

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED
ABN: 32 127 026 528

CONTACT DETAILS

Bill Clayton, Managing Director
 +61 8 9423 3200

41 Stirling Highway,
 Nedlands, WA, 6009

PO Box 985
 Nedlands, WA, 6909

admin@lodestarminerals.com.au

www.lodestarminerals.com.au

CAPITAL STRUCTURE

Shares on Issue:

116,489,477(LSR)

Options on Issue:

7,000,000 (Unlisted)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:

Base metals, gold

Penfold:

Nickel

Kimberley:

Nickel, copper, PGM's



**December 2011
 Quarterly Activities Report**

HIGHLIGHTS

PEAK HILL-DOOLGUNNA PROJECT

- A total of 13,588m of the planned 20,000m RAB/aircore drilling program in the Neds Creek area had been completed by the end of the December quarter.
- Drilling results received post-quarter indicate significant gold and silver anomalies in the Contessa area. Follow up drilling programs will commence as soon as possible.
- First drilling results from McDonald Well confirm copper anomalies to 0.12% Cu within target Yerrida sediments.
- Only 93 holes have reported assay results to date, further drill results expected throughout January and February 2012.
- Soil and rock geochemistry completed in the Contessa area confirms gold anomalies along the granite-sediment contact.
- Successful Capital Raising - \$2.2M raised before costs, by the issue of 27.5 million shares.
- Cash – At December 31st 2011 Lodestar had cash reserves of \$2.237M.

PEAK HILL-DOOLGUNNA

Neds Creek (E56/2440, E52/2444, E52/2456 and E52/2468)

The Neds Creek tenements are located approximately 12 kilometres north east of the Thaduna copper deposits (a group of fault-hosted copper deposits and occurrences within sediments of the Yerrida Basin) and cover the north eastern margin of the Yerrida Basin (Figure 1). Recent encouraging exploration results for Sipa Resource’s Enigma Prospect, located within a large copper anomaly immediately along strike from E52/2456, are a very positive indicator of the exploration potential of similar-age sediments in the McDonald Well area.

Exploration is targeting a primary source of copper mineralisation (sediment-hosted copper) within folded sediments of the lower Yerrida Basin. Lodestar’s immediate objective is to test the 5 kilometre zone along the northern contact of the sedimentary sequence and progressively extend the RAB drilling over regional geochemical targets within E52/2456.

