

Goldstar Resources NL and its Controlled Entities

**Half-Year Financial Report
31 December 2007**

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

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GOLDSTAR RESOURCES NL – HALF YEAR REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the company's directors in office during the half-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 – Non Executive Chairman
Mr Andrew King – Managing Director
Ms Eileen Carr - Non Executive Director
Mr Ian Pankhurst - Non Executive Director
Dr Jeffrey O'Leary – Non Executive Director
Mr Robert Carroll – Non Executive Director (retired 31 January 2008)

REVIEW OF RESULTS

Goldstar Resources NL ("Goldstar" or the "Company") recorded a net loss for the period of \$879,171 compared to a net loss of \$705,337 for the 6 months to December 2006. The result is driven primarily by the commencement of depreciation of the completed Skipway located at the Eureka dyke bulge and used for the Eureka Bulk Sample Project. Whilst the Skipway will be used in the mining process, it is defined as equipment and is depreciated in accordance with the Company's accounting policy"

REVIEW OF OPERATIONS

OVERVIEW

Eureka

During the December 2007 Quarter, Goldstar finalised several key elements of the Definitive Feasibility Study ("DFS") for the Eureka Project as part of its staged development strategy to become a new Australian gold producer.

Tubal Cain

During this period the Company established a Conceptual Exploration Target ("CET") for 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.

Walhalla Proprietary

The initial drilling program at Walhalla Proprietary confirmed the existence of the dyke bulge and associated quartz reefs.

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EUREKA PROJECT

EUREKA BULK SAMPLING, PRE-FEASIBILITY STUDY AND UNDERGROUND DRILLING

The completion of the Eureka Bulk Sample Programme (EBSP) and the Eureka Pre-Feasibility Study (“EPFS”) in early August 2007 marked a significant milestone in the Company’s progress towards commercial gold production. Based on the results of the EPFS , the Board approved the commencement of a Eureka Definitive Feasibility Study (“EDFS”) and outlined its blueprint for the first development phase of the project.

The upgraded Geological Model for Eureka was interpreted to contain 720,000 tonnes of quartz reef material, representing a 67% increase from the previous 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.

An underground drilling programme was completed during December which will enable Goldstar to complete the final geological modelling of the Eureka Project and potentially deliver a JORC compliant resource.

TUBAL CAIN

TUBAL CAIN BULK SAMPLE DRILLING

During the period, Goldstar continued an extensive drilling programme at Tubal Cain, 5km to the north of Eureka, and continued to receive outstanding assay results.

This drilling campaign has enabled Goldstar to establish a Conceptual Exploration Target¹ (“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. This grade range is based on drilling results received to date, which are currently insufficient to establish a resource estimate.

Drilling has also confirmed that the Tubal Cain reefs are, on average, approximately double the thickness of the reefs at Eureka, with a significantly higher reef density per vertical metre.

WALHALLA PROPRIETARY DRILLING

By the end of the period the first drilling programme at the northern end of the expanded Walhalla Proprietary Dyke Bulge, closest to Eureka, was completed. The programme confirmed the existence of the dyke bulge and associated quartz reefs to within approximately 250 metres of the Eureka Western Adit.

