



DESPATCH OF 2018 ANNUAL REPORT AND NOTICE OF AGM

Attached is a copy of the Lodestar Minerals Limited 2018 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Statement which have been despatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting will also be available on our website www.lodestarminerals.com.au

For and on behalf of
Lodestar Minerals Limited

David McArthur
Director



LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY STATEMENT

Date of Meeting

30 November 2018

Time of Meeting

2:00 pm (AWST)

Place of Meeting

**Level 1, 31 Cliff Street
Fremantle, Western Australia**

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Lodestar Minerals Limited ("**Company**") will be held at 2:00 pm (AWST) on Friday 30 November 2018, at Level 1, 31 Cliff Street, Fremantle, Western Australia.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2:00pm (AWST) on 28 November 2018.

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

AGENDA

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

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report for the Company for the financial year ended 30 June 2018 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the auditor's report.

Ordinary Resolution 1: Adoption of the Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report contained within the Company's annual financial report for the financial year ended 30 June 2018."

Note 1: The vote on this resolution is advisory only and does not bind the Directors or the Company.

Note 2: If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election. Less than 25% of shareholder voted against the remuneration report at the 2017 Annual General Meeting.

Voting Prohibition Statement:

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

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

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Ordinary Resolution 2: Re-election of Director - Mr David McArthur

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

“That Mr David McArthur, a Director, retires by rotation in accordance with clause 7.3 of the Company’s constitution, ASX Listing Rule 14.4 and for all other purposes, and being eligible is re-elected as a Director.”

Ordinary Resolution 3: Ratification of Issue of Shares - Placement

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 90,000,000 fully paid ordinary shares on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Ordinary Resolution 4: Ratification of Issue of Options – Lead Manager

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 5,000,000 Options on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

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

Ordinary Resolution 5: Issue of Options to Related Party – Mr Bill Clayton

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

“That, for the purposes of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 5,000,000 Director

Options to Mr Bill Clayton (or his nominee) on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Mr Bill Clayton, his nominee or any of their associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 5 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:

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

Ordinary Resolution 6: Issue of Options to Related Party – Mr David McArthur

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

“That, for the purposes of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 5,000,000 Director Options to Mr David McArthur (or his nominee) on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of Mr David McArthur, his nominee or any of their associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 6 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

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

Ordinary Resolution 7: Issue of Options to Related Party – Mr Ross Taylor

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

“That, for the purposes of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 5,000,000 Director Options to Mr Ross Taylor (or his nominee) on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of Mr Ross Taylor, his nominee or any of their associates (**Resolution 7 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 7 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

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

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 7 Excluded Party, the above prohibition does not apply if:

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

Special Resolution 8: Approval of 10% Placement Capacity

To consider and, if thought fit, to pass, the following resolution as a **special resolution**:

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to the number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form,

or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By Order of the Board

A handwritten signature in black ink, appearing to read "D M McArthur". The signature is written in a cursive, flowing style.

D M McArthur
Company Secretary

Dated: 5 October 2018

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2:00pm (AWST) on 28 November 2018.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Mr David McArthur on +61 8 9435 3200 if they have any queries in respect of the matters set out in this document.

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

EXPLANATORY STATEMENT

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

The Directors of the Company (“**Directors**”) recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

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

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018, together with the declaration of the Directors, the Directors’ report, the Remuneration Report and the auditor’s report.

A copy of the Company’s 2018 Annual Report is available on the ASX platform (ASX: LSR) and on the website www.lodestarminerals.com.au. Alternatively, a hard copy will be made available upon request.

The Company’s auditor, HLB Mann Judd, will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor’s report, the Company’s accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company’s auditor about:

- (a) the preparation and content of the auditor’s report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted to the Company Secretary no later than 5 business days before the meeting date.

1. ORDINARY RESOLUTION 1: Adoption of Remuneration Report

General

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

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for a financial year.

The chair of the meeting must allow a reasonable opportunity for Shareholders to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

Voting consequences

Pursuant to the Corporations Act, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

Previous voting results

At the Company's previous Annual General Meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) *If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy*

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, **you must direct the proxy how they are to vote**. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

(b) *If you appoint **the** Chair as your proxy*

If you elect to appoint the Chair where he / she is also a member of the Key Management Personnel whose remunerations details are included in the Remuneration Report, or a Closely Related Party of such a member, **you must direct the Chair how they are to vote**. Undirected proxies granted to these persons will be voted in favour of all Resolutions.

(c) *If you appoint any other person as your proxy*

You **do not** need to direct your proxy how to vote, and you **do not** need to tick any further acknowledgement on the Proxy Form. Undirected proxies granted to these persons will be voted at their discretion.

2. ORDINARY RESOLUTION 2: Re-election of Director - Mr David McArthur

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

Clause 7.3(a) of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded down to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A Director who retires by rotation under clause 7.3(a) is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr David McArthur, who has served as a Director since 13 August 2007 and was last re-elected on 23 November 2016, retires by rotation and seeks re-election as a Director.

Information about Mr McArthur is set out in the Company's 2018 Annual Report.

If elected the board considers Mr McArthur will be an independent director.

The Board (other than Mr McArthur) unanimously supports the re-election of Mr McArthur.

3. ORDINARY RESOLUTION 3: Ratification of Issue of Shares – Capital Raising

On 7 March 2018, the Company issued 90,000,000 Shares at \$0.023 per Share to raise \$2,070,000 before costs (**Capital Raising**).

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

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

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

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

In accordance with the requirements of Listing Rule 7.5, the following information is provided in relation to this Resolution 3:

- (a) the total number of Shares issued by the Company was 90,000,000;
- (b) the Shares were issued for \$0.023 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the shares were issued to numerous sophisticated investors, none of whom are related parties of the Company; and
- (e) the funds raised under the Capital Raising were used to fund exploration activity at the Ned's Creek tenements and for working capital purposes.

4. ORDINARY RESOLUTION 4: Ratification of Options – Lead Manager

On 7 March 2018, the Company issued 5,000,000 Options to Mac Equity Partners in consideration for broking services provided in connection with the Capital Raising.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options.

A summary of ASX Listing Rules 7.1 and 7.4 is set out in section 3 above.

In accordance with the requirements of Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) 5,000,000 Options were issued;
- (b) the Options were issued for nil cash consideration in satisfaction of broking services provided in connection with the Capital Raising;
- (c) the Options were issued on the terms and conditions set out in Appendix 2;
- (d) the Options were issued to Mac Equity Partners, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Options were issued for nil cash consideration.

5. ORDINARY RESOLUTIONS 5 - 7: Issue of Options to Related Parties

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 15,000,000 Options (**Director Options**) to its Directors as set out below:

- (a) Mr Bill Clayton (Managing Director) or his nominee – 5,000,000 Director Options;
- (b) Mr David McArthur (Non-Executive Director) or his nominee – 5,000,000 Director Options; and
- (c) Mr Ross Taylor (Non-Executive Chairman) or his nominee – 5,000,000 Director Options,

(together, the **Related Parties**) on the terms and conditions set out in Appendix 2.

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

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act 2001; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act 2001.

The grant of these Director Options constitutes giving a financial benefit, and Messrs Clayton, McArthur and Taylor are Related Parties of the Company by virtue of being Directors.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person who has been a related party in the last 6 months), or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As it is proposed that Director Options be issued to all Directors, the Directors have been unable to form quorum to consider whether one of the exceptions set out in sections 210 to 216 of the Corporations Act

2001 or ASX Listing Rule 10.12 applies to these issues. Accordingly, Shareholder approval is sought for the issue of Director Options to the Related Parties.

Section 195 of the Corporations Act 2001

Section 195(1) of the Corporations Act 2001 provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a “material personal interest” are being considered.

If there is not a quorum of directors who are eligible to vote on a matter because of the operation of section 195(1) of the Corporations Act 2001, one or more directors may call a general meeting and the general meeting may deal with the matter.

The voting prohibition in section 195(1) of the Corporations Act 2001 does not apply to a proposal to call a general meeting to consider a matter in which one or more directors have a material personal interest – that is, a director with a material personal interest may consider and vote on such a proposal.

Messrs Clayton, McArthur and Taylor have a material personal interest in the outcome of Resolutions 5, 6 and 7 as they will be receiving Director Options.

The Directors have exercised their right under section 195(4) of the Corporations Act 2001 to call the Meeting and put the matters the subject of Resolutions 5 to 7 to Shareholders.

Shareholder Approval (Chapter 2E of the Corporations Act 2001 and Listing Rule 10.13)

Pursuant to, and in accordance with, the requirements of section 219 of the Corporations Act 2001 and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Parties are Mr Bill Clayton, Mr David McArthur and Mr Ross Taylor and they are Related Parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties in aggregate is 15,000,000 Director Options, being 5,000,000 to each of the Directors identified above;
- (c) the Director Options will be exercisable at \$0.10 per Director Option on or before 31 December 2021;
- (d) the terms of the Director Options are set out in Appendix 2;
- (e) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (f) the Director Options will be granted for nil cash consideration; accordingly, no funds will be raised;
- (g) the value of the Director Options is \$285,608 and the pricing methodology is set out in Appendix 1;
- (h) the relevant interest of the Related Parties in securities of the Company is set out in the table on the following page:

Related Party	Shares	Options
Mr Bill Clayton	4,103,427	13,695,412 ¹
Mr David McArthur	13,550,002	11,616,669 ²
Mr Ross Taylor	215,456,034	19,989,481 ³

¹ Comprising of 7,500,000 unquoted options exercisable at \$0.05 each on or before 31 December 2018 and 6,195,412 quoted Options exercisable at \$0.03 each on or before 31 October 2019.

² Comprising of 5,000,000 unquoted options exercisable at \$0.05 each on or before 31 December 2018 and 6,616,669 quoted Options exercisable at \$0.03 each on or before 31 October 2019.

³ Comprising of 5,000,000 unquoted options exercisable at \$0.05 each on or before 31 December 2018 and 14,989,481 quoted Options exercisable at \$0.03 each on or before 31 October 2019.

- (i) the remuneration and emoluments from the Company to the Related Parties for the previous financial year ending 30 June 2018 are set out below:

Mr Bill Clayton – \$167,728

Mr David McArthur – \$64,054

Mr Ross Taylor – \$59,190

- (j) the proposed remuneration and emoluments for the current financial year are set out below:

Mr Bill Clayton – \$191,625

Mr David McArthur – \$87,600

Mr Ross Taylor – \$65,700

- (k) if the Director Options granted to the Related Parties are exercised, a total of 15,000,000 Shares would be issued. This will increase the number of Shares on issue from 749,218,328 to 764,218,328 (assuming that no other options are exercised, and no other Shares issued) with the effect that the shareholding of existing shareholders would be diluted by an aggregate of 1.96% comprising of a dilution of 0.654% by each Director.

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

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

	PRICE	DATE
HIGHEST	4.4 cents	22 May 2018
LOWEST	0.8 cents	13 December 2017
LATEST	2.4 cents	24 September 2018

- (m) the primary purpose of the issue of the Director Options is to provide a market linked incentive to the Related Parties to motivate and reward their performance in their respective roles as Directors;

- (n) the Board acknowledges the grant of Director Options to Directors is contrary to Recommendation 8.3 of the Corporate Governance Principles and Recommendations, however the Board considers the grant of Director Options to the Directors reasonable in the circumstances for the reason set out in paragraph (o);
- (o) Mr Bill Clayton declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 6 and 7, Mr Clayton recommends that Shareholders vote in favour of those Resolutions for the following reasons:
 - (i) the grant of Director Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - (ii) the grant of the Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the Director Options upon the terms proposed;
- (p) Mr David McArthur declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 5 and 7, Mr McArthur recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (o);
- (q) Mr Ross Taylor declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 5 and 6, Mr Taylor recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (o);
- (r) in forming the recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Director Options to be granted as well as the exercise price and expiry date of those Director Options; and
- (s) the Board is not aware of any other information that would be reasonable required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 5 to 7.

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

6. SPECIAL RESOLUTION 8: Approval of 10% Placement Capacity - Shares

General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval by special resolution passed at its annual general meeting to allow it to issue up to the number of Equity Securities equal to 10%

of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$17,981,240 (based on the number of Shares on issue and the closing price of Shares on the ASX on 24 September 2018).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities on issue, being fully paid ordinary Shares (ASX Code: LSR) and options (ASX Code: LSROA).

If Shareholders approve Resolution 8, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 8 for it to be passed.

Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 8:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date above, the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 8 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Variable "A"		DILUTION		
		\$0.012 50% decrease in Issue Price	\$0.024 Issue Price	\$0.048 100% increase in Issue Price
Current Variable A 749,218,328 shares	10% Voting Dilution	74,921,833 Shares	74,921,833 Shares	74,921,833 Shares
	Funds Raised	\$ 899,062	\$ 1,798,124	\$ 3,596,248
50% Increase in Current Variable A 1,123,827,492 shares	10% Voting Dilution	112,382,750 Shares	112,382,750 Shares	112,382,750 Shares
	Funds Raised	\$ 1,348,593	\$ 2,697,186	\$ 5,394,371
100% Increase in Current Variable A 1,498,436,656 Shares	10% Voting Dilution	149,843,666 Shares	149,843,666 Shares	149,843,666 Shares
	Funds Raised	\$ 1,798,124	\$ 3,596,248	\$ 7,192,496

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- (i) There are currently 749,218,328 Shares on issue as at 24 September 2018.
- (ii) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

- (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. That is why the voting dilution is shown in each example as 10%.
- (iv) The issue price set out above is the closing price of the Shares on the ASX on 24 September 2018.
- (v) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (vi) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
- (vii) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (viii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (ix) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company may use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources, assets and investments in which circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) Previous Approval under ASX Listing Rule 7.1A

The Company obtained approval under Listing Rule 7.1A on 20 November 2017. The Company has not issued any Equity Securities pursuant to Listing Rule 7.1A in the 12 months preceding the date of the Annual General Meeting.

As the Company has previously sought shareholder approval for the additional placement capacity under Listing Rule 7.1A, the following information is provided in relation to all issues of equity securities in the 12 months prior to the date of the Annual General Meeting, pursuant to the requirements of Listing Rule 7.3A6(a) and 7.3A6(b):

A total of 113,430,000 ordinary shares and 11,800,000 options have been issued representing 15.90% of the securities on issue at the commencement of the 12-month period preceding the date of the Annual General Meeting (being 787,772,157 securities), as detailed in the table on the following page.

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 20/11/2017 Appendix 3B – 21/11/2017	6,800,000	Quoted Options ³	Mac Equity Partners	No issue price (non-cash consideration)	Non-cash Consideration: Part payment of broker management fee in relation to the capital raising announced on 7 September 2017. Current value ⁶ = \$68,000
Issue – 07/03/2018 Appendix 3B – 08/03/2018	90,000,000	Shares ²	Sophisticated investors	\$0.023 per Share (at a discount to Market Price of 8.00%)	Cash Amount raised = \$2,070,000 Amount spent = \$665,839 Use of funds: Exploration activities at Yowereena and Ned’s Creek tenements and for working capital. Amount remaining = \$1,404,161 Proposed use of remaining funds ⁵ = Exploration activities at Yowereena and Ned’s Creek tenements and for working capital.
Issue – 07/03/2018 Appendix 3B – 08/03/2018	5,000,000	Unquoted Options ⁴	Mac Equity Partners	No issue price (non-cash consideration)	Non-cash Consideration: Part payment of broker management fee in relation to the placement announced on 28 February 2018. Current value ⁶ = \$17,874
Issue – 26/07/2018 Appendix 3B – 26/07/2018	23,400,000	Shares ²	Ross Taylor (on conversion of Quoted Options)	\$0.03 per Share (at a premium to Market Price)	Cash Amount raised = \$702,000 Amount spent = Nil Amount remaining = \$702,000 Proposed use of remaining funds ⁵ = Exploration activities at Yowereena and Ned’s Creek tenements and for working capital.
Issue – 06/08/2018 Appendix 3B – 07/08/2018	30,000	Shares	Holder of Quoted Options	\$0.03 per Share (at a premium to Market Price)	Cash Amount raised = \$900 Amount spent = Nil Amount remaining = \$900 Proposed use of remaining funds ⁵ = Exploration activities at Yowereena and Ned’s Creek tenements and for working capital.

