



GOLDSTAR
RESOURCES NL

ABN 76 098 939 274

2008

ANNUAL REPORT

CORPORATE DIRECTORY

DIRECTORS

Mr Gordon Hill (Non-executive Chairman)
Ms Eileen Carr (Non-executive Director)
Dr Jeffrey O’Leary (Non-executive Director)
Mr Ian Pankhurst (Non-executive Director)
Mr Peter Hatfull (Non-executive Director)
Mr Graeme Sloan (Non-executive Director)

SHARE REGISTRY

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STOCK EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited
Home Exchange – Perth
ASX Code: GDR

SOLICITORS

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ANNUAL GENERAL MEETING

The Annual General Meeting of Goldstar Resources N.L.
will be held on Tuesday 25 November 2008 at the
RACV City Club, 501 Bourke Street, Melbourne Vic 3000,
commencing at 3.00 p.m. (EST)



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2008 ANNUAL REPORT – HIGHLIGHTS

Project Development

- **Revised and expanded gold development strategy** announced based, on co-development of Tubal Cain and Eureka Gold Projects.
- New processing plant location identified at **Southern Crown**, near Tubal Cain, delivering expanded production hub three years ahead of schedule.
- Southern Crown target throughput of up to **400,000tpa**, to be fed from Tubal Cain/Eureka, for gold production **+100,000oz** per annum.
- Eureka Feasibility Study completed supporting expanded Tubal Cain strategy, with work commencing on the combined **Tubal Cain/Eureka Feasibility Study**.
- Subsequent to the end of year, Mining Licence 5487 granted for an area covering key deposits for the proposed Southern Crown Gold Project.

Exploration & Resources

- Maiden Indicated and Inferred Resource for Tubal Cain deposit of **857,000 tonnes at 9.9g/t Au for 274,000 contained ounces** based on highly successful in-fill drilling program.
- In-fill drilling delivers outstanding results including **4.75m @ 71.2g/t Au** including **0.35m @ 479.4g/t Au, 1.2m @ 94.9g/t Au** and **1.35m @ 33.7g/t Au**.
- Average reef thickness and density per vertical metre at Tubal Cain is approximately **double that at Eureka**.
- Maiden Indicated and Inferred Resource for Eureka of **153,000 tonnes at 10.0g/t Au for 48,000 ounces**.
- SRK Consulting Pty Ltd confirms that **diamond drilling alone** can deliver JORC Code compliant resources in the Walhalla Gold Field.

Corporate Activities

- Appointment of experienced international mining executive, Mr Gordon Lewis, as the Company's Managing Director effective from October 2008, following the retirement of Goldstar's founding Managing Director, Mr Andrew King.
- Appointment of experienced Australian corporate executives, Mr Peter Hatfull and Mr Graeme Sloan, as non-executive directors.
- Corporate office to be relocated from Perth to Melbourne during the September Quarter.
- A\$5.2 million share placement completed in December 2007 Quarter.
- In April 2008, integrated mining services company, Mineral Resources Limited acquired a 5.01% stake in Goldstar following interim A\$1.04 share placement.
- In July the Company announced a proposed non-renounceable rights issue to raise approximately \$7 million to complete a Feasibility Study. However this was subsequently replaced by a AUD\$6 million convertible note facility as announced to the market on 9 September 2008. The Group received \$1.4M upon execution, with remaining funds to be drawn down in two additional tranches as required, following approval at a shareholders' meeting. Details are included in the Accounts.

CHAIRMAN'S REPORT

Dear Shareholder,

The 2008 financial year has seen one of the most difficult equity market environments for many years. Notwithstanding these challenging times, I am pleased to report that your company has focussed its strategy towards production and undergone a period of corporate redirection necessary in order to set the scene for real progress in this forthcoming year.

Eureka and Expanded Development Strategy

Early in 2008, Goldstar's independent geological consultant, SRK Consulting Pty Ltd (SRK) confirmed the ability to achieve JORC Code compliant mineral resources for the quartz reef hosted, dyke bulge-style deposits within the Walhalla Gold Field based on diamond drilling alone. It is therefore, possible to bring certain of the deposits of the Walhalla Gold Field into production in a much shorter timeframe. Furthermore, SRK's confirmation provides the Company with more immediate options for development, for example, whether to develop Eureka and/or Tubal Cain independently and more expeditiously or to potentially co-develop Eureka and Tubal Cain.

Thus, Goldstar could achieve a production status of +100,000 ounces within a significantly reduced period of time, paving the way for the Company to become a successful mid-tier gold producer in the medium term by adopting a co-development strategy with a production hub at Southern Crown.

Tubal Cain JORC Resource

A maiden JORC resource for Tubal Cain, announced in May 2008, comprised a total Indicated and Inferred Resource of 857,000 tonnes at 9.9g/t Au for 274,000 ounces. This reinforced the quality of the Tubal Cain deposit, where the average thickness of the reef/quartz breccia zones is approximately double that at Eureka, highlighting its strong mining potential.

More recent diamond drilling at Tubal Cain has returned high-grade gold intersections immediately below the reported resource model. These results have not been included in the initial JORC Compliant Resource, but are expected to have a positive impact on the Tubal Cain Geological Model at this level and provide a target for in-fill drilling in the future.

Corporate

Consistent with the Company's long-term strategy and planning for development of the Tubal Cain and Eureka Gold Projects, the Board made the decision to relocate its corporate head office from Perth to Melbourne.

In light of this decision, the Company's Managing Director, Mr Andrew King, announced his decision to step down from the Board in August 2008, given that his personal and professional base is in Perth.

I would like to take this opportunity on behalf of my fellow Directors to thank Mr King for his dedication, hard work and commitment to the Company over the past seven years; we wish him and his family well for the future.

In July, the Company announced it had secured experienced international mining executive, Mr Gordon Lewis, as Managing Director. Mr Lewis, who will join the Company in October 2008, is a mining engineer with over 38 years experience in a range of senior executive positions in the mining industry. Additionally, Mr Lewis has intimate knowledge of the geology, operating conditions and potential of the Walhalla Gold Field from working there earlier in his career. We look forward to Gordon Lewis joining the Company.

During July, we were also pleased to announce the appointment of two experienced Australian corporate executives, Mr Peter Hatfull and Mr Graeme Sloan, to the Board as Non-Executive Directors. We are very pleased to have secured such experienced and talented individuals to join the Company.

Our share register was further strengthened during the year following a \$1 million share placement to the leading Perth-based mining services company, Mineral Resources Limited, giving them a 5% stake in the Company.

Subsequent to the end of the year, Goldstar announced a convertible note agreement to replace a previously announced rights issue. This will underpin the next phase of evaluation and development in the Walhalla Gold Field. The Board believes this represents the most efficient funding mechanism in the prevailing market environment.

Summary and Outlook

The 2008 financial year was one of the most volatile and tumultuous periods seen in global equity, credit and financial markets in over two decades. The impact of the US economic slow-down, sub-prime crisis and credit crunch, together with a number of unexpected domestic events such as the collapse of Opes Prime and other margin lending institutions, contributed to an extraordinarily difficult period for junior resource companies.

Whilst commodities, including gold, remained somewhat immune to these pressures during the early part of the year, this sector of the market succumbed to the broader crisis from around May onwards, with hedge fund selling resulting in significant reductions in commodity prices across the board.

Notwithstanding all these challenges, Goldstar was able to capitalise on a number of significant positive strategic developments to provide more options for development, and to deliver a revised production plan that will enable us to achieve a significantly higher level of gold production, much earlier than originally envisaged.

The development plan is based on delivering low-cost gold production, which will enable the Company to generate strong cash margins, even in a lower gold price environment.

In conclusion, I would like to thank my fellow Directors for their support, as well our staff, employees and consultants for their considerable efforts during the past year. I should also like to thank our shareholders for their continued support in what has been a difficult trading year throughout the sector.

I firmly believe that with a high quality asset base, excellent people and a sound corporate and operational strategy in place, Goldstar is well positioned for the future with a strong growth outlook.



Gordon Hill
Chairman

REVIEW OF OPERATIONS

OVERVIEW

The 2008 financial year represented a pivotal period for Goldstar, with the completion of the Eureka Bulk Sampling Program (“EBSP”) and Eureka Feasibility Study (“EFS”) laying the foundations for a significant expansion of Goldstar’s development plans in the Walhalla Goldfield in Victoria’s East Gippsland region.

The completion of the EFS marked a significant milestone for the Company in the estimation of the first ever JORC Code compliant gold mineral resource within quartz reefs hosted in dyke bulge style deposits within the Walhalla Gold Field. The Indicated and Inferred Resource for the Eureka Project comprises 153,000 tonnes at 10.0g/t Au for 48,000 ounces.

The positive technical outcomes of the EFS, combined with independent verification of the ability to achieve JORC Code compliant resources within the Walhalla Goldfield by diamond drilling alone, laid the foundations for a significant expansion of Goldstar’s development strategy.

This strategy encompasses the proposed co-development of Tubal Cain and Eureka – an expanded two-mine development that would significantly enhance the viability of Eureka compared with an initial stand alone development as originally contemplated.

Goldstar subsequently reinforced this approach by announcing a Maiden Indicated and Inferred Resource for Tubal Cain of 857,000 tonnes at 9.9g/t Au for 274,000 contained ounces, following the completion of a highly successful in-fill drilling program.

The expanded development strategy allows Goldstar to achieve producer status of +100,000 ounces within a significantly reduced period of time, maximising shareholder returns and profitability for the Company and paving the way for Goldstar to become a successful long term gold producer.

EUREKA PROJECT

Eureka Bulk Sampling Program (EBSP)

Following the preliminary results from the Eureka Bulk Sampling Program (EBSP) reported in the 2007 Annual Report, Goldstar completed the final elements of the EBSP in August 2007, subsequently delivering a positive Pre-Feasibility Study. Based on these results, the Board immediately approved the commencement of a Definitive Feasibility Study.

The results of the EBSP enabled Goldstar to upgrade the Geological Model for the Eureka deposit. The revised Geological Model was interpreted to contain 720,000 tonnes of quartz reef material, representing a 67% increase from the previously reported figure of 430,000 tonnes.

The model was extended from 300 metres to 550 metres – the depth to which drilling has tested the dyke bulge – and the total number of identified reefs increased from 8 to 14.

This upgraded tonnage comprises both quartz reef material and surrounding dyke and sediments (or wallrock material), adjusted for a minimum mining width of 1.2 metres and an average mining width of 1.25 metres.

Underground Drilling

As part of the verification process for the EBSP results, an extensive program of underground diamond drilling was undertaken during the year at Eureka, comprising a total of 28 holes for 588.8 metres.

The drilling was designed to test for reef continuity above and below the strike drives at selected locations, to finalise detailed mine development planning and for initial stope definition.

The results were very encouraging, supporting the tonnage and average grade range estimates returned from the Pre-Feasibility Study, and facilitating the delineation of initial stoping blocks.

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The holes were drilled above and below the strike drives established as part of the EBSP and successfully intersected the E3, E3a and E5 quartz reef structures, with visible gold noted in some holes, including the following significant results:

- EU004 – 4.6m @ 9.2g/t Au, including 0.45m @ 57g/t Au from 278.8m along hole
- EU012 – 0.6m @ 71.75 g/t Au from 47.07m along hole (Fig 1)

All holes confirmed the in-situ width, location and grade of the modelled quartz reefs targeted. In addition to the underground drilling, a small 7 tonne sample of the E3 reef was taken under conditions similar to that expected to be experienced during normal mining operations.

This was done to enable additional metallurgical samples to be prepared for marketing of the gold concentrate and gain additional knowledge of mining parameters.

Eureka JORC Resource Model

Goldstar's Independent Geological Consultant, SRK Consulting Pty Ltd audited and confirmed an initial Resource estimation and updated Geological Model for the Eureka Project, encompassing the results of the diamond drilling and Bulk Sampling programs.

The JORC Mineral Resource (Reportable Resource), which is summarised below, was classified in accordance with the guidelines of the 2004 JORC Code to a depth of 350 metres. The Eureka Geological Model extends for a further 200 metres to a depth of 550 metres and remains open at depth:

Eureka Deposit – In-situ Reportable Resource

➤ *4g/t Au cut off grade to 350m from Surface*

Category	Tonnes	Au g/t	Contained Au oz
Indicated	36,000	13.9	16,000
Inferred	117,000	8.8	32,000
Total	153,000	10.0	48,000

The Mineral Resource was estimated using conservative methodology and procedures, which was reviewed and confirmed in a detailed report by SRK Consulting Pty Ltd. The Reportable Resource occurs within a revised Geological Model for Eureka totalling 827,000 tonnes of quartz reef to a depth of 550 metres (representing a 15% increase on the quartz reef tonnage announced in August 2007).

Significantly, this is the first JORC compliant resource estimate to be produced on quartz reef hosted, dyke bulge-style deposits within the Walhalla Gold Field.

It is considered that grade reported in the JORC resource is conservative. Experience to date has shown that increased sampling density delivers an increase in the average grade.

With only 12% of the ore body covered by a detailed assessment, the SRK report has provided the basis for the balance of these tonnages to potentially be upgraded to the Indicated category, subject to positive results, from additional in-fill drilling.

Importantly, SRK confirmed and independently verified the ability to achieve an Indicated JORC Code compliant Mineral Resource for the dyke bulge deposits within the Walhalla Field, based on diamond drilling alone.

This eliminates the need to conduct bulk sampling programs specifically to collect grade continuity information, delivering a significant reduction in cost and time.

Eureka Feasibility Study

The Eureka Feasibility Study was completed in March 2008, confirming the technical viability of the Eureka Project based on an underground mine feeding a stand alone 200,000 tonne per annum modular gold processing facility.

The processing facility originally proposed for Eureka already has a design capacity for 400,000 tonnes per annum (tpa) in the crushing and grinding circuits, assuming typical dyke bulge feedstock. The rest of the circuit is a modular 200,000tpa format that can be readily upgraded to 400,000tpa with the addition of appropriate gravity and concentrate modules.

This staged development approach was adopted in recognition of the likely delivery of additional ore with exploration success in the field including the development of the large-scale Tubal Cain Project, located 4km to the north of Eureka, which was originally envisaged as following the development and commissioning of the Eureka dyke bulge.

The capital and operating parameters will form a key part of the expanded Tubal Cain Feasibility Study (see table below) as assessments are made for the expanded production scenario, starting with the 200,000tpa modular plant and scaling up rapidly to a steady state 400,000tpa production level.

The key metrics of the 200,000 tpa start-up operation are detailed below:

Annual Plant Throughput – Base Case	150,000 to 200,000 tpa
Estimated Head Grade Range	8-12g/t Au
Estimated Cash Operating Cost Cost per tonne Cost per Oz	A\$130 to A\$160 A\$500 to A\$600/oz
Estimated Capital Cost Mine Plant	A\$17 M A\$18 M

The capital and operating cost estimates were based on competitive tenders for the development of the operation.

In late 2007, Goldstar purchased a second-hand ball mill for use at the proposed Eureka Project processing plant. The ball mill has a capacity of approximately 525kw and comes complete with motor, gearbox and selected spares, including a brand new girth gear. Prior to purchase the ball mill was inspected by an independent mill specialist and is considered to be in good condition.

The mill will be subject to a refurbishment program, however the overall cost is still expected to be well below that of purchasing a new piece of equipment.

TUBAL CAIN PROJECT

In parallel with the completion and assessment of the Eureka Feasibility Study, Goldstar significantly escalated exploration activities at the Tubal Cain Project during the year, with the commencement of a major in-fill diamond drilling program undertaken as the basis for the JORC Resource estimate.

This in-fill drilling was undertaken following a highly successful deep drilling program conducted earlier in the year which confirmed the continuity of the dyke bulge to a depth of 1km.

Deep Drilling & Conceptual Exploration Target

Early in the financial year, Goldstar completed a 1,000 metre deep diamond drill hole, GRT-011, which:

- confirmed all 27 previously identified reef zones to a depth of 600 metres;
- increased the level of confidence in the continuity of the majority of reefs to a depth of 600 metres; and

- intersected a further 8 reef zones to a depth of 1,000m, resulting in a total of 35 zones now identified.

The deep drilling program enabled Goldstar to update the geological model for the Tubal Cain Project and delivered a significant upgrade to the tonnage of potentially high-grade quartz reef/breccia material. To a depth of 600 metres, the model delivered a 35% increase in tonnage to 3.1 million tonnes, with over 75% of this considered to be at a medium-to-high geological confidence level.

