



# ASX ANNOUNCEMENT

24 October 2014

Electronic lodgement

## COMPANY SNAPSHOT

**LODESTAR MINERALS LIMITED**  
ABN: 32 127 026 528

### CONTACT DETAILS

Bill Clayton, Managing Director  
+61 8 9423 3200

Registered and Principal Office  
Level 2, 55 Carrington Street  
Nedlands, WA 6009

PO Box 985  
Nedlands, WA, 6909

admin@lodestarminerals.com.au

www.lodestarminerals.com.au

### CAPITAL STRUCTURE

**Shares on Issue:**  
243,394,754 (LSR)

**Options on Issue:**  
16,803,839 (Unlisted)

**ASX:** LSR

### PROJECTS

**Peak Hill – Doolgunna:**  
Base metals, gold

## DISPATCH OF 2014 ANNUAL REPORT AND NOTICE OF AGM

Attached is copy of the 2014 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Memorandum which have been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting is also available on our website [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au)

***For and on behalf of the Board***





**LODESTAR MINERALS LIMITED**

**ABN 32 127 026 528**

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**NOTICE OF ANNUAL GENERAL MEETING**

**PROXY FORM**

**AND**

**EXPLANATORY MEMORANDUM**

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*Date of Meeting*

**Tuesday 25 November 2014**

*Time of Meeting*

**11.00 am (WST)**

*Place of Meeting*

**Level 2, 55 Carrington Street  
Nedlands, 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 11.00m (WST) on Tuesday, 25 November 2014, at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on Sunday, 23 November 2014.

An Explanatory Memorandum 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

#### 2014 Accounts

To receive and consider the annual financial report, the Directors' report and the auditor's report for the financial year ended 30 June 2014 and the Directors' declaration on the accounts.

#### Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2014 and, if thought fit, to pass, with or without amendment, the following Resolution as a non-binding Resolution:

*"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' report for the financial year ended 30 June 2014 be adopted."*

**Note 1:** the vote on this Resolution is advisory only and does not bind the Directors of 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.

#### **Voting Prohibition Statement:**

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any 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,

(collectively, a "**Prohibited Voter**").

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Prohibited 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 if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

### **Ordinary Resolution 2: Election of Director - Mr Ross Taylor**

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

*“That, for the purposes of clause 7.2 of the Company’s Constitution and for all other purposes, Mr Ross Taylor, who retires having been appointed a director since the last annual general meeting, be re-elected a director of the Company.”*

### **Ordinary Resolution 3: Re-election of Director - Mr David McArthur**

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

*“That Mr David McArthur, who retires by rotation in accordance with clause 7.3 of the Company’s constitution, and being eligible be re-elected as a Director.”*

### **Special Resolution 4: Approval of 10% Placement Capacity**

To consider and, if thought fit, to pass, with or without amendment, 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 issue of Equity Securities totalling up 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 on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of 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.

**Important note:** The proposed allottees of any Equity Securities under the 10% Placement Capacity are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person’s vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Capacity), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

### **Ordinary Resolution 5: Ratification of Issue of Shares (and Attaching Options) – Placement**

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 21,161,539 fully paid ordinary shares (and 7,053,839 attaching 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 on Resolution 5 by any persons who participated in the issue and 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 of 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 6: Approval to issue Options to Underwriter**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 2,000,000 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 on Resolution 6 by any persons who may participate in the issue and 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 of 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 7: Issue of Options to Related Party – Bill Clayton**

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

*“That, for the purpose 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 Directors to allot and issue 5,000,000 Director Options to Mr Bill Clayton (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Clayton, his nominee or any of their associates. 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, 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) 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 8: Issue of Options to Related Party – Ross Taylor**

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

*“That, for the purpose 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 Directors to allot and issue 3,000,000 Director Options to Mr Ross Taylor (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr Taylor, his nominee or any of their associates. 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, 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) 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 9: Issue of Options to Related Party – David McArthur**

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

*“That, for the purpose 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 Directors to allot and issue 3,000,000 Director Options to Mr David McArthur (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr McArthur, his nominee or any of their associates. 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, 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) 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.

**By Order of the Board**



D M McARTHUR  
**Company Secretary**

Dated: 15 October 2014

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## **ENTITLEMENT TO ATTEND AND VOTE**

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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 Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 5:00pm (Sydney Time) on Sunday, 23 November 2014 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### **PROXIES**

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company 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, but where the proportion or number is not specified, each proxy may exercise half of the votes.

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, David McArthur on +61 8 9423 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 MEMORANDUM

This Explanatory Memorandum 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 Memorandum 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, the Directors’ report and the auditor’s report for the financial year ended 30 June 2014 and the Directors’ declaration on the accounts.

A copy of the Company’s 2014 Annual Report is available on the Company’s ASX platform (ASX: LSR) and on the website [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au). Alternatively, a hard copy will be made available upon request.

There is no requirement for Shareholders to approve the Annual Financial Statements.

The Company’s auditor, KPMG, 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 no later than 5 business days before the meeting date to the Company Secretary.

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### NON-BINDING ORDINARY RESOLUTION 1: Directors’ 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 the financial year ending 30 June 2014.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Under the Corporations Act, 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.

The Company's Remuneration Report did not receive a "no" vote of 25% or more at the Company's previous 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 included in any vote on Resolution 1.

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

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however it is the Chairman's intention to vote all undirected proxies in favour of the resolution.

(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.

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### **ORDINARY RESOLUTION 2: Election of Director - Mr Ross Taylor**

Clause 7.2 of the Company's Constitution provides that any Director appointed since the last Annual General Meeting shall retire from office and be elected at the next following Annual General Meeting. Mr Ross Taylor was appointed a Director of the Company on 30 June 2014.

Accordingly, pursuant to clause 7.2 of the Company's Constitution, Mr Taylor retires as a Director and offers himself for election as a Director of the Company.

Details in relation to Mr Taylor are contained in the Company's 2014 annual report.

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### **ORDINARY RESOLUTION 3: Re-election of Director – Mr David McArthur**

Clause 7.3 of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up 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 retiring Director is eligible for re-election.

Accordingly, Mr David McArthur retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr McArthur is set out in the Company's 2014 Annual Report.

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## **SPECIAL RESOLUTION 4: Approval of 10% Placement Capacity – Shares**

### **General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, 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 (as set out below).

The effect of Resolution 4 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 4 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 4 for it to be passed.

### **ASX Listing Rule 7.1A**

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

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 \$3.6 million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code LSR),

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:
  - (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;

- (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
  - (iv) less the number of Shares cancelled in the previous 12 months.
- B is 10%.
- C is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### **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 4:

(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).

(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 4 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.

<b><u>DILUTION</u></b>				
Variable "A"		<b>\$0.0075</b> 50% decrease in Issue Price	<b>\$0.015</b> Issue price	<b>\$0.03</b> 100% Increase in Issue Price
<b>Current Variable A</b> <b>243,394,754 Shares</b>	<b>10% Voting Dilution</b>	24,339,475 Shares	24,339,475 Shares	24,339,475 Shares
	<b>Funds Raised</b>	\$182,546	\$ 365,092	\$ 730,184
<b>50% Increase In Current Variable A</b> <b>365,092,131 Shares</b>	<b>10% Voting Dilution</b>	36,509,213 Shares	36,509,213 Shares	36,509,213 Shares
	<b>Funds Raised</b>	\$ 273,819	\$ 547,638	\$ 1,095,276
<b>100% Increase In Current Variable A</b> <b>486,789,508 Shares</b>	<b>10% Voting Dilution</b>	48,678,950 Shares	48,678,950 Shares	48,678,950 Shares
	<b>Funds Raised</b>	\$ 365,092	\$ 730,184	\$ 1,460,368

\* 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:

- (a) The current shares on issue are the Shares on issue as at 30 September 2014.
- (b) No options are exercised into Shares before the date of issue of the Equity Securities.
- (c) 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%.
- (d) The issue price set out above is the closing price of the Shares on the ASX on 30 September 2014.
- (e) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (f) 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.
- (g) 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.
- (h) 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.
- (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.

(e) **Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees 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 allottees 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).

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company obtained approval under Listing Rule 7.1A on 28 November 2013. 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 33,215,378 securities (21,161,539 shares and 12,053,839 options) have been issued representing 15.7% of the equity securities on issue at the commencement of the 12 month period preceding the date of the Annual General Meeting (being 211,614,499 securities comprising 206,864,499 shares and 4,750,000 options).

**Date of Issue:** 16/12/13

Number issued: 5,000,000  
 Class: Options  
 Terms: Exercisable at 5 cents by 16 December 2017  
 Name of applicants: Paul Cranney.  
 Issue Price: \$ Nil  
 Discount to market: N/A  
 Value at date of notice: \$59,432 (Appendix 3)  
 Intended use of cash: N/A

**Date of Issue:** 2/9/14

Number issued: 21,161,539  
 Class: Fully paid ordinary  
 Name of applicants: Placement to sophisticated shareholder.  
 No shares placed to related parties.  
 Price: 1.3 cents per share  
 Discount to market: No discount to market.  
 Amount raised: \$ 275,100  
 Intended use of cash: Drilling program at the Company's Contessa gold prospect area and administration costs associated with the corporate and compliance functions of the Perth office.

**Date of Issue:** 2/9/14

Number issued: 7,053,839  
 Class: Options  
 Terms: Exercisable at 3 cents each by 31 March 2016  
 Name of applicants: Various sophisticated shareholder.  
 Issue Price: \$Nil  
 Discount to market: N/A  
 Value at date of notice: \$67,162 (Appendix 3)  
 Intended use of cash: N/A

### **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 4.

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### **ORDINARY RESOLUTION 5: Ratification of Placement of Shares and Options**

As announced to ASX on 22 August 2014, the Company issued 21,161,539 shares (and 7,053,839 attaching options) to professional and sophisticated shareholders pursuant to Section 708 of the Corporations Act (Cwth) 2001. The shares were issued for 1.3 cents each, to raise gross proceeds of \$ 275,100. One option was issued for every three shares applied for, such options issued for no consideration, and exercisable at 3 cents each on or before 31 March 2016. This resulted in the issue of 7,053,839 options.

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12 month period any equity securities which, when aggregated with the number of other securities issued within that 12 month period exceeds 15% of the number of ordinary shares on issue at

the beginning of that 12 month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 if subsequently approved by shareholders, thereby 'refreshing' the company's ability to issue shares within the 15% limit, and restoring the company's ability to make placements within that limit (if that is thought desirable) without the need for shareholder approval.

While the Shares described in this Resolution 5 have been issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4 so that the Company's ability to issue securities will be refreshed and it will have the flexibility to issue further securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolution 5:

- (a) the number of Shares issued and allotted by the Company was 21,161,539;
- (b) the number of attaching options issued and allotted by the Company was 7,053,839;
- (c) the shares were issued for 1.3 cents per Share;
- (d) the options were issued for no consideration, and are exercisable at 3 cents each by 31 March 2016.
- (e) the Shares issued rank pari passu with the Company's existing Shares;
- (f) the Shares were issued to sophisticated investors pursuant to section 708 of the Corporations Act. None of these subscribers are related parties of the Company; and
- (g) the funds raised under the Placement will be used for working capital.

The terms and conditions of the options are set out at Appendix 1

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#### **ORDINARY RESOLUTION 6: Approval of issue of Options to Underwriter**

On 16 September 2014 RM Corporate Finance Pty Ltd entered into an underwriting agreement with the Company to fully underwrite the Entitlements Offer announced to the market on 22 August 2014.

Part of the consideration fee for the underwriting is the issue by the Company of 2,000,000 options exercisable at 3 cents each on or before 31 March 2016. This is the same class of options issued to shareholders pursuant to the entitlements offer.

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12 month period any equity securities which, when aggregated with the number of other securities issued within that 12 month period exceeds 15% of the number of ordinary shares on issue at the beginning of that 12 month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained. Whilst the options could be issued using the Company's 15% placement capacity, shareholder approval of the issue will ensure the placement facility will be fully available for the issue of securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolution 6:

- (a) the number of Options to be issued and allotted by the Company is 2,000,000;
- (b) the Options will be issued within 3 month of the date of the meeting;
- (c) the Options will be issued for no consideration, and are exercisable at 3 cents each by 31 March 2016.

- (d) the Options will be issued to RM Capital Finance Pty Ltd.

The terms and conditions of the options are set out at Appendix 1.

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### **ORDINARY RESOLUTIONS 7, 8 and 9: Grant of Options to Directors**

On 17 September 2014 the Board of the Company resolved, subject to obtaining shareholder approval, to issue and allot a total of 11,000,000 Options (**Director Options**) to its Directors as set out below:

- (a) Bill Clayton – 5,000,000 Options;
- (b) Ross Taylor – 3,000,000 Options; and
- (c) David McArthur – 3,000,000 Options,

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

For a public company 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 Section 217 to 227 of the Corporations Act; 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.

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 whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit, and as such Messrs Clayton, Taylor and McArthur are Related Parties of the Company by virtue of being Directors.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

### **Section 195 of the Corporations Act**

Section 195(1) of the Corporations Act 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, 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 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.

Each of the Directors, being Bill Clayton, Ross Taylor and David McArthur have a material personal interest in the outcome of Resolutions 7 to 9 because they will be receiving Director Options.

The Directors have exercised their right under section 195(4) of the Corporations Act to call the Meeting and put the matters the subject of Resolutions 7 to 9 to Shareholders.

**Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)**

Pursuant to, and in accordance with, the requirements of Sections 217 to 227 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Parties are Bill Clayton, Ross Taylor and David McArthur 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 the aggregate is 11,000,000 Director Options;
- (c) The Director options will be exercisable at 5 cents each on or before 31 December 2017;
- (d) the Director Options will otherwise be issued on the terms and conditions outlined in Appendix 2;
- (e) the Director Options will be granted to the Related Parties no later than 1 month after the date of the 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 \$108,900 and the pricing methodology is set out in Appendix 3;
- (h) the relevant interest of the Related Parties in securities of the Company is set out below:

Bill Clayton - 2,165,000 shares  
- 2,500,000 options exercisable at 15-30 cents by 29 November 2016

Ross Taylor - 29,100,000 shares

David McArthur - 9,000,000 shares

- (i) the Related Parties receive remuneration for the current financial year as follows:

(i) Bill Clayton \$130,000 per annum

(ii) Ross Taylor \$20,000 per annum

(iii) David McArthur \$ 20,000 per annum - Director  
\$40,000 per annum - Company Secretary/Corporate

In the previous financial year, the Related Parties received the following from the Company (paid and payable):

(i) Bill Clayton - \$166,500

(ii) Ross Taylor - Nil (appointed 30 June 2014).

(iii) David McArthur - \$81,699

Other than as set out in this Explanatory Statement, the Related Parties have not received any other emoluments from the Company;

- (j) if the Director Options granted to the Related Parties are exercised, a total of 11,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 243,394,754 to 254,394,754 (assuming that no other Options are exercised and no other Shares issued) with the effect that the share holding of existing shareholders would be diluted by 4.3% (Clayton 1.9%, Taylor 1.2% and McArthur 1.2%).

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 ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

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

	PRICE	DATE
HIGHEST	\$0.033	7 JULY 2014
LOWEST	\$0.005	6 MAY 2014
LATEST	\$0.015	13 OCTOBER 2014

- (l) 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;
- (m) the Board acknowledges the grant of Related Party Options to Messrs Clayton and McArthur is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to Messrs Clayton and McArthur reasonable in the circumstances for the reason set out in paragraph (n);
- (n) Mr Clayton declines to make a recommendation to Shareholders in relation to Resolution 7 due to Mr Clayton's material personal interest in the outcome of the Resolution on the basis that Mr Clayton is to be granted Director Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 8 and 9, 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;
- (o) Mr Taylor declines to make a recommendation to Shareholders in relation to Resolution 8 due to Mr Taylor's material personal interest in the outcome of the Resolution on the basis that Mr Taylor is to be granted Director Options in the Company should Resolution 8 be passed. However, in respect of Resolutions 7 and 9, Mr Taylor recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);
- (p) Mr McArthur declines to make a recommendation to Shareholders in relation to Resolution 9 due to Mr McArthur's material personal interest in the outcome of the Resolution on the basis that Mr McArthur is to be granted Director Options in the Company should Resolution 9 be passed. However, in respect of Resolutions 7 and 8, Mr McArthur recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);

- (q) in forming their 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 prices and expiry dates of those Director Options; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolutions.

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.

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## GLOSSARY

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**\$** means Australian dollars.

**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.

**Directors Options** means options exercisable at 5 cents each on or before 16 December 2017

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

**Options** means options exercisable at 3 cents each on or before 31 March 2016.

**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.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Australian Western Standard Time (Perth, Western Australia).

## Instructions for Completing ‘Appointment of Proxy’ Form

1. **(Changes to Proxy Voting):** Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:
  - (a) if proxy holders vote, they must cast all directed proxies as directed;
  - (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

2. **(Appointing a Proxy):** A member with two or more votes entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
  - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
  - (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
  - (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:
  - (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
  - (b) the appointed proxy is not the chair of the meeting;
  - (c) at the meeting, a poll is duly demanded on the resolution; and
  - (d) either of the following applies:
    - (i) the proxy is not recorded as attending the meeting;
    - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

5. **(Signing Instructions):**
  - (a) **(Individual):** Where the holding is in one name, the member must sign.
  - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - (c) **(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 form when you return it.