Notes:

- Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- Fully paid ordinary shares in the capital of the Company, ASX Code: LSR (terms are set out in the Constitution).
- Quoted Options, exercisable at \$0.03 each, on or before 31 October 2019, ASX Code: LSROA.
- Unquoted Options, exercisable at \$0.05 each, on or before 31 December 2018. Full terms and conditions are set out in Appendix 2.
- This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
- In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.024) or Options (\$0.01) as the context requires on the ASX on 24 September 2018. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include Share price on the measurement date, exercise price, term of the Option, impact of dilution, expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividend yield and risk-free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market-based performance conditions (i.e. conditions linked to the price of Shares).

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 8.

GLOSSARY OF TERMS

10% Placement Capacity has the meaning given in Resolution 7 of the Explanatory Statement.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

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

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

Company means Lodestar Minerals Limited - ABN 32 127 026 528

Directors means the current directors of the Company.

Director Options means options exercisable at \$0.10 per option on or before 31 December 2021.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

AWST means Australian Western Standard Time (Perth, Western Australia).

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

APPENDIX 1

Valuation of 31 December 2018 options at date of notice of meeting

The Company has valued the Options using the Black-Scholes option valuation model and based on the assumptions as set out in the table below, with the Options ascribed a value as follows:

Assumptions:

Valuation date: 24 September 2018

Share price: \$0.024

Exercise price: \$0.05

Remaining Term: 2 months

Volatility: 1.76%

Risk free interest rate: 2.00%

Indicative value per Option: \$0.0036

Valuation of 31 December 2021 Director Options at date of notice of meeting

The Company has valued the Options using the Black-Scholes option valuation model and based on the assumptions as set out in the table below, with the Options ascribed a value as follows:

Assumptions:

Valuation date: 24 September 2018

Share price: \$0.024

Exercise price: \$0.10

Remaining Term: 38 months

Volatility: 1.76%

Risk free interest rate: 2.00%

Indicative value per Option: \$0.019

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

APPENDIX 2

31 December 2018 Lead Manager Option Terms

- (a) The Options are exercisable at 5 cents each (**Exercise Price**) at any time on or before 31 December 2018 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (b) The Options vest immediately upon issue.
- (c) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (d) The notice attached to the certificate has to be completed when exercising the Options (**Notice of Exercise**).
- (e) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (f) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) Within 15 business days after the Exercise Date, the Company will:
 - (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (h) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares.
- (i) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining

entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.

- (j) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (k) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and ASX Listing Rules at the time of the reconstruction.
- (l) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (m) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

31 December 2021 Director Option Terms

- (a) The Options are exercisable at 10 cents each (**Exercise Price**) at any time on or before 31 December 2021 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (b) The Options vest immediately upon issue.
- (c) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (d) The notice attached to the certificate has to be completed when exercising the Options (**Notice of Exercise**).
- (e) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (f) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) Within 15 business days after the Exercise Date, the Company will:
 - (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

- (h) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares.
- (i) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (j) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (k) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and ASX Listing Rules at the time of the reconstruction.
- (l) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.
- (m) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

..... (Company),
Insert name of Shareholder Company

the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at an annual general meeting of the members of Lodestar Minerals Limited to be held on Friday 30 November 2018 commencing at 2.00 pm (AWST) and at any adjournments of that general meeting.

DATED

Please sign here

Executed by the Company)
in accordance with its constituent documents)
)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Lodestar Minerals Limited at Level 1, 31 Cliff Street, Fremantle WA 6160 or fax the Certificate to the registered office at +61 8 6444 7408

PROXY FORM
LODESTAR MINERALS LIMITED

ABN 32 127 026 528

ANNUAL GENERAL MEETING

I/We

Address

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

Appoint

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the Annual General Meeting as your proxy.)

OR

the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions or if no directions have been as the proxy sees fit, at the Annual General Meeting to be held at 2.00 pm (AWST) on 30 November 2018 at Level 1, 31 Cliff Street, Fremantle, Western Australia, and at any adjournment of that meeting.

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 5, 6 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1: Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2: Re-election of Director – David McArthur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3: Ratification of Issue of Shares – Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 4: Ratification of Issue of Options –Lead Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 5: Issue of Director Options – Bill Clayton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 6: Issue of Director Options – David McArthur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 7: Issue of Director Options – Ross Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution 8: Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Signature of Member(s)

_____ **Date:** _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - In person to Level 1, 31 Cliff Street, Fremantle, Perth, WA;
 - By mail to PO Box 584, Fremantle, WA, 6959;
 - By Facsimile to +61 8 6444 7408;
 - By scan and email to jordan.mcarthur@broadwaymgt.com.au,

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

Proxy Forms received later than this time will be invalid.



LODESTAR MINERALS LIMITED

ABN 32 127 026 528

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2018

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LODESTAR MINERALS LIMITED

CORPORATE DIRECTORY

CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretaries

Mr David McArthur
Mr Jordan McArthur

Registered and Principal Office

Level 1, 31 Cliff Street
Fremantle WA 6160

Website: www.lodestarminerals.com.au

Email: admin@lodestarminerals.com.au

Telephone: +61 8 9435 3200

Facsimile: +61 8 6444 7408

Postal Address

PO Box 584
Fremantle WA 6959

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000

ASX Code

Shares: LSR
3c Options expiring 31 October 2019: LSROA

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

REVIEW OF OPERATIONS

HIGHLIGHTS

Major advances were made at the Company's Ned's Creek gold project including drill intersections of high-grade gold mineralisation in bedrock at the Contessa and Gidgee Flat prospects.

- At Contessa, a spectacular intersection of 4m at 74g/t Au from 140m was reported in LNRC026, including 1m at 153g/t Au from 140m and 1m at 128g/t Au from 141m.
- At Gidgee Flat, 2.4km southwest of Contessa, 11m at 5.8g/t Au from 195m, including 1m at 28g/t Au from 202m was reported in LNRC039.

These results are the highest grades reported from the project to date and together with numerous multi-gram intersections reported from the latest RC drilling, vindicate Lodestar's belief in the intrusion-related gold exploration model and the potential of the Ned's Creek project to host economic gold mineralisation. Lodestar was awarded co-funding from the WA Government's exploration incentive scheme (EIS) to carry out the successful diamond and RC drilling programs at Contessa.

Additional RC drilling is underway to extend the potential strike extensions of the mineralised zones at Contessa and Gidgee Flat and vigorously pursue Lodestar's objective of defining a maiden resource for the project. The Company has initiated preliminary metallurgical studies on Gidgee Flat transition and primary mineralisation to investigate gold recoveries using conventional cyanide leaching.

A farm-in over Vango Mining Limited's Yowereena mining leases, immediately north of the Contessa prospect has been completed and Lodestar now holds an 80% interest in these tenements. The farm-in increased Lodestar's area under tenure by 35sq km to 374sq km and includes the historic Boundary Fence gold prospect and the northern margin of the Contessa granite, where untested multi-element and gold anomalies have been identified in historic geochemical sampling. The northern greenstone margin is believed to be an equivalent setting to the southern margin between Contessa and Brumby, now recognised as a major exploration target. Currently, approximately 90% of the 15km perimeter of the granite remains untested by bedrock drilling and a 2,900 line km high resolution aeromagnetic survey was completed over the area to improve exploration targeting.

Through persistent and effective exploration Lodestar has made virgin discoveries at the Contessa and Gidgee Flat prospects, is well advanced in its mission to define a gold resource on the Neds Creek project and has developed a series of high priority targets to be drill tested in the coming year.

EXPLORING ACROSS THE CAPRICORN OROGEN

Lodestar's tenement portfolio comprises 1676 sq. km. in three projects under tenure or application across the northern margin of the Yilgarn Craton, Western Australia (Figure 1). The tenement package spans a distance of 360 kilometres, extending across the collision zone of the Yilgarn and Pilbara Cratons, known as the Capricorn Orogen.

Ancient craton margins have the potential to host large base metal and precious metal deposits because deep crustal structures associated with large scale deformation can promote the transfer of fluids and magma from fertile upper mantle to the upper crust over extended periods. At Ned's Creek the Bryah and Yerrida Basins, the Marymia Inlier and greenstone in the Contessa area (interpreted as part of the Kalgoorlie Terrane), are located within the major deformation zone active during the Capricorn and Glenburgh Orogens. The discovery of syenite intrusions and gold mineralisation associated with the Contessa granite is consistent with this setting and the convergence of major structures at this margin.

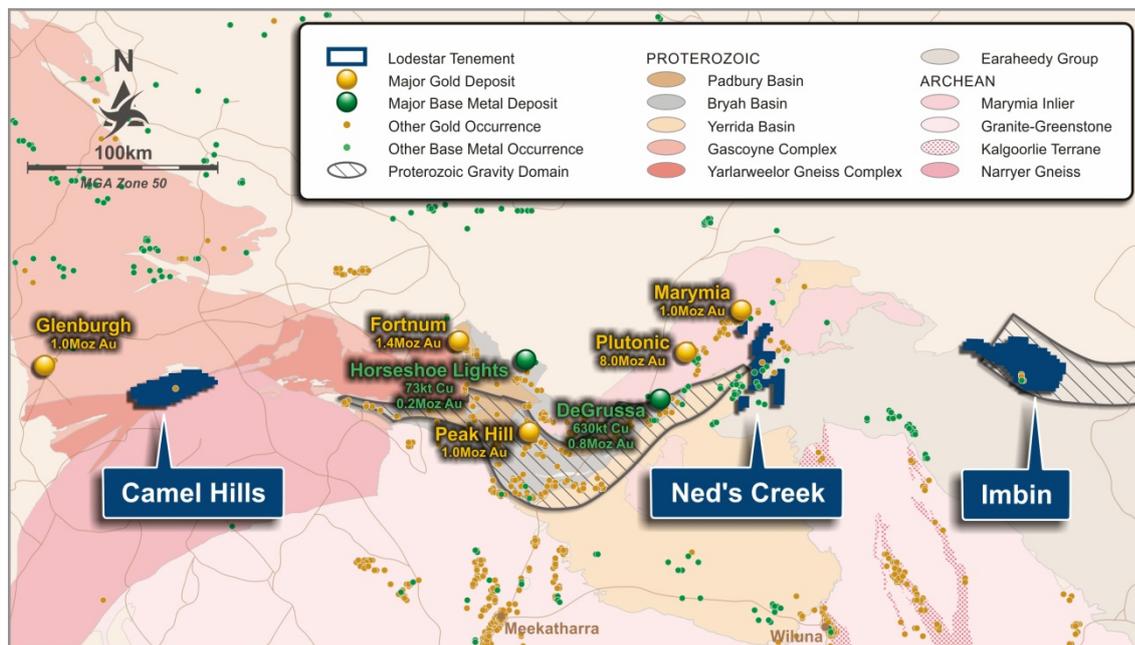


Figure 1 Location of Lodestar's projects on the northern Yilgarn Craton margin.

The northern Yilgarn craton margin, including the Plutonic Well greenstone belt of the Marymia Inlier, has an endowment of multi-million ounce gold deposits and growing resources of copper (Figure 2). The mineralisation at the Plutonic gold deposit (>5Moz Au) has been dated at ~2100Ma, 1850Ma and 1680Ma¹, reflecting multi-phase mineralisation related to major orogenic events on the Yilgarn margin. A study of the ages of ore deposits in the Bryah and Padbury Basins has confirmed the relationship between major orogenic events and mineralisation; the DeGrussa and Horseshoe Lights (Cu-Au), Peak Hill, Horseshoe and Mikhaburra (Au) deposits are dated between 2005 – 1960Ma corresponding to the Glenburgh Orogeny². Correlation of these mineralising episodes across the northern margin of the Yilgarn is important in identifying areas of mineral potential. Under-explored exposures of Glenburgh age rocks occur at the Camel Hills and Imbin projects, at the western and eastern ends of the Capricorn Orogen, respectively.

EXPLORING ACROSS THE CAPRICORN OROGEN

(E52/2440, E52/2456, E52/2468, E52/2493, E52/2734, E52/3473, E52/3476 – LSR 100% and M52/779, M52/780, M52/781 & M52/782 – LSR 80%)

The Ned's Creek tenements are located 150 kilometres north east of Meekatharra along geological trend from the Thaduna and DeGrussa copper deposits and 35 km east of the Plutonic gold mine. The tenements flank the Jenkin Fault zone, a major structure that defines the northern boundary of the Bryah-Yerrida volcano-sedimentary sequence and extend over 374 sq. km. of the northern Proterozoic Yerrida Basin and Archaean granite-greenstone basement. Gold exploration is focussed on a large area of under-explored Archaean basement, immediately north of overlying Yerrida sediments.

¹ Gazely, M.F (2011), Metamorphism, Geochronology and Stratigraphy of an amphibolite-facies greenstone-hosted gold deposit: Plutonic Gold Mine, Western Australia. Unpublished PhD thesis, Victoria University of Wellington, New Zealand, 164p.

² Hawke, M.L., Meffre, S. and Stein, H. (2014), Geochronology of the DeGrussa Cu-Au-Ag volcanic-hosted massive sulphide deposit and comparisons with regional mineralization of the Yerrida, Bryah and Padbury basins, Western Australia. Accessed on 26th June 2015 at http://www.segweb.org/SEG/Events/Conference_Website_Archives/2014/Abstracts/data/papers/abstracts/0393-000068.pdf

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

Contessa (Gold)

Lodestar has completed diamond and RC drilling at the Contessa project over a strike distance of 170m targeting basement gold mineralisation within a zone of strong supergene gold anomalies. A two hole diamond drilling program was completed in October 2017, supported by EIS funding from the WA Government.

LND001 was targeted below aircore drill hole LNR906 that terminated in vein quartz and reported 4m at 4.35g/t Au, core sampling returned results that included:

- **Up to 2.3g/t Au over a 1m interval within a 7.8m intersection of strongly weathered quartz veining and alteration.**

LND002 was drilled down-dip, as a scissor hole to LND001, remaining in the diorite footwall throughout. Significant intersections were reported from the footwall rocks, demonstrating extensive alteration and mineralisation around the primary structure, including:

- **0.65m at 9.7g/t Au**
- **0.5m at 1.3g/t and 2m at 1.0g/t Au**

The diamond drilling was immediately followed by an RC hole targeting the down-dip extension to the mineralisation reported in LND01. LNRC020 targeted approximately 50m down-dip from LND001 and intersected a zone of silica-pyrite alteration on the contact. Significant assay results from this zone include:

- **10m at 1.4g/t Au from 138m, including 6m at 1.7g/t Au and 1m at 4.4g/t Au from 143m.**

Significantly, these results represented the first confirmation of bedrock gold mineralisation at Contessa (see Lodestar’s ASX announcements dated 13th November 2017, 8th December 2017 and 27th December 2017).

A program of 12 RC holes, co-funded by a WA Government EIS grant, followed in March 2018. The drilling was designed to target gold mineralisation within a shear zone intersected in diamond and RC drilling adjacent to the contact between diorite and quartz-sericite schist. Drilling was completed on four traverses over a distance of 170m. The traverses were 40m apart with holes spaced at 50m on section.

