



**LODESTAR MINERALS LIMITED**

ABN 32 127 026 528

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**NOTICE OF ANNUAL GENERAL MEETING**

**PROXY FORM**

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**AND**

**EXPLANATORY MEMORANDUM**

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*Date of Meeting*

**28 November 2011**

*Time of Meeting*

**10.30 am ( WST)**

*Place of Meeting*

**The University Club of Western Australia  
Hackett Drive, Crawley, Perth, Western Australia**

**LODESTAR MINERALS LIMITED**  
**ABN 32 127 026 528**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of the Shareholders of Lodestar Minerals Limited will be held at 10.30 am (WST) on 28 November 2011 at The University Club of Western Australia, Hackett Drive, Crawley, Perth, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 7.00pm (Sydney time) on 25 November 2011.

An Explanatory Memorandum containing information in relation to each of the resolutions to be put to the meeting accompanies this Notice.

**AGENDA**

To consider and, if thought fit, to pass the following resolutions.

**ORDINARY BUSINESS**

**2011 Accounts**

To receive and consider the Directors' report and income statement for the year ended 30 June 2011, the balance sheet at that date, the Auditors' report and the Directors' declaration on the accounts.

**NON-BINDING ORDINARY RESOLUTION 1: DIRECTORS' REMUNERATION REPORT**

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2011 and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2011 be adopted."*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

**Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

## **ORDINARY RESOLUTION 2: RE-ELECTION OF A DIRECTOR**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That Mr Rhod Grivas, a director retiring by rotation in accordance the Company’s Constitution, is re-elected a director of the Company.”

## **ORDINARY RESOLUTION 3: GRANT OF OPTIONS TO MR BILL CLAYTON**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, Listing Rule 10.11 of the ASX Listing Rules and for all other purposes, approval is given for the Directors to issue and allot 2,500,000 Director Options to Bill Clayton on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**ASX Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 3 by Mr. Clayton and any of his associates. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Voting Prohibition Statement**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **ORDINARY RESOLUTION 4: RATIFICATION OF PREVIOUS ISSUE OF SHARES - TRANCHE 1 OF PLACEMENT**

To consider and, if thought fit, to pass, with or without amendment, as an ordinary resolution:

*“That, for the purpose of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company ratifies the issue and allotment of 13,000,000 Shares issued on the terms and conditions outlined in the Explanatory Statement.”*

**ASX Voting Exclusion:** The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **ORDINARY RESOLUTION 5: APPROVAL FOR ISSUE OF SHARES – TRANCHE 2 OF PLACEMENT**

To consider and, if thought fit, to pass, with or without amendment, as an ordinary resolution:

*“That, for the purpose of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the Directors of the Company be authorised to issue and allot 20,000,000 Shares on the terms and conditions described in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 5 by a person who may participate in the issue of the shares and any person who may obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and any associate of such persons. However, the Company need not disregard a vote cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **ORDINARY RESOLUTION 6: APPROVAL TO ISSUE UP TO 15,000,000 SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Directors to issue and allot up to 15,000,000 Shares on the terms and conditions described in the Explanatory Statement.”*

**ASX Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by a person who may participate in the issue and any person who may obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**By Order of the Board**



**D M McARTHUR**

Company Secretary

**Dated: 21 October 2011**

**LODESTAR MINERALS LIMITED**  
**ABN 32 127 026 528**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting (“**Notice**”) of the Company.

The Directors of the Company (“**Directors**”) recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

**1. NON-BINDING ORDINARY RESOLUTION 1: Directors’ Remuneration Report**

**General**

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

**Proxy Restrictions**

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel or any Closely Related Party as your proxy to vote on this Resolution 1, *you must direct the proxy how they are to vote*. Where you do not direct the Chair, or another member of Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

**Definitions**

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

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### **ORDINARY RESOLUTION 2: Re-election of Mr Rhod Grivas as a Director of the Company**

ASX Listing Rule 14.4 and Clause 7.3(a) of the Company's Constitution provide that at every Annual General Meeting of the Company one-third of the Directors (other than alternate Directors and the Managing Director) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Rhod Grivas, being a director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Grivas is set out in the Company's 2011 Annual Report.

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### **ORDINARY RESOLUTION 3: Grant of Options to Mr Bill Clayton**

On 4 March 2011 the Board of the Company resolved, subject to obtaining shareholder approval, to issue and allot 2,500,000 Options (**Director Options**) to Bill Clayton (**Related Party**) on the terms and conditions set out below.

For a public company to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

The grant of the Director Options to the Related Party requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit, and, as a Director, Mr Clayton is a Related Party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Party.

## Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to, and in accordance with, the requirements of Sections 217 to 227 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Party is Bill Clayton and he is a Related Party by virtue of being a Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Party is 2,500,000 Director Options;
- (c) the Related Party will be issued with the following Director Options:
  - (i) 1,000,000 Options will be exercisable at 15 cents each vesting 12 months after the date of issue and expiring 5 years from the date of issue;
  - (ii) 750,000 Options will be exercisable at 20 cents each vesting 24 months after the date of issue and expiring 5 years from the date of issue; and
  - (iii) 750,000 Options will be exercisable at 30 cents vesting 36 months after the date of issue and expiring 5 years from the date of issue.

The Director Options will otherwise be issued on the terms and conditions outlined in Appendix 1.

- (d) the Director Options will be granted to the Related Party no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (e) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (f) the value of the Director Options is \$163,750 and the pricing methodology is set out in Appendix 2;
- (g) the relevant interest of the Related Party in securities on the Company is set out below:

Related Party	Shares	Options
Bill Clayton	510,000	-

- (h) the Related Party receive remuneration of \$218,000 per annum. In the previous financial year, the Related Party received \$141,177 from the Company. Other than as set out in this Explanatory Statement, the Related Party has not received any other emoluments from the Company;
- (i) if the Director Options granted to the Related Party are exercised, a total of 2,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 88,989,477 to 91,489,477 (assuming that no other Options are exercised and no other Shares issued) with the effect that the share holding of existing shareholders would be diluted by 0.97%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time, any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	\$0.19	16 July 2010
Lowest	\$0.06	15 June 2011
Last	\$0.105	21 October 2011

- (k) the primary purpose of the issue of the Director Options to Mr Clayton is to provide market linked incentive to Mr Clayton in his role as Managing Director. Approval had previously been obtained to issue Mr Clayton with Director Options, however these Director Options were issued outside the one month time permitted by the ASX Listing Rules, and these options were subsequently cancelled at the request of the ASX. To ensure Mr Clayton is not prejudiced by this administrative oversight, these new options seek to replace those Director Options cancelled.

- (l) Mr Clayton declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. The other Directors who do not have a material interest in the outcome of Resolution 3 recommend that Shareholders vote in favour of Resolution 3 for the following reasons:
  - (i) the issue of Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
  - (ii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.

The Board (other than Mr Clayton) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Options to the Related Party as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

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#### **ORDINARY RESOLUTION 4: Ratification of Previous Issue of Shares – Tranche 1 of Placement**

##### **Background**

Pursuant to Resolutions 4 and 5, the Company is proposing to undertake a placement through the issue of up to 20,000,000 Shares (**Placement**). The Placement is intended to be undertaken in two tranches with the Company issuing up to 13,000,000 Shares prior to the date of the Annual General Meeting pursuant to its 15% placement capacity.

The total number of Shares that may be issued under Resolutions 4 and 5 is 20,000,000 Shares. If the first tranche of the Placement is not completed prior to the date of the Annual General Meeting, Resolution 4 will be withdrawn, and the Company will rely on any approval granted under Resolution 5 to issue all 20,000,000 Shares.

Resolution 4 therefore seeks Shareholder ratification for the issue of 13,000,000 Shares proposed to be issued prior to the date of the Annual General Meeting, assuming this tranche of the Placement is completed prior to the date of the Annual General Meeting.

##### **ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this proposed issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolution 4:

- (a) the number of Shares which the Company proposes to issue prior to the date of the Annual General Meeting is 13,000,000 Shares;

- (b) the price for the issue of these Shares is not yet known as the placement of these Shares has not yet occurred, however the price will be not less than a minimum of 80% of the average market price of the Shares calculated over the last 5 days on which sales of the Shares were recorded before the date that the issue is made;
- (c) the Shares issued will be fully paid ordinary Shares in the capital of the Company and rank pari passu with the Company's existing Shares;
- (d) the Shares will be issued to investors through a licensed Australian Financial Services provider in accordance with the provisions of Section 708 of the Corporations Act; and
- (e) it is intended that the funds raised from the Placement under Resolutions 4 and 5 will be used for the purpose of:
  - ongoing exploration and evaluation of the Company's tenements;
  - acquisition of additional tenements; and
  - providing general working capital.

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## **ORDINARY RESOLUTION 5: Approval for Issue of Shares – Tranche 2 of Placement**

### **Background**

As outlined in the background to Resolution 4 above, the Company is proposing to undertake the Placement to issue up to 20,000,000 Shares.

As at the date of this Notice of Annual General Meeting, it is intended that a first tranche of 13,000,000 Shares under the Placement will be issued prior to the date of the Annual General Meeting, with the remaining 7,000,000 Shares to be issued subject to the approval of Shareholders at the Annual General Meeting. However, general market conditions at the time of preparing this Notice of Annual General Meeting mean that the Directors are unsure whether they will be in a position to complete the first tranche of the Placement prior to the date of the Annual General Meeting. Therefore, the Directors are seeking approval under Resolution 5 to enable the Company to issue 20,000,000 Shares under Resolution 5, in case the first tranche of the Placement to issue 13,000,000 Shares prior to the date of the Annual General Meeting is not completed.

**Shareholders should note that the maximum number of Shares that the Company will issue under Resolutions 4 and 5 is 20,000,000 Shares.**

### **ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Directors to issue the Shares pursuant to this Resolution 5 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the approval for the issue of the Shares the subject of this Resolution 5:

- (a) the number of Shares to be issued and allotted by the Company is 20,000,000 Shares less than Shares issued prior to the date of the Annual General Meeting and ratified under Resolution 4 above;
- (b) it is anticipated the Shares will be issued and allotted shortly after the Meeting but, in any event, no later than 3 months after the date of the Meeting (or such longer period as ASX may, in its discretion, allow), and it is anticipated that allotment will occur on the same date;
- (c) the issue price of the Shares will be a minimum of 80% of the average market price of the Shares calculated over the last 5 days on which sales of the Shares were recorded before the date that the issue is made;

- (d) the Shares will be issued to investors through a licensed Australian Financial Services provider in accordance with the provisions of Section 708 of the Corporations Act;
  - (e) the Shares issued will be fully paid ordinary Shares in the capital of the Company and rank pari passu with the Company's existing Shares;
  - (f) none of the recipients of the Shares will be related parties of the Company;
  - (g) the funds raised from the issue of the Shares under Resolutions 4 and 5 will be combined and used for the purposes of:
    - ongoing exploration and evaluation of the Company's existing tenements;
    - acquisition of additional tenements; and
    - providing general working capital.
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## **ORDINARY RESOLUTION 6: Approval to Issue up to 15,000,000 Shares**

### **Background**

In addition to the placement referred to in Resolutions 4 and 5 above, the Board of Directors seek Shareholder approval to enable them to issue up to 15,000,000 Shares in the Company within 3 months after the date of this Annual General Meeting. Resolution 6 will enable the Company to raise additional funds throughout the 3 month period after the Annual General Meeting through the issue of 15,000,000 Shares without the need to seek further Shareholder approval.

