

Goldstar Resources NL

(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
and its Controlled Entities

31 December 2008
Interim Financial Report

Corporate Directory

DIRECTORS

Denis Waddell (Executive Chairman)
Graeme Sloan
Alexander Haller

COMPANY SECRETARY

Darren Hotton

PRINCIPAL & REGISTERED OFFICE

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AUDITORS

KPMG
147 Collins Street
Melbourne Victoria 3000

BANKERS

National Australia Bank

LEGAL ADVISORS

Steinepreis Paganin
Level 4 / 16 Milligan Street
Perth WA 6000

Table of Contents

CORPORATE DIRECTORY	1
TABLE OF CONTENTS	2
DIRECTORS' REPORT	3
AUDITORS' INDEPENDENCE DECLARATION.....	6
CONSOLIDATED INTERIM INCOME STATEMENT.....	7
CONSOLIDATED INTERIM BALANCE SHEET	8
CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS	9
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	10
1. REPORTING ENTITY	11
2. STATEMENT OF COMPLIANCE	11
3. SIGNIFICANT ACCOUNTING POLICIES	11
4. GOING CONCERN BASIS FOR PREPARATION	12
5. SEGMENT INFORMATION	13
6. REVENUE, INCOME AND EXPENSES	14
7. CASH AND CASH EQUIVALENTS	15
8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE.....	15
9. PROPERTY PLANT & EQUIPMENT	16
10. CONVERTIBLE NOTE	17
11. RELATED PARTIES	18
12. COMMITMENTS AND CONTINGENCIES	18
13. ISSUED CAPITAL	19
14. EVENTS AFTER THE BALANCE SHEET DATE	20
DIRECTORS'S DECLARATION	21
INDEPENDENT AUDITOR'S REVIEW REPORT	22

Directors' Report

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2008 and the review report thereon.

DIRECTORS

The names of Goldstar Resources NL (subject to deed of company arrangement) ("Goldstar" or the "Company") 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 Denis Waddell – Executive Chairman (appointed 27 February 2009)

Mr Graeme Sloan - Non Executive Director (appointed 23 July 2008)

Mr Alexander Haller - Non Executive Director (appointed 27 February 2009)

Mr Gordon Lewis – Managing Director (appointed 1 October 2008, retired 2 January 2009)

Mr Gordon Hill – Non Executive Chairman (retired 27 February 2009)

Ms Eileen Carr - Non Executive Director (retired 27 February 2009)

Dr Jeffrey O'Leary – Non Executive Director (retired 27 February 2009)

Mr Ian Pankhurst - Non Executive Director (retired 25 November 2008)

Mr Peter Hatfull - Non Executive Director (appointed 14 July 2008, retired 25 November 2008)

Mr Andrew King – Managing Director (retired 31 August 2008)

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is minerals exploration. There were no significant changes in the nature of the consolidated entity's principal activities during the financial period.

OPERATING RESULTS

The Consolidated Entity recorded a net loss for the period of \$30,273,660 (2007: net loss of \$879,171). The result is driven primarily by the impairment of plant and equipment and deferred exploration and development expenditure.

REVIEW OF OPERATIONS

The Shares of the Company were suspended from trading by ASX on 8 January 2009, and Craig Crosbie and Brett Lord were appointed as Administrators of the Company on that date ("Administrators").

Subsequently, at a meeting of creditors held on 27 February 2009, creditors resolved to accept the Deed of Company Arrangement ("DOCA") proposal. The DOCA was executed on 27 February 2009.

In accordance with the DOCA, the Company is aiming to raise sufficient funds from a capital raising (subject to shareholder approval) ("Capital Raising") and a re-negotiated converting loan agreement from Silja Investment Ltd ("Silja"), to enable full payment of the costs and expenses of the Administrators, payment of 100% of the admitted claims of unsecured creditors and most importantly for shareholders, fund the ongoing feasibility study of the Walhalla Gold Project and exploration of the Company's highly prospective tenement package.

A summary of the terms of the DOCA is set out in Section 1.6 of the of the Explanatory Statement that forms part of the Notice of Meeting of shareholders scheduled to be held on 12 June 2009.

Following execution of the DOCA, the previous directors other than Graeme Sloan resigned as directors of the Company and two new directors were appointed. As at the date of this report, the Board consisted of Denis Waddell as Executive Chairman with Alexander Haller and Graeme Sloan as non-executive directors.

