

ASX/Media Release – 31st October 2008

SEPTEMBER 2008 QUARTERLY REPORT

ABN 76 098 939 274

HIGHLIGHTS

The Directors are pleased to announce the appointment of Mr Gordon Lewis as Managing Director of Goldstar Resources NL. Mr Lewis has extensive experience in project development, operations and corporate affairs.

Mining Licence 5487, covering the key deposits and infrastructure of the Southern Crown Gold Project, granted by the Victorian Minister for Primary Industries.

The grant of the Mining Licence will allow the Company to commence development and trial mining activities at site.

Agreement reached on key terms and conditions for A\$6 million Convertible Note loan facility to provide continued funding for the Southern Crown Project.

General Meeting of Shareholders to be held on 25 November to seek approval for the issue of convertible notes and options to Silja Investment Ltd.

ASX Code:

GDR

Issued Capital:

150,630,096 Ord shares

Substantial Shareholders:

Z Nominees Ltd (15.6%)
Citicorp Nominees Pty Ltd (13.9%)

Directors:

Non-Executive Chairman:
Gordon Hill

Managing Director:
Gordon Lewis

Non-Executive Directors:
Dr Jeffrey O'Leary
Eileen Carr
Ian Pankhurst
Peter Hatfull
Graeme Sloan

Company Secretary:

Bruce Paterson

Contact:

Level 11, 330 Collins Street
Melbourne VIC 3000
Tel: (+61-3) 8080-7170
Fax: (+61-3) 8080-7174

Email: info@goldstarnl.com.au
Web: www.goldstarnl.com.au

1.0 OVERVIEW

Notwithstanding the sharp downturn experienced in global equity markets during the Quarter and the uncertain environment for junior resource companies, Goldstar continued to put in place the key foundations required to develop a long-term gold business in the Walhalla Gold Field in Victoria. The Company's new Managing Director, Mr Gordon Lewis, formally commenced with Goldstar on 1 October 2008. Together with the relocation of the Company's Head Office from Perth to Melbourne during the Quarter, this marks the beginning of a new era for Goldstar.

While the price of many commodities has been significantly impacted by the recent turmoil, the price of gold, particularly in Australian Dollars, has continued to strengthen – providing a strong underpinning to the Company's asset base and growth strategy.

The expanded study on the Southern Crown Project continued during the Quarter.

In addition, the Company moved to put in place adequate funding to enable it to complete this work and secure the Company's operational and financial future. In light of market conditions, the Directors decided not to proceed with the previously announced rights issue, announcing an alternative proposal to issue a A\$6 million convertible note to Silja Investment Ltd, a company associated with the Company's largest shareholder, Z Nominees Ltd.

2.0 SOUTHERN CROWN GOLD PROJECT

2.1 GRANT OF KEY MINING LICENCE

Goldstar took a major step forward in its development plans for the Southern Crown Project during the Quarter after Mining Licence 5487, covering the key deposits, was granted by the Victorian Minister for Primary Industries, the Hon Peter Batchelor, on 25 August 2008.

The grant of the initial Mining Licence will allow Goldstar to undertake the initial development of the Southern Crown Project, comprising both the Tubal Cain and Eureka Projects, once the current evaluation is completed.

Mining Licence 5487 encompasses both dyke bulge gold deposits (Eureka and Tubal Cain), the proposed Southern Crown location for the central processing facility and one of the adit location options to access the Tubal Cain deposit.

Under the staged approval process agreed with the Victorian Department of Primary Industries, Goldstar has lodged two further Licence Applications for areas surrounding the recently granted Mining Licence. These applications, once approved, will allow for the construction of a tailings storage facility, other mine infrastructure, an optional second portal at Tubal Cain, and potential resources external to those already identified at Tubal Cain and Eureka - sufficient area in which to locate the majority of process plant and mining and process support infrastructure.

The first of these two applications is expected to take up to 4-5 months to process and negotiations with Native Title claimants are currently proceeding.

The grant of Mining Licence 5487 represents a key step forward for the Company's expanded gold development strategy, paving the way for the Company to become a successful gold producer in the medium term.

2.2 OPERATIONAL UPDATE

Last Quarter, Goldstar achieved a significant milestone with the announcement of the first JORC Code compliant resource estimate for the Tubal Cain Gold Project, as set out below.

The resource estimate, which has been classified in accordance with the guidelines of the (2004) JORC Code, 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.*

Operational Highlights:

- 20th August ML5487 granted for a period of 7 years. This ML covers Tubal Cain and Eureka deposits and the majority of the Southern Crown project area.
- Preliminary results from additional metallurgical sample from Tubal Cain confirms previously established physical and processing characteristics
- Sulphide concentrate test work returns encouraging results from various options being considered.