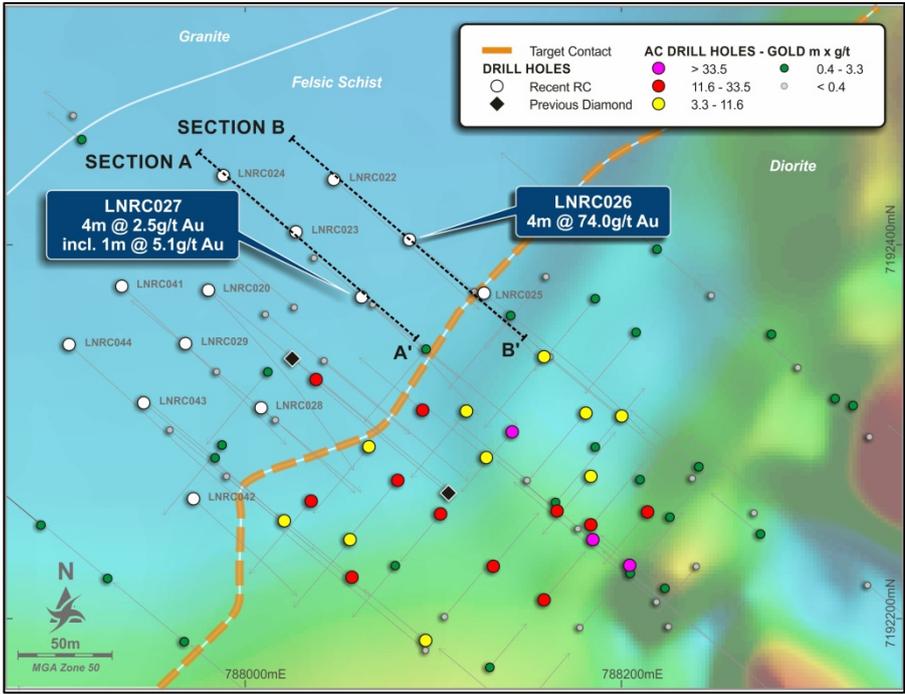
The RC drilling confirmed both quartz vein hosted gold mineralisation and zones of silica-pyrite related gold mineralisation within extensive low to high angle structures at Contessa.

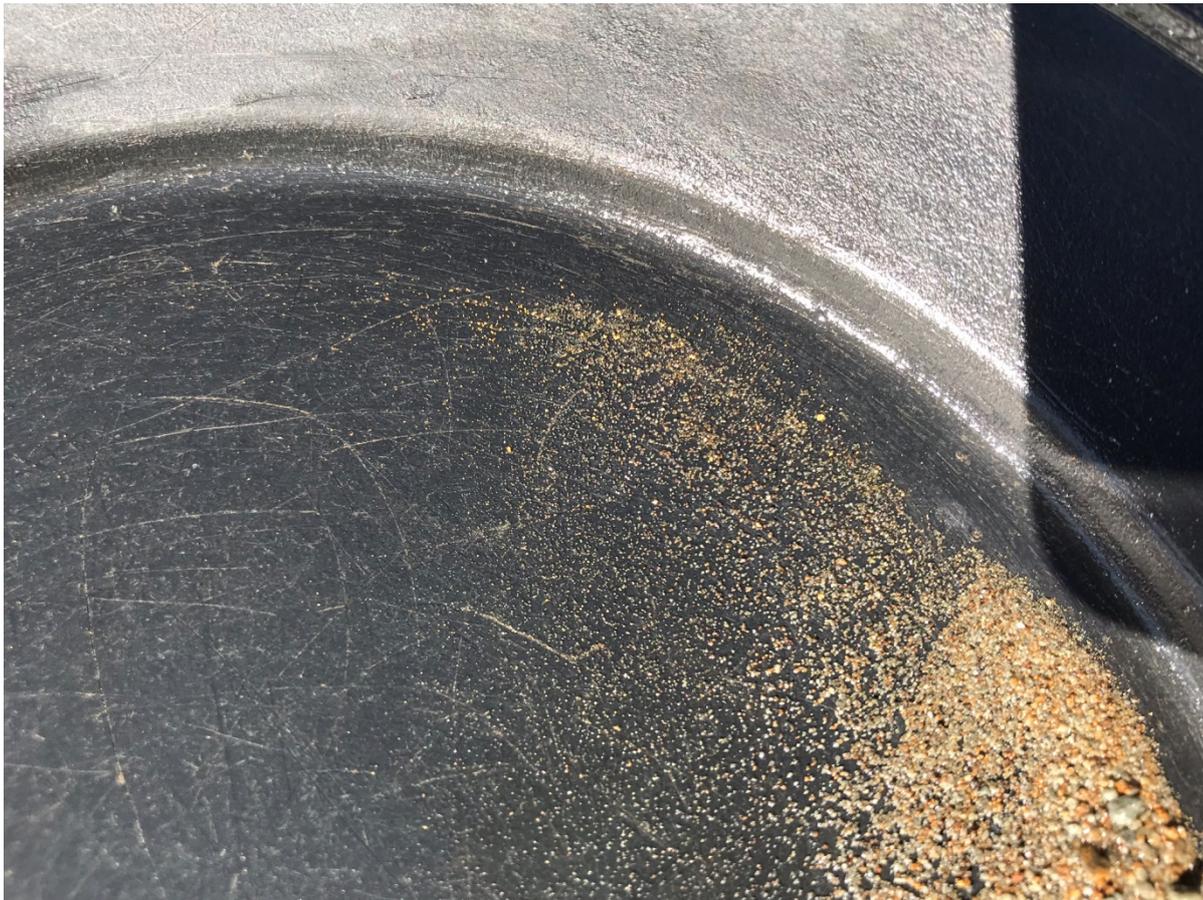
Grades are variable, but included extremely high grade gold in a sulphide-rich interval in LNRC026 that reported 74g/t Au over 4m from 140m. Follow up assaying of the 1m split samples from the same interval reported 1m at 151g/t Au from 140m; 1m at 128g/t Au from 141m; 1m at 28.5g/t Au from 142m and 1m at 4.6g/t Au from 143m (see Lodestar’s ASX announcement dated 22nd May 2018). These results demonstrate the potential of the Contessa area to host bonanza grades associated with the intrusion-related gold exploration model proposed for Neds Creek. A program of diamond drilling to twin the high-grade intersection has now been completed and additional RC drilling around the high-grade zone is planned.

TABLE 1 WORK COMPLETED

Drill Type	No. of holes	Metres drilled
RC	13	2,496
Diamond	2	406.4

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018





Gidgee Flat (Gold)

Aircore drilling at Gidgee Flat targeted the area around an earlier drill hit of 8m at 2.1g/t Au from 76m (see Lodestar's ASX announcement dated 10th July 2017) in the transition zone. Follow up drilling was highly successful, intersecting thick zones of gold mineralisation believed to be associated with a north-dipping shear zone in mafic rocks adjacent to the granite contact. The drilling targeted the area on a 25m grid pattern and confirmed the original intersection, resulting in a new greenfields discovery that includes wide intervals of strong gold mineralisation. Many of the aircore holes did not penetrate the lower contact of the shear zone, ending within the alteration and anomalous gold values.

Significant assays in aircore drilling include:

- **20m at 2.4g/t Au from 44m (incl. 4m at 4.8g/t Au from 48m)**
- **15m at 3.2g/t Au from 72m (incl. 4m at 5.0g/t Au from 72m)**
- **8m at 4.2g/t Au from 48m (incl. 4m at 7.3g/t Au from 52m)**
- **12m at 2.3g/t Au from 80m**
- **16m at 1.7g/t Au from 44m**
- **4m at 11g/t Au from 48m**
- **4m at 1.5g/t Au from 74m (ending in mineralisation)**. See Lodestar's ASX announcement dated 27th December 2017.

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The mineralisation occurs within a series of moderately to steeply north-dipping shear zones adjacent to the granite contact. The shear zones display silica-sericite-pyrite, carbonate, K-feldspar, haematite-magnetite and epidote alteration and are interspersed with syenite intrusives that also contain gold-bearing pyrite mineralisation. There is a close association between shear-hosted gold mineralisation and undeformed mineralised syenite intrusions as dykes and apophyses.

Significant assays from follow up RC drilling targeting bedrock mineralisation over 80m of strike include;

- o **10m at 2.0g/t Au from 71m, including**
 - **2m at 5.8g/t Au from 75m**
 - **1m at 2.1g/t Au from 75m and**
 - **2m at 1.5g/t Au from 77m**
- o **11m at 3.5g/t Au from 80m, including**
 - **1m at 5.4g/t Au from 82m**
 - **1m at 14.7g/t Au from 85m and**
 - **1m at 6.4g/t Au from 86m**
- o **5m at 2.7g/t Au from 100m, including**
 - **1m at 5.1g/t Au from 100m and**
 - **1m at 4.8g/t Au from 103m**
- o **18m at 0.93g/t Au from 107m, including**
 - **3m at 1.6g/t Au from 108m and**
 - **6m at 1.0g/t Au from 119m**
- o **11m at 5.8g/t Au from 195m**
- o **5m at 3.4g/t Au from 154m**
- o **2m at 8.3g/t Au from 174m and**
- o **1m at 10.7g/t Au from 203m, 3m at 3.0g/t Au from 215m and 1m at 7.2g/t Au from 248m.** See Lodestar’s ASX release dated 22nd May 2018.

Several RC drill holes intersected the granite contact a significant distance south of its previously interpreted position. The contact and coincident structures are believed to be the main control on mineralisation and it was realised that earlier traverses of scout aircore drilling had not tested the contact position. A program of aircore drilling was completed on 180m spaced traverses, covering a total distance of 800m along the contact. The aircore drilling confirmed the presence of the mineralised structure 100m northeast of the RC drilling, with evidence of mineralised quartz veining (4m at 6.8g/t Au) with silica-sericite, silica-haematite alteration and syenite intrusives. This style of alteration was also noted in LNR1086 and LNR1066 (respectively, 260m north and 280m south of the RC drilling), giving added confidence that the target structure extends beyond the area of RC drilling and potentially for over 600m. The next phase of RC drilling will test this structure along strike from the discovery zone.

TABLE 2 WORK COMPLETED

Drill Type	No. of holes	Metres drilled
Aircore	76	2,255
RC	11	1,969

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REVIEW OF OPERATIONS
 For the year ended 30 June 2018

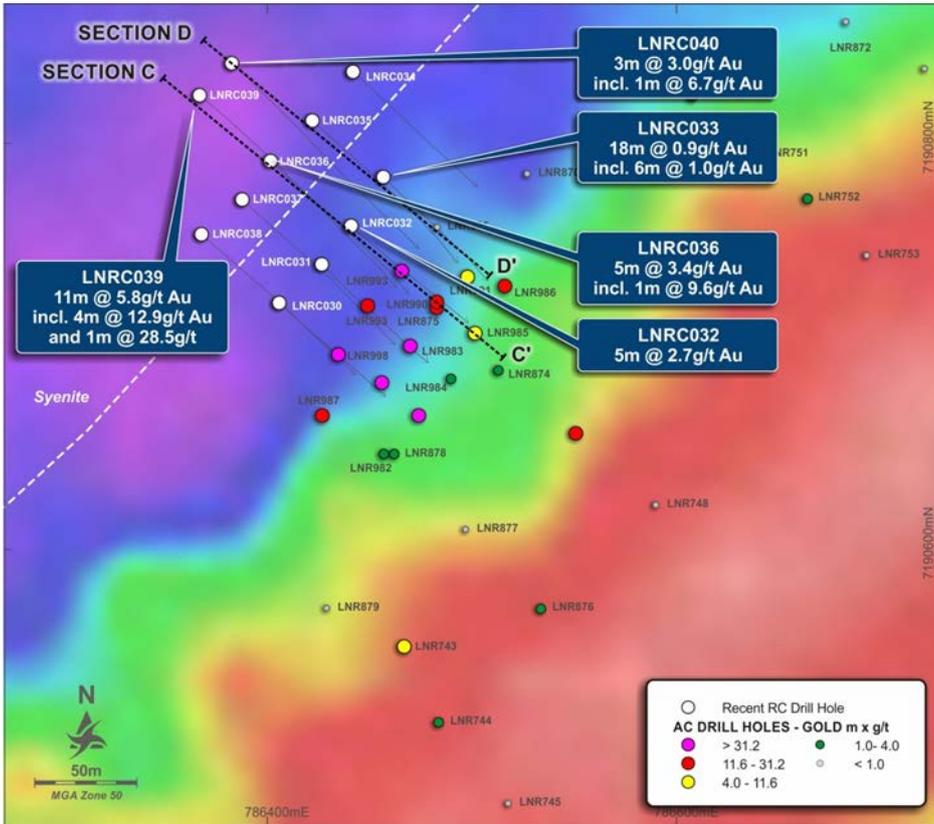


Figure 5 Gidgee Flat drill hole plan showing selected intersections in RC drilling (1VD aeromagnetic background image).

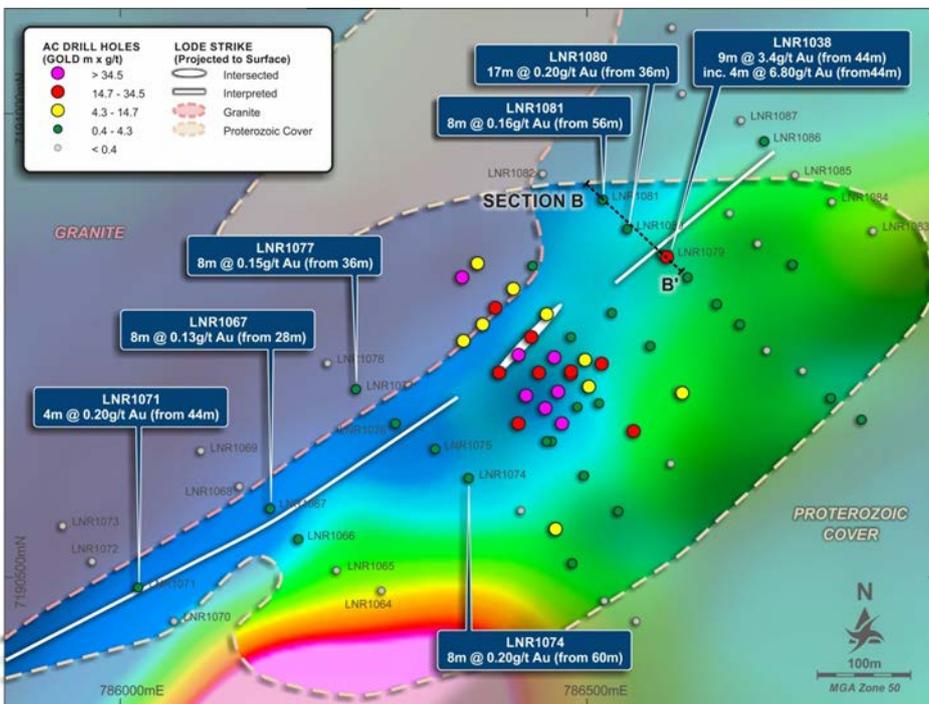


Figure 6 Gidgee Flat target contact, showing extent of aircore drilling (1VD RTP aeromagnetic image background)

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

Central Park (Gold)

Central Park is located adjacent to the southern granite contact in an area of no outcrop. Reconnaissance drilling completed in 2011 and 2014 reported multi-gram supergene gold mineralisation, including 5m at 8.9g/t Au from 30m with significant gold anomalies reported in aircore drilling over a distance of 230m along the contact (see Lodestar’s ASX announcement dated 24th November 2014) .

Aircore drilling was carried out on a 40m by 20m grid, to in-fill around earlier gold intersections and locate the granite contact. A total of 41 holes were completed and drilling defined a strong, 320m long, 180m wide supergene anomaly extending along the granite.