The Company also subsequently established a Conceptual Exploration Target (“CET”) for the quartz reef/breccia zones at Tubal Cain of between 3.6 and 4.1 million tonnes at an in situ geological grade range of 4.5-7g/t Au to a depth of 1,000 metres. This CET equates to a contained gold quantity of between 500,000 and **900,000 ounces** to a depth of 1,000 metres.

Tubal Cain JORC Resource

A major highlight of the year was the completion of the first JORC-Code compliant resource estimate for the Tubal Cain Gold Project, comprising a total Indicated and Inferred Resource of 857,000 tonnes at 9.9g/t Au for 274,000 ounces.

The resource estimate is reported to an average depth below surface of 500 metres. The resource estimate, using a 4g/t Au lower cut-off grade and a variable top-cut ranging between 20g/t and 50g/t Au, which was reef dependent, is summarised below:

Category	Tonnage	Au Grade (g/t)	Contained Gold (ozs)
Indicated	177,000	7.7	44,000
Inferred	680,000	10.5	230,000
TOTAL	857,000	9.9	274,000

**The numbers reported in this Table are subject to rounding and thus will not exactly reflect the corresponding inputs.*

The resource estimate is based on the results of diamond drilling at Tubal Cain, but does not include the high-grade drilling results reported to the market on 14 May 2008.

Without the application of top-cuts the resource grade estimate is 10.8g/t Au above cut-off (4g/t Au) for 299,000oz. This marginal increase in grade is a reflection of the uniformity of the grade distribution in this part of the system.

The resource model is undergoing review by SRK Consulting (Goldstar’s Resource Consultants) as part of Goldstar’s routine technical requirements. The model will also be updated further as results are received from geotechnical and metallurgical test holes. It is anticipated that an updated model, to 500m depth, including the outstanding geological and assay information, will be completed at the end of 2008.

Additionally, the average thickness of the reef/quartz breccia zones at Tubal Cain varies between 0.8 metres and 1.2 metres, depending on the position within the dyke bulge system. This is approximately double the average reef thickness of the Eureka deposit, and will further enhance the mining potential at Tubal Cain. The resource is reported below the majority of the old workings (average vertical depth of 90 metres) to 500 metres below surface.

Recent drilling immediately below the reported resource model has returned high-grade gold intersections. This latest high grade zone will require further drilling before it can be incorporated into the resource model.

In-Fill Drilling

In-fill drilling was undertaken for two specific purposes. Firstly, it was targeted to in-fill the top 500 metres of the deposit to an average drill spacing of 50m x 50m and secondly, to gather further information on a possible Bulk Sample location that was defined in late 2007.

The results of the in-fill drilling are considered to be highly encouraging. They provide significant additional momentum to the exploration program at Tubal Cain and reinforce the significant production potential of the deposit.

Tubal Cain has more than double the tonnage of reef material per vertical metre compared to Eureka and is known to extend to a vertical depth of over 1000m (Eureka is currently defined to only 550m).

A Conceptual Exploration Target for Tubal Cain was reported during the year (see ASX Release dated 4 December 2007) as between 3.6 and 4.1Mt of Quartz Reef/Breccia material geologically grading between 4.5 and 7g/t Au to a depth of 1,000m. This equates to a contained gold quantity ranging between 500,000 and 900,000 oz.

This target has demonstrated the potential for Tubal Cain to have a sizeable zone of mineralisation and is further supported and enhanced by the historic average production grade of approximately 1oz per tonne.

An aggressive program comprising 16 diamond drill holes for approximately 6,400 metres was completed March to May 2008. Several high-grade intercepts were received including: 0.5m @ 23.7g/t Au from 191.6m and 0.3m @ 19.6g/t Au from 71.5m; 0.4m @ 22.4g/t within an overall length weighted intercept of 1.7m @ 12.6g/t Au from 581.5m; and, 0.6m @ 28.7g/t Au from 362.4m.

The results were not included in the initial JORC Compliant Resource, but are expected to have a positive impact on the Tubal Cain Geological Model at this level and provide a target for infill drilling at a later date. A total of 38 visible gold hits have been recorded in the total 50x50m drill out program.

EXPANDED DEVELOPMENT & PRODUCTION STRATEGY

The Eureka Feasibility Study provided a compelling case for the co-development of the Tubal Cain and Eureka deposits. With this in mind, Goldstar embarked on an expanded two-mine development strategy that will significantly enhance the economic viability of the area compared with an initial stand alone development as originally contemplated.

The expanded development strategy is strongly supported by the recent encouraging drill results from Tubal Cain, coupled with:

- the correlation of Bulk Sampling to drilling, indicating a potential uplift in grade;
- increased drilling density likely to provide an uplift in grade;
- the positive Eureka Feasibility Study; and,
- the current availability of suitable drilling rigs.

On the basis that positive results will be achieved, work commenced during the June Quarter 2008 on the combined Tubal Cain/Eureka Feasibility Study. The expanded Feasibility Study will rely extensively on work already completed for Eureka, scaled up accordingly for the combined operations.

Southern Crown

As part of the EFS and permitting process, a number of alternative processing plant sites were investigated (see Figure below). This work identified a location near Tubal Cain which would provide a long-term location for the plant and associated cost savings. This was only recently confirmed as an acceptable site enabling detailed work to commence early in 2008.

Fig 1 - Location Plan showing Southern Crown Production Hub in relation to Tubal Cain and Eureka (Mining Licence granted 24 August 2008)



This alternative location has been named Southern Crown and will be the production hub for delivery of ore from a number of future mine developments including Eureka and Tubal Cain. The identification of this location has the potential to significantly improve the economic parameters for both Eureka and Tubal Cain and establish a regional production hub, approximately three years earlier than originally envisaged.

Detailed costings for the new plant location have not been completed at this stage, however based on the Eureka Feasibility Study and initial results from the current Tubal Cain Scoping Study (TCSS), indications are that a combined Tubal Cain/Eureka operation could deliver a long-term production profile of up to 400,000 tonnes per annum, with a 5 to 7 year mine life from Eureka plus 10 years plus from Tubal Cain.

This combined development would support an annual production level of over 100,000 ounces at a targeted cash cost level of ~A\$490/ounce. Importantly, this would enable the Company to bring forward a much higher production level to take advantage of the current strength in the gold market, compared with the original plan to develop Eureka first followed by Tubal Cain.

PERMITTING

During the year, Goldstar submitted its application for a Mining Lease, representing one of the key steps in the overall Approvals Process for commencement of Mining Operations. The area applied for covers both Tubal Cain and Eureka, thereby ensuring that maximum flexibility is maintained for establishing operations at both sites.

As part of the Approvals Process, a series of community liaison, government and stakeholder meetings were held in October and November 2007. These are a critical part of the process, with feedback from these meetings being incorporated into the Eureka DFS and Work Plan submissions.

On 24 August, 2008 the Company announced that Mining Licence 5487 was formally granted by the Victorian Minister for Primary Industries. The Mining Licence covers key deposits for the proposed Southern Crown Gold Project.

STRATEGIC EXPLORATION REVIEW COMPLETED

In parallel with the ongoing work at Tubal Cain and Eureka, Goldstar conducted a high-level strategic exploration review during the year over the Company’s 730km² tenement position (Figure 2). This review delivered, for the first time, a broader regional picture of the field and provided a clear direction for ongoing exploration.

This preliminary work confirmed the postulated extensions to previously identified north/south structures, identified two additional parallel structures to the east, and continues to highlight the possibility for cross-cutting features – all of which have the potential to host gold mineralisation.

As well as expanding the regional structural picture, the Company has initially defined up to 150 priority targets. Based on this early success in target identification, the Company is developing plans to undertake systematic testing of these targets. This will progress in parallel with Goldstar’s continued focus on achieving early gold production at the Eureka and Tubal Cain Projects which occur at the southern end of Goldstar’s Ross Creek Structure, a major feature which also hosts the Morning Star Mine, a well-documented producer at the northern end of the Ross Creek Line.

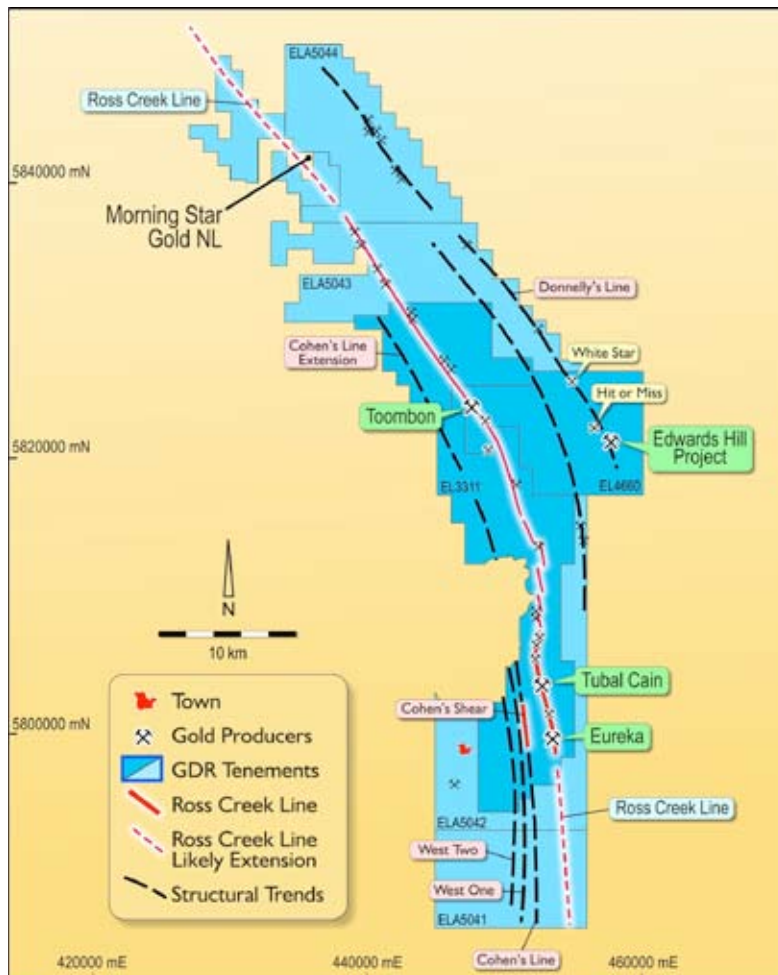


Figure 2: Tenement Holding and Regional Exploration Lines of Mineralisation

REGIONAL EXPLORATION - Victoria

Edwards Hill Project

During the year, regional exploration drilling was undertaken at the Edwards Hill Project, which lies on the newly named Donnelly’s Line (see Figure 2), which hosts many historical mines, with total recorded production measuring in excess of 30,000 ounces of gold.

While not dyke-hosted, the mines in this area have similar production histories to Eureka and Tubal Cain in that they were worked close to the water table. Due to the need to undertake dewatering and their geographical isolation in the late 19th - early 20th centuries, most of these historic operations were abandoned prematurely in favour of 'easier targets'.

Seven diamond drill holes for 1,744 metres were completed. The drilling, which was designed to test for depth and strike extensions of the known mineralisation recorded from the Gippsland Consols, Harp of Erin and Edwards's historical workings, intersected numerous zones of weakly altered and mineralised stockwork quartz veining within the sedimentary sequence. The Company's review of the results has been significantly encouraging to allow the planning of follow up and along strike drilling in this area.

In addition to the drilling, Goldstar continued work on a detailed regional survey to confirm the locations of all historical workings in the Edwards Hill area.

Walhalla Proprietary Prospect

Goldstar completed an initial drilling program (5 holes for 2115m) at the northern end of the Walhalla Proprietary prospect, located on the Ross Creek Line of mineralisation, which also hosts the Eureka and Tubal Cain dyke bulges. The Company re-rated Walhalla Proprietary as a priority target, following a data compilation and review program which resulted in a significant upgrade of the potential of the dyke bulge, and an extension of its northern margin to within 200m of the Eureka dyke bulge.

The drilling program confirmed the extension of the dyke bulge to approximately 200m south of the Western Adit at Eureka, testing a strong geophysical anomaly correspondent with the interpreted dyke intrusion. These holes, together with the results of three diamond drill holes completed in 2006 by the Company at the southern end of the dyke, continue to give encouragement to the mineralisation tenor of this system.

This work resulted in a major northerly expansion of the Walhalla Proprietary dyke bulge to a size of 600 metres long by 150 metres wide, which is considerably larger than the Eureka dyke bulge.

Walhalla Proprietary is the southernmost dyke bulge identified to date within the Ross Creek Line, which in addition to the Eureka and Tubal Cain dyke bulges, also hosts numerous other historic workings and exploration targets.

Other Projects

Millrose Ni-Au Project, WA (BHP Billiton earning 70%)

BHP Billiton Limited (BHPB) is in the first year of its Joint Venture under which it has the right to earn a 70% interest in the Millrose Project, approximately 80km north-east of Wiluna in Western Australia. BHPB, under the terms of the JV, will explore for base and precious metals (other than Au) within the +200km² tenement package, which is separated into two distinct blocks (Millrose South and Millrose North). Goldstar retains the gold rights to the project area.

The activities undertaken by BHPB in this period included a review of all historical data, field inspection to aid in targeting, an aeromagnetics geophysical survey over Millrose North and then further ground truthing of the resultant geophysical interpretation. Significant encouragement was achieved from the aeromagnetics to justify the commencement of a targeted ground based geophysical survey which will conclude in the last quarter of 2008.

During the reporting period the tenement package has undergone a required 50% (by graticule) relinquishment.

BHPB can earn a 70% interest in the tenements by spending \$2.25 million on exploration within six years, with a minimum commitment of \$250,000 within the first year before it can withdraw. After BHPB earns its 70% interest, Goldstar will be diluted to 15% and Murchison will hold 15%.

BHPB will then sole fund ongoing exploration expenditure through until either a decision to mine is made, or a total of \$15 million has been spent. After this time, any partner may elect not to contribute to its share of subsequent exploration expenditure, but will be accordingly diluted. If any partner's interest is diluted below 5%, it may convert this interest to a 1% gross royalty interest.

Millrose West Au, Project, WA (Goldstar 100%)

Goldstar holds E53/1236 located in the Millrose-Lake Violet Domain of the Northern Yandal Greenstone Belt. It is positioned toward the western margin of this terrain and is bounded to the north by monzogranite of the Millrose Batholith and to the west by undifferentiated granitoid of the Ward Batholith.

Goldstar completed a review of existing geological, drilling and geophysical information and then mounted a field inspection to confirm the validity of this information. Prior to Goldstar's involvement one hundred and ninety RAB and RC holes had been drilled on the tenement, with the majority of the RAB holes not reaching fresh rock. Geophysics is confined primarily to aerial and ground magnetics, with some desultory IP work reported but not published.

There is no surface outcrop and tertiary detrital cover is typically 20m thick. Subsurface geology is interpreted from magnetic images and historic drilling. Dominant lithology is metabasalts with intercalated gabbros and volumetrically inferior quartzofeldspathic gneisses with minor metasediments.

No ultramafics are observed. A number of cross-cutting trends are evident in the magnetic image and these are interpreted to be Proterozoic dykes of variable lithology ranging from dioritic to aplitic.

Goldstar is encouraged by the work to date and intends to undertake an initial surface geophysics program in the new year.

Top Camp/Iron Ridge Copper Project, Queensland (Matrix Metals earning 70%)

The first year of the Joint Venture with Matrix Metals Limited (Matrix) was concluded within the reporting period, with Matrix carrying out data reviews, field inspections and surface sampling throughout the Top Camp/Iron Ridge copper exploration project, near Cloncurry in north-western Queensland. The work programme was impacted significantly by the lack of availability of suitable drilling rigs, however it is anticipated that over the next year drilling will be carried out.

Application was made to conditionally surrender both tenements in favour of a new tenement covering the same extent as the two surrender tenements. This application is in process and, if granted, will significantly aid the exploration activities by providing continuity over what are considered some exciting Cu anomalies identified by Matrix.

Goldstar holds an 85% interest in the Project, with Matrix able to earn a 70% interest in the total tenement holding by spending a total of \$700,000 within 5 years.