Southern Crown:

Flotation Test Work

The preliminary results from the second and larger sample (composite from drill core) from the Tubal Cain deposit have confirmed the previously established physical and processing characteristics of the material. It is clear that high flotation recovery from both the Eureka and Tubal Cain ores can be achieved at relatively coarse grind sizes.

Sulphide Concentrate

Test work has been completed on the high Au sulphide concentrate produced from a seven (7) tonne reef sample from Eureka with encouraging results. Pressure Oxidation, Bacterial Oxidation and the Fine Grinding (Albion Process) followed by cyanide leaching were evaluated using this sample. Pressure oxidation returned the highest recovery of 98% on metal contained within the concentrate. The successful application of one of these processes offers Goldstar an alternative to third party treatment.

Project Feasibility

Mine planning studies continue using a refined resource model for Tubal Cain. The Company is also considering a trial mining program to open up the Tubal Cain deposit and examine in more detail the nature and continuity of the reefs, the gold distribution within the reefs and the viability of using highly selective mining methods to enhance the grade mined.

The Company has engaged consultants to review the geotechnical aspects of the Project, including both the proposed underground workings and the plant site at Southern Crown. Consultants are also working on tailings disposal options.

The infrastructure requirements are under review. Environmental and cultural management planning aspects of the study are well advanced.

OTHER PROJECTS:

BHP-Billiton Joint Venture – Millrose Gold and Nickel Project

The ground EM survey continued through the September Quarter and is expected to be completed in the coming quarter. This survey is targeting potential nickel sulphide in the tenement E53/1006.

Millrose West Gold and Nickel Project (Goldstar 100%)

Quotations are being sourced for ground based electro-magnetic surveys to support the investigations into nickel sulphide potential within this project.

Matrix Metals Joint Venture - Top Camp/Iron Ridge Copper Project

Confirmation still awaited for the granting of a single tenement covering the two original conditionally surrendered tenements.

Peak Resources Joint Venture – Peak Hill Gold project

With the issue of access resolved, field programs are expected to recommence within the next two quarters.

3.0 CORPORATE

3.1 NEW MANAGING DIRECTOR COMMENCES WITH GOLDSTAR

On 1 October, Mr Gordon Lewis formally commenced as the Company's Managing Director. Mr Lewis, whose appointment was announced on 23 July, recently relocated to Australia to take up the position, based in Goldstar's newly established corporate head office in Melbourne.

Mr Lewis is a mining engineer with over 38 years of international experience in a range of senior executive positions in the mining industry, including most recently as Chief Executive of Anglo Asian Mining plc, which is developing a copper-gold project in Azerbaijan. Prior to that he was Chief Operating Officer of Alexander Mining plc, managing that company's portfolio of copper-gold-silver projects in South America.

He has specific experience relating to Goldstar's Walhalla Gold Project in Victoria, having worked as Mine Manager at the Project in the mid-1980's and in the Woods Point-Walhalla Gold Field in the early 1970's as a Mining Engineer at the A1 Gold Mine.

During his extensive career, Mr Lewis has held a number of other senior positions including as Executive Director, Business Development with Avocet Gold Limited (2001-2002), General Manager for Specific Resources Sdn Bhd (1996-2001) with responsibility for managing Malaysia's largest gold mine, Manager Mining for Kelian Equatorial Mining in Indonesia (1990-1995) and several senior positions with Bougainville Copper based in Papua New Guinea between 1986 and 1990.

The Goldstar Board is delighted to have secured a mining professional of Gordon's calibre to lead the Company as it takes the next important steps towards development and production at our Tubal Cain and Eureka Projects in Victoria.

In addition to his very impressive career spanning a number of different operational, development and executive roles in the global mining industry, Mr Lewis has intimate knowledge of the geology, operating conditions and potential of the Walhalla Project from working there earlier in his career.

3.2 A\$6M CONVERTIBLE NOTE LOAN FACILITY

On 9 September, Goldstar announced that it had reached agreement on the key terms and conditions of a A\$6 million Convertible Note loan facility to provide continued funding for the Company's 100%-owned Southern Crown Gold Project in Victoria.

The proposed issue of convertible notes replaces the non-renounceable rights issue announced on 29 July 2008, securing immediate funding for the next phase of evaluation and development of the Southern Crown Project. The Company's Board believes that this represents the most efficient funding mechanism in the current market environment, providing an immediate cash injection and minimizing dilution for existing shareholders, following the recent drop in both the overall investment market and GDR's share price.

The issue of convertible notes under the facility will be conditional upon receiving shareholder approval, pursuant to ASX Listing Rule 10.11, at an Extraordinary General Meeting (EGM) of shareholders originally to be held on 31 October but now deferred until 25th November, 2008. Goldstar has drawn down an advance of A\$1.4 million upon execution of the transaction documents, with the remaining funds to be drawn down in two additional tranches as required. This advance will be converted to notes once shareholder approval has been obtained at the forthcoming EGM. The lender, Silja Investment Ltd, is associated with the Company's major shareholder, Z Nominees Ltd.