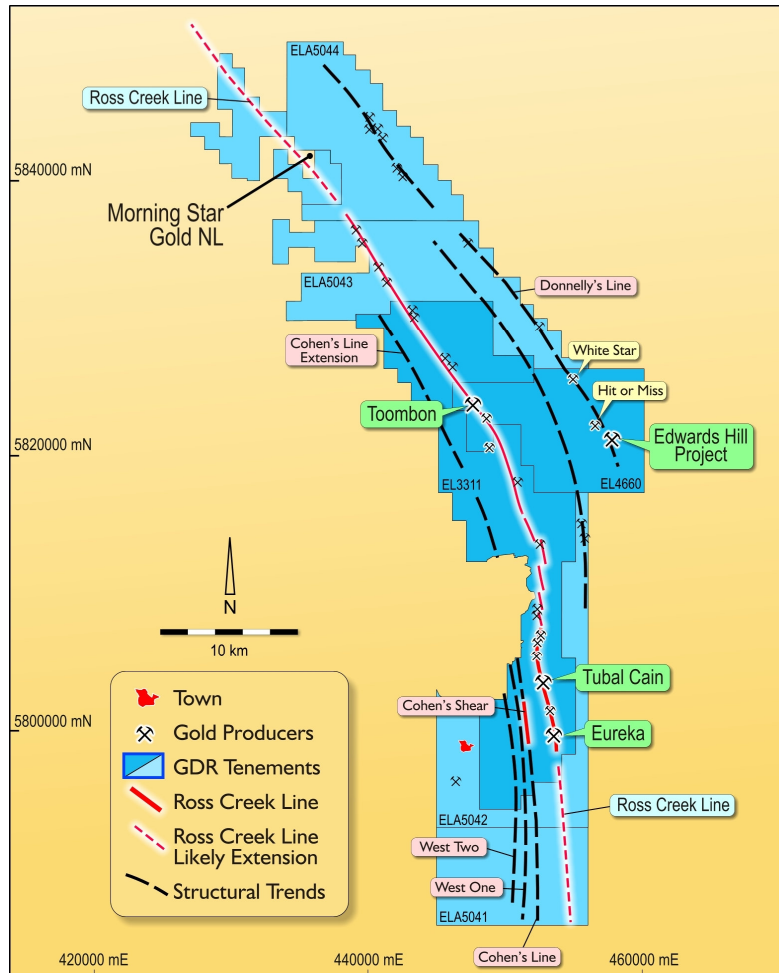
¹ It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quality and grade is conceptual in nature, since there has been insufficient data collected to date.

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REGIONAL EXPLORATION

Goldstar controls well in excess of 70km of the Ross Creek Line (RCL), see (figure 1), and over 700 square kilometres of highly prospective ground. To date mineralisation has been established at Eureka and Tubal Cain at one end of this major regional structure.

Fig.1 – Regional Exploration Showing Ross Creek Line



There are a number of historic workings established along the RCL, several of which show strong characteristics as dyke bulge targets.

A drilling programme at the Edwards Hill Project, located on the Donnelly Line, 10km to the east of Toombon, was completed with results to be reviewed by the Technical Committee during the March Quarter.

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DEVELOPMENT STRATEGY

The finalisation and announcement of the EDFS and potential JORC compliant resource will represent a very important development for Goldstar. It will underpin Goldstar's "Proof of Concept" strategy for the Walhalla Gold Field, laying the foundations for the development of an initial gold production hub.

The completion of the EDFS will provide a benchmark to the potential economics of other operations within the Walhalla Gold Field, including the Tubal Cain Project – which represents a much larger development opportunity. The optimum development strategy for both Tubal Cain and Eureka will be reviewed as part of the EDFS outcomes, and will be announced to the market during the March 2008 quarter.

PERMITTING

During the period 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. These are a critical part of the process with feedback from these meetings being incorporated into the EDFS and Work Plan submissions.

OTHER PROJECTS

BHP-BILLITON JOINT VENTURE – MILLROSE GOLD & NICKEL PROJECT

BHP Billiton has completed an aerial geophysical survey, (detailed magnetics) over the northern tenement block of this project. The interpretation is expected in the first quarter of 2008 with the results dictating the follow up field program.

TOP CAMP/IRON RIDGE COPPER PROJECT, QUEENSLAND (Matrix Metals earning 85%)

Matrix continues with field work and collected soil geochemical, stream BCL and rock chip samples throughout the project area. Surface geophysics (SAM) has been carried out on selected targets areas. The results of all work are currently being collated in preparation for drill targeting in first quarter of 2008.

PEAK HILL COPPER-GOLD PROJECT, WESTERN AUSTRALIA (Peak Resources earning 70%)

The Peak Hill project located in the Murchison region of Western Australia is managed by Peak Resources Ltd.

Negotiations continue to resolve Native Title issues in order to gain access to the project area.

While progress is being made, no significant work can commence on the project area until the negotiations are completed.

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

CORPORATE

During October, Goldstar placed a total of 12,035,000 shares at an issue price of 43 cents per share to raise a total of approximately \$5.2 million (before costs).

SUMMARY AND OUTLOOK

The resource model for Eureka is nearing completion by the Company's independent consultants, SRK Consulting Pty Ltd, working in conjunction with Goldstar's in-house technical team. A JORC compliant Resource Model is expected to be a key deliverable.

Once the geological model is finalised, the EDFS can be completed with results anticipated, for release to the market, during the March Quarter of 2008.

