



Lodestar Minerals Limited

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5 May 2017

Sandra Wutete
Senior Adviser, Listings Compliance (Perth)
ASX Compliance Pty Limited
20 Bridge Street,
Sydney NSW 2000.

Dear Sandra,

Reference is made to your letter of 2 May 2017.

We provide the following by way of background.

Mr Taylor has been the Company's Chairman since 2014 and it is his only and first Director position in a Public Listed Company.

Mr Taylor has been a long time and major financial supporter of the company, participating in all capital raisings since 2011 to the full extent of his entitlements and occasionally sub underwriting to support the capital raisings to a larger extent, and most recently extending a loan facility to the company to enable exploration on one of the Company's main tenements to continue.

Over the last two and a half years Mr Taylor undertook a number of short term trades that were not reported at the time.

Whilst the transactions undertaken by Mr Taylor were never undertaken with ill intent nor with knowledge not widely available and were not material in terms of his overall holding. Mr Taylor acknowledges and can see that the transactions should not have been unreported, that some of them should not have occurred when they did and that the appearance could be seen as inappropriate.

Whilst Mr Taylor did receive copies of the Company's governance policies, he accepts that he had not fully appreciated the strict adherence to the requirements in situations where there was no ill intent or deceptive intent, the market was fully informed, and the trading was minor in terms of his total holding. Mr Taylor acknowledges in hindsight this belief was incorrect.

In this regard, Mr Taylor has now been very clearly advised of his rights and obligations. In future, when a new Director with no listed company experience is appointed to the Board, we will not only provide copies of the Company's governance statements, but will expand our procedures and actually walk the director through each policy by way of a formal induction process.

The Board (other than Mr Taylor) are satisfied with the explanation provided by Mr Taylor that he never traded based on information not known to the market, nor did he trade in a way that could be construed as manipulating the share price. The Board is also satisfied that at any point in time the number of undisclosed trades was not material to Mr Taylor's overall significant holding in the Company.

Whilst the Company does not condone the actions of Mr Taylor, they are prepared to accept his apology for the inconvenience caused through his own oversight.

We answer your specific questions as follows:

1. Corporate governance policies are provided to all directors, and at board meetings directors disclose transactions in the company's shares (if any).
2. The entity first became aware of Mr Taylor's on market transactions not disclosed to the market on 13 April 2017. At the time the Company became aware of the undisclosed trades, Mr Taylor was advised to prepare a detailed schedule for release to the market advising every undisclosed trade.
3. We asked Mr Taylor to compile the data for the preparation of the market disclosure documents as soon as we became aware of the trades.
4. Mr Taylor did not comply with the company's governance requirements. Mr Taylor admits this was his error and he should have done so. The Board accept that had Mr Taylor asked for permission, in all likelihood there would have not been a reason not to provide the approval, as trading was not done with inside information nor for ill intent.
5. No.
6. No. Mr Taylor thought closed periods related to quarterly reports and material announcements. In that regard, Lodestar's closed periods are to be assessed, as they are quite wide for a non-industrial company.
7. Mr Taylor has offered to resign. Mr Taylor is a driving force behind the current and future growth of the company at an operational level. On the basis we believe far more damage would be done to the Company and its shareholders should Mr Taylor resign than has been done by his trading actions, the Board has acknowledged his offer, however in the interest of all shareholders is not prepared to accept the resignation. As the writer of this response, a fellow director and a significant shareholder in the company, I am personally firmly of the view the resignation of Mr Taylor would have a detrimental impact on the company and all shareholders.

Widespread support for Mr Taylor and his efforts for the company are regularly provided in open source media forums.

8. Mr Taylor has been formally put on notice that the Board accept his apology and the fact that he was acting out of ignorance rather than any ill intent, and has advised Mr Taylor that should there be any further breach of any governance policy, the Company would seek his resignation. Mr Taylor has accepted this unreservedly.
9. The Company can confirm that it is in full compliance with the Listing Rules, and in particular, Listing Rule 3.1.
10. The responses to these queries have been approved by the Board (excluding Mr Taylor- other than discussions to clarify specific matters).

Yours faithfully,



**David McArthur
Company Secretary**



2 May 2017

Mr David McArthur
Company Secretary
Lodestar Minerals Limited

By email

Dear Mr McArthur

Lodestar Minerals Limited (the “Entity”): ASX query letter

ASX Limited (“ASX”) refers to the following:

- A. The Entity’s announcement entitled “Appendix 3Y Ross Taylor - 24 April 2017” lodged on the ASX Market Announcements Platform and released at 6:37 pm (AEST) on 24 April 2017 (the “Announcement”), disclosing 89 changes in Mr Taylor’s notifiable interests in the Entity relating to on-market purchases and sales (“On-market Transactions”) that took place between 22 October 2014 and 29 March 2017 (“Relevant Period”).
- B. The various other Appendix 3Ys (“Prior Appendix 3Ys”) lodged by the Entity in relation to Mr Ross over the Relevant Period, including on 23 October 2014, 25 November 2014, 30 December 2014, 4 February 2015, 13 February 2015, 9 April 2015, 5 May 2015, 2 June 2015, 17 June 2015, 27 October 2015, 27 November 2015, 4 March 2016, 30 June 2016, 6 July 2016, 21 October 2016, 27 October 2016 and 28 November 2016. None of the Prior Appendix 3Ys referenced the On-market Transactions that occurred over the Relevant Period.
- C. The Entity’s securities dealing policy lodged on the ASX Market Announcements Platform and released at 12:00 pm (AEST) on 17 December 2010 (the “Securities Dealing Policy”) which is also available on the Entity’s website and which states, among other things, the following.

