



ASX ANNOUNCEMENT

28th April 2017

Electronic lodgement

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED
ABN: 32 127 026 528

CONTACT DETAILS

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CAPITAL STRUCTURE

Shares on Issue:
453,318,328 (LSR)

Options on Issue:
45,333,702 (listed)
41,050,127 (unlisted)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:
Camel Hills – gold
Neds Creek – gold
Marymia – gold
West Pinyrinny – gold



MARCH 2017 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

NED'S CREEK

- Preparations for a 5,000m aircore drill program targeting the Brumby contact and strike extensions of the Contessa gold trend are complete.
- Successful application for State Government co-funding for diamond drilling at Contessa and Brumby prospects under Round 14 of the co-funded drilling program.
- Farm-in agreement with Vango Mining Limited allowing Lodestar to earn up to an 80% interest in four mining leases (the Yowereena project) containing significant historic drill intersections from the Boundary Fence prospect, including¹:
 - 13m at 10.52g/t au from 45m in YHR-54
 - 7m at 2.08g/t Au from 8m in YHR-61
 - 7m at 2.42g/t Au from 29m in YHR-63
 - 12m at 8.47g/t Au from 0m in YHR-15 and
 - 19m at 3.32g/t Au from 5m in YHR-90
- The initial field visit to the Yowereena project has recovered samples of oxidised quartz-sulphide breccia veining near the northern contact of the Contessa granite, assay results are awaited.

CORPORATE

- Binding Converting Loan Agreement with Lodestar's Chairman, Mr Ross Taylor, to provide up to \$1.2 million for drilling advanced gold targets (subject to shareholder approval).

¹ See Lodestar's ASX announcement dated 14th March 2017.

NED'S CREEK (Lodestar 100%)

All preparations for the aircore drilling program to test significant gold intersections in drilling at Brumby and along the Contessa trend are complete; drilling has been temporarily delayed due to the widespread rain experienced in March – April that interrupted exploration activity throughout the northeastern goldfields region of Western Australia.

The program will test five targets located on or near the contact of the Contessa composite intrusion for extensions to gold mineralisation intersected in previous aircore drilling (see Figure 1):

- **Brumby** – northeast trending contact zone where surface lag gold anomaly intersects the contact of the intrusion.
- **Brumby** – western contact zone where previous aircore drilling intersected 3m at 1.6g/t gold from 40m in the end of hole sample in LNR824². Drilling on a single traverse with 50m hole spacing intersected strongly to weakly foliated feldspar-chlorite-sericite rocks (syenite) containing variable disseminated pyrite mineralisation. The planned drilling will in-fill and extend existing drilling to better define the contact zone and extent of the mineralisation, prior to planned diamond drilling of the target.
- **Gidgee Flat** – Fourteen aircore holes were completed on a 160m by 40m grid in 2014. Nine of the 14 holes reported intersections of greater than 0.1g/t gold from 5m composite samples, with a best intersection of 10m at 1.89g/t gold from 40m in LNR747³. The Gidgee Flat anomaly occurs within a window of exposed mafic rocks and remains open in all directions. Drilling will in-fill the anomaly to better resolve the anomaly and the primary source.
- **Contessa SW** – two traverses of reconnaissance drilling, 200m apart have intersected significant gold anomalies (>0.1g/t Au) along the southern contact of the Contessa intrusion. Follow up drilling will target the area where strong anomalies were reported from 5 metre composite samples in LNR757 (5m at 2.15g/t Au from 29m) and LNR758 (5m at 8.90g/t Au from 30m).
- **Northeastern extension** – An extensive 10ppb Au (locally up to 80ppb Au) auger geochemical anomaly requires further testing. Reconnaissance aircore drilling failed to identify the source of the anomaly, however a review of the results has provided evidence of alteration and underlying syenite intrusive rocks as a potential source of the anomaly. LNR764 reported a weak anomaly of 64ppb Au within a 5m composite sample from 50m to 55m, with syenite reported in the final 0.5m interval. Hole LNR770, 320m southwest of LNR764 reported cream to red, quartz – sericite “quartzite” with spotted

² See Lodestar's ASX announcement dated 1 December 2016.

³ See Lodestar's ASX announcement dated 24 November 2014.