- (d) **(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.
- 6. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
- 7. **(Voting in person):**
  - (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.
  - (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting
- 8. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):
  - (a) In person to Level 2, 55 Carrington Street, Nedlands, Perth, WA;
  - (b) By mail to PO Box 985, Nedlands, WA, 6909.
  - (c) By Facsimile to +61 8 9389 8327;
  - (d) By scan and email to davidm@broadwaymgt.com.au

**so that it is received at least 48 hours prior to commencement of the General Meeting. Proxy Forms received later than this time will be invalid.**

# LODESTAR MINERALS LIMITED

ABN 32 127 026 528

## APPENDIX 1

The material terms and conditions of the Options referred to in Resolutions 5 and 6 are as follows:

- (a) The Options will be issued in 1 tranche with an exercise price of 3 cents (“Exercise Price”):
- (b) The Options are exercisable at any time on or before 31 March 2016 (“Expiry Date”).
- (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) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company’s then existing Shares.
- (g) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (h) 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.
- (i) 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.
- (j) 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 the ASX Listing Rules at the time of the reconstruction.

# LODESTAR MINERALS LIMITED

ABN 32 127 026 528

## APPENDIX 2

The material terms and conditions of the Options referred to in Resolutions 7-9 are as follows:

- (a) The Options will be unlisted.
- (b) The Options will be issued in 1 tranche to each of the Related Parties with an exercise price of 5 cents (“Exercise Price”):
- (c) The Options are exercisable at any time on or before 16 December 2017 (“Expiry Date”).
- (d) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (e) The notice attached to the certificate has to be completed when exercising the Options (“Notice of Exercise”).
- (f) 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.
- (g) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company’s then existing Shares.
- (h) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (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 the ASX Listing Rules at the time of the reconstruction.

# LODESTAR MINERALS LIMITED

ABN 32 127 026 528

## APPENDIX 3

### **Valuation of Options to be issued to Directors**

The Company has valued the Options to be issued to Directors (“Director Options”) using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Director Options ascribed a value as follows:

#### *Assumptions:*

Value date	30 September 2014
Share price	\$0.015
Exercise price	\$0.05
Term	3 years
Volatility	223%
Risk free interest rate	2.56%
Indicative value per Option (cents)	\$0.0099

### **Valuation of Options Issued on 2/9/14**

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

#### *Assumptions:*

Value date	30 September 2014
Share price	\$0.015
Exercise price	\$0.03
Term	17 months
Volatility	223%
Risk free interest rate	2.56%
Indicative value per Option (cents)	\$0.0095



# PROXY FORM

**APPOINTMENT OF PROXY  
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, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 11.00 am (WST) on Tuesday, 25 November 2014 at Level 2, 55 Carrington St, Nedlands, Perth, Western Australia, and at any adjournment of that meeting.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

### 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: Election of Director – Ross Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3: Re-Election of Director- David McArthur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution 4: Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 5: Ratification of Share and Options Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 6: Approval of Option Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 7: Approval of Director Options - B Clayton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 8: Approval of Director Options - R Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 9: Approval of Director Options - D McArthur	<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**

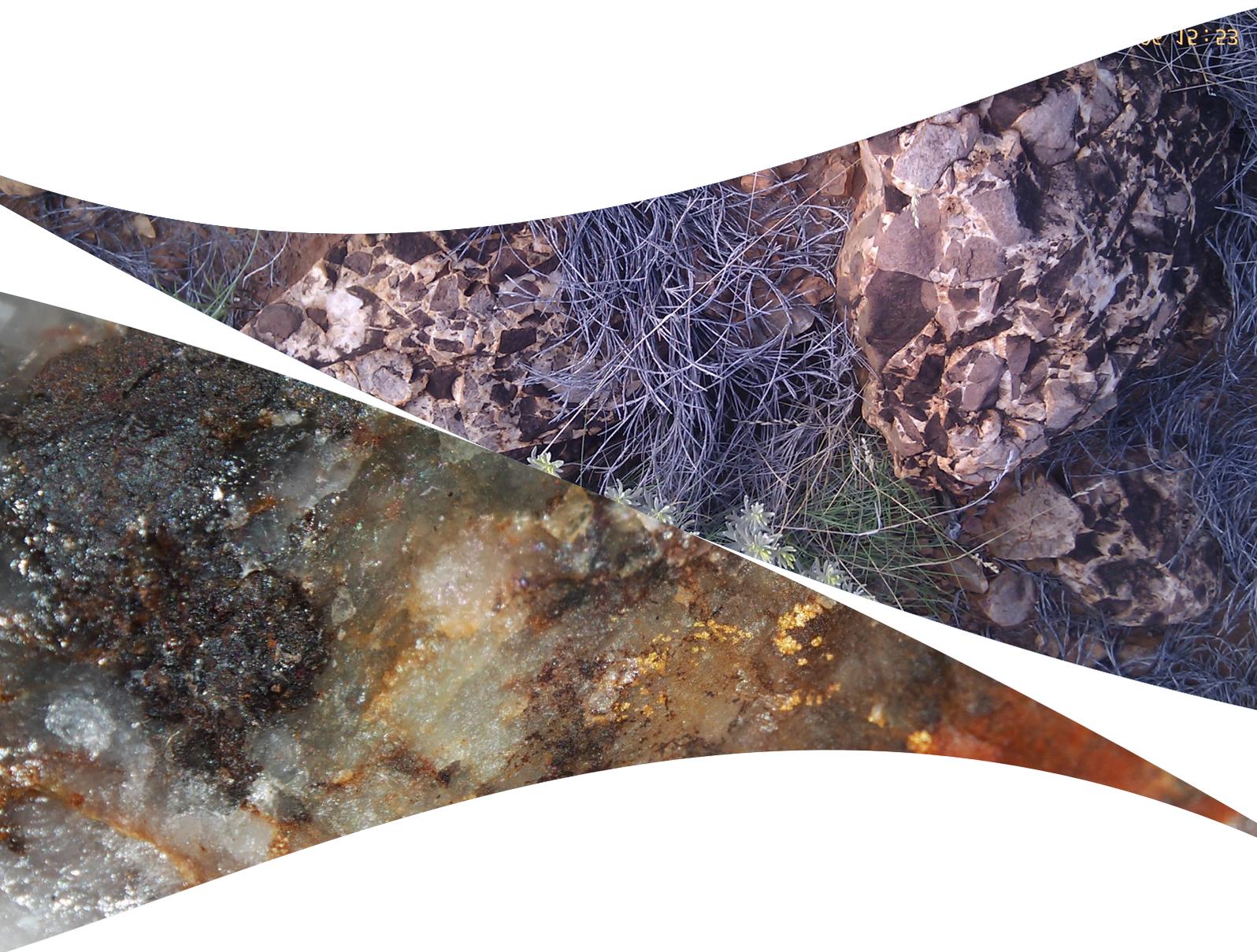
**Member 3**

**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_ **Date:** \_\_\_\_\_



# ANNUAL REPORT 2014

Lodestar Minerals Limited

ABN 32 127 026 528

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**DIRECTORS AND COMPANY SECRETARY:**

Ross Taylor  
Non-executive Chairman

William Clayton  
Managing Director

David McArthur  
Executive Director and Company Secretary

**REGISTERED & PRINCIPAL OFFICE:**

Level 2, 55 Carrington Street  
NEDLANDS WA 6009

Po Box 985  
NEDLANDS WA 6909

Telephone: +61 8 9423 3200  
Facsimile: +61 8 9389 8327

**SOLICITORS:**

Steinepreis Paganin  
Level 4, The Read Building  
16 Milligan Street  
PERTH WA 6000

**DOMICILE AND COUNTRY OF INCORPORATION:**

Australia

**SHARE REGISTRY:**

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
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**AUDITORS:**

KPMG  
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**SECURITIES EXCHANGE:**

Lodestar Minerals Limited shares are listed on the Australian Securities Exchange (ASX) – code LSR





## HIGHLIGHTS

Cost effective gold exploration, comprising shallow drilling and multi-element geochemical sampling, was completed over 8 kilometres of strike along the Contessa Trend to define the extent of the Contessa gold mineralising system.

This programme outlined a 2.1 kilometre long, contiguous gold anomaly surrounding the Contessa Prospect, and defined additional gold prospects including Contessa North-east, Contessa South-west and Gidgee Flat, within the Contessa gold mineralising system. The Contessa system was significantly extended, and RC drilling has been planned to test targets for gold mineralisation in bedrock.

Regional interpretation of the relationship between the Bryah and Yerrida Basins in the Doolgunna region resulted in several new copper targets being identified at Ned's Creek. Field work, including initial drilling of these targets, is planned to commence shortly.

Project generation activities focussed on the mineral potential of the Proterozoic rocks on the northern Yilgarn margin, through detailed investigation of available geochemical, geophysical and geological dating datasets. Projects were generated at Imbin (Cu-Au) and Camel Hills (Au), both interpreted as under-explored Proterozoic terranes of the same age as the Bryah Basin with potential to host DeGrussa style Cu-Au and lode style Au mineralisation.

## Contessa

- Contessa mineralized zone – large gold anomaly with an associated Bi-Mo halo extended to 2.1 kilometres strike length over northeast trending Archaean litho-structural corridor.
- Immediate RC drilling planned to target the bedrock gold source at Contessa.
- Additional undrilled gold targets identified along the same litho-structural corridor to the southwest of Contessa at Contessa South-West and Gidgee Flat.

## Imbin

- The Imbin Project covers 70 kilometres of an interpreted back-arc rift environment on the Proterozoic tectonic margin, where Lodestar is targeting high-value base metal deposits.
- Regional gravity data suggest rift-related mafic rocks underlie and are intercalated with the sedimentary sequence.
- The age and back-arc setting of the Imbin terrane is comparable to the Bryah Basin, widely regarded as one of Australia's most exciting emerging copper and base metal provinces.
- Anomalous gold and copper in historic drilling along 17 kilometre mineralised trend. Large areas under shallow cover remain unexplored.

## Camel Hills

- The Camel Hills project covers 50 kilometres of the Errabiddy Shear Zone, a major deformation zone marking the boundary between the Yilgarn Craton and the Glenburgh Terrane. The Glenburgh Terrane hosts the Glenburgh gold project (21.1Mt at 1.5g/t Au for 1Moz Au) 60 kilometres NW of Camel Hills.
- A regional gold anomaly is associated with the Errabiddy Shear. Historic BLEG surface anomaly extends over 5 kilometres - visible gold reported from stream sampling. These features, and encouragement in drilling by previous explorers, are indicative of a large gold system.
- Significant historic surface gold anomalies are untested and require follow-up.

### Peak Hill-Doolgunna Project

The Peak Hill-Doolgunna project is located 150 kilometres north east of Meekatharra along geological trend from the Thaduna and DeGrussa copper deposits (Figure 1). The tenements flank the Jenkin Fault zone, a regional tectonic boundary that marks the northern boundary of the Bryah – Yerrida volcanosedimentary sequence. Lodestar’s Peak Hill-Doolgunna project is divided into three tenement blocks comprising the Neds Creek, Marymia and Western project areas, having a combined area of 1,119 square kilometres.

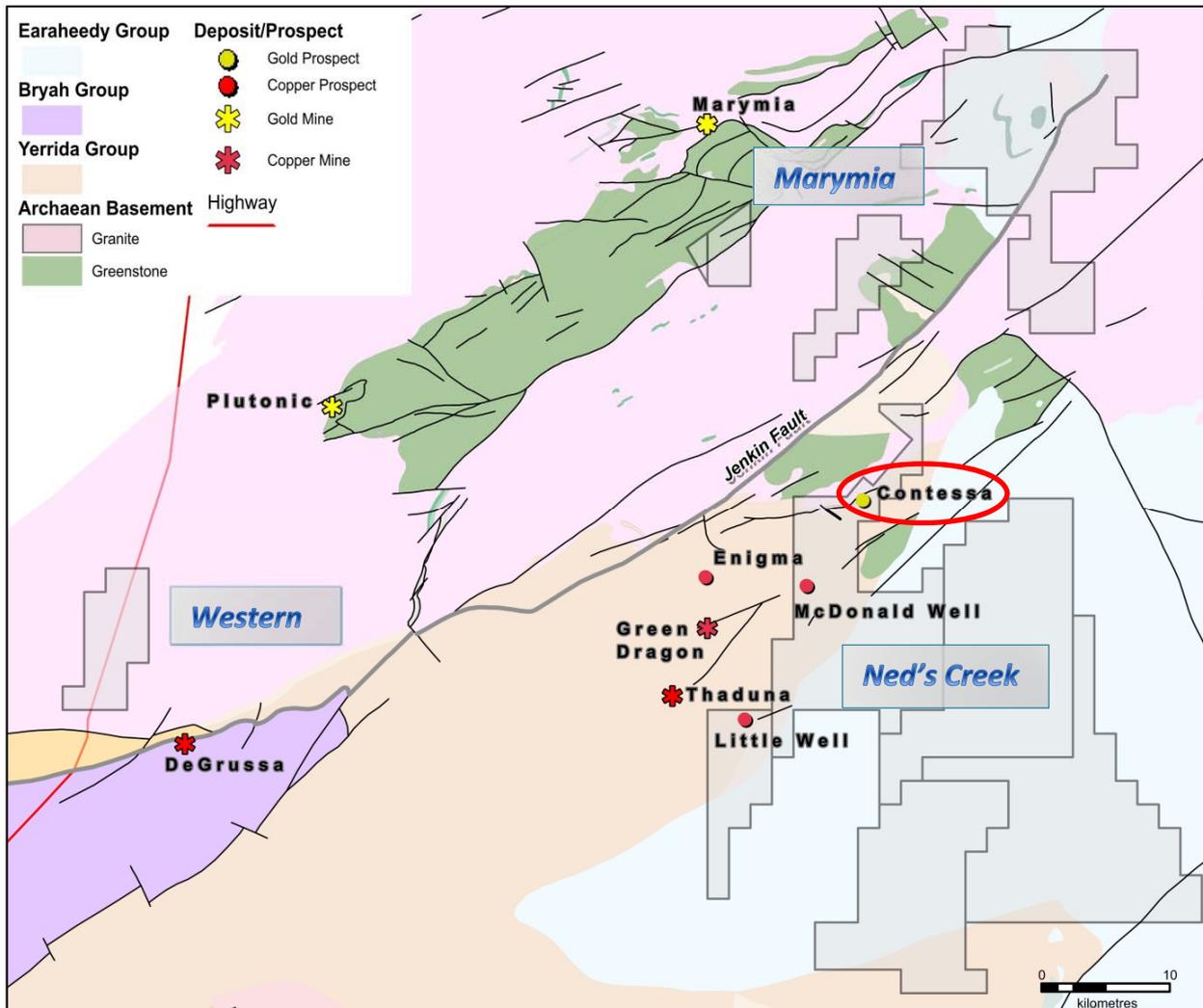


Figure 1 Location Plan - Peak Hill-Doolgunna Project

### Ned’s Creek (E52/2440, E52/2444, E52/2456, E52/2468 & E52/2733)

The Ned’s Creek tenements extend over 830 square kilometres of the Proterozoic Yerrida Basin and cover part of the northern structural contact with Archaean basement. They are located 3 kilometres east of the Thaduna and Green Dragon copper mines, currently being evaluated by Sandfire Resources NL.

The basin contains thick volcano-sedimentary sequences that are bounded by large scale structures, the Jenkin and McDonald Well Faults. This setting is analogous to many of the world’s major Proterozoic sediment-hosted base metal camps, highlighting the potential of this region to host large base metal deposits.



## Peak Hill-Doolgunna Project

### Ned's Creek (continued)

The Archaean granite-greenstone basement to the north of the Basin is part of the Kalgoorlie Terrane, Western Australia's most prolific gold producing region, and there is potential for significant gold mineralisation on Lodestar's tenements.

### Contessa Gold Target

The Contessa Prospect has been identified as a significant gold occurrence within Archaean greenstones of the Kalgoorlie Terrane that are cut by major Archaean structures, including the Ida Fault and the Perseverance Fault. These structures are important controls on gold mineralisation to the south of Lodestar's tenements.

Aircore drilling in 2013 resulted in the Contessa gold discovery, intersecting significant gold mineralisation including:

- LNR532 – 5m at 6.6g/t Au from 55m
- LNR533 – 10m at 5.6g/t Au from 55m
- LNR546 – 15m at 3.1g/t Au from 40m
- LNR656 – 21m at 3.01g/t Au from 40m and
- LNR674 – 3m at 6.26g/t Au from 68m

(See Lodestar's (ASX: LSR) ASX release dated 24 September 2013)

The Contessa area has been traversed by aircore drilling on 80 metres section spacing over a strike length of 740 metres. Drill hole sample data from the top ten metre intervals of the aircore holes revealed a 600 metre by 400 metre 10ppb gold anomaly was associated with the significant drill intersections noted above. Based on this finding, a cost effective programme of shallow drilling and geochemical sampling was conducted along the entire 8 kilometre length of the Contessa Trend, a north east trending litho-structural zone containing a poorly exposed sequence of altered felsic and mafic to ultramafic rocks adjacent to a granite contact, to test for additional anomalies.

The programme was completed on 160 metre line spacing south west of Contessa and 320 metre line spacing north east of Contessa, with holes at 50 metre spacing on section. Average depth of drilling was 11m.