Significant intersections from Central Park include:

- **32m at 0.9g/t Au from 36m, including 12m at 2.0g/t Au from 36m**
- **40m at 0.35g/t Au from 36m**
- **52m at 0.5g/t Au from 28m**
- **27m at 0.5g/t Au from 48m**
- **32m at 0.6g/t Au from 12m, including 8m at 1.7g/t Au from 20m**
- **28m at 1.8g/t Au from 32m, including 12m at 3.7g/t Au from 36m**
- **16m at 1.0g/t Au from 48m.** See Lodestar’s ASX announcement dated 4th July 2018.

The structural zone along the granite contact is a focus for planned RC drilling to locate a bedrock source.

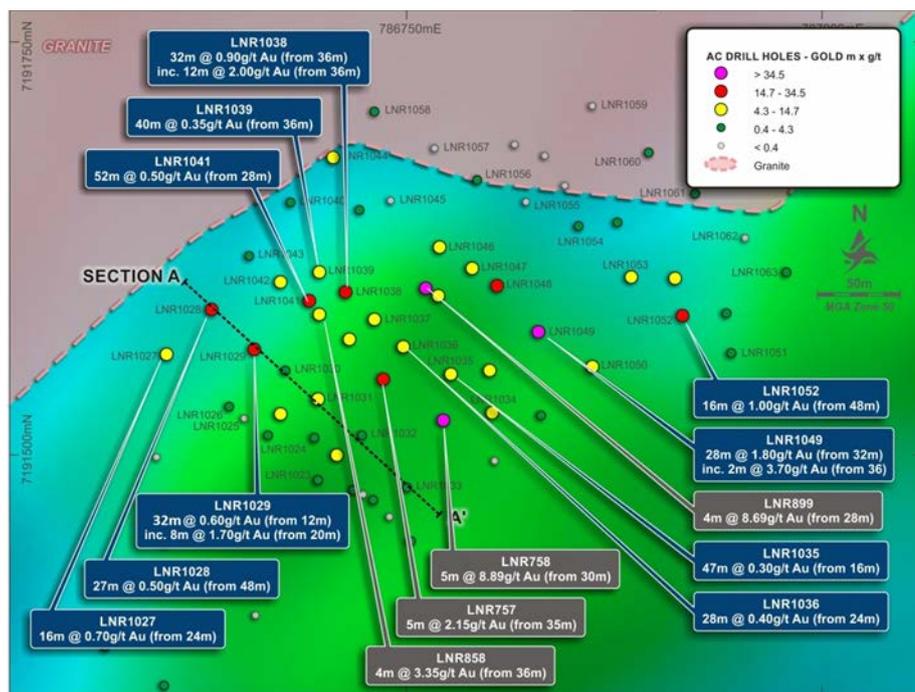


Figure 7 Central Park drill hole plan showing gold distribution and drill intersections (1VD RTP aeromagnetic image)

TABLE 3 WORK COMPLETED

Drill Type	No. of holes	Metres drilled
Aircore	41	2,735
RC	1	189

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For the year ended 30 June 2018

Brumby (Gold)

An in-fill aircore drilling program of 16 holes on a 100m by 30m grid tested low level gold anomalies on the granite contact. The Brumby area has a stripped weathering profile that reduces the depth of penetration and effectiveness of aircore drilling.

Results were in line with expectations, reporting up to 0.44g/t Au, with several holes ending in anomalous gold (see Lodestar’s ASX announcement dated 4th July 2018). Low level gold in intrusion-related systems may surround the higher-grade, structurally-controlled mineralisation that is a target for RC drilling.

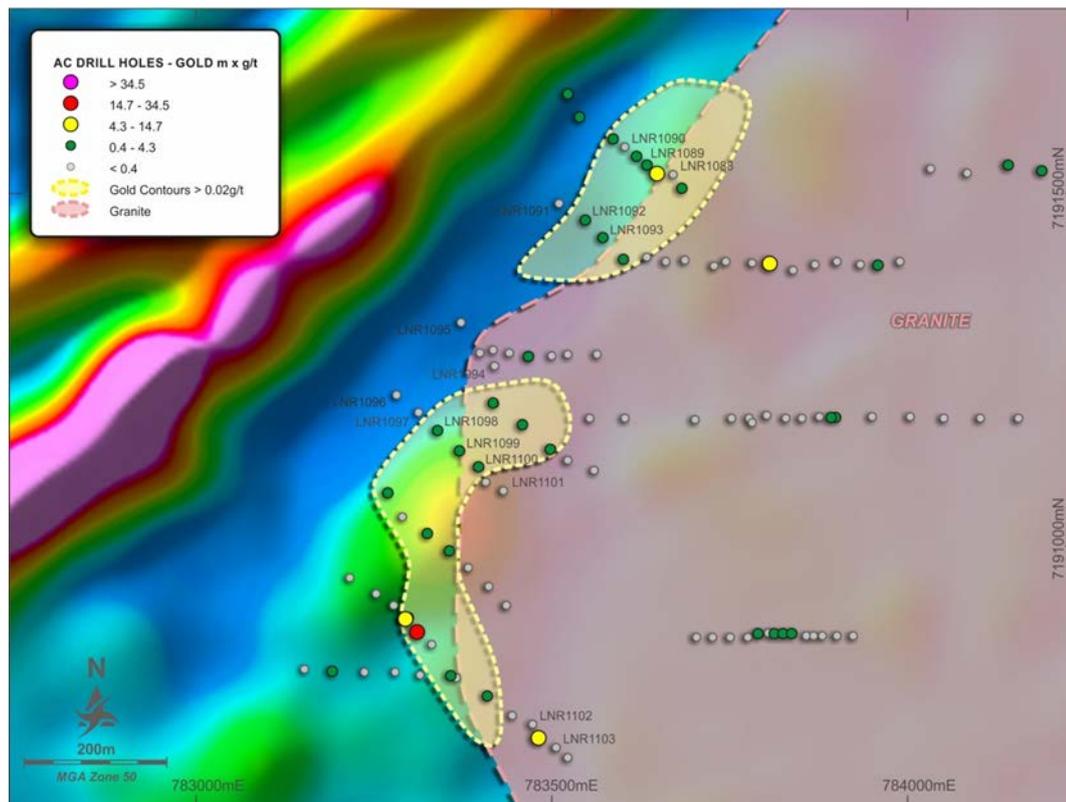


Figure 8 Brumby drill collar plan showing the distribution of gold anomalies on the granite contact (1VD RTP aeromagnetic image).

TABLE 3 WORK COMPLETED

Drill Type	No. of holes	Metres drilled
Aircore	16	522

Boundary Fence (Gold)

Two phases of aircore drilling targeted shallow, high grade intersections reported from historic drilling. The drilling had two main objectives:

- To extend drill testing along strike and north of the area tested by Marymia Exploration and test the north-dipping “reef” model targeted in historic RAB and RC drilling; and
- To confirm high-grade gold results reported in Marymia Exploration RAB drilling (see Lodestar’s ASX announcement dated 14th March 2017).

Four aircore holes testing the historic high-grade intersections produced mixed results; high-grade near surface gold

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

was reported in one hole adjacent to an outcrop of vein quartz, confirming the historic results, but elsewhere the earlier results were not replicated (see Lodestar’s ASX announcement dated 27th December 2017).

Drilling within the main prospect area has confirmed a north-dipping shear zone hosting thick intervals of shallow, sub- 1g/t Au oxide mineralisation. The shear zone includes abundant quartz veining and silica-sericite alteration with minor pyrite. Significant gold mineralisation was intersected in two adjacent holes:

- **16m at 1.6g/t Au from 28m, including 4m at 5.6g/t Au from 28m**
- **12m at 1.7g/t Au from 48m, including 4m at 4.6g/t Au**

The second phase of aircore drilling over the prospect, on a 50m by 50m grid, encountered widespread sub-1g/t gold adjacent to earlier multi-gram intersections with a best intersection of 16m at 1.1g/t Au from 40m (see Lodestar’s ASX announcements dated 27th December 2017 and 4th July 2018). Aircore drilling did not penetrate the quartz vein – alteration system at the base of the saprolite and RC drilling will now target this system at depth.

TABLE 5 WORK COMPLETED

Drill Type	No. of holes	Metres drilled
Aircore	80	4,925

Regional (Gold)

A 2,906-line kilometre, high resolution aeromagnetic survey was flown over the Yowereena farm-in tenements and Lodestar’s adjacent tenements. The survey provides Lodestar with a quality framework for geological interpretation of the large areas of prospective Archaean basement concealed by shallow transported cover and will assist Lodestar’s intended expansion of exploration activity on the Yowereena tenements.

Previous reconnaissance exploration carried out by Homestake Gold Australia Limited in 2000 to 2001 identified significant gold anomalies within areas of Archaean bedrock covered by thin transported alluvium (see Lodestar’s ASX announcements dated 14th March 2017 and 18th May 2017). The historic work included wide spaced RAB drilling and geochemical sampling of the interface between transported alluvium and the weathered basement (CBI sampling). The CBI sampling did not cover the entire area of interest and was completed before the significance of the granite contact and syenite-related mineralisation was recognised. CBI samples were analysed for gold and multi-elements, including As, Bi, Co, Cr, Cu, Fe, Mn, Ni, Pb and Zn.

The interpretation of the new aeromagnetic data and historic geochemical data suggests that east-northeast trending shear zones have a strong influence on the location of gold and multi-element anomalies. Two large gold and multi-element anomalies are evident, previously identified as anomalies A and B (see Lodestar’s ASX announcement dated 18th May 2017). The first, adjacent to the granite contact, extends for 2.4km and includes maxima of 41ppb Au, 311ppm As, 78ppm Pb and 15ppm Bi. The element association and high values within this anomaly are a strong indicator of underlying sulphide mineralisation and similar to anomalies associated with the Ned’s Creek gold system. The second multi-element anomaly, within the mafic sequence, extends for 1.2km with a similar element association having maxima of 76ppb Au, 16ppm As, 49ppm Pb and 2.5ppm Bi. Each CBI anomaly is supported by significant anomalous gold in reconnaissance RAB drilling completed by Homestake, before the CBI geochemistry program.

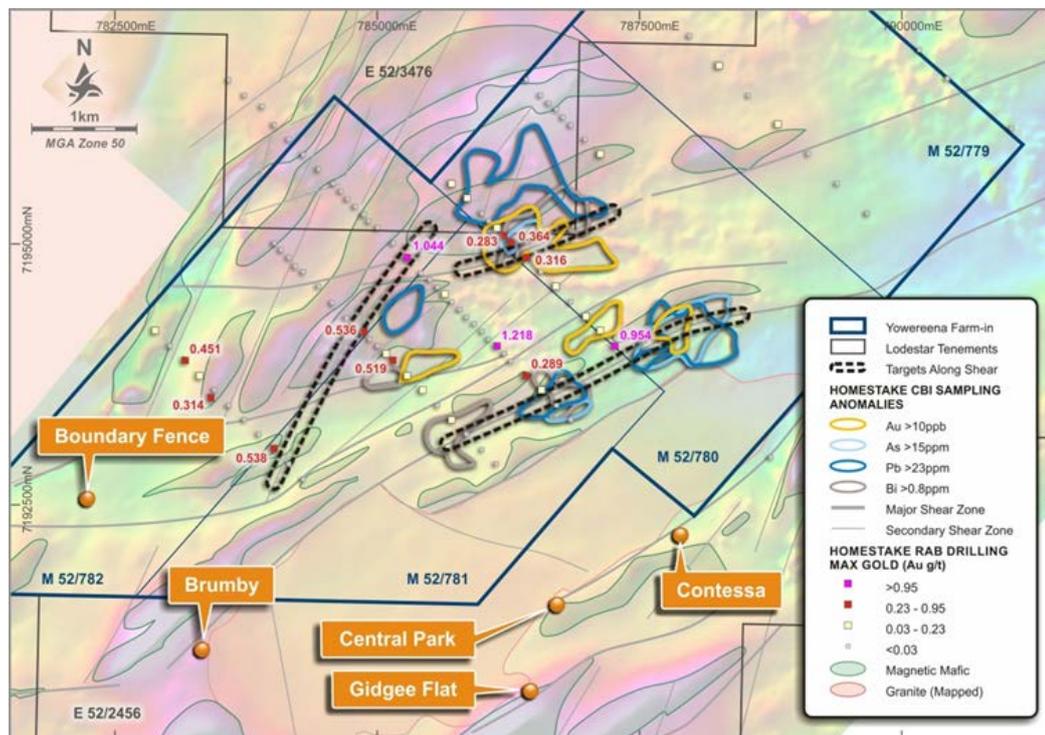


Figure 9 Multi-element geochemical anomalies and gold in historic aircore drilling on RTP aeromagnetic image.

Camel Hills Project (Gold)

(E09/2099, E09/2100, E09/2215 & E52/3064 – LSR 100%)

The Camel Hills project includes 43 km of the Errabiddy Shear Zone and a regional gold in drainage anomaly extending over several kilometres. Lodestar’s exploration has identified the contact between magnetic Petter calc-silicate rocks and the Quart Pot pelite, within the Camel Hills Metamorphics as a controlling structure on gold mineralisation. A regional surface geochemical survey has been completed, targeting the area of magnetic stratigraphy southwest of the Big Sky gold occurrence. Approximately 3,000 samples were collected over E09/2099, E09/2100 & E09/2215, covering a strike length of 24km on a 400m by 100m grid, closing to 200m by 20m in the area immediately southwest of Big Sky.

Numerous gold anomalies have been identified from this program and follow up exploration and in-fill sampling is planned.

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

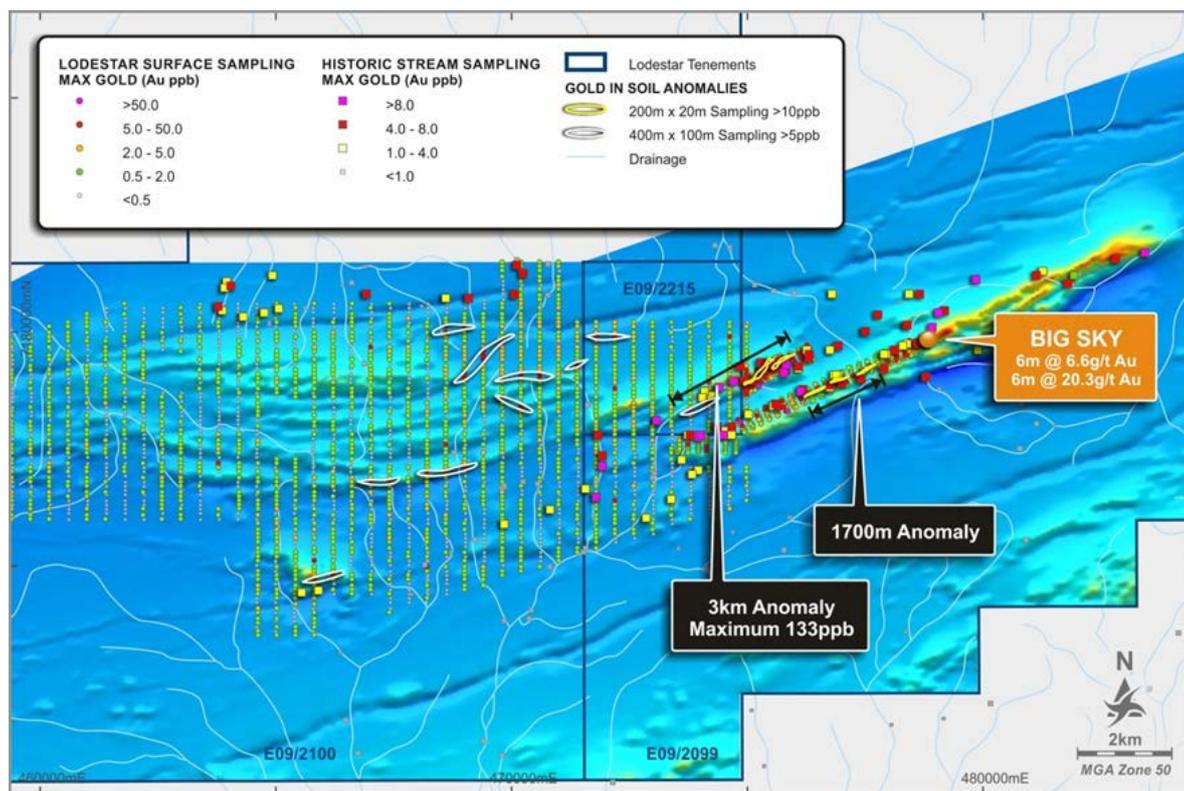


Figure 10 Camel Hills surface sampling showing gold anomalies and targets (TMI aeromagnetic image background)

TRADITIONAL OWNERS

Lodestar Minerals would not be able to operate successfully without the support of the Traditional Owners and the local communities in which we operate. We continue to build trust and respect between Lodestar Minerals and our key stakeholders through transparency, listening, acting on concerns and looking for innovative and sustainable ways of ensuring that the Traditional Owners are participating in the journey to responsibly and sensitively explore and develop the Peak Hill / Doolgunna region. We are working closely with our Native Title holders to identify mutually supportive initiatives which will see a growing range of business and employment opportunities being developed and importantly ensuring that the local community has the capability and opportunity to grow with the Company.

