shareholders' Share Plan (being a maximum of $5,000 worth of shares) and any **similar arrangement** at any time in the **12 months period prior to the date of my/our application** does not exceed **$5,000**.

NOTE: FOR INSTRUCTIONS ON COMPLETING THIS APPLICATION FORM, PLEASE SEE OVERLEAF. IF YOU ARE UNSURE ON HOW TO COMPLETE THIS APPLICATION FORM, PLEASE CONTACT TECHSTAR LIMITED ON TEL: + 61 7 3221 0679 or FAX: + 61 7 3832 3234

INSTRUCTIONS TO COMPLETE APPLICATION FORM

Completion of Application Form

Insert the number of Shares you wish to subscribe for in the box headed "Number of Shares". The maximum number of Shares that you may apply for is 125,000 ($5,000 worth of shares). No shareholder is entitled to subscribe for more than $5,000 worth of Shares pursuant to the TechStar Limited Shareholders' Share Plan.

Insert the total amount of your subscription payment in the box headed "Amount Enclosed". This amount should be the number of Shares applied for, multiplied by the issue price of 4 cents ($0.04) per Share applied for.

Please complete all relevant sections of the Application Form using BLOCK LETTERS.

Please see the instructions below under the heading "Payment" in relation to how you may pay for the Shares subscribed for.

How to Lodge your Application

*The completed Application Form, together with your payment for the full amount of Shares applied for, should be forwarded to the Company located at the addresses set out below and must reach that address by **5:00pm** (Brisbane time) on **6 December 2006.***

TechStar Limited
Level 37 Riverside Centre
123 Eagle Street
BRISBANE QLD 4001

Postal:
The Company Secretary
Techstar Limited
PO Box 7018, Riverside Centre
BRISBANE QLD 4001

*Applications with payment by CREDIT CARD may be faxed to + 61 7 3832 3234. **If your Application Form is faxed in this manner, DO NOT send the originals.** It is recommended that you lodge your Application Form and payment as soon as possible.*

Applications must be received by no later than 5:00 pm** (Brisbane time) on **6 December 2006.

Payment

*You may pay for the Shares applied for by cheque or by credit card. Cash payment will **not** be accepted. The amount of your payment must be equal to the total number of Shares for which you apply, multiplied by the issue price of 4 cents ($0.04) each. Payments must be made in Australian Currency and cheque(s) must be drawn on an Australian Bank.*

Complete cheque details as requested. Cheque(s) must be made payable to "TechStar Limited" and crossed "not negotiable".

Cheque(s) not properly drawn will be rejected. Cheques will generally be deposited on the day of receipt. If cheque(s) are dishonoured the application will be rejected. If you wish to pay with your credit card, please complete and sign the credit card payment authorisation on the Application Form.

TERMS OF THE TECHSTAR LIMITED
SHAREHOLDERS' SHARE PURCHASE PLAN

1 DEFINITIONS

In this Plan, unless the context otherwise indicates:

1.1 **Application Form** means the application form distributed with these Terms;

1.2 **ASX** means the Australian Stock Exchange Limited;

1.3 **Board** means the board of directors of the Company;

1.4 **Company** means TechStar Limited ABN 49 089 206 986;

1.5 **Eligible Shareholders** has the meaning ascribed to it in clause 2.1;

1.6 **Listing Rules** means the official listing rules of the ASX (as amended from time to time);

1.7 **Market Price** has the same meaning as that term defined in the Listing Rules;

1.8 **Offer** means a non-renounceable offer of up to $5,000 worth of ordinary fully paid shares in the Company to Eligible Shareholders under the Plan;

1.9 **Plan** means the TechStar Limited Shareholders' Share Plan approved by the Board;

1.10 **Record Date** means 26 October 2006;

1.11 **Shares** means new shares in the Company issued pursuant to the Plan;

1.12 **Subscription Price** means 4 cents ($0.04) per Share subscribed for;

1.13 **Terms** means the terms set out herein.

2 ELIGIBILITY TO PARTICIPATE

2.1 Those shareholders of the Company that will be eligible to apply for Shares under the Plan ("Eligible Shareholders") must:

2.1.1 be recorded in the Company's register of Shareholders at 5:00 pm (Brisbane time) on the Record Date; and

2.1.2 have an address in a jurisdiction in which it is lawful and practical for the Company to issue the Shares (in the reasonable opinion of the Board).

2.2 The Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer. As the Offer is non-renounceable, the rights of the Offer cannot be transferred to other parties.

