

QUARTERLY REPORT

Incorporated as part of:

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ISSUER DETAILS:

Name of Issuer NUSTAR RESOURCES INC.

Issuer Address #203, 1318 - 56th Street, Delta, BC, V4L 2A4

Issuer Telephone Number 604-943-3083

Contact Person Jim McLeod

Contact Position President

Contact Telephone Number 604-943-3083

Contact Email Address N/A

Web Site Address N/A

For Quarter Ended December 31, 2003

Date of Report (yy/mm/dd) January 26, 2004

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THOMSON FINANCIAL

CERTIFICATE

The schedule(s) required to complete this quarterly report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this quarterly report will be provided to any shareholder who requests it. Please note this form is incorporated as part of both the required filing of Schedule A and Schedules B & C.

"J.W. McLeod" 04/01/30
NAME OF DIRECTOR DATE SIGNED (YY/MM/DD)

J.W. McLeod

"J.A. McLeod" 04/01/30
NAME OF DIRECTOR DATE SIGNED (YY/MM/DD)

JONES RICHARDS & COMPANY
CERTIFIED GENERAL ACCOUNTANTS

Jack W. Lazareff
C.G.A.*

Deborah E. Graystone
B.Sc., C.G.A.*, T.E.P.

Keon J. Kwan
B.A., C.G.A.*, C.F.P.

NOTICE TO READER

We have compiled the balance sheet of Nustar Resources Inc. as at December 31, 2003, the statement of operations and deficit, the statement of cash flows and the schedule of deferred exploration and development costs for the six months then ended from information provided by management.

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Accordingly, readers are cautioned that these statements may not be appropriate for their purposes.

"Jones, Richards & Company"

CERTIFIED GENERAL ACCOUNTANTS

Vancouver, British Columbia
January 26, 2004

NUSTAR RESOURCES INC.
BALANCE SHEET
DECEMBER 31, 2003
(UNAUDITED)
(SEE: NOTICE TO READER)
(With comparative audited figures for June 30, 2003)

| | December 31, 2003 | June 30, 2003 |
|---|----------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 51,703 | \$ 443 |
| Accounts receivable | 1,448 | 1,091 |
| Mineral exploration tax credit recoverable | 12,340 | 11,333 |
| Prepaid expenses | 2,345 | 1,375 |
| | 67,836 | 14,242 |
| Term Deposit | 2,000 | 2,000 |
| Reclamation Bond | 2,500 | 2,500 |
| Property, Plant and Equipment | 440 | 503 |
| Mineral Properties, including deferred costs (Note 2) | 420,780 | 363,303 |
| | \$ 493,556 | \$ 382,548 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 29,693 | \$ 9,513 |
| Due to related parties | 81,516 | 97,925 |
| | 111,209 | 107,438 |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (Note 3) | 3,042,426 | 2,937,302 |
| Share Subscription Advances | 28,201 | 357 |
| Contributed Surplus | 6,157 | 6,157 |
| Deficit | (2,694,437) | (2,668,706) |
| | 382,347 | 275,110 |
| | \$ 493,556 | \$ 382,548 |

Approved on Behalf of the Board:

"J.W. McLeod"

Director

"J.A. McLeod"

Director

NUSTAR RESOURCES INC.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE SIX MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)

(SEE: NOTICE TO READER)

(With comparative unaudited figures for the six months ended December 31, 2002)

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2003 | December 31, 2002 | December 31, 2003 | December 31, 2002 |
| ADMINISTRATION COSTS: | | | | |
| Accounting and audit | \$ 3,979 | \$ 1,850 | \$ 5,479 | \$ 3,950 |
| Amortization | 31 | 42 | 63 | 86 |
| Bank charges and interest | 106 | 345 | 181 | 560 |
| Legal | 6,712 | - | 6,712 | - |
| Office and telephone | 1,943 | 145 | 3,255 | 2,620 |
| Promotion | - | 933 | 100 | 1,992 |
| Rent | 1,500 | 1,500 | 3,000 | 3,000 |
| Stock exchange filing fees | 1,837 | 538 | 2,475 | 1,025 |
| Transfer agent | 1,313 | 3,379 | 2,234 | 4,075 |
| Travel | 404 | 484 | 1,672 | 1,118 |
| | 17,825 | 9,216 | 25,171 | 18,426 |
| Interest income | (26) | (27) | (42) | (55) |
| Property examination costs | 602 | - | 602 | - |
| NET LOSS FOR THE PERIOD | 18,401 | 9,189 | 25,731 | 18,371 |
| DEFICIT AT BEGINNING OF PERIOD | 2,676,036 | 2,644,718 | 2,668,706 | 2,635,536 |
| DEFICIT AT END OF PERIOD | 2,694,437 | \$ 2,653,907 | 2,694,437 | \$ 2,653,907 |
| | | | | |
| Loss per share | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) |