Results confirmed the presence of a large mineral system, defined by anomalous gold and multi-element geochemistry, extending for more than 5 kilometres. Within this system, the Contessa anomaly forms a continuous, 2.1 kilometre long, northeast-trending gold anomaly parallel to the main litho-structural trend (Figure 2 and see Lodestar's ASX release dated 15 August 2014) that contains Contessa and the new Contessa South-west and Contessa North-east anomalies. Additional untested gold targets were identified at Gidgee Flat, where sampling has defined a gold anomaly with a strike length of over 600 metres.

Planning of follow up drilling at Contessa, Contessa North-east and Gidgee Flat is underway.

## Peak Hill-Doolgunna Project

## Ned's Creek (continued)

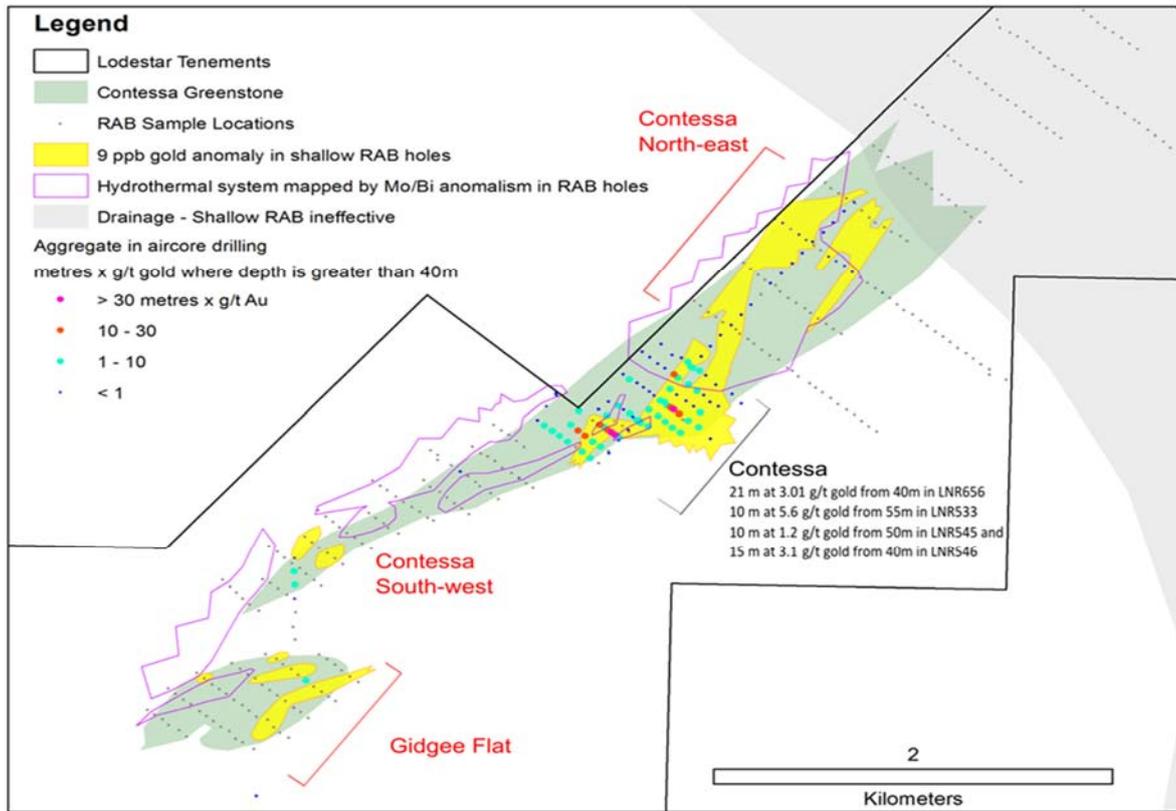


Figure 2 Geochemical sampling programme results

## Ned's Creek Copper Targets

Lodestar engaged consultant Dr Jon Hronsky of Western Mining Services to complete a review of the northern Yilgarn margin. The brief included interpreting the geodynamic setting, investigating the relationships between the Bryah, Yerrida and Earahedy Proterozoic basins, and identifying copper targets within Lodestar's Ned's Creek project.

Interpretation of the regional gravity dataset identified key components of the Bryah and adjacent Yerrida Basins with major outcomes being:

- The Bryah Basin is focussed on the Bryah-Doolgunna Rift, which is significantly more extensive than the current mapped boundaries of the Bryah Basin, and incorporates part of the adjacent Yerrida Basin.
- Outside of the Rift, the Yerrida Basin represents a more distal facies of the rift environment and includes the Thaduna Copper Province (TCP) as a distinct gravity domain on the northern margin of the basin (Figure 3).

The Thaduna Copper Province contains the Thaduna and Green Dragon copper mines (Sandfire-Ventnor JV), the Enigma prospect (Sipa Resources) and numerous smaller copper occurrences, and is characterised by epigenetic, structurally controlled copper mineralisation within sediments. The sedimentary sequence and basin environment within the Thaduna Copper Province is similar to that of major sediment-hosted copper provinces within Australia and elsewhere and the potential of the region is rated highly.



## Peak Hill-Doolgunna Project

### Ned's Creek

#### Ned's Creek Copper Targets (continued)

Twenty kilometres of the southern tectonic margin of the Thaduna Copper Province is located on Lodestar's ground, where it is largely concealed by surficial cover and is untested by drilling. In other provinces, major deep-seated structures, comparable to the southern and eastern tectonic margins of the Thaduna Copper Province, are important elements in the process of ore formation in large sediment-hosted copper deposits. Four key target areas have been identified on Lodestar's tenements (Figure 4).

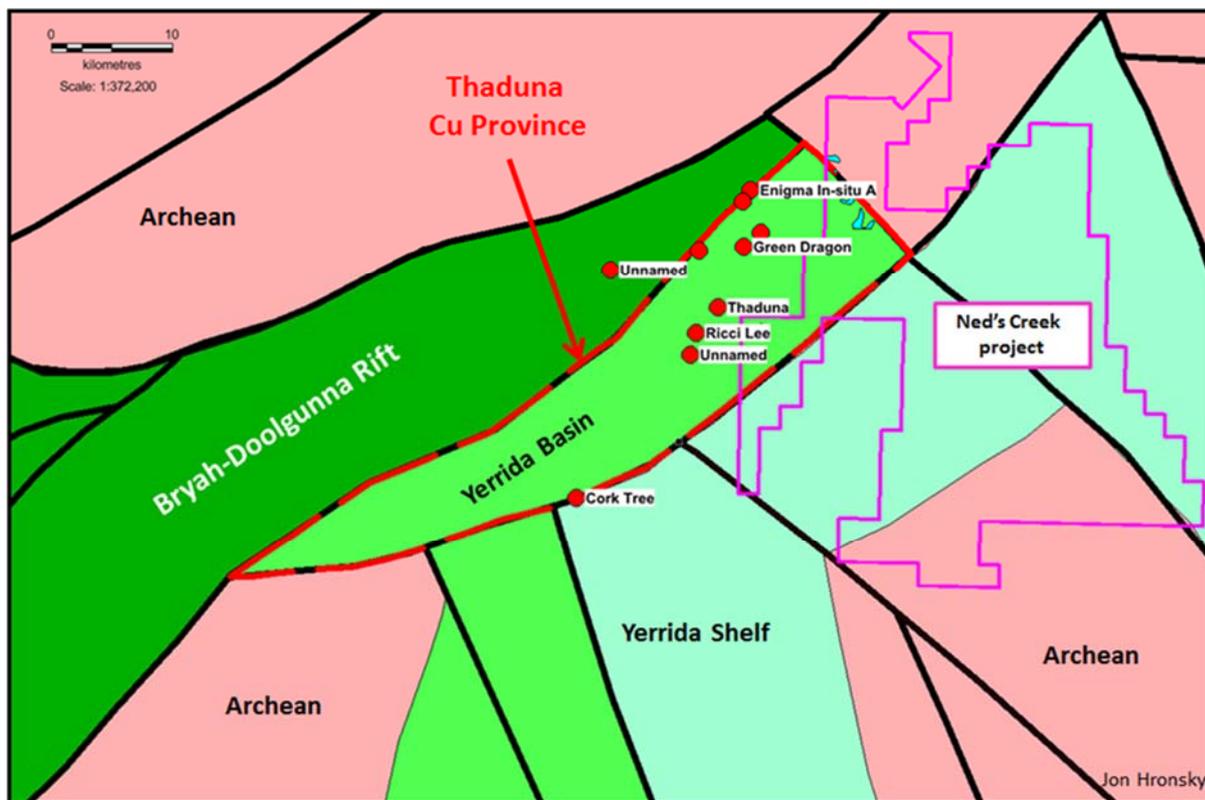


Figure 3 Interpretation showing gravity domains, associated major structures and the Thaduna Copper Province (with copper occurrences shown) on the southern flank of the Bryah-Doolgunna Rift

## Peak Hill-Doolgunna Project

## Ned's Creek

## Ned's Creek Copper Targets (continued)

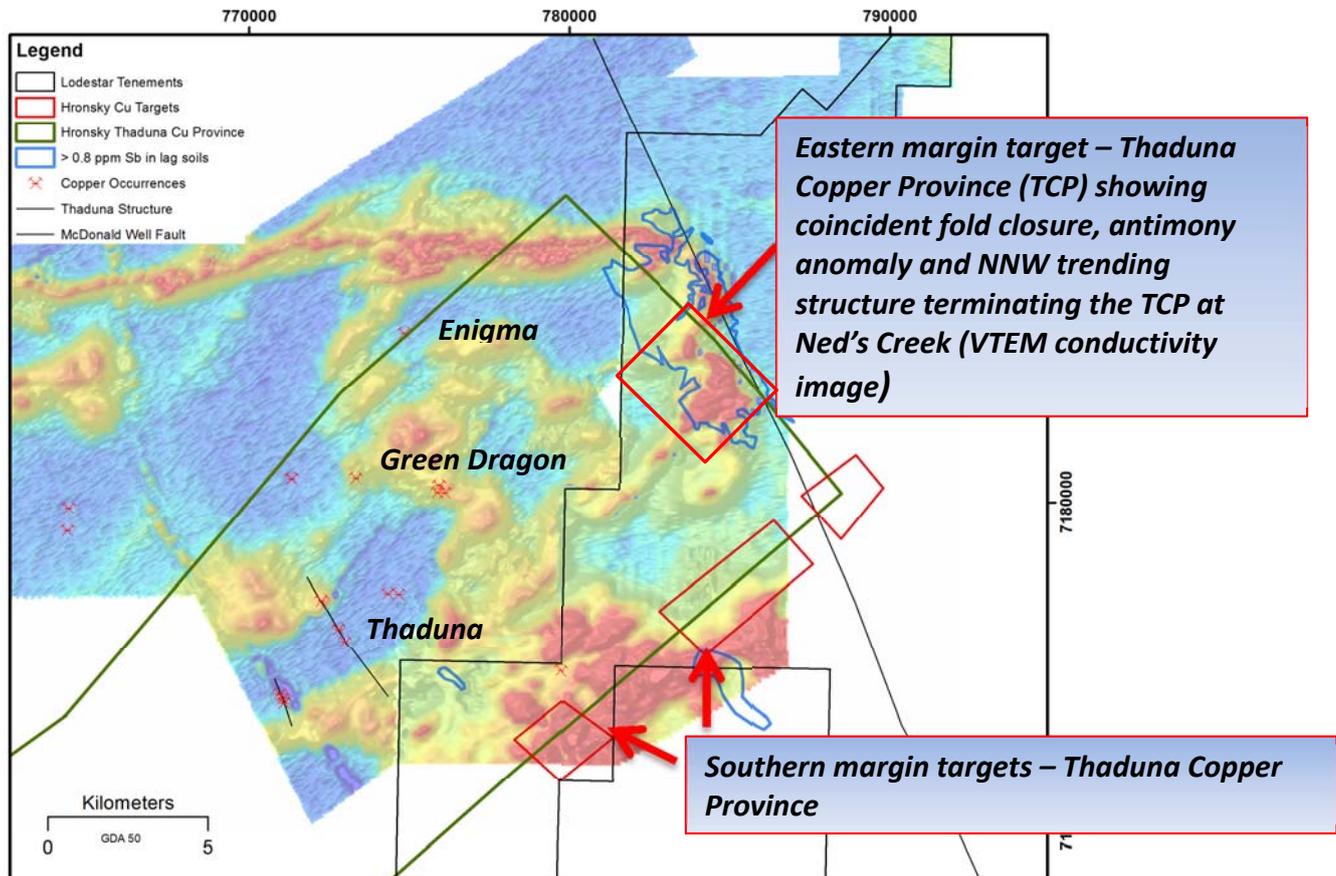


Figure 4 Regional Copper Targets on Tectonic Margins of Thaduna Copper Province

## Imbin

(E69/3254, E69/3255, E69/3261, E69/3263, E69/3265 &amp; E69/3271 – applications)

The Imbin Project is located 260 kilometres northeast of Wiluna. Recent dating of the Frere Iron Formation in this region gave ages similar to those expected for the Bryah Basin, implying that the rocks stratigraphically below the Frere Formation (i.e. the Troy Creek Beds) are Bryah Basin age equivalents.

The Bryah Basin hosts a number of significant copper and gold deposits, including the DeGrussa discovery of Sandfire Resources NL. Equivalent age rocks along the northern margin of the Yilgarn Craton may have similar prospectivity. Historic gold and copper prospects in the Imbin region have added significance when considered in the context of the tectonic setting, gold and copper endowment and metal associations of the Bryah Basin.

Six applications cover approximately 70 kilometres of strike of a belt of deformed sedimentary rocks with intercalated Bryah-age felsic rocks and mafic intrusives (Figure 5). Large gravity anomalies within the belt are interpreted as mafic rocks associated with volcanic activity related to rifting, and the sequence is referred to as the Imbin Rift (Figure 6).



## Imbin (continued)

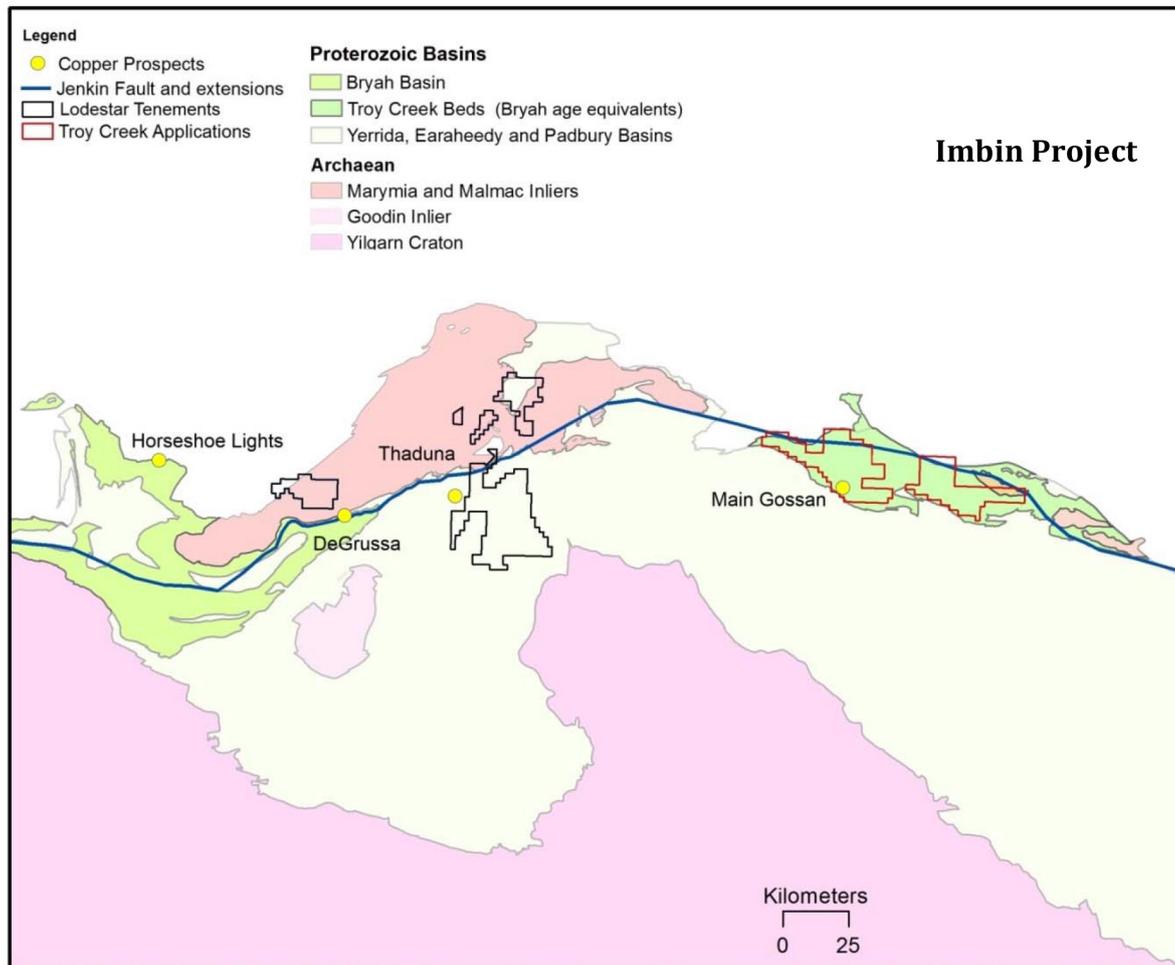


Figure 5 Location Plan and Regional Geology - Imbin tenements

Historic exploration has identified gossanous ironstones developed in pyritic carbonaceous shale, dolomitic siltstone and pyritic chert. The most intensive work has been completed around the Main Gossan (Figure 7) which is anomalous in Au, As, Cu, Ag and Pt. Wide spaced diamond drilling of the gossan intersected disseminated and massive sulphide mineralisation in shales, with anomalous copper and gold. Follow up drilling is of limited extent and has not tested for potential extensions to mineralisation.