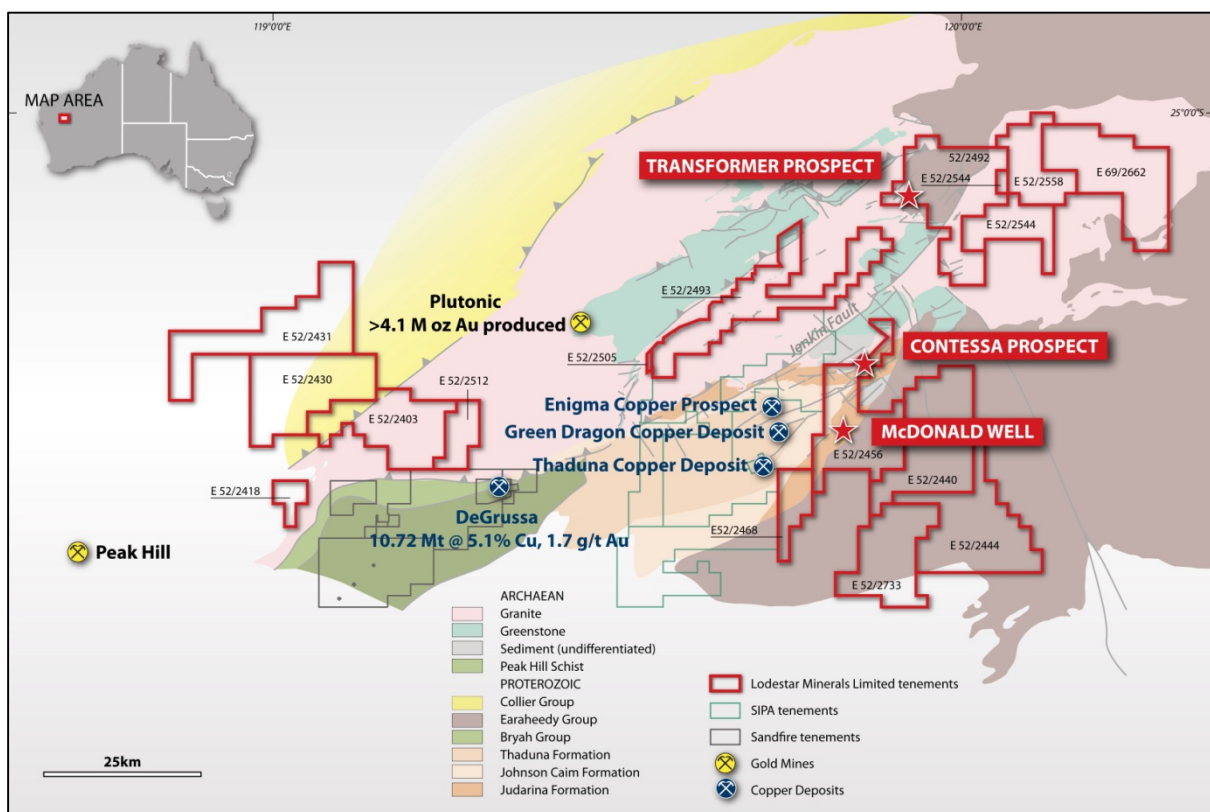


Figure 1 Location Plan – Lodestar’s Peak Hill-Doolgunna tenements

RAB/AIRCORE DRILLING

A regional drilling program commenced on 27th October 2011. The program was planned to test numerous surface geochemical anomalies identified by lag sampling completed in 2011. (Figure 2).