### **ASX Listing Rule Requirements**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Directors to issue the 15,000,000 Shares pursuant to this Resolution 6 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

In compliance with Listing Rule 7.3, Shareholders are advised as follows:

- (a) the maximum number of shares to be issued and allotted is 15,000,000 Shares;
  - (b) the Shares will be issued and allotted at a date no later than 3 months after the date of the Annual General Meeting (or such later date as is approved by ASX) and it is intended that the Shares will be issued and allotted progressively during that period;
  - (c) the issue price of the Shares will be a minimum of 80% of the average market price of the Shares calculated over the last 5 days on which sales of the Shares were recorded before the date that the issue is made;
  - (d) it is intended that the Shares will be issued and allotted to sophisticated investors or other parties that may be issued Shares without the need for a prospectus under Section 708 of the Corporations Act;
  - (e) the Shares will rank pari passu in all respects with the Company's existing Shares;
  - (f) none of the allottees will be related parties of the Company; and
  - (g) the Shares will be issued to provide funds for pursuing the Company's existing exploration programmes, identifying new project opportunities and for working capital purposes as identified by the Directors during this period.
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# LODESTAR MINERALS LIMITED

ABN 32 127 026 528

## APPENDIX 1

The materials terms and condition of the Options referred to in Resolution 3 are as follows:

- (a) The Options will be unlisted.
- (b) The exercise price of each Option (“Exercise Price”) is:
  - 15 cents for 1,000,000 Options
  - 20 cents for 750,000 Options
  - 30 cents for 750,000 Options
- (c) 1,000,000 Options vest 12 months after issue  
750,000 Options vest 24 months after issue  
750,000 Options vest 36 months after issue
- (d) The Options are exercisable at any time on or before 5 years from the date of issue (“Expiry Date”).
- (e) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (f) The notice attached to the certificate has to be completed when exercising the Options (“Notice of Exercise”).
- (g) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (h) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company’s then existing Shares.
- (i) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (j) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (k) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (l) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**LODESTAR MINERALS LIMITED**  
**ABN 32 127 026 528**

**APPENDIX 2**

**Valuation of Options to be issued to Mr Clayton**

The Company has valued the Options to be issued to Mr Clayton (“Director Options”) using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Director Options ascribed a value range as follows:

***Assumptions:***

Value date	16/09 /11	16/09 /11	16/09 /11
Share price	\$0.10	\$0.10	\$0.10
Exercise price	\$0.15	\$0.20	\$0.30
Term	5 years	5 years	5 years
Volatility	97%	97%	97%
Risk free interest rate	5.21%	5.21%	5.21%
Indicative value per Option (cents)	\$0.07	\$0.066	\$0.059

**PROXY FORM**

**APPOINTMENT OF PROXY  
LODESTAR MINERALS LIMITED  
ACN 127 026 528**

**ANNUAL GENERAL MEETING**

I/We   
of

being a member of Lodestar Minerals Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR  the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10.30am (WST) on 28 November 2011 at The University Club of Western Australia, Hackett Drive, Crawley, Western Australia, and at any adjournment thereof.

**Important for Resolution 1:** If the Chair of the Meeting or any member of the Key Management Personnel of the Company or a Closely Related Party of a member of the Key Management Personnel of the Company is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company or Closely Related Party of a member of the Key Management Personnel is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolution 3** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chair of the Annual General Meeting for Resolution 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 3.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

**Voting on Business of the Annual General Meeting**

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1 - Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Re-election of Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Grant of Options to Mr Bill Clayton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Ratification of Previous Issue of Shares – Tranche 1 of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Approval for Issue of Shares – Tranche 2 of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Approval to Issue up to 15,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %

**Signature of Member(s):** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Individual or Member 1**

**Sole Director/Company Secretary**

**Member 2**

**Director**

**Member 3**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

**LODESTAR MINERALS LIMITED**  
**ACN 127 026 528**

**Instructions for Completing 'Appointment of Proxy' Form**

1. **(Changes to Proxy Voting):** New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:
  - (a) if proxy holders vote, they must cast all directed proxies as directed; and
  - (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.Further details on these changes is set out below.
2. **(Appointing a Proxy):** A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
  - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
  - (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
  - (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:
  - (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
  - (b) the appointed proxy is not the chair of the meeting; and
  - (c) at the meeting, a poll is duly demanded on the resolution; and
  - (d) either of the following applies:
    - (i) the proxy is not recorded as attending the meeting;
    - (ii) the proxy does not vote on the resolution,
  - (e) the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.
5. **(Signing Instructions):**
  - (a) **(Individual):** Where the holding is in one name, the member must sign.
  - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - (c) **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
  - (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
6. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
7. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to PO Box 985, Nedlands WA 6009; or
  - (b) facsimile to the Company on facsimile number (+61 8) 9389 8327; or
  - (c) email to the Company at davidm@broadwaymgt.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

**Proxy forms received later than this time will be invalid.**



**LODESTAR MINERALS LIMITED**

**ABN 32 127 026 528**

**ANNUAL REPORT**

**2011**

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## COMPANY DIRECTORY

### DIRECTORS AND COMPANY SECRETARY:

**Rhod Grivas**  
Non-executive Chairman

**William Clayton**  
Managing Director

**David McArthur**  
Executive Director and Company Secretary

**Mark Pitt**  
Non-executive Director

### PRINCIPAL AND REGISTERED OFFICE:

41 Stirling Highway      PO Box 985  
NEDLANDS                      NEDLANDS  
WA 6009                          WA 6909

Telephone:                      +61 8 9423 3200  
Facsimile:                        +61 8 9389 8327

### SHARE REGISTRY:

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
PERTH  
WA 6000

Telephone:                      +61 8 9323 2000  
Facsimile:                        +61 8 9323 2033

### AUDITORS:

KPMG  
Level 8  
235 St George's Terrace  
PERTH WA 6000

### BANKERS:

ANZ Banking Group Limited  
Business Relationship Banking  
Level 6, 77 St Georges Terrace  
PERTH  
WA 6000

### SOLICITORS:

Steinepreis Paganin  
Level 4, Next Building  
16 Milligan Street  
PERTH WA 6000

### DOMICILE AND COUNTRY OF INCORPORATION:

Australia

### WEBSITE AND EMAIL:

[www.lodestarminerals.com.au](http://www.lodestarminerals.com.au)  
[info@lodestarminerals.com.au](mailto:info@lodestarminerals.com.au)

### SECURITIES EXCHANGE:

Lodestar Minerals Limited shares are listed on the  
Australian Securities Exchange (ASX) – code LSR

## OPERATIONS REPORT

### INTRODUCTION

Lodestar (the Company) has an interest in three exploration projects within Western Australia (Figure 1)

- The Peak Hill-Doolgunna project (base metal – Au) 170 kilometres north east of Meekatharra (100%)
- The Penfold project (Ni) 30 kilometres south of Kalgoorlie
- The Kimberley project (Ni-Cu-PGM's) 50 kilometres north of Halls Creek, now under a farm-out agreement with Lodestar retaining 20%.

Lodestar has made significant progress in exploring the flagship Peak Hill – Doolgunna project and is currently preparing for a second phase of drilling to test base metal anomalies at the Transformer (Marymia tenements) and McDonald Well (Neds Creek tenements) prospects. The Proterozoic terrain of the northern Murchison district has potential to host a variety of deposit styles of significant size as exemplified by the *Abra* (93Mt @ 4.0% Pb & 10/g/t Ag); *DeGrussa* (10.7Mt @ 5.1% Cu & 1.7g/t Au); *Horseshoe Lights* (3.3Mt @ 1.7% Cu & 2.9g/t Au produced); *Magellan* (15Mt @ 5.6% Pb) and *Thaduna* (30kt @ 8.7% Cu produced) deposits. The northern Murchison district is under-explored and Lodestar is carrying out regional-scale geophysical and geochemical exploration programs to identify base metal deposits in a range of geological settings.

Minor exploration was completed on the Penfold project (Ni) and this project has now been offered for sale or JV.

The Kimberley project (Ni) is subject to a farm-out agreement with Pindan Exploration Company (PEC, a wholly-owned subsidiary of ASX-listed Panoramic Resources).

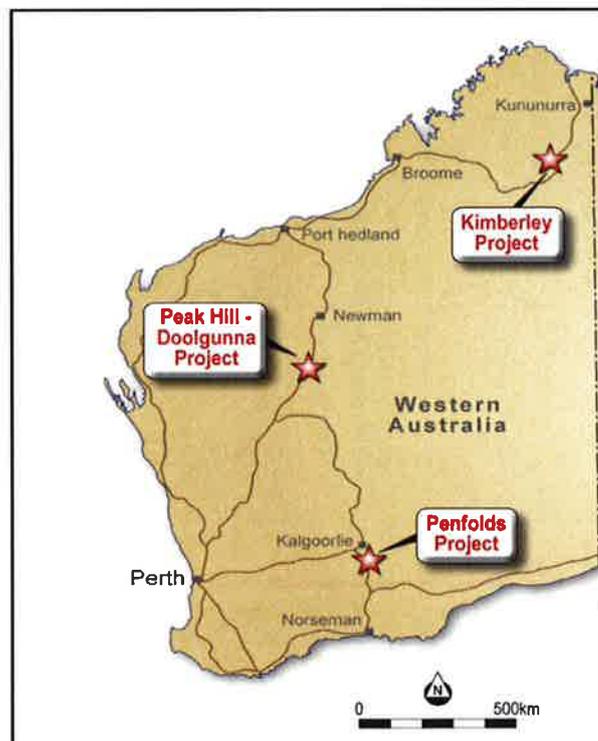


Figure 1 Project locations

OPERATIONS REPORT (continued)

PEAK HILL – DOOLGUNNA PROJECT

Lodestar acquired the Peak Hill – Doolgunna project located in the northern Murchison Gold Field of Western Australia, in March 2010. The project represents a strategic land holding of 2200 square kilometres divided into three project areas (Figure 2)

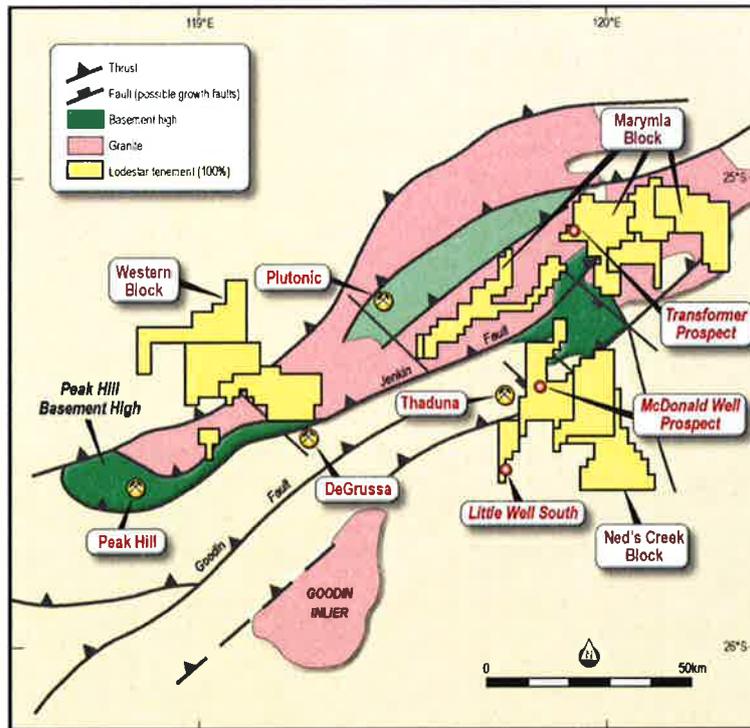


Figure 2 Location of project areas and prospects

- The Western Block – located 6 kilometres northwest of Sandfire Resources’ DeGrussa deposit and midway between the Plutonic and Peak Hill gold camps. The eastern part of the tenement block is largely under transported cover and is interpreted to overlie the Marymia Inlier (granite-greenstone). To the west and north the tenements include sediments of the Bangemall Group.
- The Neds Creek Block – located on the eastern margin of the Yerrida Basin and 7 kilometres east of the Thaduna copper mine. The southern and eastern parts of the Neds Creek tenements are covered by alluvial deposits and the sediments of the Earahedy Basin.
- The Marymia Block – include the contact between the Yerrida Basin and the older Marymia Inlier, this contact defined by a major regional structure, the Jenkin Fault. To the northeast the tenements include a remnant Proterozoic basin overlying the Marymia Inlier and extensive sand cover conceals much of the underlying granite-greenstone terrain.