1.1 The purpose of this policy is:

(a) to explain the type of conduct in relation to dealings in securities of Lodestar Minerals Limited (“Company”) that is prohibited under the Corporations Act which is applicable to all Key Management Personnel of and contractors to the Company and its controlled entities and to all Key Management Personnel and contractors of any joint venture companies, operations or arrangements to which the Company and its controlled entities is a party (“Restricted Persons”). Key Management Personnel includes directors, spouses of directors and related parties as defined by the Corporations Act 2001. ...

5.1 Restricted Persons are in positions where it may be assumed that they have inside information and, as a result, any trading by Restricted Persons may embarrass or reflect badly on them or on the Company (even if they have no actual inside information at the time). ...

6.1 *Restricted Persons must not deal in the Company's securities (other than in special circumstances when approved by the chairman):*

- (a) *during the period from 1 January until one trading day following the release of the Company's half-year results.*
- (b) *during the period from 1 July until one trading day following the release of the Company's full-year results.*
- (c) *until one trading day following the release of price sensitive information.*
- (d) *During the week of the AGM." ...*

[For the purposes of this letter, the periods referred to in Section 6.1 above are defined as "Closed Periods".]

7.1 *Before dealing, or giving instructions for dealing or causing anyone else to deal, in the Company's securities, the chairperson must:*

- (a) *notify the Board of the chairperson's intention to deal (or cause someone else to deal) in the Company's securities*
- (b) *confirm that the chairperson does not hold any inside information*
- (c) *have been advised by the Board that there is no known reason to preclude the chairperson from dealing in the Company's securities as notified*
- (d) *have complied with any conditions on dealing imposed by the Board (including, for example, any time limits applicable to the clearance). ...*

7.4 *All communications and necessary approvals referred to in clauses 7.1-7.3 shall be in writing.*

7.5 *Any trade referred to in section 7.1-7.3 must take place within seven days of the approval being provided.*

7.6 *Trading will only be permitted during the excluded periods referred to in Section 6.1 where there are exceptional circumstances (such as severe hardship) and the seller is not aware of any inside information. Where such approval is given, the relevant trade must take place within seven days.*

...

8.1 *A Restricted Person must also notify the company secretary of any dealing in the Company's securities by the Restricted Person or any associate of the Restricted Person within two business days of such dealing having taken place. ...*

10 *Speculative Dealing*

At no time may Restricted Persons engage in short-term speculative dealing in the Company's securities. ...

13 *Breaches of Policy*

Strict compliance with this policy is a condition of employment. Breaches of this policy will be subject to disciplinary action which may include termination of employment.

- D. Listing Rule 3.19A which requires an entity (amongst other things) to tell ASX the following.
- 3.19A.2 A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) including whether the change occurred during a closed period where prior written clearance was required and, if so, whether prior written clearance was provided. The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.*
- E. Listing Rule 3.19B which states as follows.
- 3.19B An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.*
- F. Guidance Note 22: *Director Disclosure of Interests and Transactions in Securities – Obligations of Listed Entities* which was published to assist listed entities with their obligations under Listing Rules 3.19A and 3.19B and to give an overview of ASX policy in relation to disclosure of directors' interests and transactions in securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"*
- and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

Having regard to the above, it appears to ASX that an Appendix 3Y should have been lodged with ASX in relation to Mr Ross' On-market Transactions as early as 13 November 2014 and on numerous occasions thereafter and that the Entity has therefore breached Listing Rules 3.19A and/or 3.19B. It also appears Mr Taylor has breached section 205G of the *Corporations Act 2001 (Cth)*.

ASX would note that there were 53 changes to Mr Taylor's notifiable interests over the Relevant Period which would appear to have taken place during a Closed Period, in breach of section 6.1 of the Entity's Trading Policy. This is despite the Announcement stating in Part 3 that no interests in the Entity's securities were traded during a Closed Period.

ASX would further note that Mr Ross' pattern of trading is indicative of speculative trading, in breach of section 10 of the Entity's Trading Policy.

Questions and requests for information

Having regard to the above, and pursuant to Listing Rule 18.7, ASX asks the Entity to respond separately to each of the following questions and requests for information.

1. Please explain what arrangements the Entity has in place with its directors to ensure that it is able to meet its disclosure obligations under Listing Rule 3.19A.
2. When did the Entity first become aware of Mr Ross' On-Market Transactions?

3. Please explain the steps the Entity took, when it first became aware of Mr Ross' On-Market Transactions, to meet its disclosure obligations under Listing Rule 3.19A in a timely manner and the timeframe over which those steps took place?
4. Did Mr Ross comply with sections 7.1(a) and (b) and 7.4 of the Entity's Securities Dealing Policy and notify the Entity's board in writing of his intention to carry out the On-market Transactions before entering into them and confirm that he was not in possession of inside information at the time? If so, please provide a copy of the written communications? If not, why not?
5. Did the Board advise Mr Ross in writing that there is no known reason to preclude him from dealing in the Company's securities before he entered into the On-market Transactions, as required under sections 7.1(c) and 7.4 of the Entity's Trading Policy? If so, please provide a copy of the written communications? If not, why not?
6. Did the Entity's board grant approval (written or otherwise) to Mr Taylor to carry out the On-market Transactions that took place during Closed Periods? If so, on what basis did it do so? If not, why not?
7. Given his apparent and material breaches of the Entity's Trading Policy, has Mr Ross offered to resign as a director of the Entity? If not, why not?
8. What disciplinary or remedial action has the board of the Entity taken, or is it proposing to take, in relation to Mr Ross' apparent and material breaches of the Entity's Trading Policy?
9. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
10. Please confirm that the Entity's responses to the questions above have been authorised and approved by its board.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 3.00 pm (AWST) on Friday, 5 May 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at sandra.wutete@asx.com.au copying in TradingHaltsPerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

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