Lodestar Minerals Limited ABN 31 127 026 528

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Website
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29 September 2010

ASX Limited

Electronic Lodgement

Dear Sir / Madam

RE: 2010 Annual Report

We attach the annual report for Lodestar Minerals for the year ended 30 June 2010.

Yours faithfully
LODESTAR MINERALS LIMITED

D McArthur

DAVID McARTHUR
Director

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

ANNUAL REPORT

2010

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONTENTS

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

COMPANY DIRECTORY

DIRECTORS:	William Clayton David McArthur Mark Pitt Rhod Grivas
COMPANY SECRETARY:	David McArthur
REGISTERED AND PRINCIPAL OFFICE:	41 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9423 3200 Facsimile: (08) 9389 8327
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033
BANKERS:	ANZ Banking Group Limited 31 Broadway NEDLANDS WA 6009
AUDITORS:	KPMG Level 8 235 St George's Terrace PERTH WA 6000
SOLICITORS:	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public Company

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

OPERATIONS REPORT

INTRODUCTION

Following the acquisition of the Peak Hill – Doolgunna project, Lodestar has three exploration projects in Western Australia and has commenced the important transition towards becoming a diversified multi-commodity explorer. Lodestar's projects comprise:

- The Peak Hill – Doolgunna (Cu–Au) project, 170 kilometres north east of Meekatharra;
- The Penfold (Ni) project, 30 kilometres south of Kalgoorlie; and
- The Kimberley (Ni-Cu) project, 50 kilometres north of Halls Creek (Figure 1).

The Peak Hill – Doolgunna area is a highly prospective, emerging and under-explored base metal and gold province and forms the core of the Company's exploration portfolio. Lodestar intends to focus its activities on the systematic exploration of the Peak Hill – Doolgunna tenements in the immediate future.

The Penfold project includes three ultramafic belts and historic nickel prospects located between Kalgoorlie and Kambalda, a world class nickel province.

The Kimberley project consists of four recently granted exploration licences over previously identified Ni-Cu gossans and layered mafic-ultramafic intrusions in the Halls Creek region.

The Penfold and the Kimberley projects have significant exploration merit and will be offered for farm-out to enable the Company to focus on the exploration of the Peak Hill – Doolgunna project.

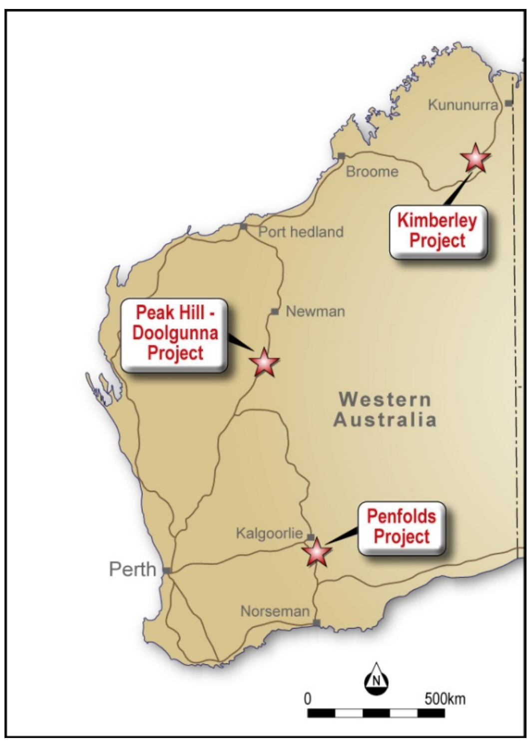

Figure 1 Project Location Plan

OPERATIONS REPORT (continued)

PEAK HILL – DOOLGUNNA

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 2,000 square kilometres, comprising 13 tenements located adjacent to Sandfire Resource's DeGrussa Cu-Au deposit (10.67Mt at 5.6% Cu and 1.9g/t Au) and spanning an area of 120 kilometres to the north east, along the margins of the Jenkin Fault zone (Figure 2). The DeGrussa discovery has brought the Peak Hill – Doolgunna area into focus as a premier base metal province and has stimulated an unprecedented level of exploration activity within the district.

Following the acquisition of the tenements, a 1,823 line kilometre VTEM (versatile time domain electromagnetic) survey was flown over two priority areas. These areas comprised the tenements adjacent to, and northwest of, Sandfire Resource's DeGrussa Cu-Au discovery (WESTERN PROJECT) and the tenements immediately to the east of Sipa Resource's Thaduna copper project, where historic copper occurrences are reported within Lodestar's tenements e.g. McDonald Well and Little Well South (NEDS CREEK PROJECT).

The VTEM method can rapidly assess large areas and provides an excellent regional targeting tool in resistive (non-conductive) terrains and where there is extensive shallow cover overlying basement geology. VTEM has been used extensively in the Doolgunna region to explore for massive sulphide style mineralisation and the survey represents the first use of modern geophysical methods on Lodestar's tenements.

The VTEM surveys have identified numerous anomalies associated with the north eastern margin of the Yerrida Basin, the same sedimentary sequence that hosts the Thaduna copper deposits. Historic exploration completed by Western Mining Corporation and CRA identified widespread copper anomalism within the Juderina and Johnsons Cairn Formations and a number of the VTEM anomalies are coincident with previously defined multi-element geochemical anomalies and northwest striking structures. These areas represent priority drill targets.

All of the thirteen tenements have now been granted. In principle, agreement has been reached with the Yamatji Land Council and a final agreement is expected to be signed shortly, allowing heritage clearance surveys to be planned over the Neds Creek tenements prior to drilling.

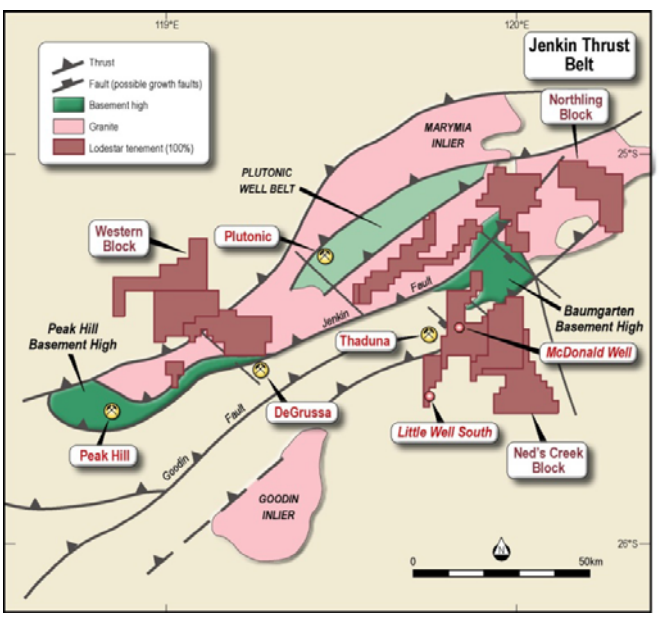

Figure 2 Location plan showing Lodestar's Peak Hill - Doolgunna tenements extending along the Jenkin Thrust Belt over a distance of 120 kilometres

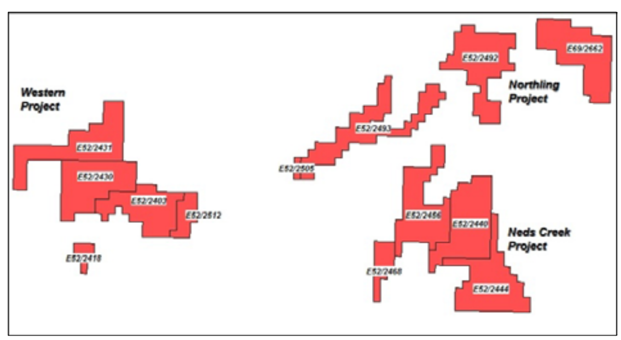

Figure 2A Lodestar's Peak Hill – Doolgunna tenements in summary form

Neds Creek Project

The Neds Creek project comprises tenements E52/2440, E52/2444, E52/2456 and E52/2468. The VTEM survey was flown over the area of the Yerrida Basin adjacent to the Thaduna copper deposits and three areas identified by historic exploration - McDonald Well, the K42 aeromagnetic body and Little Well South prospect. Widely spaced reconnaissance lines of VTEM were flown over both the K42 magnetic anomaly and Little Well South as a first pass evaluation. The final interpretation of the results was received from the Company's geophysical consultants in June 2010.

A total of 29 discrete EM anomalies were identified from the VTEM program. Of these, 5 anomalies were sufficiently well defined to be modelled as immediate drill targets (Figure 3).