**Western Block**

The Western Block lie north west of Sandfire Resource’s DeGrussa Cu-Au deposit (Figure 2). A geological review of the historic exploration data and regional geochemical sampling completed by the GSWA (geological survey) has been completed and exploration targets identified. An initial drill program will be scheduled after the completion of the upcoming McDonald Well and Marymia programs.

**OPERATIONS REPORT (continued)**

**PEAK HILL – DOOLGUNNA PROJECT (continued)**

**Neds Creek Block**

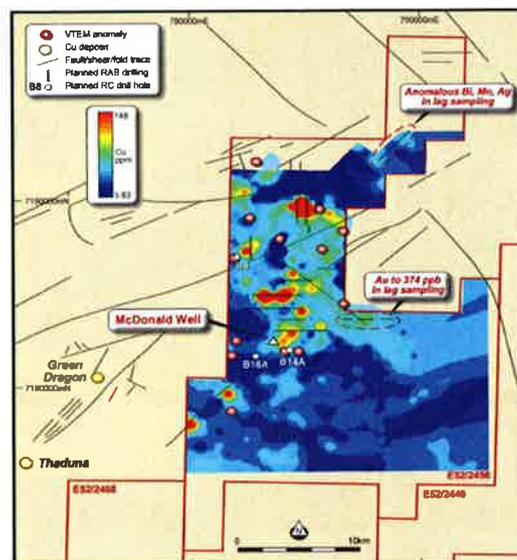
The Neds Creek Block include the McDonald Well prospect, an area north east of the Thaduna copper deposits where Western Mining Corporation carried out exploration for Zambian Copper Belt-style mineralisation between 1969 and 1970. There has been minimal exploration in the area since that time.

The McDonald Well area remains a focus for exploration due to its location on the northern margin of the Yerrida Basin, the proximity of the Jenkin Fault zone and the presence of an extensive black shale horizon at the interface of two major sedimentary sequences. The black shale unit is a potential host for copper mineralisation and may represent the deep-level source of the structurally emplaced Thaduna copper deposits.

Exploration completed during 2010-2011 included

- First-pass RC drilling of selected VTEM (versatile time domain electromagnetic) anomalies – the drilling program intersected black shale (graphite within the shale unit is conductive) in four of the five targets. Three targets in the McDonald Well area returned wide intervals of anomalous base metal and associated element values in the weathered zone above the black shale. This result is considered positive for further exploration as the target horizon extends over a strike distance of at least 7 kilometres and is untested.
- Follow up moving loop EM (electromagnetic) surveys were completed to confirm anomalies identified by the VTEM helicopter-borne survey flown in 2010.
- A gravity survey across the McDonald Well area to identify gravity contrasts potentially related to sulphide bodies.
- Multi-element geochemical lag sampling over the region to identify geochemical anomalies.

Extensive geochemical anomalies and adjacent geophysical targets have been identified and are scheduled for intensive drill testing in Q3 2011 (Figure 3).



**Figure 3 Location of drill targets, McDonald Well area**

**OPERATIONS REPORT (continued)**

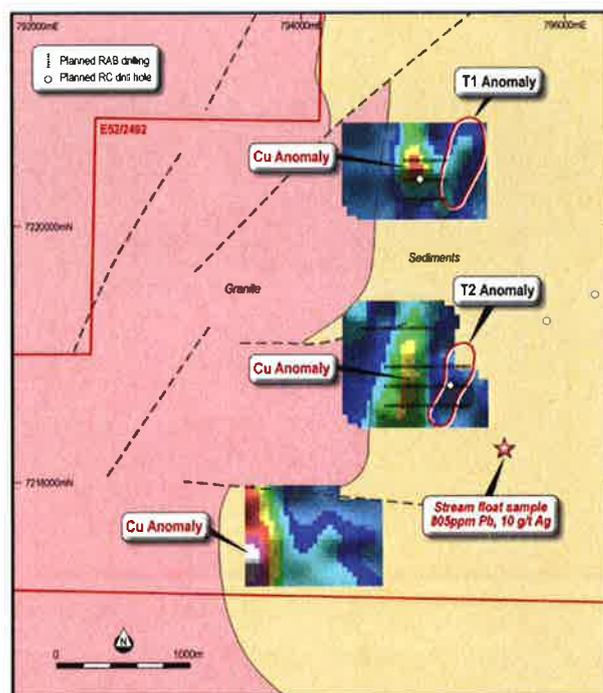
**PEAK HILL – DOOLGUNNA PROJECT (continued)**

**Marymia Block**

The Marymia Block has been the target of historic exploration for gold and diamonds. There has been no reported exploration for base metals. A large area of the tenements is concealed beneath a relatively shallow cover of wind-blown sand and is unexplored. Two additional tenements have been acquired. These include major structures and the north eastern extension of the Marymia Inlier. Lodestar’s exploration included

- A regional VTEM survey over an area of Proterozoic sediments that forms a small (100 square kilometre) basin overlying the Marymia Inlier. The south eastern margin of the basin is truncated by the Jenkin Fault. The survey identified two shallow-dipping late-time (bedrock) conductors, extending over several hundreds of metres of strike, these have been named the Transformer prospect (T1 & T2 conductors).
- Lag sampling was completed on a 1 kilometre grid over areas deemed suitable for surface geochemical sampling. Samples were analysed for an extensive suite of base and precious metals and associated elements, giving very effective geochemical coverage.
- More detailed soil geochemistry was completed over the area of the Transformer prospect. The surface above the conductors is covered by a veneer of hardpan (lithified transported material) up to several metres deep. Nonetheless subtle geochemical anomalies have been reported from the areas up-dip from the T1 & T2 conductors and along the western and northern margins of the basin. These areas are the focus of continuing geochemical sampling.

Initial drilling of the T1 & T2 conductors is scheduled for late August –early September 2011 (Figure 4).



**Figure 4 Transformer prospect - soil geochemistry image and VTEM conductors**

## OPERATIONS REPORT (continued)

### PENFOLDS PROJECT

Lodestar owns the nickel rights to the Penfold project tenements with a total area of approximately 250 square kilometres, located in the Kalgoorlie – Kambalda district of Western Australia (Figure 5).

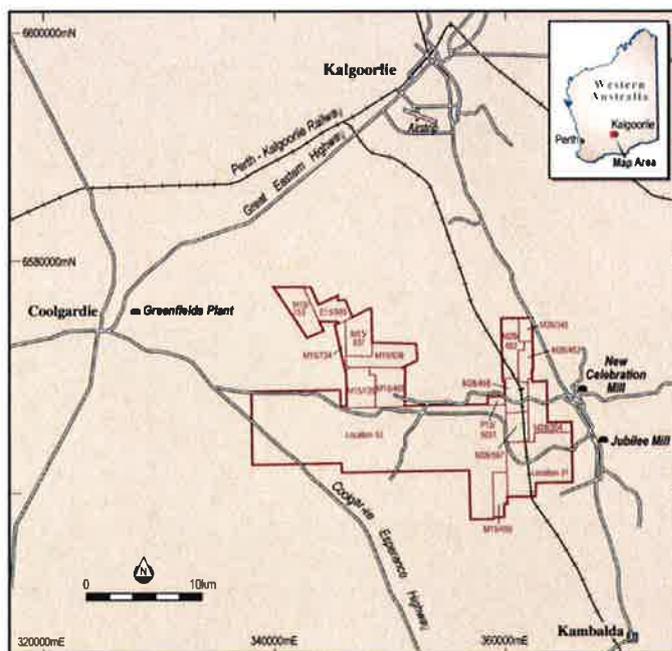


Figure 5 Location - Penfold Nickel Project

The Penfolds tenements cover an estimated 38 kilometres of strike of ultramafic stratigraphy that was initially explored for nickel during the “Nickel Boom” era of 1966 - 1972. From 1972 to 2007 the area was held and explored by gold producers with little interest in nickel exploration. Lodestar commenced exploration in 2008, completing regional EM surveys and targeted RC drilling that confirmed nickel sulphide mineralisation on the eastern ultramafic contact at the Abattoir prospect.

In 2010 a fixed loop survey was completed over a sheared ultramafic unit known as Bluebush North. Outcropping ferruginous gossan anomalous in As and minor copper mineralisation intersected in RAB drilling have been identified along the eastern contact of this unit. The fixed loop survey covered approximately 4.5 kilometres of strike of the ultramafic unit. The survey identified a strong conductor along the length of the survey and this response is attributed to a conductive (sulphidic?) shale horizon. The strength of the response is such that it is unlikely that an adjacent sulphide body within the ultramafic could be discriminated from the strong signal of the shale unit. Further work in this area will focus on detailed geochemical sampling over the ultramafic contacts.

The Company is seeking expressions of interest for a farm-in or outright sale of the Penfolds project whilst it continues to increase its exploration focus on the Peak Hill-Doolgunna project.

### KIMBERLEY PROJECT

Lodestar’s Kimberley project comprises four exploration licences, having a combined area of 185 square kilometres, located 50 kilometres north of Halls Creek (Figure 6). The area is prospective for Ni-Cu-PGM mineralisation hosted by mafic-ultramafic intrusions within the Halls Creek Orogen. An additional tenement covering another 32.7 square kilometres of the Springvale Intrusion was applied for in 2011.

## OPERATIONS REPORT (continued)

### KIMBERLEY PROJECT (continued)

The Kimberley project is subject to a farm-out agreement with Pindan Exploration Company (PEC). Under the terms of the agreement PEC must spend \$1M over three years to earn an 80% interest.

To date PEC have completed a regional VTEM and airborne gravity survey to identify targets for ground exploration and drilling. The field season is currently underway and the results of initial exploration programs are pending.

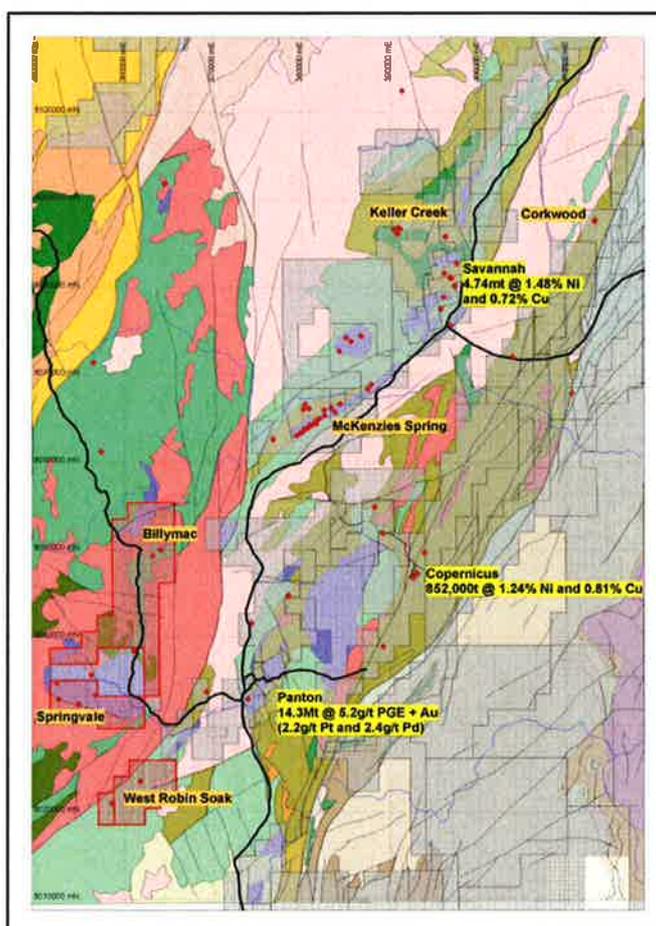


Figure 6 Location - Kimberley Project

*The information in this report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Bill Clayton who is a member of the Australian Institute of Geoscientists. Bill Clayton is a full-time employee of the Company. Bill Clayton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves". Bill Clayton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group comprising of Lodestar Minerals Limited (the Company), and its subsidiary, for the financial year ended 30 June 2011 and the auditor's report thereon.