NUSTAR RESOURCES INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)
(SEE: NOTICE TO READER)

(With comparative unaudited figures for the six months ended December 31, 2002)

| | Three Months Ended | | Six Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2003 | December 31, 2002 | December 31, 2003 | December 31, 2002 |
| OPERATING ACTIVITIES: | | | | |
| Net loss for the period | \$ (18,401) | \$ (9,189) | \$ (25,731) | \$ (18,371) |
| Adjustment: | | | | |
| Amortization | 31 | 42 | 63 | 86 |
| | (18,370) | (9,147) | (25,668) | (18,285) |
| Changes in non-cash working capital items: | | | | |
| Accounts receivable | (342) | (882) | (357) | (1,269) |
| Prepaid expenses | (1,497) | 438 | (970) | 875 |
| Deferred share issue costs | 10,000 | - | - | - |
| Accounts payable and accrued liabilities | (661) | 16,006 | 20,180 | 14,916 |
| Due to related parties | (31,155) | (2,080) | (16,409) | 17,635 |
| | (42,025) | 4,335 | (23,224) | 13,872 |
| FINANCING ACTIVITIES: | | | | |
| Issue of share capital for cash | 80,124 | 30,000 | 104,767 | 45,000 |
| Share subscription advances | 11,775 | (16,999) | 28,201 | 357 |
| | 91,899 | 13,001 | 132,968 | 45,357 |
| INVESTING ACTIVITIES: | | | | |
| Acquisition of reclamation bond | - | (2,500) | - | (2,500) |
| Acquisition costs of mineral properties | - | - | - | (1,500) |
| Exploration and development costs, net of mineral exploration tax credit | (5,193) | (17,151) | (58,484) | (55,418) |
| | (5,193) | (19,651) | (58,484) | (59,418) |
| INCREASE (DECREASE) IN CASH | 44,681 | (2,315) | 51,260 | (189) |
| CASH AT BEGINNING OF PERIOD | 7,022 | 2,676 | 443 | 550 |
| CASH AT END OF PERIOD | \$ 51,703 | \$ 361 | \$ 51,703 | \$ 361 |

NUSTAR RESOURCES INC.
SCHEDULE OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

(UNAUDITED)

(SEE: NOTICE TO READER)

(With comparative unaudited figures for the six months ended December 31, 2002)

| | 2003 | | | | | Total |
|---|------------------------|-------------|---------------------------------|------------|-------|------------|
| | Copper Mountain Claims | Cube Claims | Lisa and Christmas South Claims | Chu Claims | Other | |
| EXPLORATION AND DEVELOPMENT COSTS: | | | | | | |
| Assays | \$ - | \$ - | \$ 1,795 | \$ 888 | \$ - | \$ 2,683 |
| Drafting | - | - | - | 200 | - | 200 |
| Drilling | - | - | 24,000 | - | - | 24,000 |
| Equipment rental and supplies | - | - | 35 | 19 | - | 54 |
| Field examination | - | - | - | - | - | - |
| Field office | - | - | 18 | 71 | 2 | 91 |
| Geological consulting | - | - | 12,400 | 8,600 | - | 21,000 |
| Labour | - | - | - | 1,600 | - | 1,600 |
| Recording fees | - | - | 290 | 40 | - | 330 |
| Reports | - | - | - | - | - | - |
| Travel, accommodations and meals | 468 | - | 5,501 | 2,559 | 600 | 9,128 |
| Cost recoveries | 468 | - | 44,039 | 13,977 | 602 | 59,086 |
| Property examination costs | - | - | - | - | - | - |
| Mineral exploration tax credit | - | - | (366) | (641) | (602) | (602) |
| Total Costs Incurred During the Period | 468 | - | 43,673 | 13,336 | - | 57,477 |
| BALANCE, BEGINNING OF PERIOD | 212,846 | 8,685 | 34,772 | - | - | 256,303 |
| BALANCE, END OF PERIOD | \$ 213,314 | \$ 8,685 | \$ 78,445 | \$ 13,336 | \$ - | \$ 313,780 |

The accompanying notes are an integral part of these financial statements.

