

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

TechStar Limited

ABN

49 089 206 986

Quarter ended ("current quarter")

30th September 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (three months) \$A'000
1.1 Receipts from customers	0.0	0.0
1.2 Payments for (a) staff costs	(57.3)	(57.3)
(b) advertising and marketing	(41.0)	(41.0)
(c) research and development	(116.6)	(116.6)
(d) leased assets		
(e) other working capital		
1.3 Dividends received	2.7	2.7
1.4 Interest and other items of a similar nature received	(0.5)	(0.5)
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (Income Tax Refund)		
Other (Research & Development grant)		
Other (Insurance Recovery)		
Net operating cash flows	(212.7)	(212.7)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (three months) \$A'000
1.8 Net operating cash flows (carried forward)	(212.7)	(212.7)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
Net investing cash flows		
1.14 Total operating and investing cash flows	(212.7)	(212.7)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	242.5	242.5
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	2.4	2.4
1.18 Repayment of borrowings	(16.5)	(16.5)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	228.4	228.4
Net increase (decrease) in cash held	15.7	15.7
1.21 Cash at beginning of quarter/year to date	100.9	100.9
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	116.6	116.6

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	41.0
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

During the quarter, payments totalling \$41,005 were made to Capital Technic Group an entity associated with John Fick which provides management and co-ordination of the environmental remediation projects. The aggregate amount of payments made to Capital Technic subsequent to John Fick's appointment as director are reported at item 1.24 above.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,219.2	1,219.2
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	116.6	116.6
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		116.6	116.6

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 October 2006
 (Company secretary)

Print name Michael Ilett.

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

ENTITY: TECHSTAR LIMITED

ABN: 49 089 206 986

ADDITIONAL INFORMATION

31st October 2006

During the Quarter, TechStar held an EGM on 13 September to:

- Approve a change of auditor from Ernst & Young to Sothertons;
- Approve the placement of 3,000,000 fully paid ordinary shares at 5 cents per share to Capital Technic Group, a company related to director, Mr John Fick;
- Ratify the placement of 9,000,000 fully paid ordinary shares at 5 cents to defined investors under S 708 of the Corporations Act.

The Company also engaged Interfinancial Limited to complete the Independent Expert's Report on the acquisition of Ipoh Pacific Resources Pty Ltd ("IPR") the owner of the Mantuan Downs bentonite resource.

IPR is majority-owned by TechStar directors, Messrs Byrne and Dredge, and TechStar continued to work with IPR on the development of Mantuan Downs. This included consultation with the Department of Mines and Energy, negotiations with the native title claimants and the land lease holders, meeting and discussions with potential resource managers, distributors, and end users of the bentonite product.

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

The Company continued to work with CRC Care on the environmental remediation projects, with CRC Care providing a report on the “smoke” technology during October.

In addition, discussions were held with CSIRO and University of South Australia regarding partnering programs for the Company’s current and future environmental technologies.

With the move to new technologies, the executive team was restructured during the quarter. This included the departure of the Chief Operating Officer in July and the Chief Executive Officer in September. This reduction in staff, plus a move to new premises during September, has significantly reduced the company’s running expenses.

TechStar is currently in discussion with several investors regarding additional equity, and directors and associates continue to provide financial support for the Company as required.



Sign here: Date:31 October 2006.....
Chairman

Print name: Brian Peter Jones

+ See chapter 19 for defined terms.