Peak Hill Copper-Gold Project, Western Australia (Peak Resources Earning 70%)

Peak Resources Ltd (Peak Resources) has operated a Joint Venture with Goldstar over the Peak Hill copper-gold exploration project, located 120km north of Meekatharra in Western Australia. Goldstar holds an 85% interest in the Peak Hill Project.

The Peak Hill Project comprises a total area of 178km² within the Peak Hill gold field, which has produced over 900,000oz of gold over the past two decades. Goldstar has assembled a comprehensive drilling and geophysical database, and undertaken first pass geophysical work, to highlight a series of structural targets.

During the reporting period, Peak Resources completed a data review of the Peak Hill West Project, which contains a number of priority gold targets, including the Jubilee Extended and Enigma Prospects. It also developed alteration models as an aid to Au targeting.

Access to the ground has been hampered by the inability to obtain a workable Heritage Agreement. Late in the year notification was received that all issues had been resolved and Work Plans should be resubmitted.

The overall arrangement involves Peak Resources spending over \$600,000, in conjunction with satisfying other conditions within 2 years of the Farm-in Agreement, to earn up to a 70% interest in the tenements.

Competent Person

Technical information in this report is compiled by a Competent Person as defined in the 2004 edition of the ***Australasian Code for Reporting of Mineral Resources and Ore Reserves***, being Mr Peter Ball (B.Sc MAusIMM) of Datageo Geological Consultant, who holds the position of Technical Manager of the Goldstar Group. Mr Ball has sufficient experience in mineral resource estimation relevant to the style of mineralisation and type of deposit under consideration, and consents to the inclusion in the public release of the matters based on their information in the form and context in which it appears

JORC Statement

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Goldstar Resources NL that could cause actual results to differ materially from such statements. Goldstar makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

CORPORATE

Capital Raising

In October 2007, Goldstar announced a \$5.175M capital raising, at an issue price of 43 cents per share. The raising was via a share placement to Australian stockbroking firm Tolhurst Limited, and resulted in the issue of 12.035M shares.

On 29 April 2008, Goldstar announced a \$1.042M capital raising, via a placement at 14.5 cents per share to Mineral Resources Limited ("MRL"). MRL is an integrated Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export. We welcome MRL as a new shareholder (5.01%) to our register.

On 26 June 2008 the Company announced a call of 9.9 cents per share on all the outstanding contributing shares in the Company. Subsequent to the year end the amount raised from the call was \$0.32M. 2,351,000 partly paid shares were forfeited and are now held by the Directors in trust for the Company and will then be disposed of in such manner and on such terms as the Directors determine.

Corporate Office

The Board of Goldstar announced its intention to relocate the Company's corporate office from Perth to Melbourne as part of its development preparations for the Tubal Cain and Eureka Gold Projects. This decision is consistent with Goldstar's long-term strategy for the development of the Walhalla Gold Project.

Director Resignations

On 31 January 2008 Non-Executive Director Mr Robert Carroll stepped down from his position on the Board of the Company for personal reasons. Goldstar thanks Mr Carroll for his contribution to the Company.

As a result of the Company's decision to relocate the office to Melbourne, Mr Andrew King, Goldstar's Managing Director announced his decision to step down from the Board from the 31 August 2008. Mr King will continue to provide consultancy services to the Company following the relocation. The Board thanks Mr King for his dedication and enormous effort over the past seven years.

Due to external commitments Mr Ian Pankhurst stepped down from his role of Executive Director – Operations but he remains on the Board as a Director. The Company thanks Mr Pankhurst for his contributions in his role as Executive Director – Operations.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2008.

DIRECTORS

The names of the Company's Directors in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Gordon Hill	-	Chairman	
Mr Andrew King	-	Managing Director	Retired 31 August 2008
Ms Eileen Carr	-	Non-executive Director	
Mr Robert Carroll	-	Non-executive Director	Resigned 31 January 2008
Dr Jeffrey O'Leary	-	Non-executive Director	
Mr Ian Pankhurst*	-	Non-executive Director	
Mr Peter Hatfull	-	Non-executive Director	Appointed 14 July 2008
Mr Graeme Sloan	-	Non-executive Director	Appointed 23 July 2008

* Mr I Pankhurst resigned as Executive Director – Operations and remained as Non-executive Director 13 May 2008.

BOARD OF DIRECTORS

The names and details of the Goldstar Resources NL ("Company") Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name & qualifications

Experience and special responsibilities

Mr Gordon Hill

Chairman

Mr Hill is a former Minister in the Government of Western Australia, holding senior portfolios including Mines, Trade, Fisheries, Police, and Employment and Training. He served the State of Western Australia in that capacity for 7 years and was a Member of Parliament for over 12 years. Mr Hill developed strategic plans for enhancing investment in the fast-growing mining and petroleum sector and was responsible for introducing policy initiatives that were incorporated into legislation and practice.

Mr Hill is a qualified Barrister and Solicitor of the Supreme Court of Western Australia and the High Court of Australia although he is currently not in practice. Mr Hill's commercial and legal experience extends to joint venture and native title negotiations, corporate and business advice and litigation. Mr Hill has been a Director and Chairman of the Company since November 2002.

Qualifications

Qualified Barrister and Solicitor
Bachelor of Laws

Directorships in the past three years

Deep Sea Fisheries Limited
Project Biotech Limited
New Standard Energy Ltd (formerly Hawk Resources Ltd)

DIRECTORS' REPORT (continued)

**Name &
qualifications**

Experience and special responsibilities

Mr Andrew King

*Managing Director
(retired 31 August
2008)*

Mr King retired 31 August 2008. Mr King was a mining engineer with an extensive background in the management and development of mining companies and their operations. He had accumulated over 33 years experience in the mineral resources industry and had been involved with a number of commodities, including gold, base metals, iron ore and coal. Mr King also held qualifications in accounting and financial management and is a member of the Australian Institute of Company Directors.

Prior to co-founding Goldstar Resources NL in 2001, Mr King held, for 4 years, the position of General Manager with Tectonic Resources NL and prior to this, he was employed as Operations Manager for Mt Edon Gold Mines (Aust) Pty Ltd .

Mr King had responsibilities for fund raising, investor relations, risk identification, strategic direction and overall supervision of the group's operations.

Qualifications

Diploma of Mining Engineering
Certificate of Accounting and Finance
MAusIMM
MIEAust
MAICD

Ms Eileen Carr

*Non-executive
Director*

Ms Carr has over 26 years experience in finance predominately within the resource sector. She is a qualified accountant and has been a Non-executive Director of the Company since 2003. Ms Carr runs a corporate consultancy business (Bunree Resource Management Ltd) in London which specialises in providing AIM listing advice for UK and International companies. Ms Carr is currently a Non-executive Director of Talvivaara Mining Company Plc, a Finnish nickel company listed on the Main Board of the London Stock Exchange, and a Non-executive Deputy Chairman of Cluff Gold Plc, a company listed on AIM. .

Qualifications

Chartered Certified Accountant (England) FCCA
M.Sc Management (London)
Sloan Fellow - LBS

Directorships in the past three years.

Monterrico Metals Plc
Talvivaara Mining Company Plc
Cluff Gold Plc

DIRECTORS' REPORT (continued)

**Name &
qualifications**

Experience and special responsibilities

Dr Jeffrey O'Leary

*Non-executive
Director*

Dr. O'Leary is a mining geologist with over 22 years experience in investment banking. Before retiring in 2005, Dr O'Leary worked at HSBC for 20 years where he was Director of Metals and Mining and was involved in project financing, equity and M&A transactions. Prior to this he was Chief Mine Geologist with RTZ Corporation and was responsible for geology and estimation of ore reserves for Rio Tinto's operations and development projects world wide.

Dr O'Leary is currently a Non-executive Director of European Goldfields Ltd, Moto Goldmines Ltd. Dr O'Leary joined the Goldstar board in September 2005.

Qualifications

B. Sc (Mining Geology) - Royal School of Mines
PhD (Geostatistics) - Royal School of Mines
Fellow of the Institution of Mining and Metallurgy
Chartered Engineer.

Directorships in the past three years.

Monterrico Metals Plc
Palladex Plc

Mr Ian Pankhurst

*Non-executive
Director*

Mr Pankhurst is a mining engineer with over 35 years experience in the mining industry. He has experience in both the metalliferous and coal mining sectors. Mr Pankhurst has held a variety of senior management positions within the mining industry and government, including roles in operations, planning and strategic development.

Mr Pankhurst currently operates his own consulting business, providing corporate and operational services to mining companies in Australia, Canada, South Africa and Japan. He holds senior management and corporate roles in Mitsui Matsushima Australia and Hunter Mining Services.

Qualifications

Bachelor Engineering
Bachelor of Financial Management
Diploma of Risk Management
MAusIMM

Mr Peter Hatfull

*Non-executive
Director (Appt. 14
July 2008)*

Mr Hatfull is a Chartered Accountant with over 30 years experience in a range of senior executive position with Australian and International companies. He has an extensive skill-set in the areas of business optimisation, capital raising and company restructuring.

He was most recently Managing Director of the leading integrated metal recycling and contracting company, CMA Corporation Ltd, where he managed a period of dramatic growth and increase in profitability. Prior to that, he held senior management and Board positions in Australia, Africa and the UK.

Qualifications

Chartered Accountant ACA (UK)
MAICD

Directorships in the past three years

Barmenco Pty Ltd
CMA Corporation Ltd

DIRECTORS' REPORT (continued)**Mr Graeme Sloan**

*Non-executive
Director (Appt. 23
July 2008)*

Mr Sloan has been acting as a consultant to a number of Australian and international mining companies, including recently for Goldstar. He was Managing Director/CEO of Victorian gold producer Perseverance Corporation Limited between 2002 and 2007, where he led the feasibility study and development of the Fosterville Gold Operation.

Before joining Perseverance, Mr Sloan held a diverse range of senior national and international executive positions and has a strong operational and corporate background. He is keenly interested in community affairs and currently holds a number of not-for-profit Board positions in education and other community interests.

Qualifications

B.App Sc. (Min Eng)
Diploma in Mine Surveying
MAusIMM
Assoc MIEAust
Member of the Institution of Engineers of Australia

Directorships in the past three years

Perseverance Corporation Ltd

DIRECTORS COMMITTEE MEMBERSHIPS

	Audit	Technical	Remuneration	Nomination
Mr Gordon Hill	Member		Chair	Chair
Ms Eileen Carr	Chair		Member	Member
Dr Jeffrey O'Leary	Member	Chair		Member
Mr Ian Pankhurst		Member	Member	
Mr Peter Hatfull	Member		Member	
Mr Graeme Sloan		Member		Member

JOINT COMPANY SECRETARIES

The names and details of the Goldstar Resources NL ("Company") secretaries in office during the financial year and until the date of this report are as follows. Secretaries were in office for this entire period unless otherwise stated.

Name & qualifications**Mr Bruce Paterson**

*Company Secretary
(Appt 9 September
2008)*

Experience and special responsibilities

Bruce Paterson is a qualified and practising lawyer, who since 1987 has undertaken a number of Company Secretarial positions for ASX listed and non-listed public companies, primarily in the mineral resources and energy sectors. He has also been a non-executive director of a number of ASX listed companies in that period.

Qualifications

Bachelor of Law – Melbourne University

DIRECTORS' REPORT (continued)

Name & qualifications

Experience and special responsibilities

Mr Errol Du Boulay

*Company Secretary
(App 31 January
2008 and resigned 9
September 2008)*

Mr du Boulay was appointed Joint Company Secretary on 31 January 2008 and assumed the full role of Company Secretary on 24 April 2008 following the resignation of Mr Cornes. Mr du Boulay resigned 9 September 2008 following the relocation of the Company's office to Melbourne. He had extensive accounting experience in the gold mining industry and had worked on open cut and underground feasibility studies and had experience starting up new mining operations.

Qualifications

CSA – Chartered Secretaries Australia
Bachelor of Commerce with majors in Accounting and Finance – Curtin University

Mr David Cornes

*Company Secretary
(Resigned 24 April
2008)*

Mr Cornes resigned as Joint Company Secretary 24 April 2008. He had extensive experience in accounting, exposure to commodity marketing and to site operations. Mr Cornes previously worked at WMC, Enterprise Oil Plc, Repsol Exploration UK Ltd and Twynam Agricultural Group Pty Ltd. Mr Cornes joined Goldstar in 2006 as Group Accountant with responsibility for accounting and all reporting functions.

Qualifications

ACMA – Chartered Institute of Management Accountants (UK)
Associate of the Securities Institute of Australia.(ASIA).
Bachelor of Commerce with majors in Accounting and Business Law – Deakin University.

Mr Mark Maine

*Company Secretary
(Resigned 31 January
2008)*

Mr Maine resigned as Joint Company Secretary 31 January 2008. Mr Maine was an accountant with significant experience in public company administration, corporate finance and regulation. Mr Maine had been Company Secretary for Goldstar Resources since August 2005.

Mr Maine also had directorships with ASX listed companies KLM, Newera Uranium, Pacrim Energy Limited and Australasian Resources.

Qualifications

CPA – CPA Australia
Graduate Diploma in Commercial Law
Bachelor of Business in Accounting
Master of Commerce
Member of the SDIA

CORPORATE STRUCTURE

Goldstar Resources NL is a Company limited by shares that is incorporated and domiciled in Australia. Goldstar Resources NL has prepared a consolidated financial report incorporating the entity that it controlled during the financial year, being the wholly-owned subsidiary Goldstar Resources (WA) Pty Ltd (together the "Group").

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the exploration and evaluation of the Walhalla project in Victoria. The Group also has exploration tenements in Western Australia and Queensland.

REVIEW OF OPERATIONS

Goldstar continues to pursue exploration and evaluation activities at Walhalla and other projects. Please refer to the Review of Operations for further details on the Group's operations.

DIRECTORS' REPORT (continued)

RESULTS OF OPERATIONS

The operating loss after income tax of the Group for the year ended 30 June 2008 was \$2,120,591 (2007: \$1,195,302).

The basic and diluted loss per share for the Group for the year was 1.54 cents (2007: 1.02 cents).

No dividend has been paid during or is recommended for the financial year ended 30 June 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report and the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Significant events after the balance sheet date of the Company and the Group during the financial period were as follows:

On 14 July experienced Australian corporate executive Mr Peter Hatfull was appointed to the Board as a Non-Executive Director. The appointment adds further significant depth to the Goldstar Board in the key areas of corporate and financial management.

The company raised \$321,180 from the conversion of partly paid shares and issued 3,244,250 fully paid ordinary shares for the conversion. Partly paid shares that were not converted have been forfeited and are now held by the Directors in trust for the company and then be disposed of in such manner and on such terms as the Directors determine.

Goldstar appointed experienced international mining executive, Mr Gordon Lewis, as the company's Managing Director, effective in October 2008. Mr Lewis has intimate knowledge of the geology, operating conditions and potential of the Walhalla Project from working there earlier in his career.

Mr Graeme Sloan was appointed as a Non-Executive Director of the company on 23 July 2008. Mr Sloan has a solid corporate background and depth of knowledge of the Victorian gold industry.

On 29 July the company announced a proposed non-renounceable rights issue to raise approximately \$7 million to complete the Feasibility Study on its 100% owned Tubal Cain and Eureka Gold Projects. However this was subsequently replaced by a \$6 million dollar convertible note facility as announced to the market 9 September 2008. The Group is to receive \$1.4M upon execution, with remaining funds to be drawn down in two additional tranches as required, following approval at a shareholders' meeting. As part of the agreement, the Company agreed to issue to the Lender 15 million options with an average strike of A\$0.20, a substantial premium to the current market price as well as providing a security for the note with a fixed and floating charge over Goldstar's assets.

On 24 August the Company announced that Mining Licence 5487 was formally granted by the Victorian Minister for Primary Industries. The Mining Licence covers key deposits for the proposed Southern Crown Gold Project.

FINANCIAL POSITION

The net assets of the Group have increased by \$3.80M from 30 June 2007 to \$33.96M. This largely resulted from the raising of capital during the financial year and further expenditure on exploration and evaluation to advance towards completion of the Eureka and Tubal Cain developments and to continue exploration in the Walhalla area of interest.

The Group's working capital, being total current assets less total current liabilities, was \$1,239,926 at 30 June 2008 (\$7,492,324 at 30 June 2007).

DIRECTORS' REPORT (continued)

Capital raisings in October 2007 and April 2008 were used towards completion of the Feasibility Study for the Eureka project, ongoing drilling, general exploration and general working capital requirements.