NUSTAR RESOURCES INC.
SCHEDULE OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2003
(UNAUDITED)

(SEE: NOTICE TO READER)

(With comparative unaudited figures for the six months ended December 31, 2002)

2002

| | Copper Mountain Claims | Camacho-La Leona Claims | Cube Claims | Lisa and Christmas South Claims | Total |
|---|------------------------------|----------------------------|-------------|---------------------------------------|------------|
| EXPLORATION AND DEVELOPMENT COSTS: | | | | | |
| Assays | \$ - | \$ - | \$ - | \$ 496 | \$ 496 |
| Drafting | 500 | - | - | - | 500 |
| Drilling | 25,220 | - | - | 28,195 | 53,415 |
| Equipment rental and supplies | 30 | - | - | 473 | 503 |
| Field examination | 1,660 | - | - | - | 1,660 |
| Field office | 235 | - | - | - | 235 |
| Geological consulting | - | - | - | - | - |
| Labour | - | - | - | - | - |
| Recording fees | - | - | - | - | - |
| Reports | 1,750 | - | - | - | 1,750 |
| Travel, accommodations and meals | 2,247 | - | - | 1,212 | 3,459 |
| Cost recoveries | 31,642 | - | - | 30,376 | 62,018 |
| Property examination costs | - | - | - | (6,600) | (6,600) |
| Mineral exploration tax credit | (5,500) | - | - | (194) | (5,694) |
| Total Costs Incurred During the Period | 26,142 | - | - | 23,582 | 49,724 |
| BALANCE, BEGINNING OF PERIOD | 188,039 | - | 3,911 | 1,350 | 193,300 |
| BALANCE, END OF PERIOD | \$ 214,181 | \$ - | \$ 3,911 | \$ 24,932 | \$ 243,024 |

The accompanying notes are an integral part of these financial statements.

NUSTAR RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nustar Resources Inc. (the "Company") is incorporated under the laws of British Columbia, Canada and is primarily engaged in acquisition, exploration and development of mineral claims located in Canada.

The interim financial statements of the Company have been prepared in accordance with the same accounting policies and methods of their application as the most recent audited financial statements for the year ended June 30, 2003, except that they do not include all note disclosures required for annual audited financial statements. It is suggested that the interim financial statements be read in conjunction with the annual audited financial statements.

2. MINERAL PROPERTIES

| | December 31, 2003 | | |
|------------------------------------|--|--|-------------------|
| | Acquisition Costs and Option Payments | Deferred Exploration and Development Costs | Total |
| a. Copper Mountain Syndicate | \$ 20,000 | \$ 213,314 | \$ 233,314 |
| b. Cube Claims | 27,500 | 8,685 | 36,185 |
| c. Lisa and Christmas South Claims | 25,000 | 78,445 | 103,445 |
| d. Chu Claims | 34,500 | 13,336 | 47,836 |
| | <u>\$ 107,000</u> | <u>\$ 313,780</u> | <u>\$ 420,780</u> |

| | June 30, 2003 | | |
|------------------------------------|--|--|-------------------|
| | Acquisition Costs and Option Payments | Deferred Exploration and Development Costs | Total |
| a. Copper Mountain Syndicate | \$ 20,000 | \$ 212,846 | \$ 232,846 |
| b. Cube Claims | 27,500 | 8,685 | 36,185 |
| c. Lisa and Christmas South Claims | 25,000 | 34,772 | 59,772 |
| d. Chu Claims | 34,500 | - | 34,500 |
| | <u>\$ 107,000</u> | <u>\$ 256,303</u> | <u>\$ 363,303</u> |

NUSTAR RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. MINERAL PROPERTIES (CONT'D)

a. Copper Mountain Syndicate, British Columbia

By a Letter of Agreement dated November 28, 1996, the Company acquired a 100% interest (subject to a 3% net smelter returns royalty) in fourteen (14) mineral claims located in the Similkameen Mining Division of British Columbia for consideration of:

- \$5,000 cash (paid); and
- 100,000 shares of the Company's capital stock (issued at a price of \$0.15 per share).

b. Cube Claims, British Columbia

By an Agreement dated July 2, 2001, the Company acquired a 100% interest (subject to a 2% net smelter returns royalty) in six (6) mineral claims located in the Nicola Mining Division of British Columbia for consideration of:

- \$5,000 cash (paid); and
- 250,000 shares of the Company's capital stock (issued at a price of \$0.09 per share).

c. Lisa and Christmas South Claims, British Columbia

By an Agreement dated March 15, 2002, the Company acquired a 100% interest (subject to a 2% net smelter returns royalty) in two (2) mineral claims located in the Cariboo Mining Division of British Columbia for consideration of:

- \$10,000 cash as follows:
 - \$5,000 cash on or before June 30, 2002 (paid);
 - \$5,000 cash on or before December 31, 2002 (paid); and
- 250,000 shares of the Company's capital stock (issued at a price of \$0.06 per share).

d. Chu Claims

By an option agreement dated April 28, 2003, the Company acquired a 100% interest (subject to a 2% net smelter returns royalty) in four (4) mineral claims located in the Omineca Mining Division of British Columbia for consideration of:

- Cash payments totaling \$25,000 as follows:
 - \$5,000 on or before April 22, 2003 (paid); and
 - \$20,000 within twenty-five days of regulatory acceptance (paid).
- Issuance of 100,000 shares of the Company's capital stock within fifteen days of regulatory acceptance (issued at a price of \$0.095 per share).

NUSTAR RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

3. SHARE CAPITAL

The authorized share capital of the Company is 100,000,000 shares without par value.

The Company has issued shares of its capital stock as follows:

| | December 31, 2003 | | June 30, 2003 | |
|-----------------------------------|---------------------|--------------|---------------------|--------------|
| | Number of Shares | Amount \$ | Number of Shares | Amount \$ |
| Balance, beginning of period/year | 9,967,733 | 2,937,302 | 6,602,510 | 2,601,280 |
| Shares issued for: | | | | |
| Cash | 1,047,671 | 104,767 | 1,753,725 | 175,372 |
| Share subscription advances | 3,570 | 357 | - | - |
| Debt | - | - | 1,511,498 | 151,150 |
| Mineral properties | - | - | 100,000 | 9,500 |
| Balance, end of period/year | 11,018,974 | 3,042,426 | 9,967,733 | 2,937,302 |

Transactions for the Issue of Share Capital
During the Period Ended December 31, 2003:

- a. The Company issued 1,000,000 shares at a price of \$0.10 per share for a total consideration of \$100,000 for the exercise of share purchase warrants.
- b. The Company issued 51,241 shares at a price of \$0.10 per share for a total consideration of \$5,124, of which \$357 was received prior to June 30, 2003, for the exercise of stock options.

Stock Options:

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 2,043,546. Options granted under the Plan can have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less than the market price of the shares on the grant date.

NUSTAR RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

3. SHARE CAPITAL (CONT'D)

A summary of the status of the Company's outstanding stock options as of December 31, 2003 and June 30, 2003 and changes during the period/year then ended is as follows:

| | December 31, 2003 | | June 30, 2003 | |
|---|-------------------|--|---------------|--|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Options outstanding, beginning of period/year | 51,241 | \$ 0.10 | 604,966 | \$ 0.10 |
| Exercised | (51,241) | (0.10) | (553,725) | (0.10) |
| Options outstanding, end of period/year | - | \$ - | 51,241 | \$ - |

4. RELATED PARTY TRANSACTIONS

- a. Exploration and development costs totalling \$25,728 (2002 - \$1,660) were incurred with the President of the Company.
- b. Exploration and development costs totalling \$Nil (2002 - \$28,195) and rent totalling \$3,000 (2002 - \$3,000) were incurred with a firm controlled by the Secretary of the Company.

The above transactions have been in the normal course of operations and, in management's opinion undertaken with the same terms and conditions as transactions with unrelated parties.

NUSTAR RESOURCES INC.
DECEMBER 31, 2003

Section 1**A. ANALYSIS OF EXPENSES AND DEFERRED COSTS:**

See the accompanying financial statements.