The new Board and management team have made a significant effort in respect of the DOCA. The new team is committed to having the Company's shares unsuspended and quoted on the ASX following the successful completion of the planned capital raising. These funds, together with the funds available under the re-negotiated converting loan agreement, will place the Company in a sound financial position to progress the Company's activities.

The new Board and management rate the prospectivity of the Walhalla region very highly given the historical gold production in the region and the existing gold resources. Subject to shareholder approval of the resolutions to be put to the meeting of shareholders on 12 June 2009, the Company will immediately arrange and oversee a geological and technical assessment, interpretation and evaluation of the Project and related tenement package. The proposed assessment will form the basis of the planned feasibility study which is aimed at enabling the Company to commit to developing the Project as soon as possible and for the Company to become Victoria's next gold producer.

The new Board is committed to delivering value to shareholders from the Walhalla region and will establish an enthusiastic team with a proven track record of exploration, operational and commercial success. Our belief in the Walhalla region is supported by fact:-

- The Walhalla region is Victoria's sixth largest historical gold producing region with over 400 known reef and alluvial gold deposits;
- Cohen's Reef has been mined to a depth of over one kilometre and has produced around 1.5 million ounces of gold with mining ceasing in 1911 in high grade mineralisation; and
- The many known high quality reefs in the region highlight the enormous potential of the Company's tenements which are located in one of the world's major orogenic gold provinces.

The Walhalla region to this day has not had anywhere near enough modern day exploration or capital applied to it to enable realisation of its riches. The new Board and management are committed to seeing this happen with the support of the Company's shareholders, stakeholders, the local community and the Victorian Government.

EVENTS SUBSEQUENT TO BALANCE DATE

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

Voluntary administrators were appointed on 8 January 2009. Subsequent to this, a statement was issued by the ASX that trading in the Company's shares was suspended from 8 January 2009.

At a meeting of creditors held on 27 February 2009, creditors resolved to accept a DOCA proposal, the principal objective of which is to restore the operational independence of the Company. The DOCA was executed on 27 February 2009.

A general meeting of shareholders of the Company is scheduled to be held on 12 June 2009. The main purpose of the meeting of shareholders relates to the implementation of the terms of the DOCA. If the resolutions in relation to the DOCA to be put to shareholders at the general meeting are passed, the Directors expect to be able to restore the operational independence of the Company. A summary of the terms of the DOCA is set out in Section 1.6 of the Explanatory Statement that forms part of the Notice of Meeting of shareholders scheduled to be held on 12 June 2009.

Mr Denis Waddell was appointed to the Board as an Executive Chairman on 27 February 2009.

Mr Alexander Haller was appointed as a Non-Executive Director of the Company on 27 February 2009.

Mr Gordon Lewis resigned as Managing Director of the Company on 2 January 2009.

Messrs Hill, Carr and O'Leary resigned as Non-Executive Directors of the Company on 27 February 2009.

On 24 February 2009, the Company completed a placement of 5,000,000 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$50,000 and on 3 March 2009, the Company completed a placement of 9,325,000 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$93,250.

On 17 December 2008, a total of 1,500,000 options were issued to Mr Gordon Lewis exercisable on or before 17 December 2013 at \$0.056877 each. On 27 March 2009, the Company and Mr Lewis entered into a Deed of Cancellation of these options and as a result, these options were cancelled on 27 March 2009.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the directors



Denis Waddell
Executive Chairman



Graeme Sloan
Director

Dated at Melbourne this 5th day of June 2009



AUDITORS' INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Goldstar Resources NL (subject to deed of company arrangement)

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Alison Kitchen
Partner

Melbourne
5 June 2009

CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Notes	31 December 2008	31 December 2007
Revenue	6	37,582	322,193
Expenses:			
Professional fees		(465,089)	(162,447)
Employment expenses		(586,752)	(219,066)
Travel expenses		(65,316)	(87,783)
Accounting and auditing		(183,156)	(13,610)
Marketing expenses		(24,919)	(98,135)
Occupancy expenses		(52,087)	(50,817)
Administration expenses		(439,106)	(127,328)
Depreciation	6	(336,278)	(436,626)
Impairment of non-current assets	8, 9	(28,121,816)	---
Interest expenses		(33,283)	---
Other expenses		(3,440)	(5,552)
Loss before income tax		(30,273,660)	(879,171)
Income tax		---	---
Loss after tax		(30,273,660)	(879,171)
Net loss attributable to members of Goldstar Resources NL		(30,273,660)	(879,171)
Earnings per share (cents per share)			
- basic and diluted loss for the half-year		(20.14)	(0.68)

The income statement is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 11 to 20.

