



ASX ANNOUNCEMENT

26 February 2015

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

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CAPITAL STRUCTURE

Shares on Issue:

324,546,386 (LSR)

Options on Issue:

20,750,000 (unlisted)

36,077,591 (listed - 31 Mar 2016)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:

Base metals, gold

DECEMBER 2014 INTERIM FINANCIAL REPORT

We attach the Interim Financial Report for Lodestar Minerals Limited for the six months ended 31 December 2014.

For and on behalf of the Board

David McArthur
Director and Company Secretary





LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

31 DECEMBER 2014

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COMPANY DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Ross Taylor
Non-executive Chairman

William Clayton
Managing Director

David McArthur
Executive Director and Company Secretary

REGISTERED & PRINCIPAL OFFICE:

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WA 6009

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BANKERS:

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
PERTH WA 6000

AUDITORS:

KPMG
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Perth WA 6000

SOLICITORS:

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

WEBSITE AND EMAIL:

www.lodestarminerals.com.au
info@lodestarminerals.com.au

SECURITIES EXCHANGE:

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

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

DIRECTORS' REPORT

The directors present their report together with the financial report for the six months ended 31 December 2014 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of Directorship
Executive	
William Clayton	Director since 2007
David McArthur	Director since 2007
Non-executive	
Ross Taylor	Director since 30 June 2014

PRINCIPAL ACTIVITIES

The principal activity of the Group during the interim period was gold and base metal exploration and evaluation.

RESULTS

The net loss of the Group for the interim period after income tax expense was \$1,051,622 (2013 loss: \$720,821).

DIVIDENDS

No dividend was paid during the interim period and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

Exploration

Exploration completed by Lodestar indicates that the Contessa prospect, on Lodestar's Ned's Creek project (Figures 1 and 2) forms part of a large gold mineralising system that can be traced along the margins of a granite stock for 5 kilometres. Continued exploration of this zone remains a high priority, with the objective of locating a primary gold resource at Contessa and extending first-pass exploration drilling along strike to test the entire Contessa trend.

Several phases of aircore and RAB drilling were completed at Contessa in 2014, testing the strike extent of the prospective, northeast-trending Contessa litho-structural corridor and targeting bedrock mineralisation beneath gold anomalies defined by shallow RAB drilling. The first RC drilling was completed at the Contessa main prospect, testing beneath significant saprolite gold mineralisation intersected in earlier aircore drilling. The RC drilling intersected narrow zones of primary gold mineralisation associated with disseminated pyrite and alteration minerals that are commonly associated with Archaean greenstone-hosted gold deposits. The drilling results suggest that only a small area of the geological sequence prospective for lode-style gold mineralisation has been tested to date.

REVIEW OF OPERATIONS (continued)

Exploration (continued)

In-fill geochemical sampling for gold was completed on the Marymia tenement E52/2493. Additional in-fill surface lag sampling was completed over areas in the north of the tenement that are interpreted extensions of the adjacent, mineralised Archaean Plutonic Well and Baumgarten greenstone terranes. Anomalous values of gold, copper and pathfinder elements were reported from the programme and follow up field mapping and sampling is required.

Metres drilled – 11,415

Samples Analysed – 2,947

Surface samples collected - 173

Surface samples analysed - 173

Other Activities

- Lodestar completed a capital raising in September 2014 to fund on-going exploration on the Ned's Creek project. \$275,100 was raised in a placement to sophisticated investors at 1.3 cents per share and a further \$1,054,000 was raised in a rights issue, also at 1.3 cents per share.
- Applications for tenements that lie within highly prospective, mineralised Proterozoic terranes on the northern margin of the Yilgarn Craton are awaiting grant, subject to reaching a satisfactory heritage agreement with the native title claimants or custodians.
 - **Imbin – (Au, Cu)**
 - **Camel Hills – (Au)**
 - **Applications for tenements in the Fraser Range were decided by ballot and were unsuccessful.**

Introduction

Lodestar's Peak Hill – Doolgunna project tenements extend for 30 kilometres along the northern margin of the Yerrida Basin (Figure 1). The margin represents a major terrane boundary within the Doolgunna district that is prospective for VMS-related and sediment-hosted base metal deposits and orogenic gold. Historic and recent copper discoveries at Thaduna, DeGrussa and Enigma lie adjacent to this margin, reflecting distinct mineralising events within a prospective north east trending volcanosedimentary sequence that continues into Lodestar's Ned's Creek tenements. The sediments of the basin margin share important characteristics with documented sedimentary sequences in major Proterozoic sediment-hosted copper provinces. The recent gold discovery at Contessa is believed to occur within a strongly deformed and poorly exposed sequence of Archaean rocks that are the basement to the Yerrida Basin sediments.

