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

Dear Sirs

Goldstar Resources NL (ASX code GDR, "Goldstar") wishes to advise the following progress at its Walhalla Operation.

HIGHLIGHTS

2005 STARTS WITH STRONG SURFACE DRILLING PROGRAM

HIGH GRADE REEF TARGETS TO BE TESTED

DEFINITION WORK ON PROXIMAL TARGETS

Surface Drilling

Goldstar has begun a strong 2005 surface drilling program with an initial 6,000m of diamond drilling to be completed during the first quarter. The phase 1 drill sites are shown on Fig 1, with the drill rig currently positioned at "Fan 1".

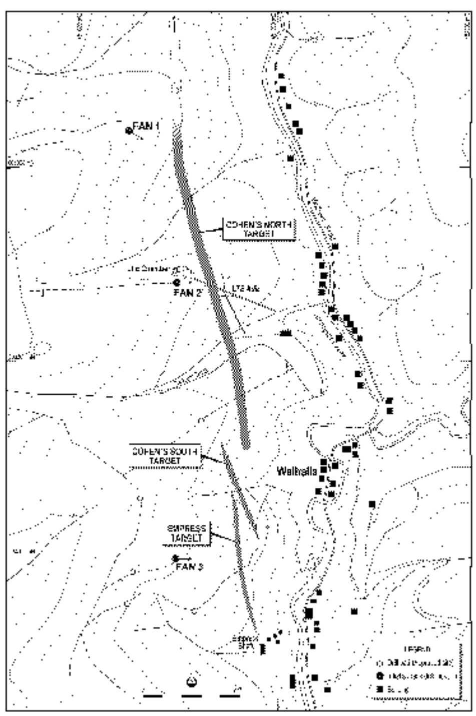

Figure 1: Schematic of Surface Drill Program Site Locations

All drilling in this phase of the program is focussed on high grade Main Reef style targets. These targets are similar to those reefs that made Walhalla the highest grade and richest hard rock producer in Victoria when the field was operational between the 1860s and 1914.

The Lomond Reef which was identified in the September 2004 Quarterly will be the first target in the program. The drilling will initially focus on extending the reef both along strike and down dip. The reef is currently drill defined over a strike length of 550m, down dip to 120m and has a 3m to 15m thickness.

Drilling will then move south along the strike of the workings to explore the Cohen's South and Empress. These targets were identified during 2004 and both are considered to be prospective for high grade reef style mineralisation (Fig 2).

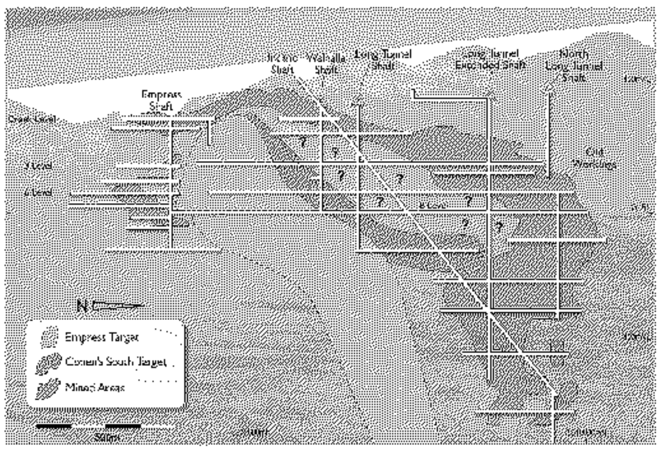

Figure 2: Cohen's South & Empress Target

Proximal Targets

Field work over recent months has been concentrated on the reappraisal of the available historical data. This work has confirmed Goldstar's concept of high grade reef style mineralisation parallel to the Cohen's Reef. This concept was first flagged at the time of the IPO and has evolved further from the continued searches of historical data and field validation of old workings.

This preliminary work has identified three discrete repeat structures. These are reef style mineralisation in the West 1 and West 2 structures to the west of Cohen's Shear and the Ross Creek Fault Zone which has mineralisation associated with both dyke bulge and reef to the east (Fig 3).

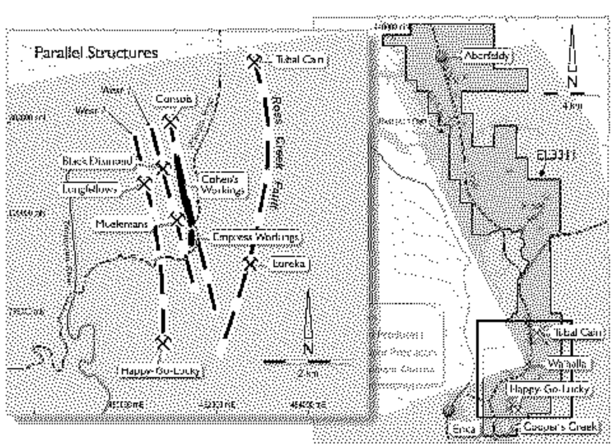

Figure 3: Proximal Targets

To date the **West 1** structure has been identified over a strike length of 3.5km, with **West 2** showing a strike extent of 5km. The eastern **Ross Creek** Fault Zone has been defined over a strike length in excess of 6km. Old workings are dotted along the full extent of the three structures. These historical workings, mined through to 1914, never went below the water table because of the limited financial resources of the time.

A work program is currently being developed to further investigate these structures. It is anticipated that this work will be able to continue, in selected areas, throughout the year.

The advances that have been achieved in relation to these proximal targets begin to show the greater potential that exists within the Walhalla field. These targets are all located within a 3.5km radius of the original "Cohen's Line of Reef".

These new structures each offer potential for repeat Main Reef style mineralisation similar to "Cohen's" that yielded 1.5 million ounces from 1.4 million tonnes from 1864 to 1914.

Yours faithfully

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About Goldstar

Goldstar listed on ASX on 31 October 2003. The company has a portfolio of five high quality gold projects in Victoria, Western Australia and Queensland. The main focus is the redevelopment of the historic Walhalla Mine in Victoria which has so far seen the identification of a major new reef and three parallel lode systems.