### 1. DIRECTORS

The directors of the Group at any time during or since the end of the financial year are:

Rhod Grivas  
William Clayton  
David McArthur  
Mark Pitt

#### **Rhod Grivas**

*Non-Executive Chairman*

*Appointed: 13 August 2007*

#### ***Experience and expertise***

Mr Grivas is a geologist with over 20 years experience in corporate and technical management of publically listed mining and exploration companies. He has held a number of executive director positions with resource companies including ASX and TSX listed gold miner, Dioro Exploration NL prior to the Avoca takeover early in 2010.

#### ***Other current directorships***

Non-executive chairman	Canyon Resources Limited	11 December 2009 to current
Executive director	Southern Crown Resources Limited	30 April 2010 to current
Non-executive director	Coventry Resources Limited	2 August 2010 to current

#### ***Former directorships in the past three years***

Executive director	Dioro Exploration NL	2002 to 29 January 2010
Non-executive director	Xstate Resources Limited	March 2007 to 8 July 2010

#### ***Special responsibilities***

Member of the Audit and Risk Management Committee  
Member of the Remuneration and Nominations Committee

#### ***Interest in shares and options***

241,021 ordinary shares  
1,500,000 options

#### **William Clayton**

*Managing Director*

*Appointed: 2 November 2007*

#### ***Experience and expertise***

Mr Clayton, aged 54, has more than 19 years experience in exploration evaluation of Archaean nickel sulphide deposits in Western Australia. Following project geologist roles supervising drilling programs on the Mount Keith and Goliath-Yackabindie nickel sulphide deposits he joined Outkumpu Australia in 1992 as exploration geologist and carried out regional mapping and drilling campaigns throughout the Forrestania greenstone belt, later moving to the role of underground mine geologist.

**1. DIRECTORS (continued)**

**William Clayton (continued)**

***Experience and expertise (continued)***

In 1996 he joined Forrester Gold and shortly after participated in the discovery of the Emily Ann deposit. This led to key supervisory roles with LionOre in the evaluation of the Maggie Hays, Emily Ann and Waterloo-Amorac deposits. He completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for the geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.

***Other current directorships***

None

***Former directorships in the past three years***

None

***Special responsibilities***

None

***Interest in shares and options***

510,000 ordinary shares

Nil options

**David McArthur**

*Executive Director and Company Secretary*

*Appointed: 13 August 2007*

***Experience and expertise***

Mr McArthur, aged 53, has a Bachelor of Commerce Degree from the University of Western Australia. Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies over the past 28 years.

Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

***Other current directorships***

Executive Director	GGG Resources plc	16 March 2011 to current
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***Former directorships in the past three years***

Executive Director	Dioro Exploration NL	1991 to 27 January 2009
Executive Director	Xstate Resources Limited	September 2006 to 8 July 2010

***Special responsibilities***

Chair of the Audit and Risk Management Committee  
Chair of the Remuneration and Nominations Committee

***Interest in shares and options***

3,425,000 ordinary shares

1,500,000 options

## 1. DIRECTORS (continued)

### **Mark Pitt**

*Non-executive Director*

*Appointed: 13 August 2007*

### **Experience and expertise**

Mr Pitt, aged 62, is a mining engineer with extensive resource sector corporate and operational experience. He has been responsible for the development and expansion of a number of mining operations in a variety of commodities. He has held director, operations and other senior management roles in several listed mining companies. These include gold miners Dioro Exploration NL, New Hampton Goldfields Limited and Perseverance Corporation Ltd and nickel and tin miner Metals Exploration Ltd. Experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

### **Other current directorships**

Non-executive Director	Mount Magnet South NL	26 October 2010 to current
------------------------	-----------------------	----------------------------

### **Former directorships in the past three years**

Executive Director	Dioro Exploration NL	2004 to 27 January 2009
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### **Special responsibilities**

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nominations Committee

### **Interest in shares and options**

344,577 ordinary shares

1,500,000 options

## 2. COMPANY SECRETARY

David McArthur is a chartered accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has 28 years experience in the corporate management of publicly listed companies.

## 3. DIRECTORS' MEETINGS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

Director	Full meetings of directors		Meetings of audit and risk management committee		Meetings of remuneration and nominations committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of Meetings held whilst a director	No. of meetings attended	No. of meetings held whilst a director
Rhod Grivas	6	7	-	1	1	1
William Clayton	7	7	1	1	1	1
David McArthur	7	7	1	1	1	1
Mark Pitt	7	7	1	1	1	1

#### 4. REMUNERATION REPORT - AUDITED

##### Principles of Compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Group.

The Group has a Remuneration Policy that aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the board and administered by management at its discretion.

The policy relates individual remuneration to individual performance, the individual's position in the relevant salary market and the need for the organisation to retain and motivate the individual. No remuneration is directly linked with the overall financial performance of the Group.

To give effect to this policy the Group reviews available information that measures the remuneration levels in the various labour markets in which it competes.

The expectation of the Group is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Other than options, the directors do not receive performance related compensation, short or long term incentives, nor any other benefits.

##### *Fixed compensation*

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration committee through a process that considers individual performance and industry remuneration levels. In addition, available independent information is reviewed to ensure the director's compensation is competitive in the market place.

##### *Short-term incentive*

Directors may receive short-term incentives for the successful implementation of board approved projects. No such incentives have been paid.

##### *Long-term incentive*

Subject to shareholder approval, directors may receive options at various times for their ongoing commitment and contribution to the Group.

##### *Consequences of performance on shareholder wealth*

The overall level of key management personnel compensation takes into account the performance of the Company over a number of years.

Performance in respect of the current financial year and the previous three financial years is detailed below:

Shareholder returns	2011	2010	2009	2008
Net loss attributable to equity holders	(\$557,530)	(\$1,141,320)	(\$572,845)	(\$1,170,327)
Basic EPS (cents)	(0.68)	(2.07)	(1.15)	(2.94)
Change in share price (cents)	(3.0)	4.3	(4.0)	(16.0)

#### 4. REMUNERATION REPORT – AUDITED (continued)

##### Principles of Compensation (continued)

##### *Consequences of performance on shareholder wealth (continued)*

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to its shareholders. The measures of performance of the Company set out in the table above have been taken into consideration in determining appropriate levels of remuneration.

##### *Service contracts*

On 29 September 2010, it was resolved to increase the executive remuneration of Mr Bill Clayton to \$180,000 p.a. (including superannuation), effective 1 October 2010. On 15<sup>th</sup> December 2010, the remuneration committee of the board approved an increase in Mr Clayton's executive remuneration to \$200,000 pa, plus superannuation, effective 1 January 2011. Mr Clayton's service contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration. Mr Clayton must give the company three months notice of termination.

Mr McArthur receives executive remuneration of \$85,000 p.a. plus statutory superannuation. Mr McArthur's service contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration. Mr McArthur must give the company three months notice of termination.

##### *Executive and non executive directors*

The compensation for all non-executive directors, as voted by shareholders, is not to exceed \$250,000 per annum in total, and is set based on a comparison of fees paid to other directors of comparable companies.

On 14 December 2010, the remuneration committee of the board approved an increase in non-executive director's fees from \$30,000 to \$45,000 pa, plus superannuation to recognise additional roles on the Remuneration and Nomination and Audit and Risk Management Committees, effective 1 January 2011.

Non executive directors do not receive performance related compensation. Directors' fees cover all main board activities and include statutory superannuation.

Presently, Messrs Grivas and Pitt receive non-executive directors' fees of \$45,000 per annum plus superannuation.

Messrs Clayton and McArthur's directors fees are included as part of their service contracts.

#### 4. REMUNERATION REPORT – AUDITED (continued)

##### Directors' remuneration - audited

Details of the nature and amount of each element of the compensation of each of the directors and key management personnel of the Group are shown below:

Name		Short-term Employment benefits	Post employment benefits	Share Based payments	Total	Options as % of remun- eration
		Salary and fees	Super- annuation	Options		
		\$	\$	\$	\$	%
Rhod Grivas	2011	37,500	3,375	-	40,875	-
	2010	30,000	2,700	-	32,700	-
William Clayton	2011	194,119	15,812	29,715	239,646	12.40
	2010	137,493	11,657	3,598	152,748	2.36
David McArthur	2011	76,326	6,975	-	83,301	-
	2010	73,002	6,397	-	79,399	-
Mark Pitt	2011	37,500	3,375	-	40,875	-
	2010	30,000	2,700	-	32,700	-
<b>Totals</b>	2011	<b>345,445</b>	<b>29,537</b>	<b>29,715</b>	<b>404,697</b>	<b>12.40</b>
	2010	<b>270,495</b>	<b>23,454</b>	<b>3,598</b>	<b>297,547</b>	<b>2.36</b>

##### Notes in relation to the table of directors' remuneration – audited

- a) the Group does not employ any executive officers other than the directors;
- b) the fair value of options granted was determined using the Black and Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
- c) In November 2008, shareholders approved the issue of 1,500,000 options to William Clayton. ASX listing rules require the issue to be completed within one month of shareholder approval. However, this deadline was not met and as a result, these options were cancelled and will be replaced, subject to shareholder approval at the next AGM, with 2,500,000 options. The commencement of the vesting period remains in line with the original issue. However, the new terms that have been adopted require a provisional adjustment of \$29,715 to reflect the additional options to be issued as per the 11 March 2011 announcement. As this is pending approval by the shareholders at the next AGM this additional cost will not be finalised until the new grant date where the fair value will be re-assessed and any difference will be expensed over the new vesting period.
- d) the directors of the Group do not receive performance related remuneration.

#### 4. REMUNERATION REPORT – AUDITED (continued)

##### Directors' remuneration – audited (continued)

The relative proportions of remuneration that are incentives and those that are fixed are as follows:

Name	Fixed remuneration		At risk – STI *		At risk – LTI **	
	2011	2010	2011	2010	2011	2010
Rhod Grivas	100%	100%	-	-	-	-
William Clayton	87%	98%	-	-	13%	2%
David McArthur	100%	100%	-	-	-	-
Mark Pitt	100%	100%	-	-	-	-

\* STI – short-term incentives

\*\* LTI – long term incentives

##### Equity instruments – audited

All options refer to options over ordinary shares of Lodestar Minerals Limited, which are exercisable on a one-for-one basis.

##### *Options and rights over equity instruments granted as compensation – audited*

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period is as follows:

	Number of options granted during 2011	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2011
		(A)	(B)			
<b>Executive directors</b>						
William Clayton	1,000,000	30-Jun-11	3.20	15	30-Jun-16	-
	750,000	30-Jun-11	2.95	20	30-Jun-16	-
	750,000	30-Jun-11	2.59	30	30-Jun-16	-

(A) This is a proxy grant date as the options are to be approved at the 2011 AGM. This date shall therefore be the actual grant date and issue date at which time a true-up adjustment to reflect the fair value of the options issued as of that date will occur;

(B) The market price as at 30 June 2011 has been used to determine the proxy value at 30 June 2011. A true-up adjustment will occur at the issue date.

No options vested during the reporting period.

##### *Modification of terms of equity-settled share-based payment transactions – audited*

On 11 March 2011, 1,500,000 options issued to William Clayton were replaced by 2,500,000 options listed above, as they were not issued within one month of shareholder approval in November 2008, as required by the ASX listing rules.

#### 4. REMUNERATION REPORT – AUDITED (continued)

##### Equity instruments – audited (continued)

###### *Exercise of options granted as compensation – audited*

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

###### *Analysis of options and rights over equity instruments granted as compensation- audited*

Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed below.

