



LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2017

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CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretary

Mr David McArthur

Registered and Principal Office

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Auditors

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Level 4, 130 Stirling Street
Perth WA 6000

Share Registry

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

ASX Codes

Shares: LSR
Options: LSROA

Country of Incorporation and Domicile

Australia

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the six months ended 31 December 2017

DIRECTORS' REPORT

The Directors of Lodestar Minerals Limited ("the Company") present their report together with the consolidated interim financial report for the six months ended 31 December 2017 and the auditor's report thereon.

1. DIRECTORS

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

Name	Period of Directorship
Non-executive Mr Ross Taylor <i>Chairman of the Board, Non-executive Director and Chairman of the Remuneration & Nomination Committee</i>	Appointed 30 June 2014
Executive Mr William Clayton <i>Managing Director</i>	Appointed 2 November 2007
Mr David McArthur <i>Executive Director, Company Secretary & Chairman of the Audit & Risk Management Committee</i>	Appointed 13 August 2007

2. OPERATING AND FINANCIAL REVIEW

Overview

Lodestar Minerals Limited is listed on the Australian Securities Exchange (ASX: LSR) and has approximately 635.8 million shares on issue. Lodestar is a West Australian junior gold explorer with operations on two main project areas having a combined area of 845 square kilometres. The Camel Hills and Ned's Creek projects are located in the Gascoyne and Peak Hill Mineral Fields, respectively. Lodestar has made significant gold discoveries at Ned's Creek (in 2013) and Camel Hills (Big Sky, in 2015) and has recently announced breakthrough drilling programs at Neds Creek where significant gold intersections were reported from the Contessa, Gidgee Flat and Boundary Fence prospects (see Lodestar's ASX announcement dated 27th December 2017). Further success at either Contessa or Gidgee Flat will lead directly to resource definition drilling, marking a step-change in the activities of the Company.

Significant events during the period

Ned's Creek

- Diamond drilling at Contessa intersected primary gold mineralisation within a zone 7m to 10m thick, located on a north-dipping structural contact between diorite and felsic schist.
 - LND001 reported up to 2.3g/t Au from strongly weathered and brecciated quartz veining and scissor hole LND002, reported up to 0.65m at 9.7g/t Au from footwall diorite below the contact.
 - LNRC020, an RC hole drilled 50m down-dip from LND001, confirmed the significant potential of this newly discovered target, reporting 10m at 1.4g/t Au from 138m, including 1m at 4.4g/t Au.
 - The contact has not been tested beyond the recent diamond and RC drilling and remains open down-dip and along strike. Lodestar's aircore drilling suggests that this contact is a major structure and extends over 2,000m.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the six months ended 31 December 2017

2. OPERATING AND FINANCIAL REVIEW (continued)

Significant events during the period (continued)

- At Gidgee Flat, 2.3 kilometres southwest of Contessa, aircore drilling has identified a new greenfields gold discovery with multiple strong intersections, including
 - 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 and
 - 4m at 1.5g/t Au from 74m (ended in mineralisation)
- At Boundary Fence, (an historic gold prospect within Vango Mining's adjoining Yowereena tenements where Lodestar is earning up to an 80% interest) Lodestar's first aircore drilling confirmed a large anomaly, that included thick intersections of shallow gold mineralisation;
 - 16m at 1.6g/t Au from 28m (incl. 4m at 5.6g/t Au from 28m)
 - 12m at 1.7g/t Au from 48m (incl. 4m at 4.6g/t Au from 48m) and local high grade gold results from near surface
 - 11m at 7.3g/t Au from surface (incl. 1m at 23.5g/t Au from surface)

Tenements

- Surrenders of E09/2138 and E09/2139 (Camel Hills)
- Grant of E09/2215 (Camel Hills)
- Application for E69/3532 and E69/3533 (Imbin)

Exploration

Ned's Creek

Contessa

Lodestar completed diamond and RC drilling at Contessa to identify the setting of vein-hosted gold mineralisation intersected in earlier aircore drilling. Two diamond drill holes were completed with the support of the WA Government's Exploration Incentive Scheme (EIS) co-funding. A follow up RC drill hole was completed to confirm the orientation of the host structure and the potential for extensions to the mineralisation (see Lodestar's ASX announcements dated 13th November, 8th December and 27th December 2017). Drilling has identified a major bedrock gold target comprising a zone of mineralisation between 7m and 10m thick located on a structural contact, dipping between 40-45 degrees to the north west.