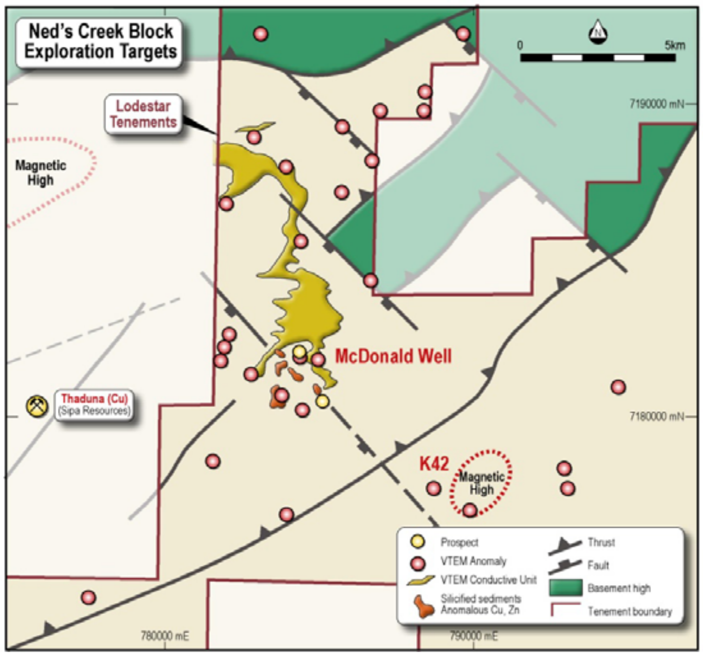

Figure 3 Neds Creek Project showing multiple VTEM anomalies, geochemical anomalies and interpreted structures

The McDonald Well area was identified by Western Mining Corporation (WMC) in 1969 -1970 as an area of wide-spread copper anomalism. Mapping and sampling by WMC outlined sporadic outcrops of sediments over an area of approximately 60 square kilometres that reported numerous assays of >500ppm Cu. The McDonald Well prospect area returned the highest reported assays, up to 4200ppm Cu and 1120ppm Zn associated with a northwest trending zone of silicified ironstones and brecciated sediments. In 1989 – 1990 CRA carried out auger sampling over the McDonald Well area on a 400m x 100m grid. The auger sampling covered an area of 6 x 3 kilometres that included the McDonald Well prospect and a number of conductors identified by the VTEM survey. A review of the historic geochemical data has revealed multi-element anomalies (As-Bi-Mo-Cu-Zn) spatially associated with two of the modelled conductors that are also adjacent to parallel northwest trending lineaments or faults. The coincidence of VTEM electrical conductors, geochemical anomalies indicative of a sulphide source and structures (sub-basin rift margins as fluid pathways) in an area of regional copper anomalism is potentially highly significant and the McDonald Well area is a high priority for drill testing, follow-up surface EM surveys and geochemical sampling.

The K42 magnetic anomaly and Little Well South reconnaissance VTEM lines also returned encouraging results, both areas host VTEM anomalies requiring follow up surface EM surveys.

Neds Creek Project (continued)

Planned Exploration Activities

A proposed time line of events leading to drill testing of the defined VTEM targets at McDonald Well is given below (Table 1). The objective is to:

- initially drill test the VTEM targets;
- extend surface geochemical sampling regionally and in-fill the existing McDonald Well grid where required;
- define additional EM targets in the Neds Creek project area (with additional geological information from the exploration drilling and reconnaissance exploration); and
- extend the VTEM survey on the basis of exploration results and perceived potential. Reconnaissance exploration will commence towards the end of September.

Table 1 Proposed time line of events, Neds Creek Project (dependent on availability of heritage clearance personnel and contractors)

ACTIVITY	SEPT	OCT	NOV	DEC	JAN	MAR	APR	MAY	JUN
Native Title Negotiations									
Heritage Clearance surveys & Reporting									
Reconnaissance exploration - geochemistry									
Soil geochemistry									
Stream geochemistry									
Surface EM									
Drilling									
VTEM									

Western Project

The Western Project lies northwest of Sandfire Resource's DeGrussa Cu-Au deposit (Figure 4). VTEM was flown over two tenements, E52/2403 and E52/2512, marginal to the Jenkin Fault zone. Historic exploration had identified two soil geochemical anomalies of up to 15ppb to 70ppb Au and a copper anomaly associated with a ferruginous breccia. The area is largely covered by transported alluvium and hardpan. The VTEM survey data is dominated by a large north northwest trending drainage channel that is probably a reservoir for saline groundwater. A number of low amplitude anomalies have been identified outside the drainage system and are recommended for follow-up surface EM surveys to confirm the VTEM results.

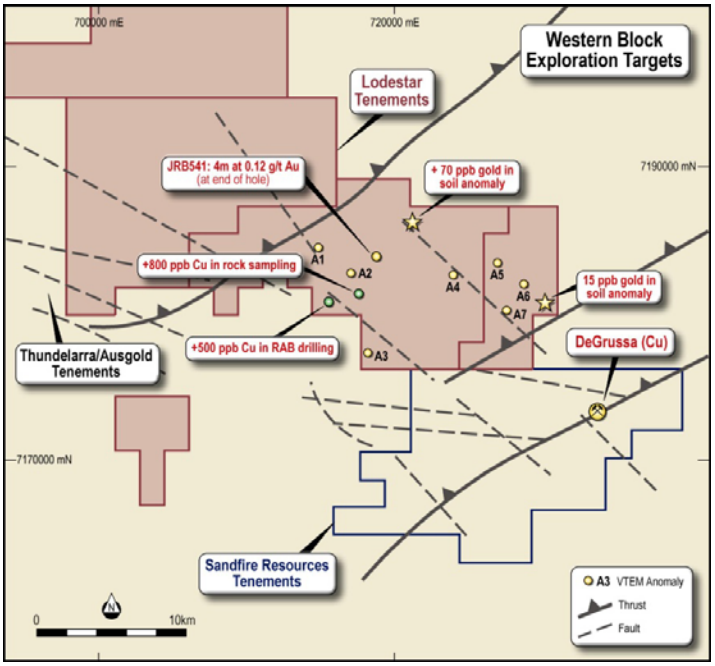

Figure 4 Western Project showing location of VTEM anomalies and historic exploration targets

Planned Exploration Activities

A regional stream sampling program is proposed for the Western Project to establish the potential of large areas of the Bangemall Basin and the Marymia Inlier where well defined drainage from areas of outcrop is known to exist.

In areas under cover, the historic drill holes will be checked and re-sampled where possible to obtain comprehensive geochemical information and determine the origin of the underlying basement geology. This information will help drive a target generation phase that aims to gain a better understanding of the potential of the Marymia Inlier between the major gold production centres of Plutonic and Peak Hill.

Northling Project

The Northling tenements extend along the margins of the Jenkin Fault system and the Marymia Inlier over a distance of 80km (Figure 2). No further work has been completed on the Northling Project. Initial reconnaissance exploration of the area will follow up the previously reported historic drill intersections of sulphides in diamond exploration drilling and establish the most effective methods for advancing geochemical exploration for gold and base metals.

Planned Exploration Activities

Initial reconnaissance exploration will focus on historic exploration targets outlined by exploration drilling and stream/soil sampling. Large areas of the tenements west of Northling lie along the margins of the Jenkin Fault, a major thrust fault system that has received minimal exploration. Areas suitable for surface geochemical sampling will be defined and programs implemented.

PENFOLDS PROJECT

Lodestar owns the nickel rights to the Penfold project tenements with a total area of approximately 300 square kilometres, located in the Kalgoorlie – Kambalda district of Western Australia (Figure 5).

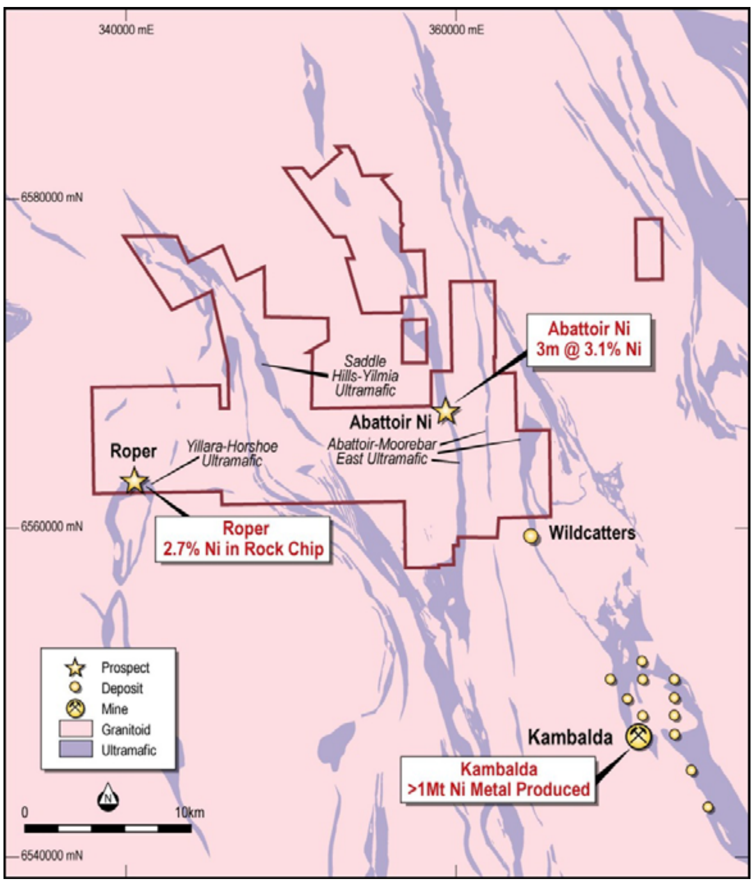

Figure 5 Location plan - Penfold Project

OPERATIONS REPORT (continued)

The Penfolds tenements cover an estimated 48 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.

