



ABN 76 098 939 274

HALF YEARLY REPORT
ENDED 31 DECEMBER 2004

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

Your directors present their report of the consolidated entity for the half year ended 31 December 2004.

DIRECTORS

The names of the directors who held office at any time during or since the beginning of the half year are:

Mr Andrew J King
Mr Stanley D Greenaway
Mr Gordon L Hill
Ms Eileen Carr
Mr Ian A Pankhurst (alternate director for S D Greenaway)

OPERATING RESULT

The loss of the consolidated entity after providing for income tax for the half-year amounted to \$257,036 (2003: Loss \$183,142).

REVIEW OF OPERATIONS

Goldstar Resources NL (**Goldstar**) continued with its primary business of exploring and developing its exploration and mining tenements, with the primary focus remaining on the major asset at Walhalla. Following the successful identification of the new Lomond Reef at Walhalla, a second phase of drilling was undertaken from the Long Tunnel Extended Boiler Chamber. This drilling resulted in a better than 200% expansion of the Lomond Reef. Work commenced during November on site works in preparation for the start of the surface drilling program in January 2005. After testing for potential extensions to the Lomond Reef the focus of the surface drilling will shift south to the other potential high grade main reef style targets of Cohen's South and Empress.

Goldstar continues to develop proximal targets for very high grade reefs aimed at confirming repeat reef structures similar to the historically high grade Cohen's Shoot at Walhalla. Recent work has confirmed three discrete repeat structures. These comprise two occurrences of reef style mineralisation 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. Work programs are being submitted to enable exploration to be accelerated on the investigation of these proximal targets. The programs, subject to their approval by the Victorian Government, have been developed to enable surface work in selected areas to continue throughout normal winter closure period.

These proximal targets which are all located within 3.5km radius of the Cohen's line of reef, highlight the potential that exists within only a very small portion of the total Walhalla lease. The rest of the lease has not yet been subject to a similar level of review. 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.

Significant advances were made to the Western Australian and Queensland assets during the period, which have placed them in a position where various alternatives can begin to be considered to maximise their return to Goldstar shareholders.

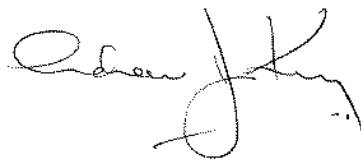
GOLDSTAR RESOURCES NL
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DIRECTORS' REPORT (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of Board of Directors.

A handwritten signature in black ink, appearing to read 'Andrew King', with a horizontal line underneath it.

ANDREW KING
MANAGING DIRECTOR

DATED at PERTH this 17th day of February 2005

GOLDSTAR RESOURCES NL
ABN 76 098 939 274

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	CONSOLIDATED	
	31 DEC 2004	30 JUNE 2004
	\$	\$
CURRENT ASSETS		
Cash Assets	2,461,506	3,949,543
Receivables	99,659	129,617
TOTAL CURRENT ASSETS	<u>2,561,165</u>	<u>4,079,160</u>
NON CURRENT ASSETS		
Receivables	47,012	15,403
Deferred Exploration, Evaluation and Development	4,402,884	3,438,711
Property, Plant & Equipment	169,047	115,957
TOTAL NON CURRENT ASSETS	<u>4,618,943</u>	<u>3,570,071</u>
TOTAL ASSETS	<u>7,180,108</u>	<u>7,649,231</u>
CURRENT LIABILITIES		
Payables	186,990	400,415
Provisions	3,582	2,244
TOTAL CURRENT LIABILITIES	<u>190,572</u>	<u>402,659</u>
TOTAL LIABILITIES	<u>190,572</u>	<u>402,659</u>
NET ASSETS	<u>6,989,536</u>	<u>7,246,572</u>
EQUITY		
Contributed Equity	7,920,493	7,920,493
Accumulated Losses	(930,957)	(673,921)
TOTAL EQUITY	<u>6,989,536</u>	<u>7,246,572</u>

The accompanying notes form part of these financial statements.