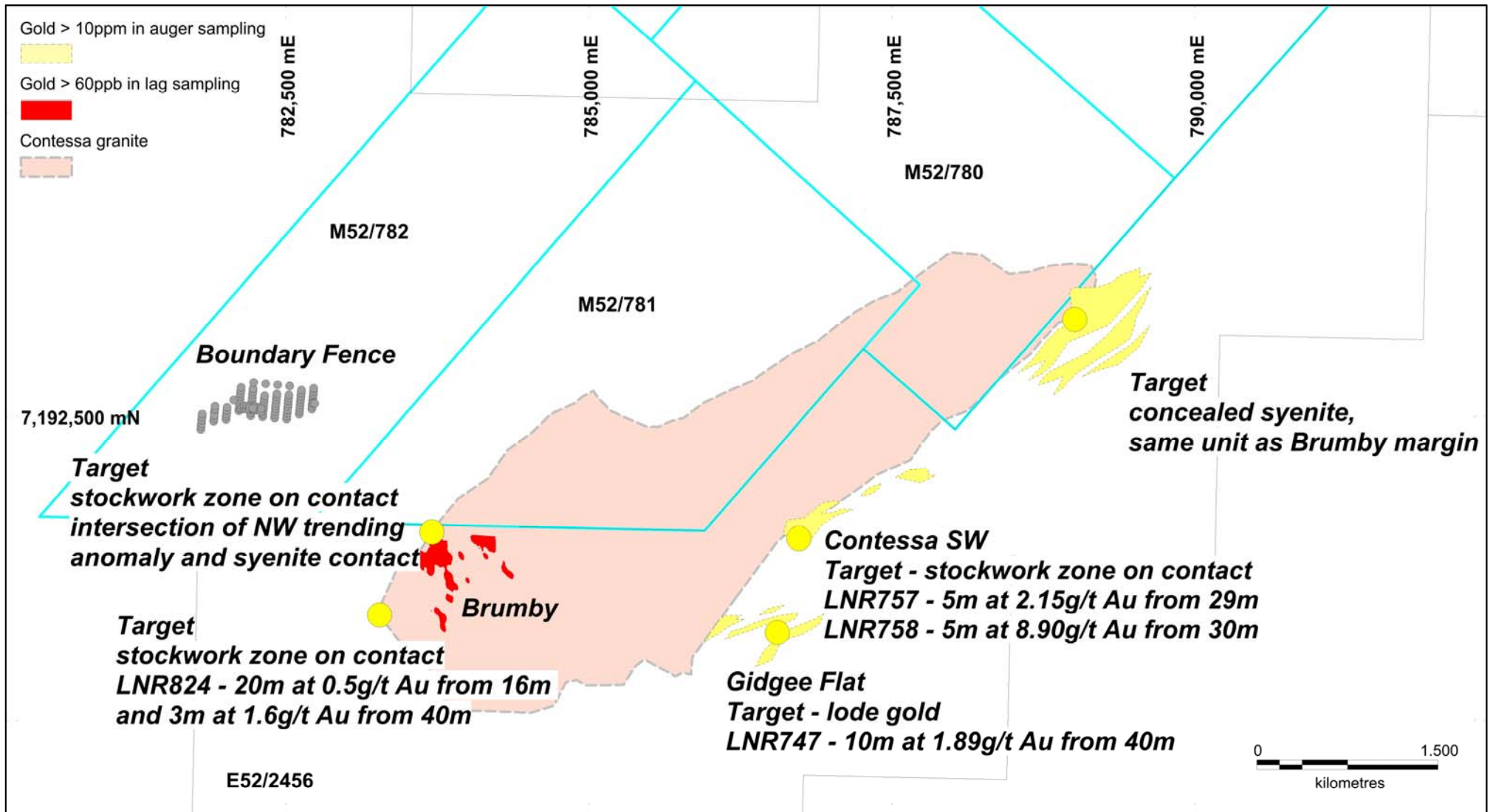


Figure 1 Exploration targets to be tested by upcoming aircore drilling (MGA94).

iron oxides at end of hole, suggesting proximity to haematite – pyrite alteration typically associated with syenite intrusives. In this area the syenite-quartzite contact appears to be sub-horizontal or shallow-dipping and the initial drilling failed to penetrate the overlying sequence to test the target effectively.

Lodestar successfully applied for WA State Government co-funding under Round 14 of the Exploration Incentive Scheme to complete the first diamond drilling of the Contessa and Brumby targets. Two holes are planned to test areas of mineralisation and identify key structural orientations which will provide important information for future drill targeting:

- At Contessa, a single hole will target the contact between the diorite and strongly sheared quartz – sericite schists where the latest aircore drilling reported extensive gold anomalies in the transition zone and a 3 metre intersection of 1g/t Au from 96m in LNR806 at the end of hole⁴. Mineralisation in LNR806 is hosted by feldspar-quartz-sericite containing iron oxides and quartz-filled micro fractures, representing a vein or discrete intrusion.
- At Brumby, a single hole will target the sheared margin of the syenite in the area of LNR824 for the higher grade, contact-style of mineralisation.

The diamond drilling will follow on completion of the aircore program.