**CONSOLIDATION INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Notes	31 December 2008	30 June 2008
ASSETS			
Current Assets			
Cash and cash equivalents	7	237,111	1,757,722
Trade and other receivables		278,194	249,549
Inventories		15,892	21,896
Prepayments		73,153	21,432
Total Current Assets		604,350	2,050,599
Non-current Assets			
Trade and other receivables		---	15,968
Property, plant and equipment	9	582,822	2,796,946
Deferred exploration and development expenditure	8	5,300,000	29,905,261
Total Non-current Assets		5,882,822	32,718,175
TOTAL ASSETS		6,487,172	34,768,774
LIABILITIES			
Current Liabilities			
Trade and other payables		1,041,787	741,322
Provisions		29,085	69,354
Interest - bearing liabilities		39,813	---
Total Current Liabilities		1,110,685	810,676
Non-current Liabilities			
Convertible note	10	1,353,690	---
Total Non-current Liabilities		1,353,690	---
TOTAL LIABILITIES		2,464,375	810,676
NET ASSETS		4,022,797	33,958,098
EQUITY			
Issued capital	13	39,307,883	39,039,569
Accumulated losses		(35,674,223)	(5,400,563)
Other reserves	13	389,137	319,092
TOTAL EQUITY		4,022,797	33,958,098

The balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 11 to 20.

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008**

	Notes	31 December 2008	31 December 2007
Cash flows from operating activities			
Receipts from customers		4,203	53,102
Interest received		24,954	269,091
Payments to suppliers and employees		(1,407,835)	(494,176)
Net cash flows used in operating activities		(1,378,680)	(171,983)
Cash flows from investing activities			
Payments for exploration and evaluation		(1,633,737)	(5,231,469)
Purchase of property, plant and equipment		(176,509)	(383,142)
Other		---	(16,404)
Net cash flows used in investing activities		(1,810,246)	(5,631,015)
Cash flows from financing activities			
Proceeds from issue of shares		321,181	5,175,050
Proceeds from issue of convertible note	10	1,400,000	---
Share issue expenses		(52,868)	(265,221)
Net cash flows from financing activities		1,668,314	4,909,829
Net decrease in cash and cash equivalents		(1,520,611)	(893,169)
Cash and cash equivalents at beginning of period		1,757,722	7,941,908
Cash and cash equivalents at end of period	7	237,111	7,048,739

The statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 11 to 20.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Ordinary shares	Share option reserve	Convertible note premium reserve	Accumulated losses	Total equity
Balance at 1 July 2007	33,087,301	319,092	---	(3,279,973)	30,126,420
Loss for the period	---	---	---	(878,929)	(878,929)
Shares issued	5,175,050	---	---	---	5,175,050
Transaction costs on share issue	(265,221)	---	---	---	(265,221)
Balance at 31 December 2007	37,997,130	319,092	---	(4,158,902)	34,157,320

	Ordinary shares	Share option reserve	Convertible note premium reserve	Accumulated losses	Total equity
Balance at 1 July 2008	39,039,570	319,092	---	(5,400,563)	33,958,099
Loss for the period	---	---	---	(30,273,660)	(30,273,660)
Shares issued	321,181	---	---	---	321,181
Transaction costs on share issue	(52,868)	---	---	---	(52,868)
Movement in reserves	---	23,735	46,310	---	70,045
Balance at 31 December 2008	39,307,883	342,827	46,310	(35,674,223)	4,022,797

The statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report set out on pages 11 to 20.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

1. REPORTING ENTITY

Goldstar Resources NL (subject to deed of company arrangement) (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interests in controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office or at www.goldstarnl.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on 5 June 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008 other than cash and cash equivalents and trade and other receivables.

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 statement of cash flows, 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 now classified as current receivables and excluded from cash and cash equivalents. Comparative balances are adjusted accordingly.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Funds placed on deposit with financial institutions to secure performance bonds are now classified as current receivables. Comparative balances are adjusted accordingly.

Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

As stated in notes 8 and 9, during the six months ended 31 December 2008 management reassessed its estimates in respect of carrying value of non-current assets and accordingly recognised aggregate impairment charges of \$28,121,816.

Financial Risk Management

During the six months ended 31 December 2008 the consolidated entity substantially reduced its exploration and evaluation activities to preserve cash.