LND001 was targeted below previous 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

LODESTAR MINERALS LIMITED

DIRECTORS' REPORT

For the six months ended 31 December 2017

2. OPERATING AND FINANCIAL REVIEW (continued)

Exploration (continued)

LNRC020 targeted the contact 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

Diamond and RC drilling has been critically important in constraining the orientation of the gold mineralised structure at Contessa. Both LND001 and LNRC020 intersected significant mineralisation at the contact, representing a large target for follow up RC drilling down-dip and along strike to the northeast and southwest.

Gidgee Flat

Aircore drilling targeted gold mineralisation in saprock reported from LNR875 (see Lodestar's ASX announcement dated 10th July 2017). Re-assaying of the mineralised interval from 76m to 84m as 1 metre samples reported gold grades up to 4.7g/t Au and associated elevated As, Te and W (see Lodestar's ASX announcement dated 31st October 2017). Follow up drilling confirmed the original intersection and resulted in a new greenfields discovery that includes wide intervals of strong gold mineralisation related to a low angle, north-dipping zone of shearing and alteration. Many of the latest aircore holes did not penetrate the lower contact of the shear zone, ending within the alteration and anomalous gold values.

Significant assays from the latest 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)

Gold occurs within foliated, intensely sericite-silica-pyrite altered zones hosted by metamorphosed high magnesian mafic to ultramafic rocks.

An initial program of RC drilling is planned to test the down-dip continuity of the mineralisation over strike length of 120m.

Central Park

Aircore drilling completed in 2017 at Central Park reported significant gold anomalies over a distance of 230m along the granite contact (see Lodestar's ASX announcement dated 10th July 2017).

Two of the aircore holes believed to be closest to the contact reported significant supergene mineralisation and terminated in gossanous rock with iron oxide veinlets. A single RC drill hole tested below this zone, intersecting an interval of silica-pyrite alteration from 103m to 111m. This interval reported 8m at 0.26g/t Au with a maximum grade of 0.59g/t Au. A narrow, pyritic granite dyke was present within the alteration zone, demonstrating the close relationship between intrusion, alteration and mineralisation.

Re-sampling of an earlier aircore intersection reported from LNR853 returned 5.9g/t Au from a 1 metre sample taken from a vein quartz interval 72m to 73m (see Lodestar's ASX announcement dated 31st October 2017).

In-fill aircore drilling is required to locate the granite contact precisely and continue testing primary gold targets in areas where gold mineralised quartz veins have been intersected.

Yowereena Farm-in (Lodestar earning 80%)

Boundary Fence

A heritage survey was carried out on M52/782, prior to the commencement of reconnaissance aircore drilling comprising 57 holes. Of the 57 holes, 33 reported anomalous gold of greater than 0.1g/t Au, confirming Boundary Fence as a significant regional anomaly.

LODESTAR MINERALS LIMITED

DIRECTORS' REPORT

For the six months ended 31 December 2017

2. OPERATING AND FINANCIAL REVIEW (continued)

Exploration (continued)

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 targeted the historic high-grade results with mixed results; high-grade near surface gold was reported 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 intersected thick intervals of low grade mineralisation within a shallow, north-dipping zone of abundant quartz veining and silica-sericite alteration. Locally, 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 (LNR945)
- 12m at 1.7g/t Au from 48m, including 4m at 4.6g/t Au (LNR946)

Aircore holes were drilled perpendicular to the regional north east trending foliation and it is clear that significant gaps exist in the historic drilling. It is believed that there is potential for lode-style gold and structurally controlled plunging ore shoots within the existing drill pattern and in-fill drilling is necessary to map out the gold distribution in greater detail.

Financial Position

For the six months ended 31 December 2017, the Group incurred a loss of \$947,563 (31 December 2016: loss \$1,046,153) and had a net working capital surplus of \$126,325 (30 June 2017: deficit of \$205,847).

The Company had a net cash inflow of \$149,595 (31 December 2016: outflow \$284,005) after the drawdown of further funds via a convertible note with the Chairman, Ross Taylor.

Placement of Shares and Conversion of Convertible Note by Chairman

On 7 September 2017 Lodestar announced a successful placement of 62.5 million fully paid 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 30 September 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.

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.

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the six months ended 31 December 2017

2. OPERATING AND FINANCIAL REVIEW (continued)

Competent Person Statement

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

- 14th March 2017 "Farm-in Agreement Enhances Gold Potential at Neds Creek".
- 10th July 2017 "Widespread high-grade gold results advance Neds Creek targets".
- 31st October 2017 "September 2017 Quarterly Activities and Cash Flow Report".
- 13th November 2017 "Contessa Initial Diamond Drilling Results".
- 8th December 2017 "Diamond Drilling Results Support Expanded Drilling Program".
- Confirmation of a Major Gold System 35km from Plutonic Belt".

These announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

3. DIVIDENDS

The Directors recommend that no dividend be provided for the six months ended 31 December 2017.

4. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lodestar Minerals Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 30 June 2017 Annual Report and can be viewed on the Company's website.

5. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 5.3 to the financial statements, there have been no other 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.

6. 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.

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



WILLIAM CLAYTON

Managing Director

Dated at Perth, Western Australia this 12th day of March 2018.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Lodestar Minerals Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia
12 March 2018

N G Neill
Partner

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 \$	30 June 2017 \$
Assets			
Cash and cash equivalents		258,952	109,357
Trade and other receivables		26,367	17,439
Prepayments		19,457	2,731
Total Current Assets		304,776	129,527
Capitalised exploration and evaluation expenditure	3.1	567,265	567,265
Property and equipment		67,937	72,249
Other non-current assets		1,872	1,872
Total Non-Current Assets		637,074	641,386
Total Assets		941,850	770,913
Liabilities			
Trade and other payables		87,162	251,767
Loans and borrowings		5,930	-
Employee benefits		78,959	77,207
Site restoration provision		6,400	6,400
Total Current Liabilities		178,451	335,374
Loans and borrowings		-	278,404
Total Non-Current Liabilities		-	278,404
Total Liabilities		178,451	613,778
Net Assets		763,399	157,135
Equity			
Issued capital	4.1	24,119,928	22,588,553
Reserves		497,910	627,458
Accumulated losses		(23,854,439)	(23,058,876)
Total Equity		763,399	157,135

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 SIX MONTHS ENDED 31 DECEMBER 2017

	Note	31 December 2017 \$	31 December 2016 \$
Revenue			
Finance income		1,070	172
Other income		18,000	-
Expenses			
Exploration expensed through profit or loss		(698,164)	(496,078)
Exploration and evaluation expenditure impaired	3.1	-	(182,347)
Site restoration		-	(14,000)
Other operating expenses		(1,840)	-
Personnel expenses		(93,315)	(208,983)
General and administrative expenses		(60,667)	(61,971)
Professional fees		(64,704)	(73,352)
Marketing and business development		(26,664)	(3,589)
Depreciation		(9,433)	(4,578)
Finance expenses		(11,846)	(1,427)
Net loss for the period from continuing operations		(947,563)	(1,046,153)
Loss before income tax		(947,563)	(1,046,153)
Income tax expense		-	-
Loss for the period		(947,563)	(1,046,153)
Total comprehensive loss for the period		(947,563)	(1,046,153)
Loss per share			
Basic and diluted loss per share (cents per share)		(0.17)	(0.26)

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	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		22,588,553	603,110	24,348	(23,058,876)	157,135
Total comprehensive loss for the period						
Loss for the period		-	-	-	(947,563)	(947,563)
Total comprehensive loss for the period		-	-	-	(947,563)	(947,563)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	4.1	1,699,700	-	-	-	1,699,700
Transfer to accumulated losses on expiry of options		-	(152,000)	-	152,000	-
Share-based payment transactions		-	46,800	-	-	46,800
Capital raising costs	4.1	(168,325)	-	-	-	(168,325)
Conversion of convertible note		-	-	(24,348)	-	(24,348)
Total contributions by and distributions to owners		1,531,375	(105,200)	(24,348)	152,000	1,553,827
Balance at 31 December 2017		24,119,928	497,910	-	(23,854,439)	763,399

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share Capital	Share-based Payments reserve	Accumulated Losses	Total
	\$	\$	\$	
Balance at 1 July 2016	22,069,369	686,425	(21,784,698)	971,096
Total comprehensive loss for the period				
Loss for the period	-	-	(1,046,153)	(1,046,153)
Total comprehensive loss for the period	-	-	(1,046,153)	(1,046,153)
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	698	-	-	698
Transfer to accumulated losses on lapse of options	-	(170,125)	170,125	-
Share-based payment transactions	-	154,110	-	154,110
Capital raising costs	(151,775)	-	-	(151,775)
Total contributions by and distributions to owners	519,630	(16,015)	170,125	673,740
Balance at 31 December 2016	22,588,999	670,410	(22,660,726)	598,683