Section 2**A. RELATED PARTY TRANSACTIONS FOR THE CURRENT FISCAL YEAR-TO-DATE:**

See Note 4 of the accompanying financial statements.

The aggregate amount of expenditures made to parties not at arms length from the issuer was \$28,728 during the current fiscal year to date.

Section 3**A. SECURITIES ISSUED DURING THE PERIOD ENDED DECEMBER 31, 2003:**

| Date of Issue | Type of Security | Type of Issue | Number of Shares | Price Per Share | Total Proceeds | Type of Consideration | Commission Paid |
|---------------|------------------|----------------------|------------------|-----------------|----------------|-----------------------|-----------------|
| Sept. 4/03 | Common Shares | Exercise of Warrants | 250,000 | \$0.10 | \$ 25,000 | Cash | Nil |
| Dec. 9/03 | Common Shares | Exercise of Warrants | 750,000 | \$0.10 | \$ 75,000 | Cash | Nil |
| Dec. 11/03 | Common Shares | Exercise of Options | 51,241 | \$0.10 | \$ 5,124 | Cash | Nil |

B. OPTIONS GRANTED DURING THE PERIOD ENDED DECEMBER 31, 2003:

NIL.

Section 4**A. AUTHORIZED AND ISSUED SHARE CAPITAL AS AT DECEMBER 31, 2003:**

Authorized share capital - 100,000,000 shares without par value.

A total 11,018,974 shares have been issued for a total of \$3,042,426.

**NUSTAR RESOURCES INC.
DECEMBER 31, 2003**

**B. OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES OUTSTANDING AS AT
DECEMBER 31, 2003:**

NIL.

C. SHARES IN ESCROW OR SUBJECT TO POOLING AS AT DECEMBER 31, 2003:

Common shares in escrow – Nil

Section 5

A. LIST OF DIRECTORS AND OFFICERS AS AT JANUARY 26, 2004:

| | |
|--------------|--------------------|
| J.W. McLeod | President/Director |
| J.A. McLeod | Secretary/Director |
| W. Bradley | Director |
| L.J. Manning | Director |

NUSTAR RESOURCES INC.
DECEMBER 31, 2003

Description of Business

The Company is incorporated under the laws of British Columbia and its principal business activities include the acquiring and developing of resource properties.

Discussion of Operations and Financial Conditions

Use of Proceeds

The Company had net losses \$18,401 (2002 - \$9,189) during the period. Some of the more significant administrative expenses consisted of \$3,979 (2002 - \$1,850) in accounting.

During the second quarter the Company carried out exploration on two of its projects:

- a) Christmas Lake Gold: a pyritic gold occurrence hosted in skarnified, propylitic altered volcanoclastic sediments in which two drill holes were completed. Further drilling is planned, \$43,673 – 2003 (\$23,582 - 2002).
- b) Chu property: a molybdenite, copper, tungsten occurrence that historically has undergone diamond core drilling that revealed a large zone of mineralization. Further drilling has been recommended by the Company's independent geological consultant. Exploration expenditures incurred during the second quarter are (\$13,336 – 2003) (nil – 2002).

Related party transactions

No management fees were paid during the second quarter.

Office rent and exploration and development expenses were paid to the President of the Company or a service company which he controls during the second quarter in the amount of (\$1,500 – 2003 and \$1,500 – 2002) and (\$31,155 – 2003 and \$2,080 – 2002), respectively.

The Company did not enter into any agreements during the second quarter and did not employ an investor relations party.

Legal proceedings

None.

The Company conducted its annual general meeting on December 17, 2003

NUSTAR RESOURCES INC.
DECEMBER 31, 2003

Financing, Principal Purposes and Milestones

The Companies outstanding share purchase warrants in the amount of 1,000,000 at \$0.10 per warrant were exercised during the quarter as were the outstanding share purchase options in the amount of 51,241 at \$0.10 per share.

Liquidity and Solvency

The financial statements from Schedule A have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

| | <u>December 31, 2003</u> | <u>December 31, 2002</u> |
|------------------------------|--------------------------|--------------------------|
| Deficit | \$(2,676,036) | \$(2,644,718) |
| Working capital (deficiency) | \$ (43,373) | \$ (316,676) |