The nature of the Group's activities is such that it may require additional funding to achieve its objectives. To date funding has been sourced from the issuance of securities in the Company.

FUTURE DEVELOPMENTS

Likely future developments in the operations of the Group are referred to elsewhere in the Annual Report. Other than as referred to in this report, further information as to the likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

DIRECTORS' MEETINGS

The number of meetings attended by each Director of the Company during the financial year was:

	Board Meetings		Remuneration Committee Meetings		Audit Committee Meetings		Technical Committee Meetings	
	Number held and entitled to attend	Number Attended	Number held and entitled to attend	Number Attended	Number held and entitled to attend	Number Attended	Number held and entitled to attend	Number Attended
Mr G Hill	12	12	6	6	3	3		
Mr A King	12	12						
Ms E Carr	11	11	6	6	3	3		
Mr R Carroll	5	5			2	2		
Dr J O'Leary	10	10			3	3	6	6
Mr I Pankhurst	10	10	6	5			6	5

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this report, the interests of the Directors and the top executives in the shares and options of the Company are:

Directors	Ordinary Shares			Partly Paid Contributing Shares			Options		
	Opening Balance 01 July 2007	Purchased	Closing Balance as date of this report	Balance at beginning of year 01 July 2007	Lapsed/ Purchased	Balance outstanding as date of this report	Balance at beginning of year 01 July 2007	Issued/ (Expired)	Closing Balance as date of this report
Mr G Hill	447,692	352,749	800,441	352,749	(352,749)	-	245,000	-	245,000
Mr A King ⁽ⁱⁱⁱ⁾	2,143,993	400,000	2,543,993	2,601,000	(2,601,000)	-	585,000	-	585,000
Ms E Carr	580,278	180,000	760,278	150,000	(150,000)	-	175,000	-	175,000
Mr R Carroll ⁽ⁱⁱⁱ⁾	20,000	20,000	40,000	-	-	-	-	-	-
Dr J O'Leary	110,450	30,000	140,450	-	-	-	175,000	-	175,000
Mr I Pankhurst	3,580,381	383,334	3,963,715	383,334	(383,334)	-	175,000	-	175,000
Mr P Hatfull ⁽ⁱ⁾	-	-	71,620	-	-	-	-	-	-
Mr G Sloan ⁽ⁱ⁾	-	-	-	-	-	-	-	-	-
Total	6,882,794	1,366,083	8,320,497	3,487,083	3,487,083	-	1,355,000	-	1,355,000
Executives									
Mr D Cornes ⁽ⁱⁱ⁾	-	-	-	-	-	-	80,000	(80,000)	-
Mr E Du Boulay	1,664,473	250,000	1,914,473	250,000	(250,000)	-	-	-	-
Mr S Hutchin	-	-	-	-	-	-	260,000	-	260,000
Mr S Hart	-	-	-	-	-	-	-	-	-
Total	1,664,473	250,000	1,914,473	250,000	250,000	-	340,000	(80,000)	260,000

(i) Mr P Hatfull and Mr G Sloan were appointed 14 July 2008 and 23 July 2008 respectively. Interests in shares are prior to joining the Board.

DIRECTORS' REPORT (continued)

- (ii) As at the date of this report 80,000 options expired. According to the Employee Option Plan, option Holders must exercise the exercisable interest within three months from the date the Holder ceases to be a participant. Refer to note 11(b) Employee Benefits.
- (iii) Mr Andrew King retired after the financial year on 31 August 2008 and Mr Robert Carroll resigned 31 January 2008.

Further details on contributing shares and options can be found in Notes 11 and 14.

REMUNERATION REPORT

Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and management by remunerating Directors and Executives fairly and appropriately with reference to relevant employment and market conditions. To assist in achieving the objective the Board links the nature and amount of Executive Directors' emoluments to the Company's financial and operational performance. The expected outcome of the Company's remuneration structure is:

- Retention and motivation of Directors and Executives
- Performance rewards to allow Directors and Executives to participate in the future success of Goldstar Resources NL.

Remuneration may include base salary and fees, short term incentives, superannuation contributions and share options. Any equity based remuneration for Directors will only be made with the prior approval of shareholders in general meeting.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Executive and Non-executive Directors and makes recommendations to the Board for approval. The maximum remuneration of Non-executive Directors is the subject of shareholder resolution in accordance with the Company's Constitution, and the Corporations Law as applicable. The total level of remuneration of all Non-executive Directors is maintained within the maximum limit approved by shareholders. When setting fees and other compensation for Non-executive Directors, the Remuneration Committee may seek independent advice and apply Australian benchmarks. The Remuneration Committee may recommend to the Board additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive Directors.

The Chairman will undertake an annual assessment of the performance of the individual directors and meet privately with each director to discuss this assessment. Position descriptions are in place for Directors and Executives and will be used as a basis for assessing performance.

Long Term Incentive Based Remuneration

The Company has an option based remuneration scheme for Directors and Executives. In accordance with the provisions of the Employee Option Plan, as approved by shareholders at a general meeting, Executives and Directors, with approval of shareholders, may be granted options to purchase ordinary shares. The number and terms of options granted is at the absolute discretion of the Board, except to the extent that the proposed grant is to a Director. In this instance, shareholder consent must be obtained provided that the total number of options on issue under the scheme at the time of the grant does not exceed 5% of the number of ordinary shares on issue.

The issue of options to Directors is in accordance with the Company's employee option plan for Directors and employees to encourage the alignment of personal and shareholder interests.

Managing Director's Contract (retired 31 August 2008)

Mr Andrew King was engaged under a consultancy agreement between the Company, Mr King and Moonshadow Holdings Pty Ltd (Moonshadow). The contract was for duration of three years commencing on 1 November 2005. The contract with Moonshadow may have been terminated

DIRECTORS' REPORT (continued)

by the Company with cause by giving one months' notice and payment of any applicable statutory termination benefits. In the event of termination without cause, one months notice was required and a termination payment calculated in accordance with the statutory formula which is provided under section 200G (3) of the Corporations Act.

The contract may have been terminated by Moonshadow with the provision of three months written notice to the Company.

Moonshadow's total contract payments can vary, dependant on the achievement of certain performance targets as established by the Remuneration Committee and approved by the Board. These performance targets comprise factors encompassing strategy and certain technical and financial milestones.

A longer term contract incentive is based on the issue of options and is tied to the achievement of certain strategic milestones as set by the Remuneration Committee from time to time and approved by shareholders at the Annual General Meeting.

Non-executive Director (Previously Executive Director)

Mr Pankhurst provides his services to the Company under a consultancy agreement with Mining Operation Services Pty Ltd by way of a daily charge out rate. Mr Pankhurst received a Directors Fee which was approved by the Board of Directors and within the total limit for Directors Fees approved by the members of the Company at the AGM. The Consultancy Agreement with Mr Pankhurst can be terminated at any time by the Board or by Mr Pankhurst with a reasonable notice period provided.

DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS - 2008

Names	Year	Primary Salary, Incentives, Superannuation and Consultancy Payments				Share Based Payments	Total Remuneration	% of Remuneration in Options
		Salary & Fees \$	Short Term Incentives \$	Super-annuation \$	Consulting \$	Options Value \$	\$	%
Directors Emoluments								
Mr G Hill	2008	68,000	-	-	-	-	68,000	0%
Mr A King	2008	328,500	30,000	-	-	-	358,500	0%
Ms E Carr	2008	58,000	-	-	-	-	58,000	0%
Mr R Carroll	2008	38,500	-	3,465	-	-	41,965	0%
Dr J O'Leary	2008	58,000	-	-	-	33,280	91,280	36%
Mr I Pankhurst	2008	51,000	-	-	157,918	-	208,918	0%
Total	2008	602,000	30,000	3,465	157,918	33,280	826,663	4%
Executives Emoluments								
Mr D Cornes	2008	78,114	-	39,051	-	-	117,165	0%
Mr E Du Boulay	2008	58,740	-	-	-	-	58,740	0%
Mr S Hutchin	2008	122,410	-	10,342	-	-	132,752	0%
Mr S Hart	2008	147,180	-	14,746	-	-	161,926	0%
Total	2008	406,444	-	64,139	-	-	470,583	0%

DIRECTORS' REPORT (continued)

- (i) Salary and fees include fees paid to directors and related entities for services provided. The director related entities include Seaswan Holdings Pty Ltd, Moonshadow Holdings Pty Ltd and Mining Operation Services Pty Ltd.
- (ii) Mr Ian Pankhurst remuneration includes a consultancy fee for \$141,043 in 2008 for acting as the Operations Director (resigned 13 May 2008) and previously as the Project Manager via Mining Operation Services Pty Ltd.
- (iii) Mr Errol Du Boulay as Company Secretary is contracted via Brison Investments trading as E & D Management Services.
- (iv) Mr David Cornes resigned 24 April 2008.
- (v) Mr Stuart Hutchin resigned 30 May 2008.
- (vi) Mr Shane Hart was appointed 8 October 2007.

DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS – 2007

Names	Year	Primary Salary, Incentives, Superannuation and Consultancy Payments				Share Based Payments	Total Remuneration	% of Remuneration in Options
		Salary & Fees \$	Short Term Incentives \$	Super-annuation \$	Consulting \$	Options Value \$	\$	%
Directors Emoluments								
Mr G Hill	2007	39,000	-	-	-	24,263	63,263	39
Mr A King	2007	187,000	67,500	-	-	58,230	312,730	19
Ms E Carr	2007	32,333	-	-	-	19,410	51,743	38
Mr R Carroll	2007	1,269	-	-	-	-	1,269	
Dr J O'Leary	2007	32,333	-	-	-	36,050	68,383	53
Mr I Pankhurst	2007	32,333	-	-	167,839	19,410	219,582	9
Total	2007	324,268	67,500	-	167,839	157,363	716,970	22
Executives Emoluments								
Mr D Cornes	2007	104,500	-	9,405	-	15,176	129,081	12
Mr M Maine	2007	10,776	-	-	-	-	10,776	-
Mr S Hutchin	2007	113,522	-	10,217	-	37,940	161,679	24
Total	2007	228,798	-	19,622	-	53,116	301,536	18

- (i) Salary and fees include fees paid to directors and related entities for services provided. The director related entities include Moonshadow Holdings Pty Ltd and Mining Operation Services Pty Ltd.
- (ii) Mr Mark Maine as Company Secretary is contracted via RMB Corporate.
- (iii) Mr Ian Pankhurst remuneration includes a consultancy fee for \$167,839 in 2007 for acting as the Operations Director and previously as the Project Manager via Mining Operation Services Pty Ltd.

DIRECTORS' REPORT (continued)

SHARE OPTIONS

As at the date of this report, there were 1,859,000 unissued ordinary shares under option via the Share Option Plan issued to Directors and Executives (2007: 1,080,000 unissued ordinary shares under option). Refer to Note 21 (e) of the Financial Statements for further details of the options outstanding.

Share Options granted to Directors and Key Management Personnel.

Directors	Number of Options Granted	Number of Options Lapsed	Number of Options Held	Issuing Entity	Number of Ordinary Shares Under Option
Mr G Hill	-	-	245,000	Goldstar Resources	245,000
Mr A King	-	-	585,000	Goldstar Resources	585,000
Ms E Carr	-	-	175,000	Goldstar Resources	175,000
Mr R Carroll	-	-	-	-	-
Dr J O'Leary	-	-	175,000	Goldstar Resources	175,000
Mr I Pankhurst	-	-	175,000	Goldstar Resources	175,000
Total	-	-	1,355,000		1,355,000
Executives					
Mr D Cornes	-	-	80,000	Goldstar Resources	80,000
Mr E Du Boulay	-	-	-	-	-
Mr S Hutchin	-	-	260,000	Goldstar Resources	260,000
Mr S Hart	-	-	-	-	-
Total	-	-	340,000		340,000

In accordance with the share options granted under the Goldstar Share Option Plan, as at the date of this report, the above-mentioned Directors and Executives are entitled to purchase an aggregate of 1,695,000 ordinary shares of Goldstar Resources NL.

The options granted and issued to Directors and Executives are set out in the table below including vesting terms, expiry dates of the options and the exercise price at which the options can be converted into ordinary shares:

Options Granted	Expiry Date of Options Issued	Number of Options and Strike Price	Options Lapsed during the period	Vesting Terms of Options
Directors		Options issued to Directors		
August 2004	September 27, 2009	555,000 options @ 35.0 cents		Options vest over 18 months, with an equal 3 rd of the total options granted vesting in each 6 months over the 18 month period from the issue date.
July 2006	September 30, 2009	725,000 options @ 37.5 cents		Options are exercisable on or before 30 September 2009.
November 2006	November 30, 2011	75,000 options @ 35.0 cents		Options vest over 18 months, 25,000 in each 6 months over the 18 month period from the issue date.

DIRECTORS' REPORT (continued)

Options Granted	Expiry Date of Options Issued	Number of Options and Strike Price	Options Lapsed during the period	Vesting Terms of Options
Executives		Options issued to Executives		
August 2004	September 27, 2009	60,000 options @ 35.0 cents		Options vest over 18 months, with an equal 3 rd of the total options granted vesting in each 6 months over the 18 month period from the issue date.
July 2006	July 31, 2009	280,000 options @ 37.5 cents		The options vest within 6 months of grant.

The value of options issued to Directors and Key Personnel during the financial year ending 30 June 2008 is tabled below.

Directors	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised, and lapsed (i)	Value of options included in remuneration for the year (ii)	Percentage of the total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	\$	\$	\$	\$	\$	%
Mr G Hill	33,239	-	-	33,239	-	-
Mr A King	79,548	-	-	79,548	-	-
Ms E Carr	25,020	-	-	25,020	-	-
Mr R Carroll	-	-	-	-	-	-
Dr J O'Leary	36,050	-	-	36,050	33,280	36%
Mr I Pankhurst	25,020	-	-	25,020	-	-
Executives						
Mr D Cornes	15,176	-	-	15,176	-	-
Mr E Du Boulay	-	-	-	-	-	-
Mr S Hutchin	42,428	-	-	42,428	-	-
Mr S Hart	-	-	-	-	-	-

Value of Options – basis of calculation

- (i) As these options are unlisted, the value was determined by reference to the quoted bid price of Goldstar Resources NL at the time of the issue at the grant date. The options issued in 2007 were valued at 19.4 cents per option except for 75,0000 options issued to Dr O'Leary which were valued at 66.6 cents. In 2005 the options were valued at 7.5 cents per option. All options carry no rights to dividends and no voting rights.
- (ii) The total value of options included in the remuneration for the current year relates to the value of options which vested at 30 June 2008 proportionately from grant date to vesting date.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and States. Details of the economic entities performance in relation to environmental regulation are as follows:

The Group's exploration activities are subject to the State Mining Acts. The Company has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Company has adequate systems in place for the management of its environmental requirements.

DIRECTORS' REPORT (continued)

DIVIDENDS

There were no dividends paid or declared during the financial year.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company and all office bearers of the Company and of any body corporate against any liability incurred whilst acting in the capacity of director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. Goldstar Resources NL, to the extent permitted by law, indemnifies each Director or Secretary against any liability incurred in the service of the Group provided such liability does not arise out of conduct involving a lack of good faith and for costs incurred in defending proceedings in which judgement is given in favour of the person in which the person is acquitted.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

The current auditor has not charged the Group for non audit services during the year. The Board of Directors is satisfied that the general standard for audit independence imposed by the Corporations Act 2001 has been met.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and immediately follows the Directors' Report.

CORPORATE GOVERNANCE

The Board recognises the ASX Corporate Governance Council's 8 Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles"), and considers that Goldstar substantially complies with those guidelines, which are of critical importance to the commercial operation of a junior listed resources company. The Company's corporate governance statement and disclosures are contained in the Annual Report.