The Imbin Rift is considered highly prospective for the discovery of volcanic hosted massive sulphide, sediment-hosted copper and orogenic gold mineralisation. Lodestar has identified high value walk-up base metal targets, and is working towards the expeditious grant of the applications.

Imbin (continued)

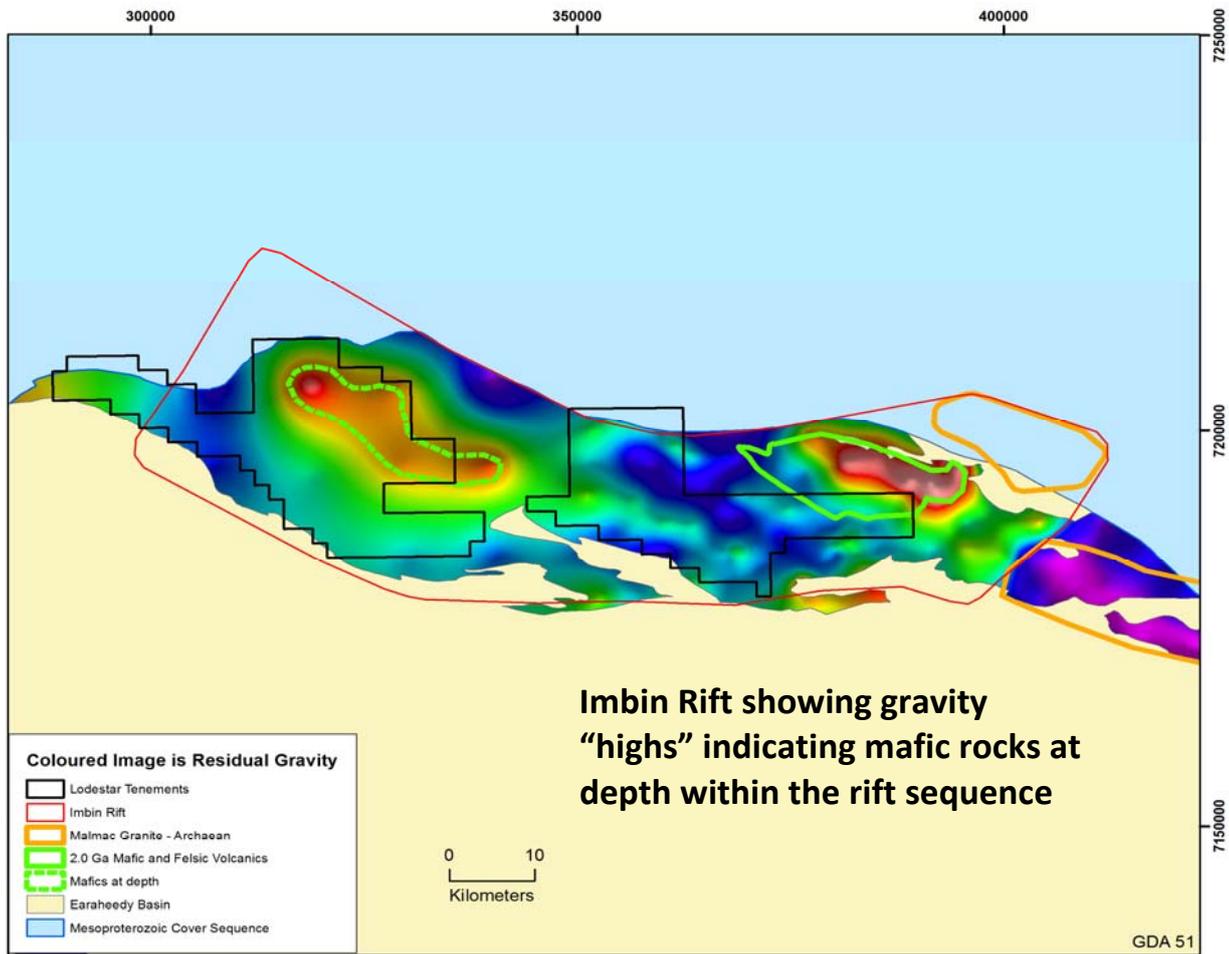


Figure 6 Gravity Image of the Imbin Rift



Imbin (continued)

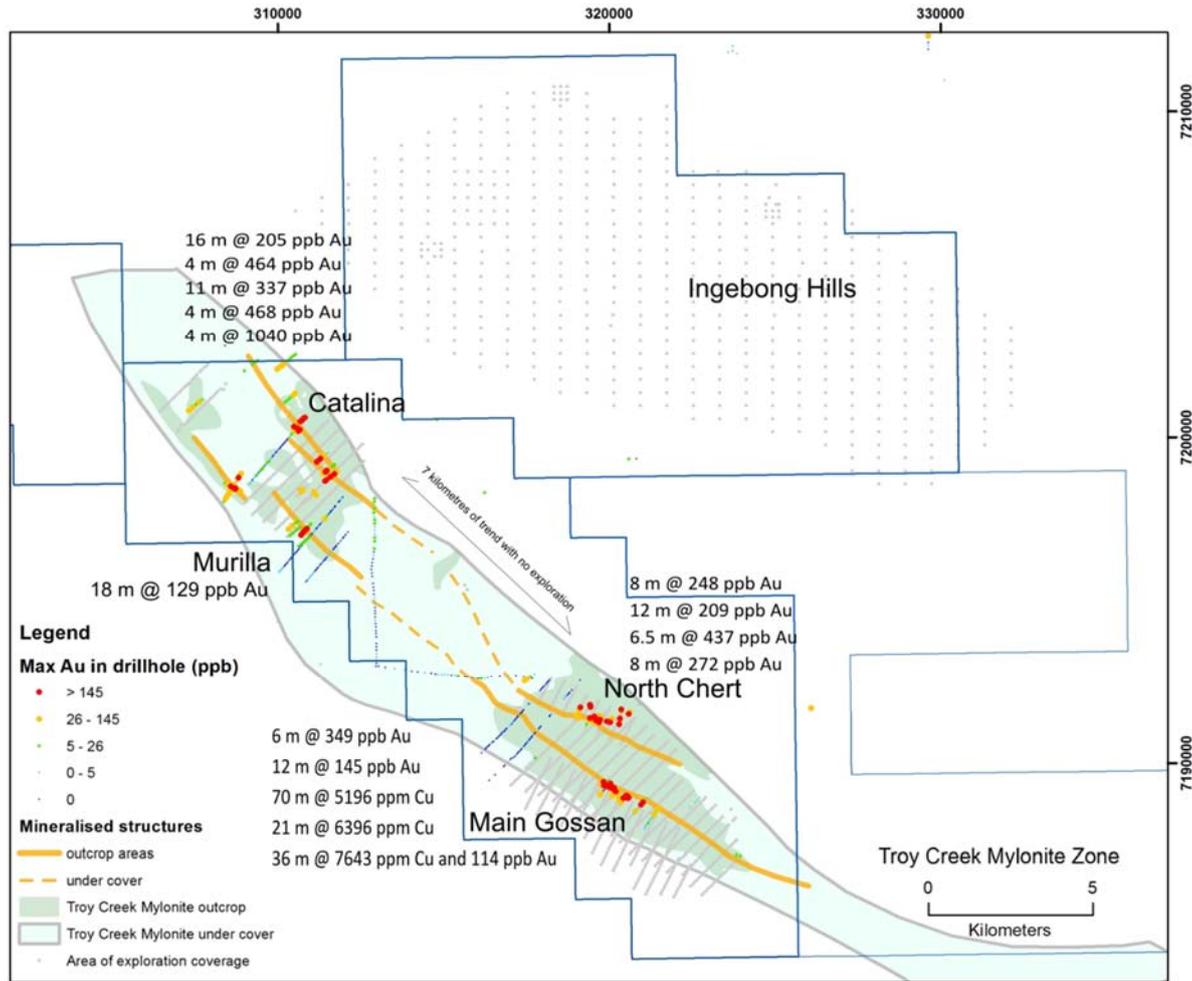


Figure 7 Anomalous intersections in historic regional drilling by previous explorers along the 17 kilometre prospective trend

## Camel Hills (E09/2099, E09/2100 & E52/3064 – applications)

The Camel Hills project is located in the Gascoyne Province, 200 kilometres north west of Meekatharra. The project straddles the boundary between the Archaean Narryer Terrane and the Palaeo-Proterozoic Glenburgh Terrane on the northern margin of the Yilgarn Craton (Figure 8). Granite intrusions on the southern margin of the Glenburgh Terrane (named the Dalgaringa Supersuite) share characteristics with Andean-type intrusions that formed in a continental margin arc setting and have been dated at ~2000 Ma, an age equivalent to that of the Bryah Basin.

Recent research and prospectivity mapping by the GSWA<sup>(1)</sup> has revealed significant potential for intrusion-related and orogenic gold along the southern margin of the Glenburgh Terrane in the area of the Errabiddy Shear Zone. The Glenburgh gold project (1Moz Au) is hosted by high grade rocks within the Dalgaringa Supersuite, 60 kilometres north west of Camel Hills.

<sup>(1)</sup> Aitken, ARA, Joly, A, Dentith, MC, Johnson SP, Thorne, AM and Tyler, IM 2014, 3D architecture, structural evolution and mineral prospectivity of the Gascoyne Province: Geological Survey of Western Australia, Report 123, 94p.

Camel Hills (continued)

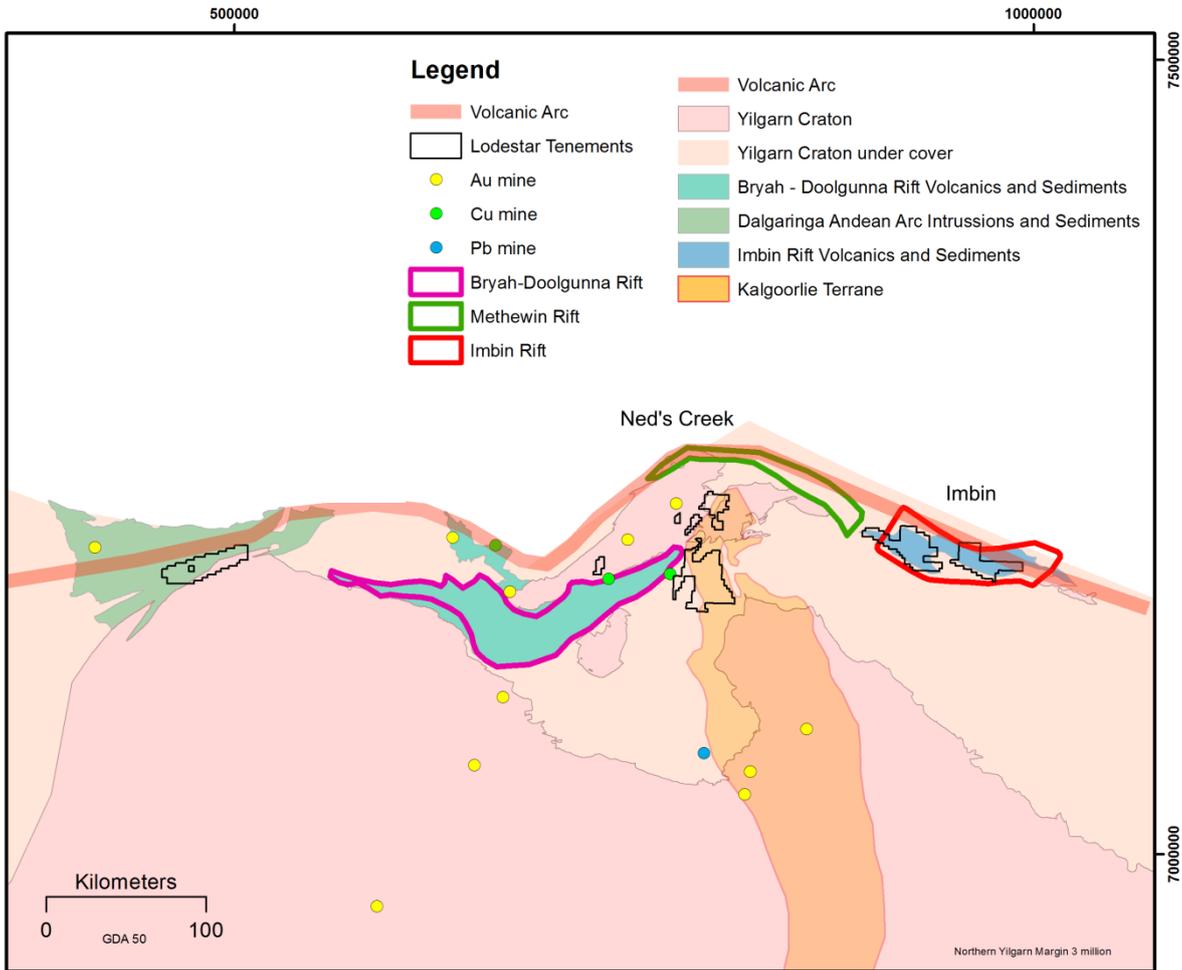


Figure 8 Location Plan - Camel Hills Project

The Camel Hills tenements cover 50 kilometres of the east-north east trending Errabiddy Shear Zone, a major structure that marks the boundary between the Narryer and Glenburgh Terranes.

Historic exploration at Camel Hills defined an 18 kilometre gold anomaly associated with the Shear Zone. Follow-up stream sampling confirmed the anomaly (Figure 9) and visible gold was reported in a number of panned samples.

Minor drilling has been completed by previous explorers; five drill traverses targeted a narrow zone within the anomaly over a distance of 1200m. The drilling intersected wide intervals of low-level anomalous gold (maximum value 369ppb Au) but didn't explain the strong surface gold anomalism and is an inadequate test of a target of this size.

Lodestar will initially complete geological mapping of the area to determine the style and significance of the mineralisation.



## Camel Hills (continued)

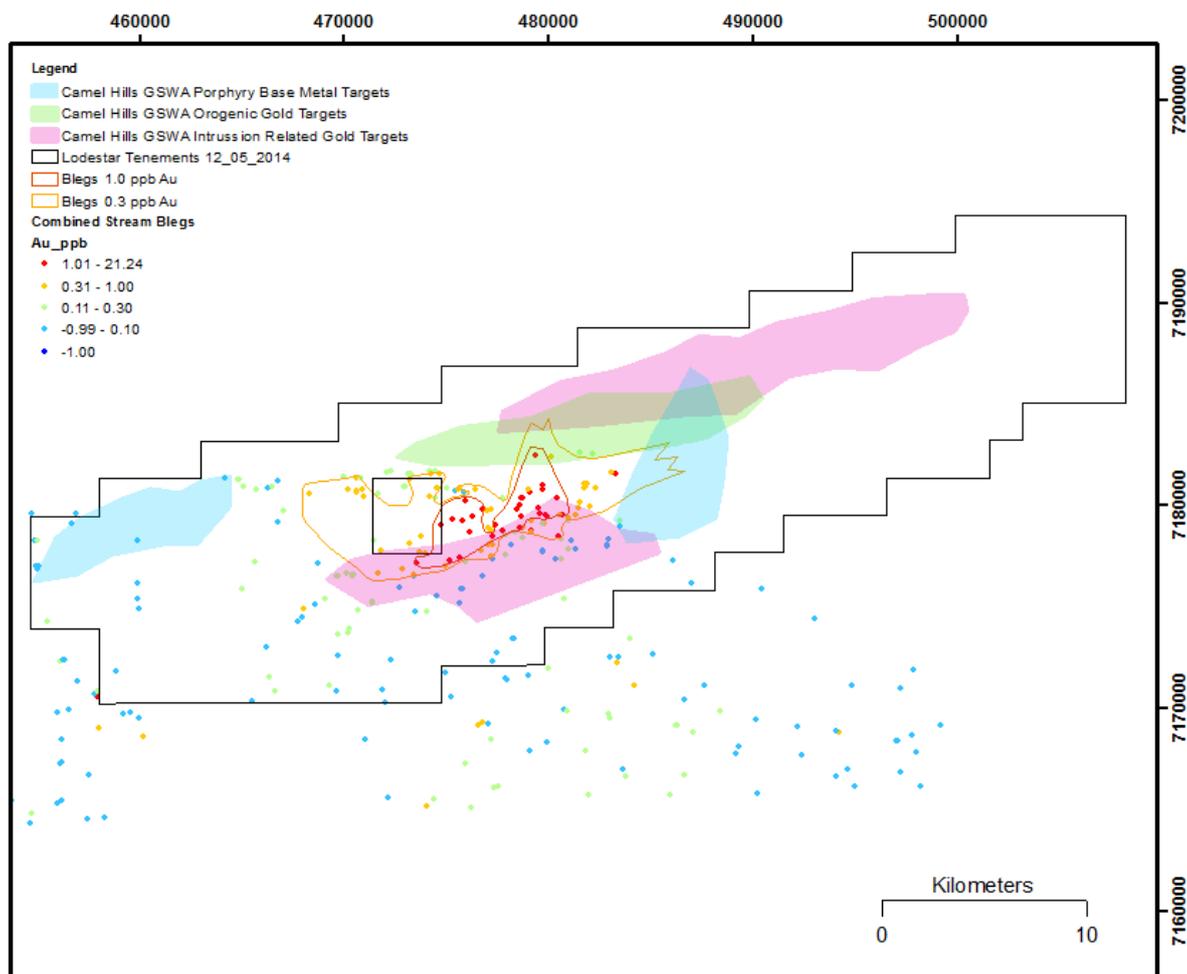


Figure 9 Camel Hills Gold Anomaly

### 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 Code 2012 in the ASX announcement dated 24 September 2013 "30 June 2013 Financial Year Exploration Summary" and in the ASX announcement dated 15 July 2014 "Contessa Gold Results & Neds Creek Copper Targets". The 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.