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 December	31 December
	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers	18,000	-
Cash paid to suppliers and employees	(265,048)	(271,715)
Interest received	1,070	172
Interest paid	(20,211)	-
Payments for exploration and evaluation	(774,803)	(542,665)
Net cash used in operating activities	(1,040,992)	(814,208)
Cash flows from investing activities		
Payments for property, plant and equipment	(5,122)	-
Net cash used in investing activities	(5,122)	-
Cash flows from financing activities		
Proceeds from issue of shares and options	500,000	644,405
Proceeds from issue of convertible notes	800,000	-
Proceeds from related party loans	32,000	100,000
Repayment of related party loans	(32,000)	(101,427)
Repayment of premium funding facility	(8,590)	-
Payment of capital raising costs	(52,572)	(112,775)
Payment of transaction costs related to borrowings	(43,129)	-
Net cash from financing activities	1,195,709	530,203
Net increase / (decrease) in cash and cash equivalents	149,595	(284,005)
Cash and cash equivalents at 1 July	109,357	375,702
Cash and cash equivalents at 31 December	258,952	91,697

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

SECTION 1 BASIS OF PREPARATION

Lodestar Minerals Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its subsidiary (together referred to as the "Group"). The Group is involved in the mineral exploration industry in Australia.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2017 which is available upon request from the Company's registered office at Level 1, 31 Cliff Street, Fremantle, WA, 6160 or at www.lodestarminerals.com.au.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2017.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half year. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

1.1 Statement of Compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report was approved by the Board of Directors on 12 March 2018.

1.2 Application of new and revised accounting standards

Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 2017, 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 of the Company and, therefore, no material change is necessary to the 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 period ended 31 December 2017. 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.

1.3 Significant accounting judgements and estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017. Prior period groupings may have slightly changed to provide more useful information to users.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 Going Concern

The Directors have prepared the consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

Notwithstanding the fact the Group incurred an operating loss of \$947,563 for the period ended 31 December 2017, has a working capital surplus of \$126,325, net cash outflow from operating activities of \$1,040,992 (including \$774,803 of exploration payments) and net cash inflow from financing activities of \$1,195,709, the Directors are of the opinion that the Company is a going concern as subsequent to period end the Group raised \$2,070,000 of equity capital via an issue of 90,000,000 ordinary shares at \$0.023 per share. The funds raised will be used to meet the ongoing working capital requirements of the Group.

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 segment information.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group currently operates in one operating segment being mineral exploration and evaluation.

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

	31 December 2017 \$	31 December 2016 \$
Loss before income tax		
Total loss for reportable segments	(747,992)	(694,559)
Central administration and Directors' remuneration	(188,795)	(350,339)
Finance expense	(11,846)	(1,427)
Finance income	1,070	172
Consolidated loss before income tax	(947,563)	(1,046,153)
	31 December 2017 \$	30 June 2017 \$
Assets		
Total assets for reportable segments	634,665	638,834
Cash and cash equivalents	258,952	109,357
Other assets	48,233	22,722
Consolidated total assets	941,850	770,913
Liabilities		
Total liabilities for reportable segments	(48,932)	(125,572)
Employee benefits	(78,959)	(77,207)
Loans and borrowings	(5,930)	(278,404)
Other liabilities	(44,630)	(132,595)
Consolidated total liabilities	(178,451)	(613,778)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2017.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 3 ASSETS AND LIABILITIES RELATING TO EXPLORATION AND EVALUATION

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at 31 December 2017.

Key estimates and assumptions in this section

Indicators of impairment for exploration and evaluation assets

The Group has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that no impairment indicators did exist at period end. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

3.1 CAPITALISED ACQUISITION COSTS

	31 December 2017	30 June 2017
	\$	\$
Costs carried forward in respect of areas of interest		
Tenement Acquisition Costs	567,265	567,265
Movements for the period:		
Tenement acquisition		
Opening balance	567,265	749,612
Impaired	-	(182,347)
	567,265	567,265

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

3.2 CAPITAL AND OTHER COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2017	30 June 2017
	\$	\$
Mineral exploration		
Not later than one year	941,951	913,667
Other commitments		
Office rent		
Not later than one year	18,837	18,560
Between one and five years	7,945	17,479
	26,782	36,039

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 4 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at period end.

4.1 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2017	2016	2017	2016
Balance at 1 July	453,318,328	386,224,233	22,588,553	22,069,369
Issue of fully paid ordinary shares as payment for consultancy services	2,970,000	-	29,700	-
Issue of fully paid ordinary shares for cash	62,500,000	-	500,000	-
Placement of fully paid ordinary shares as prepayment for a motor vehicle	-	2,700,000	-	27,000
Issue of fully paid ordinary shares converted from options	-	23,254	-	698
Issue of fully paid ordinary shares converted from convertible note	117,000,000	-	1,170,000	-
Entitlements issue of fully paid ordinary shares for working capital purposes	-	64,370,705	-	643,707
Capital raising costs	-	-	(155,125)	(151,775)
Balance at 31 December	635,788,328	453,318,192	24,133,128	22,588,999

Options

On 15 September 2017, 13,200,000 options were issued to a consultant as a placement fee. These options are exercisable at 3 cents each and expire on 31 October 2019.