CORPORATE ACTIVITY

Placement of shares and issue of options

On 7 September 2017, Lodestar issued 62.5 million fully paid ordinary shares at \$0.008 per share to raise \$500,000 (before costs). The placement included the issue of 31.25 million listed options on a one-for-two basis for zero consideration, with each option exercisable at \$0.03 per share on or before 31 October 2019.

On 3 October 2017, Ross Taylor converted his outstanding convertible note to fully paid ordinary shares at \$0.01 per share for a total of 117 million ordinary shares. Mr Taylor also received 23.4 million free-attaching options upon conversion.

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

On 16 December 2017, 16,000,000 options issued partially to consultants on 16 December 2013 and partially to Directors on 25 November 2014 expired, unexercised.

On 28 February 2018, the Company issued 90 million fully paid ordinary shares at \$0.023 to raise \$2,070,000 (before costs) in an oversubscribed private placement to fund a significant drilling and geophysical surveying campaign at the 100%-owned Ned's Creek project and the Yowereena farm in with Vango Mining Limited.

ISSUED CAPITAL as at 25 September 2018

Ordinary Shares	749,218,328
Listed Options	96,553,702
Unlisted Options	27,800,127

FINANCIAL RESULTS AND CONDITION

The loss for the year ended 30 June 2018 attributable to members of Lodestar Minerals Limited after income tax was \$2,092,895 (2017 restated: \$1,329,256).

The Group has a working capital surplus of \$917,364 (2017 deficit: \$205,847) and net cash inflows of \$957,469 (2017 outflow: \$266,345).

The Company remains acutely aware of the current economic climate and continues to implement cost reduction measures across the business.

Summary of results

	2018	2017 (restated)
	\$	\$
Revenue from ordinary activities	92,773	172
Loss before income tax	(2,092,895)	(1,329,256)
Income tax expense	-	-
Loss attributable to owners of Lodestar Minerals	(2,092,895)	(1,329,256)
Other comprehensive income	-	-
Loss per share (cents)	(0.34)	(0.31)
Shares on issue at reporting date	725,788,328	453,318,328
Weighted average number of shares	620,627,451	431,403,002

PLANNED ACTIVITY

The Company will seek to implement the growth strategies as outlined in the review of operations above.

LODESTAR MINERALS LIMITED
REVIEW OF OPERATIONS
For the year ended 30 June 2018

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the ASX announcements dated

- *24th November 2014 "Lodestar Drilling Update"*
- *10th July 2017 "Widespread High-Grade Gold Results Advance Ned's Creek Targets"*
- *13th November 2017 "Drilling Commences at Yowereena"*
- *8th December 2017 "Diamond Drilling Results Support Expanded Drilling Program"*
- *27th December 2017 "Confirmation of Major Gold System 35km from Plutonic Belt"*
- *22nd May 2018 "Outstanding RC Drill Results at Gidgee Flat and Contessa"*
- *4th July 2018 "Aircore Results Confirm Large Bedrock Gold Targets"*

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group, comprising Lodestar Minerals Limited (the Company) and its subsidiary, for the financial year ended 30 June 2018 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:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Ross Taylor Non-Executive Chairman</p> <p>Appointed: 30 June 2014</p> <p>Chair of Remuneration and Nomination Committee</p> <p>Member of the Audit & Risk Management Committee</p>	<p>Mr Taylor is a Chartered Accountant and an investment banking consultant with a thorough knowledge of international financial markets gained while working in Australia, London, New York and Tokyo. He has extensive experience in the global investment banking sector and has held senior positions with Deutsche Bank, Bankers Trust and Barclays Capital.</p> <p>Mr Taylor has not held any other directorships in the previous three years.</p>
<p>William Clayton Managing Director</p> <p>Appointed: 2 November 2007</p>	<p>Mr Clayton has more than 20 years' experience in exploration evaluation of Archaean nickel sulphide deposits, precious metals and other commodities, working with Outokumpu Australia, Forrestania Gold and LionOre.</p> <p>Mr Clayton completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.</p> <p>Mr Clayton has not held any other directorships in the previous three years.</p>
<p>David McArthur Non-Executive Director</p> <p>Appointed: 3 September 2018</p> <p>(Executive Director 13 August 2007 to 3 September 2018)</p> <p>Chair of the Audit & Risk Management Committee</p> <p>Member of Remuneration and Nomination Committee</p>	<p>Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia. Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies over the past 30 years.</p> <p>Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.</p> <p>Mr McArthur is a Non-Executive Director of Xstate Resources Limited and Smart Marine Systems Limited.</p>

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

2. Company Secretaries

David McArthur is a Chartered Accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint company secretary on 17 April 2018. Mr McArthur has 8 years corporate and financial experience in Australia and the United Kingdom.

3. Directors' Meetings

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

Director	Full meetings of Directors		Meetings of Audit and Risk Management Committee	
	No. of meetings attended	No. of meetings held whilst a Director	No. of meetings attended	No. of Meetings held whilst a Director
Ross Taylor	5	5	2	2
William Clayton	5	5	2	2
David McArthur	5	5	2	2

The small size of the board means that Members of the Board meet informally on a regular basis to discuss company operations, risks and strategies, and as required, formalise key actions through circular resolutions.

4. Principal Activities

The principal activity of the Group during the financial year was base metals exploration and evaluation.

5. Operating and Financial Review

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

6. 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, other than those matters referred to in the overview above.

7. Dividends

The Directors recommend that no dividend be provided for the year ended 30 June 2018 (2017: Nil).

8. Likely Developments

The Group will continue to pursue the exploration and evaluation of resources over its base metals tenement interests and assess corporate growth opportunities.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

9. Environmental Regulation

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

10. Share Options

Options granted to Directors of the Group

The Company has not granted any options to Directors of the Company during, or since the end of the reporting period.

Mr Ross Taylor converted 23,400,000 31 October 2019 \$0.03 listed options into ordinary shares in the Company after the end of the reporting period as detailed further in note 5.7 of the notes to the consolidated financial statements.

Unissued shares under options

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

Expiry date	Exercise price cents	Number of shares
31 Dec-2018	5	20,000,000
30 Dec-2018	6	7,800,127
31 Oct-2019	3	96,553,702
		<hr/>
		124,353,829

All unissued shares are ordinary shares of the Company.

All options expire on their expiry date or in instances where options have been issued under the employee share option plan rules, upon termination of the individual's employment in accordance with the Group's employee share option plan rules.

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

Further details in relation to share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During the reporting period, no shares were issued as a result of the conversion of 31 October 2019 options at \$0.03 per share (2017: 23,390). No other option classes were exercised during the reporting period (2017: Nil).

Post year-end, 23,430,000 31 October 2019 \$0.03 listed options have been converted to ordinary shares in the Company as detailed further in note 5.7 of the notes to the consolidated financial statements.

Options expired

During the reporting period 16,000,000 options expired (2017: 4,750,000).

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

11. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid a premium of \$13,320 (2017: \$13,320) to insure the Directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

12. Non-Audit Services

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

	2018	2017
	\$	\$
Taxation Services		
<i>KPMG Australia</i>		
Taxation compliance services	-	7,000
Total remuneration from non-audit services	-	7,000

No non-audit services were provided during the year from the current auditor of the Company, HLB Mann Judd.

13. Events Subsequent to Reporting Date

Other than as disclosed in note 5.7 of the notes to the consolidated financial statements, 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.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report - Audited

The Directors present the Company's 2018 Remuneration Report prepared in accordance with the Corporations Act 2001. The Report sets out the detailed remuneration information for Non-Executive Directors and Executive Directors. The Company does not employ any other Key Management Personnel (KMP).

The report contains the following sections:

- (a) Remuneration governance
- (b) Executive remuneration strategy and framework
- (c) Service contracts
- (d) Non-executive director remuneration
- (e) Bonuses
- (f) Voting and comments made at the Company's 2017 Annual General Meeting

(a) Remuneration Governance

The remuneration of Directors is the responsibility of the Remuneration and Nomination Committee.

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout this report.

Compensation levels for Directors of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors. As the Group's principal activities during the year were new ventures and exploration / evaluation, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Executive remuneration mix

The remuneration of the Executive Directors was structured as a mix of fixed remuneration and variable "at risk" remuneration through long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group, and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

Short-term incentive

Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- satisfactory completion of development programs, on time and on budget;
- securing funding to support planned work programs;
- investor relations; and
- consideration of safety performance, corporate governance, external relations and general management.

At this stage, the Company does not award any STIs.

Long-term incentive

Long-term incentives (LTI) are comprised of share options which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options are granted for no consideration and do not carry voting rights or dividend entitlements.

The Company has adopted an Employee Share Options Scheme (ESOS). Under the ESOS, the Company may grant options to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

Options with an exercise price well above the current market price are chosen as they provide an incentive to grow the overall value of the Company.

Options over equity instruments granted as compensation

All options refer to options over ordinary shares which are exercisable on a one-for-one basis

In the reporting period, no options were granted as remuneration to Directors of the Company.

Exercise of options granted as compensation

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

Options expired

During the reporting period, 16,000,000 options expired (2017: 4,750,000).

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(b) Executive remuneration strategy and framework (continued)

Consequences of performance on shareholder wealth

The overall level of compensation takes into account the performance of the Group over a number of years, although no remuneration is directly linked with financial performance.

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

Shareholder returns	2018	2017*	2016*	2015*	2014*
Net (loss) attributable to equity holders (\$)	(2,092,895)	(1,329,256)	(1,866,108)	(1,330,440)	(1,365,417)
Basic loss per share - EPS (cents)	(0.34)	(0.31)	(0.54)	(0.45)	(0.61)
Share price at year end (cents)	2.5	0.90	2.3	1.3	1.2
Market capitalisation (\$)	18,144,708	4,079,865	8,883,157	4,219,105	2,666,799
Net tangible assets/(liabilities) (NTA) (\$)	978,946	(410,130)	221,484	227,188	204,271
NTA backing (cents)	0.14	(0.09)	0.06	0.07	0.09

*Net loss and basic loss per share have been restated for the retrospective change in accounting policy as detailed further in note 1.7.

During the financial years noted above, there were no dividends paid or other returns of capital made by the Group to shareholders. The Group's financial performance is impacted by a number of factors.

As the Group is still in the exploration phase of its operations, and as such does not generate revenue, the share price and thus the Company's market capitalisation is the only indicator of the Group's overall performance.

(c) Service contracts

On appointment to the Board, all Non-Executive Directors enter into a letter of appointment with the Company specifying their functions and duties as a Director.

Executive remuneration and other terms of employment are formalised in service agreements. The service agreements outline the components of compensation paid to the Executives but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role and any changes required to meet the principles of the compensation policy. The major provisions of the agreements relating to remuneration are set out below.

Name	Term of agreement	Employee notice period	Employer notice period	Base salary ⁽ⁱ⁾	Termination Benefit
William Clayton	Ongoing from 19 September 2014	3 months	3 months	\$164,250	12 months' base salary
David McArthur	Ongoing from 19 September 2014	3 months	3 months	\$76,650 ⁽ⁱⁱ⁾	12 months' base salary

⁽ⁱ⁾ Base salary is inclusive of superannuation and quoted for the year ended 30 June 2018

⁽ⁱⁱ⁾ Includes \$40,000 fees as Company Secretary

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(d) Non- Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed by the Remuneration and Nomination Committee.

The current base fees were last changed with effect from 17 October 2014. The fees approved by the Board are exclusive of the statutory superannuation amount.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum and was approved by shareholders at a General Meeting in 2008.

Non-Executive Directors' base fees are currently \$30,000 (excluding superannuation) per annum and they do not receive cash performance related compensation. Directors' fees cover all main board activities and memberships of sub-committees.

The Non-Executive Chairman's fees are determined independently to the fees paid to the Non-Executive Directors, based on comparative roles in the external market. Having regard to the current economic climate, Non-Executive Chairman's fees are \$50,000 (excluding superannuation) per annum.

(e) Analysis of bonuses included in remuneration

No short-term incentive cash bonuses have been awarded as remuneration to Directors of the Company.

(f) Voting and comments at the Company's 2017 Annual General Meeting

The Company received 99.45% of "yes" votes on its remuneration report for the 30 June 2017 financial year.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(g) Directors' remuneration

Name		Short-term employee benefits			Post-employment benefits	Other long term benefits	Share Based payments	Total
		Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$	Super-annuation \$	(C) \$	Options (D) \$	
Non-Executive Directors								
Ross Taylor	2018	50,000	4,440	54,440	4,750	-	-	59,190
	2017	50,000	4,440	54,440	4,750	-	36,000	95,190
Executive Directors								
William Clayton	2018	146,538	4,440	150,978	14,250	2,500	-	167,728
	2017	138,462	4,440	142,902	14,250	2,500	36,000	195,652
David McArthur	2018	60,591	4,440	65,031	6,650	(7,627)	-	64,054
	2017	77,538	4,440	81,978	6,650	2,333	36,000	126,961
Sub-total Executive	2018	207,129	8,880	216,009	20,900	(5,127)	-	231,782
Directors' remuneration (E)	2017	216,000	8,880	224,880	20,900	4,833	72,000	322,613
Total Directors' remuneration	2018	257,129	13,320	270,449	25,650	(5,127)	-	290,972
	2017	266,000	13,320	279,320	25,650	4,833	108,000	417,803

No proportion of Director's remuneration was linked to performance for the year ended 30 June 2018 (2017: nil).

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(g) Directors' remuneration (continued)

Notes in relation to the table of Directors' remuneration

- (A) Includes annual leave
- (B) Comprises Directors and Officers insurance premiums
- (C) Includes movement in long service leave
- (D) The fair value of options granted was determined using the Black-Scholes option pricing model
- (E) The Group does not employ any Executive Officer's other than the Directors.

(h) Other Director disclosures

Director option holdings

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

	Held at 1 July 2017	Granted as compensation	Acquired	Exercised	Lapsed	Held at 30 June 2018	Vested during the year	Vested and exercisable at 30 June 2018
Executive Directors								
William Clayton	16,195,402	-	-	-	(5,000,000)	11,195,402	-	11,195,402
David McArthur	14,616,669	-	-	-	(3,000,000)	11,616,669	-	11,616,669
Non-Executive Directors								
Ross Taylor	19,662,284	-	26,727,198	-	(3,000,000)	43,389,482	23,400,000	43,389,482

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

14. Remuneration Report – Audited (continued)

(h) Other Director disclosures (continued)

Director shareholdings

	Held at 1 July 2017	Purchases	Exercise of Options / Conversion of Notes	Sales	Held at 30 June 2018
Executive directors					
William Clayton	4,103,427	-	-	-	4,103,427
David McArthur	13,550,007	-	-	-	13,550,007
Non-executive directors					
Ross Taylor	85,056,034	-	117,000,000	(10,000,000)	192,056,034

Director consulting services

During the year, Broadway Management (WA) Pty Ltd, a company associated with David McArthur, was paid \$112,960 (2017: \$85,172) for commercial, arms-length consulting services and lease of office. Further information about these transactions is disclosed in note 5.3 of the notes to the consolidated financial statements.