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 2014 and the auditor's report thereon.

## 1. DIRECTORS

The directors of the Group at any time during or since the end of the financial year were:

Name	Period of Directorship
<b>Executive</b>	
William Clayton	Director since 2 November 2007
David McArthur	Director since 13 August 2007
<b>Non-executive</b>	
Ross Taylor	Director since 30 June 2014
Tim Clifton	Director from 1 May 2012 to 30 June 2014

### **Ross Taylor**

*Non-Executive Chairman*

#### ***Experience and expertise***

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.

Mr Taylor was appointed Chairman on 30 June 2014.

#### ***Other current directorships***

None

#### ***Former directorships in the past three years***

None

#### ***Special responsibilities***

Member of the Audit and Risk Management Committee  
Chair of the Remuneration and Nomination Committee



## **William Clayton**

*Managing Director*

### ***Experience and expertise***

Mr Clayton has more than 20 years' experience in exploration evaluation of Archaean nickel sulphide deposits in Western Australia. Following project geologist roles supervising drilling programs on the Mount Keith and Goliath-Yackabindie nickel sulphide deposits he joined Outkumpu Australia in 1992 as exploration geologist and carried out regional mapping and drilling campaigns throughout the Forrestania greenstone belt, later moving to the role of underground mine geologist.

In 1996 he joined Forrestania Gold and shortly after participated in the discovery of the Emily Ann deposit. This led to key supervisory roles with LionOre in the evaluation of the Maggie Hays, Emily Ann and Waterloo-Amorac deposits. He 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.

### ***Other current directorships***

None

### ***Former directorships in the past three years***

None

### ***Special responsibilities***

None

## **David McArthur**

*Executive Director and Company Secretary*

### ***Experience and expertise***

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 32 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 29 years.

Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

### ***Other current directorships***

Non-executive Director	Xstate Resources Limited	September 2013 to current
------------------------	--------------------------	---------------------------

### ***Former directorships in the past three years***

Executive Director	Bullabulling Gold Limited	15 September 2011 to 2 July 2013
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### ***Special responsibilities***

Chair of the Audit and Risk Management Committee  
Member of the Remuneration and Nomination Committee

All directors held their positions as a director throughout the entire financial year unless otherwise stated.

## 2. COMPANY SECRETARY

David McArthur is a chartered accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has over 29 years' experience in the corporate management of publicly listed companies.

## 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 2014, and the numbers 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	-	-	-	-
William Clayton	6	6	-	-
David McArthur	6	6	2	2
Tim Clifton	6	6	2	2

## 4. PRINCIPAL ACTIVITIES

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

There was no significant change in the nature of the activity of the Group during the year.

## 5. OPERATING AND FINANCIAL REVIEW

### Overview

Lodestar Minerals Limited is listed on the Australian Securities Exchange (ASX: LSR) and has approximately 222.2 million shares on issue. The Group's primary asset is the Peak Hill-Doolgunna Project located near Meekatharra in Western Australia.

The Peak Hill-Doolgunna Project forms the core of Lodestar's project portfolio and represents a strategic landholding of 1,169 square kilometres covering 120 kilometres of the Jenkin Thrust Belt, a regional fault system that is adjacent to the DeGrussa Cu-Au deposit. Lodestar believes the region has potential to host a number of styles of gold and base metal deposit and is conducting an aggressive exploration program to assess the potential of the under-explored north Murchison base metal province.



## 5. OPERATING AND FINANCIAL REVIEW (continued)

The Group's strategy over the next twelve months will be to maintain exploration of the Company's tenements and to continually review the tenement portfolio to match expenditure commitments and exploration budgets.

Other than exploration and development activities as detailed in the Review of Operations, there have been no other significant operations by the Group during the year ended 30 June 2014.

### Financial results

The loss for the financial year ended 30 June 2014 attributable to members of Lodestar Minerals Limited after income tax was \$1,693,984 (2013: restated loss of \$3,663,148).

\$710,229 of the loss is attributable to a board resolution to change the exploration and development accounting policy such that exploration is expensed through profit and loss. Comparative figures have been amended to reflect the change in accounting policy (see note 6 of the notes to the consolidated financial statements).

During the financial years 2010 to 2014, there were no dividends paid or other returns of capital made by the Company to its shareholders.

Net loss amounts for 2010 to 2014 have been calculated in accordance with Australian Accounting Standards (AASBs).

### Review of Financial Condition

During the year the net assets of the Group reduced by \$1,620,466 from \$2,812,017 (restated) at 30 June 2013 to \$1,191,551 at 30 June 2014.

The financial position of the Group is subject to additional funds being sourced by way of capital raising or third party joint venture contributions to continue to carry on its exploration activities. The timing of raising additional capital or the joint venture of exploration activities will depend on investment markets, exploration results, current and future planned exploration and development activities. The Board considers that the quality of its projects in the Peak Hill-Doolgunna region will enable the Group to raise further capital to fund its exploration and development activities.

### 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 operations report.

## 6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2014.

## 7. SUBSEQUENT EVENTS

Other than the matters disclosed in note 28 of the notes to the consolidated financial statements, there have been no matters or circumstance 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.

## 8. LIKELY DEVELOPMENTS

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

## 9. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration activities and 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. DIRECTORS' INTERESTS

The relevant interest of each director in shares and options issued by the Group, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over ordinary shares
Ross Taylor	29,100,000	-
William Clayton	2,165,000	2,500,000
David McArthur	9,000,002	-

## 11. SHARE OPTIONS

### Options granted to directors of the Group

The Group has not granted options over unissued ordinary shares in the Company during or since the end of the financial year to directors.

### 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
29-Nov-16	15	1,000,000
29-Nov 16	20	750,000
29-Nov 16	30	750,000
08-May 17	15	1,000,000
08-May 17	20	750,000
08-May 17	30	500,000
16-Dec 17	5	5,000,000
		9,750,000

All unissued shares are ordinary shares of the Company.

All options expire on the earlier of their expiry date or termination of the individual's employment in accordance with the Group's employee share option plan rules.



## 11. SHARE OPTIONS (continued)

### Unissued shares under options (continued)

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 or since the end of the financial year, no shares were issued as a result of the exercise of options.

## 12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of \$15,540 (2013: \$10,658) 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.

The Group has agreed to indemnify each of the directors, the company secretary of the Company and the current directors and company secretary of its controlled entity, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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.

## 13. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

**13. NON-AUDIT SERVICES (continued)**

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

	2014 \$	2013 \$
<b>Taxation Services</b>		
<i>KPMG Australia</i>		
Taxation compliance services	12,500	11,000
<b>Total remuneration from non-audit services</b>	<b>12,500</b>	<b>11,000</b>



**14. REMUNERATION REPORT - AUDITED**

**(a) Principles of Compensation**

Remuneration is referred to as compensation in parts of this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Group.

The Group has a Remuneration Policy that aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the Board and administered by management at its discretion.

The policy relates individual remuneration to individual performance, the individual's position in the relevant salary market and the need for the organisation to retain and motivate the individual. No remuneration is directly linked with the overall financial performance of the Group.

To give effect to this policy the Group reviews available information that measures the remuneration levels in the various labour markets in which it competes.

The expectation of the Group is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Other than options, the directors do not receive performance related compensation, short or long term incentives, nor any other benefits.

**Fixed compensation**

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the remuneration and nominations committee through a process that considers individual performance and industry remuneration levels. In addition, available independent information is reviewed to ensure the director's compensation is competitive in the market place.

**Short-term incentive**

Directors may receive short-term incentives for the successful implementation of board approved projects. No such incentives have been paid.

**Long-term incentive**

Subject to shareholder approval, directors may receive options at various times for their ongoing commitment and contribution to the Group.

**Consequences of performance on shareholder wealth**

The overall level of key management personnel compensation takes into account the performance of the Company over a number of years.

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

Shareholder returns	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
Net loss attributable to equity holders (\$)	(1,693,984)	(3,663,148)	(7,028,628)	(1,785,258)	(1,611,517)
Basic EPS (cents)	(0.76)	(2.11)	(6.67)	(2.18)	(2.93)
Change in share price (cents)	-	(2.0)	(2.1)	(3.0)	4.3

## 14. REMUNERATION REPORT – AUDITED (continued)

### (a) Principles of Compensation (continued)

#### ***Consequences of performance on shareholder wealth (continued)***

\$710,229 of the 2014 loss reported above, is attributable to a board resolution to change the exploration and evaluation expenditure accounting policy such that current and future exploration is expensed through profit and loss.

As the Group is still in the exploration phase of its operations, and as such does not generate revenue, the financial performance set out in the table above is not considered by the board as a good indicator for determining appropriate levels of remuneration.

#### ***Service contracts***

Under a service contract approved by the remuneration and nominations committee of the Board on 15 June 2012 and effective from 1 July 2012, Mr Bill Clayton received executive remuneration of \$250,000 p.a. plus superannuation. Effective from 1 August 2013, Mr Clayton's executive remuneration was reduced to a total package of \$230,000 p.a. inclusive of superannuation. In view of the need to preserve cash and in light of the current financial climate and market conditions, Mr Clayton's executive remuneration was further reduced to a total package of \$130,000 p.a. inclusive of superannuation, effective from 1 December 2013.

Under a service contract approved on 5 January 2012 and effective from 1 January 2012, Mr David McArthur receives \$50,000 p.a. plus superannuation for his role as Company Secretary.

Effective 1 June 2013 Mr McArthur's total remuneration was reduced from \$95,000 p.a. plus superannuation (comprising \$50,000 plus superannuation as Company Secretary and \$45,000 plus superannuation directors' fees) to \$81,500 p.a. plus superannuation. This was further reduced to \$60,000 p.a. plus superannuation, effective 1 December 2013. This comprises payment of \$20,000 p.a. plus superannuation for directors' fees (previously \$31,500 plus superannuation) and \$40,000 plus superannuation for management fees for his role as Company Secretary (previously \$50,000 plus superannuation).

Messrs Clayton and McArthur's service contracts are open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration. Messrs Clayton and McArthur must give the company 3 months' notice of termination. Messrs Clayton and McArthur have received written advice of the termination of their contracts effective 1 August 2013 and they will work through the termination period of 12 months from this date. It was agreed that when the termination period had 3 months to run, an assessment would be made as to whether or not a new contract should be entered into with a 6 month termination benefit. This assessment had not been made at the date of this report.

#### ***Executive and non-executive directors***

The compensation for all non-executive directors, as approved by shareholders, is not to exceed \$250,000 per annum in total, and is set based on a comparison of fees paid to other directors of comparable companies.

Effective 1 June 2013 the remuneration of the non-executive Chair of the Board was reduced from \$55,000 p.a. plus superannuation to \$38,500 p.a. plus superannuation. Also effective 1 June 2013, non-executive director's fees were reduced from \$45,000 p.a. plus superannuation to \$31,500 p.a. plus superannuation. In view of the need to preserve cash and in light of the current financial climate and market conditions, non-executive Chair and non-executive director's fees were further reduced to \$20,000 plus superannuation.

Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and include statutory superannuation. No fees are paid for committee membership.

Director's fees for Mr Clayton and Mr McArthur are included as part of their service contracts.

#### 14. REMUNERATION REPORT – AUDITED (continued)

##### (b) Directors' and senior executives' remuneration

Details of the nature and amount of each element of the compensation of each of the directors and key management personnel of the Company and the Group are shown below:

Name	Short-term employee benefits			Post-employment benefits	Other long term	Share based payments		Options as % of remuneration %
	Salary and Fees \$	Non-monetary Benefits (A) \$	Total \$			Options (C) \$	Total \$	
<b>Non-executive directors</b>								
Ross Taylor <sup>(1)</sup>	2014	-	-	-			-	-
	2013	-	-	-			-	-
<b>Executive directors</b>								
William Clayton	2014	160,422	5,180	14,839	(26,036)	12,095	166,500	7.26
	2013	250,000	2,664	22,500	13,462	25,576	314,202	8.14
David McArthur	2014	69,883	5,180	5,454	1,182	-	81,699	-
	2013	93,875	2,665	8,449	2,394	-	107,383	-
Sub-total executive directors' remuneration (D)	2014	230,305	10,360	20,293	(24,854)	12,095	248,199	4.87
	2013	343,875	5,329	30,949	15,856	25,576	421,585	6.07
Total current directors' remuneration	2014	230,305	10,360	20,293	(24,854)	12,095	248,199	4.87
	2013	343,875	5,329	30,949	15,856	25,576	421,585	6.07

<sup>(1)</sup> Appointed 30 June 2014

14. REMUNERATION REPORT – AUDITED (continued)

(b) Directors' and senior executives' remuneration (continued)

Name	Short-term employee benefits		Post-employment benefits	Other long term	Share based payments		Options as % of remuneration %	
	Salary and Fees \$	Non-monetary Benefits (A) \$			Total \$	Super-annuation \$		Options (C) \$
<b>Former directors</b> Tim Clifton <sup>(2)</sup>	2014	27,708	5,180	32,888	2,563	-	35,451	-
	2013	53,625	2,665	56,290	4,826	-	61,116	-
Mark Pitt <sup>(3)</sup>	2014	-	-	-	-	-	-	-
	2013	43,875	2,664	46,539	3,949	-	50,488	-
Sub-total former directors' remuneration (D)	2014	27,708	5,180	32,888	2,563	-	35,451	-
	2013	97,500	5,329	102,829	8,775	-	111,604	-
Total directors' remuneration	2014	258,013	15,540	273,553	22,856	(24,854)	283,650	4.26
	2013	441,375	10,658	452,033	39,724	15,856	533,189	4.80

<sup>(2)</sup> Resigned 30 June 2014

<sup>(3)</sup> Resigned 1 July 2013



**14. REMUNERATION REPORT – AUDITED (continued)**

**(b) Directors' and senior executives' remuneration (continued)**

**Notes in relation to the table of directors' and senior executives' remuneration**

- (A) D&O Insurance costs
- (B) Includes annual leave and long service leave. As disclosed in Note 30, the Group changed its accounting policy in respect of employee benefits with the adoption of AASB 119 Employee Benefits. One of the impacts of this change is that annual leave has changed from a short-term employee benefit to an other long-term employee benefit. Consistent with that change, annual leave is now classified as other long term in the remuneration table in both current and prior periods. The credit movement in other long term benefits reflects the reduction in other directors' fees as disclosed in Principles of Compensation under service contracts.
- (C) The fair value of options granted was determined using the Black-Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period
- (D) The Group does not employ any executive officers other than the directors.

**(c) Equity instruments**

**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**

No options expired during the reporting period. (30 June 2013: 4,500,000).

**Analysis of movements in options**

The movement during the reporting period, by value, of options over ordinary shares in the Company, held by each key management person is detailed below:

	Granted or "Vested" \$ (A)	Value of options exercised in year \$	Lapsed in year \$
<b>Executive directors</b>			
William Clayton	12,095	-	-

- (A) The value of options granted in the year is the fair value of the options calculated at the grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period which will be from 26 November 2008 to the vesting date of 29 November 2016.

14. REMUNERATION REPORT – AUDITED (continued)

(c) Equity instruments (continued)

All options refer to options over ordinary shares of Lodestar Minerals Limited, which are exercisable on a one-for-one basis.

**Options and rights over equity instruments granted as compensation**

There were no options over ordinary shares in the Company that were granted as compensation during the reporting period.

Details of vesting profiles of the options previously granted as remuneration to each key management person of the Group are as follows:

Tranche	Number of options granted during 2014	Grant Date	Fair value per option at grant date Cents (per option)	% vested in year (A)	% lapsed in year (B)	Financial years in which grant vests	Exercise price per option cents	Expiry date	Number of options vested during 2014
<b>Executive directors</b>									
William Clayton	1,000,000	29-Nov-11	7.21	-	-	01-Jul-12	15	29-Nov-16	-
	750,000	29-Nov-11	6.83	100%	-	01-Jul-13	20	29-Nov-16	750,000
	750,000	29-Nov-11	6.25	-	-	01-Jul-14	30	29-Nov-16	-

(A) The amount vested in the year represents the expense recognised in accordance with the accounting standards;

(B) The percentage lapsed in the year represents the reduction from the maximum number of options available to vest due to the expiration of the options.