During 2009 a detailed moving loop EM survey was completed over the Wildcatters North area. The survey covered the northern strike continuation of the ultramafic sequence that hosts the Wildcatters nickel deposit located 2.7 kilometres south of Lodestar's project boundary. A steeply dipping conductor adjacent to the ultramafic contact was identified in the north of the survey area and was subsequently tested by several traverses of RAB drilling.

RAB drilling was also carried out on the western contact of the Abattoir ultramafic where surface sampling and previous drilling outlined Ni-Cu anomalism. Two adjacent RAB drill holes on the same traverse intersected significant Ni-Cu intercepts:

- LPR181 – 17m at 1.55% Ni and 824ppm Cu from 2m (including a maximum 2.59% Ni and 2710ppm Cu from 10m);
- LPR182 – 1m at 1.43% Ni 494ppm Cu from 34m (bottom of hole sample).

RAB drilling at the Abattoir prospect has confirmed the earlier anomalous results and locally high Cu values suggest these anomalies are derived from a sulphide source in the underlying bedrock that has not been tested by deeper drilling. On the basis of these encouraging results, the Company will seek expressions of interest from companies exploring in the area to farm into the Penfolds project.

Wildcatters' Ultramafic – Location 51

A 26 line kilometre EM survey was completed over the northern strike extension of the ultramafic sequence hosting the Wildcatters nickel occurrence on Location 51 (Figure 6). The survey identified a steeply west dipping moderate conductor with a strike length of greater than 400m in the northern area of the survey. Historic drilling and aeromagnetic data confirmed the presence of ultramafic units in the vicinity of the conductor.

A sulphidic chert was intersected by two lines of drilling in a position that coincides with the top of the modelled conductor and therefore it is believed to be the source of the EM anomaly. There were no anomalous values of nickel or copper reported from the drilling.

Abattoir Prospect – Location 53

Three traverses of RAB drilling were completed over the western footwall contact of the ultramafic to test an area of anomalous surface samples and historic drill hole intersections. Two adjacent RAB holes (LPR181 and LPR182) returned elevated values of nickel and copper from ultramafic on the margin of the Proterozoic age Celebration dolerite. LPR181 reported 17m at 1.55%Ni and 824ppm Cu from 2m depth and LPR182 reported 1m at 1.43% Ni and 494ppm Cu from the bottom of hole at 34m (Figure 6).

OPERATIONS REPORT (continued)

Abattoir Prospect – Location 53 (continued)

Hand sampling of relatively fresh Proterozoic dolerite intersected in historic drilling reported 204ppm Ni and 100ppm Cu. Therefore, it is unlikely that the Proterozoic dolerite is a significant contributor to the geochemical anomalies confirmed by the RAB drilling, and sulphide mineralisation within the underlying ultramafic sequence remains a realistic possibility.

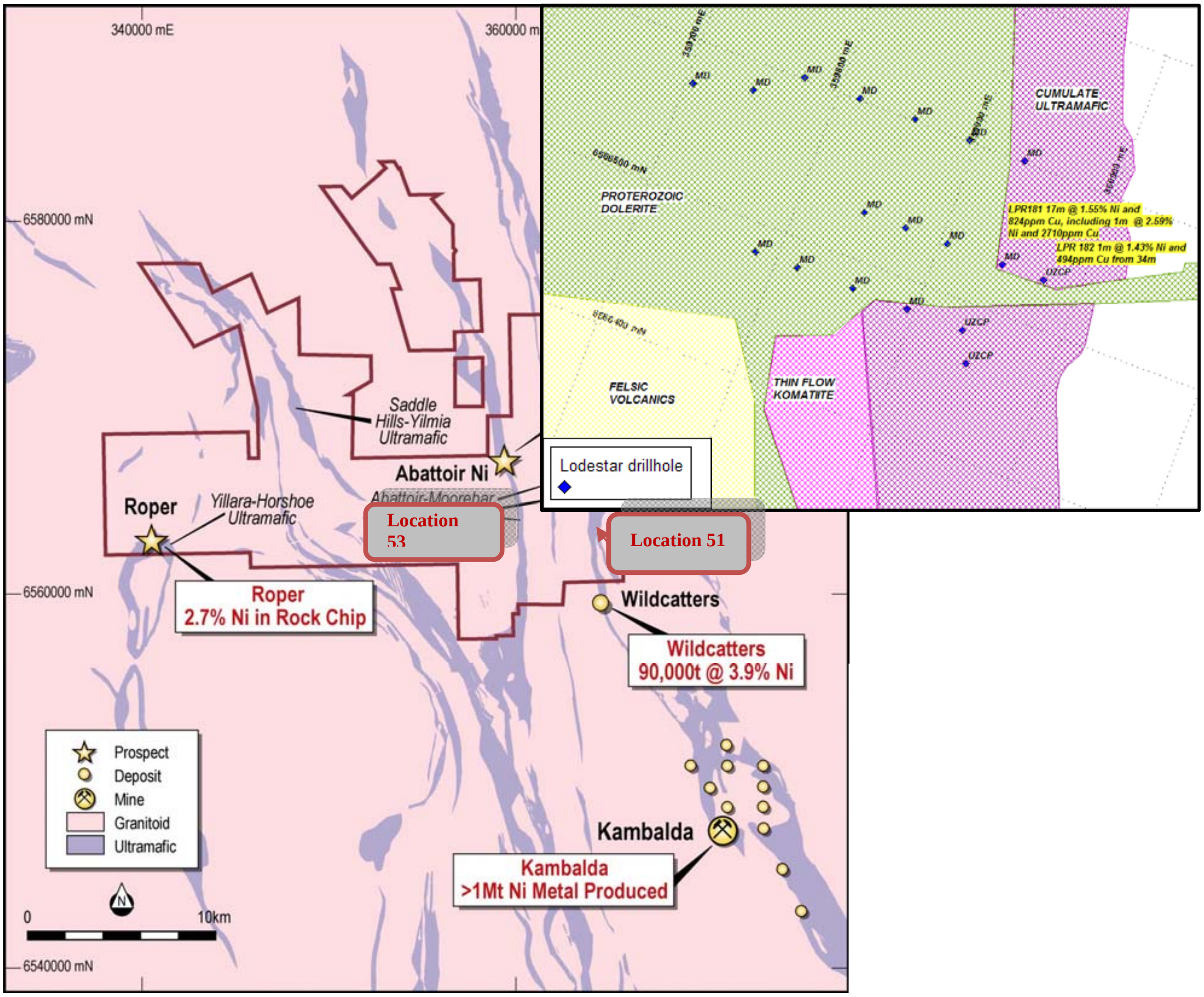

Figure 6 Location Plan - Abattoir Prospect - RAB drill holes showing the location of anomalous intersections (inset)

KIMBERLEY PROJECT

Lodestar's Kimberley project comprises four recently granted exploration licences, having a combined area of 185 square kilometres, located 50 kilometres north of Halls Creek. The area is prospective for Ni-Cu-PGE mineralisation hosted by mafic-ultramafic intrusions within the Halls Creek Orogen. Sulphide gossans have been identified in three prospect areas within Lodestar's tenements:

- Billymac;
- West Robin Soak; and
- Springvale.

Corridor Gabbro (Billymac)

The Corridor Gabbro is an elongated layered gabbro 13 km long by 1.5 km wide, with a coincident gravity anomaly (Figure 7). Gossans were identified near the contact with granite and have been the focus of limited previous exploration (Billymac). Historic surface sampling at the Billymac prospect reported 0.14% to 0.5% Ni and 2.95% to 5% Cu.

