

31 October 2008

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ASX Limited

Dear Sir / Madam

The following summarises the results of activity for Lodestar Minerals Limited for the quarter ended 30 September 2008:

HIGHLIGHTS

Penfold Nickel Project

- *Abattoir prospect – diamond drilling of twin hole to historic hole DDH-7 completed*
- *Regional reconnaissance RAB drilling program completed*
- *Electromagnetic (EM) Survey identifies discrete conductors associated with the Mt Marion (Saddle Hills) ultramafic sequence*
- A number of EM conductors have been identified by the moving loop EM survey completed over the Mt Marion ultramafic sequence; an area characterised by a significant Cu surface geochemical anomaly and anomalous Ni-Cu values in historic drilling. Four targets have been selected for RC drilling during October.

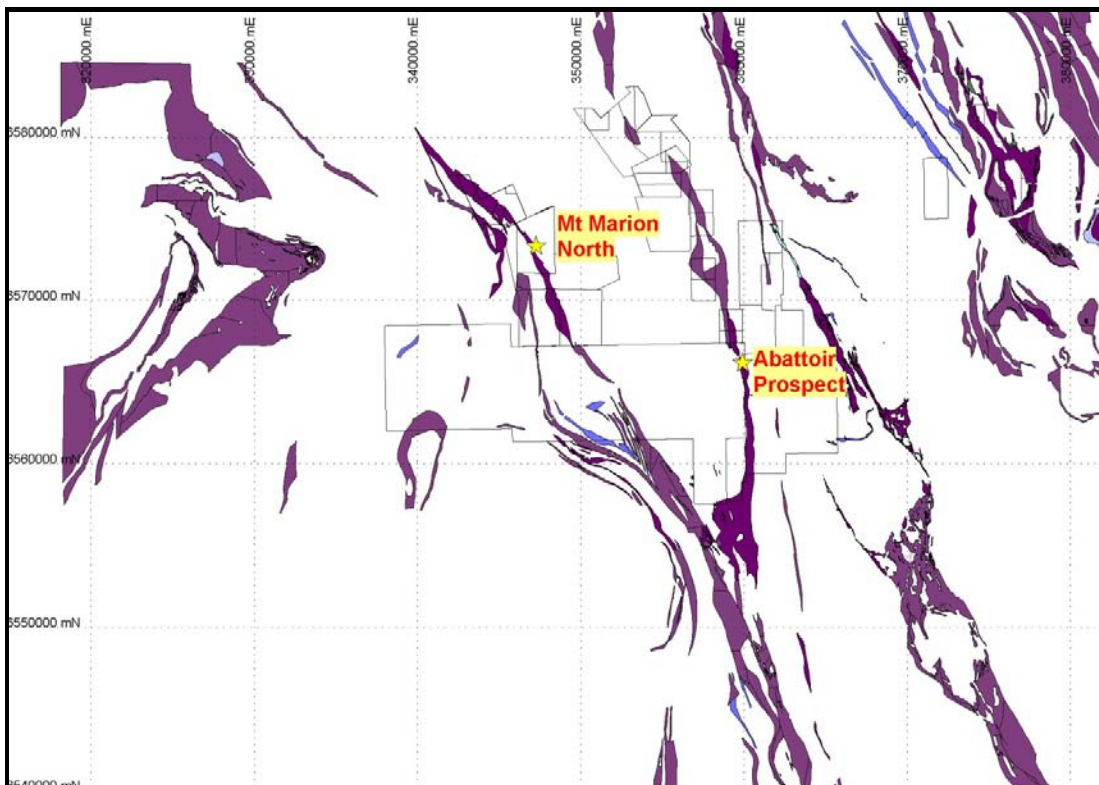


Figure 1 Penfold Nickel Project - Overview

EXPLORATION ACTIVITIES

Abattoir Prospect (Location 53)

A shallow diamond hole was completed as a twin hole to DDH-7 (6.1m @ 1.88% Ni, the best intersection reported in historic drilling). Details of the hole are listed below.

Hole_ID	East_AMG84	North_AMG84	Dip	Azim	RC (m)	HQ2 (m)	EOH depth
LAD001	359840	6566322	-90	-	60.8	59.8	120.6

The hole was pre collared to 60.2 m and intended to intersect the dolerite – ultramafic contact in the drill core however the contact was intersected at only 50m and coring commenced within the ultramafic sequence. The pre collar was sampled as two metre composites and the ultramafic returned similar grades to those reported in earlier RC drilling e.g. LAPC001. For the contact interval 50m – 60m the average grades are 0.473% Ni, 805ppm Cu, 331ppb Pd and 75ppb Pt. The zone of weak mineralisation is restricted to the interval from 50m to 60m depth and on a macroscopic scale there appears to be only minor alteration associated with this zone. Maximum nickel values were reported from the interval 52m to 54m (5920ppm or 0.59%). Minor disseminated sulphide mineralisation was also noted in drill core over the interval 81.34m to 81.76m but this interval has not yet been sampled.