	Options granted		% vested in year (A)	% replaced in year (B)	Financial years in which grant vests	Expiry date
	Number	Date				
<b>Executive directors</b>						
William Clayton	500,000	26-Nov-08	-	100%	01-Jul-08	26-Nov-13
	500,000	26-Nov-08	-	100%	01-Jul-09	26-Nov-13
	500,000	26-Nov-08	-	100%	01-Jul-10	26-Nov-13
	1,000,000	30-Jun-11	-	-	01-Jul-12	30-Jun-16
	750,000	30-Jun-11	-	-	01-Jul-13	30-Jun-16
	750,000	30-Jun-11	-	-	01-Jul-14	30-Jun-16
David McArthur	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12
<b>Non executive directors</b>						
Mark Pitt	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12
Rhod Grivas	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12

(A) The amount vested in the year represents the expense recognised in accordance with the accounting standards;

(B) The percentage replaced in the year represents the reduction from the maximum number of options available to vest due to the cancellation of the options originally issued outside the ASX Listing Rules.

#### 4. REMUNERATION REPORT – AUDITED (continued)

##### Equity instruments – audited (continued)

##### *Analysis of movements in options- audited*

The movement during the reporting period, by value, of options over ordinary shares in the Company, held by each key management person is detailed below:

	Granted in year \$ (A)	Value of options exercised in year \$ (B)	Lapsed in year \$ (C)	Cancelled in year \$ (D)
William Clayton	73,511	-	-	15,350

- (A) The value of options granted in the year is the fair value of the options calculated at the provisional grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period which will be from 26 November 2008 to the provisional vesting date of 30 June 2014. Pending shareholder approval at the 2011 AGM, this shall become the effective grant date and a true-up adjustment to the fair value shall be required;
- (B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (C) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved;
- (D) The value of the options cancelled during the year is the fair value of the options issued in November 2008 cancelled and replaced on 11 March 2011.

**This is the end of the Remuneration Report – Audited.**

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## 5. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was exploration and evaluation of copper / gold, nickel and other base metal interests.

There were no other significant changes in the nature of the activities of the Group during the year.

## 6. OPERATING AND FINANCIAL REVIEW

Shareholder returns	2011	2010	2009	2008
Net loss attributable to equity holders	(\$557,530)	(\$1,141,320)	(\$572,845)	(\$1,170,327)
Basic EPS (cents)	(0.68)	(2.07)	(1.15)	(2.94)
Net tangible assets (NTA)	\$1,524,227	\$1,217,698	\$2,474,779	\$3,536,571
NTA Backing (cents)	1.71	1.86	4.95	7.07

Net loss amounts for 2008 to 2011 have been calculated in accordance with Australian Accounting Standards (AASBs).

### Significant changes in the state of affairs

In the opinion of the directors there were no matters that significantly affected the state of affairs of the Group during the financial year in review, other than those matters referred to in the operations report.

## 7. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2011.

## 8. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 9. LIKELY DEVELOPMENTS

The Group will continue exploration activities over its copper / gold, nickel and other base metal tenement interests. The Group will assess corporate growth opportunities.

## 10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Group, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over ordinary shares
Rhod Grivas	241,021	1,500,000
William Clayton	510,000	2,500,000 *
David McArthur	3,425,000	1,500,000
Mark Pitt	344,577	1,500,000

\* These options are yet to be issued and are subject to shareholder approval at the 2011 AGM.

## 11. SHARE OPTIONS

### Options granted to directors of the Group

During or since the end of the financial year, the Group has not granted options over unissued ordinary shares in the Company.

### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price cents	Number of Shares
31-Aug-12	40	4,500,000
30-Jun-16 *	15	1,000,000
30-Jun-16 *	20	750,000
30-Jun-16 *	30	750,000
		7,000,000

\* These options are yet to be issued and are subject to shareholder approval at the 2011 AGM. They have been provisionally accounted for however in the current year with a proxy grant date of 30 June 2011. This therefore is the proxy expiry date and will change to become five years from the effective grant date being the date of the shareholder approval.

All options expire on the earlier of their expiry date or within 30 days of termination of the employee's employment (if applicable).

These options do not entitle the holder to participate in any share issue of the Company.

### Shares issued on exercise of options

During or since the end of the financial year, no shares were issued as a result of the exercise of options.

## 12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has agreed to indemnify each of the directors and the company secretary of the Group, against all liabilities to another person (other than the Group) that may arise from their position, except where the liability arises out of conduct involving fraud, negligence or a lack of good faith. The directors have not included details of the premium paid for reasons of confidentiality.

No agreements have been entered into to indemnify the Group's current auditors against any claims by third parties arising from their report on the Annual Financial Report.

## 13. NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2011	2010
	\$	\$
<b>Audit services:</b>		
<i><b>Auditors of the Company</b></i>		
Audit and review of financial reports (KPMG Australia)	61,532	51,274
	61,532	51,274
<b>Services other than statutory audit:</b>		
<i><b>Other assurance services</b></i>		
Investigating accountants report	-	35,700
<i><b>Other services</b></i>		
Taxation compliance services (KPMG Australia)	13,260	9,500
	13,260	45,200

#### 14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2011.

This report is made with a resolution of the directors.



**DAVID MCARTHUR**

Director

Dated at Perth, Western Australia this 22<sup>nd</sup> day of August 2011.



***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 audit for the financial year ended 30 June 2011 there have been:

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

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' written in a cursive style.

A handwritten signature in blue ink that reads 'Grant Robinson'.  
Grant Robinson  
Partner

Perth

22 August 2011

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### BOARD OF DIRECTORS

#### Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- the establishment of the long term goals of the Group and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Group;
- the review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

#### Composition of the board

The Directors' report contains details of each director's skill, experience and education. The Board seeks to establish a board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence.

The Board comprises a non-executive independent Chairman, two executive directors and one non-executive independent director. Details of the directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

#### Retirement and re-election of directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board since the last Annual General Meeting are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

## **BOARD OF DIRECTORS (continued)**

### **Independence of directors**

The Board has reviewed the position and association of each of the four directors in office at the date of this report and considers that two directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that Messrs Grivas and Pitt meet the criteria in Principle 2. They have no material business or contractual relationship with the Group, other than as director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

### **Independent professional advice**

With the prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

### **Board Performance Review**

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Group has not conducted a performance evaluation of the members of the Board during the reporting period. However, the Board conducts a review of the performance of the Group against strategic objectives on an ongoing basis.

### **Conflict of Interest**

Directors must keep the Board advised of any interest that could potentially conflict with those of the Group.

## **DIRECTOR REMUNERATION**

Details of the Group's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The role of the Audit and risk management committee is documented in a Charter which is approved by the Board of Directors. In accordance with this charter, the majority of members must be non-executive directors. The Chairperson may not be the Chairperson of the board. The role of the committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit and risk management committee for the Group at the date of this report were:

- Mr David McArthur – executive director and company secretary (Chairman of Audit and Risk Management Committee);
- Mr Rhod Grivas – non-executive chairman; and
- Mr Mark Pitt – non-executive director.

The external auditors and the managing director are invited to audit committee meetings at the discretion of the committee. The committee met once during the year and committee members' attendance record is disclosed in the table of directors' meetings.

The external auditor met with the audit committee and the board of directors twice during the year.

The responsibilities of the audit and risk management committee include:

- to review the financial report and other financial information distributed externally;
- to monitor corporate risk assessment processes;
- to review any new accounting policies to ensuring compliance with Australian Accounting Standards and generally accepted accounting principles;
- to review audit reports ensuring that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- to review the nomination and performance of the auditor;
- to liaise with the external auditors ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- to monitor the establishment of an appropriate internal control framework and consider enhancements;
- to monitor the establishment of appropriate ethical standards;
- to monitor the procedures in place ensuring compliance with the Corporations Act 2001, the Australian Stock Exchange Listing Rules and all other regulatory requirements;
- to address any matters outstanding with auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Stock Exchange and other financial institutions; and
- to improve the quality of the accounting function.

The Audit and risk management committee reviews the performance of the external auditors on an annual basis and meets with them during the year.

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## REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee consists of the following directors:

- Mr David McArthur – executive director and company secretary (Chairman of Remuneration and Nomination Committee);
- Mr Rhod Grivas – non-executive chairman; and
- Mr Mark Pitt – non-executive director.

Details of directors' attendance at remuneration and nomination committee meetings are set out in the directors' report.

The remuneration and nomination committee operates in accordance with its charter. The main responsibilities of the committee are:

- to review the size and composition of the board;
- to review and advise the board on the range of skills available on the board and appropriate balance of skills for future board membership;
- to review and consider succession planning for the managing director, the chairman and other directors;
- to develop criteria and procedures for the identification of candidates for appointment as directors and apply the criteria and procedures to identify prospective candidates for appointment as a director and make recommendations to the board;
- to make recommendations to the board regarding any directors who should not continue in office;
- to nominate for approval by the board external experts;
- to determine remuneration policies and remuneration of directors;
- to determine the Group recruitment, retention and termination policies and procedures for senior management;
- to determine and review incentive schemes;
- to determine and review superannuation arrangements of the Group; and
- to determine and review professional indemnity and liability insurance for directors.

## MANAGING BUSINESS RISK

The Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Group's business plan;
- corporate strategy guidelines and procedures to review and approve the Group's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Group's risk profile is reviewed annually. The Board may consult with the Group's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Chief Executive Officer and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

### Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

### Environmental regulation

The Group has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2011.

## ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Group's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Chairman as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Group, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

The Group has advised each director, manager and employee that they must comply with the Group's Ethical Standards.

### Trading in Company securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information or during specified black-out periods. The Chairman (or in his place the Managing Director) must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Group's risk management systems.

## COMMUNICATION WITH SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Group. Information is communicated to shareholders as follows:

- as the Group is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Group's continuous disclosure policy, including quarterly cash flow reports, half-year reviewed accounts, year-end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Group;
- any proposed major changes in the Group's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- all announcements made to the market, and related information are placed on the Company's website after they are released to the ASX;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group; and
- the external auditor is required to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

## COMMUNICATION WITH SHAREHOLDERS (continued)

### *Continuous Disclosure*

The Group has in place a continuous disclosure policy, a copy of which is provided to all Group officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Group's securities.

The continuous disclosure policy aims to ensure timely compliance with the Group's continuous disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules and ensures officers and employees of the Group understand these obligations.

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Group's compliance with this continuous disclosure policy and update it from time to time, if necessary.

## DIVERSITY

The Board is committed to having an appropriate blend of diversity on the board and in the Group's senior executive positions. The board is in the process of establishing a policy regarding gender, age, ethnic and cultural diversity.

The key elements of the diversity policy will include:

- increased gender diversity on the board, aiming for equal gender representation on a full-time equivalent basis by 30 June 2013;
- annual assessment of board gender diversity objectives and performance against objectives by the board and remuneration and nomination committee.

The board considers the Group's key management personnel to be the Group's senior executives.

## ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS NOT FOLLOWED – “IF NOT, WHY NOT” APPROACH

*Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.*

*Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives*

Other than the Board of Directors and Company Secretary, there are currently no other senior executives.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Assets</b>			
Cash and cash equivalents	17a	1,596,099	1,302,616
Other receivables	15	24,187	11,140
Prepayments		9,228	10,433
<b>Total current assets</b>		<b>1,629,514</b>	<b>1,324,189</b>
Property, plant and equipment	13	13,500	8,849
Exploration and evaluation	14	9,093,821	7,806,641
<b>Total non-current assets</b>		<b>9,107,321</b>	<b>7,815,490</b>
<b>Total assets</b>		<b>10,736,835</b>	<b>9,139,679</b>
<b>Liabilities</b>			
Trade and other payables	22	78,310	96,208
Employee benefits	20	40,477	19,132
<b>Total current liabilities</b>		<b>118,787</b>	<b>115,340</b>
<b>Total liabilities</b>		<b>118,787</b>	<b>115,340</b>
<b>Net assets</b>		<b>10,618,048</b>	<b>9,024,339</b>
<b>Equity</b>			
Share capital		13,706,527	11,585,003
Reserves		353,543	323,828
Accumulated losses		(3,442,022)	(2,884,492)
<b>Total equity attributable to equity holders of the Company</b>		<b>10,618,048</b>	<b>9,024,339</b>

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Continuing operations</b>			
Other income	7	-	4,945
Administrative expenses	9	(426,854)	(324,927)
Exploration expenditure written off	14	(19,648)	(739,616)
Other expenses	10	(200,124)	(143,231)
<b>Results from operating activities</b>		<b>(646,626)</b>	<b>(1,202,829)</b>
Finance income	11	89,096	61,509
<b>Net finance income</b>		<b>89,096</b>	<b>61,509</b>
<b>Loss before income tax</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
Income tax expense	12	-	-
<b>Loss from continuing operations</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
<b>Loss for the period</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
<b>Loss attributable to owners of the Company</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(557,530)</b>	<b>(1,141,320)</b>
<b>Loss per share</b>			
Basic and diluted (cents per share)	19	(0.68)	(2.07)

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	Share capital \$	Equity-settled benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2010		11,585,003	323,828	(2,884,492)	9,024,339
<b>Total comprehensive income for the year</b>					
Loss for the year		-	-	(557,530)	(557,530)
Total other comprehensive income / (expense)		-	-	-	-
Total comprehensive income for the year		-	-	(557,530)	(557,530)
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Issue of ordinary shares		2,240,250	-	-	2,240,250
Capital raising costs		(118,726)	-	-	(118,726)
Share-based payment transactions	21	-	29,715	-	29,715
Total contributions by and distributions to owners		2,121,524	29,715	-	2,151,239
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		2,121,524	29,715	-	2,151,239
Balance at 30 June 2011		13,706,527	353,543	(3,442,022)	10,618,048

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	Share capital \$	Equity-settled benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2009		9,725,003	320,230	(1,743,172)	8,302,061
<b>Total comprehensive expense for the year</b>					
Loss for the year		-	-	(1,141,320)	(1,141,320)
Total other comprehensive expense		-	-	-	-
Total comprehensive expense for the year		-	-	(1,141,320)	(1,141,320)
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Issue of ordinary shares		1,860,000	-	-	1,860,000
Capital raising costs		-	-	-	-
Share-based payment transactions	21	-	3,598	-	3,598
Total contributions by and distributions to owners		1,860,000	3,598	-	1,863,598
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		1,860,000	3,598	-	1,863,598
Balance at 30 June 2010		11,585,003	323,828	(2,884,492)	9,024,339

The notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(601,980)	(416,100)
<b>Net cash used in operating activities</b>	17(b)	<b>(601,980)</b>	<b>(416,100)</b>
<b>Cash flows from investing activities</b>			
Interest received		87,497	62,423
Acquisition of subsidiary, net of cash		-	(114,250)
Acquisition of property, plant and equipment		(7,868)	(3,000)
Payments for exploration, evaluation and development		(1,273,190)	(656,421)
<b>Net cash used in investing activities</b>		<b>(1,193,561)</b>	<b>(711,248)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(114,240)
Proceeds from issue of shares		2,207,750	-
Capital raising costs		(118,726)	-
<b>Net cash from / (used in) financing activities</b>		<b>2,089,024</b>	<b>(114,240)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>293,483</b>	<b>(1,241,588)</b>
Cash and cash equivalents at 1 July		1,302,616	2,544,204
<b>Cash and cash equivalents at 30 June</b>	17(a)	<b>1,596,099</b>	<b>1,302,616</b>

The notes are an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**1. REPORTING ENTITY**

Lodestar Minerals Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is 41 Stirling Highway, Nedlands, Perth, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiary (together referred to as the “Group” and individually as “Group Entities”). The Group primarily is involved in the mineral exploration industry in Australia.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (“AASBs”) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS’s) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of the Directors on 22<sup>nd</sup> August 2011.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except share-based payments which are measured at fair value.

**(c) Going concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has recorded a net loss after tax for the year ended 30 June 2011 of \$557,530, (2010: loss \$1,141,320) and experienced net cash inflows of \$293,483 (2010: outflows \$1,241,588), primarily due to the capital raising during the year of \$2,207,750 (2010: Nil).

Management have prepared and the directors have approved a Group cash flow forecast supporting the Company having adequate cash flows for a period of 12 months from the date of the audit report.

The directors believe after consideration of the following matters, there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable and is a going concern because of the following matters:

- the sourcing of joint venture partners to fund planned exploration activities;
- the ability to issue securities to raise additional capital; and
- the ability of the Group to scale down its exploration activities to conserve cash. (i.e. discretionary spend)

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. Notwithstanding this, there is uncertainty whether the Group will be able to continue as a going concern.

**2. BASIS OF PREPARATION (continued)**

**(c) Going concern (continued)**

Should the Group be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

**(d) Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

**(e) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

***Critical judgements***

**(i) *Going concern***

A key assumption underlying the preparation of the financial statements is that the entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the entity is a going concern as set out in note 2(c).

***Estimates and assumptions***

**(ii) *Exploration and evaluation assets***

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(d)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(d), a judgment is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 3(e). The carrying amounts of exploration and evaluation assets are set out in note 14.

**2. BASIS OF PREPARATION (continued)**

**(e) Use of estimates and judgements (continued)**

*Estimates and assumptions (continued)*

*(iii) Recognition of tax losses*

In accordance with the Group's accounting policies for deferred taxes (refer note 3(i)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The Group currently does not recognise deferred tax assets.

*(iv) Share-based payments*

As set out in Note 21, share-based payments have been calculated at fair value using the Black & Scholes method and have been recognised as either an employee or professional expense, according to its nature.

**(f) Changes in accounting policies**

*Presentation of transactions recognised in other comprehensive income*

From 1 July 2010, the Group has applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income in note 18 to the financial statements.

**(g) Removal of parent entity financial statements**

The Group has applied amendments to the Corporations Act (2001) that remove the requirements for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 29.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(f), which addresses changes in accounting policies.

#### (a) Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

##### (ii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

#### (b) Financial instruments

##### (i) *Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and other receivables.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise other receivables.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Financial instruments (continued)**

**(i) Non-derivative financial assets (continued)**

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(h).

**(ii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

**(iii) Share capital**

*Ordinary Shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

*Dividends*

Dividends are recognised as a liability in the period in which they are declared.

**(c) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" and "other expenses" in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Property, plant and equipment (continued)**

**(ii) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	Method	2011	2010
Plant and equipment	Straight line	20%	20%
Fixtures and fittings	Straight line	20%	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(d) Exploration and evaluation**

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Exploration and evaluation (continued)**

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- (a) The rights to tenure of the area of interest are current; and
- (b) At least one of the following conditions is also met:
  - (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
  - (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets, only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as tangible assets include:

- Piping and pumps;
- Tanks; and
- Exploration vehicles and drilling equipment.

Assets that are classified as intangible include:

- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

Borrowing costs incurred in connection with the financing of exploration and evaluation activities are expensed as incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Exploration and evaluation (continued)

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being classified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

##### *Impairment testing of exploration and evaluation assets*

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(e)(ii).

#### (e) Impairment

##### (i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Impairment (continued)**

**(i) *Non-derivative financial assets (continued)***

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

**(ii) *Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

**(f) Employee benefits**

**(i) *Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(ii) *Share-based payment transactions***

The share option programme allows Group employees to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Employee benefits (continued)**

**(ii) *Share-based payment transactions (continued)***

The fair value of the options granted is measured using the Black & Scholes formula, taking into account, the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

**(g) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the true value of money and the risks specific to the liability.

***Site Restoration***

In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

**(h) Finance income and finance costs**

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

**(i) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Income tax (continued)**

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

***Tax consolidation***

The Company and its wholly-owned Australian resident entity are not a consolidated group for tax purposes.

**(j) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(k) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Segment reporting

##### *Determination and presentation of operating segments*

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Group's 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.

#### (m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

### 4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **Trade and other receivables**

Trade and other receivables are short-term in nature. As a result, the fair value of these instruments is considered to approximate its carrying value.

#### **Non-derivative financial liabilities**

Trade and other payables are short term in nature. As a result, the fair value of these instruments is considered to approximate its carrying value.

#### **Share-based payment transactions**

The fair value of stock options is based on market value, if available. If market value is not available, then the fair value of stock options is measured using the Black and Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 5. FINANCIAL RISK MANAGEMENT

### Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

### Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

#### *Cash and cash equivalents*

The Group limits its exposure to credit risk by only depositing with authorised banking institutions and only with counterparties that have an acceptable credit rating.

#### *Trade and other receivables*

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Management does not expect any counterparty to fail to meet its future obligations and therefore the Group has not established an allowance for impairment that represents their estimate of incurred losses in respect of intercompany loans and receivables and investments.

## 5. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Refer to Note 2(c) for basis of going concern.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is not exposed to currency or any other market risk with the exception of interest rate risk as detailed below.

### Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure (see note 23(d) for sensitivity analysis).

### Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year.

The Group entities are not subject to externally imposed capital requirements.

## 6. OPERATING SEGMENTS

The Group has two reportable segments, being copper / gold and nickel exploration and evaluation in Western Australia.

The basis of segmentation and measurement is included below.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

**6. OPERATING SEGMENTS**

**Information about reportable segments**

	Copper / Gold		Nickel		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Reportable segment loss before income tax	-	-	(19,648)	(739,616)	(19,648)	(739,616)
Reportable segment assets	3,637,941	2,473,627	5,455,880	5,333,014	9,093,821	7,806,641
Other materials items:						
Impairment loss on exploration and evaluation	-	-	(19,648)	(739,616)	(19,648)	(739,616)
Capitalised exploration and evaluation expenditure - acquired	61,453	2,083,374	-	-	61,453	2,083,374
Capitalised exploration and evaluation expenditure - additions	1,117,509	390,253	127,866	245,348	1,245,375	635,601

## 6. OPERATING SEGMENTS

### Reconciliation of reportable segment loss, assets and liabilities and other material items

	2011 \$	2010 \$
<b>Loss</b>		
Total loss for reportable segments	(19,648)	(739,616)
Unallocated amounts: other corporate expenses	(626,978)	(463,213)
Finance expense (including foreign currency translation)	-	-
Finance income	89,096	61,509
	<u>(557,530)</u>	<u>1,141,320</u>
<b>Assets</b>		
Total assets for reportable segments	9,093,821	7,806,641
Other assets	1,643,014	1,333,038
	<u>10,736,835</u>	<u>9,139,679</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	(13,498)	(12,360)
Other liabilities	(105,289)	(102,980)
	<u>(118,787)</u>	<u>(115,340)</u>

	Reportable segment totals \$	Adjustments \$	Consolidated totals \$
<b>Other material items 2011</b>			
Capitalised exploration and evaluation expenditure - acquired	61,453	-	61,453
Capitalised exploration and evaluation expenditure - additions	1,245,375	-	1,245,375
Impairment of exploration and evaluation	(19,648)	-	(19,648)
<b>Other material items 2010</b>			
Capitalised exploration and evaluation expenditure - acquired	2,083,374	-	2,083,374
Capitalised exploration and evaluation expenditure - additions	635,601	-	635,601
Impairment of exploration and evaluation	(739,616)	-	(739,616)

## 7. OTHER INCOME

	Note	2011 \$	2010 \$
Debt forgiveness		-	4,945
		-	4,945

## 8. PERSONNEL EXPENSES

Directors and executives remuneration		328,188	260,592
Contributions to defined contribution plans		29,537	23,453
Increase / (decrease) in liability for annual leave		17,257	9,902
Equity-settled share-based payment transactions		29,715	3,598
		404,697	297,545
Capitalised to exploration and evaluation		129,997	101,602
Expensed in administrative expenses	9	274,700	195,943
Personnel expenses included in Administrative Expenses		404,697	297,545

In November 2008, shareholders approved the issue of 1,500,000 options to William Clayton. ASX listing rules require the issue to be completed within one month of shareholder approval. However, this deadline was not met and as a result, these options were cancelled and will be replaced, subject to shareholder approval at the next AGM, with 2,500,000 options. The commencement of the vesting period remains in line with the original issue. However, the new terms that have been adopted require a provisional adjustment of \$29,715 to reflect the additional options to be issued as per the 11 March 2011 announcement. As this is pending approval by the shareholders at the next AGM this additional cost will not be finalised until the new grant date where the fair value will be re-assessed and any difference will be expensed over the new vesting period.