Yowereena Farm-in

On 14th March 2017 Lodestar announced details of a farm-in agreement with Vango Mining Limited (ASX:VAN). The farm-in agreement covers four granted mining leases located immediately north of the Contessa and Brumby gold prospects and the area contains a number of walk up gold targets, including Boundary Fence, where historic RAB drilling intersected high-grade gold⁵. The farm-in agreement allows Lodestar to earn an 80% interest in the tenements by meeting the minimum annual expenditure (\$357,000) over a 12 month period.

The Yowereena tenements cover 7.5 kilometres of strike over the Jenkin Fault corridor, a major structural divide forming the southern margin of the Marymia Inlier. A package of highly prospective, sheared mafic-felsic schists interlayered with metasediments is wedged between the Marymia Inlier and the Contessa granite. The tenements include the 7 kilometre long northern margin of the Contessa granite. where Lodestar believes there is high potential for the intrusion-related style of mineralisation being targeted at Brumby and Contessa.

Marymia Exploration and Homestake carried out exploration drilling up to 2001, the drilling by Marymia Exploration identified the Boundary Fence area and reconnaissance RAB drilling by Homestake identified a number of gold anomalies under alluvial cover, reporting up to 4m at

⁴ See Lodestar's ASX announcement dated 1 December 2016.

⁵ See Lodestar's ASX announcement dated 14th March 2017.

1.139g/t Au from 76m in YHRB0009⁶. Homestake followed up with a CBI (cover-bedrock interface) shallow geochemical drilling program on a 160m grid that reported anomalies in Au, As, Bi, Cu and Sb. There has been no drill testing of the RAB or CBI anomalies. Most recently, Dampier Gold carried out additional soil geochemistry across the Yowereena tenements in 2012-2013 that reported gold anomalies located along the northern granite contact⁷, mirroring the anomalies reported by Lodestar along the southern contact of the granite (see Figure 2).

A recent field visit to the northern granite contact has located several gossanous quartz breccia veins in an area adjacent to strongly albite – altered weathered granite or syenite. The veins are located approximately 100 to 120m east of the interpreted position of the faulted granite contact. Samples from the veins and from other sites within the tenements have been submitted for assay and results are awaited.

The data from all the historic Homestake and Dampier Gold programs is being assessed to define the initial targets for aircore drilling.

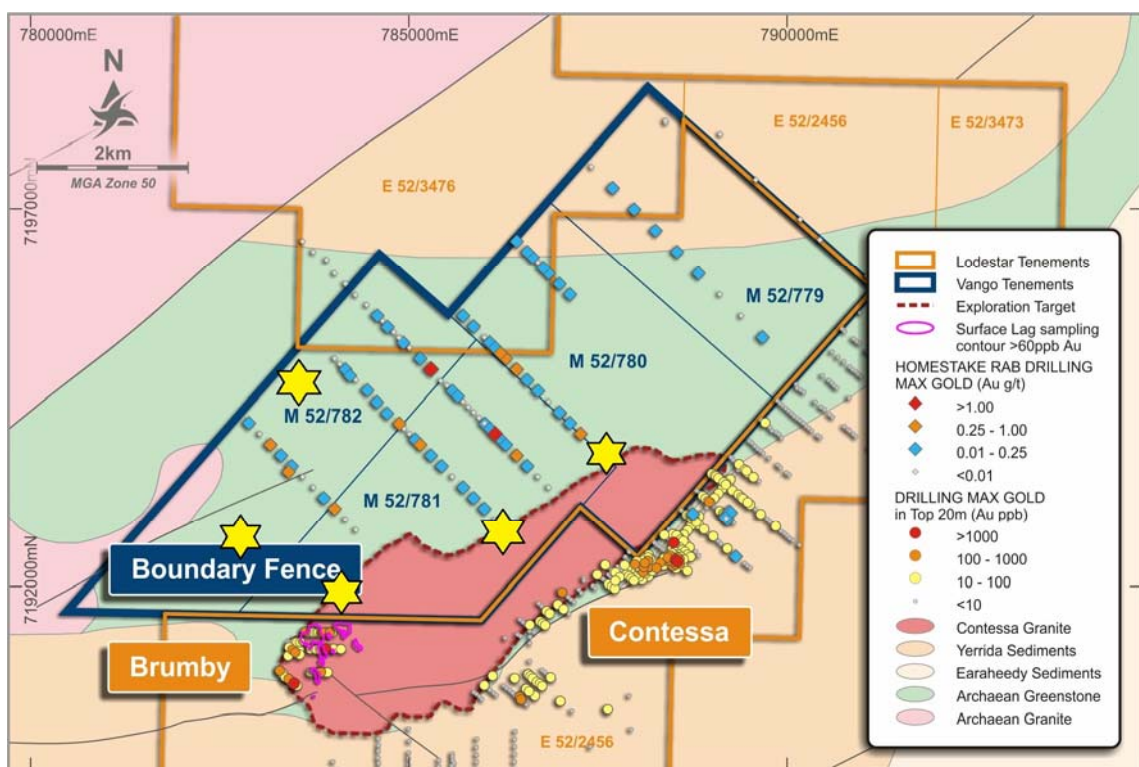


Figure 2 Yowereena tenements showing Homestake RAB drilling and the location of Dampier Gold gold anomalies in soil geochemistry (yellow stars).