This report is made in accordance with a resolution of the Directors



Gordon Hill
Chairman

Perth, Western Australia



Peter Hatfull
Director

Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

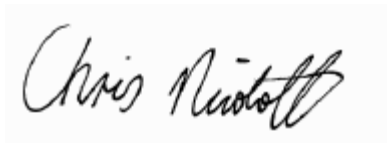
As lead engagement partner for the audit of Goldstar Resources NL and its controlled entities for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Goldstar Resources NL and the entities it controlled during the year.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 29th day of September 2008

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Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Continuing Operations					
Revenue					
Rental income	3 (a)	18	33	18	33
Other income	3 (b)	40	45	40	45
Finance income	3 (c)	400	596	400	596
Total Revenue		458	674	458	674
Professional fees		(556)	(263)	(556)	(263)
Employment expenses	3 (e)	(476)	(529)	(476)	(529)
Travel expenses		(209)	(108)	(209)	(108)
Accounting and audit expenses		(75)	(102)	(75)	(102)
Marketing expenses		(165)	(164)	(165)	(164)
Occupancy expenses		(74)	(41)	(74)	(41)
Administrative expenses		(48)	(193)	(47)	(193)
Exploration & Evaluation	3 (d)	-	(11)	-	(11)
Depreciation	3 (d)	(957)	(453)	(957)	(453)
Provisions for diminution	3 (d)	-	-	(39)	(472)
Finance costs		-	-	-	-
Other expenses from ordinary activities	3 (f)	(19)	(5)	(19)	(5)
Loss from continuing operations before tax		(2,121)	(1,195)	(2,159)	(1,667)
Income tax expense	4	-	-	-	-
Loss from continuing operations after tax		(2,121)	(1,195)	(2,159)	(1,667)
Loss attributable to members of the parent		(2,121)	(1,195)	(2,159)	(1,667)
Basic and diluted loss per share (cents per share)	5	(1.54)	(1.02)		

Balance Sheet

AS AT 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	6	1,957	8,124	1,957	8,124
Trade and other receivables	7	51	472	51	472
Inventories	8	22	13	22	13
Prepayments		20	3	20	3
Total Current Assets		2,050	8,612	2,050	8,612
Non-Current Assets					
Trade and other receivables	7	16	14	16	14
Property, plant and equipment	9	2,797	3,259	2,797	3,259
Deferred exploration, evaluation and development	10	29,906	19,179	28,038	17,350
Total Non-current assets		32,719	22,452	30,851	20,623
TOTAL ASSETS		34,769	31,064	32,901	29,235
LIABILITIES					
Current Liabilities					
Trade and other payables	12	741	889	741	889
Provisions	13	69	48	69	48
Total Current Liabilities		810	937	810	937
Non-Current Liabilities					
Provisions	13	-	1	-	1
Total Non-Current Liabilities		-	1	-	1
TOTAL LIABILITIES		810	938	810	938
NET ASSETS		33,959	30,126	32,091	28,297
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	14	39,040	33,087	39,040	33,087
Accumulated losses		(5,400)	(3,280)	(7,268)	(5,109)
Other reserves	14	319	319	319	319
TOTAL EQUITY		33,959	30,126	32,091	28,297

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2008

	<i>Notes</i>	<i>CONSOLIDATED</i>		<i>PARENT</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash flows from operating activities					
Payments for exploration and evaluation		(11,150)	(9,398)	(11,111)	(8,926)
Payments to suppliers and employees		(934)	(1,413)	(934)	(1,413)
Interest received		400	596	400	596
Receipts from customers		59	78	59	78
Net cash used in operating activities	6	(11,625)	(10,137)	(11,586)	(9,666)
Cash flows from investing activities					
Purchase of property, plant and equipment		(495)		(495)	(3,282)
Loans to controlled entities		-	-	(39)	(472)
Other		-	(28)	-	(28)
Net cash used in investing activities		(495)	(3,310)	(534)	(3,782)
Cash flows from financing activities					
Proceeds from issue of shares		6,218	13,523	6,218	13,523
Share issue expenses		(265)	(816)	(265)	(816)
Reclassification of Restricted cash		-	182	-	182
Net cash from financing activities		5,953	12,889	5,953	12,890
Net decrease in cash and cash equivalents		(6,167)	(558)	(6,167)	(558)
Cash and cash equivalents at beginning of period		8,124	8,682	8,124	8,682
Cash and cash equivalents at end of period	6	1,957	8,124	1,957	8,124

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the parent			
	Issued capital \$'000	Accumulated losses \$'000	Other Reserves \$'000	Total Equity \$'000
CONSOLIDATED				
At 1 July 2006	20,306	(2,085)	135	18,356
Loss for the year	-	(936)	-	(936)
Issue of share capital	-	-	-	-
Fully paid contributing shares	99	-	-	99
Partly paid contributing shares	6	-	-	6
Share placements during the year	13,342	-	-	13,342
Capital raising costs during the year	(741)	-	-	(741)
Cost of share-based payments	-	(259)	259	-
Options revaluation	75	-	(75)	-
At 30 June 2007	33,087	(3,280)	319	30,126
Loss for the year	-	(2,121)	-	(2,121)
Issue of share capital	-	-	-	-
Fully paid contributing shares	-	-	-	-
Partly paid contributing shares	-	-	-	-
Share placements during the year	6,218	-	-	6,218
Capital raising costs during the year	(265)	-	-	(265)
Cost of share-based payments	-	-	-	-
Options revaluation	-	-	-	-
At 30 June 2008	39,040	(5,401)	319	33,959

Statement of Changes in Equity (Cont)

FOR THE YEAR ENDED 30 JUNE 2008

Attributable to equity holders of the parent

	Issued capital \$'000	Accumulated losses \$'000	Other Reserves \$'000	Total Equity \$'000
PARENT				
At 1 July 2006	20,306	(3,442)	135	16,999
Loss for the year		(1,408)		(1,408)
Issue of share capital				
Fully paid contributing shares	99			99
Partly paid contributing shares	6			6
Share placements during the year	13,342			13,342
Capital raising costs during the year	(741)			(741)
Cost of share-based payments		(259)	259	-
Options revaluation	75		(75)	-
At 30 June 2007	33,087	(5,109)	319	28,297
Loss for the year	-	(2,159)		(2,159)
Issue of share capital	-	-	-	-
Fully paid contributing shares	-	-	-	-
Partly paid contributing shares	-	-	-	-
Share placements during the year	6,218	-	-	6,218
Capital raising costs during the year	(265)	-	-	(265)
Cost of share-based payments	-	-	-	-
Options revaluation	-	-	-	-
At 30 June 2008	39,040	(7,268)	319	32,091

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

The financial report of Goldstar Resources NL for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 29 September 2008

Goldstar Resources NL is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the Group are described in the review of operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards (including the Australian Accounting Interpretations). The financial report has also been prepared on a historical cost basis, except where stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Report Standards ('IFRS').

Going Concern

At 30 June 2008, the consolidated entity and the parent entity had incurred a net loss of \$2,120,591 and \$2,159,410, respectively for the year then ended.

On 29 July the Company announced a proposed non-renounceable rights issue to raise approximately \$7 million to complete the Feasibility Study on its 100% owned Tubal Cain and Eureka Gold Projects. However this was subsequently replaced by a \$6 million convertible note facility as announced to the market 9 September 2008. The Group is to receive \$1.4M upon execution, with remaining funds to be drawn down in two additional tranches as required, following approval at a shareholders' meeting, and a second tranche of \$3M at a later date. In addition the Company agreed to issue to the Lender 15 million options upon the issue of the note with an average strike of A\$0.20, a substantial premium to the current market price.

The directors have prepared cash flow forecasts that indicate that the consolidated entity and the parent entity will have cash surpluses for a period of a least 12 months from the date of this report.

Based on the cash flow forecasts and debt and equity funding described above, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

New accounting standards and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
New and revised Standards			
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers must make use in financial reports of the descriptions- Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "financial report" and not "financial statement." The Amending Standard updates references in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore does not affect amounts recognised in the financial statements.
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	To date the company has not been involved in such transactions therefore impact is not expected to be material.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p>requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>			
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	If the group undertake such transactions, this needs to be considered.
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB. This standard only applies to entities that have public accountability therefore any entities that do not fall within scope may wish to early adopt and avoid segment reporting.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore does not affect amounts recognised in the financial statements.
<p><i>AASB 2008- 1 – Amendments to AASB 2 "Share Based Payments"</i></p> <p>The amendment clarifies that vesting conditions are restricted to:</p> <ul style="list-style-type: none"> • service conditions; and • Performance conditions only. <p>Other features of a share-based payment are not vesting conditions. This restriction was not clearly stated in the pre-amended standards. This means that all other terms and conditions are accounted for in the value of the share or option at grant date.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard will affect the valuation of options issued by the Company but is not considered to be material.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Goldstar Resources NL and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(d) Interest in joint venture operation

The Group's interest in its joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

(e) Foreign currency translation

Both the functional and presentation currency of Goldstar Resources NL and its Australian subsidiary are in Australian Dollars (\$AUD).

(f) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land is measured at fair value.

Depreciation is calculated on a reducing balance basis using estimated remaining useful life of the asset as follows:

Plant and equipment - over 3 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for an individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets or groups of assets that are largely independent of the cash inflows from other assets use and subsequent disposal.

Revaluations

Following initial recognition at cost, land is carried at a re-valued amount which is the fair value at the date of the revaluation.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(h) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(i) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of twelve months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Funds placed on deposit with financial institutions to secure performance bonds are classified as Current Restricted Cash and Cash Equivalents.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Share-based payment transactions

There is currently one plan in place to provide these benefits, The Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives, and all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. Further details are given in Note 11.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share-based payment transactions (continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Goldstar Resources NL.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

(l) Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(m) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Rental Income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(n) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is charged against the financial performance for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off in the year in which the decision to abandon is made, firstly against any existing provision for that expenditure, with any remaining balance being charged to earnings.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the economic entity's rights of tenure to that area of interest are current. Amortisation is not charged on areas under development, pending commencement of production.

(q) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(r) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Goldstar Resources NL ("parent company") from time to time during the year and at 30 June 2007 and the results of its controlled entity, Goldstar Resources (WA) Pty Ltd for the year then ended. Goldstar Resources NL and Goldstar Resources (WA) Pty Ltd together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the economic entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of AIFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

3. REVENUES AND EXPENSES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Rental revenue				
Rental on sub-lease of office space	18	33	18	33
	18	33	18	33
(b) Other income				
Sundry revenue	40	45	40	45
	40	45	40	45
(c) Finance income				
Bank interest receivable	400	596	400	596
Total finance income (on historical basis)	400	596	400	596
(d) Expenses from ordinary activities				
Depreciation	957	453	957	453
Exploration and evaluation costs	-	11	-	11
Operating leases	-	26	-	26
Diminution in loans to controlled entities	-	-	39	472
	957	490	996	962
(e) Employee benefits expense				
Wages and salaries	440	223	440	223
Employee options expensed	-	259	-	259
Superannuation costs	18	10	18	10
Fringe benefits tax	1	8	1	8
Conferences, seminars and subscriptions	17	29	17	29
	476	529	476	529
(f) Other expenses				
Sundry expenses	19	5	19	5
	19	5	19	5

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

4 INCOME TAX

Income Tax Expense	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Recognised in the Income Statement				
Current tax expense				
Current year	-	-	-	-
Adjustment for prior years	-	-	-	-
Deferred tax expense				
Origin and reversal of temporal differences	-	-	-	-
Reduction in tax rate	-	-	-	-
Expense on derecognition of tax loss	-	-	-	-
Losses not recognised	-	-	-	-
Benefits of tax losses recognised	-	-	-	-
Total Income Tax Expense in Income Statement	-	-	-	-
Reconciliation between pre-tax expense and pre tax net loss.				
Loss before tax	(2,121)	(1,195)	(2,159)	(1,667)
	(2,121)	(1,195)	(2,159)	(1,667)
Income tax using the corporation rate of 30%	(636)	(359)	(648)	(500)
Increase in income tax expense due to:				
Non deductible expenses	1	79	1	220
Effect of tax losses derecognised / (recognised)	-	-	-	-
Intercompany loan to Goldstar Resources WA	-	-	-	-
Decrease in income tax expense due to:				
Non assessable income	-	-	-	-
	(635)	(280)	(647)	(280)
Under / (over) provided in prior years				
Income tax benefit on pre-tax net profit	(635)	(280)	(647)	(280)
Tax effect of tax losses not recognised	635	280	647	280
	-	-	-	-
Income tax expense	-	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

4 INCOME TAX (Continued)

Deferred Income Tax	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Recognised on the Balance Sheet	\$'000	\$'000	\$'000	\$'000

Deferred income tax

Deferred income tax at 30 June relates to the following:

Deferred income tax liabilities	(10,054)	(6,715)	(9,495)	(6,167)
Capitalised expenditure deductible for tax purposes	(10,054)	(6,715)	(9,495)	(6,167)
Deferred income tax assets	11,812	8,173	11,847	8,173
Tax losses	11,812	8,173	11,847	8,173
Net deferred tax asset (liability)	1,758	1,458	2,352	2,006
Net deferred tax (asset) liability not recognised	(1,758)	(1,458)	(2,352)	(2,006)
	-	-	-	-

No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has estimated unrecouped income tax losses of \$39,341,473 (2007: \$26,759,190) which may be available to offset against taxable income in future years.

The benefit of these losses and timing differences will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the Group continues to comply with the condition of deductibility imposed by Australian law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

Tax consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity have elected to form a tax consolidation group from 1 July 2006.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

5 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and dilutive partly paid contributing shares).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	CONSOLIDATED	
	2008	2007
	Cents	Cents
a) Basic and diluted loss per share		
Loss attributable to ordinary equity holders of the Company	(1.54)	(1.02)
b) Reconciliation of earnings used in calculating earnings per share		
	CONSOLIDATED	
	2008	2007
	\$'000	\$'000
Basic and diluted earnings per share		
Loss for the year	(2,121)	(1,195)
c) Weighted average number of shares		
	CONSOLIDATED	
	2008	2007
	Number	Number
	000's	000's
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	137,509	117,457
*Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic earnings per share.	137,509	117,457

**The entity's contributing shares and options over ordinary shares could potentially dilute basic earnings per share in the future, however they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the either of the years presented. There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.*

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank and in hand	508	442	508	442
Short-term deposits	1,250	7,500	1,250	7,500
Restricted Cash	199	182	199	182
	1,957	8,124	1,957	8,124

- a) **Cash at bank and in hand** earns interest at floating rates based on daily bank rates.
- b) **Short-term deposits** are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
- c) **Restricted cash** is cash placed on deposit to secure bank guarantees in respect of obligations entered into for office rental obligations and environmental performance bonds issued in favour of the Victorian Department of Primary Industries.

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Reconciliation from the net loss after tax to the net cash flows from operations				
Net loss	(2,121)	(1,195)	(2,159)	(1,667)
<i>Adjustments for:</i>				
Depreciation	957	4	957	453
Employee entitlements provided	21	-	21	27
Diminution in loans to controlled entities	-	-	39	472
Share options expensed	-	-	-	258
<i>Changes in assets and liabilities</i>				
(increase) in exploration expenditures	(10,726)	(9,721)	(10,688)	(9,250)
(increase)/decrease in trade and other receivables	421	-	421	(1)
(increase) in inventories	(9)	-	(9)	-
(increase) in prepayments	(18)	(31)	(18)	(315)
(increase) in non current receivables	(2)	-	(2)	-
(decrease)/increase in trade and other payables	(148)	-	(148)	357
Net cash used in operating activities	(11,625)	(10,137)	(11,586)	(9,666)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

7 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current receivables:				
Trade receivables	5	8	5	8
GST receivable	46	464	46	464
	51	472	51	472
Non-Current receivables:				
Loans to controlled entity	-	-	1,867	1,828
Provisions for loans to controlled entities	-	-	(1,867)	(1,828)
Security Deposits	16	14	16	14
	67	486	67	486

Trade receivables are non-interest bearing and are generally on 30-day terms.

8 INVENTORIES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fuel inventory	22	13	22	13
	22	13	22	13

9 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	<i>Plant and equipment</i> \$'000	<i>Total</i> \$'000	<i>Plant and equipment</i> \$'000	<i>Total</i> \$'000
Year ended 30 June 2008				
At 1 July 2007	3,826	3,826	3,826	3,826
Net of accumulated depreciation	3,259	3,259	3,259	3,259
Additions	495	495	495	495
Disposals	-	-	-	-
Depreciation charge for the year	(957)	(957)	(957)	(957)
At 30 June 2008				
Net of accumulated depreciation	2,797	2,797	2,797	2,797
At 1 July 2007				
Cost or fair value	3,826	3,826	3,826	3,826
Accumulated depreciation and impairment	(567)	(567)	(567)	(567)
Net carrying amount	3,259	3,259	3,259	3,259
At 30 June 2008				
Cost or fair value	4,321	4,321	4,321	4,321
Accumulated depreciation and impairment	(1,524)	(1,524)	(1,524)	(1,524)
Net carrying amount	2,797	2,797	2,797	2,797

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment loss

Assets were assessed during the year for impairment and it was determined no impairment to plant and equipment during the year.