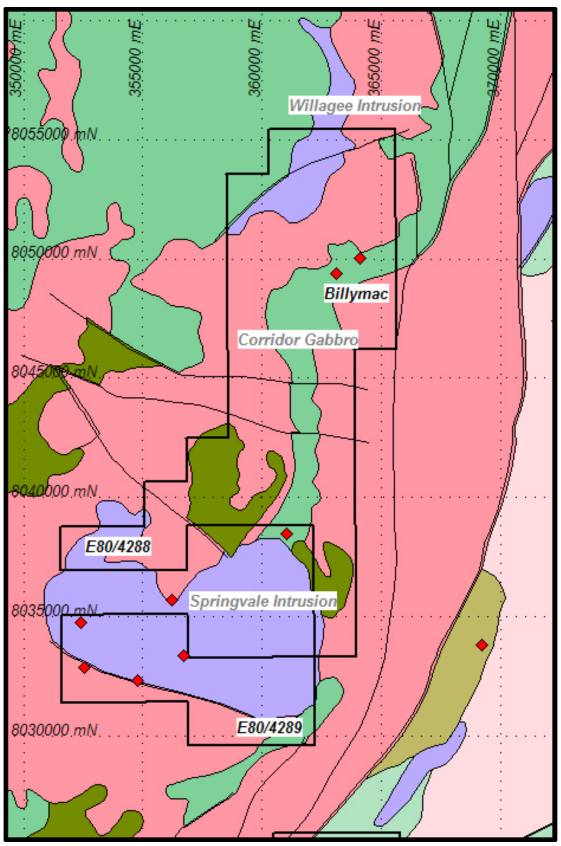

Figure 6 Billymac and Springvale prospects

Springvale

The Springvale intrusion is a 6km x 13km body consisting of twin lobes of differentiated olivine gabbro. Iron-rich gossans are developed along the faulted and sheared southern contact. Previous surface sampling of gossanous outcrops has reported values of up to 2100ppm Ni and 2500ppm Cu.

West Robin Soak

Two narrow, parallel belts of mafic-ultramafic outcrop intermittently over 16 kilometres as pyroxenite and peridotite sills. Three gossan zones have been identified along strike, known as:

- Springvale A;
- West Robin Soak; and
- Un-named prospect (Figure 8).

Approximately 10.3 kilometres of strike of the prospective mafic-ultramafic sequence occurs within Lodestar's tenements. Transported Cainozoic covering over much of the ultramafic sequence has impeded geochemical prospecting in the past.

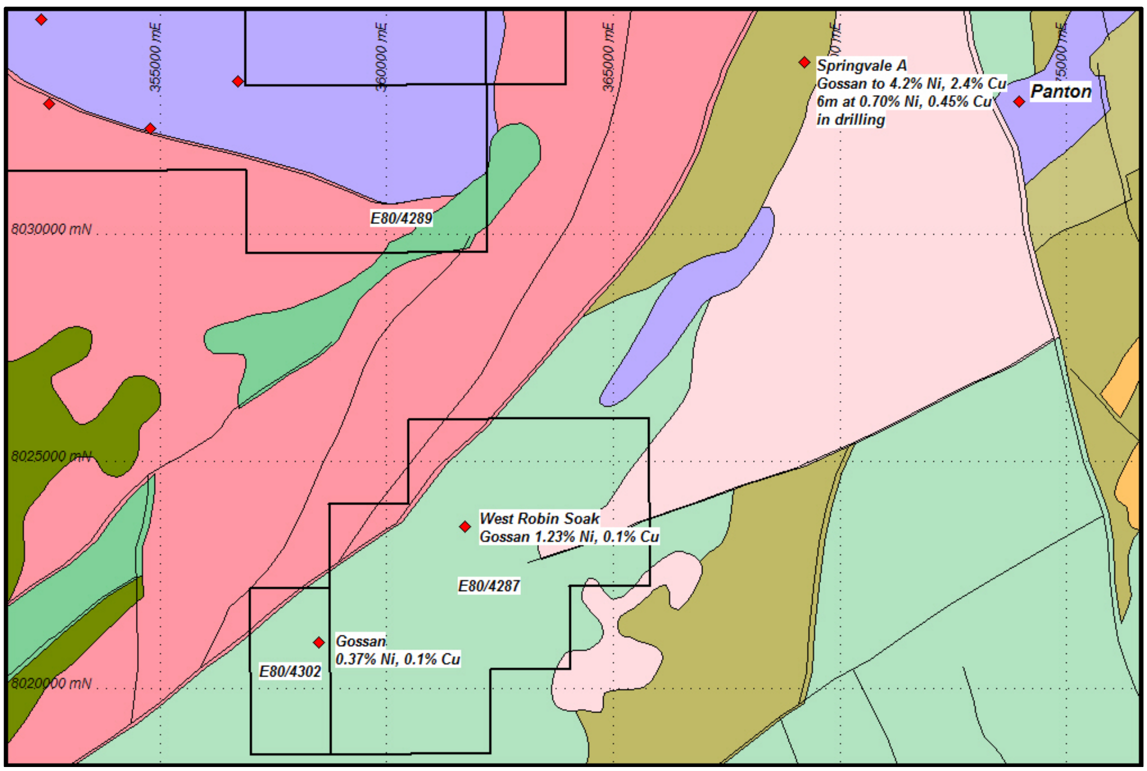

Figure 7 West Robin Soak prospect

The information in this report, to which this statement is attached that relates to Exploration Result,s 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 Lodestar Minerals Limited for the financial year ended 30 June 2010 and the auditor's report thereon.

1. DIRECTORS

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

***Rhoderick Gordon John Grivas**, Non-executive chairman*

Mr Grivas, aged 44, is a geologist with over 20 years' experience in all technical aspects of exploration, from grassroots through to resource estimation and feasibility. He has held a number of director and management positions with junior resource companies and worked at Gilt-Edged Mining NL prior to its takeover by Goldfields Limited (now Barrick), as the Kundana exploration manager during the discovery by Gilt-Edged Mining of a million ounce gold resource, located directly along strike from Dioro Exploration NL's Frog's Leg deposit. Mr Grivas was also Managing Director of Dioro prior to the company being taken over by Avoca Resources Limited.

Appointed 13 August 2007

***William Frank Clayton**, Managing Director*

Mr Clayton, aged 53, has more than 18 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. In 1996 he joined Forrestania 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.

Appointed 2 November 2007

***David Maxwell McArthur**, Executive Director / Company Secretary*

Mr McArthur, aged 52, is a Chartered Accountant, with over 28 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 for the past 27 years.

Appointed 13 August 2007

***Mark William Pitt**, Non-executive Director*

Mr Pitt, aged 61, 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 listing 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.

Appointed 13 August 2007

DIRECTORS' REPORT (continued)

1. DIRECTORS (continued)

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial period are as follows:

Name	Company	Period of Directorship
William Clayton	None	None
David McArthur	Dioro Exploration NL	1991 - 27 January 2009
	Xstate Resource Limited	September 2006 - 8 July 2010
Mark Pitt	Dioro Exploration NL	2004 - 27 January 2009
Rhod Grivas	Canyon Resources Limited	11 December 2009 - current
	Dioro Exploration NL	2002 - 29 January 2010
	Xstate Resource Limited	March 2007 - 8 July 2010

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 financial and corporate management of public companies.

3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Resolutions	
	A	**B**	**A**	**B**
William Clayton	4	4	3	3
David McArthur	4	4	3	3
Mark Pitt	4	4	3	3
Rhod Grivas	4	4	3	3

A - Number of meetings attended
B - Number of meetings held during the time the director held office during the year

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 Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Company and the Group including the five most highly remunerated Company and Group executives.

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 and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

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

Service contracts
On 1 January 2008 the Company entered into an executive service agreement with David McArthur whereby Mr McArthur receives executive remuneration of $40,000 pa, plus statutory superannuation. On 1 March 2009 Mr McArthur's executive remuneration was reduced to $30,000 per annum (pa), plus superannuation. At a meeting of the directors Mr McArthur's remuneration was increased to $40,000 pa, plus superannuation, effective 1 April 2010. The 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.

During the year a one-off payment of $10,000 was paid to Mr McArthur for additional services.

On 30 October 2007 the Company entered into an executive service agreement with William Clayton whereby Mr Clayton receives executive remuneration of $200,000 (inclusive of superannuation). On 1 May 2009 Mr Clayton's executive remuneration was reduced to $150,000 pa, inclusive of superannuation. The 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.

The compensation for all non executive directors, last voted upon by shareholders, is not to exceed $250,000 pa and is set based on advice from external advisors with reference to fees paid to other directors of comparable companies. Directors' base fees are presently up to $30,000 pa per director.

Executive and non executive directors
Non executive directors do not receive performance related compensation. Directors' fees cover all main board activities. Presently Messrs Pitt and Grivas each receive non-executive directors' fees of $30,000 per annum plus statutory superannuation. Mr McArthur also receives directors' fees of $30,000 per annum plus statutory superannuation. Mr Clayton's directors fees are included as part of his service contract.