On 5 October 2017, 23,400,000 options were issued to Ross Taylor when his convertible note was converted to ordinary shares, as approved by shareholders at a general meeting on 22 June 2017. These options are exercisable at 3 cents each and expire on 31 October 2019.

On 21 November 2017, 6,800,000 options were issued to a consultant as a part settlement of a broker management fee. These options are exercisable at 3 cents each and expire on 31 October 2019.

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

At the date of this report, there are 142,783,829 (2016: 86,383,965) options on issue in Lodestar Minerals Limited. The exercise price ranges from 3 cents to 6 cents, and the exercise dates range from December 2018 to October 2019.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group and other mandatory disclosures, such as details of related party transactions.

5.1 SHARE-BASED PAYMENTS

At the annual general meeting on 20 November 2017, shareholders approved the issue of 6,800,000 options to be issued to consultants, exercisable at 3 cents each and expiring 31 October 2019, in lieu of capital raising costs. The Company also issued 13,200,000 options, exercisable at 3 cents each and expiring 31 October 2019, to a consultant in September 2017 in lieu of capital raising costs.

No fair value calculation was required for either tranche of options issued to extinguish capital raising liabilities. As the options issued were listed, a fair value was readily available at date of settlement for the number of options required to extinguish the liability.

The Company issued 31,250,000 free attaching options, exercisable at 3 cents each by 31 October 2019, to shareholders who participated in the share placement on 7 September 2017. Mr Ross Taylor also received 23,400,000 free attaching options upon conversion of his convertible note, as approved by shareholders at the general meeting held 22 June 2017. Both tranches of options held no value as they were free attaching options.

No fair value calculations were required as the options were free attaching in the share placements.

The amount expensed to profit or loss as Directors' remuneration was \$nil.

	31 December 2017	31 December 2016
	\$	\$
Expensed in personnel expenses (Director remuneration)		
Options issued to Directors	-	108,000
Expensed in capital raising costs		
Options issued to a consultant	33,600	39,000
Expensed as a deposit to acquire a motor vehicle		
Options issued to a consultant	-	7,110

No options were exercised during the period. 16,000,000 options expired during the period.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.2 RELATED PARTIES

(a) Key management personnel compensation

Key management personnel compensation included in 'personnel expenses' and 'share-based payments' (note 5.1), comprises the following:

	Note	31 December 2017 \$	31 December 2016 \$
Short term employee benefits		134,638	136,753
Long term employee benefits		2,416	2,416
Post-employment benefits		12,825	12,825
Share-based payments – options	5.1	-	108,000
		149,879	259,994
Expensed in exploration and evaluation		(56,698)	(51,012)
		93,181	208,982

(b) Key management personnel transactions

A short-term loan totalling \$32,000 was obtained from Broadway Management Pty Ltd, a company associated with David McArthur, between 15 August 2017 and 20 September 2017. The loan bore interest at 10% p.a. for the period of the loan. The loan was deemed to be on normal commercial terms and conditions. The loan was repaid during the period.

5.3 SUBSEQUENT EVENTS

Subsequent to 31 December 2017, the Company raised \$2,070,000 before costs through the issue of 90,000,000 shares at \$0.023 per share. The placement included the issue of 5,000,000 unlisted options exercisable at \$0.05 on or before 31 December 2018 as partial payment of the placement fee.

5.4 FINANCIAL INSTRUMENTS

The Group has a number of financial instruments which are not measured at fair value in the statement of financial position. The carrying amounts of the current receivables, current payables and current borrowings are considered to be a reasonable approximation of their fair value.

LODESTAR MINERALS LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

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

- (a) the consolidated 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 31 December 2017 and of its performance, for the six months' period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (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.

Signed in accordance with a resolution of the Directors.

Dated at Perth this 12th day of March 2018.



WILLIAM CLAYTON
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lodestar Minerals Limited

Report on the Half-Year Financial Report*Conclusion*

We have reviewed the accompanying interim financial report of Lodestar Minerals Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the interim ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the interim end or from time to time during the interim.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lodestar Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the interim ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the interim ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
12 March 2018**



**N G Neill
Partner**