14. REMUNERATION REPORT – AUDITED (continued)

(d) Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Lodestar Minerals Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2013	Granted as com- pensation	Exercised	* Other changes	Held at 30 June 2014	Vested during the year	Vested and Exercisable At 30 June 2014
<b>Directors</b>							
William Clayton	2,500,000	-	-	-	2,500,000	750,000	1,750,000
David McArthur	-	-	-	-	-	-	-
Ross Taylor <sup>(1)</sup>	-	-	-	-	-	-	-
	Held at 1 July 2012	Granted as com- pensation	Exercised	* Other changes	Held at 30 June 2013	Vested during the year	Vested and Exercisable At 30 June 2013
<b>Directors</b>							
William Clayton	2,500,000	-	-	-	2,500,000	1,000,000	1,000,000
David McArthur	1,500,000	-	-	(1,500,000)	-	-	-
Tim Clifton <sup>(2)</sup>	-	-	-	-	-	-	-

\* Other changes represent options that were cancelled and replaced or lapsed unexercised.

<sup>(1)</sup> Ross Taylor appointed on 30 June 2014

<sup>(2)</sup> Tim Clifton resigned on 30 June 2014

**14. REMUNERATION REPORT – AUDITED (continued)**
**(e) Movements in shares**

The movement during the reporting period in the number of ordinary shares in Lodestar Minerals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2013	Purchases	* Other changes	Received on exercise of options	Sales	Held at 30 June 2014
<b>Directors</b>						
Ross Taylor <sup>(1)</sup>	-	-	29,100,000	-	-	29,100,000
William Clayton	915,000	1,250,000	-	-	-	2,165,000
David McArthur	6,000,001	3,000,001	-	-	-	9,000,002
Tim Clifton <sup>(2)</sup>	5,940,131	2,652,000	(8,592,131)	-	-	-
Mark Pitt <sup>(3)</sup>	1,641,866	-	(1,641,866)	-	-	-
	<b>Held at 1 July 2012</b>	<b>Purchases</b>	<b>* Other changes</b>	<b>Received on exercise of options</b>	<b>Sales</b>	<b>Held at 30 June 2013</b>
<b>Directors</b>						
William Clayton	610,000	305,000	-	-	-	915,000
David McArthur	3,625,001	2,375,000	-	-	-	6,000,001
Tim Clifton	4,627,631	1,312,500	-	-	-	5,940,131
Mark Pitt <sup>(3)</sup>	344,578	1,297,288	-	-	-	1,641,866

\* Other changes represent shares held on date of appointment or resignation.

<sup>(1)</sup> Ross Taylor was appointed 30 June 2014

<sup>(2)</sup> Tim Clifton resigned 30 June 2014

<sup>(3)</sup> Mark Pitt resigned on 1 July 2013

No shares were granted to key management personnel during the reporting period as compensation in 2013 or 2014.

**This is the end of the Remuneration Report – Audited.**



### **15. LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2014.

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

A handwritten signature in blue ink, appearing to read 'W. Clayton'.

**WILLIAM CLAYTON**

Director

Dated at Perth, Western Australia this 19<sup>th</sup> day of September 2014.



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG.*

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

19 September 2014



## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lodestar Minerals Limited (the Board) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Lodestar Minerals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australia Securities Exchange (ASX) Corporate Governance Council June 2010 amendments to the *August 2007 "Corporate Governance Principles and Recommendations (Second Edition)"* ("the Recommendations"), unless otherwise stated.

As required under ASX Listing Rule 4.10.3, the Group makes the following disclosures in relation to each of the Recommendations.

### 1. BOARD OF DIRECTORS

#### (a) Role of the Board

The primary role of the Board is to oversee and approve the Group's strategic direction, to oversee the Group's management and business activities and to report to shareholders. The roles and responsibilities of the Board are formalised in written policies. All documents can be accessed on the Company's website at [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au) under the Corporate Governance section.

The Board evaluates these policies on an ongoing basis.

In addition to matters required by law to be approved by the Board, the responsibilities include, but are not limited to:

- the establishment of the long term goals of the Group and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Group;
- the review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

Responsibility for management of Lodestar's day to day business activities is delegated to the Managing Director who is accountable to the Board.

## 1. BOARD OF DIRECTORS (continued)

### (b) Board composition and expertise

The names of the directors of the Company in office at the date of this statement are set out in the directors' report. The directors' report also contains details of each director's skill, 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 Company's business with excellence.

The Board currently comprises three directors - one non-executive Chairman and two executive directors.

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) which the Board is looking to achieve in its membership. The Board is primarily responsible for identifying potential new directors but 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 who must stand for election at the next annual general meeting of shareholders.

### (c) Retirement and re-election of directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board since the last Annual General Meeting are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

### (d) Independence of directors

The Board has reviewed the position and association of each of the three directors in office at the date of this report and considers that none of the directors can be deemed independent. 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 with the Company, nor any material pecuniary interest with the Company, he is not considered independent due to his significant shareholding in the Company. Other than his shareholding, Mr Taylor does satisfy the definition of independent.

### (e) Director education

The non-executive director is given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and is given access to continuing education opportunities to update and enhance his skills and knowledge.

### (f) Independent professional advice

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

## 1. BOARD OF DIRECTORS (continued)

### (g) Board Performance Review

There is no formal appraisal system in place for Board performance on a director by director basis. 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 Company has not conducted a performance evaluation of the members of the Board during the reporting period. However, the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

### (h) Conflict of Interest

Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

### (i) Directors' remuneration

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

## 2. BOARD COMMITTEES

### (a) Board committees and membership

The Board currently has two standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

To facilitate the execution of its responsibilities, the Board's Committees provide a forum for a more detailed analysis of key issues. Each Committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisors and employees. Current membership of the committees' of the Lodestar Minerals Board, are set out below:

### (b) Audit and Risk Management Committee

The audit and risk management committee consists of one non-executive director and one executive director. The role of the audit and risk management committee is documented in a Charter which is approved by the Board of Directors. The Chairman may not be the Chairman of the Board. The role of the committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the audit and risk management committee for the Company at the date of this report were:

- Mr Ross Taylor – non-executive Chairman
- Mr David McArthur – executive director and company secretary (Committee Chair)

## 2. BOARD COMMITTEES (continued)

### (b) Audit and Risk Management Committee (continued)

The external auditors and the managing director are invited to audit and risk management committee meetings at the discretion of the committee. The committee met twice during the year and committee members' attendance record is disclosed in the table of directors' meetings.

The responsibilities of the audit and risk management committee are:

- to review the financial report and other financial information distributed externally;
- to monitor corporate risk assessment processes;
- to review any new accounting policies ensuring compliance with Australian Accounting Standards and generally accepted accounting principles;
- to review audit reports ensuring that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- to review the nomination and performance of the auditor;
- to liaise with the external auditors ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- to monitor the establishment of an appropriate internal control framework and consider enhancements;
- to monitor the establishment of appropriate ethical standards;
- to monitor the procedures in place ensuring compliance with the Corporations Act 2001, the Australian Securities Exchange Listing Rules and all other regulatory requirements;
- to address any matters outstanding with auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Securities Exchange and other financial institutions; and
- to improve the quality of the accounting function.

The audit and risk management committee reviews the performance of the external auditors on an annual basis and meets with them during the year.

### (c) Remuneration and Nomination Committee

The remuneration and nomination committee consists of one non-executive director and one executive director.

- Mr Ross Taylor – non-executive Chairman (Committee Chair);
- Mr David McArthur – executive director and company secretary;

Details of directors' attendance at remuneration and nomination committee meetings are set out in the directors' report.



## **2. BOARD COMMITTEES (continued)**

### **(c) Remuneration and Nomination Committee (continued)**

The remuneration and nomination committee operates in accordance with its Charter. The main responsibilities of the committee are:

- to review the size and composition of the Board;
- to review and advise the Board on the range of skills available on the Board and appropriate balance of skills for future Board membership;
- to review and consider succession planning for the managing director, the chairman and other directors;
- to develop criteria and procedures for the identification of candidates for appointment as directors and make recommendations to the Board;
- to make recommendations to the Board regarding any directors who should not continue in office;
- to nominate for approval by the Board external experts;
- to determine remuneration policies and remuneration of directors;
- to determine the Company recruitment, retention and termination policies and procedures for senior management;
- to determine and review incentive schemes;
- to determine and review superannuation arrangements of the Company; and
- to determine and review professional indemnity and liability insurance for directors.

Further details of remuneration arrangements in place for the directors and executives are set out in the Directors' Report.

## **3. MANAGING BUSINESS RISK**

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes 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 Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

### 3. MANAGING BUSINESS RISK (continued)

#### (a) Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- 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.

#### (b) CEO and CFO assurance on corporate reporting

The Board receives monthly management reports detailing the financial condition and operational results of the consolidated group. The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) annually provide a formal statement, in accordance with section 295A of the Corporations Act, to the Board that in all material respects and to the best of their knowledge and belief:

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

#### (c) Environmental regulation

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2014.

### 4. ETHICAL STANDARDS

All directors and executives are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

#### (a) Code of Conduct

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Chairman as soon as practicable.

The Code of Conduct is based on respect for the law, 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.

The Group has advised each director, manager and employee that they must comply with the Group's Ethical Standards.



#### 4. ETHICAL STANDARDS

##### (b) Trading in Company securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or “active” trading in the Company’s securities and directors and employees are prohibited from dealing in the Company’s securities whilst in possession of price sensitive information. The Chairman (or in his place the Managing Director) must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company’s risk management systems.

#### 5. DIVERSITY POLICY

The Company has a Diversity Policy which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees’ backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy. The Remuneration and Nomination Committee is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms.

The key elements of the diversity policy are as follows:

- increased gender diversity throughout the Group when a position becomes available
- annual assessment of the board gender diversity objectives and performance against objectives by the board and nomination committee

Due to the size of the Company and there being no requirement to increase staff levels, there has been limited opportunity to implement the diversity policy. As a result, the Company has not yet met its objectives. However, the Company outsources its corporate and accounting services to Broadway Management (WA) Pty Ltd where 75% of its employees are represented by female members. Should a position become vacant, the Company will consider filling any new board appointment or key management personnel position with a suitably qualified female applicant.

Pursuant to *Recommendation 3.4* of the Recommendations, the Company discloses the following information as at the date of this report:

Gender representation	2014		2013	
	Women	Men	Women	Men
Group representation	0%	100%	0%	100%
Board representation	0%	100%	0%	100%
Senior management representation	0%	100%	0%	100%
Corporate services provider representation	75%	25%	78%	22%

## 6. COMMUNICATION WITH SHAREHOLDERS

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

- as the Company is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure policy, including quarterly cash flow reports, half-year reviewed accounts, year-end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001 and the Australian Securities Exchange 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 Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is required to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

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

### (a) Continuous Disclosure

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

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

The procedure adopted by the Company 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, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in 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.



## **ASX PRINCIPLES COMPLIANCE STATEMENT**

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**

*A majority of the Board should be independent directors*

### **Recommendation 4.2**

*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*

### **Recommendation 8.2**

*The remuneration and nomination 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*

None 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 and risk management and remuneration and nomination 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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

		30 June 2014	30 June 2013 Restated	1 July 2012 Restated <sup>(1)</sup>
	Note	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	15a	226,373	1,609,218	1,083,282
Other receivables	13	129	1,333	-
Prepayments	14	5,563	8,372	10,810
<b>Total current assets</b>		<b>232,065</b>	<b>1,618,923</b>	<b>1,094,092</b>
Capitalised exploration and evaluation expenditure	17	987,279	1,315,847	2,038,800
Property, plant and equipment	16	43,037	33,034	36,618
Other receivables	13	59,800	40,800	25,803
<b>Total non-current assets</b>		<b>1,090,116</b>	<b>1,389,681</b>	<b>2,101,221</b>
<b>Total assets</b>		<b>1,322,181</b>	<b>3,008,604</b>	<b>3,195,313</b>
<b>Liabilities</b>				
Trade and other payables	18	69,667	116,987	201,758
Employee benefits	11	45,462	79,600	63,433
<b>Total current liabilities</b>		<b>115,129</b>	<b>196,587</b>	<b>265,191</b>
Employee benefits	11	15,501	-	-
<b>Total non-current liabilities</b>		<b>15,501</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>130,630</b>	<b>196,587</b>	<b>265,191</b>
<b>Net assets</b>		<b>1,191,551</b>	<b>2,812,017</b>	<b>2,930,122</b>
<b>Equity</b>				
Share capital	19a	19,271,006	19,271,006	15,767,077
Reserves		277,868	204,350	472,245
Retained losses		(18,357,323)	(16,663,339)	(13,309,200)
<b>Total equity attributable to equity holders of the Company</b>		<b>1,191,551</b>	<b>2,812,017</b>	<b>2,930,122</b>

<sup>(1)</sup> With effect from 1 July 2013, the directors of Lodestar Minerals Limited made a voluntary change in accounting for exploration and evaluation expenditure from capitalisation to expense when incurred. As such, in accordance with AASB 101.39, a third Consolidated Statement of Financial Position and notes to the restated amounts has been presented. The standard requires that the change in accounting policy is shown from the first day of the prior year to which the change is made, being 1 July 2012 (refer note 6).

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014



		2014	2013
	Note	\$	Restated \$
Other income		-	841
Administrative expenses	7	(408,229)	(559,784)
Exploration expenditure impaired	17	(328,568)	(722,953)
Exploration expensed		(710,229)	(2,233,127)
Other expenses	7	(271,925)	(192,975)
<b>Results from operating activities</b>		<b>(1,718,951)</b>	<b>(3,707,998)</b>
Finance income	8	24,967	44,850
<b>Net finance income</b>		<b>24,967</b>	<b>44,850</b>
<b>Loss before income tax</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
Income tax expense	12	-	-
<b>Loss from continuing operations</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
<b>Loss for the year</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>-</b>	<b>-</b>
Items that may be reclassified subsequently to profit or loss		-	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
<b>Loss attributable to owners of the Company</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(1,693,984)</b>	<b>(3,663,148)</b>
<b>Loss per share</b>			
Basic and diluted (cents per share)	9	(0.76)	(2.11)

The notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the Company			
	Share capital \$	Equity-settled benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2013	19,271,006	204,350	(16,663,339)	2,812,017
<b>Total comprehensive income for the year</b>				
Loss after income tax expense for the year	-	-	(1,693,984)	(1,693,984)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,693,984)	(1,693,984)
<b>Transactions with owners, recorded directly in equity</b>				
<b>Contributions by and distributions to owners</b>				
Share-based payment transactions	-	73,518	-	73,518
Total contributions by and distributions to owners	-	73,518	-	73,518
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	-	73,518	-	73,518
Balance at 30 June 2014	19,271,006	277,868	(18,357,323)	1,191,551

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Company			
	Share capital \$	Equity-settled benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2012	15,767,077	472,245	(9,588,807)	6,650,515
Adjustments arising from change in accounting policy	-	-	(3,720,393)	(3,720,393)
<b>Balance at 1 July 2012, restated</b>	15,767,077	472,245	(13,309,200)	2,930,122
<b>Total comprehensive income for the year</b>				
Loss after income tax expense for the year	-	-	(3,663,148)	(3,663,148)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,663,148)	(3,663,148)
<b>Transactions with owners, recorded directly in equity</b>				
<b>Contributions by and distributions to owners</b>				
Issue of ordinary shares	3,701,030	-	-	3,701,030
Capital raising costs	(197,101)	-	-	(197,101)
Share-based payment transactions	-	41,114	-	41,114
Transfer between reserves	-	(309,009)	309,009	-
Total contributions by and distributions to owners	3,503,929	(267,895)	309,009	3,545,043
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	3,503,929	(267,895)	309,009	3,545,043
Balance at 30 June 2013, restated	19,271,006	204,350	(16,663,339)	2,812,017

The notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 Restated \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(696,621)	(763,580)
Interest received		26,171	43,516
Payments for exploration, evaluation and development		(688,424)	(2,250,221)
<b>Net cash used in operating activities</b>	15(b)	(1,358,874)	(2,970,285)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(23,971)	(7,708)
<b>Net cash used in investing activities</b>		(23,971)	(7,708)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	3,701,030
Capital raising costs		-	(197,101)
<b>Net cash from financing activities</b>		-	3,503,929
<b>Net increase / (decrease) in cash and cash equivalents</b>		(1,382,845)	525,936
Cash and cash equivalents at 1 July		1,609,218	1,083,282
<b>Cash and cash equivalents at 30 June</b>	15(a)	226,373	1,609,218

The notes are an integral part of these financial statements.



## 1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is domiciled in Australia. The Company’s registered office is at Level 2, 55 Carrington Street, Nedlands, Perth, Western Australia. These consolidated financial statements comprise the Company and its subsidiary (collectively the “Group” and individually as “Group Entities”).

The Group is primarily involved in the mineral exploration industry in Australia and is a for profit entity.

## 2. BASIS OF ACCOUNTING

The consolidated 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 International Financial Reporting Standards (IFRS’s) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of the Directors on 19 September 2014.

Details of the Group’s accounting policies, including changes during the year, are included in notes 6, 30 and 31.

### (a) Going Concern

The directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has no debt obligations. The Group has a working capital surplus of \$116,936 and net cash outflows for the 30 June 2014 financial year of \$1,382,845 (including \$688,424 in exploration expenditure). The Group incurred a loss for the year of \$1,693,984 (including \$1,083,797 in exploration expenditure expensed or written off in the period).

The directors are aware that the Group’s ability to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is dependent on the Group securing further working capital sourced from one or more of the following alternatives:

- Capital market raising such as:
  - Private placement
  - Entitlements issue
  - Share purchase plan
- Borrowings from related or third parties
- Farming out assets to reduce expenditure obligations

On 22 August 2014, the company issued, through private placement, 21,161,539 fully paid ordinary shares at 1.3 cents each to raise \$275,100. The Company also lodged a prospectus on 11 September 2014 for a non-renounceable entitlements issue to raise up to \$1,054,677, before costs.