Directors and executive officer's remuneration
Details of the nature and amount of each major element of remuneration of each director of the Company and the Group are:

		Short-term	**Post-employment**	**Share-based payments**		
		Salary & fees	**Super-annuation**	**Options**	**Total**	**Value of options as proportion of remuneration**
		$	**$**	**$**	**$**	**%**
Executive directors						
William Clayton	**2010**	129,520	11,657	3,598	144,775	2.49%
	2009	175,840	15,826	11,221	202,887	5.53%
David McArthur	**2010**	71,073	6,397	-	77,470	0.00%
	2009	73,332	6,600	-	79,932	0.00%
Non-executive directors						
Mark Pit	**2010**	30,000	2,700	-	32,700	0.00%
	2009	36,666	3,300	-	39,966	0.00%
Rhod Grivas	**2010**	30,000	2,700	-	32,700	0.00%
	2009	36,666	3,300	-	39,966	0.00%
Totals	**2010**	**260,593**	**23,454**	**3,598**	**287,645**	**1.25%**
	2009	**322,504**	**29,026**	**11,221**	**362,751**	**3.09%**

Notes in relation to the table of directors' and executive officers' remuneration

a) the Company does not employ any executive officers other than the directors; and
b) the directors of the Company do not receive performance related remuneration.

Equity instruments

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

Options granted as compensation

There were no options over ordinary shares in the Company that were granted as compensation during the reporting period. Details on options that vested during the reporting period are as follows:

	Number of options granted during 2010	Grant date	Fair value per option at grant date cents	Exercise price per option cents	Expiry date	Number of options vested during 2010
Executive directors						
William Clayton	-	26-Nov-08	1.31	20	26-Nov-13	-
	-	26-Nov-08	0.98	30	26-Nov-13	500,000
	-	26-Nov-08	0.78	40	26-Nov-13	-

No options have been granted since the end of the financial year.

All options expire on the earlier of their expiry date or termination of the individual's employment if the options have not vested at the time of termination. The options are exercisable over a period from grant date to five years from grant date. The options were issued as an incentive to secure the ongoing commitment of Mr Clayton to the continued growth of the Company.

Vesting terms are detailed at note 21.

Modifications of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation

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

DIRECTORS' REPORT (continued)

Analysis of options and rights over equity instruments granted as compensation
Details of vesting profiles of the options previously granted as remuneration to each key management person of the Group are detailed below:

	Options granted				Financial	
	Number	**Date**	**% vested in year**	**% forfeited in year**	**years in which grant vests**	**Expiry date**
Executive directors						
William Clayton	500,000	26-Nov-08	-	-	01-Jul-08	26-Nov-13
	500,000	26-Nov-08	100% (1)	-	01-Jul-09	26-Nov-13
	500,000	26-Nov-08	-	-	01-Jul-10	26-Nov-13
David McArthur	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12
Non-executive directors						
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

(1) At the date of vesting the options were exercisable at 30 cents, and the share price was 5 cents.

Analysis of movements in options
There was no movement during the reporting period, by value, of options over ordinary shares in the Company held by key management personnel.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee has regard to factors such as losses, dividends, share price and return on capital.

PRINCIPAL ACTIVITIES

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

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

OPERATING AND FINANCIAL REVIEW

Shareholder returns	**2010**	**2009**
Net loss attributable to equity holders $	(1,141,320)	(572,845)
Basic EPS (cents)	(2.07)	(1.15)
Net tangible assets (NTA) $	9,024,339	8,302,061
NTA Backing (cents)	13.78	16.60

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 below and in the operations report.

On 5 March 2010 shareholders approved the acquisition of Audacious Resources Pty Ltd in consideration for 13.5 million ordinary shares at 6 cents per share. At the date of acquisition the fair value was 12 cents per share resulting in a total consideration of $1,620,000 plus cash of $120,000.

DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2010.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than as disclosed at note 28, there have been no matters or circumstances 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.

LIKELY DEVELOPMENTS

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

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 Company, 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
William Clayton	310,000	1,500,000
David McArthur	2,840,319	1,500,000
Mark Pitt	144,577	1,500,000
Rhod Grivas	241,021	1,500,000

SHARE OPTIONS

Options granted to the directors of the Company

During or since the end of the financial year, the Company did not grant options over unissued ordinary shares in the Company to the directors.

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
26-Nov-13	20	500,000
26-Nov-13	30	500,000
26-Nov-13	40	500,000
		6,000,000

All options expire on the earlier of their expiry date or termination of the employee's employment if the options have not vested at the time of termination.

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.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has agreed to indemnify each of the directors and the company secretary of the Company, against all liabilities to another person (other than the Company) 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.

NON-AUDIT SERVICES

During the year KPMG, the Company'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:

	Consolidated	
	2010	**2009**
	$	**$**
Audit services:		
Audit and review of financial reports	51,274	55,377
	51,274	55,377
Services other than statutory audit:		
Other non-audit services		
Independent experts' report	35,700	-
Taxation compliance services	9,500	7,000
	45,200	7,000

LEAD AUDITOR'S INDEPENDENCE STATEMENT

The lead auditor's independence declaration is set out on the next page and forms part of the directors' report, for the financial year ended 30 June 2010.

The report is made in accordance with a resolution of the directors.

DAVID McARTHUR

Director

Dated at Perth this 23rd day of September 2010.

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 2010 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.

KPMG

KPMG

Grant Robinson

Partner

Perth

23 September 2010

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 Company 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 Company;
- the review and adoption of budgets for the financial performance of the Company 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 Company 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.

Director performance evaluation

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 Company 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 budgeted targets on an ongoing basis.

Independent professional advice and access to company information

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.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS (continued)

Composition of the board

The Directors' report contains details of the directors' 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. To maintain this, the Group's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

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 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 during the year 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.

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 of the four 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.

REMUNERATION AND NOMINATION COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Company Secretary, Mr David McArthur, the board and/or board members as appropriate to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

DIRECTOR REMUNERATION

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

AUDIT COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Company Secretary, Mr David McArthur, the board and/or board members as appropriate and the Company's auditors to discuss the Group's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

RISK MANAGEMENT

The Company 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 Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company'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 Company's risk profile is reviewed annually. The Board may consult with the Company'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 Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company'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 Company, 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 Company 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 2010.

CORPORATE GOVERNANCE STATEMENT

ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company'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 Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

Trading in the Company's 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. 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 Company's risk management systems.

COMMUNICATION WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE STATEMENT

COMMUNICATION WITH SHAREHOLDERS (continued)

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company 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 Company's securities.

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

The procedure adopted by the Company 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 Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

CORPORATE GOVERNANCE STATEMENT

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Corporate Governance Principles and Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficient, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed certain of the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Pursuant to the ASX Listing Rules, 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 there are currently no other senior executives

Recommendation 2.4: The board should establish a nomination committee.

The functions to be performed by a nomination committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.1: The board should establish an audit committee.
Recommendation 4.2: The audit committee should be structured so that it:
- *4.2.1 consists only of non-executive directors*
- *4.2.2 consists of a majority of independent directors*
- *4.2.3 is chaired by an independent chair, who is not chair of the board*
- *4.2.4 has at least three members.*

Recommendation 4.3: The audit committee should have a formal charter.
Recommendation 4.4: Companies should provide the information indicated in the "Guide to reporting on Principle 4".

The functions to be performed by an audit committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Corporate Governance Principles and Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 8.1: The board should establish a remuneration committee.

The functions to be performed by a remuneration committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
Assets			
Cash and cash equivalents	17	1,302,616	2,544,204
Other receivables	15	11,140	12,738
Prepayments	15	10,433	8,063
Total current assets		1,324,189	2,565,005
Property, plant and equipment	13	8,849	8,868
Exploration and evaluation	14	7,806,641	5,827,282
Total non-current assets		7,815,490	5,836,150
Total assets		9,139,679	8,401,155
Liabilities			
Trade and other payables	22	96,208	89,863
Employee benefits	20	19,132	9,231
Total current liabilities		115,340	99,094
Total liabilities		115,340	99,094
Net assets		9,024,339	8,302,061
Equity			
Share capital	18	11,585,003	9,725,003
Reserves	18	323,828	320,230
Accumulated losses		(2,884,492)	(1,743,172)
Total equity attributable to equity holders of the Company		9,024,339	8,302,061

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
Other income	7	4,945	-
Administrative expenses	10	(324,927)	(333,034)
Exploration expenditure written off	14	(739,616)	(229,954)
Other expenses	8	(143,231)	(141,613)
Results from operating activities		(1,202,829)	(704,601)
Finance income	11	61,509	131,756
Net finance income		61,509	131,756
Loss before income tax		(1,141,320)	(572,845)
Income tax expense	12	-	-
Loss from continuing operations		(1,141,320)	(572,845)
Loss for the period		(1,141,320)	(572,845)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		(1,141,320)	(572,845)
Loss attributable to owners of the Company		(1,141,320)	(572,845)
Total comprehensive loss attributable to owners of the Company		(1,141,320)	(572,845)
Loss per share			
Basic and diluted (cents per share)	19	(2.07)	(1.15)