Technical information in this report is compiled by a Competent Person as defined in the JORC Code 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.

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 9.

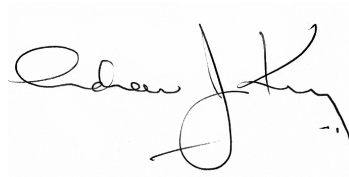
ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors



Gordon Hill
Chairman
Dated at Perth this 29th Day of February 2008



Andrew King
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Goldstar Resources NL for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



PKF
Chartered Accountants



Chris Nicoloff
Partner

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

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.

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GOLDSTAR RESOURCES NL – HALF YEAR REPORT

CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated 31 December 2007 \$'000	31 December 2006 \$'000
Continuing operations			
Revenue	4	322	273
Expenses from ordinary activities excluding borrowing costs:			
Professional fees		(163)	(234)
Employment expenses		(220)	(290)
Travel expenses		(88)	(87)
Accounting and auditing		(14)	(35)
Marketing expenses		(98)	(78)
Occupancy expenses		(51)	(51)
Administration expenses		(127)	(145)
Exploration expenses		-	(12)
Depreciation	4	(436)	(40)
Other expenses	4	(4)	(6)
Profit/(loss) from continuing operations before income tax		(879)	(705)
Income tax expense		-	-
Profit/(loss) from continuing operations after tax		(879)	(705)
Net loss attributable to members of parent		(879)	(705)
Earnings per share (cents per share)			
- basic and diluted loss for the half-year		(0.68)	(0.66)

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007 \$'000	30 June 2007 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	7,049	7,942
Trade and other receivables		141	472
Inventories		33	13
Prepayments		74	3
Total Current Assets		7,297	8,430
Non-current Assets			
Property, plant and equipment		3,206	3,259
Deferred exploration and development expenditure		25,131	19,179
Other non-current assets		213	196
Total Non-current Assets		28,550	22,634
TOTAL ASSETS		35,847	31,064
LIABILITIES			
Current Liabilities			
Trade and other payables		1,569	889
Provisions		121	48
Total Current Liabilities		1,690	937
Non-current Liabilities			
Provisions		-	1
Total Non-current Liabilities			1
TOTAL LIABILITIES		1,690	938
NET ASSETS		34,157	30,126
EQUITY			
Contributed equity	8	37,997	33,087
Retained earnings		(4,159)	(3,280)
Reserves		319	319
TOTAL EQUITY		34,157	30,126

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007 \$'000	31 December 2006 \$'000
Cash flows from operating activities			
Receipts from customers		53	58
Interest received		269	215
Payments to suppliers and employees		(494)	(995)
Payments for exploration and evaluation		(5,232)	(2362)
Net cash flows from/(used in) operating activities		(5,404)	(3,084)
Cash flows from operating activities			
Proceeds from sale of property, plant and equipment			
Purchase of property, plant and equipment		(383)	(2,030)
Other		(16)	(10)
Net cash flows from/(used in) investing activities		(399)	(2,040)
Cash flows from financing activities			
Proceeds from issue of shares		5,175	10,431
Proceeds from share applications		-	443
Share issue expenses		(265)	(625)
Net cash flows from/(used in) financing activities		4,910	10,249
Net increase/(decrease) in cash and cash equivalents		(893)	5,125
Cash and cash equivalents at beginning of period		7,942	8,682
Cash and cash equivalents at end of period		7,049	13,807

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Ordinary shares \$'000	Share option reserve \$'000	Retained earnings \$'000	Total consolidated interests \$'000	Total equity \$'000
CONSOLIDATED 31 December 2006					
At 1 July 2006	20,306	135	(2,085)	18,356	18,356
Loss for the period			(705)	(705)	(705)
Shares issued during the period	10,350			10,350	10,350
Transaction costs on share issue	(625)			(625)	(625)
Cost of share based payments		78		78	78
Contributing shares fully paid during the period	81			81	81
At 31 December 2006	30,112	213	(2,790)	27,535	27,535

	Ordinary shares \$'000	Share option reserve \$'000	Retained earnings \$'000	Total consolidated interests \$'000	Total equity \$'000
CONSOLIDATED 31 December 2007					
At 1 July 2007	33,087	319	(3,280)	30,126	30,126
Loss for the period			(879)	(879)	(879)
Shares issued	5,175			5,175	5,175
Transaction costs on share issue	(265)			(265)	(265)
At 31 December 2007	37,997	319	(4,159)	34,157	34,157

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of Goldstar Resources NL (the Company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 29 February 2008. Goldstar Resources NL is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in the annual report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Goldstar Resources NL as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Goldstar Resources NL and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The half-year financial report has 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 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2007, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2007, as described in the Annual Financial Report of Goldstar Resources NL as at 30 June 2007.