Director loans to the Company

At the commencement of the year, the entity had drawn down \$370,000 from an available available \$1.2 million convertible note provided by Mr Ross Taylor. During the year ending 30 June 2018, a further \$800,000 was drawn down by the Company for exploration and working capital purposes.

On 3 October 2017 Mr Taylor converted his outstanding convertible note for \$1,170,000 to fully paid ordinary shares at \$0.01 per share for a total of 117 million ordinary shares. Mr Taylor also received 23.4 million free-attaching listed options upon conversion, exercisable at \$0.03 on or before 31 October 2019.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2018

15. Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is included in the Directors' Report for the financial year ended 30 June 2018.

This Directors' Report is made in accordance with a resolution of the Directors.



WILLIAM CLAYTON

Director

Dated at Perth, Western Australia this 25th day of September 2018.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lodestar Minerals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
25 September 2018

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CORPORATE GOVERNANCE STATEMENT

The 2018 Corporate Governance Statement is dated as 30 June 2018 and reflects the corporate governance practices in place throughout the 2018 financial year.

Lodestar Minerals Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main Corporate Governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year and comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations. A copy of the Corporate Governance policies is can be viewed on the Company's web site (www.lodestarminerals.com.au).

Board of Directors

Role of the Board

The matters expressly reserved to the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals;
- Monitoring the achievement of these goals;
- Review of the management accounts and reports to monitor the progress of the Group;
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- Review and approval of the annual and interim financial reports;
- Nominating and liaising with the external auditor;
- Approving all significant business transactions;
- Appointing and monitoring senior management;
- All remuneration, development and succession issues;
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board; and
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.

The Board delegates day to day operational matters to the Managing Director and Company Secretary of the Company.

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the Directors' skills, 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.

LODESTAR MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Board composition (continued)

The specific skills that the Board collectively bring to the Company include:

- Industry experience/ technical qualification;
- Commercial experience;
- Public company experience;
- Analytical expertise;
- Financial expertise;
- Risk Management experience;
- Strategic planning experience;
- Strategic leadership experience;
- Corporate Governance expertise;
- Communications experience; and
- Inter personal experience.

The Board comprises one Executive Director, one Non-Executive Director and a Non-Executive Chairman. A written agreement is entered into with each Director and Senior Executive of the Company setting out the terms of their employment.

The chair of any sub-committees formed by the Board has specific skills in the area for which they are responsible.

The Board does not have a Director with legal experience, as any legal work is out sourced to external legal advisers.

Directors' details are set out in the Directors' Report.

The Board, through the Remuneration and Nomination Committee, is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent Director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

Retirement and re-election of Directors

The Constitution of the Company requires one third of Directors (or the number nearest one third, rounded up), other than the Managing Director, to retire from office at each Annual General Meeting. No Director (other than the Managing Director) shall hold office for a period in excess of three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the Annual General Meeting following their appointment and are not taken in to account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

LODESTAR MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Independence of Directors

The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that only Mr McArthur can be deemed independent. Mr McArthur was an executive Director during the entirety of the financial year ended 30 June 2018 and therefore not considered independent. His employment contract was amended post year-end by the board to make him a Non-Executive Director.

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.

Although Mr Taylor has no material business or contractual relationship to the Company, nor any material pecuniary interest with the Company, he is not considered independent due to his substantial shareholding in the Company. Other than his shareholding, Mr Taylor would satisfy the test for independence.

Director education

All new Directors complete an induction process. The Non-Executive Directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

Independent professional advice

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

Board performance review

The performance of all Directors is assessed through review by the Board as a whole of a Director's attendance at and involvement in Board meetings, their 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 Directors conducted an internal performance evaluation of the Members of the Board during the reporting period. External advisers were not used.

Director remuneration

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

Non-Executive Directors will be remunerated by cash payments (including statutory superannuation) and may receive equity performance incentives, but they will not be provided with any benefits for ceasing to be a Director.

Executive Directors are remunerated by both fixed remuneration and equity performance-based remuneration, subject to obtaining all regulatory approvals from shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

Managing Business Risk

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

- Regular budgeting and financial reporting;
- Procedures and controls to manage financial exposures and operational risks;
- The Group's business plan;
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans;

LODESTAR MINERALS LIMITED

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Managing Business Risk (continued)

- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk; and
- Insurance and risk management programs 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 Board may consult with the Group's external auditors on external risk matters, or other appropriately qualified external consultants on risk generally, as required. The entity's risk management framework was reviewed by the Board during the financial year.

The Board's review of business risk is also based on reports from the Audit and Risk Management Committee.

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

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

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk procedures adopted by the Company, it is not believed the Company has a material exposure to these risks.

Due to its size and activities, the Company does not have an internal audit function. The Board has determined that the established internal controls for the Company, combined with the work of the audit and risk management committee, at this stage satisfactorily address the function that would otherwise be dealt with by an internal audit function.

Internal Controls

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- 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.

Board Committees

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit function of the Committee is to:

- Assist the Board in fulfilling its overview of the audit process;
- Assist the Board in overseeing financial reporting;
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;
- Monitor, review and recommend the adoption of the financial statements of the Company;
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management

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CORPORATE GOVERNANCE STATEMENT

systems and practices of the Company;

- Review the financial report and other financial information distributed externally;
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- Monitor the establishment of appropriate ethical standards;
- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards, ASX Listing Rules and all other regulatory requirements;
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions; and
- Improve the quality of the accounting function.

The primary role of the risk function of the committee is to assist the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

Risk assessment and risk management are the responsibility of the Company's management. The Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Committee shall have the following authority and responsibilities:

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes in place for risk management;
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks;
- Discuss with the Company's executive team the Company's risk assessment and risk management guidelines, policies and processes, as the case may be. The Risk Committee meets separately at least twice a year with the executive team;
- Review disclosure regarding risk contained in the Company's Annual Report;
- Review and assess the nature and level of insurance coverage;
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls if required;
- Discharge any other duties or responsibilities delegated to the Committee by the Board;
- Delegate any of its responsibilities to subcommittees as the Committee may deem appropriate;
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees;
- Report its actions and any recommendations to the Board; and
- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

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CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee (continued)

The Committee consists of the following Non-Executive Directors:

- Mr David McArthur (Committee Chair – Non-Executive Director from 3 September 2018)
- Mr Ross Taylor (Committee member)

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee.

The Audit and Risk management committee met twice during the year.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors;
- Determine remuneration and incentive policies of Key Executives;
- Determine the Group recruitment, retention and termination policies and procedures for senior management;
- Determine and review incentive schemes;
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment;
- Evaluate senior executive performance on an annual basis;
- Determine and review superannuation arrangements of the Group;
- Determine and review professional indemnity and liability insurance for Directors and senior management;
- Review the Board composition to ensure the Board has the correct balance of skills and expertise;
- Appointment of the Managing Director and the Company Secretary;
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director;
- Performance appraise the Board members and the Managing Director. This occurred during the 2018 financial year by way of an informal review;
- Succession planning for Board members and the Managing Director;
- Approve the recommended succession planning for key management personnel presented to the Committee by the Managing Director; and
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary.

The Remuneration and Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to Lodestar's remuneration assessment. External advice was not obtained during the 2018 financial year.

Specific policies and procedures regarding remuneration determination are contained within the Directors Report.

The Committee consists of the following Non-Executive Directors:

- Mr Ross Taylor (Committee Chair)
- Mr David McArthur (Committee Member – Non-Executive Director from 3 September 2018)

The Committee did not have a specific need to meet during the year.

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CORPORATE GOVERNANCE STATEMENT

Ethical Standards

Code of Conduct

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. The code stipulates that any unethical behaviour is to be reported to the Group's Managing Director (or in his absence, the Chairman) as soon as possible.

The Code of Conduct is based on respect for the law and the rights of individuals, 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 Group which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Group's securities and Directors and employees are prohibited from dealing in the Group's securities whilst in the possession of price sensitive information. The Company's Managing Director (or in his place the Chairman) must be notified of any proposed transactions in the Company's shares.

Any Director or employee receiving shares pursuant to the Company's equity-based remuneration scheme (refer to the remuneration report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

Continuous Disclosure

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

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

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once 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.

Communication with Shareholders

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

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;

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CORPORATE GOVERNANCE STATEMENT

Communication with Shareholders (continued)

- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry;
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules;
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group;
- 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; and
- The Board seeks feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders.

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

Diversity Policy

The Group is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance;
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Appreciate and respect the unique aspects that an individual brings to the workplace;
- Where possible and practicable, increase participation and employment opportunities for indigenous people;
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;
- Take action to prevent discrimination, harassment, vilification or victimisation;
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has an objective of providing a balanced representation of employees from a diversity stance across the Group. The Board has also implemented strategies to support the framework and objectives of the Diversity Policy and is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanism. For the 2018 financial year, the Boards' objectives were met by the Group. The Board assesses annually the progress and achievement of the objectives.

LODESTAR MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Diversity Policy (continued)

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and men employed within the Group	-	100%
Women and men at senior management level	-	100%
Women and men employed at Board level	-	100%
Women and men employed by corporate services provider	60%	40%

ASX Corporate Governance principals and recommendations not followed - "if not, why not" approach

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 2.1 / 8.1

The Nomination and Remuneration Committee should be structured so that it:

- consists of a majority of Independent Directors
- is chaired by an independent chair
- has at least three members

Recommendation 2.4

A majority of the Board of a listed entity should be Independent Directors

Recommendation 2.5

The chair of the Board should be an Independent Director

Recommendations 4.1 / 7.1

The Audit and Risk Management Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an independent chair, who is not chair of the Board
- has at least three members

Only one of the three Directors is independent. In view of the size of the Company and the nature of its activities, the Board considers that the current Board structure is a cost effective and practical means of directing and managing the Company. The Chairman of the Board is Non-Executive, however by virtue of his significant shareholding in the Company is not deemed independent.

While the ASX Principles recommend an ideal structure for the Audit & Risk Management and Nomination & Remuneration Committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with these ASX Principles to be materially detrimental to the Company. This statement is current as at 30 June 2018 and has been approved by the Board.

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 30 JUNE 2018

	Note	2018 \$	Restated 2017* \$	Restated 1 July 2016* \$
Assets				
Cash and cash equivalents	3.1	1,066,826	109,357	375,702
Trade and other receivables	3.2	72,683	17,439	30,463
Prepayments		3,767	2,731	1,452
Total current assets		1,143,276	129,527	407,617
Property, plant and equipment		59,522	72,249	23,367
Other non-current assets		2,060	1,872	-
Total non-current assets		61,582	74,121	23,367
Total assets		1,204,858	203,648	430,984
Liabilities				
Trade and other payables	3.3	160,304	251,767	133,127
Employee benefits	2.2	59,208	77,207	43,278
Site restoration provision		6,400	6,400	-
Total current liabilities		225,912	335,374	176,405
Employee benefits		-	-	33,095
Loans and borrowings	4.2	-	278,404	-
Total non-current liabilities		-	278,404	33,095
Total liabilities		225,912	613,778	209,500
Net assets		978,946	(410,130)	221,484
Equity				
Share capital	4.1	26,002,315	22,588,553	22,069,369
Reserves		543,667	627,458	686,425
Accumulated losses		(25,567,036)	(23,626,141)	(22,534,310)
Total equity		978,946	(410,130)	221,484

The 1 July 2016 and 30 June 2017 consolidated statement of financial position has been restated pursuant to the Company's voluntary change in accounting policy for Capitalised Exploration and Evaluation Expenditure (note 1.7).

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	Restated 2017* \$
Revenue from continuing operations			
Finance income	2.3	5,501	172
Other income	2.4	87,272	-
Expenses			
Exploration expensed		(1,650,707)	(700,307)
Site rehabilitation		(14,582)	(14,000)
Other operating expenses		(8,500)	(2,437)
Personnel expenses	2.2	(179,993)	(319,342)
General and administrative expenses		(104,384)	(97,166)
Professional fees		(175,253)	(169,758)
Depreciation and amortisation		(18,666)	(12,977)
Finance expenses	2.3	(11,846)	(9,852)
Marketing and business development		(21,737)	(3,589)
Loss before income tax expense		(2,092,895)	(1,329,256)
Income tax expense	2.5	-	-
Loss for the year		(2,092,895)	(1,329,256)
Total comprehensive loss for the year		(2,092,895)	(1,329,256)
Total comprehensive loss attributable to owners of the Company		(2,092,895)	(1,329,256)
Loss per share			
Basic and diluted (cents per share)	2.6	(0.34)	(0.31)

*The 30 June 2017 Consolidated Statement of Profit and Loss and Other Comprehensive Income has been restated pursuant to the Company's voluntary change in accounting policy for Capitalised Exploration and Evaluation Expenditure (note 1.7).

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Attributable to equity holders of the Company			Total \$	
		Share capital \$	Share-based payments reserve \$	Equity component of convertible notes \$		Accumulated losses \$
Balance at 1 July 2017 (restated)		22,588,553	603,110	24,348	(23,626,141)	(410,130)
Total comprehensive loss for the year						
Loss for the year		-	-	-	(2,092,895)	(2,092,895)
Total comprehensive loss for the year		-	-	-	(2,092,895)	(2,092,895)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares		2,599,700	-	-	-	2,599,700
Issue of ordinary shares on conversion of convertible note	4.2	1,170,000	-	-	-	1,170,000
Transfer to accumulated losses on expiry of options		-	(152,000)	-	152,000	-
Share-based payment transactions	5.1	-	92,557	-	-	92,557
Conversion of convertible note		-	-	(24,348)	-	(24,348)
Capital raising costs		(355,938)	-	-	-	(355,938)
Total contributions by and distributions to owners		3,413,762	(59,443)	(24,348)	152,000	3,481,971
Balance at 30 June 2018		26,002,315	543,667	-	(25,567,036)	978,946

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Attributable to equity holders of the Company				Total \$
		Share capital \$	Share-based payments reserve \$	Equity component of convertible notes \$	Accumulated losses \$	
Balance at 1 July 2016		22,069,369	686,425	-	(21,784,698)	971,096
Retrospective adjustment for change in accounting policy		-	-	-	(749,612)	(749,612)
Restated balance as at 1 July 2016		22,069,369	686,425	-	(22,534,310)	221,484
Total comprehensive income for the year						
Loss for the year		-	-	-	(1,329,256)	(1,329,256)
Total comprehensive loss for the year		-	-	-	(1,329,256)	(1,329,256)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares		670,707	-	-	-	670,707
Issue of ordinary shares on conversion of options		702	-	-	-	702
Issue of convertible notes	4.2	-	-	24,348	-	24,348
Transfer to accumulated losses on exercise of options		-	(237,425)	-	237,425	-
Share-based payment transactions	5.1	-	154,110	-	-	154,110
Capital raising costs		(152,225)	-	-	-	(152,225)
Total contributions by and distributions to owners		519,184	(83,315)	24,348	237,425	697,642
Balance at 30 June 2017		22,588,553	603,110	24,348	(23,626,141)	(410,130)

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

* The 1 July 2016 and 30 June 2017 Consolidated Statement of Changes in Equity has been restated pursuant to the Company's voluntary change in accounting policy for capitalised exploration and evaluation expenditure (note 1.7).