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

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

		Attributable to equity holders of the Company			
	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
Total comprehensive income for the period					
Loss for the period		-	-	(1,141,320)	(1,141,320)
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(1,141,320)	(1,141,320)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares		1,860,000	-	-	1,860,000
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 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.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

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

		Attributable to equity holders of the Company			
	Notes	Share capital $	Equity-settled benefits reserve $	Accumulated losses $	Total $
Balance at 1 July 2008		9,725,003	309,009	(1,170,327)	8,863,685
Total comprehensive income for the period					
Loss for the period		-	-	(572,845)	(572,845)
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(572,845)	(572,845)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share-based payment transactions	21	-	11,221	-	11,221
Total contributions by and distributions to owners		-	11,221	-	11,221
Total transactions with owners		-	11,221	-	11,221
Balance at 30 June 2009		9,725,003	320,230	(1,743,172)	8,302,061

The notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $	2009 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(416,100)	(483,640)
Net cash from / (used in) operating activities	17(b)	(416,100)	(483,640)
Cash flows from investing activities			
Interest received		62,423	143,423
Acquisition of subsidiary, net of cash		(114,250)	-
Acquisition of property, plant and equipment		(3,000)	(7,177)
Payments for exploration, evaluation and development		(656,421)	(725,149)
Repayment / (payment) of deposit for investment		-	500,000
Net cash from / (used in) investing activities		(711,248)	(88,903)
Cash flows from financing activities			
Repayment of borrowings		(114,240)	-
Net cash from financing activities		(114,240)	-
Net decrease in cash and cash equivalents		(1,241,588)	(572,543)
Cash and cash equivalents at 1 July		2,544,204	3,116,747
Cash and cash equivalents at 30 June	17(a)	1,302,616	2,544,204

The notes are an integral part of these financial statements.

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, Western Australia, 6009. The consolidated financial statements of the company as at and for the year ended 30 June 2010 comprise the company and its subsidiaries (together referred to as the "Group" or "group entities"). The Group operates predomin antly in the mineral exploration industry in Australia.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report of the Group complies 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 Directors on 23 September 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where stated

(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 settlement of liabilities in the normal course of business. Notwithstanding the Group recorded a loss for the year ended 30 June 2010 of $1,141,320, the directors consider there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due and payable as subsequent to year end the company has raised additional working capital as set out in Note 28. Accordingly the going concern basis of preparation remains appropriate.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the company and each group entity.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are

- Exploration and evaluation Expenditure (refer note 3(k)
- Impairment of assets (refer note 3(d)
- Share-based payments (refer note 21)

2. BASIS OF PREPARATION (continued)

(f) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

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 address changes in accounting policies.

Comparative amounts have been reclassified to conform with the current year's presentation following changes to accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

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

(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's non-derivative financial assets comprise investments in equity and debt securities, trade and other receivables and cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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 transactions costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturity of 3 months or less. 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.

(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 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 or 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's non-derivative financial liabilities comprise trade and other payables.

Such 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 on ordinary shares 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" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (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. Land is not depreciated.

The estimated useful lives for the period and 2009 are as follows:

Plant and equipment	5 - 12 years
Fixtures and fittings	5 - 10 years

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

(d) Impairment

(i) Financial assets (including receivables)

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 event 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment (continued)

(i) Financial assets (including receivables) (continued)

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.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(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.

(e) 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.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Employee benefits (continued)

(iii) Share-based payment transactions

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 become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market and 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.

(f) Finance income and costs

Finance income comprises interest income on funds invested that is recognised in profit or loss. Interest income is recognised as it accrues in the profit and 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.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for 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 temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income tax (continued)

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

(h) 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 stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority 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 taxation authority are classified as operating cash flows.

(i) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the 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 calculated 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 comprise share options granted to directors.

(j) Segment reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Segment reporting (continued)

Determination and presentation of operating segments (continued)

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 Company's other components. An operating segment's operating results are reviewed regularly by the Managing Director 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 Managing Director 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, exploration and evaluation assets, and intangible assets other than goodwill.

(k) Exploration and evaluation

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6) exploration costs, including costs of acquiring licences, are capitalised in respect of each separate area of interest. Costs incurred before the company has obtained the legal rights to explore an area are recognised in the income statement. Exploration and evaluation expenditure are carried forward at cost where the rights of tenure are current and either:

(i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(ii) Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed annually for impairment in accordance with AASB 6, and where impairment indicators exist, recoverable amounts of these assets are estimated based on discounted cash flows from their associated cash generating units. The income statement will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets with property, plant and equipment.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007),* which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requires for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

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
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4. DETERMINATION OF FAIR VALUES (continued)

Share-based payment transactions

The fair value of employee stock options is measured using the Black 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 historic 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, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Having regard to the size of the Group, written risk management policies have not been established to identify and analyse 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 cash at bank and other receivables.

Cash and cash equivalents
The Group holds cash balances with Australian authorised deposit taking institutions. Accordingly, the Group does not believe that it has significant credit risk exposure.

Other receivables
The Group has limited exposure to credit risk, as the other receivables are with the Australian Taxation Office where the perceived credit risk is low.

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 risk or any other market risk with the exception of interest rate risk 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 Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group is not at a stage where it generates significant operating income. Accordingly, equity markets are the principle source of funding if additional capital resources are required.

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

The Group is not subject to externally imposed capital requirements.

6. OPERATING SEGMENTS

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

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

6. OPERATING SEGMENTS (continued)

Information about reportable segments

	Nickel		Copper / Gold		Total	
For the year ended 30 June	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**
Reportable segment loss before income tax	(739,616)	(229,954)	-	-	(739,616)	(229,954)
Reportable segment assets	5,333,014	5,827,282	2,473,627	-	7,806,641	5,827,282
Other material non-cash items:						
Impairment loss on exploration and evaluation	(739,616)	(229,954)	-	-	(739,616)	(229,954)
Capital expenditure	245,348	730,122	2,473,627	-	2,718,975	730,122

6. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment loss and assets and liabilities and other material items

	2010 $	2009 $
Loss		
Total loss for reportable segments	(739,616)	(229,954)
Unallocated amounts: other corporate expenses	(463,213)	(474,647)
Finance income	61,509	131,756
	(1,141,320)	(572,845)
Assets		
Total assets for reportable segments	7,806,641	5,827,282
Other assets	1,333,038	2,573,873
	9,139,679	8,401,155
Liabilities		
Total liabilities for reportable segments	(12,360)	(30,733)
Other liabilities	(102,980)	(68,361)
	(115,340)	(99,094)

Other material items 2010

	Reportable segment totals	Adjustments	Consolidated totals
Capital expenditure	2,718,975	-	2,718,975
Impairment on exploration and evaluation	(739,616)	-	(739,616)

Other material items 2009

	Reportable segment totals	Adjustments	Consolidated totals
Capital expenditure	730,122	-	730,122
Impairment on exploration and evaluation	(229,954)	-	(229,954)

7. OTHER INCOME

	Note	2010 $	2009 $
Debt forgiveness		4,945	-
		4,945	-

8. OTHER EXPENSES

	Note	2010 $	2009 $
Depreciation and amortisation expenses	13	2,355	2,163
Professional fees		140,212	139,450
Loss on disposal of property, plant and equipment		664	-
		143,231	141,613

9. PERSONNEL EXPENSES

	Note	2010 $	2009 $
Directors remuneration		260,592	322,503
Contributions to defined contribution plans		23,453	29,025
Increase in liability for annual leave		9,902	1,400
Equity-settled share-based payment transactions	21	3,598	11,221
		297,545	364,149

Of the total personnel expenses, $101,602 (2009: $146,536) has been capitalised to exploration and evaluation.