Revaluations

The group currently does not own or have any interests in land and buildings apart from the groups interests in tenements.

10 DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 July 2007	19,179	9,458	17,350	8,101
Expenditure incurred	10,727	9,721	10,688	9,249
Exploration, evaluation and development	29,906	19,179	28,038	17,350
Impairment	-	-	-	-
Total exploration, evaluation and development at 30 June 2008	29,906	19,179	28,038	17,350

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

11 EMPLOYEE BENEFITS

Employees share option plan

The Group has an Employee Share Option Plan (ESOP) for the granting of non-transferable options to certain directors and employees.

The Directors consider it desirable to maintain an option plan under which selected employees, directors and officers of the Company may be offered the opportunity to participate in the issue of options in the Company in order to increase the range of potential incentives and to strengthen links between the Company, its directors, employees and contractors.

Options issued under the ESOP will vest when both the following conditions have been met:

- (i) when the employee has completed at least one full year of employment; and
- (ii) the director or senior executive or employee continues to be a director or senior executive or employee in the service of the Group.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- (a) the exercise price of the options is equal to Goldstar Resources NL's weighted average share price for the five days prior to the grant date;
- (b) any options that vest and are unexercised on the resignation of a participant in the scheme will lapse on 3 months after the participants resignation date;
- (c) any vested options that are unexercised on the expiry date September 2009 (issued 2005), July 2009 (issued 2007) will expire; and
- (d) upon exercise, these options will be settled in ordinary shares of Goldstar Resources NL.

Set out below are summaries of options granted to Directors, employees and contractors under the Company's ESOP approved by shareholders:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2008								
27-Sep-04	27-Sep-09	\$0.350	696,000	-	-	-	696,000	696,000
7-Dec-06	30-Sep-09	\$0.375	725,000	-	-	-	725,000	725,000
31-Jul-06	31-Jul-09	\$0.375	360,000	-	-	-	360,000	360,000
15-Dec-06	8-Nov-11	\$0.350	75,000	-	-	-	75,000	75,000
Total			1,856,000	-	-	-	1,856,000	1,856,000
Weighted average exercise price			\$0.365	-	-	-	\$0.365	\$0.365

On 1 July 2008, 1,781,000 (2007: 1,781,000) options with a fair value of \$0.1941 and 75,000 with a fair value of \$0.6656 (2007: \$0.6656) each were exercisable over ordinary shares with an exercise price of \$0.375 (2007: \$0.375) each, exercisable upon meeting the above vesting conditions.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

11 EMPLOYEE BENEFITS (continued)

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2007								
27-Sep-04	27-Sep-09	\$0.350	696,000	-	-	-	696,000	696,000
7-Dec-06	30-Sep-09	\$0.375	-	725,000	-	-	725,000	725,000
15-Dec-06	8-Nov-11	\$0.350	-	75,000	-	-	75,000	75,000
31-Jul-06	31-Jul-09	\$0.375	-	590,000	-	230,000	360,000	360,000
Total			696,000	1,390,000	-	230,000	1,856,000	1,856,000
Weighted average exercise price			\$0.350	\$0.374	-	\$0.375	\$0.365	\$0.365

The fair values of the options are estimated at the date of grant using the binomial model. The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2008.

	2008	2007	2006
Dividend yield (%)	-	-	-
Expected volatility (%)	73	73	70
Risk-free interest rate (%)	5.8	5.8	5.5
Expected life of option (years)	3	3	5
Option exercise price (\$0.00)	0.375	0.350	0.350
Share price at grant date (\$0.00)	0.370	0.850	0.095

The 75,000 shares issued in 2007 were granted at 35 cents as shown above while all other options granted in 2007 were issued at 37.5 cents.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average contractual life for the share options outstanding as at 30 June 2008 is between 1 and 2 years (2007: 1 and 3 years) except for the 75,000 options issued to a director which expire on 8 November 2011.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

12 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables	456	174	456	174
Accruals	234	711	234	711
Payments due to directors (refer Note 21)	51	4	51	4
	<u>741</u>	<u>889</u>	<u>741</u>	<u>889</u>
Related party payables:				
Joint venture operation	-	-	-	-
Other related parties	-	-	-	-
	<u>741</u>	<u>889</u>	<u>741</u>	<u>889</u>

Trade payables are non-interest bearing and are normally settled on 30 – 60 day terms. For terms and conditions relating to Related Parties refer to Note 18.

13 PROVISIONS

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Employee benefits - annual leave	69	48	69	48
	<u>69</u>	<u>48</u>	<u>69</u>	<u>48</u>
Non-current				
Employee benefits - annual leave	-	1	-	1
	<u>69</u>	<u>49</u>	<u>69</u>	<u>49</u>

The current provision for employee benefits is for annual entitlements accrued and expected to be taken within 12 months.

Provision for rehabilitation

The state government regulations in the various states in which Goldstar operates require rehabilitation of drill sites including any other sites where Goldstar has caused surface and ground disturbance. The costs are not of a material nature and vary across disturbance sites. Goldstar does not provide for rehabilitation on a long term basis. To date rehabilitation has taken place on drill sites as drill rigs are moved as part of the exploration program when drilling in a particular area of interest is complete or not active for an extended period of time due to other drilling project priorities.

As part of the group's environmental policy exploration and access sites are regenerated to match or exceed local government and state government expectations.

The costs are not considered to be material by the group however this policy will be reviewed as exploration and development activities increase as Goldstar moves closer towards commercial production.

It is expected that most of these costs will not be significant in the next financial year and will be expensed as incurred.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

14 ISSUED CAPITAL AND RESERVES

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Ordinary Shares</i>				
Issued and fully paid	39,034	33,081	39,034	33,081
	<i>Thousands</i>	<i>\$'000</i>		
<i>Movement in ordinary shares on issue</i>				
At 1 July 2006	106,175	20,306		
Share placement at 65 cents	15,385	10,000		
Share purchase plan at 65 cents	4,617	3,000		
Conversion of 1,000,000 options	1,000	350		
Conversion of partly paid shares	985	98		
Less: issue costs	-	(673)		
At 1 July 2007	128,162	33,081		
Share placement at 43 cents	12,035	5,175		
Share placement at 14.5 cents	7,189	1,043		
Less: issue costs	-	(265)		
At 30 June 2008	147,386	39,034		

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Contributing Shares</i>				
Partly paid to 0.1 cents (9.9 cents outstanding)	6	6	6	6
	<i>Thousands</i>	<i>\$'000</i>		
<i>Movement in contributing shares fully paid</i>				
At 1 July 2006	6,580	7		
Partly paid share paid in full	(985)	(1)		
At 1 July 2007	5,595	6		
Paid in full during the year	-	-		
At 30 June 2008	5,595	6		
Total issued capital at 30 June 2008	152,981	39,040		

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

14 ISSUED CAPITAL AND RESERVES (Continued)

The Company has one share option scheme under which options to subscribe for the Company's shares have been granted to directors and employees (refer Note 11)

Other Reserves	CONSOLIDATED			PARENT		
	Employee Equity Benefits Reserve	Share Issue Costs Reserve	Total	Employee Equity Benefits Reserve	Share Issue Costs Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2006	60	75	135	60	75	135
Share based payment	259	(75)	184	259	(75)	184
At 30 June 2007	319	-	319	319	-	319
Share based payment	-	-	-	-	-	-
Option issue	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
At 30 June 2008	319	-	319	319	-	319

Nature and purpose of reserves

Employee equity benefits reserve

The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 11 for further details of these plans.

Share issue costs reserve

Share options issued in lieu of issue costs when listing the Group or for future capital raisings.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk.
- Credit risk
- Liquidity risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

The Company and the Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Consolidated & Parent - 30 June 2008	Floating interest rate \$'000	Fixed interest rate maturing in			Non-interest bearing \$'000	Total \$'000
		1 Year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets:						
Cash and cash equivalents	707	1,250	-	-	-	1,957
Trade and other receivables	-	-	-	-	67	67
	707	1,250	-	-	67	2,024
Weighted average interest rate	6.69%	7.51%				
Financial liabilities:						
Trade and other payables	-	-	-	-	741	741
	-	-	-	-	741	741
Weighted average interest rate	-	-				

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Consolidated & Parent - 30 June 2007	Floating interest rate \$'000	1 Year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets:						
Cash and cash equivalents	624	7,500	-	-	0	8,124
Trade and other receivables	-	-	-	-	486	486
	624	7,500	-	-	486	8,610
Weighted average interest rate	5.98%	6.30%				
Financial liabilities:						
Trade and other payables	-	-	-	-	889	889
	-	-	-	-	889	889
Weighted average interest rate	-	-				

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2007.

Consolidated & Parent - 30 June 2008	Carrying Value \$'000	Profit or loss		Equity		
		100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000	
Cash and cash equivalents	1,957	20	(20)	20	(20)	
Trade receivables	67	-	-	-	-	
Cash flow sensitivity (net)		20	(20)	20	(20)	
Consolidated & Parent - 30 June 2007						
Cash and cash equivalents	8,124	81	(81)	81	(81)	
Trade receivables	486	-	-	-	-	
Cash flow sensitivity (net)		81	(81)	81	(81)	

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is AA and above. The Company does not place funds on terms longer than 30 days and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Consolidated and Parent	Carrying amount	
	2008	2007
	\$'000	\$'000
Cash and cash equivalents	1,957	8,124
Trade receivables	67	486
	<u>2,024</u>	<u>8,610</u>

Impairment losses

None of the Company's receivables are past due (2007: nil). The Group's trade receivables are all current at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Group's objective is to maintain a balance between continuity of funding and flexibility. The following are the contractual maturities of financial liabilities:

Consolidated & Parent - 30 June 2008

	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000
Trade and other payables	741	741	741
	<u>741</u>	<u>741</u>	<u>741</u>

Consolidated & Parent - 30 June 2007

	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000
Trade and other payables	889	889	889
	<u>889</u>	<u>889</u>	<u>889</u>

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Foreign currency risk

The Group's exposure to currency risk is minimal at this stage of the operations.

Commodity price risk

The Group's exposure to price risk is minimal at this stage of the operations.

Capital risk management

The Company and the Group's objectives when managing capital are to safeguard the Company and the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company and the Group's capital is performed by the Board.

None of the Group's entities are subject to externally imposed capital requirements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

16 FINANCIAL INSTRUMENTS

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown on the balance sheet, are as follows:

	Notes	Carrying amount		Fair value	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
CONSOLIDATED					
<i>Financial assets</i>					
Cash – floating rate interest	6	508	442	508	442
Cash – fixed term 1 year or less	6	1,449	7,682	1,449	7,682
Total cash and short term deposits		1,957	8,124	1,957	8,124
Trade receivables – current	7	51	472	51	472
Trade receivables – non current interest bearing	7	16	14	16	14
Trade receivables – non current non interest bearing	7	-	-	-	-
Total receivables		67	486	67	486
Total financial assets		2,024	8,610	2,024	8,610
<i>Financial liabilities</i>					
Trade payables - non interest bearing	13	(741)	(889)	(741)	(889)
Total payables		(741)	(889)	(741)	(889)
Net financial assets		1,283	7,721	1,283	7,721
PARENT					
<i>Financial assets</i>					
Cash – floating rate interest	6	508	442	508	442
Cash – fixed term 1 year or less	6	1,449	7,682	1,449	7,682
Total cash and short term deposits		1,957	8,124	1,957	8,124
Trade receivables – current	7	51	472	51	472
Trade receivables – non current interest bearing	7	16	14	16	14
Trade receivables – non current non interest bearing	7	-	-	-	-
Total receivables		67	486	67	486
Total financial assets		2,024	8,610	2,024	8,610
<i>Financial liabilities</i>					
Trade payables - non interest bearing	13	(741)	(889)	(741)	(889)
Total payables		(741)	(889)	(741)	(889)
Net financial assets		1,283	7,721	1,283	7,721

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

17 COMMITMENTS AND CONTINGENCIES

Rental property commitments

The Group has entered into commercial leases for office space in Perth, Western Australia, for two years and in Rawson in Victoria for one year.

There are no restrictions placed upon the lessee by entering into these leases apart from the 12 month commitment from the agreement dates.

Future minimum rentals payable under non-cancellable commercial leases as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	125	91	125	91
After one year but not more than five years	11	74	11	74
More than five years	-	-	-	-
	<u>136</u>	<u>165</u>	<u>136</u>	<u>165</u>

Employee contract commitments – Directors

Mr Andrew King retired 31 August 2008 and according to the contractual arrangements with Moonshadow Holdings; in the event of termination without cause, one months notice is required and a termination payment calculated in accordance with the statutory formula which is provided under section 200G (3) of the Corporations Act was calculated.

The value of the future termination payment commitment calculated as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	368	257	368	257
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
	<u>368</u>	<u>257</u>	<u>368</u>	<u>257</u>

Tenement commitments – Australia

The Group has a portfolio of tenements located in Western Australia, Queensland and Victoria, which all have a requirement for a certain level of expenditure each and every year in addition to annual rental payments for the tenements. Additional detail on the tenements is available in Additional Information.

Future minimum expenditure commitments as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within one year	394	196	394	196
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
	<u>394</u>	<u>196</u>	<u>394</u>	<u>196</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

17 COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

At 30 June 2008 the Group did not have any commitments that could be defined as of a long term nature as all existing contracts could be cancelled at the option of either party with the giving of one months notice.

Legal claim

At the balance date the Group was not involved in any legal action of any nature through its operations or envisage any legal action or claim within its realm of activity in the current environment.

Guarantees

Goldstar Resources NL has the following contingent liabilities at 30 June 2008:

- The Group has negotiated bank guarantees in favour of the Victorian Government for rehabilitation obligations of mining tenements. The total of these guarantees at 30 June 2008 was \$196,390 (2007: \$150,000).
- It has guaranteed to cover the directors and officers in the event of legal claim against the individual or as a group for conduct which is within the Company guidelines, operations and procedures.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

18 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Goldstar Resources NL and the subsidiaries listed in the following table.

	Country of incorporation	% Equity interest		Investment \$	
		2008	2007	2008	2007
Goldstar Resources (WA) Pty Ltd	Australia	100	100	1	1
				1	1

Goldstar Resources NL is the ultimate Australian parent entity incorporated in Australia.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to Note 12 and Note 21:

Related party		Sales to related parties \$'000	Purchases from related parties \$'000	Amount owed by related parties \$'000	Amounts owed to related parties \$'000
CONSOLIDATED					
Directors Group (excludes remuneration and reimbursements)	2008				
Mr Andrew King		-	358	-	-
Mr Ian Pankhurst		-	158	-	-

Subsidiaries

An inter-company loan between Goldstar Resources NL (parent) and Goldstar Resources (WA) Pty Ltd (subsidiary) of \$1,867,081 (2007: \$1,828,261) during the financial year 2008 was fully impaired for both 2008 and 2007.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

19 EVENTS AFTER THE BALANCE SHEET DATE

Significant events after balance sheet date of the Company and consolidated entity during the financial period were as follows:

- a) On 14 July experienced Australian corporate executive Mr Peter Hatfull was appointed to the Board as a Non-Executive Director. The appointment adds further significant depth to the Goldstar Board in the key areas of corporate and financial management.
- b) The Company raised \$321,180 from the conversion of partly paid shares and issued 3,244,250 fully paid ordinary shares for the conversion. Partly paid shares that were not converted have been forfeited and are now held by the Directors in trust for the Company and then be disposed of in such manner and on such terms as the Directors determine.
- c) Goldstar appointed experienced international mining executive, Mr Gordon Lewis, as the Company's Managing Director, effective in October 2008. Mr Lewis has intimate knowledge of the geology, operating conditions and potential of the Walhalla Project from working there earlier in his career.
- d) Mr Graeme Sloan was appointed as a Non-Executive Director of the Company on 23 July 2008. Mr Sloan has a solid corporate background and depth of knowledge of the Victorian gold industry.
- e) On 29 July the Company announced a proposed non-renounceable rights issue to raise approximately \$7 million to complete the Feasibility Study on its 100% owned Tubal Cain and Eureka Gold Projects. However this was subsequently replaced by a \$6 million convertible note facility, as announced to the market 9 September 2008. The Group is to receive \$1.4M upon execution, with remaining funds to be drawn down in two additional tranches as required, following approval at a shareholders' meeting.. As part of the agreement, the Company agreed to issue to the Lender 15 million options with an average strike of A\$0.20, a substantial premium to the current market price, as well as providing a security for the note with a fixed and floating charge over Goldstar's assets.
- f) On 24 August the Company announced that Mining Licence 5487 was formally granted by the Victorian Minister for Primary Industries. The Mining Licence covers key deposits and infrastructure for the proposed Southern Crown Gold Project.