Other aspects of the consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

4. GOING CONCERN BASIS FOR PREPARATION

The consolidated entity has recorded a net loss of \$30,273,660 (2007: \$879,171) for the six months ended 31 December 2008 and has a current asset deficiency of \$506,335 (2007: positive net assets \$1,239,923) as at balance date. The Company entered into voluntary administration on 8 January 2009 and is currently operating under a Deed of Company Arrangement which was accepted by creditors on 27 February 2009.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

4. GOING CONCERN BASIS FOR PREPARATION (CONTINUED)

Notwithstanding the above, the Directors of the Company have prepared the financial report on the going concern assumption. To enable the Company to continue its activities and seek re-quotations of its securities on ASX, the Company is seeking to raise up to \$6,000,000 in funds pursuant to the Capital Raising the subject of resolutions 4 and 5 of the meeting of shareholders scheduled to be held on 12 June 2009 ("Notice of Meeting").

Based on the proposed Capital Raising and drawdown of on the second and third tranche of the convertible note of an amount up to \$4,600,000 as detailed in the Company's Notice of Meeting and the Company's forecast use of funds over the course of the next twelve months the Directors consider that 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 that the going concern basis of preparation remains appropriate when preparing the Interim Financial Report. In the event that shareholders reject the proposed Capital Raising and the further draw down on the convertible note, the Company's shares will not be released from suspension, the cash will not be raised and the Directors will need to consider other alternatives and to seek alternative sources of funding. Should the Company be unsuccessful in relation to either the Capital Raising or the other alternatives the Company may not be able to continue as a going concern. Accordingly, the Company may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in consolidated interim financial report of the Company as at and for the six months ended 31 December 2008.

No adjustments have been made in the financial statements relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

5. SEGMENT INFORMATION

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

6. REVENUE, INCOME AND EXPENSES

	31 December 2008	31 December 2007
Revenue		
Finance revenue	33,379	269,091
Rental revenue	2,880	17,706
Sundry Income	1,323	35,396
Total revenue	37,582	322,193
Breakdown of finance revenue		
Bank interest receivable	33,379	263,393
Income from bonds	---	5,698
Total finance revenue	33,379	269,091
Depreciation costs		
Depreciation	336,278	436,626
Total depreciation costs	336,278	436,626

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

7. CASH AND CASH EQUIVALENTS

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

	31 December 2008	30 June 2008
Cash at bank and in hand	237,111	507,722
Short term deposits	---	1,250,000
Total cash and cash equivalents	237,111	1,757,722

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008	30 June 2008
Deferred exploration and evaluation expenditure		
Net carrying amount at beginning of period	29,905,260	19,178,651
Expenditure during period	1,633,737	10,726,610
Impairment (a)	(26,238,997)	---
Net carrying amount at end of period	5,300,000	29,905,261

(a) Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Exploration expenditure related to an area of interest is carried forward provided that rights to tenure of the areas of interest are current and 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 and active and significant operations in relation to the area are continuing.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against deferred exploration and evaluation expenditure in the event that an area of interest is abandoned or if 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.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The consolidated entity undertook a review of the carrying value of each area of interest as part of the completion of its consolidated interim financial report for the half-year ended 31 December 2008. As a result, the carrying value of deferred exploration, evaluation and development expenditure in the balance sheet as at 31 December 2008 was written down by \$26,238,997. Approximately \$24.2 million of the write down relates to deferred exploration, evaluation and development expenditure at the Walhalla exploration project. The Capital Raising that the Company is proposing will enable the consolidated entity to conduct a formal review and evaluation of the consolidated entity's entire exploration portfolio. Until this review and evaluation is completed, the Directors consider it appropriate that the carrying value of deferred exploration, evaluation and development be written down to a carrying value that approximates the consolidated entity's expected enterprise value after the Capital Raising based on a reasonable estimate of the value of the known gold resource at Walhalla.

9. PROPERTY PLANT & EQUIPMENT

	31 December 2008	30 June 2008
Property, plant & equipment		
Net carrying amount at beginning of period	2,796,946	3,258,978
Additions	176,509	494,769
Disposals	(171,536)	---
Depreciation	(336,278)	(956,801)
Impairment (a)	(1,882,819)	---
Net carrying amount at end of period	582,822	2,796,946

- (a) At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity 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.