## 9. ADMINISTRATIVE EXPENSES

	Note	2011 \$	2010 \$
Personnel expenses	8	274,700	195,943
Advertising and publicity		19,784	3,817
Communication and information services		3,281	26,388
Office administration		66,961	57,452
Bank charges		351	296
Share registry and statutory fees		61,777	41,031
		426,854	324,927

**10. OTHER EXPENSES**

	Note	2011 \$	2010 \$
Professional fees		196,907	140,212
Depreciation and amortisation	13	3,217	2,355
(Gain) / loss on disposal of property, plant and equipment		-	664
		200,124	143,231

**11. FINANCE INCOME AND EXPENSE**

Interest income on bank deposits	89,096	61,509
Finance income	89,096	61,509
Net finance income recognised in profit or loss	89,096	61,509
The above finance income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:		
Total interest income on financial assets	89,096	61,509

**12. INCOME TAX EXPENSE**

<b>Current tax benefit</b>		
Current period	(539,537)	(485,753)
	(539,537)	(485,753)
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	539,537	485,753
Total income tax expense	-	-

**12. INCOME TAX EXPENSE (continued)**

**Numerical reconciliation between tax expense and pre-tax accounting loss**

	2011 \$	2010 \$
Loss for the period	(557,530)	(1,141,320)
Total income tax expense	-	-
Loss excluding income tax	(557,530)	(1,141,320)
Income tax using the Company's domestic tax rate of 30% (2010: 30%)	(167,259)	(342,396)
Non-deductible expenses	9,057	1,278
Tax losses not brought to account	158,202	341,118
	-	-
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	10,378,200	8,857,357
Potential tax benefit at 30% (2010: 30%)	3,113,460	2,657,207

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of \$3,113,460 (2010: \$2,657,207) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for deductibility imposed by tax legislation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Company in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business test.

**13. PROPERTY, PLANT AND EQUIPMENT**

	Fixtures And Fittings \$	Computer Equipment \$	Field Equipment \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2009	2,468	8,824	-	11,292
Additions	3,000	-	-	3,000
Disposals	(947)	-	-	(947)
<b>Balance at 30 June 2010</b>	<b>4,521</b>	<b>8,824</b>	<b>-</b>	<b>13,345</b>
Balance at 1 July 2010	4,521	8,824	-	13,345
Additions	-	7,195	673	7,868
<b>Balance at 30 June 2011</b>	<b>4,521</b>	<b>16,019</b>	<b>673</b>	<b>21,213</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2009	501	1,923	-	2,424
Depreciation for the year	596	1,759	-	2,355
Disposals	(283)	-	-	(283)
<b>Balance at 30 June 2010</b>	<b>814</b>	<b>3,682</b>	<b>-</b>	<b>4,496</b>
Balance at 1 July 2010	814	3,682	-	4,496
Depreciation for the year	904	2,242	71	3,217
<b>Balance at 30 June 2011</b>	<b>1,718</b>	<b>5,924</b>	<b>71</b>	<b>7,713</b>
<b>Carrying amounts</b>				
Balance at 30 June 2010	3,707	5,142	-	8,849
Balance at 30 June 2011	2,803	10,095	602	13,500

**14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE**

	2011 \$	2010 \$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	9,093,821	7,806,641
<b>Movements for the period:</b>		
<b>Exploration and evaluation expenditure</b>		
Opening balance	7,806,641	5,827,282
Acquisitions	61,453	2,083,374
Additions	1,245,375	635,601
Written off	(19,648)	(739,616)
	9,093,821	7,806,641

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of otherwise of economically recoverable reserves.

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.

**15. OTHER RECEIVABLES**

	2011 \$	2010 \$
Bank interest income	5,963	4,364
Other receivables	-	194
Deposits	5,303	-
GST receivable	12,921	6,582
	24,187	11,140
Non-current	-	-
Current	24,187	11,140

**16. DEFERRED TAX ASSETS AND LIABILITIES**

**(a) Unrecognised deferred tax assets and liabilities**

Unrecognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	-	-	(753)	(486)	(753)	(486)
Exploration and evaluation expenditure	-	-	(2,270,976)	(1,884,822)	(2,270,976)	(1,884,822)
Trade and other receivables	-	-	(1,789)	(1,309)	(1,789)	(1,309)
Black hole deductible costs	70,442	59,764	-	-	70,442	59,764
Trade and other payables	12,000	10,807	-	-	12,000	10,807
Employee benefits	12,143	5,740	-	-	12,143	5,740
Carry forward tax losses	3,113,460	2,657,207	-	-	3,113,460	2,657,207
	<b>3,208,045</b>	<b>2,733,518</b>	<b>(2,273,518)</b>	<b>(1,886,617)</b>	<b>934,527</b>	<b>846,901</b>

The Group does not recognise deferred tax assets as it is not probable that sufficient taxable amounts will be available in future periods to enable the benefit to be realised.

## 17. CASH AND CASH EQUIVALENTS

### (a) Reconciliation of cash and cash equivalents

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

	2011 \$	2010 \$
Cash and cash equivalents in the statement of cash flows	1,596,099	1,302,616

The perceived credit risk is low as cash and cash equivalents are with authorised deposit taking institutions.

### (b) Reconciliation of cash flows from operating activities

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Loss for the period		(557,530)	(1,141,320)
Adjustments for:			
Depreciation	13	3,217	2,355
Finance income	11	(89,096)	(61,509)
Debt forgiveness	7	-	(4,945)
Exploration and evaluation expenditure written off	14	19,648	739,616
Equity-settled share-based payment transactions	8	29,715	3,598
Loss on disposal of property, plant and equipment		-	664
		(594,046)	(461,541)
Change in other receivables		(11,449)	11,184
Change in trade and other payables	22	(19,035)	26,726
Change in prepayments		1,205	(2,371)
Change in employee benefits provisions	20	21,345	9,902
		(601,980)	(416,100)
Interest paid	11	-	-
Income taxes paid	12	-	-
<b>Net cash used in operating activities</b>		<b>(601,980)</b>	<b>(416,100)</b>

## 18. CAPITAL AND RESERVES

### (a) Share capital

	Ordinary shares	
	2011 Number	2010 Number
<b>On issue at 1 July</b>	<b>65,500,003</b>	<b>50,000,003</b>
05-Mar-10 Issue of shares at 12 cents each pursuant to: the acquisition of Audacious Resources Pty Ltd	-	13,500,000
the acquisition of exploration tenements	-	1,500,000
consulting fees re: Audacious acquisition	-	500,000
20-Sep-10 Placement of shares at 9.5 cents each	9,250,000	-
05-Nov-10 Placement of shares at 9.5 cents each	13,989,474	-
15-Dec-10 Issue of shares at 13 cents each pursuant to: the acquisition of exploration tenements	250,000	-
<b>On issue at 30 June</b>	<b>88,989,477</b>	<b>65,500,003</b>

### (b) Issuance of ordinary shares

On 20 September 2010, the Company issued 9,250,000 ordinary shares at a market value of 9.5 cents per share (2010: nil).

On 29 October 2010, the annual general meeting of shareholders approved the issuance of 13,989,474 ordinary shares at a market value of 9.5 cents per share (2010: nil). These shares were issued on 5 November 2010.

On 15 December 2010, 250,000 ordinary shares were issued at a market value of 13 cents per share (2010: nil) for the acquisition of tenements.

All issued shares are fully paid.

### (c) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new shares issues by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

The Company has also issued share options (see note 21).

**18. CAPITAL AND RESERVES (continued)**

**(d) Reserves**

*Equity-based benefits reserve*

The equity-based benefits reserve represents the cost of options that have been granted as share-based payments but not exercised. This reserve will be transferred to capital should these options be exercised or reversed through profit and loss should certain vesting conditions not be met.

Subject to shareholder approval at the 2011 AGM, 2,500,000 options will replace the 1,500,000 options that were cancelled on 11 March 2011. The approval date will become the effective grant date. In the current financial year, these 2,500,000 replacement options have been provisionally accounted for utilising a proxy grant date of 30 June 2011 with the calculated balance offset by the fair value of the cancelled options recognised in previous accounting periods. This provisional valuation will be subject to a true-up adjustment for the calculated fair value at the effective grant date.

At 30 June 2011, the Group held 7,000,000 options with an exercise price between 15 and 40 cents per share. These options were granted to the directors on 12 October 2007 and 30 June 2011.

**19. LOSS PER SHARE**

**(a) Basic loss per share**

The calculation of basic loss per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of \$557,530 (2010: \$1,141,320) and a weighted average number of ordinary shares outstanding of 81,954,783 (2010: 55,010,962) calculated as follows:

*Loss attributable to ordinary shareholders*

	2011	2010
	\$	\$
Loss for the period	(557,530)	(1,141,320)

*Weighted average number of ordinary shares (basic)*

	2011	2010
	Number	Number
Issued ordinary shares at 1 July	65,500,003	50,000,003
Effect of shares issued during the period	16,454,780	5,010,959
	81,954,783	55,010,962

**19. LOSS PER SHARE**

**(b) Diluted loss per share**

The calculation of diluted loss per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of \$557,530 (2010: \$1,141,320) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 81,954,783 (2010: 55,010,962) calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	2011 Number	2010 Number
Weighted average number of ordinary shares (basic)	81,954,783	55,010,962
Effect of share options on issue	-	-
	81,954,783	55,010,962

At 30 June 2011, 7,000,000 options (2010: 6,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

**20. EMPLOYEE BENEFITS**

	2011 \$	2010 \$
<b>Current</b>		
Liability for annual leave	36,389	19,132
Liability for superannuation	4,088	-
	40,477	19,132

## 21. SHARE-BASED PAYMENT PLANS

### (a) Description of the share-based payment arrangements

At 30 June 2011 the Group has the following share-based payment arrangements.

#### *Equity-settled share option programme*

An employee option plan has been established which enables the Group to issue key management personnel options over the ordinary shares of the Company. The options, issued for nil consideration, are issued in accordance with guidelines established by the directors of the Group. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares. All options to date are granted at the discretion of the directors.

On 11 March 2011 the Group cancelled 1.5 million options and, subject to shareholder approval will be replaced with 2,500,000 options (see note 18(d)). The net effect of the cancellation and replacement resulted in an additional expense of \$29,715 being recognised in employee expenses.

The fair value of services received for share options granted is based on the fair value of options granted, measured using the Black-Scholes formula.

### (b) Terms and conditions of share-option programme

The terms and conditions relating to the grant of existing share options are as follows:

Tranche	Grant date	Number of instruments	Vesting conditions	Contractual life of options
1	12- October-2007	4,500,000	Vested upon granting	4.9 years
2	30 June 2011 *	1,000,000	12 months from date of issue	5 years
3	30 June 2011 *	750,000	24 months from date of issue	5 years
4	30 June 2011 *	750,000	36 months from date of issue	5 years
		7,000,000		

\* This is a proxy grant date as the issue is subject to shareholder approval at the 2011 AGM at which time the approval date shall become the effective grant date.

**21. SHARE-BASED PAYMENT PLANS (continued)**

**(c) Disclosure of share option programme**

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2011		Number of options 2011	Weighted average exercise price 2010		Number of Options 2010
Outstanding at 1 July	37.5	cents	6,000,000	37.5	cents	6,000,000
Replaced during the period	30.0	cents	(1,500,000)	-	cents	-
Exercised during the period	-	cents	-	-	cents	-
Replaced with during the period	21.0	cents	2,500,000	-	cents	-
Outstanding at 30 June	33.2	cents	7,000,000	37.5	cents	6,000,000
Exercisable at 30 June	40.0	cents	4,500,000	37.3	cents	5,500,000

The options outstanding at 30 June 2011 have an exercise price between 15 and 40 cents (2010: between 20 and 40 cents) and a weighted average contractual life of 2.54 years (2010: 2.48 years).