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
Note	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(508,979)	(437,718)
Interest paid	(833)	(1,427)
Interest received	5,501	172
Payments for exploration, evaluation and development	(1,656,013)	(674,924)
Net cash used in operating activities	3.1(b) (2,160,324)	(1,113,897)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,940)	(27,749)
Net cash used in investing activities	(5,940)	(27,749)
Cash flows from financing activities		
Proceeds from issue of shares	2,581,538	644,409
Proceeds from issue of convertible notes	800,000	370,000
Proceeds from related party loans	-	100,000
Payment of capital raising costs	(194,428)	(113,225)
Repayment of loans from related parties	-	(100,000)
Payment of transaction costs related to borrowings	(63,377)	(25,883)
Net cash from financing activities	3,123,733	875,301
Net increase / (decrease) in cash and cash equivalents	957,469	(266,345)
Cash and cash equivalents at 1 July	109,357	375,702
Cash and cash equivalents at 30 June	3.1(a) 1,066,826	109,357

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

SECTION 1 BASIS OF PREPARATION

We have grouped notes into sections under five key categories:

1. Basis of preparation
2. Results for the year
3. Working capital disclosures
4. Equity and funding
5. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements.

Prior year presentation has been reclassified where necessary to conform with current year presentation.

1.1 General Information

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at First Floor, 31 Cliff Street, Fremantle, WA, 6160.

The Group is primarily involved in the mineral exploration industry in Australia.

The consolidated financial statements of the Group as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 25 September 2018. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with the Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS);
- have been prepared on a historical cost basis, except for initial recognition of the convertible note facility and share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency, and all values are rounded to the nearest dollar;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017. Refer to note 5.9 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 5.9 for further details.

The accounting policies detailed in these notes have been consistently applied unless otherwise stated.

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.3 Going Concern

Notwithstanding the Group's loss for the year of \$2,092,895 and cash outflows from operational activities of \$2,160,324 for the year ended 30 June 2018, the Directors are of the opinion that the Group is a going concern. This view has been formed on the basis that the Group has a substantial balance of cash and cash equivalents from a post year-end option conversion, minimal liabilities due at year-end and expenditure commitments for exploration activities are deferrable and therefore has the capacity to continue as a going concern for the coming 12 months.

1.4 Foreign Currencies

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

1.5 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

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

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.6 Accounting Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

- *Note 2.5* - *Recognition of tax losses*
- *Note 4.2* - *Loans and borrowings*
- *Note 5.1* - *Share-based payments*

1.7 Voluntary Change in Accounting Policy – Capitalised Exploration and Evaluation Expenditure

The financial report for the year ended 30 June 2018 has been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to Capitalised Exploration and Evaluation Expenditure arising from acquisition of Exploration and Evaluation assets. In previous financial reporting periods, the costs incurred for acquisition of exploration assets with current rights of tenure were capitalised in the Statement of Financial Position. The criteria for carrying forward those costs were:

- Such costs were expected to be recovered through successful development and exploitation of the area of interest, or, alternatively by its sale; and
- Exploration and/or evaluation activities were continuing in the area of interest and had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable resources, and active and significant operations in, or in relation to, the area were continuing.

Costs carried forward in respect of an area of interest that was abandoned or relinquished were written off in the year in which the decision to abandon or relinquish was made.

The new accounting policy was adopted as of 1 January 2018 and has been applied retrospectively. Under the new policy, acquisition costs for exploration and evaluation assets are expensed to the Statement of Profit or Loss and Other Comprehensive Income in the year when they occurred, consistent with other Exploration and Evaluation expenditure incurred.

The Directors are of the opinion that the change in accounting policy provides users with more relevant and no less reliable financial information as the policy is more transparent and less subjective. Both the previous and new accounting policies are compliant with AASB 6 *Exploration for and Evaluation of Mineral Resources*. The impact of this change in accounting policy is reflected below:

The Capitalised Exploration and Evaluation asset previously reported at 30 June 2017 has decreased by \$567,265 (2016: decreased by \$749,612) to a nil balance. Accumulated losses brought forward at 1 July 2016 increased by \$749,612. Net loss after tax previously reported for the year ended 30 June 2017 has decreased by \$182,347 to a restated value of \$1,329,256.

Basic and diluted loss per share have also been restated. The amount of the impact for the new result for the year ended 30 June 2017 due to the change in accounting policy is stated as follows:

Loss per share attributable to owners of the parent:	30 June 2017
Basic loss per share (cents)	0.31
Diluted loss per share (cents)	0.31

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

Key estimates and assumptions in this section

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, the tax asset has not been recognised.

2.1 Operating Segments

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being base minerals exploration and evaluation in Australia.

Reportable segments disclosed are based on aggregating tenements where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same mineral resource or type of mineral resource; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating tenements, are determined in accordance with *AASB 8 Operating Segments*.

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

	Note	2018 \$	2017 (restated) \$
Loss before income tax			
Total loss for reportable segments	(i)	(1,713,367)	(825,294)
Central administration and Directors' remuneration		(373,183)	(494,282)
Finance expense		(11,846)	(9,852)
Finance income		5,501	172
Consolidated loss before income tax		(2,092,895)	(1,329,256)

- (i) Total loss for reportable segments has been restated for 2017. Previously this balance included impairment of capitalised exploration expenditure of \$182,347.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Operating Segments (continued)

Reconciliation of reportable segment loss, assets and liabilities and other material items (continued)

	Assets		Liabilities	
	2018	2017 (restated)	2018	2017
	\$	\$	\$	\$
Exploration	130,059	71,569	(122,522)	(125,572)
Corporate and other segment assets/liabilities	1,074,799	132,079	(103,390)	(488,206)
Total	1,204,858	203,648	(225,912)	(613,778)

Reconciliation of reportable segment net cash inflows/(outflows)

<i>Year ended 30 June 2018</i>	Operating Activities	Investing Activities	Financing Activities
	\$	\$	\$
Exploration	(1,656,013)	(5,940)	-
Corporate and other segment assets/liabilities	(504,311)	-	3,123,733
Total	(2,160,324)	(5,940)	3,123,733

<i>Year ended 30 June 2017</i>	Operating Activities	Investing Activities	Financing Activities
	\$	\$	\$
Exploration	(674,924)	(27,749)	-
Corporate and other segment assets/liabilities	(518,973)	-	875,301
Total	(1,113,897)	(27,749)	875,301

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2018. Exploration segment assets have been restated for 2017 to take into account retrospective application of voluntary change in accounting policy detailed in note 1.7.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Personnel Expenses and Employee Benefits

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payments

The policy relating to share-based payments is set out in note 5.1.

The table below sets out personnel costs expensed during the year.

	Note	2018 \$	2017 \$
Directors' and executive's remuneration	5.3	290,972	417,803
Other wages and salaries		2,101	789
Employee contributions to defined contribution plans		-	67
Directors' remuneration		293,073	418,659
Expensed in exploration and evaluation		113,080	99,317
Expensed in personnel expenses		179,993	319,342
		293,076	418,659

Further information relating to Directors' remuneration is set out in note 5.3.

The table below sets out employee benefits at the reporting date.

	2018 \$	2017 \$
Liability for annual leave	26,407	39,278
Liability for long service leave	32,801	37,929
	59,208	77,207
Current	59,208	77,207
Non-current	-	-
	59,208	77,207

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Finance Income and Costs

Accounting Policy

Net finance costs comprise income on funds invested and interest expense on borrowings. Interest income and interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

	2018	2017
	\$	\$
Interest income on bank deposits	5,501	172
Interest expense on financial liabilities measured at amortised cost		
Interest expense on loans received from related parties	(315)	(1,427)
Interest expense on convertible notes	(11,013)	(8,425)
Other finance charges	(518)	-
	(11,846)	(9,852)
Net finance (expense) / income recognised in profit or loss	(6,345)	(9,680)

2.4 Other Income

Accounting Policy

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and amounts collected on behalf of third parties.

	2018	2017
	\$	\$
Co-funded drilling program revenue	87,272	-

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Income Tax Expense

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

(a) Amounts recognised in profit or loss

	2018	2017
	\$	(restated)
		\$
Current tax benefit		
Current period	(612,536)	(360,660)
Deferred tax benefit		
Tax losses not brought to account	612,536	360,660
Total income tax benefit	-	-

(b) Reconciliation of effective tax rate

	2018	2017
	\$	\$
Loss for the period	(2,092,895)	(1,329,256)
Total income tax expense	-	-
Loss excluding income tax	(2,092,895)	(1,329,256)
Income tax using the Group's domestic tax rate of 27.5% (2017: 27.5%)	(575,546)	(365,545)
Tax effect of non-deductible expenses	14,225	29,807
Timing differences	(51,215)	(24,922)
Tax losses not brought to account	612,536	360,660
Income tax expense reported in the consolidated statement of profit and loss and other comprehensive income	-	-

All unused tax losses were incurred by Australian entities.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 Income Tax Expense (continued)

(b) Reconciliation of effective tax rate (continued)

Potential future income tax benefits of \$9,955,391 (2017 restated: \$7,727,987) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

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

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

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets (DTAs) and liabilities (DTLs) have not been recognised in respect of the following items:

	2018	2017 (restated)
	\$	\$
Employee benefits	16,282	21,232
Tax losses	2,737,732	2,125,196
DTAs not brought to account	2,754,014	2,146,428

There were no unrecognised deferred tax liabilities.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.6 Loss Per Share

(a) Basic loss per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 30 June 2018 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders

	2018	2017 (restated)
	\$	\$
Net loss attributable to ordinary shareholders	(2,092,895)	(1,329,256)
Issued ordinary shares at 1 July	453,318,328	386,224,233
Effect of shares issued	167,309,123	45,178,769
Weighted average number of ordinary shares at 30 June	620,627,451	431,403,002
Basic loss per share (cents)	(0.34)	(0.31)
Diluted loss per share (cents) *	(0.34)	(0.31)

* At 30 June 2018, 147,783,829 options (2017: 84,133,829 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 3 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

3.1 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(a) Reconciliation of cash and cash equivalents

	2018	2017
	\$	\$
Cash and cash equivalents in the statement of cash flows	1,066,826	109,357

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	2018	2017
		\$	(restated)
			\$
Cash flows from operating activities			
Loss for the period		(2,092,895)	(1,329,256)
Adjustments for:			
Equity-settled share-based payment transactions	5.1	56,510	108,000
Finance expense	2.3	11,013	8,425
Depreciation		18,666	12,977
Change in other receivables		(66,782)	13,024
Change in prepayments		(1,036)	(1,279)
Change in other operating assets		(187)	(1,872)
Change in trade and other payables		(67,615)	68,850
Change in employee benefits provision		(17,998)	834
Change in site restoration provision		-	6,400
Net Cash from / (used in) operating activities		(2,160,324)	(1,113,897)

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Trade and Other Receivables

Accounting Policy

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the consolidated statement of profit or loss.

	2018	2017
	\$	\$
Current		
Authorised government agencies	1,704	5,901
Other receivables	70,979	11,538
	72,683	17,439

3.3 Trade and Other Payables

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured, non-interest bearing and are usually paid at the end of the month following date of recognition.

	2018	2017
	\$	\$
Current		
Trade payables	136,815	177,298
Non-trade payables and accrued expenses	23,489	74,469
	160,304	251,767

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 4 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital, loans and borrowings.

4.1 Capital and Reserves

Accounting Policy

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.

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2018	2017	2018	2017
On issue at 1 July	453,318,328	386,224,233	22,588,553	22,069,369
<i>Shares issued and expensed during the period:</i>				
Placement of shares at 1 cent each	-	64,370,705	-	643,707
Issue of shares at 1 cent each as part payment for motor vehicle	-	2,700,000	-	27,000
Issue of shares converted from options at 3 cents each	-	23,390	-	702
Placement of shares at 0.8 cents each	62,500,000	-	500,000	-
Issue of shares at 1 cent each as payment for consulting services	2,970,000	-	29,700	-
Issue of shares upon conversion of convertible note	117,000,000	-	1,170,000	-
Placement of shares at 2.3 cents each	90,000,000	-	2,070,000	-
Capital raising costs	-	-	(355,938)	(152,225)
On issue at 30 June	725,788,328	453,318,328	26,002,315	22,588,553

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

In the event of a winding up of the Group, 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 share options on issue (refer to note 5.1 for valuation of options issued in share-based payment transactions and page 18 of the Directors' Report for a detail of all options on issue over ordinary shares).

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of shares to be issued to Directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued. Refer to Note 5.1 for further details of these share-based payments.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 5.2.

Convertible Note

In February 2017, following consideration of a variety of potential funding sources and structures to provide near-term funding certainty, the Company entered into a Binding Converting Loan Agreement with the Chairman, Ross Taylor subject to shareholder approval of the terms. Pursuant to the agreement, Mr Taylor agreed to advance up to \$1,200,000 to the Company on a draw down basis as and when funds were required.

On 22 June 2017, shareholders approved the issue of a \$1.2 million Convertible Note to Mr Taylor, replacing the Binding Converting Loan Agreement. The unsecured Convertible Note had a maturity date of 22 June 2019 and accrued interest at a rate of 10% per annum. The Convertible Note was convertible, at the election of Mr Taylor, into up to 120,000,000 Lodestar shares at a price of \$0.01 per share plus one free attaching option (exercisable at \$0.03 per share on or before 31 October 2019) for every five shares issued on conversion. The convertible notes were redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor.

On 3 October 2017, Mr Taylor converted his outstanding convertible note to fully paid ordinary shares at \$0.01 per share for a total of 117 million ordinary shares. Mr Taylor also received 23.4 million free-attaching options upon conversion.

	2018	2017
	\$	\$
Non-current		
Opening balance	278,404	-
Proceeds from issue of convertible notes	800,000	370,000
Transaction costs	-	(68,952)
Net proceeds	1,078,404	301,048
Amount classified as equity	-	(24,348)
Effective interest	91,596	1,704
Transfer to share-capital upon conversion	(1,170,000)	-
	-	278,404

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

Key estimates and assumptions in this section

Share-based payments

The fair value of share options is measured using the Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk-free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

5.1 Share-Based Payment Plans

Accounting Policy

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

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2018	2017
	\$	\$
Expensed in personnel expenses (director remuneration)		
Options issued to directors	-	108,000
Expensed in professional fees		
Shares issued to a consultant	56,510	-
Capital raising costs within equity		
Options issued to a consultant	92,557	39,000
Capitalised as part payment for property, plant and equipment		
Options issued to a consultant	-	7,110

Share-based payment programme

An employee share option scheme ("ESOS") has been established which enables the Group to issue Key Management Personnel and consultants options over the ordinary shares of the Company. Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash. Options may not be transferred other than to an associate of the holder.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Share-Based Payment Plans (continued)

Options

At 30 June 2018, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
16-Dec-13	16-Dec-13	16-Dec-17	5	5,000,000	-	-	(5,000,000)	-	-
25-Nov-14	25-Nov-14	16-Dec-17	5	11,000,000	-	-	(11,000,000)	-	-
25-Nov-15	25-Nov-15	31-Dec-18	5	15,000,000	-	-	-	15,000,000	15,000,000
10-Sep-16	23-Nov-16	31-Oct-19	3	900,000	-	-	-	900,000	900,000
21-Sep-16	27-Oct-16	31-Oct-19	3	5,000,000	-	-	-	5,000,000	5,000,000
23-Nov-16	23-Nov-16	31-Oct-19	3	18,000,000	-	-	-	18,000,000	18,000,000
15-Sep-17	15-Sep-17	31-Oct-19	3	-	13,200,000	-	-	13,200,000	13,200,000
20-Nov-17	20-Nov-17	31-Oct-19	3	-	6,800,000	-	-	6,800,000	6,800,000
28-Feb-18	7-Feb-18	31-Dec-18	5	-	5,000,000	-	-	5,000,000	5,000,000
Total				54,900,000	25,000,000	-	(16,000,000)	63,900,000	63,900,000
Weighted Average Exercise Price (cents)				4.13	3.40	-	5.00	3.63	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 1.08 years (2017: 1.56 years). The weighted average exercise price of outstanding shares at the end of the reporting period was 3.63 cents (2017: 4.13 cents).

