

14 October 2004

Australian Stock Exchange Limited
Company Announcements Office
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sirs

SEPTEMBER 2004 QUARTERLY REPORT TO SHAREHOLDERS

HIGHLIGHTS

NEW REEF IDENTIFIED AT WALHALLA PROJECT

CHANNEL SAMPLES REINFORCE AND EXPAND NEW REEF

**DRILLING PERFORMANCE IMPROVES WITH CORE RECOVERY
AVERAGING MORE THAN 95%**

DRILL PROGRAM FOR QUARTER STARTED AHEAD OF SCHEDULE

1. WALHALLA

1.1 Cohen's North Target Delivers New Mineralised Reef

Drilling and channel sampling undertaken during the September quarter in the Long Tunnel Extended Tourist Mine (LTE) has delivered exciting results. The work has identified a new gold bearing laminated quartz reef which has been named the Lomond Reef.

Fast tracking of the Remedial Work Program in the Long Tunnel Extended Tourist Mine (LTE) commenced in early August following approval of the Goldstar Work Plans by the Victorian Government. Work was initially focussed on the proposed drill chamber (Figure 1) which enabled commissioning of the drill rig ahead of schedule.

The first round of drilling in the LTE targeted an area of the "Cohen's North Target" between 150m and 220m below surface. The LTE Chamber, from where the holes have been drilled is approximately 150m below surface. Drilling performance in the LTE program has significantly improved over the earlier Walhalla programs. Core recovery has averaged over 95% which has ensured that results are at reportable standards.

The initial holes intersected mineralised widths of up to 17.05m (15m true width) comprising a mixture of laminated and massive quartz reef together with stockwork and mineralised dyke. This sequence of materials is consistent with the "Cohen's" Main Reef mineralisation style. This new zone of mineralisation is further to both the north and east as well as being above anything previously identified in the Cohen's System.

Channel sampling in the LTE old workings has also confirmed the presence of this mineralisation. This is further reinforced by hole GW19, drilled north/northeast from the Walhalla Chamber, which intersected what is most likely mineralisation in the hanging wall to this reef structure.

The location of the Lomond Reef is detailed in Figure 1 with a cross section through the LTE adit showing appropriate holes in Figure 2. Results from the drilling are detailed in Table 1 and include 4.65m at 3.61g/t Au within an overall intercept of 17.05m at 1.52g/t Au in GW23. The results are typical of the spotty nature of these laminated reef structures as they have been encountered in past mining activities on the Main Cohen's Reef.