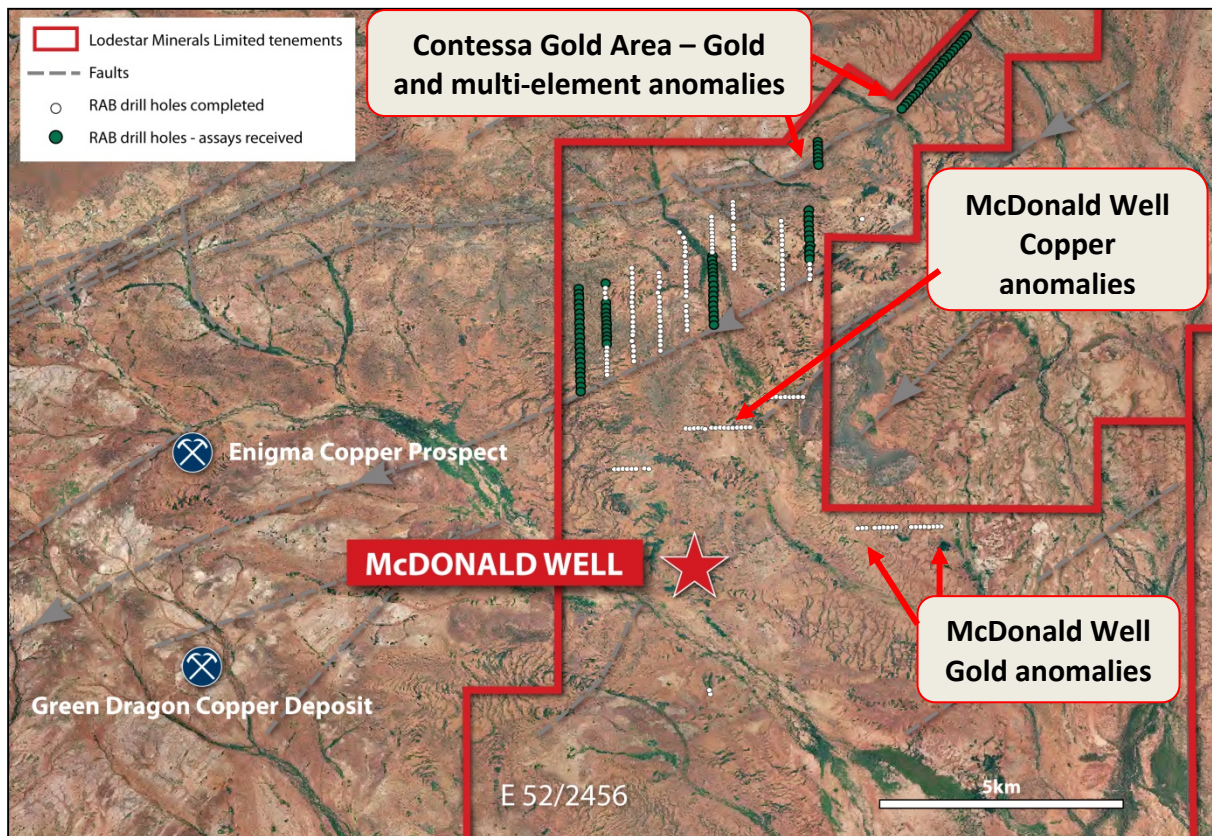


Figure 2 Drill hole locations and lag geochemistry target areas-E52/2456

The primary aim of the drilling program is to test the Yerrida sedimentary sequence for sediment-hosted copper mineralisation. Surface gold anomalies identified in the northern and southern areas of E52/2456 represent important secondary targets.

Regional drilling is widely spaced and represents a reconnaissance style program intended to test surface anomalies at depth, but generally above the base of weathering. Experience elsewhere in the district suggests that this method of drilling is unlikely to intersect primary mineralisation.

Contessa Gold Area

Two lines of wide-spaced (100m) drilling were completed in the Contessa Gold Area (32 holes for 1468m). The drilling program represents a first-pass, single line test of surface geochemical multi-element anomalies. Assay results received after the end of the quarter confirm gold anomalies to 300ppb Au in several drill holes (see Lodestar’s ASX announcement of 16th January 2012). The significance of these anomalies is enhanced by

- Position adjacent to the granite-sediment contact, a major ENE structural zone intersected by a NW-trending cross-fault (influential in localising mineralisation at Dampier Gold’s Trident gold deposit)

- The presence of gold anomalies within mafic-ultramafic rocks, suggesting repetition of greenstone units (potential analogues of the Plutonic Well greenstone that hosts numerous gold deposits to the north of E52/2456) along the contact between Yerrida sediments and the Marymia Granite
- A multi-element association of Ag, Mo, Bi and W commonly associated with orogenic gold deposits

The results of a 555 sample soil and rock chip sampling program in the Contessa area have confirmed scattered gold and multi-element anomalies over two kilometres along the granite-sediment contact and also extended the Contessa Bi-Mo-Ag anomaly 800m to the west of the outcropping veins.

A second phase of RAB/aircore drilling is now planned to target the granite – sediment contact systematically over a three kilometre strike length (Figure 3) and will also test the Contessa Bi-Mo-Ag vein system with RC drilling.