Regional RAB drilling

A regional RAB drilling program was completed during August. The program tested aeromagnetic features representing the northern extension of the Abattoir and Wildcatters ultramafic trends and included selected lines of drilling over the ultramafic sequence at Mt Marion. A total of 6096m was completed. The program included two lines of drilling across an aeromagnetic feature located near the eastern boundary of M26/482. Carbonate – altered ultramafic lithologies were identified. The drilling was widely spaced (80m centres) and intended to resolve the bedrock composition in the areas of interest and provide geological information to plan future work programs. Ultramafic contacts were not a specific target because of the wide drill hole spacing and reconnaissance style of the program. Several traverses were designed to test the Saddle Hills ultramafic sequence, including the high magnesium “footwall” basalt. Assay results are awaited and interpretation of the program is continuing. The drill hole traverses are shown in Figure 2.

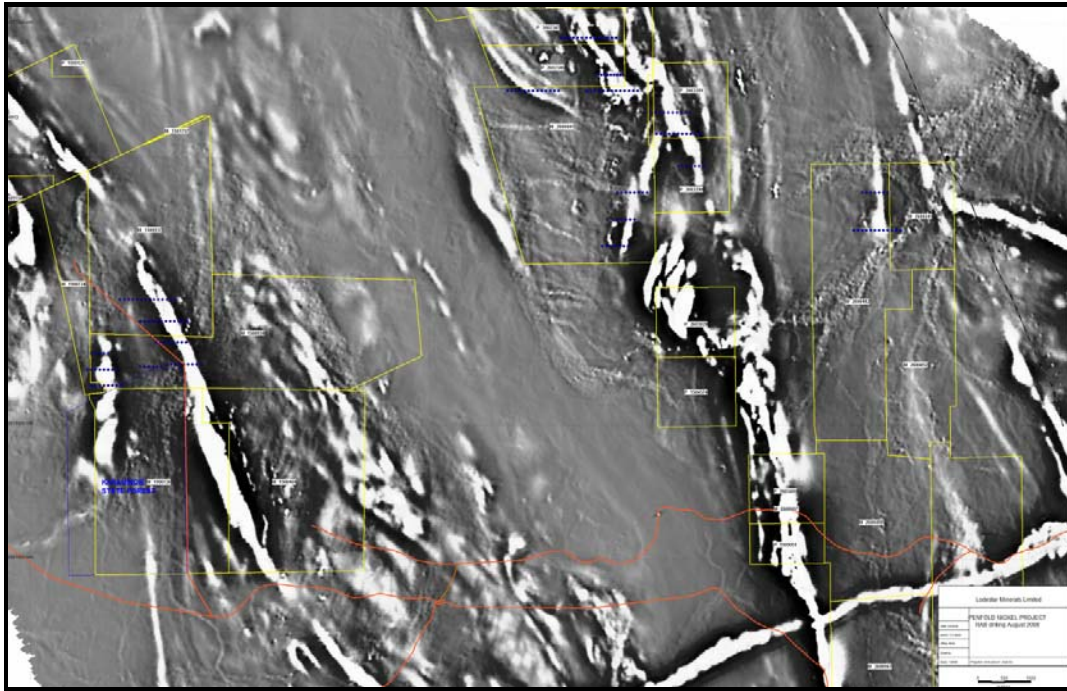


Figure 2 Regional RAB drilling location on aeromagnetics

Mt Marion North

The moving loop EM program was completed during the quarter for a total of 45 line kilometres. The survey was completed on a 200m line spacing using a 200m loop and 100m station spacing, in-fill surveys to 100m line spacing were completed to refine conductor models where required. Approximately 5 kilometres of strike were tested by the EM survey over an area of the ultramafic sequence that reported anomalous Cu values from historic auger sampling (gold exploration). In addition a number of historic RAB drill holes reported anomalous Cu – Ni values that remain untested.

The northern Saddle Hills ultramafic sequence is dominated by sub - outcropping tremolite-dominant metakomatiites (thin flow environment) with subordinate, poorly defined zones of talc – carbonate alteration (after higher magnesium cumulate ultramafics) intersected in historic percussion and RAB drilling. The occurrence of metamorphosed, former cumulate facies ultramafic, together with the Cu – Ni anomalies indicated by limited analytical data are considered significant vectors for regional exploration targeting, a view confirmed by the results of the EM survey.