Exploration drilling at Ned's Creek throughout the latter half of 2014 targeted extensions to the sequence that hosts the Contessa gold discovery over a distance of 8.4 kilometres.

The successful programme of aircore drilling carried out at Contessa in 2013 was followed by deeper RC drilling in the main prospect area; five RC holes were drilled to a nominal depth of 200m below the main intersections of supergene gold mineralisation. The RC drilling was testing the potential for lode-style gold mineralisation (vein-hosted) as a source of the supergene gold. Two additional RC drill holes testing base metal targets were completed at Ned's Creek.

REVIEW OF OPERATIONS (continued)

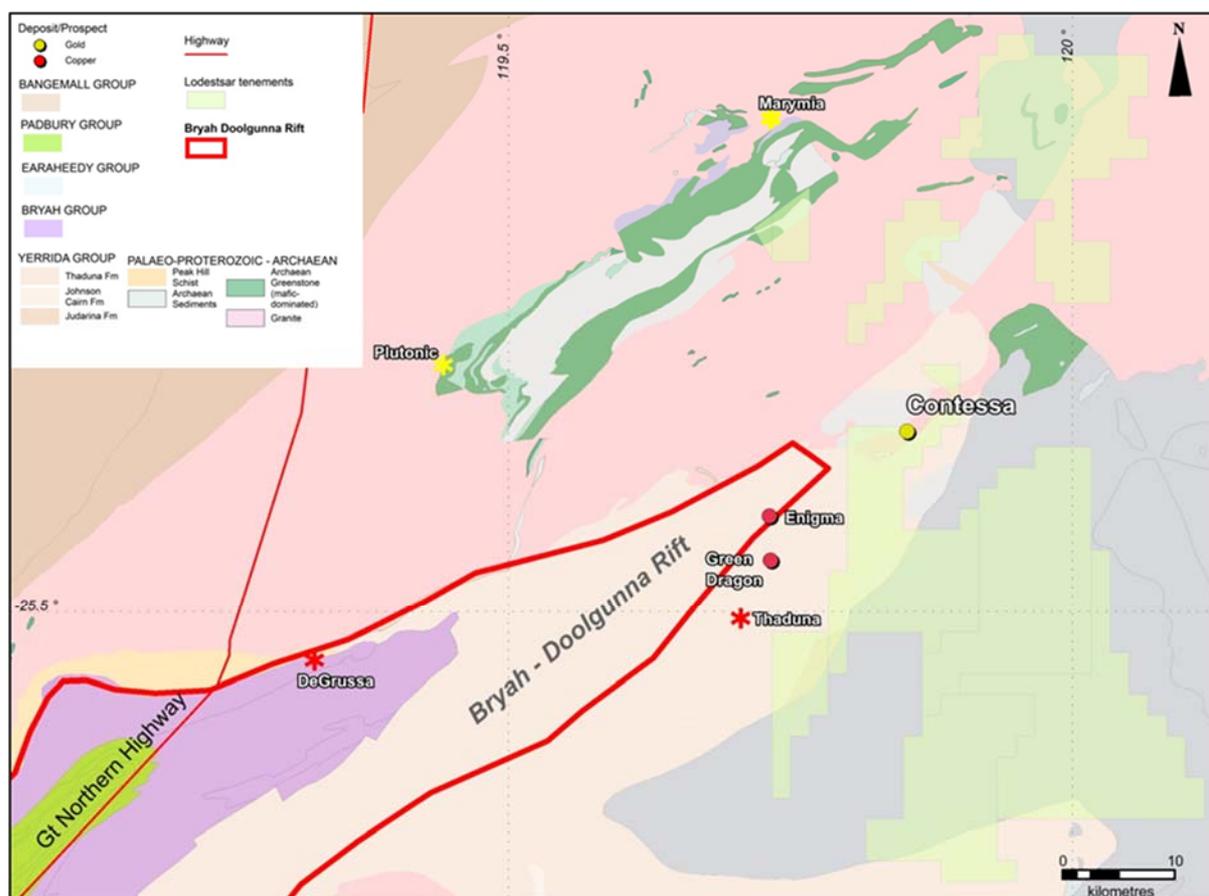


Figure 1 Lodestar's Ned's Creek Project tenements

Ned's Creek Project

The project is located 150 kilometres north east of Meekatharra in the northern Murchison district. The project spans a distance of 30 kilometres in an east north easterly direction, along the northern margin of the Yerrida Basin. The tenements flank the Jenkin Fault zone, a regional deformation zone that marks the northern boundary of the Bryah – Yerrida volcanosedimentary succession against crystalline basement. This zone is a major tectonic boundary and site of crustal weakness that influenced basin architecture and these first-order structures play an important role in the development of the large hydrothermal mineralising systems recognised in major Proterozoic base metal provinces and Archaean gold terranes of the Eastern Goldfields Province.