20 AUDITORS' REMUNERATION

	CONSOLIDATED		PARENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Amounts received or due and receivable by PKF Australia for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	35	22	35	22
• other services in relation to the entity and any other entity in the consolidated entity				
* tax compliance	-	-	-	-
* assurance related	-	-	-	-
* special audits required by regulators	-	-	-	-
	<u>35</u>	<u>22</u>	<u>35</u>	<u>22</u>
Amounts received or due and receivable by auditors other than PKF Australia for:				
• an audit or review of the financial report of subsidiary entities	-	-	-	-
	<u>35</u>	<u>22</u>	<u>35</u>	<u>22</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Specified directors

Mr Gordon Hill	Chairman (Non-executive)		
Mr Andrew King	Managing Director		
Ms Eileen Carr	Director (Non-executive)		
Mr Robert Carroll	Non-executive Director	Resigned	31 January 2008
Dr Jeffrey O'Leary	Director (Non-executive)		
Mr Ian Pankhurst*	Director (Non-executive)		

* Mr I Pankhurst resigned as Executive Director – Operations and remained as Non-executive Director 13 May 2008.

(ii) Specified executives

Mr Errol Du Boulay	Company Secretary	Appointed	31 January 2008
Mr David Cornes	Company Secretary	Resigned	24 April 2008
Mr Mark Maine	Company Secretary	Resigned	31 January 2008
Mr Stuart Hutchin	Chief Geologist	Resigned	30 May 2008
Mr Shane Hart	Project/Mine Manager	Appointed	8 October 2007

(b) Remuneration of Key Management Personnel

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Goldstar Resources NL is responsible for determining and reviewing compensation arrangements for the Directors and the Managing Director. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and senior executives' emoluments to the Company's financial and operational performance. All directors and senior executives have the opportunity to qualify for participation in the Employee Share Option Plan which currently provides incentives where specified criteria are met including criteria relating to exploration success, cash flow, share price growth, safety performance, environmental performance and individual performance.

It is the Remuneration Committee's policy that employment agreements shall be entered into with the Managing Director and other key employees. The current employment agreement is consistent for all employees. The agreement has a 30 day notice period and provides for cancellation of any share options within 3 months of resignation/termination provided the vesting period has been satisfied and the options have not been exercised and converted into ordinary shares. The amount payable if the employees' employment is terminated is calculated by reference to a formula based on the number of years' service and in consideration of minimum statutory requirements relevant to the employee.

The current contractual agreement with Moonshadow Holdings Pty Ltd which supplies the services of the Managing Director has a one (1) month notice period and provides for cancellation of share options which have not been exercised within 6 months of termination and have not satisfied the vesting period. The amount payable if the Managing Director is terminated prior to the end of the agreement is calculated by reference to a formula based on the statutory formula under section 200G(3) of the Corporations Act.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL (Continued)

(ii) Remuneration of Key Management Personnel

Specific Directors	Primary			Post Employment		Equity	Other	Total
	Salary & Fees \$'000	Cash Bonus \$'000	Non Monetary benefits \$'000	Superannuation \$'000	Retirement benefits \$'000	Options Contributi Shares \$'000	\$'000	\$'000
30 June 2008								
Mr Gordon Hill	68	-	-	-	-	-	-	68
Mr Andrew King *	328	30	-	-	-	-	-	358
Ms Eileen Carr	58	-	-	-	-	-	-	58
Mr Robert Carroll	39	-	-	3	-	-	-	42
Dr Jeffrey O'Leary	58	-	-	-	-	33	-	91
Mr Ian Pankhurst	51	-	-	-	-	-	158	209
Total remuneration:	602	30	-	3	-	33	158	826
30 June 2007								
Mr Gordon Hill	39	-	-	-	-	24	-	63
Mr Andrew King *	187	68	-	-	-	58	-	313
Ms Eileen Carr	33	-	-	-	-	19	-	52
Mr Robert Carroll	1	-	-	-	-	-	-	1
Dr Jeffrey O'Leary	32	-	-	-	-	36	-	68
Mr Ian Pankhurst	32	-	-	-	-	20	168	220
Total remuneration:	324	68	-	-	-	157	168	717

Group totals in respect of the financial year 2008 do not necessarily equal the sum of amounts disclosed for 2007 for individuals specified in the financial year 2008, as different individuals were working in different capacities than in the 2007 financial year.

*Cash Bonus: Moonshadow Holdings Pty Ltd which provides Mr Andrew Kings' services under a consultancy agreement was paid an additional contract payment following the achievement of certain performance targets as established by the Remuneration Committee and approved by the Board.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL (continued)

(ii) Remuneration of Key Management Personnel (continued)

Specific Executives	Primary		Post Employment			Equity	Other	Total
	Salary & Fees \$'000	Cash Bonus \$'000	Non Moneta Benefits \$'000	Superannation \$'000	Retirement Benefits \$'000	Options & Contributin Shares \$'000	\$'000	\$'000
30 June 2008								
Mr David Cornes	78	-	-	39	-	-	-	117
Mr E Du Boulay	59	-	-	-	-	-	-	59
Mr Mark Maine	-	-	-	-	-	-	-	-
Mr Stuart Hutchin	123	-	-	10	-	-	-	133
Mr Shane Hart	147	-	-	15	-	-	-	162
Total remuneration:	407	-	-	64	-	-	-	471
30 June 2007								
Mr David Cornes	105	-	-	9	-	15	-	129
Mr Mark Maine	11	-	-	-	-	-	-	11
Mr Stuart Hutchin	113	-	-	10	-	38	-	161
Total remuneration:	229	-	-	19	-	53	-	301

Group totals in respect of the financial year 2008 do not necessarily equal the sum of amounts disclosed for 2007 for individuals specified in the financial year 2008, as a different individuals were specified in the financial year 2007.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL (continued)

(c) Remuneration options: granted and vested during the year

During the financial year no options were granted as equity compensation benefits under the employee share option plan (ESOP) to certain Key Management Personnel.

* Shares issued on exercise of remuneration options.

During the financial year no options were exercised which had been previously issued as remuneration options.

(e) Option holdings of Key Management Personnel

	<i>Balance at beginning of period 01-Jul-07</i> 000's	<i>Granted as Remuneration</i> 000's	<i>Options Exercised</i> 000's	<i>Net Change Other #</i> 000's	<i>Balance at end of period 30-Jun-08</i> 000's	<i>Not Vested & Not Exercisable</i> 000's	<i>Vested & Exercisable</i> 000's
Specified Directors							
Mr Gordon Hill	245	-	-	-	245	-	245
Mr Andrew King	585	-	-	-	585	-	585
Ms Eileen Carr	175	-	-	-	175	-	175
Mr Robert Carroll	-	-	-	-	-	-	-
Dr Jeffrey O'Leary	175	-	-	-	175	-	175
Mr Ian Pankhurst	175	-	-	-	175	-	175
Specified Executives							
Mr David Cornes	80	-	-	-	80	-	80
Mr E Du Boulay	-	-	-	-	-	-	-
Mr Mark Maine	-	-	-	-	-	-	-
Mr Stuart Hutchin	260	-	-	-	260	-	260
Mr Shane Hart	-	-	-	-	-	-	-
Total	1,695	-	-	-	1,695	-	1,695

includes forfeits

	<i>Balance at beginning of period 01-Jul-06</i> 000's	<i>Granted as Remuneration</i> 000's	<i>Options Exercised</i> 000's	<i>Net Change Other #</i> 000's	<i>Balance at end of period 30-Jun-07</i> 000's	<i>Not Vested & Not Exercisable</i> 000's	<i>Vested & Exercisable</i> 000's
Specified Directors							
Mr Gordon Hill	120	125	-	-	245	-	245
Mr Andrew King	285	300	-	-	585	-	585
Ms Eileen Carr	75	100	-	-	175	-	175
Mr Robert Carroll	-	-	-	-	-	-	-
Dr Jeffrey O'Leary	-	175	-	-	175	-	175
Mr Ian Pankhurst	75	100	-	-	175	-	175
Specified Executives							
Mr David Cornes	-	80	-	-	80	-	80
Mr Mark Maine	-	-	-	-	-	-	-
Mr Stuart Hutchin	60	200	-	-	260	-	260
Total	615	1,080	-	-	1,695	-	1,695

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL (continued)

(f) Shareholdings of Key Management Personnel

Shares held in Goldstar Resources NL

	Balance 01-Jul-07 Ordinary (i) 000's	Purchased during the year 000's	On Options Exercised 000's	Fully Paid Contributing Shares 000's	Balance at end of period 30-Jun-08 000's
Specified Directors					
Mr Gordon Hill	448	-	-	-	448
Mr Andrew King	2,144	-	-	-	2,144
Ms Eileen Carr	581	30	-	-	611
Mr Robert Carroll	20	20	-	-	40
Dr Jeffrey O'Leary	111	30	-	-	141
Mr Ian Pankhurst	3,580	-	-	-	3,580
Specified Executives					
Mr David Cornes	-	-	-	-	-
Mr E Du Boulay	1,676	-	-	-	1,676
Mr Mark Maine	-	-	-	-	-
Mr Stuart Hutchin	-	-	-	-	-
Mr Shane Hart	-	-	-	-	-
Total	8,560	80	-	-	8,640

	Balance 01-Jul-06 Ordinary (i) 000's	Purchased during the year 000's	On Options Exercised 000's	Fully Paid Contributing Shares 000's	Balance at end of period 30-Jun-07 000's
Specified Directors					
Mr Gordon Hill	386	62	-	-	448
Mr Andrew King	2,121	23	-	-	2,144
Ms Eileen Carr	536	45	-	-	581
Mr Robert Carroll	-	20	-	-	20
Dr Jeffrey O'Leary	53	58	-	-	111
Mr Ian Pankhurst	3,557	23	-	-	3,580
Specified Executives					
Mr David Cornes	-	-	-	-	-
Mr Mark Maine	-	-	-	-	-
Mr Stuart Hutchin	-	-	-	-	-
Total	6,653	231	-	-	6,884

(i) Group totals in respect of the financial year 2008 do not necessarily equal the sum of amounts disclosed for 2007 for individuals specified in the financial year 2008, as different individuals were specified in the financial year 2007.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2008

21 KEY MANAGEMENT PERSONNEL (continued)

(g) Partly paid contributing shares of Key Management Personnel

Shares held in Goldstar Resources NL

	<i>Balance 01-Jul-07 Ordinary 000's</i>	<i>Granted as Remuneration 000's</i>	<i>Less Fully Paid Contributing Shares 000's</i>	<i>Balance at end of period 30-Jun-08 000's</i>
Specified				
Directors				
Mr Gordon Hill	353	-	-	353
Mr Andrew King	2,601	-	-	2,601
Ms Eileen Carr	150	-	-	150
Mr Robert Carroll	-	-	-	-
Dr Jeffrey O'Leary	-	-	-	-
Mr Ian Pankhurst	383	-	-	383
Total	3,487	-	-	3,487

Group totals in respect of the financial year 2008 do not necessarily equal the sum of amounts disclosed or 2007 for individuals specified in the financial year 2008, as different individuals were specified in the financial year 2007.

22 SEGMENTS

Primary Reporting

The consolidated entity operates predominately in the field of mining, exploration and development of the Walhalla project in Victoria. The Group also has exploration tenements in Western Australia and Queensland.

Directors' Declaration

In the opinion of the Directors:

- a) The financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporation Act 2001, including:
 - i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii) complying with Accounting Standards and Corporations Regulations 2001;
- b) The financial report also complies with International Financial Report Standards ('IFRS') as disclosed in Note 2(a); and
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the corporations Act 2001 for the financial period ending 30 June 2008.

On behalf of the Board



Gordon Hill
Chairman
Perth, Western Australia
29 September 2008



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOLDSTAR RESOURCES NL

Report on the financial report

We have audited the accompanying financial report of Goldstar Resources NL which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Goldstar Resources NL (the company) and the consolidated entity. The consolidated entity comprises both the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Liability limited by a scheme approved under Professional Standards Legislation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Goldstar Resources NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth Western Australia this 29th day of September 2008.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

The ASX Listing Rules require companies to disclose in their annual reports whether their corporate governance practices follow the ASX Corporate Governance Council's 8 Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") on an "if not, why not" basis.

Following the release of the ASX Principles, Goldstar has continued to review its existing corporate governance policies and practices and the Board has updated or replaced its policies where improvements have been considered appropriate.

Details of Goldstar's compliance with the ASX Principles and its main corporate governance practices for the year ended 30 June 2008 are disclosed in this statement. At the date of this report, Goldstar considers that its corporate governance practices substantially comply with the ASX Principles.

The Goldstar website (www.goldstarnl.com.au) is updated for changes made to the corporate governance practices of the Company.

2. SHAREHOLDERS

The shareholders are the owners of Goldstar and in that capacity elect the members of the Board. In addition to the election of Directors, shareholders retain the right to vote on other important matters including changes to the Constitution, the receipt of annual financial statements and the award of shares as part of any incentive arrangements for executive or non-executive Directors.

To vote in an informed manner the Board recognises that shareholders must receive high quality, relevant and useful information in a timely manner. To safeguard the effective dissemination, the Board has adopted a Continuous Disclosure Policy, a copy of which is available on the Company's website. The Policy aims to ensure that timely and accurate information is provided equally to all shareholders and market participants. It also reinforces Goldstar's commitment to the continuous disclosure obligations imposed by law.

Copies of announcements to the Stock Exchanges on which Goldstar is listed, investor briefings, quarterly, half yearly and annual financial statements, the Annual Report and other relevant information are posted on the Goldstar website. Shareholders are encouraged to make their views known to the Company and to directly raise any matters of concern. The Chairman keeps the Board advised of the views and concerns that have been raised.

Shareholders are encouraged to attend Annual General Meetings and to use this opportunity to ask questions. Copies of the presentations delivered by the Chairman and Managing Director are available on the Company's website following the meeting.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

The Company regularly reviews its communication strategy and has adopted a Shareholder Communication Policy during 2008 which has been posted to the Company's website and sets out its commitment to effective communication with shareholders and other stakeholders.

The Company's communication strategy is overseen by the Chairman and the Managing Director.

3. THE ROLES OF THE BOARD AND MANAGEMENT

The role of the Board is to oversee and guide the management of Goldstar and its business with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community.

The Board has a charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities. A copy of the Board Charter has been posted on the Company's website.

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

4. BOARD STRUCTURE

The Board is currently comprised of six Non-executive Directors, including the Chairman.

The names of the Directors in office at the date of this report, the year of their appointment, their status as non-executive, executive or independent director are set out in the Directors' Report.

Details of the background, experience and professional skills of each Director are set out on pages 16 to 19 of this Annual Report.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

5. DIRECTOR INDEPENDENCE

Directors are expected to bring independent views and judgment to the Board's deliberations.

The Board has reviewed the position and associations of each of the six Directors in office at the date of this report and considers that five of the Directors are independent. In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and assessed whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of the Company and its Group members, the persons or organisations with whom the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time.

The Board considers that:

- a supplier is material if the Company or the group accounts for more than 2% of the supplier's consolidated gross revenue;
- a material customer is a customer of the Company or the Group member which accounts for more than 2% of the Company's gross revenue; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a Director's ability to act in the best interests of the Company.

In the event that one or more of these thresholds is exceeded, the Board then focuses on whether or not, in their view, that excess impacts materially on the independence of judgment of the Directors.

None of the Non-executive Directors are considered to have business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgment. None of them has a material contractual relationship with the Company other than as a Director of the Company.