No options were exercised, however, 1,500,000 options were replaced with 2,500,000 options during the year (2010: no options granted, exercised or forfeited).

**(d) Inputs for measurement of grant date fair values**

The fair value of services received in return for share options granted was based on the fair value of share options on the date granted, measured using the Black Scholes options pricing model. Expected volatility was estimated by considering historic average share price volatility.

**(e) Employee expenses**

	Note	2011 \$	2010 \$
Share options granted in 2009	8	-	3,598
Share options replaced in 2011	8	29,715	-
Total expense recognised as employee costs		29,715	3,598

The value of each tranche of options is recognised as employee expenses over their respective vesting periods.

## 22. TRADE AND OTHER PAYABLES

	2011	2010
	\$	\$
<b>Current</b>		
Trade payables	16,320	53,099
Non-trade payables and accrued expenses	61,990	43,109
	78,310	96,208

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

## 23. FINANCIAL INSTRUMENTS

### (a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	\$	\$
Other receivables	24,187	11,140
Cash and cash equivalents	1,596,099	1,302,616
	1,620,286	1,313,756

None of the Group's receivables are past due.

### (b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	6 months or less
	\$	\$	\$
<b>30 June 2011</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	78,310	78,310	78,310
	78,310	78,310	78,310
<b>30 June 2010</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	96,208	96,208	96,208
	96,208	96,208	96,208

**23. FINANCIAL INSTRUMENTS (continued)**

**(c) Foreign currency risk management**

The Group is not exposed to foreign currency risk.

**(d) Interest rate risk**

**Profile**

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2011	2010
	\$	\$
<b>Variable rate instruments</b>		
Financial assets	1,596,099	1,302,616
	1,596,099	1,302,616

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100 bp increase	100 bp decrease
	\$	\$
<b>30 June 2011</b>		
Variable rate instruments	15,961	(15,961)
Cash flow sensitivity	15,961	(15,961)
<b>30 June 2010</b>		
Variable rate instruments	13,026	(13,026)
Cash flow sensitivity	13,026	(13,026)

At the reporting date the Group did not hold any variable rate financial liabilities.

**(e) Fair values of financial assets and liabilities**

The fair values of the financial assets and liabilities at balance date of the Group approximate the carrying amounts in the financial statements.

## 24. COMMITMENTS

	2011	2010
	\$	\$
<b>Office rent</b>		
Less than one year	34,283	34,286
Between one and five years	-	32,083
	34,283	66,369
<b>Mineral exploration</b>		
Not later than one year	1,192,650	1,196,978

## 25. CONTINGENCIES

The Group has no contingent assets or liabilities.

## 26. RELATED PARTIES

### (a) Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

	2011	2010
	\$	\$
Short term employee benefits	345,445	270,495
Post-employment benefits	29,537	23,454
Share-based payments	8 29,715	3,598
	404,697	297,547

### (b) Individual directors and executives compensation

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

**26. RELATED PARTIES (continued)**

**(c) Key management personnel and director transactions**

A number of key management personnel and directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities (as detailed below) transacted with the Group in the reporting period. The terms and conditions of the transaction with key management personnel and their related parties were no more favourable than those available, or which might be reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to and entities over which key management personnel have control or significant influence were as follows:

		Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b><i>Key management person</i></b>	<b><i>Transaction</i></b>				
David McArthur	Management fee	75,000	75,000	12,500	18,750
Total and current liabilities				12,500	18,750

The Company paid a management fee to Broadway Management Pty Ltd, a company associated with Mr McArthur, for the management of the accounting, financial reporting and statutory compliance functions of the Company.

**26. RELATED PARTIES (continued)**

**(d) Options and rights over equity instruments**

The movement during the reporting period in the number of options over ordinary shares in Lodestar Minerals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2010	Granted as com- pensation	Exercised	* Other changes	Held at 30 June 2011	Vested during the year	Vested and Exercisable At 30 June 2011
<b>Directors</b>							
William Clayton	1,500,000	2,500,000	-	(1,500,000)	2,500,000	-	-
David McArthur	1,500,000	-	-	-	1,500,000	-	1,500,000
Rhod Grivas	1,500,000	-	-	-	1,500,000	-	1,500,000
Mark Pitt	1,500,000	-	-	-	1,500,000	-	1,500,000
	Held at 1 July 2009	Granted as com- pensation	Exercised	* Other changes	Held at 30 June 2010	Vested during the year	Vested and Exercisable At 30 June 2010
<b>Directors</b>							
William Clayton	1,500,000	-	-	-	1,500,000	500,000	1,000,000
David McArthur	1,500,000	-	-	-	1,500,000	-	1,500,000
Rhod Grivas	1,500,000	-	-	-	1,500,000	-	1,500,000
Mark Pitt	1,500,000	-	-	-	1,500,000	-	1,500,000

\* Other changes represent options that were cancelled and replaced.

**26. RELATED PARTIES (continued)**

**(e) Movements in shares**

The movement during the reporting period in the number of ordinary shares in Lodestar Minerals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2010	Purchases	Received on exercise of options	Sales	Held at 30 June 2011
<b>Directors</b>					
William Clayton	310,000	200,000	-	-	510,000
David McArthur	2,840,319	584,681	-	-	3,425,000
Mark Pitt	144,577	200,000	-	-	344,577
Rhod Grivas	241,021	-	-	-	241,021
	<b>Held at 1 July 2009</b>	<b>Purchases</b>	<b>Received on exercise of options</b>	<b>Sales</b>	<b>Held at 30 June 2010</b>
<b>Directors</b>					
William Clayton	310,000	-	-	-	310,000
David McArthur	2,840,319	-	-	-	2,840,319
Mark Pitt	144,577	-	-	-	144,577
Rhod Grivas	241,021	-	-	-	241,021

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

**26. RELATED PARTIES (continued)**

**(f) Other related parties**

Contributions to superannuation funds on behalf of employees are disclosed in note 8.

**27. GROUP ENTITIES**

Name	Place of incorporation	Financial Year end	2011 %	2010 %
<i>Parent entity</i>				
Lodestar Minerals Limited	Australia	30 June		
<i>Subsidiary</i>				
Audacious Resources Pty Ltd	Australia	30 June	100	100

**28. AUDITORS' REMUNERATION**

	2011 \$	2010 \$
<b>Audit Services:</b>		
<i>Auditors of the Company</i>		
Audit and review of financial reports (KPMG Australia)	61,532	51,274
	61,532	51,274
<b>Services other than statutory audit</b>		
<i>Other assurance services</i>		
Investigating accountant's report	-	35,700
<i>Other services</i>		
Taxation compliance services (KPMG Australia)	13,260	9,500
	13,260	45,200

## 29. PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2011, the parent entity of the Group was Lodestar Minerals Limited.

	2011	2010
	\$	\$
<b>Result of the parent entity</b>		
Loss for the period	(557,297)	(1,146,438)
Other comprehensive income	-	-
Total comprehensive income for the period	(557,297)	(1,146,438)
<b>Financial position of parent entity at year end</b>		
Current assets	1,629,514	1,311,497
Total assets	10,731,952	9,134,561
Current liabilities	118,788	115,340
Total liabilities	118,788	115,340
<b>Total equity of the parent entity comprising of:</b>		
Share capital	13,706,527	11,585,003
Equity-settled benefits reserve	353,543	323,828
Accumulated losses	(3,446,906)	(2,889,609)
<b>Total equity</b>	10,613,164	9,019,222
<b>Commitments</b>		
<i>Office rent</i>		
Less than one year	34,283	34,286
Between one and five years	-	32,083
	34,283	66,369
<i>Mineral exploration</i>		
Not later than one year	588,650	592,978

## 30. SUBSEQUENT EVENTS

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

## DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Lodestar Minerals Limited (the "Company"):
  - (a) the consolidated financial statements and notes, and the Remuneration report set out in section 4 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) as set out in note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.
- 3 The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 22<sup>nd</sup> day of August 2011.



**DAVID MCARTHUR**  
Director



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

### **Report on the financial report**

We have audited the accompanying financial report of Lodestar Minerals Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

### **Report on the remuneration report**

We have audited the Remuneration Report included in section 4 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Lodestar Minerals Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

  
KPMG

  
Grant Robinson  
Partner

Perth

22 August 2011

## STOCK EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### 1. SHAREHOLDER INFORMATION

#### (a) Distribution of fully paid ordinary shares at 31 July 2011

Category			Number of Shareholders	Shares held
1	-	5,000	3,962	3,949,602
5,001	-	10,000	298	2,250,810
10,001	-	100,000	801	22,286,141
100,001	-	1,000,000	128	33,710,552
1,000,001	and	over	11	26,792,369
			5,200	88,989,474

#### (b) Distribution of options at 31 July 2011

Category			Number of Option holders	Options held
1,000,001	and	over	4	7,000,000
			4	7,000,000

#### (c) Marketable Parcel

The number of shareholders holding less than a marketable parcel of ordinary shares is 4,052.

#### (d) Voting rights

##### *Ordinary shares*

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

##### *Options*

There are no voting rights attached to the options.

**1. SHAREHOLDER INFORMATION (continued)**

**(d) Substantial shareholders**

The number of shares held by substantial shareholders and their associates are set out below:

Name	Ordinary shares Number of Shares
Glenn Griffen Venn Money	6,124,475
Robert John McArthur Anderson	5,400,000
Ross Jeremy Taylor	4,676,713

**(e) Unlisted 31 August 2012 Options**

There are 4,500,000 options held by 3 holders on issue that are exercisable at \$0.40 on or before 31 August 2012.

**(f) Unlisted 30 June 2016 Options**

There are 2,500,000 options held by 1 holder on issue that are exercisable at \$0.15-\$0.30 on or before 30 June 2016.

These options are yet to be issued and are subject to shareholder approval at the 2011 AGM. They have been provisionally accounted for however in the current year with a proxy grant date of 30 June 2011. This therefore is the proxy expiry date and will change to become five years from the effective grant date being the date of the shareholder approval.

**(g) Shareholders**

The twenty largest shareholders hold 40.79% of the total issued ordinary shares in the Company as at 31 July 2011.

**2. TOP TWENTY SHAREHOLDERS AS AT 31 JULY 2011**

Name	Ordinary shares	
	Number of Shares	Percentage of issued shares
1 Glenn Griffin Venn Money	6,124,475	6.88
2 Robert John McArthur Anderson	5,400,000	6.07
3 Ross Jeremy Taylor	4,676,713	5.26
4 DASMAL (WA) Pty Ltd <McArthur Super fund>	2,892,436	3.25
5 Calm Holdings Pty Ltd <Clifton Super Fund>	2,150,000	2.42
6 Drew Griffin Money	2,100,000	2.36
7 Royal Sunset Pty Ltd	1,500,000	1.69
8 La Mancha Resources Australia Pty Ltd	1,324,343	1.49
9 Mark Phillip Jones & Carol Jones <Hardfarm Super Fund>	1,250,000	1.40
10 Ross Jeremy Taylor & Natasha Taylor <Jamanaro Super>	1,140,000	1.28
11 Calm Holdings Pty Ltd <Tide A/C>	1,052,631	1.18
12 Mark Phillip Jones	1,000,000	1.12
13 KSL Corp Pty Ltd	920,000	1.03
14 Cadogan Grove Pty Ltd <Wood Family Super>	895,780	1.01
15 M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	880,280	0.99
16 Sarah Elizabeth Adlington	800,000	0.90
17 Rosilyn May Watson & Dennis Trevor Costin	612,000	0.69
18 Paso Holdings Pty Ltd	576,018	0.65
19 Harold Walter Daly & Maureen Hazel Daly <Daly S/F A/C>	500,000	0.56
20 Ematilda Pty Ltd <The Fisheagle Fund A/C>	500,000	0.56
	<b>36,294,676</b>	<b>40.79</b>