Lodestar's Ned's Creek project comprises 8 tenements, having a combined area of 810 square kilometres.

Following the RC drilling at Contessa (completed in November 2014) and receipt of all analytical data, Lodestar engaged consultant Dr Walter Witt to review the drilling programme. RC drilling at Contessa intersected sulphide - associated gold mineralisation up to 6g/t Au over narrow intervals within fresh rock. The composition and extent of the host unit, in addition to the presence of quartz-hosted gold specimens recovered during surface prospecting strongly suggested the potential for lode-style (vein-hosted) mineralisation in the Contessa region.

To date extensive supergene gold and more restricted occurrences of pyrite associated gold have been identified, but the main target is likely to be lode-style gold within a favourable structural position. Dr Witt was engaged to interpret the structural and geological setting of the Contessa gold discovery and identify targets that have potential to host the primary gold mineralisation being sought. Dr Witt's report identified five targets with potential to host major gold mineralisation. Lodestar is currently evaluating options for funding an exploration programme to test these targets; a farm-out/JV agreement with a well-funded and technically proficient partner under satisfactory terms is the favoured method to advance the project at this time.

REVIEW OF OPERATIONS (continued)

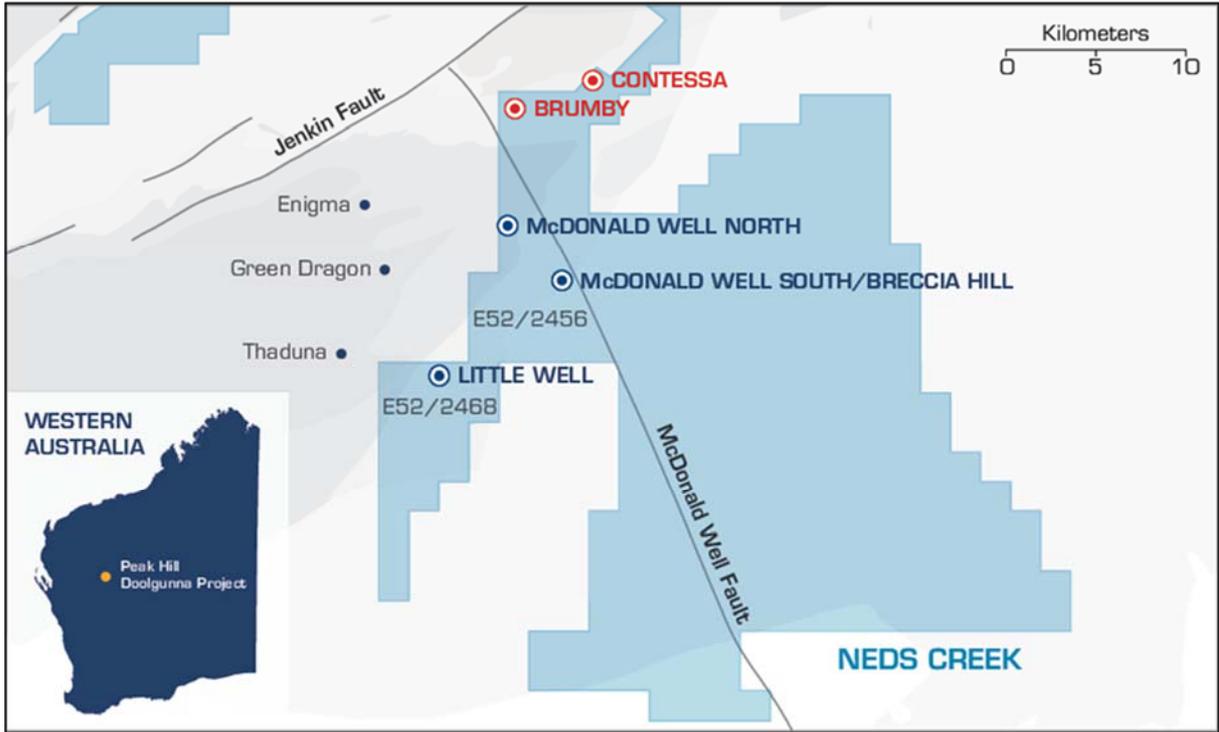


Figure 2 Ned's Creek project, showing prospect locations (red=gold, blue=copper)