3. SEGMENT INFORMATION

The economic entity operates in only one business and geographic segment being the gold industry of Australia.

4. REVENUE, INCOME AND EXPENSES

(a) Revenue, income and expenses from continuing operations

	CONSOLIDATED	
	2007	2006
	‘\$’000	‘\$’000
Revenue		
Finance revenue	269	215
Rental revenue	18	14
Total revenue	287	229
Breakdown of finance revenue		
Bank interest receivable	264	212
Income from bonds (Bank Guarantees)	5	3
Total finance revenue (on historical cost basis)	269	215
Total finance revenue	269	215
Rental revenue		
Rental revenue – corporate office	18	14
Total other income	18	14
Other income		
Sundry Income	35	44
Total other income	35	44
Total revenue and other income		
	322	273
Depreciation costs		
Amortisation of Financial Lease	-	7
Depreciation	436	33
Total depreciation costs	436	40
Other expenses		
Finance charges payable under finance leases and hire purchase contracts	-	2
Donation	-	-
Entertainment	4	4
Total other expenses	4	6

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

<i>CONSOLIDATED</i>	
<i>2007</i>	<i>2006</i>
<i>\$'000</i>	<i>\$'000</i>

5. CASH AND CASH EQUIVALENTS

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

	<i>CONSOLIDATED</i>	
	<i>31 December</i>	<i>30 June</i>
	<i>2007</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Cash at bank and in hand	1,549	442
Short term deposits	5,500	7,500
Total cash and cash equivalents	7,049	7,942

6. SHARE BASED PAYMENT PLANS

There were no share based payments during the period to either directors or employees of Goldstar.

7. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2007 the Group had lease commitments over buildings and offices of \$193,481 per annum.

Since the June 2007 annual report, there have been no material changes to any contingent liabilities or contingent assets.

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

<i>CONSOLIDATED</i>	
<i>31 December</i>	<i>30 June</i>
<i>2007</i>	<i>2007</i>
<i>‘\$’000</i>	<i>‘\$’000</i>

8. CONTRIBUTED EQUITY

Ordinary shares 140,196,605 fully paid ordinary shares (30 June 2007: 128,161,605).

Contributing shares (partly paid shares)

Total contributed equity

37,991	33,081
6	6
37,997	33,087

(i) Ordinary shares

Fully paid ordinary shares carry one vote per share.

Movement in ordinary shares on issue

At 1 July 2007

33,081

On 17 October 2007, 12,050,000 shares were issued as part of a \$5.2 million capital raising less costs which was announced earlier in the December Quarter.

Transaction costs on the share issue

5,175
(265)

At 31 December 2007

37,991

(ii) Partly-paid ordinary shares

Movement in partly-paid ordinary shares on issue

At 1 July 2007

6

At 31 December 2007

6

9. EVENTS AFTER THE BALANCE SHEET DATE

Robert Carroll retired as a director of the company on 31 January 2008. Mr Carroll will continue to provide advice to Goldstar in the areas of financial management, corporate strategy and governance.

Errol du Boulay replaced Mark Maine as Joint Company Secretary and Commercial Manager on 31 January 2008.

On 20 February 2008, the Company updated the market with preliminary results from the infill drilling programme at Tubal Cain, which is currently in progress.

GOLDSTAR RESOURCES NL – HALF YEAR REPORT

DIRECTORS'S DECLARATION

In accordance with a resolution of the directors of Goldstar Resources NL, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - i. give a true and fair view of the financial position as at the 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) the directors have been given the declarations by the Managing Director and Chief Financial Officer required by Section 295A; 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.

On behalf of the Board

A handwritten signature in dark ink, appearing to be 'Gordon Hill', written over a light blue horizontal line.

Gordon Hill
Chairman

Dated at Perth this 29th Day of February 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOLDSTAR RESOURCES NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Goldstar Resources NL ("Goldstar") which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Goldstar, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Goldstar is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Chris Nicoloff
Partner

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