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Share-Based Payment Plans (continued)

Options (continued)

At 30 June 2017, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
28-Nov-11	29-Nov-12	29-Nov-16	15	1,000,000	-	-	(1,000,000)	-	-
28-Nov-11	29-Nov-13	29-Nov-16	20	750,000	-	-	(750,000)	-	-
28-Nov-11	29-Nov-14	29-Nov-16	30	750,000	-	-	(750,000)	-	-
08-May-12	08-May-12	08-May-17	15	1,000,000	-	-	(1,000,000)	-	-
08-May-12	08-May-14	08-May-17	20	750,000	-	-	(750,000)	-	-
08-May-12	08-May-15	08-May-17	30	500,000	-	-	(500,000)	-	-
16-Dec-13	16-Dec-13	16-Dec-17	5	5,000,000	-	-	-	5,000,000	5,000,000
25-Nov-14	25-Nov-14	16-Dec-17	5	11,000,000	-	-	-	11,000,000	11,000,000
25-Nov-15	25-Nov-15	31-Dec-18	5	15,000,000	-	-	-	15,000,000	15,000,000
10-Sep-16	23-Nov-16	31-Oct-19	3	-	900,000	-	-	900,000	900,000
21-Sep-16	27-Oct-16	31-Oct-19	3	-	5,000,000	-	-	5,000,000	5,000,000
23-Nov-16	23-Nov-16	31-Oct-19	3	-	18,000,000	-	-	18,000,000	18,000,000
Total				35,750,000	23,900,000	-	(4,750,000)	54,900,000	54,900,000
Weighted Average Exercise Price (cents)				7.06	3.00	-	20.53	4.13	

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Share-Based Payment Plans (continued)

Options (continued)

Key valuation assumptions made at valuation date are summarised below:

	Tranche 1	Tranche 2	Tranche 3
Exercise price (cents)	3	3	5
Grant date	15-Sep-17	20-Nov-17	28-Feb-18
Expiry date	31-Oct-19	31-Oct-19	31-Dec-18
Life of the options (years)	2.13	1.95	0.84
Volatility	N/A*	N/A*	156%
Risk free rate	N/A*	N/A*	2.40%

*Volatility and risk-free rate were not incorporated into valuation calculation as option issuances in Tranche 1 and 2 were for listed options.

5.2 Financial Risk Management

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 139 *Financial Instruments*:

- Loans and receivables – separately disclosed as cash and cash equivalents and trade and other receivables;
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

The Group has exposure to the following risks arising from 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.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

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

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

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 Financial Risk Management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities. The Group does not have any significant credit risk exposure to any counterparties.

The carrying amounts of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$1,066,826 at 30 June 2018 (2017: \$109,357). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Other receivables

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

At 30 June 2018, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2018	2017
	\$	\$
Australia	72,683	17,439

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. As the Group is not trading there are no financial assets past due and there is no management of credit risk through performing an aging analysis; therefore, an aging analysis has not been disclosed.

At 30 June 2018, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2018	2017
	\$	\$
Authorised government agencies	1,704	5,901
Other receivables	70,979	11,538
Total	72,683	17,439

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 Financial Risk Management (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount \$	Contractual cash flows \$	12 months or less \$	Between one and five years \$
30 June 2018				
Non-derivative financial liabilities				
Trade and other payables	160,304	160,304	160,304	-
Borrowings	-	-	-	-
	160,304	160,304	160,304	-
30 June 2017				
Non-derivative financial liabilities				
Trade and other payables	251,767	251,767	251,767	-
Borrowings	278,404	443,189	37,000	406,189
	530,171	694,956	288,767	406,189

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

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. There has been no change to the manner in which the Group manages market risk from the previous year.

Currency risk

The Group is not exposed to foreign currency risk.

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.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2018 \$	2017 \$
Variable rate instruments		
Cash and cash equivalents	1,066,826	109,357

Fair value sensitivity analysis for fixed rate instruments

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

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 30 June 2017.

	Profit or loss	
	100 bp increase \$	100 bp decrease \$
30 June 2018		
Variable rate instruments	10,668	(5,501)
Cash flow sensitivity	10,668	(5,501)
30 June 2017		
Variable rate instruments	1,094	-
Cash flow sensitivity	1,094	-

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

Fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors, accruals, borrowings and employee entitlements have been excluded from the above analysis as their fair values are equal to the carrying values.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.3 Related Parties

Key Management Personnel compensation included in 'personnel expenses' (note 2.2) and 'share-based payments' (note 5.1), comprised the following:

	Note	2018 \$	2017 \$
Short term employee benefits		270,449	279,320
Long term employee benefits		(5,127)	4,833
Post-employment benefits		25,650	25,650
Share-based payments - options	5.1	-	108,000
	2.2	290,972	417,803

Individual Key Management Personnel disclosures

Information regarding individual Key Management Personnel's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report in section 13.

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

Other Key Management Personnel transactions

A number of Key Management Personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

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:

<i>Key management person</i>	Transaction	Note	Transactions value		Balance outstanding as at 30 June	
			2018 \$	2017 \$	2018 \$	2017 \$
David McArthur	Management fee and office lease	(i)	112,960	85,172	19,989	24,272
Total and current liabilities					19,989	24,272

Key to table

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

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.3 Related Parties (continued)

Convertible Note

Particulars in regard to the Convertible Note agreement with Mr Ross Taylor have been detailed in note 4.2.

5.4 Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2018 %	2017 %
Audacious Resources Pty Ltd	Mineral exploration	Australia	30 June	100	100

Balances and transactions between the parent and its subsidiary have been eliminated on consolidation.

5.5 Capital and Other Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. These obligations are not provided for in the financial statements and are payable as follows:

	2018 \$	2017 \$
Mineral exploration		
Not later than one year	(1) 990,560	(2) 913,667

(1) The above commitment includes 80% cost commitment for Yowereena farm-in tenements

(2) The above commitment includes the amount to earn into Yowereena farm-in

Other commitments

	2018 \$	2017 \$
Office rent		
Not later than one year	19,745	18,560
Between one and five years	-	17,479
	19,745	36,039

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.6 Parent Company Disclosures

As at, and throughout the financial year ended 30 June 2018, the parent entity of the Group was Lodestar Minerals Limited.

	2018	2017 (restated)
	\$	\$
Result of the parent entity		
Loss for the year	(1,795,295)	(1,329,256)
Total comprehensive income for the year	(1,795,295)	(1,329,256)
Financial position of parent entity at year end		
Current assets	1,143,276	129,527
Total assets	1,204,858	203,648
Current liabilities	(225,912)	(328,973)
Total liabilities	(225,912)	(607,378)
Total equity of the parent entity comprising of:		
Share capital	26,002,315	22,588,553
Equity settled benefits reserve	543,667	603,110
Other reserves	-	24,348
Accumulated losses	(25,567,036)	(23,619,741)
Total equity	978,946	(403,730)
Commitments		
Office rent		
Less than one year	19,745	18,560
Between one and five years	-	17,479
	19,745	36,039
Mineral exploration		
Not later than one year	643,560	608,000

5.7 Subsequent Events

On 26 July 2018, the Company announced that Mr Ross Taylor had converted 23.4 million listed \$0.03 options into fully paid ordinary shares, to raise a total of \$702,000. Since year-end, a total of \$702,900 has been received for 31 October 2019 \$0.03 option conversions.

On 1 August 2018, the Company announced that it had satisfied the expenditure criteria required to earn an 80% interest in Vango Mining Limited's Yowereena tenements, adjacent to the Company's Ned's Creek gold project.

Other than as discussed above, there have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.8 Auditors' Remuneration

	2018	2017
	\$	\$
Audit and other assurance services		
HLB Mann Judd	18,500	
KPMG	23,524	35,450
Taxation compliance services		
KPMG	-	7,000
TOTAL AUDITORS' REMUNERATION	42,024	42,450

5.9 Adoption of New and Revised Standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2018. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and therefore no change is necessary to Group accounting policies.

LODESTAR MINERALS LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Lodestar Minerals Limited (the "Company"):
 - (a) the accompanying financial statements and notes 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 2018 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dated at Perth this 25th day of September 2018.



WILLIAM CLAYTON
Director

Independent Auditor's Report
to the Members of Lodestar Minerals Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Lodestar Minerals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Key Audit Matter	How our audit addressed the key audit matter
Change in Accounting Policy	
Refer to Note 1 of the Financial Statements.	
<p data-bbox="197 504 845 604">During the year, the Group changed its accounting policy regarding its treatment of exploration and evaluation expenditure as outlined in Note 1.</p> <p data-bbox="197 627 845 750">The change in accounting policy resulted in the restatement of affected 2017 balances and the disclosure of the restatement of balances reported in the 2017 financial report.</p> <p data-bbox="197 772 845 907">The change in accounting policy was a key audit matter due to the size and scope of the change and impact on the presentation of the financial statements.</p>	<p data-bbox="845 504 1401 571">Our procedures included but were not limited to:</p> <ul data-bbox="845 593 1401 1090" style="list-style-type: none"> <li data-bbox="845 593 1401 840">- We considered the appropriateness of the change in accounting policy ensuring that the disclosure requirements set out in AASB 108 were complied with, including that the change provided more relevant financial information to the users of the financial report. <li data-bbox="845 840 1401 974">- We reconciled the restated balances to the prior year audited balances ensuring that the change was correctly calculated and disclosed; and <li data-bbox="845 974 1401 1090">- We ensured the disclosure within the financial statements was in accordance with the requirements of accounting standards.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2018, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lodestar Minerals Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
25 September 2018



N G Neill
Partner

LODESTAR MINERALS LIMITED
SECURITIES EXCHANGE INFORMATION

SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 31 August 2018:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	2,326	809,738	0.11
1,001 - 5,000	995	2,203,776	0.29
5,001 - 10,000	207	1,539,146	0.21
10,001 – 100,000	959	35,953,736	4.80
100,001 and over	618	708,711,932	94.59
Total	5,105	749,218,328	100.00

There were 3,889 holders of less than a marketable parcel of ordinary shares.

2. Distribution of listed options

Range	Total holders	Listed options over ordinary shares	% of issued capital
1 - 1,000	167	45,294	0.05
1,001 - 5,000	125	304,028	0.32
5,001 - 10,000	44	311,169	0.32
10,001 – 100,000	110	3,990,626	4.13
100,001 and over	70	91,902,585	95.18
Total	516	96,553,702	100.00

There were 414 holders of less than a marketable parcel of listed options.

3. Substantial shareholders

The substantial shareholders are set out below:

Shareholders	Number of Shares
Ross Jeremy Taylor <Jamanaro A/C>	160,707,288
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	37,987,403

LODESTAR MINERALS LIMITED

SECURITIES EXCHANGE INFORMATION

4. Voting rights

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

5. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
25-Nov-15	15,000,000	3	31-Dec-18	5
22-Dec-15	7,800,127	1	30 Dec-18	6
28-Feb-18	5,000,000	1	31-Dec-18	5

There are 27,800,127 unlisted options issued to 5 holders under the Lodestar Minerals long-term option plan to take up ordinary shares.

LODESTAR MINERALS LIMITED
SECURITIES EXCHANGE INFORMATION

6. Twenty largest shareholders as at 31 August 2018

Shareholders	Ordinary shares	
	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	160,707,288	21.45
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	37,987,403	5.07
Mr Bryant James McLarty <The McLarty Family A/C>	22,500,000	3.00
Black Prince Pty Ltd <Black Prince Super Fund A/C>	20,000,000	2.67
BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	16,000,000	2.14
Merrill Lynch (Australia) Nominees Pty Ltd	15,756,704	2.10
Asymmetric Arbitrage Ltd	14,197,843	1.90
Mr Albert Wijeweera	11,300,000	1.51
Dasmac (WA) Pty Ltd <McArthur Family Super A/C>	9,931,577	1.33
Miss Julia April Singleton	8,696,784	1.16
Mr Gregory Peter Wilson	7,420,740	0.99
Fivemark Capital Pty Ltd	6,884,883	0.92
Mr Matthew David Bell	6,797,462	0.91
Mr Samuel Rotstein	5,097,550	0.68
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	5,000,000	0.67
Mr Peter Howells	4,950,000	0.66
Fano Pty Ltd <Kim Hurley Super Fund A/C>	4,500,000	0.60
Sansom Capital	4,347,826	0.58
Mr Joseph Pavlinek	4,019,313	0.54
Mr Leigh Mackay	4,000,000	0.53

LODESTAR MINERALS LIMITED
SECURITIES EXCHANGE INFORMATION

7. Twenty largest option holders as at 31 August 2018

Shareholders	Ordinary shares	
	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	13,602,041	14.09
Bobarino Pty Ltd	9,500,000	9.84
BNP Paribas Nominees Pty Ltd <Global Prime Omni DRP>	7,304,041	7.56
Mr Bryant James McLarty <The McLarty Family A/C>	6,625,000	6.86
Mr David Maxwell McArthur	6,115,532	6.33
Golden Stakes Pty Ltd	6,000,000	6.21
Mr Stephen Anthony Ray	3,500,000	3.62
Ocean View WA Pty Ltd	2,929,784	3.03
Mr Hugh James Pilgrim	2,468,750	2.56
Mr Jason Paul Skinner <Jason Skinner Family A/C>	2,000,000	2.07
Mr Ross Jeremy Taylor & Mrs Natasha Tanya Taylor <Jamanaro Super Fund A/C>	1,332,734	1.38
Busso Holdings Pty Ltd <Bew A/C>	1,250,000	1.29
C W Johnston Pty Ltd <C W Johnston Super Fund A/C>	1,250,000	1.29
Mr Joshua Mason Chadwick <JMC Family A/C>	1,250,000	1.29
Fano Pty Ltd <Kim Hurley Super Fund A/C>	1,250,000	1.29
Mrs Lorraine Alyssa Goldsmith	1,250,000	1.29
Mr Gregory Peter Wilson	1,055,556	1.09
Ms Gabriele Bereczky	1,000,000	1.04
U5 Pty Ltd	1,000,000	1.04
Mr Timothy Francis Clive McDonnell	960,000	0.99

LODESTAR MINERALS LIMITED
SECURITIES EXCHANGE INFORMATION

8. Tenements listing as at 31 August 2018

Tenement description	Tenement Numbers	Status	Percentage Interest
Camel Hills	E09/2099	Granted	100%
Camel Hills	E09/2100	Granted	100%
Camel Hills	E52/3064	Granted	100%
Camel Hills	E09/2215	Granted	100%
Ned's Creek	E52/2440	Granted	100%
Ned's Creek	E52/2456	Granted	100%
Ned's Creek	E52/2468	Granted	100%
Ned's Creek	E52/2493	Granted	100%
Ned's Creek	E52/2734	Granted	100%
Ned's Creek	E52/3473	Granted	100%
Ned's Creek	E52/3476	Granted	100%
Imbin – Troy Creek	E69/3532	Application	100%
Imbin – Troy Creek	E69/3533	Application	100%
Imbin - Troy Creek	E69/3483	Granted	100%
Imbin – Troy Creek	E69/3590	Application	100%
Yowereena	M52/779	Vango Mining	80% - Lodestar farm-in
Yowereena	M52/780	Vango Mining	80% - Lodestar farm-in
Yowereena	M52/781	Vango Mining	80% - Lodestar farm-in
Yowereena	M52/782	Vango Mining	80% - Lodestar farm-in