The location and orientation of the significant EM conductors are shown in Figures 3 to 5.

Figure 4 shows the location of the main conductors in relation to the surface Cu anomaly. The soil anomaly occurs to the south east of the C6 conductor over the area of sub – outcropping ultramafic. The ground to the north west of the soil anomaly (including the C6 EM conductor) is covered by sand plain and therefore surface geochemistry is less effective in delineating anomalies.

The three conductors of main interest correspond to

- a small anomaly (C4) situated on the western margin of the ultramafic sequence (C4) that is coincident with the contact between high Mg basalt and dolerite at surface
- the central zone anomaly (C6), interpreted as an antiformal arrangement of conductor plates that dip to the northeast and southwest. This area corresponds to a zone of magnetite destruction within the ultramafic sequence and the complex anomaly consists of a number of overlapping conductors. The near - surface conductors have low to moderate conductance, possibly indicating an extensive but narrow or discontinuous sulphide interval. However at a deeper level, on both the western and eastern “limbs” of an interpreted antiformal structure, there is evidence of conductors having stronger conductance more typical of massive sulphide mineralisation. These conductors may be down-plunge extensions of the weaker, near-surface zones and are at a depth that requires a diamond drill hole test (~400m hole). If the shallower conductors prove to be of interest then diamond drilling of these deeper targets will be a priority.
- The northern zone anomaly (C8), also under sheet wash alluvial cover, appears to be located on the eastern margin of the ultramafic sequence and this conductor is open to the north.