On 17 September 2014 the company entered into an Underwriting Agreement with RM Corporate Finance Pty Ltd who have fully underwritten the entitlements issue.

The Underwriting Agreement has customary termination clauses. A significant event that will give the underwriter the right to withdraw from the underwriting obligations is if the ASX 200 drops by more than 5% from 17 September 2014. (This would be a fall below 5,130 points).

A Replacement Prospectus was lodged with ASIC on 18 September 2014 as a result of the execution of the Underwriting Agreement.

## 2. BASIS OF ACCOUNTING (continued)

### (a) Going Concern (continued)

Given the above financial position of the Group, the recent fund raising, and the underwriting of the entitlements issue, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs within its business plans for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

## 3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

## 4. USE OF ESTIMATES AND JUDGEMENTS

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.

### (a) Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- (i) *Note 2(a) - Going concern*

### (b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2014 is included in the following notes:

- (i) *Note 17 - Capitalised exploration and evaluation costs*
- (ii) *Note 12 - Recognition of tax losses*

### (c) Measurement of 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.



#### 4. USE OF ESTIMATES AND JUDGEMENTS (continued)

##### (c) Measurement of fair values (continued)

In addition, for financial reporting purposes, 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.

Further information about the assumptions made in measuring fair values is included in the following note 21.

#### 5. 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.

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 or type of mineral; 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*.

## 5. OPERATING SEGMENTS (continued)

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

	2014 \$	2013 Restated \$
<b>Profit / (Loss) before income tax</b>		
Total (loss) / profit for reportable segments	(1,044,678)	(2,957,528)
Central administration and directors' remuneration	(674,273)	(750,470)
Finance income	24,967	44,850
Consolidated loss before income tax	(1,693,984)	(3,663,148)
Income tax expense	-	-
	(1,693,984)	(3,663,148)
<b>Assets</b>		
Total assets for reportable segments	1,010,441	1,320,919
Cash and cash equivalents	226,373	1,609,218
Term deposits	59,800	40,800
Other assets	25,567	37,667
Consolidated total assets	1,322,181	3,008,604
<b>Liabilities</b>		
Total liabilities for reportable segments	(64,590)	(62,755)
Employee entitlements	(60,963)	(79,600)
Other liabilities	(5,077)	(54,232)
Consolidated total liabilities	(130,630)	(196,587)

## 6. VOLUNTARY CHANGE OF ACCOUNTING POLICY

The consolidated financial statements have been prepared incorporating retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure.

The new exploration and evaluation expenditure accounting policy is to expense all exploration and evaluation expenditure as incurred.

The previous accounting policy was that expenditure on exploration and evaluation activities in relation to areas of interest which had not reached a stage which permitted reasonable assessment of the existence or otherwise of economically recoverable reserves were capitalised as incurred.

The new accounting policy was adopted on 30 June 2014 and has been applied retrospectively. The Directors believe that the change in accounting policy will provide more relevant information and no less reliable information to users of the consolidated financial statements. Both the previous and the new accounting policy are compliant with AASB 6 Exploration for Evaluation of Minerals Resources, which permits a choice of accounting policy.

The impact of the change in accounting policy on the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow is included in the tables on the following page.



6. VOLUNTARY CHANGE OF ACCOUNTING POLICY (continued)

This voluntary change involves restating the following balances:

	30 Jun 2013 Previous Policy \$	Increase/ (Decrease) \$	30 Jun 2013 Restated \$	01 Jul 2012 Previous Policy \$	Increase/ (Decrease) \$	1 Jul 2012 Restated \$
<b>Consolidated statement of financial position (extract)</b>						
Prepayments	8,372	-	-	10,811	(1)	10,810
Capitalised tenement acquisition costs	6,668,694	(5,352,847)	1,315,847	5,759,192	(3,720,392)	2,038,800
<b>Net assets</b>	<b>8,164,864</b>	<b>(5,352,847)</b>	<b>2,812,017</b>	<b>6,650,515</b>	<b>(3,720,393)</b>	<b>2,930,122</b>
Accumulated losses	(11,310,492)	(5,352,847)	(16,663,339)	(9,588,807)	(3,720,393)	(13,309,200)
<b>Total equity</b>	<b>8,164,864</b>	<b>(5,352,847)</b>	<b>2,812,017</b>	<b>6,650,515</b>	<b>(3,720,393)</b>	<b>2,930,122</b>
<b>Consolidated statement of profit or loss and comprehensive income (extract)</b>						
Exploration expenditure impaired	1,323,626	(600,673)	722,953			
Exploration expensed	-	2,233,127	2,233,127			
<b>Loss before income tax</b>	<b>(2,030,694)</b>	<b>1,632,454</b>	<b>(3,663,148)</b>			
Income tax benefit / expense	-	-	-			
<b>Loss for the year</b>	<b>(2,030,694)</b>	<b>1,632,454</b>	<b>(3,663,148)</b>			
<b>Loss per share</b>						
Basic and diluted (cents per share)	(1.17)	(0.94)	(2.11)			

Basic and diluted loss per share for the prior year has also been restated.

## 6. VOLUNTARY CHANGE OF ACCOUNTING POLICY (continued)

This voluntary change involves restating the following balances:

	30 Jun 2013 Previous Policy \$	Increase/ (Decrease) \$	30 Jun 2013 Restated \$
<b>Consolidated statement of Cash Flows (extract)</b>			
Payments for exploration and evaluation of expenditure	-	(2,250,221)	(2,250,221)
Interest received	-	43,516	43,516
<b>Net cash used in operating activities</b>	<b>(763,580)</b>	<b>(2,206,705)</b>	<b>(2,970,285)</b>
Payments for exploration and evaluation expenditure capitalised	(2,250,221)	2,250,221	-
Interest received	43,516	(43,516)	-
<b>Net cash (used in ) / from investing activities</b>	<b>(2,214,413)</b>	<b>2,206,705</b>	<b>(7,708)</b>

Basic and diluted loss per share for the prior year has also been restated.

## 7. EXPENSES

Loss before income tax from continuing operations includes the following specific expenses:

	Note	2014 \$	2013 \$
<b>Personnel expenses</b>			
Wages and salaries (staff)		11,298	123,944
Directors and executives remuneration	25(a)	283,650	533,189
Contributions to defined contribution plans		1,045	9,595
(Decrease) / increase in liability for annual leave		-	(4,397)
Other associated personnel expenses		2,284	2,497
		<b>298,277</b>	<b>664,828</b>
Expensed in exploration and evaluation		63,273	299,728
Expensed in administrative expenses		235,004	365,100
Personnel expenses included in Administrative Expenses		<b>298,277</b>	<b>664,828</b>

**7. EXPENSES (continued)**

		2014	2013
	Note	\$	\$
<b>Administrative expenses</b>			
Personnel expenses		235,004	365,100
Advertising and publicity		8,586	26,516
Communication and information services		12,252	18,140
Office administration		116,103	102,234
Bank charges		1,110	1,152
Share registry and statutory fees		35,174	46,642
		408,229	559,784
<b>Other expenses</b>			
Professional fees		247,481	177,336
Depreciation and amortisation	16	13,968	11,292
Travelling expenses		10,476	4,347
		271,925	192,975

**8. FINANCE INCOME**

	2014	2013
	\$	\$
Interest income on bank deposits	24,967	44,850
Net finance income recognised in consolidated statement of profit or loss	24,967	44,850

**9. LOSS PER SHARE**

**(a) Basic loss per share**

The calculation of basic loss per share at 30 June 2014 has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

**Loss attributable to ordinary shareholders (basic)**

	2014	2013
	\$	Restated \$
Loss for the period	(1,693,984)	(3,663,148)

**9. LOSS PER SHARE (continued)**

***Weighted average number of ordinary shares (basic)***

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Issued ordinary shares at 1 July	222,233,215	116,489,477
Effect of shares issued during the period	-	56,966,705
	<u>222,233,215</u>	<u>173,456,182</u>

**(b) Diluted loss per share**

The calculation of diluted loss per share at 30 June 2014 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

***Weighted average number of ordinary shares (diluted)***

	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares (basic)	222,233,215	173,456,182
Effect of share options on issue	-	-
	<u>222,233,215</u>	<u>173,456,182</u>

At 30 June 2014, 9,750,000 options (2013: 4,750,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

## 10. SHARE-BASED PAYMENT PLANS

### (a) Description of the share-based payment arrangements

At 30 June 2014 the Group has the following share-based payment arrangements.

#### **Equity-settled share option programme**

An employee option plan has been established which enables the Group to issue key management personnel and consultants options over the ordinary shares of the Company. The options, issued for nil consideration, are issued in accordance with guidelines established by the directors of the Group. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares. All options to date are granted at the discretion of the directors.

At the 2011 AGM on 28 November 2011, shareholders approved the issue of 2,500,000 options to Mr Bill Clayton, with a calculated value of between 6.25 and 7.21 cents each. The value of each tranche of options is expensed to profit and loss over their respective vesting periods, 50% as directors' remuneration and 50% as exploration expenditure.

On 8 May 2012, the Company issued, for no consideration, 2,250,000 options with a calculated fair value of between 2.65 and 3.18 cents each, to a consultant. On 16 December 2013, a further 5,000,000 options with a calculated fair value of 0.95 cents each were issued to the consultant for no consideration. The value of each tranche of options was recognised as exploration expenditure over their respective vesting periods.

When exercisable, each option is converted into one ordinary share within ten days after the receipt of a properly executed notice of exercise and application monies. The Group will issue to the option holder the number of shares specified in that notice. The Group will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

The key terms and conditions relating to the grant of existing share options are as follows. All options are to be settled by the physical delivery of shares.

Tranche	Grant date	Number of instruments	Vesting conditions	Contractual life of options
1	28 November 2011	1,000,000	12 months from date of issue	5 years
2	28 November 2011	750,000	24 months from date of issue	5 years
3	28 November 2011	750,000	36 months from date of issue	5 years
4	8 May 2012	1,000,000	Vested upon granting	5 years
5	8 May 2012	750,000	24 months from date of issue	5 years
6	8 May 2012	500,000	36 months from date of issue	5 years
7	16 Dec 2013	5,000,000	Vested upon granting	4 years
		<b>9,750,000</b>		

**10. SHARE-BASED PAYMENT PLANS (continued)**

**(b) Measurement of fair values**

The fair value of services received in return for share options granted was based on the fair value of share options on the date granted, measured using the Black-Scholes options pricing model.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

<i>Fair value of share options and assumptions</i>	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>	<b>Tranche 5</b>	<b>Tranche 6</b>	<b>Tranche 7</b>
Fair value at grant date	7.21 cents	6.83 cents	6.25 cents	3.18 cents	2.97 cents	2.65 cents	0.95 cents
Share price	9.90 cents	9.90 cents	9.90 cents	5.00 cents	5.00 cents	5.00 cents	1.1 cents
Exercise price	15 cents	20 cents	30 cents	15 cents	20 cents	30 cents	5 cents
Expected volatility	104%	104%	104%	105.25%	105.25%	105.25%	181.53%
Option life	5 years	4 years					
Vesting period	1 year	2 years	3 years	- years	2 years	3 years	- years
Risk free rate	4.01%	4.01%	4.01%	3.42%	3.42%	3.42%	2.71%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

**10. SHARE-BASED PAYMENT PLANS (continued)**

**(c) Reconciliation of outstanding share options**

The number and weighted average exercise prices of share options were as follows:

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of Options 2013
Outstanding at 1 July	20.5 cents	4,750,000	30.0 cents	9,250,000
Expired during the period	-	-	40.0 cents	(4,500,000)
Granted during the period	5.0 cents	5,000,000	-	-
Outstanding at 30 June	12.6 cents	9,750,000	20.5 cents	4,750,000
Exercisable at 30 June	10.0 cents	8,500,000	15.0 cents	2,000,000

The options outstanding at 30 June 2014 have an exercise price between 5 and 30 cents (2013: between 15 and 30 cents) and a weighted average contractual life of 3.06 years (2013: 3.63 years).

5,000,000 options were granted during the year (2013: no options granted)

No options were exercised during the year (2013: no options exercised).

No options expired during the year (2013: 4,500,000 options expired).

**(d) Amount expensed to profit or loss**

	2014 \$	2013 \$
<b>Granted in 2011</b>		
Administration expenses	6,048	12,788
Exploration expenditure	6,047	12,788
<b>Granted in 2012</b>		
Exploration expenditure	13,923	15,538
<b>Granted in 2014</b>		
Other expenses	47,500	-
	73,518	41,114

## 11. OTHER EMPLOYEE BENEFITS

	2014	2013
	\$	\$
Salary accrual	10,000	4,709
Liability for annual leave	34,537	74,891
Liability for superannuation	925	-
Provision for long service leave	15,501	-
	60,963	79,600
Current	45,462	79,600
Non-current	15,501	-
	60,963	79,600

For details on the related employee benefit expenses, see note 7.

## 12. INCOME TAXES

### (a) Amounts recognised in profit or loss

	2014	2013
	\$	Restated \$
<b>Current tax benefit</b>		
Current period	(413,543)	(833,456)
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	413,543	833,456
Tax expense on continuing operations	-	-

**12. INCOME TAXES (continued)**

**(b) Reconciliation of effective tax rate**

	2014 \$	2013 Restated \$
Loss for the period	(1,693,984)	(3,663,148)
Total income tax expense	-	-
Loss excluding income tax	(1,693,984)	(3,663,148)
Income tax using the Company's domestic tax rate of 30% (2013: 30%)	(508,195)	(1,098,944)
Non-deductible expenses	22,206	12,690
Tax losses not brought to account	485,989	1,086,284
	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of \$5,523,866 (2013: \$5,098,529) 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.

**12. INCOME TAXES (continued)**

**(c) Recognised deferred tax assets and liabilities**

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	-	-	864	2,611	864	2,611
Exploration and evaluation expenditure	-	-	296,184	394,754	296,184	394,754
Trade and other receivables	-	-	39	400	39	400
Black hole deductible costs	(60,082)	(86,831)	-	-	(60,082)	(86,831)
Trade and other payables	(6,338)	(7,500)	-	-	(6,338)	(7,500)
Employee benefits	(18,289)	(23,880)	-	-	(18,289)	(23,880)
Carry forward tax losses	(212,378)	(279,554)	-	-	(212,378)	(279,554)
Tax (assets) / liabilities	(297,087)	(397,765)	297,087	397,765	-	-
Set-off tax	297,087	397,765	(297,087)	(397,765)	-	-
Net tax (assets) / liabilities	-	-	-	-	-	-

### 13. OTHER RECEIVABLES

	2014	2013
	\$	\$
Bank interest income	129	1,333
Deposits	59,800	40,800
	59,929	42,133
Current	129	1,333
Non-current	59,800	40,800
	59,929	42,133

Information about the Group's exposure to credit and market risks is included in note 21(c).

### 14. PREPAYMENTS

	2014	2013
	\$	\$
Insurance	351	344
Rent and outgoings	1,822	-
Other	803	3,099
Current deposits	2,587	4,929
<b>Less than one year</b>	5,563	8,372

### 15. CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of cash and cash equivalents

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 5.

	2014	2013
	\$	\$
Cash and cash equivalents in the statement of cash flows	226,373	1,609,218

The perceived credit risk is low as cash and cash equivalents are with authorised deposit taking institutions.

15. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities

	Note	2014 \$	2013 Restated \$
<b>Cash flows from operating activities</b>			
Loss for the period		(1,693,984)	(3,663,148)
Adjustments for:			
Depreciation	16	13,968	11,292
Exploration and evaluation expenditure impaired	17	328,568	722,953
Exploration expensed through profit or loss		19,971	28,326
Equity-settled share-based payment transactions		53,547	12,789
		(1,277,930)	(2,887,788)
Change in operating assets and liabilities:			
Decrease in other receivables		(17,796)	(16,331)
(Decrease) / increase in trade and other payables		(47,320)	(84,771)
Increase / (decrease) in prepayments		2,809	2,438
Increase / (decrease) in employee benefits provisions		(18,637)	16,167
		(1,358,874)	(2,970,285)
<b>Net cash used in operating activities</b>		<b>(1,358,874)</b>	<b>(2,970,285)</b>

16. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings \$	Computer equipment \$	Field equipment \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2012	10,989	32,752	6,780	50,521
Additions	6,295	722	691	7,708
<b>Balance at 30 June 2013</b>	<b>17,284</b>	<b>33,474</b>	<b>7,471</b>	<b>58,229</b>
Balance at 1 July 2013	17,284	33,474	7,471	58,229
Additions	-	-	23,971	23,971
<b>Balance at 30 June 2014</b>	<b>17,284</b>	<b>33,474</b>	<b>31,442</b>	<b>82,200</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2012	2,728	10,224	951	13,903
Depreciation for the year	3,354	6,490	1,448	11,292
<b>Balance at 30 June 2013</b>	<b>6,082</b>	<b>16,714</b>	<b>2,399</b>	<b>25,195</b>
Balance at 1 July 2013	6,082	16,714	2,399	25,195
Depreciation for the year	3,153	4,934	5,881	13,968
<b>Balance at 30 June 2014</b>	<b>9,235</b>	<b>21,648</b>	<b>8,280</b>	<b>39,163</b>
<b>Carrying amounts</b>				
Balance at 30 June 2013	11,202	16,760	5,072	33,034
Balance at 30 June 2014	8,049	11,826	23,162	43,037

**17. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE**

	2014 \$	2013 Restated \$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	987,279	1,315,847
<b>Movements for the period:</b>		
<b>Exploration and evaluation expenditure</b>		
Opening balance	1,315,847	2,038,800
Written off	(328,568)	(722,953)
	987,279	1,315,847

Refer to note 6 for disclosure regarding the voluntary change in accounting policy in relation to capitalised exploration and evaluation expenditure.