The consolidated entity undertook the impairment assessment referred to above as part of the completion of its consolidated interim financial report for the half-year ended 31 December 2008. As a result, the carrying value of property, plant and equipment in the balance sheet as at 31 December 2008 was written down by \$1,882,819. This impairment of property, plant and equipment principally relates to a reduction in the recoverable amount of the skipway and the ball mill.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

10. CONVERTIBLE NOTE

	31 December 2008	30 June 2008
Convertible note	1,353,690	---

The converting loan agreement between Silja and the Company dated 9 September 2008, provided for Silja to provide a total of up to approximately \$6 million in debt funding to the Company by way of the following convertible notes:

- (a) First tranche note - \$1,400,000;
- (b) Second tranche note - \$1,600,000; and
- (c) Third tranche note - \$3,000,000.

The issue of the convertible notes was subject to the satisfaction of a number of conditions precedent, including shareholder approval, which was given at a general meeting of the Company held on 25 November 2008. The first tranche note was issued on that date, however, as at the date of this consolidated interim financial report, the second tranche note and the third tranche note have not been issued.

The convertible notes can be converted to share capital of the Company at the option of the holder and accordingly are considered compound financial instruments.

The component of the convertible notes that exhibits characteristics of a liability is initially recognised as a liability in the balance sheet at the fair value of a similar liability that does not have an equity conversion option and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance (interest) cost.

The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest expense on compound instruments is determined based on the liability component and includes the actual interest paid or payable to holders. There are no dividends associated with the equity component.

It is an 'event of default' under the converting loan agreement, if there is an event which, in the reasonable opinion of Silja, is a material adverse change affecting the Company or its prospects. On 8 January 2009, Silja notified the Company that Silja was of the opinion that events had occurred which constituted a material adverse change affecting the Company or its prospects. Voluntary administrators were appointed on 8 January 2009. Subsequent to this, a statement was issued by the ASX that trading in the Company's shares was suspended from 8 January 2009.

At a meeting of creditors held on 27 February 2009, creditors resolved to accept a DOCA proposal, the principal objective of which is to restore the operational independence of the Company. The DOCA was executed on 27 February 2009.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

10. CONVERTIBLE NOTE (CONTINUED)

A general meeting of shareholders of the Company is scheduled to be held on 12 June 2009. The main purpose of the meeting of shareholders relates to the implementation of the terms of the DOCA. If the resolutions in relation to the DOCA to be put to shareholders at the general meeting are passed, the Directors expect to be able to restore the operational independence of the Company.

Effective from the granting of the approvals being sought pursuant to the resolutions set out in the Notice of Meeting, Silja agreed to waive all defaults by the Company under the converting loan agreement which occurred prior to the commencement of the DOCA.

If the Company's shareholders do not grant the approvals being sought at the general meeting of shareholders of the Company scheduled to be held on 12 June 2009, then the Company will not be able to complete the Capital Raising or seek reinstatement of its shares on ASX and the convertible note may become immediately due and payable.

A summary of the terms of the DOCA is set out in Section 1.6 of the Explanatory Statement that forms part of the Notice of Meeting of shareholders scheduled to be held on 12 June 2009.

11. RELATED PARTIES

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

During the period, the consolidated entity paid \$350,000 to Moonshadow Holdings in connection with the termination of Mr. Andrew King's services as Managing Director. Mr. Andrew King retired as Managing Director of the consolidated entity on 31 August 2008.

12. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2008 the consolidated entity had lease commitments over buildings and offices of \$132,016 per annum.

Since the consolidated financial report for the year ended 30 June 2008, there have been no material changes to any contingent liabilities.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

13. ISSUED CAPITAL

	Date	Number of Shares/Options	Issue Price	\$
Movements in shares on issue				
Opening balance at 1 January 2008		140,196,605		37,991,535
Issue of ordinary fully paid shares	1 May 2008	7,189,242	\$0.145	1,042,440
Closing balance at 30 June 2008		147,385,847		39,033,975
Movements in contributing shares on issue				
Opening balance at 1 July 2008		147,385,847		39,033,975
Conversion of contribution shares	18 July 2008	3,244,250	\$0.10	324,425
Cost of capital raising		---		(52,868)
Closing balance at 31 December 2008		150,630,097		39,305,532
Movements in contributing shares on issue				
Opening balance at 1 January 2008		5,595,250		5,595
Closing balance at 30 June 2008		5,595,250		5,595
Opening balance at 1 July 2008		5,595,250		5,595
Conversion to ordinary fully paid shares	18 July 2008	(3,244,250)	\$0.001	(3,244)
Closing balance at 31 December 2008		2,351,000		2,351
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.				
Movements in reserves				
Movements in options on issue				
Opening balance at 1 January 2008		1,856,000		319,092
Closing balance at 30 June 2008		1,856,000		319,092
Opening balance at 1 July 2008		1,856,000		319,092
Issue of options (a)	17 Dec 2008	1,500,000	\$0.061	91,500
Expiration of options		(410,000)		(67,765)
Closing balance at 31 December 2008		2,946,000		342,827
Convertible Note Premium Reserve				
Opening balance at 1 July 2008				---
Equity portion of convertible note				46,310
Closing balance at 31 December 2008				46,310
Total Reserves				389,137