The notes will have a term of 5 years and accrue interest at 9% per annum. The conversion price will be A\$0.10 for the first A\$3 million, and a 20% discount to the prior 60-day VWAP of Goldstar shares for the second A\$3 million. The notes will be secured by a fixed and floating charge over Goldstar's assets. In addition, Goldstar has 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

Silja Investment Ltd also has the right to nominate up to two representatives to join the Goldstar Board as Non-Executive Directors. Full details of the Convertible Note loan facility have been made available for the EGM.

This funding mechanism ensures ready availability of funding without having to issue additional shares in the current difficult market circumstances.

3.3 APPOINTMENT OF COMPANY SECRETARY

During the Quarter Mr Bruce Paterson as appointed as Company Secretary, replacing Mr Errol du Boulay, who has decided to remain in Perth rather than relocate to the new Corporate Office in Melbourne.

Originally a trainee metallurgist with BHP at Port Kembla in NSW, Mr Paterson subsequently qualified as a lawyer and spent over 15 years with Newcrest Mining in a range of senior management roles, including Company Secretary and Commercial Manager, International. For the past 12 years, he has provided his substantial secretarial, legal and commercial experience on a consultancy basis, primarily in the mineral resources and energy sectors both throughout Australia and internationally.

3.4 OTHER CORPORATE MATTERS

Under the terms of Goldstar's Constitution, the Board of Goldstar resolved last Quarter to call the final amount due on the Company's unlisted contributing shares. At an auction of forfeited partly paid shares held on 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.

For further information:

Gordon Lewis
Managing Director
Goldstar Resources NL
Telephone: (+61-3) 8080-7170

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Goldstar Resources NL

ABN

76 098 939 274

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	(3)	(3)
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(867)	(867)
1.3 Dividends received	(1,064)	(1,064)
1.4 Interest and other items of a similar nature received	21	21
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(1,913)	(1,913)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(2)	(2)
1.13 Total operating and investing cash flows (carried forward)	(1,915)	(1,915)

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,915)	(1,915)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	307	307
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	1,470	1,470
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	1,777	1,777
Net increase (decrease) in cash held			
		(138)	(138)
1.20	Cash at beginning of quarter/year to date	1,957	1,957
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,819	1,819

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	516
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and consulting charges.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

+ See chapter 19 for defined terms.

For personal use only

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements – Note 1	6,000	1,400

Note 1 - On 9 September 2008 Goldstar Resources NL announced it had reached agreement on key terms and conditions of a AUD\$6 million dollar convertible note loan facility. The issue of the convertible note facility is conditional upon receiving shareholder approval in general meeting originally to be held on 31 October, 2008, but now deferred until 25 November 2008. Under the terms of the facility, the Company immediately drew down an advance of AUD\$1.4 million once execution of the transaction documents were completed. This advance will be converted to notes once shareholder approval has been obtained at the forthcoming general meeting.

Generally, at the discretion of the Company, the remaining funds can be drawn down in two additional tranches as required. The notes have a term of 5 years and accrue an interest of 9%. The conversion price will be AUD\$0.10 for the first AUD\$3 million, and a 20% discount to the prior 60-day VWAP of Goldstar shares for the second AUD\$3 million. The notes will be secured by fixed and floating charge over Goldstar's assets. In addition, Goldstar has agreed to issue to the lender 15 million options upon the issue of the note with an average strike of AUD\$0.20, a substantial premium to the current market price.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	\$800
4.2 Development	
Total	\$800

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	508	510
5.2 Deposits at call	1,449	3,200
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,957	3,710

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	n/a		
6.2	Interests in mining tenements acquired or increased	n/a		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Partly Paid +securities <i>(description)</i>	2,351,000	Nil	10 cents	0.1 cents
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	3,244,250	3,244,250		9.9 cents
7.3 +Ordinary securities	150,630,096	150,630,096		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,244,250	3,244,250	10 cents	Fully Paid
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

For personal use only

7.7	Options <i>(Exercise Price 37.5 cents, expiry 31 July 2009)</i> <i>(Exercise Price 35 cents, expiry 27 September 2009)</i> <i>(Exercise Price 37.5 cents, expiry 30 September 2009)</i> <i>(Exercise Price 35 cents, expiry 9 November 2011)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		360,000		37.5 cents	31 July 2009
		696,000		35 cents	27 September 2009
		725,000		37.5 cents	30 September 2009
		75,000		35 cents	9 November 2011
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .

(~~Director~~/Company Secretary)

Print name: Bruce Paterson

Date: 31 October 2008

For personal use only

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.

For personal use only