

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM REPORT

31 DECEMBER 2009

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

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LODESTAR MINERALS LIMITED
ABN 31 127 026 528

COMPANY DIRECTORY

DIRECTORS:	William Clayton David McArthur Mark Pitt Rhod Grivas
SECRETARY:	David McArthur
REGISTERED AND PRINCIPAL OFFICE:	Level 2, 45 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9423 3280 Facsimile: (08) 9389 8327
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033
BANKERS:	ANZ Banking Group Limited 31 Broadway NEDLANDS WA 6009
AUDITORS:	KPMG Level 8 235 St George's Terrace PERTH WA 6000
SOLICITORS:	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public Company

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

DIRECTORS' REPORT

The directors present their report together with the financial report for the six months ended 31 December 2009 and the audit review thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Executive	
William Clayton	Director since 2007
David McArthur	Director since 2007
Non-executive	
Rhod Grivas	Director since 2007
Mark Pitt	Director since 2007

REVIEW OF OPERATIONS

Other than exploration activities over its nickel tenements as detailed in the quarterly exploration reports released to the market, there have been no other significant operations by the Company during the six months to 31 December 2009.

On 10 December 2009 the Company announced that it had entered into a purchase agreement to acquire a large tenement package in the Doolgunna district of the southern Capricorn Orogen.

The consideration for the acquisition is a non-refundable payment of \$120,000 on execution of the agreement, and the issue of 15 million fully paid ordinary shares in the capital of the Company.

The acquisition will be subject to shareholder approval on 5 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the interim period was exploration and evaluation of mineral interests.

RESULTS

The net loss of the Company for the interim period after income tax expense was \$192,964 (2008: \$401,057).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on the next page and forms part of the directors' report, for the six months ended 31 December 2009.

Dated at Perth this 23rd day of February 2010

Signed in accordance with a resolution of the directors.



DAVID McARTHUR

Director



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

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 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.

A handwritten signature in blue ink, appearing to be 'Trevor Hart', written over the printed name and title.

KPMG

Trevor Hart
Partner

Perth

Dated: 23 February 2010

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

		31 December 2009	30 June 2009
	Note	\$	\$
Assets			
Cash or cash equivalents		2,032,965	2,544,204
Other receivables		10,698	12,738
Other assets	9	135,424	8,063
Total current assets		2,179,087	2,565,005
Property, plant and equipment		7,739	8,868
Exploration and evaluation	7	6,004,461	5,827,282
Total non-current assets		6,012,200	5,836,150
Total assets		8,191,287	8,401,155
Liabilities			
Trade and other payables		61,770	89,863
Employee benefits		17,886	9,231
Total current liabilities		79,656	99,094
Total liabilities		79,656	99,094
Net assets		8,111,631	8,302,061
Equity			
Share capital	8	9,725,003	9,725,003
Reserves	8	322,764	320,230
Retained earnings		(1,936,136)	(1,743,172)
Total equity attributable to equity holders of the Company		8,111,631	8,302,061

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
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INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	31 December 2009 \$	31 December 2008 \$
Administrative expenses		(143,417)	(199,918)
Exploration expenditure written off	7	(518)	(225,567)
Other expenses		(81,450)	(69,636)
Results from operating activities		<u>(225,385)</u>	<u>(495,121)</u>
Finance income		32,421	94,064
Net finance income		<u>32,421</u>	<u>94,064</u>
Loss before income tax		(192,964)	(401,057)
Income tax expense		-	-
Loss for the period		<u>(192,964)</u>	<u>(401,057)</u>
Other comprehensive expense for the period, net of income tax		-	-
Total comprehensive expense for the period		<u>(192,964)</u>	<u>(401,057)</u>
Loss attributable to owners of the Company		<u>(192,964)</u>	<u>(401,057)</u>
Total comprehensive expense attributable to owners of the Company		<u>(192,964)</u>	<u>(401,057)</u>
Loss per share			
Basic and diluted (cents per share)		<u>(0.39)</u>	<u>(0.80)</u>

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED

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INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company			
	Equity-based			Total
	Share capital	benefits reserve	Accumulated losses	
\$	\$	\$	\$	
Balance at 1 July 2009	9,725,003	320,230	(1,743,172)	8,302,061
Total comprehensive expense for the period				
Loss for the period	-	-	(192,964)	(192,964)
Total other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	-	(192,964)	(192,964)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Share-based payment transactions	-	2,534	-	2,534
Total contributions by and distributions to owners	-	2,534	-	2,534
Total transactions with owners	-	2,534	-	2,534
Balance at 31 December 2009	9,725,003	322,764	(1,936,136)	8,111,631