GOLDSTAR RESOURCES NL
ABN 76 098 939 274

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	CONSOLIDATED 31 DEC 2004 \$	CONSOLIDATED 31 DEC 2003 \$
Revenues from ordinary activities	94,030	30,444
Employee expenses	(57,612)	(13,385)
Other expenses from ordinary activities	(293,454)	(200,201)
Loss from ordinary activities before income tax expense	<u>(257,036)</u>	<u>(183,142)</u>
Income tax (expense)/benefit relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense	<u>(257,036)</u>	<u>(183,142)</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>(257,036)</u>	<u>(183,142)</u>
Basic earnings per share (cents per share)	(0.53)	(0.63)
Dilutive earnings per share (cents per share)	(0.53)	(0.63)

The accompanying notes form part of these financial statements.

GOLDSTAR RESOURCES NL
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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	CONSOLIDATED	
	31 DEC 2004	31 DEC 2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	23,870	6,656
Mining and Exploration Expenditure	(1,224,611)	(204,017)
Payments to Suppliers and Employees	(298,052)	(266,474)
Interest Received	84,286	30,444
	<hr/>	<hr/>
NET CASH PROVIDED USED IN OPERATING ACTIVITIES	(1,414,507)	(433,391)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Plant and Equipment	(73,530)	(56,190)
Acquisition of tenements	-	(675,000)
	<hr/>	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(73,530)	(731,190)
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CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of Shares	-	6,632,386
Capital raising costs	-	(216,066)
	<hr/>	<hr/>
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	-	6,416,320
	<hr/>	<hr/>
NET INCREASE / (DECREASE) IN CASH	(1,488,037)	5,251,739
CASH AT BEGINNING OF HALF YEAR	3,949,543	332,661
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CASH AT END OF HALF YEAR	2,461,506	5,584,400
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The accompanying notes form part of these financial statements.

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Acts 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommend that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Goldstar Resources NL and its controlled entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

2. DIVIDENDS

No dividends were paid or declared by the company during the half-year.

3. SEGMENT INFORMATION

During the half-year, the company operated predominantly in one geographical segment being Australia and in one business segment being exploration and evaluation of mining tenements.

4. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

5. EVENTS OCCURRING AFTER BALANCE DATE

There are no matters or circumstances, which have arisen since the end of the half-year which significantly affected or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

6. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Goldstar has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). As Goldstar has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Goldstar prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Goldstar.

6. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONTINUED)

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value of use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Share-based Payments

Under AASB 2 Share-based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Exploration

AASB 6 Exploration and Evaluation of Mineral Resources determines that entities recognising exploration and evaluation assets must perform impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the statement of financial performance.

AASB 6 also confirms that it does not apply to expenditures incurred before the entity has obtained legal rights to explore a specific area. As such pre license expenditure may be required to be expensed as incurred.

The International Accounting Standard therefore requires a more rigorous test to satisfy carrying forward exploration and evaluation expenditure.

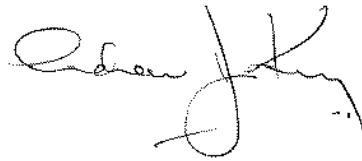
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DIRECTORS' DECLARATION

In the opinion of the directors of Goldstar Resources NL:

- (a) the accompanying financial statements and notes comply with the accounting standards and give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



ANDREW KING
MANAGING DIRECTOR

DATED at PERTH this 17th day of February 2005



Chartered Accountants
& Business Advisers

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INDEPENDENT REVIEW REPORT

To the members of Goldstar Resources NL

Scope

We have reviewed the financial report of Goldstar Resources NL for the half-year ended 31 December 2004 as set out on pages 3 to 8. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Goldstar Resources NL is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

PKF
Chartered Accountants

IAN P OLSON
Partner

Dated at Perth, Western Australia this 17th day of February 2005



Chartered Accountants
& Business Advisers

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Auditor's Independence Declaration to the Directors of Goldstar Resources NL

As lead engagement partner for the review of Goldstar Resources NL for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit/review; and
- (II) no contraventions of any applicable code of professional conduct in relation to the audit/review.

PKF
Chartered Accountants

IAN P OLSON
Partner

Dated at Perth, Western Australia this 17th day of February 2005