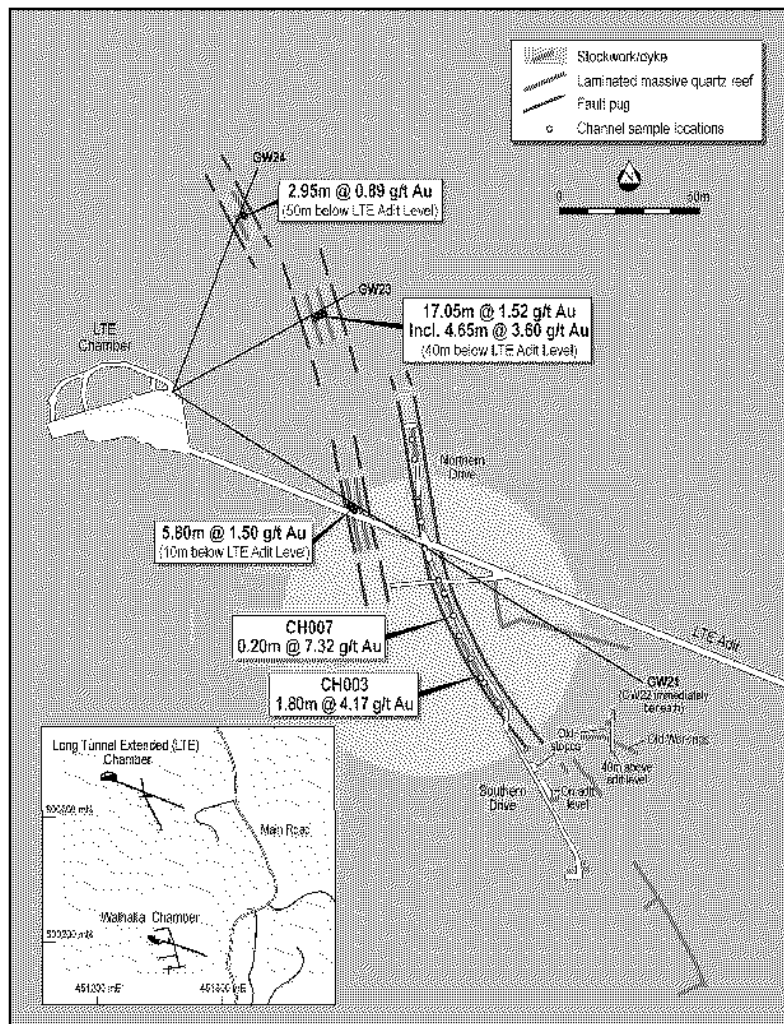


Figure 1: Schematic showing Location of LTE Drilling and Lomond Reef

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
GW19	172.80	183.50	10.70	0.60
GW19	189.90	191.00	1.10	1.60
GW21	93.90	99.70	5.80	1.50
GW22	81.55	96.20	14.65	1.18
GW23 including	65.75	82.80	17.05	1.52
	74.30	78.95	4.65	3.60
GW24	95.00	97.95	2.95	0.89

Table 1: Lomond Reef Significant Drilling Results
(GW20 was a Structural Hole)

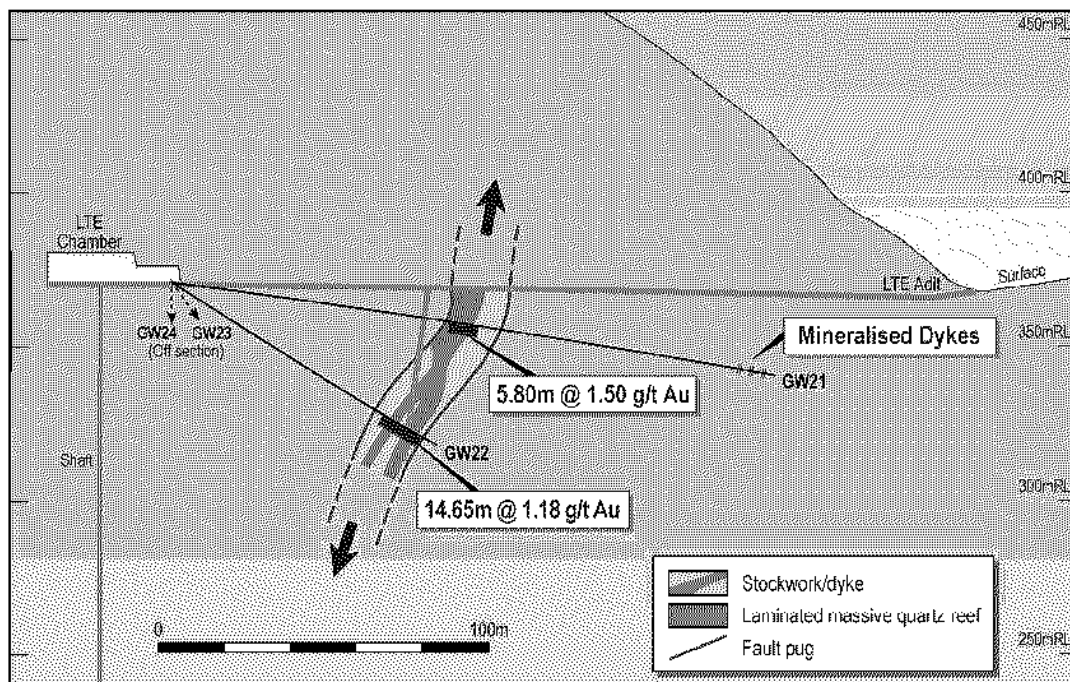


Figure 2: Schematic Cross Section of LTE showing Drill Holes and Intercepts –
Holes 23 and 24 are off Section

In addition to the drilling, channel sampling was undertaken on both the north and south drives of the old LTE workings (Figure 1), approximately 100m to the southeast of the LTE drill chamber. The work was undertaken as part of geological “correlation” investigations and to test previously unsampled reef style material. As per the drilling, the sampling has identified both laminated quartz reef and stockwork styles of mineralisation. This suite of samples has delivered assay results of up to 7.32g/t Au (Figure 1) with Table 2 providing more detailed results.

South Drive			
Channel	Width (m)	Au (g/t)	Geology
CH001	0.80	1.73	Stockwork
CH002	0.80	2.19	Stockwork
CH003	1.80	4.17	Stockwork
CH003	0.20	1.52	Reef
CH005	0.50	2.62	Reef
CH006	0.10	3.94	Reef
CH007	0.20	7.32	Reef
CH008	0.30	3.40	Reef
CH008	0.60	2.30	Stockwork
CH009	1.95	2.92	Dyke
CH009	0.15	3.37	Reef
CH010	0.40	1.62	Reef
CH010	0.30	2.06	Stockwork
CH012	0.30	2.59	Dyke

North Drive			
Channel	Width (m)	Au (g/t)	Geology
CH013	1.00	1.65	Dyke
CH014	2.10	1.68	Strong Stockwork
CH017	1.10	1.78	Strong Stockwork
CH018	0.10	2.11	Reef

Table 2: Channel Sample Results using a Cut Off Grade of 1.5g/t

Interpretation of the drill and channel sampling results has led to the conclusion that the laminated reef identified at both locations is the same reef structure as that drilled from the chamber. This is illustrated when Figures 1 and 2 are viewed together which highlights the westerly dip on the Lomond Reef.