10. ADMINISTRATION EXPENSES

	Note	2010 $	2009 $
Personnel expenses	9	195,943	217,613
Advertising and publicity		3,817	5,612
Communication and information services		26,388	17,815
Office administration		57,452	53,611
Bank charges		296	330
Share registry and statutory fees		41,031	38,053
		324,927	333,034

11. FINANCE INCOME AND FINANCE COSTS

Recognised in profit or loss

	2010 $	2009 $
Interest income on bank deposits	61,509	131,756
Finance income	61,509	131,756
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	61,509	131,756

12. INCOME TAX EXPENSE

	2010 $	2009 $
Current tax benefit		
Current period	(485,753)	(324,612)
Deferred tax expense		
Origination and reversal of temporary differences	485,753	324,612
Total income tax expense	-	-

Numerical reconciliation between tax expense and pre-tax accounting loss

	2010 $	2009 $
Loss for the period	(1,141,320)	(572,845)
Total income tax expense	-	-
Loss excluding income tax	(1,141,320)	(572,845)
Income tax using the Company's domestic tax rate of 30% (2009: 30%)	(342,396)	(171,853)
Non-deductible expenses	1,278	3,366
Tax losses not brought to account	341,118	168,487
	-	-

Tax losses

	2010 $	2009 $
Unused tax losses for which no deferred tax asset has been recognised	8,857,357	7,190,450
Potential tax benefit at 30% (2009: 30%)	2,657,207	2,157,135

12. INCOME TAX EXPENSE (continued)

Potential future income tax benefits of $2,657,207 (2009: $2,157,135) 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 satisfaction of either the continuity of ownership test or the same business test.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Computer equipment	Total
Gross carrying amount			
Balance at 1 July 2008	1,521	2,594	4,115
Additions	947	6,230	7,177
Balance at 30 June 2009	2,468	8,824	11,292
Balance at 1 July 2009	2,468	8,824	11,292
Additions	3,000	-	3,000
Disposals	(947)	-	(947)
Balance at 30 June 2010	4,521	8,824	13,345
Depreciation and impairment losses			
Balance at 1 July 2008	103	158	261
Depreciation for the year	398	1,765	2,163
Balance at 30 June 2009	501	1,923	2,424
Balance at 1 July 2009	501	1,923	2,424
Depreciation for the year	596	1,759	2,355
Disposals	(283)	-	(283)
Balance at 30 June 2010	814	3,682	4,496
Carrying amounts			
Balance at 30 June 2009	1,967	6,901	8,868
Balance at 30 June 2010	3,707	5,142	8,849

14. EXPLORATION AND EVALUATION EXPENDITURE

	2010 $	2009 $
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	7,806,641	5,827,282
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	5,827,282	5,327,114
Acquisitions	2,083,374	-
Additions	635,601	730,122
Written off	(739,616)	(229,954)
	7,806,641	5,827,282

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

	2010 $	2009 $
Current		
Other receivables	11,140	12,738
Prepayments	10,433	8,063
	21,573	20,801

16. TAX ASSETS AND LIABILITIES

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

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Consolidated						
Property, plant and equipment	-	-	(486)	(441)	(486)	(441)
Exploration and evaluation expenditure	-	-	(1,884,822)	(1,748,185)	(1,884,822)	(1,748,185)
Trade and other receivables	-	-	(1,309)	(1,583)	(1,309)	(1,583)
Black hole deductible costs	59,764	87,193	-	-	59,764	87,193
Trade and other payables	10,807	9,005	-	-	10,807	9,005
Employee benefits	5,740	2,769	-	-	5,740	2,769
Carry forward tax losses	2,657,207	2,157,135	-	-	2,657,207	2,157,135
	2,733,518	2,256,102	(1,886,617)	(1,750,209)	846,901	505,893

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

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.

	2010 $	2009 $
Cash and cash equivalents in the statement of cash flows	1,302,616	2,544,204

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	2010 $	2009 $
Cash flows from operating activities			
Loss for the period		(1,141,320)	(572,845)
Adjustments for:			
Depreciation	13	2,355	2,163
Finance income	11	(61,509)	(131,756)
Debt forgiveness	7	(4,945)	-
		-	-
Exploration and evaluation expenditure written off	14	739,616	229,954
Equity-settled share-based payment transactions	21	3,598	11,221
Loss on disposal of property, plant and equipment	13	664	-
		(461,541)	(461,263)
Change in other receivables		11,184	9,518
Change in trade and other payables	22	26,726	(27,259)
Change in prepayments	0	(2,371)	(6,036)
Change in employee benefits provisions	20	9,902	1,400
		(416,100)	(483,640)
Interest paid	11	-	-
Income taxes paid	12	-	-
Net cash used in operating activities		(416,100)	(483,640)

18. CAPITAL AND RESERVES

Share capital

	Ordinary shares	
	2010	2009
	Number	Number
On issued at 1 July	50,000,003	50,000,003
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	-
	65,500,003	50,000,003

Issuance of ordinary shares

On 5 March 2010 the general meeting of shareholders approved the issuance of 15 million ordinary shares at a market value of 6 cents per share (2009: nil) pursuant to the acquisition of Audacious Resources Pty Ltd. The fair value of the shares on the date of settlement was 12 cents per share. The 500,000 ordinary shares issued pursuant to consulting fees were approved by the board. All issued shares are fully paid.

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).

Equity-settled benefits reserve

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

19. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $1,141,320 (2009: $572,845) and a weighted average number of ordinary shares outstanding of 55,010,962 (2009: 50,000,003) calculated as follows:

Loss attributable to ordinary shareholders

	2010 $	2009 $
Loss for the period	(1,141,320)	(572,845)

Weighted average number of ordinary shares (basic)

	2010 Number	2009 Number
Issued ordinary shares at 1 July	50,000,003	50,000,003
Effect of shares issued during the year	5,010,959	-
	55,010,962	50,000,003

Diluted loss per share

The calculation of diluted loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $1,141,320 (2009: $572,845) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 55,010,962 (2009: 50,000,003) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 Number	2009 Number
Weighted average number of ordinary shares (basic)	55,010,962	50,000,003
Effect of share options on issue	-	-
	55,010,962	50,000,003

At 30 June 2010 6,000,000 options (2009: 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

	2010	2009
	$	$
Current		
Liability for annual leave	19,132	9,231

21. SHARE-BASED PAYMENTS

Description of the share-based payment arrangements

A share option plan has been established which entitles key management personnel to Company options over the ordinary shares of Lodestar Minerals Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the directors of Lodestar Minerals Limited. 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 are granted at the discretion of the directors.

Terms and conditions of share-option programme

The terms and conditions relating to the grants of the share option programme 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	26-November-2008	500,000	Vested upon granting	5 years
3	26-November-2008	500,000	1 year service	5 years
4	26-November-2008	500,000	2 years' service	5 years
		6,000,000		

Disclosure of share option programme

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

	Weighted average exercise price 2010		Number of options 2010	Weighted average exercise price 2009		Number of options 2009
Outstanding at 1 July	37.5	cents	6,000,000	40.0	cents	4,500,000
Forfeited during period	-	cents	-	-	cents	-
Exercised during the period	-	cents	-	-	cents	-
Granted during the period	-	cents	-	30.0	cents	1,500,000
Outstanding at 30 June	37.5	cents	6,000,000	37.5	cents	6,000,000
Exercisable at 30 June	37.3	cents	5,500,000	38.0	cents	5,000,000

21. SHARE-BASED PAYMENTS (continued)

Disclosure of share option programme (continued)

The options outstanding at 30 June 2010 have an exercise price in the range of 20 cents to 40 cents and a weighted average contractual life of 2.48 years (2009: 3.48 years).

No options were exercised or forfeited during the year (2009: no options exercised or forfeited).

No options were issued during the year (2009: 1,500,000 options issued). The fair value of share options granted for services rendered in prior years is measured using the Black and Scholes options pricing model, with the following inputs:

Fair value of share options and assumptions issued during the year	**Tranche 1**		**Tranche 2**		**Tranche 3**		**Tranche 4**	
Fair value at grant date	6.57	cents	1.31	cents	0.98	cents	0.78	cents
Share price	0.20	cents	4.30	cents	4.30	cents	4.30	cents
Exercise price	40	cents	20	cents	30	cents	40	cents
Expected volatility		75%		70%		70%		70%
Option life	4.89	years	5.00	years	5.00	years	5.00	years
Vesting period	-	years	-	years	1.00	years	2.00	years
Risk free rate		6.25%		6.75%		6.75%		6.75%

Expected volatility is estimated by considering historic average share price volatility.

Employee expenses

	Note	2010	2009
Share options granted in 2009	9	3,598	11,221
Total expense recognised as employee costs		3,598	11,221

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

All options remain unexercised at 30 June 2010.

22. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Current		
Trade payables	53,099	69,613
Non-trade payables and accrued expenses	43,109	20,250
	96,208	89,863

23. FINANCIAL INSTRUMENTS

(a) Credit risk

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

	Carrying amount	
	2010 $	2009 $
Other receivables	11,140	12,738
Cash and cash equivalents	1,302,616	2,544,204
	1,313,756	2,556,942

None of the Group's receivables are past due (2009: nil).

23. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

30 June 2010

	Carrying amount	Contractual cash flows	6 mths or less
	$	$	$
Non-derivative financial liabilities			
Trade and other payables	96,208	96,208	96,208
	96,208	96,208	96,208

	Carrying amount	Contractual cash flows	6 mths or less
30 June 2009			
Non-derivative financial liabilities			
Trade and other payables	89,863	89,863	89,863
	89,863	89,863	89,863

(c) Currency risk

The Group is not exposed to foreign currency risk.