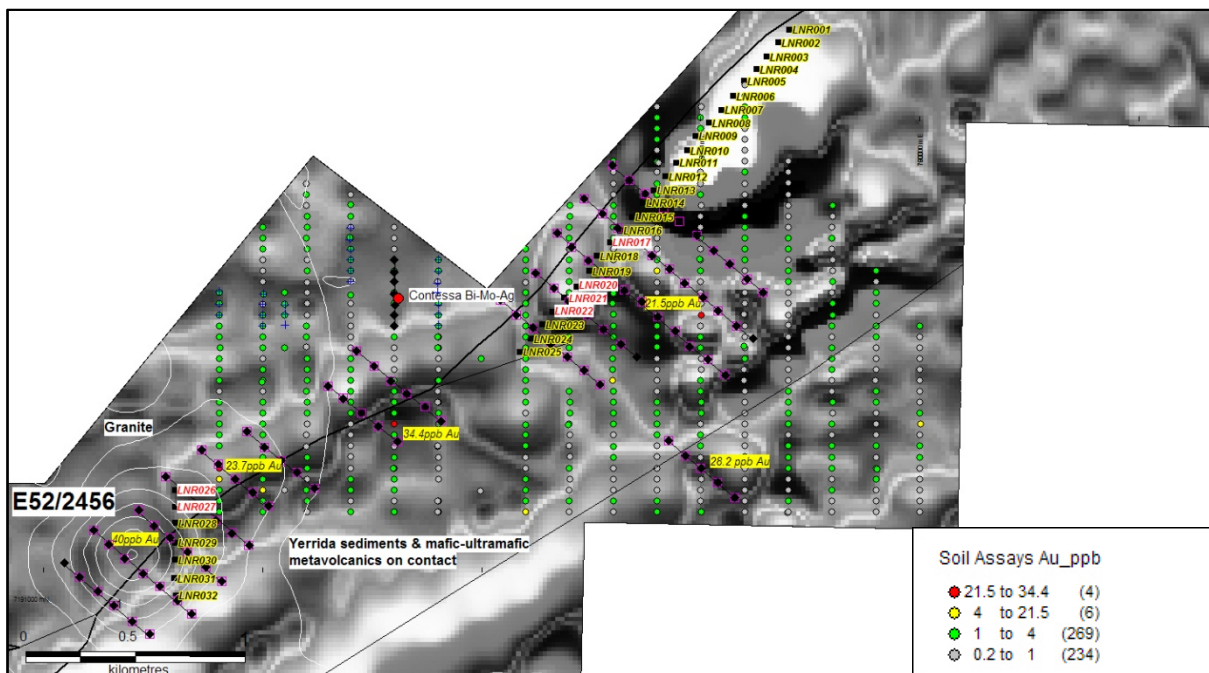


Figure 3 Drill hole locations and soil results - Contessa Gold Area

McDonald Well Area

A further 230 holes for 12,120m have been completed in the McDonald Well area, results for 61 of these holes were received and reported mid-January (see Lodestar’s ASX announcement dated 19th January 2012).

Initial assay results reported copper anomalies greater than 300ppm (to a maximum 1200ppm) developed in the regolith and lower saprolite (above fresh rock) on the western margin of the tenement. The results of the drilling program are incomplete and interpretation of the results will proceed as data is received. Drilling in this area was partly restricted by silcrete (a cemented, siliceous layer difficult to penetrate with RAB and aircore drilling) developed near surface and further drilling is planned to test the area effectively.

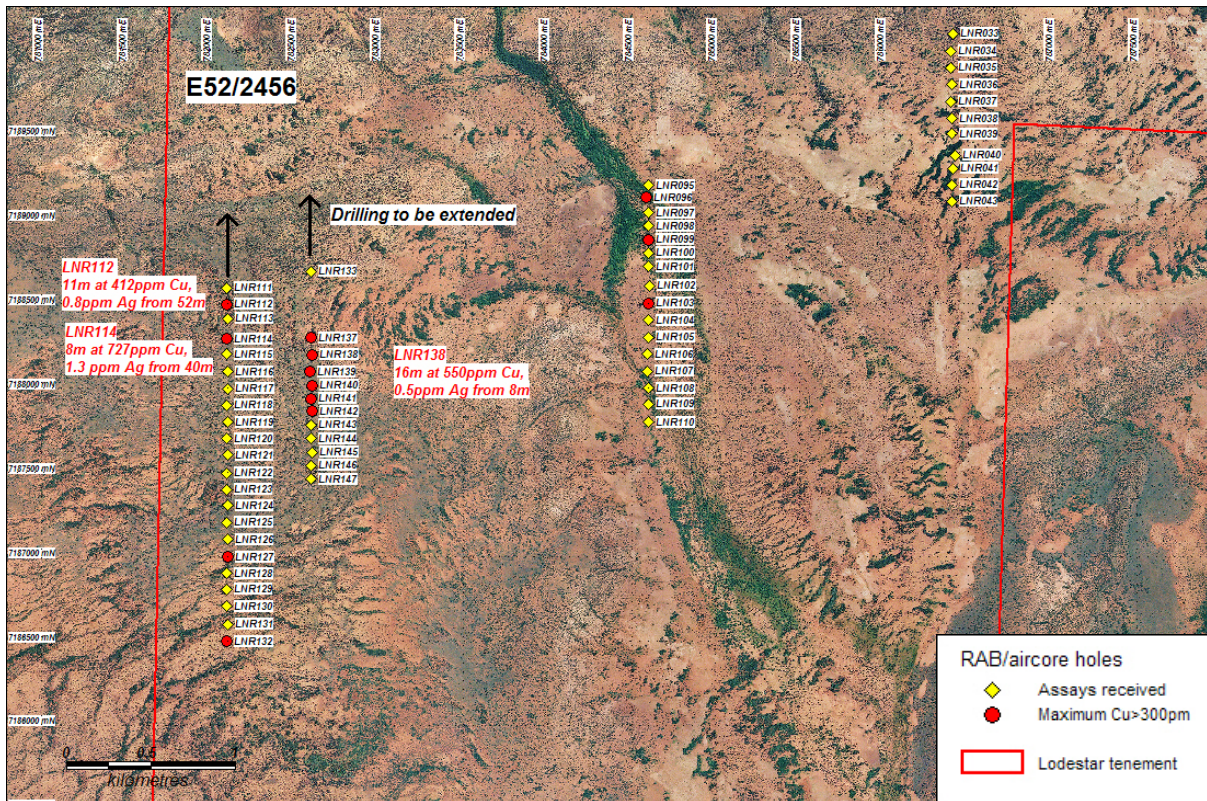


Figure 4 Anomalous copper in drilling >300ppm Cu, McDonald Well area

Marymia (E52/2492, E52/2493, E52/2544, E52/2558 & E69/2662)