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED

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INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company			
	Share capital	Equity-based benefits reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2008	9,725,003	309,009	(1,170,327)	8,863,685
Total comprehensive expense for the period				
Loss for the period	-	-	(401,057)	(401,057)
Total other comprehensive expense	-	-	-	-
Total comprehensive income for the period	-	-	(401,057)	(401,057)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Share-based payment transactions	-	7,217	-	7,217
Total contributions by and distributions to owners	-	7,217	-	7,217
Total transactions with owners	-	7,217	-	7,217
Balance at 31 December 2008	9,725,003	316,226	(1,571,384)	8,469,845

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
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INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(214,225)	(307,499)
Net cash used in operating activities	(214,225)	(307,499)
Cash flows from investing activities		
Interest received	31,383	101,391
Acquisition of property, plant and equipment	-	(7,177)
Payments for exploration, evaluation and development	(208,397)	(540,138)
Repayment / (payment) of deposit for investment	(120,000)	500,000
Net cash (used in) / from investing activities	(297,014)	54,076
Net decrease in cash and cash equivalents	(511,239)	(253,423)
Cash and cash equivalents at 1 July	2,544,204	3,116,747
Cash and cash equivalents at 31 December	2,032,965	2,863,324

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is a company domiciled in Australia.

The financial statements of the Company as at and for the year ended 30 June 2009 are available upon request from the Company’s registered office at Level 2, 45 Stirling Highway, Nedlands, Western Australia, 6009.

2. STATEMENT OF COMPLIANCE

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements as at and for the year ended 30 June 2009.

The interim financial statements were approved by the Board of Directors on 23 February 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 30 June 2009.

Change in accounting policy

(i) ***Determination and presentation of operating segments***

As of 1 July 2009 the Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company’s chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously, operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. An operating segment’s operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

LODESTAR MINERALS LIMITED
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

4. ESTIMATES

The preparation of interim financial statements 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.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2009.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2009.

6. OPERATING SEGMENTS

The Company has one reportable segment, being nickel exploration and evaluation in Western Australia.

Information about reportable segments

For the six months ended 31 December	Nickel exploration and evaluation	
	2009	2008
	\$	\$
Reportable segment loss before income tax	(518)	(225,567)
Reportable segment assets	6,004,461	5,641,193

Reconciliations of reportable segment loss and assets

	2009	2008
	\$	\$
Loss		
Total loss for reportable segments	(518)	(225,567)
Unallocated amounts: other corporate assets	(224,867)	(269,554)
Finance income	32,421	94,064
	<u>(192,964)</u>	<u>(401,057)</u>
Assets		
Total assets for reportable segments	6,004,461	5,641,193
Other assets	2,186,826	2,909,842
	<u>8,191,287</u>	<u>8,551,035</u>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2009.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

7. EXPLORATION AND EVALUATION EXPENDITURE

	31 December	30 June
	2009	2009
	\$	\$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	6,004,461	5,827,282
	<hr/> <hr/>	<hr/> <hr/>
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	5,827,282	5,327,114
Additions	177,697	730,122
Written off	(518)	(229,954)
	<hr/> <hr/>	<hr/> <hr/>
	6,004,461	5,827,282

The ultimate recovery of exploration and evaluation phase expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

8. CAPITAL AND RESERVES

(a) Share capital

The number of shares on issue at 31 December 2009 was 50,000,003 (31 December 2008: 50,000,003).

(b) Reserves

The employee equity-based benefits reserve arises on the grant of equity instruments to key management personnel.

LODESTAR MINERALS LIMITED
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

9. OTHER ASSETS

The Company has entered into a purchase agreement to acquire a large tenement package in the Doolgunna district of the southern Capricorn Orogen. The acquisition will be subject to shareholder approval on 5 March 2010.

Consideration for this acquisition was a non-refundable payment of \$120,000.

10. CONTINGENCIES

There have been no significant changes to contingencies since 30 June 2009.

11. COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2009	31 December 2008
	\$	\$
<i>Mineral exploration</i>		
Not later than one year	380,138	410,540

12. SUBSEQUENT EVENTS

There have been no matters of circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

LODESTAR MINERALS LIMITED
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DIRECTORS' DECLARATION

In the opinion of the directors of Lodestar Minerals Limited (the "Company"):

- (1) the financial statements and notes set out on pages 7 to 15 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance, for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
- (2) 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 Perth this 23rd day of February 2010.

Signed in accordance with a resolution of the directors:



DAVID McARTHUR
Director



Independent auditor's review report to the members of Lodestar Minerals Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Lodestar Minerals Limited, which comprises the statement of financial position as at 31 December 2009, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on page 16.

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 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 half-year 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 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lodestar Minerals Limited, 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.

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 Lodestar Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance 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*.


KPMG



Trevor Hart
Partner

Perth

Dated: 23 February 2010