3 TERMS OF ISSUE

3.1 Participation in the Plan is optional and is subject to these terms.

3.2 The Offer shall open at 9:00 am (Brisbane time) on 2 November 2006 ("Opening Date") and close, subject to the discretion of the Board, 5:00pm (Brisbane time) on 6 December 2006 ("Closing Date")**.** The Board reserves the right to close the Offer early, or to otherwise vary the Opening Date or Closing Date, without further notice.

3.3 In response to the Offer, Eligible Shareholders may apply for up to 125,000 Shares for $5,000. Pursuant to ASX Listing Rules, the maximum number of Shares that will be issued by the Company under the Plan is 59,625,000. In the event that the Company receives subscriptions for more than the maximum 59,625,000 Shares, the Company intends to accept subscriptions for Shares on a "first come first served" basis.

3.4 Eligible Shareholders wishing to apply for Shares under the Plan must:

3.4.1 complete the Application Form;

3.4.2 pay for the Shares in the manner specified on the Application Form;

3.4.3 forward the completed Application Form together with payment for the Shares under the Plan to the Company at the addresses specified on the Application Form, to reach such addresses by no later than 5.00pm (Brisbane time) on the Closing Date.

3.5 All application monies will be deposited into a trust account and shall be refunded (without interest) by the Company if the Board for any reason set out in clause 3.6 rejects any application.

3.6 The Board reserves the right to reject any application for Shares, including (without limitation) if:

3.6.1 an Application Form is not correctly completed;

3.6.2 an applicant is not an Eligible Shareholder;

3.6.3 the issue of those Shares would contravene any law or the Listing Rules;

3.6.4 exact payment for the number of Shares applied for is not received;

3.6.5 it believes the issue of those Shares may result in a person receiving Shares with an application price totalling more than $5,000 in any consecutive 12 month period under the Plan; or

3.6.6 the applicant has not otherwise complied with the Plan.

3.7 The Board reserves the right to correct obvious mistakes or omissions in any application for Shares.

3.8 The Board reserves the right to allocate fewer Shares than an Eligible Shareholder applies for under the Plan.

3.9 If there is a consolidation or re-organisation of the issued share capital of the Company, prior to the Closing Date, the number of Shares to be issued pursuant to and in accordance with the Plan shall be consolidated in the same ratio as the issued capital of the Company.

3.10 The Company intends to issue the Shares under the Plan by 20 December 2006 ("Issue Date"). The Company reserves the right to vary the Issue Date without further notice in the event that the Closing Date is varied pursuant to clause 3.2.

3.11 The Board at its sole discretion will determine the allocation of Shares.

3.12 The Company will apply for listing of the Shares issued pursuant to the Plan on the ASX.

4 PAYMENT FOR SHARES

4.1 The Eligible Shareholders may apply for up to a maximum of FIVE THOUSAND DOLLARS ($5,000) worth of Shares under the Plan, at the Subscription Price of 4 cents ($0.04) per Share.

4.2 The Subscription Price represents a discount of approximately 18.37% on the weighted average trading price of 4.9 cents ($0.049) per share for the Company's shares on the ASX, over the five (5) day period 12 October 2006 to 18 October 2006 (the "Calculation Period"), and as a result is less than the Market Price during the Calculation Period.

4.3 The Shares are a speculative investment and the Market Price of the Shares may change between the Opening Date and the Issue Date. This means that the Subscription Price paid for the Shares may exceed the Market Price of the Shares at the Issue Date. The Company does not make any assurance as to the Market Price of Shares and there can be no certainty that Shares in the Company will trade at or above the Subscription Price following the Issue Date. Shareholders should seek their own financial advice in relation to this Offer and participation in the Plan.

5 COSTS OF PARTICIPATION

5.1 No brokerage, commissions or other transaction costs will be payable to Eligible Shareholders.

6 GENERAL

6.1 The Board may change or terminate the Plan at any time. In the event that the Board does so, it will advise the ASX. Any omission to give notice of changes to, or termination of, the Plan, or the non-receipt of any such notice, will not invalidate the change or termination. The Board reserves the right to determine the approval procedures in the application of the Plan. If the Plan is withdrawn, all application money will be refunded without interest.

6.2 In addition to any rights of the Board to reject applications set out in these Terms, the Board also reserves the right to allocate fewer Shares than an Eligible Shareholder applies for, or no Shares to an Eligible Shareholder, if the Board believes that the allotment of those Shares would contravene any of the Listing Rules. In any such case, any application monies paid will be refunded to the applicant(s) without interest.

6.3 The Company may settle in any manner it deems appropriate, any disputes or anomalies which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any applicant or application of Shares. The decision of the Company will be conclusive and binding on all persons to whom the determination relates.