The Marymia tenements include the north eastern extension of the Marymia Inlier and overlying Proterozoic sediments. The sediments form a basin 100 square kilometres in area truncated by the Jenkin Fault on the south east margin.

A VTEM electromagnetic survey and regional geochemistry have been completed over E52/2492 and E52/2544. The VTEM survey identified two discrete late-time conductors on the south western margin of the basin (the Transformer prospect). A program RC and RAB drilling completed in September tested modelled VTEM targets and the surrounding area.

Assay results were received for the drilling program in the Transformer area, two holes reported intersections of interest:

- LMR021 – 5m @ 1.52g/t Ag, 226ppm As, 1678ppm Pb from 34 to 39m (total depth - 39m)**
- LMR022 - 2m @ 2.07g/t Ag, 894 ppm Pb from 44m to 46m (total depth – 46m)**

Both intersections occur at the end of hole and near the contact between black shale and underlying chert. Although the intersections are sub-ore grade, they confirm that high background levels of metals are present within the basin sequence and indicate the high potential for economic mineralisation in areas where the flow of mineralised fluids may be concentrated.

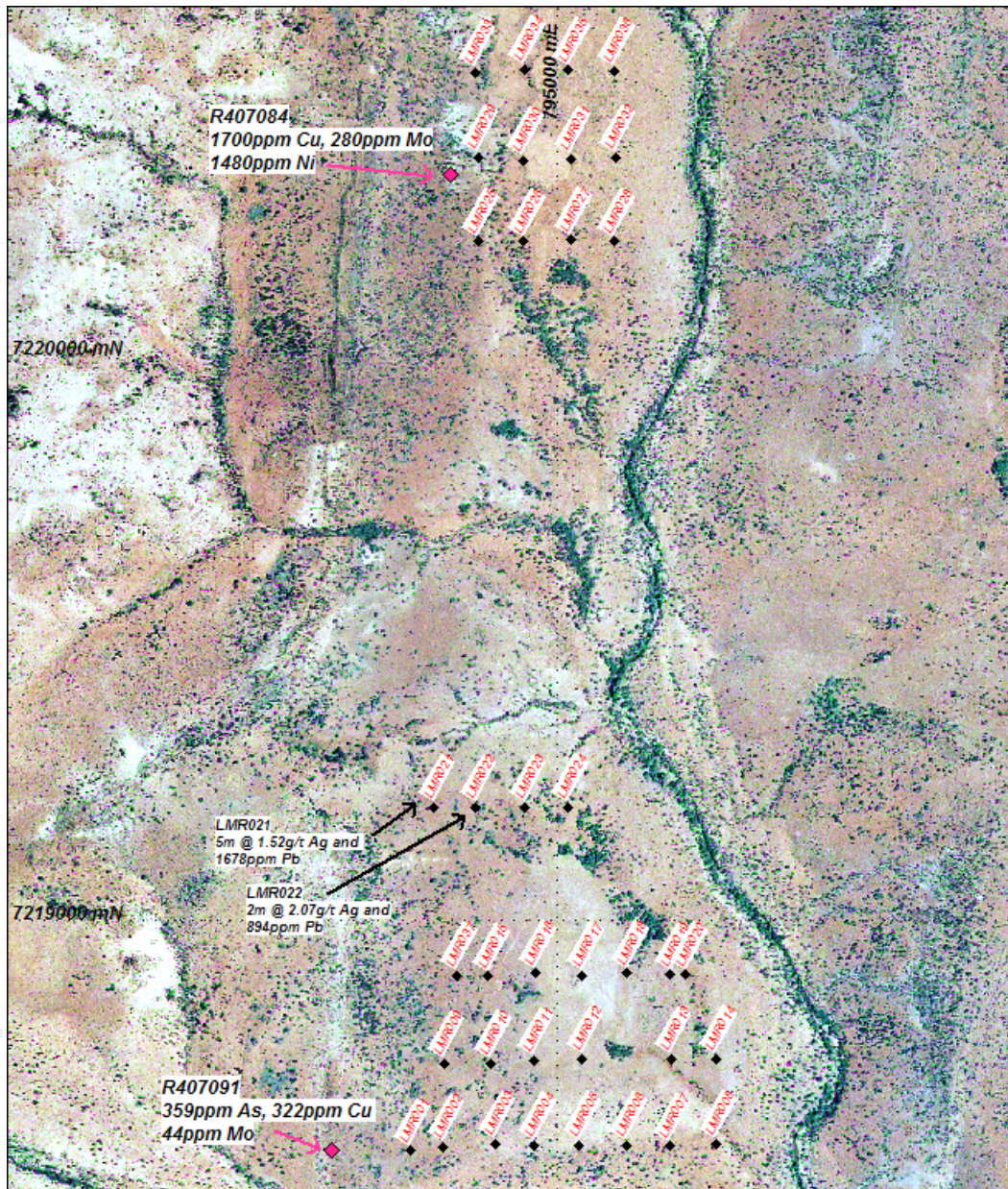


Figure 5 Transformer drilling - significant results (magenta diamonds = rock chip sample)

Table 1 Drill Hole Collar Location

Drill Hole	EastMGA	NorthMGA	Dip	Azimuth	Total Depth
LMR021	794782	7219201	-60	270	39m
LMR022	794856	7219201	-60	270	46m

Kimberley Project

Lodestar has a farm-out agreement with Pindan Exploration Company (PEC) – a wholly-owned subsidiary of Panoramic Resources Pty Ltd (ASX: PAN), over the Kimberley project tenements. The area is prospective for magmatic Ni-Cu-PGE mineralisation and the tenements contain several gossans identified in historic exploration reports. PEC completed regional detailed gravity and VTEM surveys over a large area of the East Kimberley region surrounding the Savannah nickel mine. No work was completed during the quarter.

Penfold Project (Nickel)

No Activity. Lodestar has offered the project for joint venture or sale.

Contact:

Company

Bill Clayton
 Managing Director
 Lodestar Minerals Ltd
 Tel: +61 8 9423 3200

Media

Colin Hay
 Professional Public Relations
 Tel: +61 9388 0944

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

About Lodestar Minerals:

Lodestar Minerals Limited is a Perth-based explorer with projects in the Kimberley, Peak Hill and Kalgoorlie regions. Lodestar acquired the Peak Hill-Doolgunna project in March 2010. The Peak Hill-Doolgunna project forms the core of Lodestar's project portfolio and represents a strategic landholding of 2200 square kilometres covering 120 kilometres of the Jenkin Thrust Belt, a regional fault system that is adjacent to the recently discovered DeGrussa Cu-Au deposit. Lodestar believes the region has potential to host a number of styles of base metal deposit and is embarking on an aggressive exploration program to assess the potential of the under-explored north Murchison base metal province.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	5	23
1.2 Payments for		
(a) exploration and evaluation	(696)	(1,076)
(b) development	-	-
(c) production	-	-
(d) administration	(180)	(390)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(859)	(1,414)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(5)	(5)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(5)	(5)
1.13 Total operating and investing cash flows (carried forward)	(864)	(1,419)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(864)	(1,419)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,200	2,200
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(139)	(139)
	Net financing cash flows	2,061	2,061
	Net increase (decrease) in cash held	1,197	642
1.20	Cash at beginning of quarter/year to date	1,041	1,596-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,238	2,238

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	121
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. Also includes corporate and accounting services paid to a company associated with one of the directors.

Non-cash financing and investing activities

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	340
4.2 Development	-
4.3 Production	-
4.4 Administration	179
Total	519

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,238	1,041
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,238	1,041

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 *Ordinary securities **	116,489,477	116,489,477	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	27,500,000	27,500,000	8 cents	8 cents
7.5 *Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	7,000,000	7,000,000	<i>Exercise price</i> N/A	<i>Expiry date</i> N/A
7.8 Issued during quarter	1,000,000 750,000 750,000	1,000,000 750,000 750,000	15 cents 20 cents 30 cents	29 November 2016 29 November 2016 29 November 2016
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Cancelled during quarter	N/A	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Director

Date: 31 January 2012

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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