⁶ See Annual Report, Technical Report No. 996 for 2000 submitted by Homestake Gold of Australia Limited. Western Australia Department of Mines and Petroleum open file report no. A62465.

⁷ See Dampier Gold’s ASX announcement dated 30 July 2013.

Funding Facility

The Company entered into a Binding Converting Loan Agreement with Lodestar's Chairman, Mr Ross Taylor to advance up to \$1.2 million on a draw down basis, as the funds are required.

The Loan is to be replaced with a Convertible Note. As Mr Taylor is a Director and would hold in excess of 20% of the shares of the Company if the Convertible Note was exercised, the issue of the Convertible Note is subject to shareholder approval. The Convertible Loan will initially provide near-term funding certainty for the planned drilling to test high priority gold anomalies within the expanded Ned's Creek project. Mr Taylor's support is viewed by the Lodestar Board as a strong affirmation of confidence in the Company's future strategy and the quality of its projects.

Under the terms of the agreement the Convertible Note will be issued to Mr Taylor with a face value equal to the principal owing on the loan. The Convertible Note will be unsecured, accrue 8% interest, will have a maturity date 24 months after the date shareholders approve the issue of the Note and will be convertible at \$0.01 per share. One option exercisable at 3 cents on or before 31 October 2019 will be issued for every 5 shares issued.

Bill Clayton
Managing Director

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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 Contessa Drilling Update"; 1 December 2016 "Contessa – Brumby Aircore Drilling Results" and 14 March 2017, "Farm-in Agreement Enhances Gold Potential at Neds Creek". 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.

APPENDIX 1: Schedule of Exploration Tenements as at 31 MARCH 2017

Tenement Description	Tenement Numbers	Status	Percentage Interest
Ned's Creek			
Marymia	E52/2440	Granted	100% - Audacious Resources
Yowerrena Hill	E52/2456	Granted	100% - Audacious Resources, compulsory partial surrender 26 blocks.
Little Well	E52/2468	Granted	100% - Audacious Resources, compulsory partial surrender 7 blocks.
Yowerreena Hill	E52/2493	Granted	100% - Audacious Resources
Yowereena Hill	E52/2734	Granted	100% - Lodestar Minerals
Yowereena Hill	E52/3473	Application	
Yowereena Hill	E52/3476	Application	
Imbin – Troy Creek			
Ingebong Hills	E69/3483	Application	
Camel Hill / Mt Erong			
Meekatharra	E09/2099	Granted	100% - Lodestar Minerals
Meekatharra	E09/2100	Granted	100% - Lodestar Minerals
Billycan Bore	E52/3064	Granted	100% - Lodestar Minerals
Meekatharra	E09/2138	Granted	100% - Lodestar Minerals
Meekatharra	E09/2139	Granted	100% - Lodestar Minerals
Meekatharra	E09/2215	Application	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(47)	(573)
(b) development	-	-
(c) production	-	-
(d) staff costs	(73)	(215)
(e) administration and corporate costs	(38)	(177)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(158)	(966)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(30)	(30)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(30)	(30)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	644
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(6)	(125)
3.5 Proceeds from borrowings	150	250
3.6 Repayment of borrowings	-	(100)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	144	669

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	92	375
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(158)	(966)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(30)	(30)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	144	669
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	48	92

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	48	92
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	48	92

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

71

6.1 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. A percentage of the Managing Director's salary has been expensed to exploration activities. Also, includes corporate and accounting services paid to a company associated with one of the directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	200	150
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	1,200	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

David McArthur, a director of the company, has provided the company with a draw down loan facility of up to \$200,000 for a period of 12 months or until a capital raising by the company. The loan is unsecured with interest payable at 10% per annum, quarterly in arrears.

Ross Taylor has provided a convertible loan draw down facility for \$1,200,000. Subject to shareholder approval, the convertible loan will revert to a convertible note.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	303
9.2 Development	-
9.3 Production	-
9.4 Staff costs	53
9.5 Administration and corporate costs	46
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows ⁽¹⁾	402

⁽¹⁾ The Company has signed an unsecured convertible loan agreement with its Chairman to advance up to \$1,200,000 with interest accruing at 10% per annum, pro rata.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
Director and Company Secretary

Date: 28 April 2017

Print name: David M 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.