(a) A total of 1,500,000 options were issued to Mr Gordon Lewis exercisable on or before 17 December 2013 at \$0.056877 each. On 27 March 2009, the Company and Mr Lewis entered into a Deed of Cancellation of these options and as a result, these options were cancelled on 27 March 2009.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
For the half year ended 31 December 2008

14. EVENTS AFTER THE BALANCE SHEET DATE

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

Voluntary administrators were appointed on 8 January 2009. Subsequent to this, a statement was issued by the ASX that trading in the Company's shares was suspended from 8 January 2009.

At a meeting of creditors held on 27 February 2009, creditors resolved to accept a DOCA proposal, the principal objective of which is to restore the operational independence of the Company. The DOCA was executed on 27 February 2009.

A general meeting of shareholders of the Company is scheduled to be held on 12 June 2009. The main purpose of the meeting of shareholders relates to the implementation of the terms of the DOCA. If the resolutions in relation to the DOCA to be put to shareholders at the general meeting are passed, the Directors expect to be able to restore the operational independence of the Company. A summary of the terms of the DOCA is set out in Section 1.6 of the Explanatory Statement that forms part of the Notice of Meeting of shareholders scheduled to be held on 12 June 2009.

Mr Denis Waddell was appointed to the Board as an Executive Chairman on 27 February 2009.

Mr Alexander Haller was appointed as a Non-Executive Director of the Company on 27 February 2009.

Mr Gordon Lewis resigned as Managing Director of the Company on 2 January 2009.

Messrs Hill, Carr and O'Leary resigned as Non-Executive Directors of the Company on 27 February 2009.

On 24 February 2009, the Company completed a placement of 5,000,000 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$50,000 and on 3 March 2009, the Company completed a placement of 9,325,000 fully paid ordinary shares at an issue price of \$0.01 per share to raise \$93,250.

On 17 December 2008, a total of 1,500,000 options were issued to Mr Gordon Lewis exercisable on or before 17 December 2013 at \$0.056877 each. On 27 March 2009, the Company and Mr Lewis entered into a Deed of Cancellation of these options and as a result, these options were cancelled on 27 March 2009.

DIRECTORS' DECLARATION

In the opinion of the directors of Goldstar Resources NL (subject to deed of company arrangement) ("the Company"):

1. the financial statements and notes set out on pages 7 to 20, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. as disclosed in Note 4 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 5th day of June 2009.

Signed in accordance with a resolution of the directors:



Denis Waddell
Executive Chairman



INDEPENDENT AUDITOR'S REVIEW REPORT

Independent auditor's review report to the members of Goldstar Resources NL (subject to deed of company arrangement)

Report on the financial report

We have reviewed the accompanying interim financial report of Goldstar Resources NL (subject to deed of company arrangement) (the Company), which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 14 and the directors' declaration set out on pages 7 to 21 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim 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 interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Goldstar Resources NL (subject to deed of company arrangement), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.



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 interim financial report of Goldstar Resources NL (subject to deed of company arrangement) is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion provided above, attention is drawn to the following matter. As a result of the matters described in note 4, the Group is reliant upon raising additional capital and drawdown of the second and third tranches of the convertible note to continue its operational and exploration activities. In addition, as stated in Note 10, if the Group is unsuccessful in renegotiating the terms of the first tranche of the convertible note this may become immediately due and payable. The ability of the Company to pursue these transactions and the effects of other matters as set out in the DOCA is reliant upon a vote of shareholders at a general meeting on 12 June 2009. At the date of this report, the outcome of the shareholder vote and the successful execution of the capital raising, draw down on the convertible note and renegotiation of the terms of the first tranche of the convertible note cannot be determined with certainty. Because of this and the matters referred to in note 4 and 10 there is material uncertainty regarding the ability of the Group to continue as a going concern. Should the Group be unable to continue as a going concern, it is unlikely that it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

KPMG

Alison Kitchen
Partner

Melbourne
5 June 2009