The ultimate recovery of capitalised exploration and evaluation expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

**18. TRADE AND OTHER PAYABLES**

	2014 \$	2013 \$
<b>Current</b>		
Trade payables	57,498	69,001
Non-trade payables and accrued expenses	12,169	47,986
	69,667	116,987

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 21.

19. CAPITAL AND RESERVES

(a) Share capital

	Ordinary Shares			
	2014 Number	2013 Number	2014 \$	2013 \$
<b>On issue at 1 July</b>	<b>222,233,215</b>	<b>116,489,477</b>	<b>19,271,006</b>	<b>15,767,077</b>
05-Nov-12 Placement of 15,000,000 shares at 3.5 cents each	-	15,000,000	-	525,000
03-Dec-12 Placement of 25,000,000 shares at 3.5 cents each	-	25,000,000	-	875,000
12-Dec-12 Entitlement issue of 30,303,594 shares at 3.5 cents each	-	30,303,594	-	1,060,625
20-Dec-12 Entitlement issue of 20,071,428 shares at 3.5 cents each	-	20,071,428	-	702,500
18-Feb-13 Entitlement issue of 3,368,716 shares at 3.5 cents each	-	3,368,716	-	117,905
21-Feb-13 Entitlement issue of 12,000,000 shares at 3.5 cents each	-	12,000,000	-	420,000
Capital raising costs	-	-	-	(197,101)
<b>On issue at 30 June</b>	<b>222,233,215</b>	<b>222,233,215</b>	<b>19,271,006</b>	<b>19,271,006</b>

## 19. CAPITAL AND RESERVES (continued)

### (b) Ordinary shares

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

In the event of a winding up of the Company, 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 issued share options (see note 10).

### (c) Nature and purpose of reserves

#### *Equity-based benefits reserve*

The equity-based benefits reserve represents the cost of options that have been granted as share-based payments but not exercised. This reserve will be transferred to accumulated losses should these options be exercised, or reversed through profit or loss should certain vesting conditions not be met.

## 20. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year.

The Group entities are not subject to externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

(a) Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amounts			Fair Values			
	Non-current assets	Current assets	Total	Level 1	Level 2	Level 3	Total
	Other receivables	Other receivables	Cash and cash equivalents				
<b>30 June 2014</b>							
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	-	226,373	-	-	-	-
Other receivables	59,800	129	-	-	-	-	59,929
	59,800	129	226,373	-	-	-	286,302
<b>30 June 2013</b>							
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	-	1,609,218	-	-	-	-
Other receivables	40,800	1,333	-	-	-	-	42,133
	40,800	1,334	1,609,218	-	-	-	1,651,351

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(a) Carrying amounts and fair values (continued)

	Carrying Amount		Fair Values			
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 3	Total
	Trade and other payables	Trade and other payables				
		Total				
<b>30 June 2014</b>						
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	-	69,667	-	-	-	69,667
<b>30 June 2013</b>						
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	-	116,987	-	-	-	116,987

## 21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

### (b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

#### (i) Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports to the Board of Directors on its activities.

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 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.

#### (ii) 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 carrying amount of financial assets represents the maximum credit exposure.

#### Cash and cash equivalents

The Group held cash and cash equivalents of \$226,373 at 30 June 2014 (2013: \$1,609,218). 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. None of the receivables are past due.

At 30 June 2014, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2014	2013
	\$	\$
Australia	59,929	42,133

**21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)**

**(c) Financial risk management (continued)**

**(ii) Credit risk (continued)**

At 30 June 2014, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2014	2013
	\$	\$
Authorised banking institutions and government agencies	21,929	23,133
Security bonds	38,000	19,000
	59,929	42,133

Management does not expect any counterparty to fail to meet its future obligations and therefore the Group has not established an allowance for impairment that represents their estimate of incurred losses in respect of intercompany loans and receivables and investments.

**(iii) 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.

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

	Carrying amount	Contractual cash flows	6 months or less
	\$	\$	\$
<b>30 June 2014</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	69,667	69,667	69,667
<b>30 June 2013</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	116,987	116,987	116,987

**21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)**

**(c) Financial risk management (continued)**

**(iv) 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.

**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	
	2014	2013
	\$	\$
<b>Variable rate instruments</b>		
Financial assets	248,173	1,631,017

**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.

**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 2013.

	Profit or loss	
	100 bp increase	100 bp decrease
	\$	\$
<b>30 June 2014</b>		
Variable rate instruments	2,482	(2,308)
Cash flow sensitivity	2,482	(2,308)
<b>30 June 2013</b>		
Variable rate instruments	16,310	(16,310)
Cash flow sensitivity	16,310	(16,310)

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

## 22. 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	
				2014 %	2013 %
Audacious Resources Pty Ltd	Mineral exploration	Australia	30 June	100	100

## 23. COMMITMENTS

	2014 \$	2013 \$
<b>Office rent</b>		
Less than one year	87,684	83,508
Between one and five years	-	87,684
	87,684	171,192
<b>Mineral exploration</b>		
Not later than one year	585,250	607,000

## 24. CONTINGENCIES

The Group has no contingent assets or liabilities.

## 25. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### (a) Key management personnel compensation

Key management personnel compensation comprised the following.

		2014	2013
		\$	\$
Short term employee benefits		248,699	467,889
Post-employment benefits		22,856	39,724
Share-based payments	10	12,095	25,576
		283,650	533,189

Compensation of the Group's key management personnel includes salaries, fees, non-cash benefits and contributions to a post-employment defined contributions plan (see note 7).

### (b) Key management personnel transactions

Certain key management personnel and directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities (as detailed below) transacted with the Group in the reporting period. The terms and conditions of the transaction with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to entities over which key management personnel have control or significant influence were as follows:

		Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Key management person</b>	<b>Transaction</b>				
David McArthur	Management fee	84,167	90,000	6,667	15,000
Total and current liabilities				6,667	15,000

The Company 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.

26. AUDITORS' REMUNERATION

	2014	2013
	\$	\$
<b><i>KPMG Australia</i></b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports	33,010	39,699
<b>Taxation services</b>		
Taxation compliance services	12,500	11,000
<b>Total remuneration of KPMG Australia</b>	45,510	50,699
<b><i>Non-KPMG audit firms</i></b>		
<b>Taxation services</b>		
Tax advice on employee share schemes	-	1,632
<b>Total remuneration of Non-KPMG audit firms</b>	-	1,632
<b>Total auditors' remuneration</b>	45,510	52,331

## 27. PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the Group was Lodestar Minerals Limited.

	2014 \$	2013 Restated \$
<b>Result of the parent entity</b>		
Loss for the period	(6,832,978)	(1,789,123)
Other comprehensive income	-	-
Total comprehensive income for the period	(6,832,978)	(1,789,123)
<b>Financial position of parent entity at year end</b>		
Current assets	232,065	1,618,923
Total assets	1,322,181	8,147,598
Current liabilities	115,129	196,587
Total liabilities	130,630	196,587
<b>Total equity of the parent entity comprising of:</b>		
Share capital	19,271,006	19,271,006
Equity-settled benefits reserve	277,868	204,350
Accumulated losses	(18,357,323)	(11,524,345)
<b>Total equity</b>	1,191,551	7,951,011
<b>Commitments</b>		
<b>Office rent</b>		
Less than one year	87,684	83,508
Between one and five years	-	87,684
	87,684	171,192
<b>Mineral exploration</b>		
Not later than one year	-	141,000

## 28. SUBSEQUENT EVENTS

On 22 August 2014, the company issued, through private placement, 21,161,539 fully paid ordinary shares at 1.3 cents each to raise \$275,100.

On 11 September 2014, the company lodged a prospectus for a non-renounceable entitlements issue to raise up to \$1,054,677, before costs.

On 17 September 2014 the company entered into an agreement with RM Corporate Finance Pty Ltd whereby RM Corporate Finance have fully underwritten the entitlements issue. The agreement is subject to customary termination clauses. The most significant clause is that a fall in the ASX by more than 5% (below 5,130) will give the underwriter the right to terminate the agreement.

## 28. SUBSEQUENT EVENTS (continued)

A Replacement Prospectus reflecting the underwriting was lodged with ASIC on 18 September 2014.

Other than disclosed above, there have been no matters or circumstance 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.

## 29. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis, except share-based payments which are measured at fair value.

## 30. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 31 to all periods presented in these consolidated financial statements.

### ***Exploration and evaluation assets***

The Board resolved to change the exploration and development accounting policy with effect from 1 July 2013 such that current and future exploration is expensed through profit and loss. Comparative figures have been represented to reflect the change in accounting policy (see note 6).

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

### ***AASB10 Consolidated Financial Statements***

AASB 10 introduces a single control model to determine whether an investee should be consolidated. AASB 10 changes the definition of control such that an investor controls an investee when:

- a) It has power over an investee;
- b) It is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) It has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee.

The directors concluded that there would be no impact to the consolidated financial statements.

### ***AASB 12 Disclosure of Interests in Other Entities (2011)***

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

### ***AASB13 Fair Value Measurement (2011)***

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group has applied AASB 13 for the first time in the current year and requires prospective application from 1 April 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard to comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.



### 30. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### **AASB 119 Employee Benefits (2011)**

AASB 119 (2011) changes the definition of short-term and long-term employee benefits to clarify the distinction between the two. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The directors do not anticipate that the amendments to AASB 119 will have a significant effect on the Group's consolidated financial statements. These changes do not impact the financial statements.

#### **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements**

The change amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs from the consolidated notes to the financial statements and record in the Directors' Remuneration Report within the Directors' Report. This change will only impact the annual financial report in June 2014.

#### **AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle**

The change amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle. These changes do not impact the financial statements.

### 31. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 30, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the statement of profit or loss and OCI have been reclassified or re-presented, as a result of a change in accounting policy regarding the exploration expenditure no longer being capitalised.

#### **(a) Basis of consolidation**

##### **(i) Subsidiaries**

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 has the ability to 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.

##### **(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

#### **(b) Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income

Interest income is recognised using the effective interest method.

#### **(c) Employee benefits**

##### **(i) 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.

##### **(ii) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

## 31. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Employee benefits (continued)

#### (iii) *Share-based payment transactions*

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards 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 payment awards 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.

The fair value of the options granted is measured using the Black-Scholes formula; taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

#### (iv) *Other long-term employee benefits*

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

### (d) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using the tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

#### **Tax consolidation**

The Company and its wholly-owned Australian resident entity are not a consolidated group for tax purposes.

**31. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**(ii) Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over the estimated useful lives.

Depreciation is recognised in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Method	2014	2013
Plant and equipment	Straight line	20%	20%
Fixtures and fittings	Straight line	20%	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(f) Exploration and evaluation assets**

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation costs are written off in the year they are incurred, apart from acquisition costs, which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

### 31. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets

##### (i) **Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Group initially recognises loans, receivables and deposits on the date when they are originated. All other financial assets are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and other receivables.

##### (ii) **Non-derivative financial assets – measurement**

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

###### *Cash and cash equivalents*

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.

##### (iii) **Non-derivative financial liabilities - measurement**

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

##### (iv) **Share capital**

###### *Ordinary Shares*

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.

#### (h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than DTA's, 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 assets 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 it recoverable amount. Impairment losses are recognised in profit or loss.



### 31. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the true value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

#### *Site Restoration*

In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

### 32. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new accounting standards and interpretations that have recently been issued or amended but are not yet mandatory for annual periods beginning after 1 July 2013, have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the Group, are set out below.

#### *AASB 9 Financial Instruments*

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013 which incorporated three primary changes, which included that the mandatory effective date will be 1 January 2018. There will be no material impact on the Group on the adoption of this standard.

**DIRECTORS' DECLARATION**

- 1 In the opinion of the directors of Lodestar Minerals Limited (the "Company"):
  - (a) the consolidated financial statements and notes, and the Remuneration Report set out in section 14 in the Directors' Report, 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 2014 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards 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.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
- 3 The directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 19<sup>th</sup> day of September 2014.



**WILLIAM CLAYTON**  
Director



## **Independent auditor's report to the members of Lodestar Minerals Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Lodestar Minerals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

#### *Independence*

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



*Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is 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 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

**Report on the remuneration report**

We have audited the Remuneration Report included in Section 14 of the directors' report for the year ended 30 June 2014. 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 auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Lodestar Minerals Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

*KPMG.*

KPMG

R Gambitta  
*Partner*

Perth

19 September 2014



## STOCK EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### 1. SHAREHOLDER INFORMATION

#### (a) Distribution of fully paid ordinary shares at 31 August 2014

Category			Number of Shareholders	Shares held
1	-	5,000	3,625	3,451,595
5,001	-	10,000	247	1,823,566
10,001	-	100,000	729	22,691,825
100,001	-	1,000,000	265	89,636,264
1,000,001	and	over	41	104,629,965
			4,907	222,233,215

#### (b) Marketable Parcel

The number of shareholders holding less than a marketable parcel of ordinary shares is 4,335.

#### (c) Voting rights

##### **Ordinary shares**

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

##### **Options**

There are no voting rights attached to the options.

**1. SHAREHOLDER INFORMATION (continued)****(d) Substantial shareholders**

The number of shares held by substantial shareholders and their associates are set out below:

Name	Ordinary shares Number of Shares
Ross Jeremy Taylor	29,100,000

**(e) Unlisted 29 November 2016 Options**

There are 2,500,000 options held by 1 holder on issue that are exercisable at \$0.15 - \$0.30 on or before 29 November 2016.

**(f) Unlisted 8 May 2017 Options**

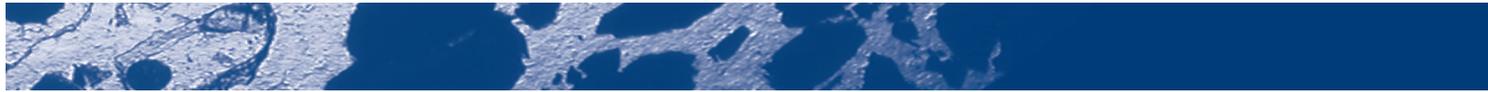
There are 2,250,000 options held by 1 holder on issue that are exercisable at \$0.15 - \$0.30 on or before 8 May 2017.

**(g) Unlisted 16 December 2017 Options**

There are 5,000,000 options held by 1 holder on issue that are exercisable at \$0.05 on or before 16 December 2017.

**(h) Shareholders**

The twenty largest shareholders hold 37.33% of the total issued ordinary shares in the Company as at 31 August 2014.



2. TOP TWENTY SHAREHOLDERS AS AT 31 AUGUST 2014

Name	Ordinary shares	
	Number of Shares	Percentage of issued shares
1 Ross Jeremy Taylor <Jamanaro A/C>	18,875,000	8.04
2 Mr Ross Jeremy Taylor	8,862,500	3.99
3 Robert John McArthur Anderson	8,100,000	3.64
4 Calm Holdings Pty Ltd <The Clifton Super Fund>	7,592,131	3.42
5 Dasmac (WA) Pty Ltd <McArthur Family Super A/C>	5,201,153	2.34
6 HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	3,750,000	1.69
7 Mr Glenn Griffin Money	3,124,475	1.41
8 HSBC Custody Nominees (Australia) Limited	3,082,944	1.39
9 Yarramup Pty Ltd <Capulet Super Fund A/C>	2,416,250	1.09
10 David Maxwell McArthur	2,408,930	1.08
11 Mr Mark Phillip Jones	2,375,000	1.07
12 Mr Ross Jeremy Taylor and Mrs Natasha Tanya Taylor <Jamanaro Super Fund A/C>	2,362,500	1.06
13 Worldstar Investments Pty Ltd <The Grey Super Fund A/C>	2,187,500	0.98
14 Mrs Sharon Anne Clayton	2,075,000	0.93
15 S & Y Ashton Nominees Pty Ltd <Ashton Super Fund A/C>	2,027,154	0.91
16 Fleubaix Pty Ltd <Superannuation Fund A/C>	2,000,000	0.90
17 Quarrytech Consulting Pty Ltd <Bartlett Family A/C>	2,000,000	0.90
18 Mr Ianaki Semerdziev	1,955,000	0.88
19 Magaurite Pty Ltd <Peter Nelson Super Fund A/C>	1,915,817	0.86
20 Tui Equities Limited	1,652,000	0.74
	82,963,354	37.33

## 3. TENEMENTS LISTING AT 31 AUGUST 2014

Tenement Description	Tenement Numbers	Status	Percentage Interest
<b>Peak Hill</b>			
Marymia	E52/2440	Granted	100%
Marymia	E52/2444	Granted	100%
Yowerrena Hill	E52/2456	Granted	100%
Little Well	E52/2468	Granted	100%
Yowerrena Hill	E52/2492	Granted	100%
Yowerrena Hill	E52/2493	Granted	100%
Robinson Range	E52/2512	Granted	100%
Marymia	E52/2733	Granted	100%
Yowerrena Hill	E52/2734	Granted	100%



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