In accordance with the Corporations Act, any Director with a material personal interest in a matter must not be present when the matter is being considered by the Board and may not vote on the matter.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

The Board resolved to adopt a Register of Directors' Interests to be administered by the Company Secretary. This Register records each Director's current directorships, shareholdings (direct and indirect) and material personal interests. It is available for perusal by all Board members at any time including at Board meetings. It is designed to ensure that actual and potential conflicts between the interests of individual Directors and the Company are avoided. The Board regularly reviews the Register of Directors' Interests and all new declarations by Directors are advised immediately to all other Directors by the Company Secretary.

6. MEETINGS OF THE BOARD

The Board generally meets at six week intervals and on other occasions, as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings.

The number of Board meetings held and attended by each of the Directors for the financial year ended 30 June 2008 are set out in the Directors' Report on page 22 of this Annual Report.

7. RETIREMENT AND RE-ELECTION

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next General Meeting and are not taken into account in determining the number of Directors to retire at that General Meeting. Directors cannot hold office for a period in excess of three (3) years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders.

8. NOMINATION AND APPOINTMENT OF NEW DIRECTORS

Recommendations of candidates for new Directors are made by the Board's Nomination Committee for consideration by the Board as a whole. If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process. The Board assesses the qualifications of any recommended candidate against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. The Board is of the opinion that as the Company grows into a significant exploration and production company it is likely that additional Non-executive Directors will be appointed to complement the existing Board.

9. REVIEW OF PERFORMANCE

The Nomination Committee is responsible for the review of Board performance. Performance is evaluated through feedback obtained from the completion of a detailed evaluation questionnaire by the Directors. Performance of individual Directors is reviewed upon their nomination for re-election.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

10. BOARD ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Directors have a right of access to Company employees, advisers and records. In relation to their duties and responsibilities, Directors have access to the advice and counsel of the Chairman and Company Secretary and have the right to seek independent professional advice at the Company's expense if required, after prior consultation with and the approval of the Chairman. Under normal circumstances, a copy of the independent professional advice will be made available to the Board.

Pursuant to a Deed executed by the Company and each Director, a Director has the right to have access to all documents which have been presented to meetings of the Board or to any Committee of the Board or otherwise made available to the Director whilst in office. This right continues for a term of 7 years after ceasing to be a Director or such longer period as is necessary to determine relevant legal proceedings commenced during that term.

11. COMMITTEES OF THE BOARD

Four standing Board committees assist the Board in the discharge of its responsibilities and are governed by their respective charters, as approved by the Board. These are:-

- The Audit Committee
- The Nomination Committee
- The Remuneration Committee
- The Technical Committee

11.1 Audit Committee

The Audit Committee was formed in May 2007 and monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting.

A charter for the Audit Committee has been adopted by the Board. Among the specific responsibilities set out on the charter, the Audit Committee reviews all published accounts of the Company; reviews the scope and independence of external audits; monitors and assesses the systems for internal compliance and control, legal compliance and risk management; and advises on the appointment, performance and remuneration of the external auditors.

The members of the Audit Committee at the date of this report are:-

Ms Eileen Carr (Chairperson)
Dr Jeffrey O'Leary
Mr Gordon Hill
Mr Peter Hatfull

The Managing Director, Company Secretary, the external auditors and other persons considered appropriate attend meetings of the Audit Committee by invitation. The Committee also meets from time to time with the external auditors independent of management.

The Audit Committee charter has been posted on the Company's website.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

11.2 Nomination Committee

The Nomination Committee was formed in May 2007 and adopted a charter to reflect the requirements of the ASX Principles. Among the specific responsibilities set out in the charter, the Nomination Committee reviews and makes recommendations to the Board on the Board's operation and performance, reviews Board composition and makes recommendations for new appointments to the Board. The members of the Nomination Committee at the date of this report are:-

Mr Gordon Hill (Chairperson)
Ms Eileen Carr
Dr Jeffrey O'Leary
Mr Graeme Sloan

The charter of the Nomination Committee has been posted on the Company's website.

11.3 Remuneration Committee

The Remuneration Committee was established in October 2005 and reaffirmed in May 2007 at which time the Board adopted a charter to reflect the requirements of the ASX Principles. The Committee makes recommendations on remuneration and related policies for the Company including, in particular, those governing the Directors, the Managing Director and senior management. Remuneration levels are competitively set to attract and retain the most qualified and experienced Directors and senior executives.

As has been the practice of the Board in the past, the Remuneration Committee will obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies and the general market. The Remuneration Committee regularly reviews the Company's Remuneration Policy to ensure that it embraces the remuneration philosophy and the relevant elements of any remuneration (e.g. fixed annual rewards, short term incentives, long term incentives etc). The Remuneration Committee may be assisted in this task by external consultants.

The members of the Remuneration Committee at the date of this report are:-

Mr Gordon Hill (Chairperson)
Ms Eileen Carr
Mr Ian Pankhurst
Mr Peter Hatfull

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

Director and executive remuneration is disclosed in detail on the Remuneration Report section of the Directors' Report in accordance with the requirements of the Corporations Act. All equity based remuneration to Directors has been approved by shareholders at an Annual General Meeting of the Company.

Independent Non-executive Directors are remunerated through Directors' fees that are payable for duties as a director and the issue of performance based options. The aggregate of Non-executive Directors' fees are determined by the Company's shareholders in general meeting. It is noted that the issuing of options to Directors is not in accordance with ASX Principle 8, Recommendation 8.2.

In general terms, the Managing Director is remunerated through a formalised employment contract which is current for a period of three years from 1 November 2005. Further information on this employment contract is detailed in the Remuneration Report contained within the Directors' Report.

The Remuneration Committee charter has been posted on the Company's website.

11.4 Technical Committee

The Technical Committee adopted a charter in May 2007. The Committee provides an independent peer review of the integrity, as required, of technical information emanating from the Company for release into the public arena and the technical content of business proposals, programmes and budgets to be submitted to the Board for approval.

The members of the technical Committee are:

Dr Jeffrey O'Leary (Chairperson)
Mr Ian Pankhurst
Mr Graeme Sloan
Two senior technical managers

The Managing Director and other persons considered appropriate attend Technical Committee meetings by invitation.

The charter of the Technical Committee has been posted to the Company's website.

12. FINANCIAL REPORTING

The Company's financial report preparation and approval process for the financial year ended 30 June 2008 involved the Chairman and the Chief Financial Officer providing a written declaration to the Board that, to the best of their knowledge and belief, the financial statements present a true and fair view, in all material respects, of the financial condition and operating results of the consolidated entity and are in accordance with applicable accounting standards.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

13. AUDIT GOVERNANCE AND INDEPENDENCE

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company is implementing procedures and policies to monitor the independence and competence of the Company's external auditors.

13.1 Appointment of Auditors

The Company's current external auditors are PKF. The effectiveness, performance and independence of the external auditors is reviewed from time to time by the Audit Committee. If it becomes necessary to replace the external auditors for performance or independence reasons, the Audit Committee will then formalise a procedure and policy for the selection and appointment of new auditors.

13.2 Independence Declaration

Consistent with the amendments to the Corporations Act 2001, PKF has provided an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with the requirements of the Corporations Act 2001 and the rules of the professional accounting bodies.

The Company is required to ensure that the lead external audit partner is rotated in accordance with the requirements of the amendments to the Corporations Act 2001 which became effective from 1 July 2006. The Audit Committee proposes to undertake preparation of a procedure for the rotation of the external audit partner. Once approved, this procedure will be posted on the Company's website.

13.3 Attendance of External Auditors at AGM

Consistent with the amendments to the Corporations Act 2001, PKF attend, and are available to answer question at, the Company's Annual General Meetings. Shareholders may submit questions for the external auditors to the Company Secretary no later than five (5) business days before an Annual General Meeting.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2008

14. RISK IDENTIFICATION AND MANAGEMENT

The Company is committed to the identification; monitoring and management of risks associated with its business activities and has implemented in its management and reporting systems a number of risk management controls. These include:-

- guidelines and limits for approval of capital expenditure and investments
- guidelines and limits for approval of operating expenditure
- a comprehensive annual insurance programme including external risk surveys
- a commitment to implementing annual budgeting and monthly financial and management reporting to enable the monitoring of progress against performance targets and the evaluation of trends
- established organisational structures, procedures, manuals and policies
- retention of specialised staff and external advisers, and
- an occupational health, safety and environmental management system.

Management is ultimately responsible to the Board for the Company's system of internal control and risk management. The Audit Committee assists the Board in monitoring this role.

An Internal Control and Risk Management Policy was approved by the Board in May 2007 and has been posted on the Company's website. Work is also continuing on building the Company's internal compliance and control system in light of the rapid increase in Company personnel during the current year and the potential rapid expansion of the Company as it moves towards production.

During the year the Company introduced a fully integrated Enterprise Resource Planning (ERP) system that integrated departments and functions across the Company; improving internal compliance and controls significantly. Improvements were particularly observed in procurement and project management.

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2008

15. CONTINUOUS DISCLOSURE

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities markets controlled by the Australian Stock Exchange.

During the year the Company adopted a continuous disclosure policy to ensure that price sensitive information is disclosed to the markets in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the listing rules of the Australian Stock Exchange.

A copy of the Continuous Disclosure Policy has been posted on the Company's website.

The Managing Director and the Company Secretary have responsibility for overseeing and coordinating continuous disclosure compliance to ensure Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

16. SHARE TRADING

Under the Constitution of the Company, Directors are not required to hold, directly or indirectly, any shares in the Company.

All Directors, employees and full time consultants are only permitted to deal in the Company's shares in limited circumstances called window periods. These are two week periods following one business day after the release of the Company's quarterly, half yearly or annual financial results. The Managing Director has the discretion to determine whether circumstances justify an additional window period from time to time ie; after an Annual General Meeting or General Meeting.

Under the Company's Policy for Dealing in Securities, all Directors, employees and full time consultants are prohibited from trading in the Company's shares or the shares of other companies if they are in possession of "inside information". This prohibition also applies to prescribed window periods.

As part of the Policy for Dealing in Securities all Directors, employees and full time consultants wishing to deal in the Company's shares during a two week window period, must notify the Company Secretary prior to entering into a transaction. Once the transaction has been completed, details must be reported to the Company Secretary within 3 business days (except in the case of the Company Secretary's own securities in which case the Managing Director must be notified of the proposed dealing). The Company Secretary will notify the Managing Director or Chairman of each transaction.

A copy of the Policy for Dealing in Securities has been posted on the Company's website.

Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2008

17. CODE OF CONDUCT

The Board has adopted, during the year, a Code of Conduct to promote fairness, honesty and integrity in conducting activities on behalf of the Company. The Code applies to all Directors, management, staff and consultants (where applicable) and is about establishing common values and setting guidelines for acceptable behaviour.

The Code complements the Policy for Dealing in Securities. The Code of Conduct specifically provides that any Director, employee or consultant (where applicable) who reports a breach of the Code will not be disadvantaged or prejudiced by doing so. The Code of Conduct has been posted on the Company's website.

ASX Additional Information

FOR THE YEAR ENDED 30 JUNE 2008

ASX ADDITIONAL INFORMATION

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 17 September 2008.

DISTRIBUTION OF ORDINARY AND PARTLY PAID CONTRIBUTING SHAREHOLDERS AND OPTIONHOLDERS

	Fully Paid Ordinary Shares		Partly Paid Contributing Shares		Options	
	No. of Holders	No. of Shares	No. of Holders	No. of Option	No. of Holders	No. of Options
1-1,000	42	31,834	-	-	-	-
1,001 - 5,000	395	1,292,048	-	-	-	-
5,001 - 7,999	102	644,229	-	-	-	-
8,000 - 100,000	1,053	30,643,985	-	-	11	391,000
100,001 and over	175	118,017,301	1	(*)2,351,000	6	1,465,000
	1,767	150,630,097	1	2,351,000	17	1,856,000

(*)At the auction of forfeited partly paid shares held at 10.00am 7 August 2008, no shares were sold. Under the terms of the Company Constitution the shares will be held by the Directors in trust for the Company and then be disposed of in such manner and on such terms as the Directors determine.

Holders of Non-marketable Parcels

There are 339 fully paid ordinary shareholders who hold less than a marketable parcel of 5,000 shares.

ASX Additional Information (continued)

FOR THE YEAR ENDED 30 JUNE 2008

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of ordinary shares are:

		Listed Ordinary Shares	
		Number of	
		Shares Held	% Held
1	Z Nominees Ltd	23,489,242	15.59%
2	Citicorp Nominees Pty Ltd	20,867,383	13.85%
3	Mineral Resources Ltd	7,379,241	4.90%
4	ANZ Nominees Ltd	2,601,966	1.73%
5	Halb Nominees Ltd	2,482,800	1.65%
6	J P Morgan Nominees Aust Ltd	2,310,900	1.53%
7	Duncan Stanley Greenaway	2,118,643	1.41%
8	Andrew King	2,045,751	1.36%
9	Irrewarra Investments Pty Ltd	2,001,884	1.33%
10	Marceau Pty Ltd	1,400,000	0.93%
11	Richard Harris	1,346,265	0.89%
12	Christian Born	1,248,265	0.83%
13	W K Sebire and J Kantor	1,200,000	0.80%
14	Lorraine and Peter Hegarty	1,180,000	0.78%
15	Frank Houston McClymont	1,110,000	0.74%
16	Anthony Mark Steeg	1,075,661	0.71%
17	Colin and Anna Kapeleris	1,050,753	0.70%
18	Jackson's Hill Engineering Pty Ltd	971,164	0.64%
19	Du Boulay Pty Ltd	904,868	0.60%
20	Albert K and V J Bramley	872,520	0.58%
		<u>77,657,306</u>	<u>51.55%</u>
Ordinary shares quoted on ASX		150,630,097	
Ordinary shares subject to ASX escrow		-	
Total ordinary shares		<u>150,630,097</u>	

SUBSTANTIAL SHAREHOLDERS

The following shareholders are recorded in the Company's Register of Substantial Shareholders

Name	No. Of Fully Paid Ordinary Shares	%
Z Nominees Ltd	23,489,242	15.59
Citicorp Nominees Pty Ltd	20,867,383	13.85

VOTING RIGHTS

Ordinary Shares - On a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, each share shall have one vote.

FRANKING CREDITS

The Company has nil franking credits.

Additional Information

FOR THE YEAR ENDED 30 JUNE 2008

TENEMENT SCHEDULE

Project	Tenement	Location	Interest	Status	Arrangement
Walhalla	EL 3311	Victoria	100%	Granted	
Donnelly Creek	EL 4660	Victoria	85%	Granted	Farm in agreement with CMS Australia
Franklin	EL 3437	Victoria	25%	Granted	Farm in agreement with Franklin Resources
Walhalla	EL5041	Victoria	100%	Granted	
Walhalla	ELA5042	Victoria		Application	
Walhalla	EL5043	Victoria	100%	Granted	
Walhalla	EL5044	Victoria	100%	Granted	
Walhalla	EL5077	Victoria	100%	Granted	
Walhalla	EL5078	Victoria	100%	Granted	
Walhalla	ELA5101	Victoria		Application	
Walhalla	MIN5487	Victoria		Application	
Millrose	E53/974	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose	E53/975	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose	E53/1006	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose	P53/1143	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose	P53/1144	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose ⁽¹⁾	E53/1239	WA	85%	Granted	Farm out agreement with BHP Billiton
Millrose	E53/1236	WA	100%	Granted	
Peak Hill	E52/1621	WA	85%	Granted	Farm out agreement with Peak Resources
Peak Hill	E52/1727	WA	85%	Granted	Farm out agreement with Peak Resources
Peak Hill	M52/548	WA	85%	Granted	Farm out agreement with Peak Resources
Peak Hill	M52/588	WA	85%	Granted	Farm out agreement with Peak Resources
Peak Hill	P52/990	WA	85%	Granted	Farm out agreement with Peak Resources
Peak Hill	P52/991	WA	85%	Granted	Farm out agreement with Peak Resources
Top Camp ⁽²⁾	EPM 13625	Queensland	85%	Granted	Farm out agreement with Matrix Metals
Iron Ridge ⁽²⁾	EPM 13922	Queensland	85%	Granted	Farm out agreement with Matrix Metals

(1) In 2007 this tenement was formed by combining the following tenements: EL53/796, EL53/1004, and EL53/1005.

(2) Application was made for tenements EPM13625 and EPM 13922 to conditionally surrender in favour of a new combined tenement covering the same extent as the two surrendered. Application is currently being processed.

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