(d) Interest rate risk

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

		-
	Carrying amount	
	2010	2009
	$	$
Variable rate instruments		
Financial assets	1,302,616	2,544,204
	1,302,616	2,544,204

The Group does not carry any fixed rate instruments.

The Group's exposure to interest rate risk and the effective interest rate relates to cash and cash equivalents. The financial asset is a variable rate instrument with a carrying value equal to its fair value of $1,302,616 (2009: $2,544,204).

23. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased the Group's profit or loss by $13,026 (2009: $25,442) respectively. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2009.

	Profit or loss	
	100bp increase	100bp decrease
	$	$
30 June 2010		
Variable rate instruments	13,026	(13,026)
Cash flow sensitivity	13,026	(13,026)
30 June 2009		
Variable rate instruments	25,442	(25,442)
Cash flow sensitivity	25,442	(25,442)

(e) Fair values

The fair values of financial assets and liabilities of the Group at the balance date approximate the carrying amounts in the financial statements, except where specifically stated.

24. OTHER

	2010 $	2009 $
Office rent		
Less than one year	34,286	17,610
Between one and five years	32,083	25,280
	66,369	42,890
Mineral exploration		
Not later than one year	1,196,978	476,849

25. RELATED PARTIES

The key management personnel compensation included in 'personnel expenses' (see note 9) is as follows:

	2010 $	2009 $
Short term employee benefits	260,593	322,504
Post-employment benefits	23,454	29,026
Share-based payments	3,598	11,221
	287,645	362,751

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' 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 Company of the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Key management personnel and director transactions

A number of key management personnel, 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.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions 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.

25. RELATED PARTIES (continued)

Key management personnel and director transactions (continued)

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

		Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2010	2009	2010	2009
		$	$	$	$
Key management person	***Transaction***				
David McArthur					
Rhod Grivas					
Mark Pitt	Office rent	-	33,813	-	1,647
David McArthur	Management fee	75,000	75,000	18,750	13,750
Total and current liabilities				18,750	13,750

The Company paid a management fee to Broadway Management Pty Ltd, a company associated with Mr McArthur.

25. RELATED PARTIES (continued)

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 2009	Granted as compen-sation	Exercised	* Other changes	*** Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
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

	** Held at 1 July 2008	Granted as compen-sation	Exercised	* Other changes	*** Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
William Clayton	-	1,500,000	-	-	1,500,000	500,000	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

* Other changes represent options that expired or were forfeited during the year
** Or date of appointment
*** Or date of resignation

25. RELATED PARTIES (continued)

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 2009	Purchases	Received on exercise of options	Sales	** Held at 30 June 2010
Directors					
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

	* Held at 1 July 2008	Purchases	Received on exercise of options	Sales	** Held at 30 June 2009
Directors					
William Clayton	310,000	-	-	-	310,000
David McArthur	2,615,907	224,412	-	-	2,840,319
Mark Pitt	144,577	-	-	-	144,577
Rhod Grivas	241,021	-	-	-	241,021

* Or date of appointment
** Or date of resignation

No shares were granted to key management personnel during the reporting period as compensation in 2009 or 2010.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 9.

26. GROUP ENTITIES

During the year ended 30 June 2010, the Company acquired 100% of the shares of Audacious Resources Pty Ltd.

Name	Place of incorporation	Financial year end	2010 %	2009 %
Parent entity				
Lodestar Minerals Limited	Australia	30 June		
Subsidiary				
Audacious Resources Pty Ltd	Australia	30 June	100	-

27. PARENT ENTITY DISCLOSURES

	Company 2010 $	Company 2009 $
Result of the parent entity		
Loss for the period	(1,146,438)	(572,845)
Other comprehensive income	-	-
Total comprehensive income for the period	(1,146,438)	(572,845)
Financial position of parent entity at year end		
Current assets	1,311,497	2,565,005
Total assets	9,134,561	8,401,155
Current liabilities	(115,340)	(99,094)
Total liabilities	(115,340)	(99,094)
Total equity of the parent entity comprising of:		
Share capital	11,585,003	9,725,003
Equity-settled benefits reserve	323,828	320,230
Accumulated losses	(2,889,609)	(1,743,172)

27. PARENT ENTITY DISCLOSURES (continued)

	Company	
	2010	**2009**
	$	**$**
Commitments		
Office rent		
Less than one yer	34,286	17,610
Between one and five years	32,083	25,280
Mineral exploration		
Not later than one year	592,978	476,849

28. SUBSEQUENT EVENTS

Other than as detailed below, 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.

<u>Capital Raising:</u>

On 14 September 2010 the Company placed 9,250,000 fully paid ordinary shares at 9.5 cents each to raise $878,750.

The Company has placed a further 11,884,210 shares at 9.5 cents to raise an additional $ 1,129,000. This second tranche placement requires the approval of shareholders at the Company's annual general meeting.

<u>Penfolds Tenements:</u>

Subsequent to the year end the Group's interest in the Penfolds nickel tenements changed as follows:

- Locations 51 and 53 – reduced from 100% to 90%
- Gold and nickel priority tenements – reduced from 100% to 90%
- Nickel priority tenements – reduced from 100% to 0%

Following a re-assessment of the exploration potential of the nickel priority tenements based on exploration carried out by the Group, it was agreed to relinquish the Group's interest in these tenements. This is reflected in the exploration expenditure written off in the 2010 year (refer note 14).

A joint venture partner is being sought to farm-in to the gold and nickel priority tenements and locations 51 and 53.

The company has decided not to fund minimum expenditure commitments during the current period, which reduces the tenement holdings to 90%.

29. AUDITORS' REMUNERATION

	2010 $	2009 $
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	51,274	55,377
	51,274	55,377
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation compliance services	9,500	7,000
Investigating accountants' report	35,700	-
	45,200	7,000

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

DIRECTORS' DECLARATION

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

   (a) the financial statements and notes, and the Remuneration report 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 2010 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;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

   (c) there are reasonable grounds to believe that the Company and the Group will be able to pay their 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 2010.

Signed in accordance with a resolution of the directors:

Dated at Perth this 23rd day of September 2010.

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 the Group comprising Lodestar Minerals Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

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 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Grant Robinson

Grant Robinson

Partner

Perth

23 September 2010

AUSTRALIAN SECURITIES 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) Substantial shareholders

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

Name	Number of Shares
Robert John McArthur Anderson	5,400,000
Glenn Griffen Venn Money	5,400,000

(b) 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.

(c) Distribution of equity security holders at 14 September 2010

Category			Number of equity security holders	
			Ordinary shares	Options
1	-	1,000	2,820	-
1,001	-	5,000	1,421	-
5,001	-	10,000	314	-
10,001	-	100,000	777	-
100,001	and	over	85	4
			5,417	4

The number of shareholders holding less than a marketable parcel of ordinary shares is 4,166.

(d) Unlisted 31 August 2012 Options

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

(e) Unlisted 31 August 2012 Options

There are 1,500,000 options held by 1 holder on issue and are exercisable between $0.20 and $0.40 on or before 26 November 2013.

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AUSTRALIAN SECURITIES EXCHANGE INFORMATION

2. QUOTATION

Listed securities in Lodestar Minerals Limited are quoted on the Australian Securities Exchange.

3. TOP TWENTY SHAREHOLDERS

The Top Twenty Shareholders as at 14 September 2010 are set out below:

	Name	Number of ordinary shares held	Percentage of capital held
1	Robert John McArthur Anderson	5,400,000	8.24
2	Glenn Griffen Venn Money	5,400,000	8.24
3	Richard Barry	3,200,000	4.89
4	Drew Griffen Money	2,700,000	4.12
5	DASMAC (WA) Pty Ltd <McArthur Super Fund>	1,935,775	2.96
6	Calm Holdings Pty Ltd <CLIFTON SUPER FUND>	1,500,000	2.29
7	KLS Corp Pty Ltd	1,439,827	2.20
8	La Mancha Resources Australia Pty Ltd	1,324,343	2.02
9	Piat Corp Pty Ltd	1,000,000	1.53
10	Susan Jane McArthur	904,543	1.38
11	Cadogan Grove Pty Ltd <Wood Family Super>	895,780	1.37
12	ANZ Nominees <Cash Income A/C>	847,299	1.29
13	Anthony Carapellucci	790,000	1.21
14	M&K Korkidas Pty Ltd	678,962	1.04
15	Ematilda Pty Ltd	500,000	0.76
16	PETER Griffin Money	500,000	0.76
17	Woodhurst Pty Ltd	450,000	0.69
18	Carojan Pty Ltd	400,000	0.61
19	Viewbank Pty Ltd	400,000	0.61
20	Nomial Pty Ltd	354,299	0.54
		30,620,828	46.75