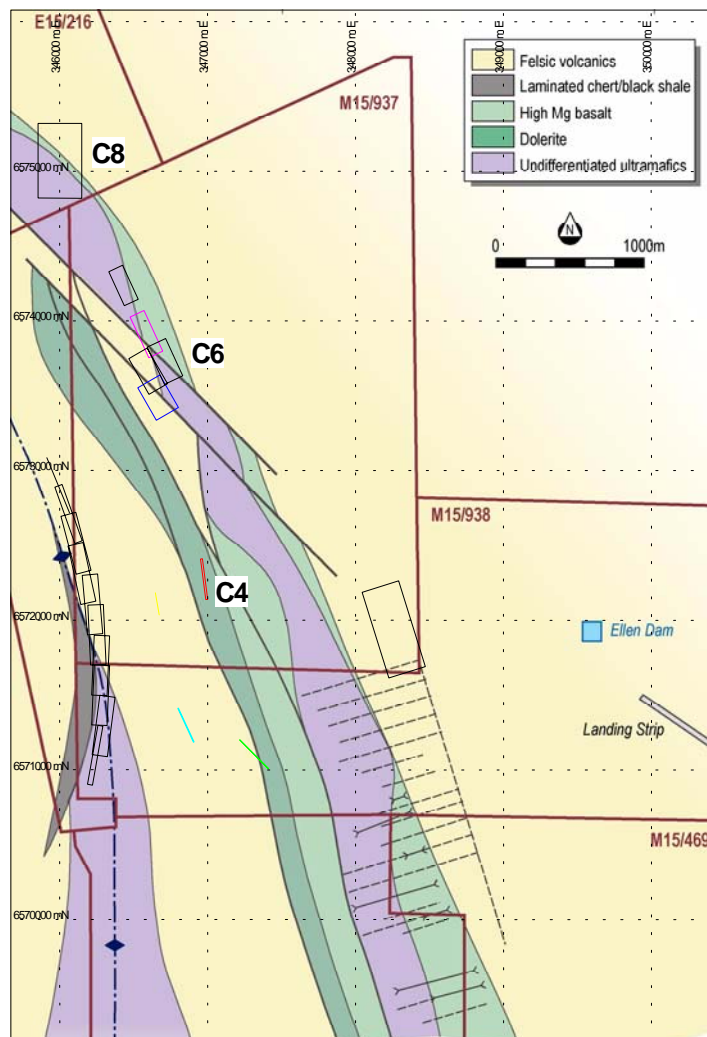


Figure 3 Mt Marion North - interpreted geology with EM conductors

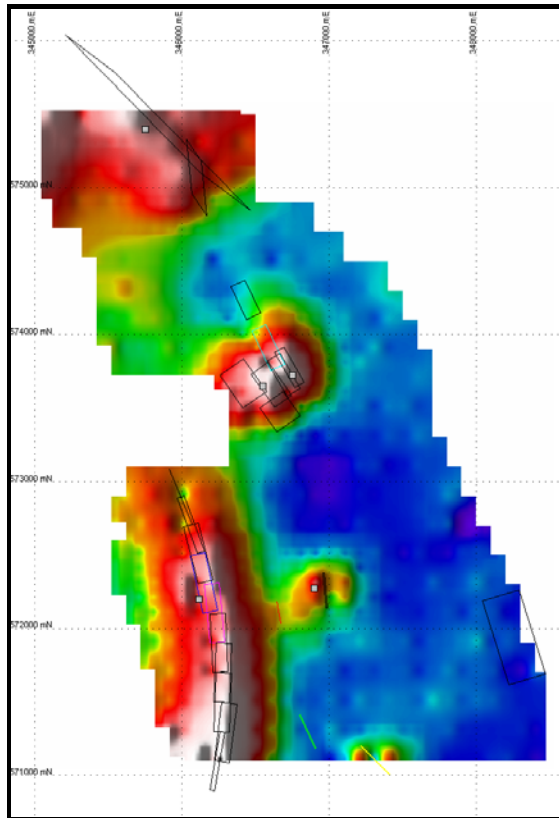


Figure 4 EM survey - channel 30 conductivity image with conductor plates

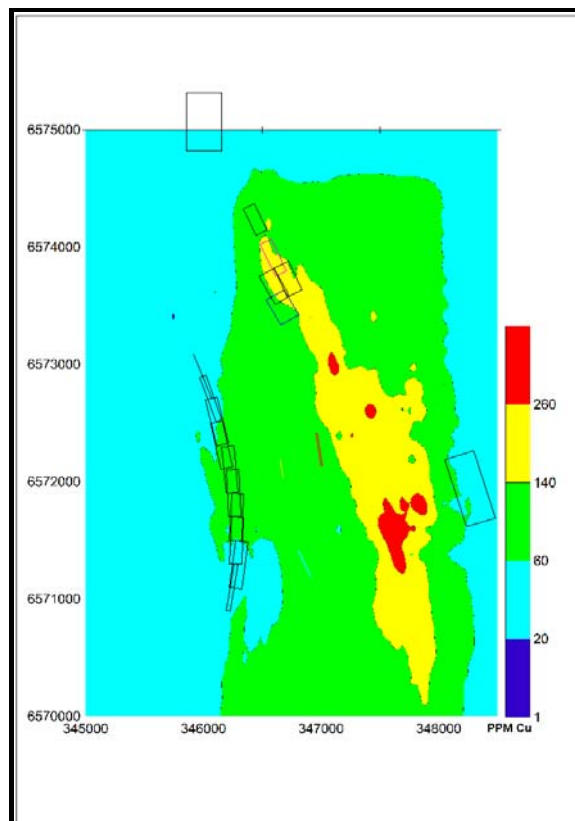


Figure 5 Mt Marion auger Cu and EM conductor plates

CORPORATE UPDATE

On completion of the RC drilling program and related activities Lodestar will have fulfilled the annual expenditure commitments of the Sale Agreement (Nickel Rights) with Dioro by expending a minimum \$100,000 on the mineral freehold tenure (Exempted East Locations 51 & 53) and \$572,000 on the Mining Act tenements.

In response to the current difficult economic conditions Lodestar has reduced administrative and exploration costs to a minimum and will continue to conserve cash through this period.

PLANNED ACTIVITIES FOR NEXT QUARTER

- The RAB drilling programs completed over the Abattoir and Saddle Hills ultramafic sequences will continue to be assessed as assay results are received.
- The EM anomalies identified at Mt Marion will be tested by RC drilling during October.

Yours faithfully

LODESTAR MINERALS LIMITED



BILL CLAYTON

Managing Director

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 2004 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

LODESTAR MINERALS LIMITED

ACN or ARBN

127 026 528

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(315)	(315)
(b) development	-	-
(c) production	-	-
(d) administration	(117)	(117)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	39	39
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(393)	(393)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(6)	(6)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – payment of refundable deposit	500	500
Net investing cash flows	494	494
1.13 Total operating and investing cash flows (carried forward)	101	101

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	101	101
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	101	101
1.20	Cash at beginning of quarter/year to date	3,117	3,117
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,218	3,218

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	104
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes salaries paid to directors, as well as superannuation paid on behalf of directors. Also included are office rent and office running expenses.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.2

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,218	3,117
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,218	3,117

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	50,000,003	49,316,245	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options Listed options	0	0	<i>Exercise price</i> N/A	<i>Expiry date</i> N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	0	0	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2008
Director

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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