Based on this correlation, the Lomond Reef in the vicinity of the LTE working, is currently defined as having a strike length of 350m and a down dip projection of 80m. The dimensions are only constrained by the restrictions of the current underground drilling location. As such the final dimensions of the structure remain open, particularly at depth and to the north.

Given the success of these early holes and channel sampling, the balance of the LTE underground drilling program has been modified to maximise the potential knowledge that can be gained from this single drill location.

In addition to the continuing LTE program the extent of this new target will be further tested by way of the surface drilling program that will take place during the summer months once the forestry tracks are re-opened by the Victorian Government. This surface program will test both strike and down dip extensions of the Lomond Reef.

The style of mineralisation and the grades identified so far in this new Lomond Reef are exciting as they are in keeping with the variable nature of the historical main zones of mineralisation. These historical reefs previously delivered 1.5 million ounces of gold production from 1.47 million tonnes of rock at a grade exceeding 32g/t gold.

1.2 Additional Targets

As part of a program aimed to provide a better understanding of the region and its controlling structures, a scout hole was undertaken as part of the LTE drill program. This hole was a 100 metre extension to hole GW21 and encountered a series of small dykes with anomalous mineralisation at down hole depths of between 180m and 190m (Figure 2). Current work indicates that the dyke systems are potentially one of the controlling mechanisms for the emplacement of mineralisation in the Cohen's System. The anomalous results are very encouraging and require further technical assessment.

1.3 Completion of Tourist Mine Remedial Works

The remedial works on the LTE were completed during the Quarter and the mine handed back for tourism operations during the last week of the Victorian school holidays. Whilst not a "drilling result" this work was a significant part of the agreement between Goldstar, the Victorian government and the Walhalla Board of Management that enabled Goldstar to undertake its current round of exploration.

The bulk of the works undertaken were to ensure safe and efficient operations. They were also similar to those required to be done in the other underground sites that Goldstar accessed previously in Walhalla. The facility is now in good standing and reverts to the responsibility of the Walhalla Board of Management for ongoing maintenance.

2. WESTERN AUSTRALIA

2.1 Peak Hill/Millrose

Work continued on remodelling the multiclient airborne magnetic imagery for both the Millrose and Peak Hill areas. As well as data acquired in the June Quarter additional information was sourced during September. This new information has significantly improved the knowledge base for both areas.

With respect to the Millrose tenements, the survey data has confirmed and enhanced the understanding of a number of potentially significant structural features that fit Goldstar's current theories of orebody emplacement in the region. These structures need to be more accurately positioned before drilling commences.

Utilising the new interpretations of the magnetic imagery a critical review of the Peak Hill drillhole data set was undertaken during the Quarter. This has produced a better appreciation of a more appropriate drillhole azimuth for future drilling programs as well as highlighting future targets.

To resolve the issues of structural targeting and drill hole orientation at both Millrose and Peak Hill, detailed ground magnetic surveys over both Millrose and Peak Hill are to be undertaken over the next Quarter in accordance with the Company's work plan as detailed in the June reporting period.

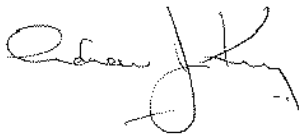
3. QUEENSLAND

3.1 Top Camp/Iron Ridge

During the Quarter further geophysical data was sourced and filtered which together with the compilation of data collected during the two site visits earlier this year has focussed Goldstar's efforts on the south-western portion of the tenement holdings. In this area several old copper workings are located within the volcanics. In addition there is copper mineralisation in the stream sediments of the granite contact zone.

As a result of this work the alteration halo between the granite and volcanics will be the subject of a regional scale gravity survey. This survey is planned to be undertaken during the next Quarter subject to weather and equipment availability. This survey will provide a better focus for potential follow up exploration in the next calendar year.

Yours faithfully



Andrew J King
Managing Director

For further information:
Andrew King
Managing Director
Goldstar Resources NL
(08) 9321 1577
www.goldstarnl.com.au

Doug Macdonald
Capital Group
0424 255 959

Note – The information in this report is based on information compiled by Peter Ball, Consultant Resource Geologist for Goldstar Resources NL, a Corporate Member of the Australian Institute of Mining and Metallurgy who has more than five years' experience in estimation, assessment of, and evaluation of Mineral Resources and Ore Reserves which are relevant to the style of mineralisation under consideration.