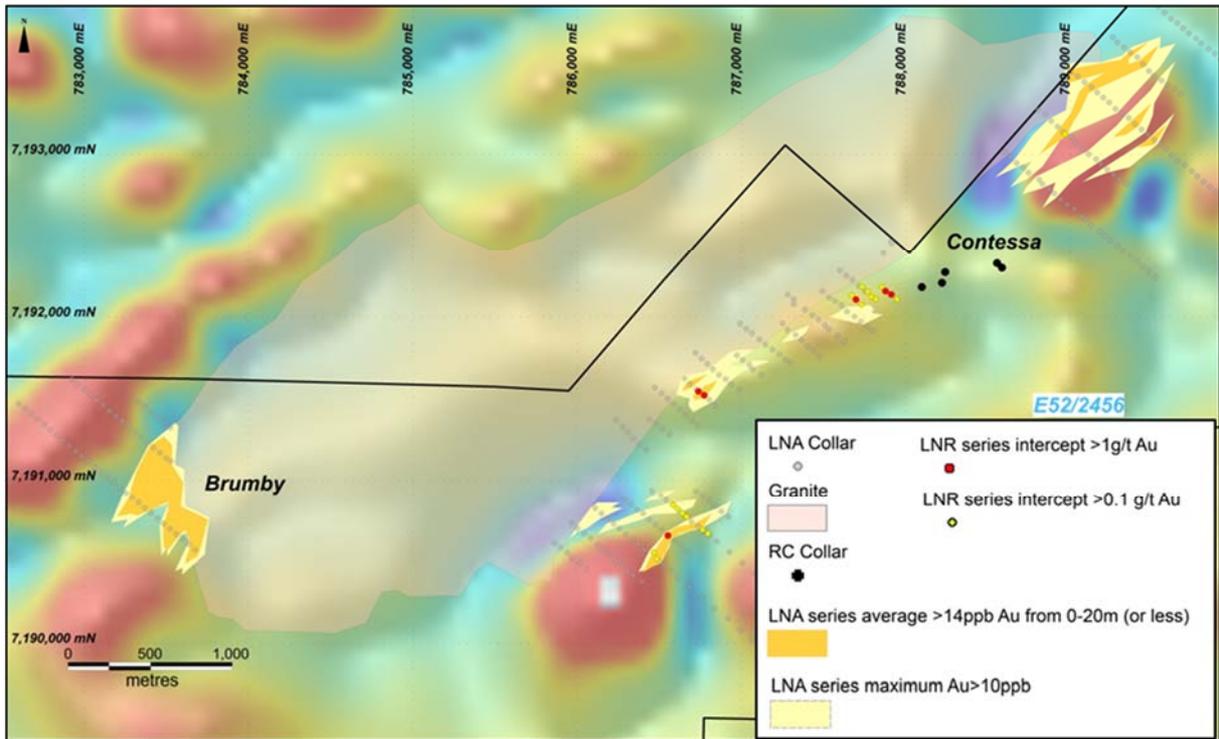


Figure 3 Results for aircore and RAB geochemical drilling at Contessa and Brumby (background aeromagnetic image, 1VDRTP)

REVIEW OF OPERATIONS (continued)

Marymia

The Marymia tenements (E52/2492, E52/2493 and E52/2734) have been granted combined reporting status with the Ned's Creek tenement group (C212/2010) and they are now included in the Ned's Creek project for reporting purposes. An additional 130 lag samples were collected to in-fill anomalies reported from regional, 500m by 500m spaced sampling completed in 2013. The sampling in-filled the grid to 250m x 500m. Results of the sampling supported the earlier broadly defined anomalies, with samples reporting maxima up to 45.5ppb gold, 296ppm Cu and 103ppm As (Figures 3 to 7).

The sampling programme has confirmed the need for continuing detailed ground evaluation in this area

- Low-level gold anomalies in a predominantly depositional regolith environment require follow up sampling, prospecting and geological mapping to identify bed rock lithologies and improve the definition of the anomalies.
- The interpreted extension to the Baumgarten greenstone terrain in the eastern part of the sampled area displays co-incident gold-copper-arsenic anomalies, characteristic of mineralisation within the surrounding greenstone terranes. This area also appears to be transected by a series of northwest trending structures that may be important in localising mineralisation.
- Contiguous regions of relatively elevated bismuth occur over areas of colluvial cover, in one area strongly elevated silver is reported in association with bismuth. These values are unexpected and follow up sampling is required.

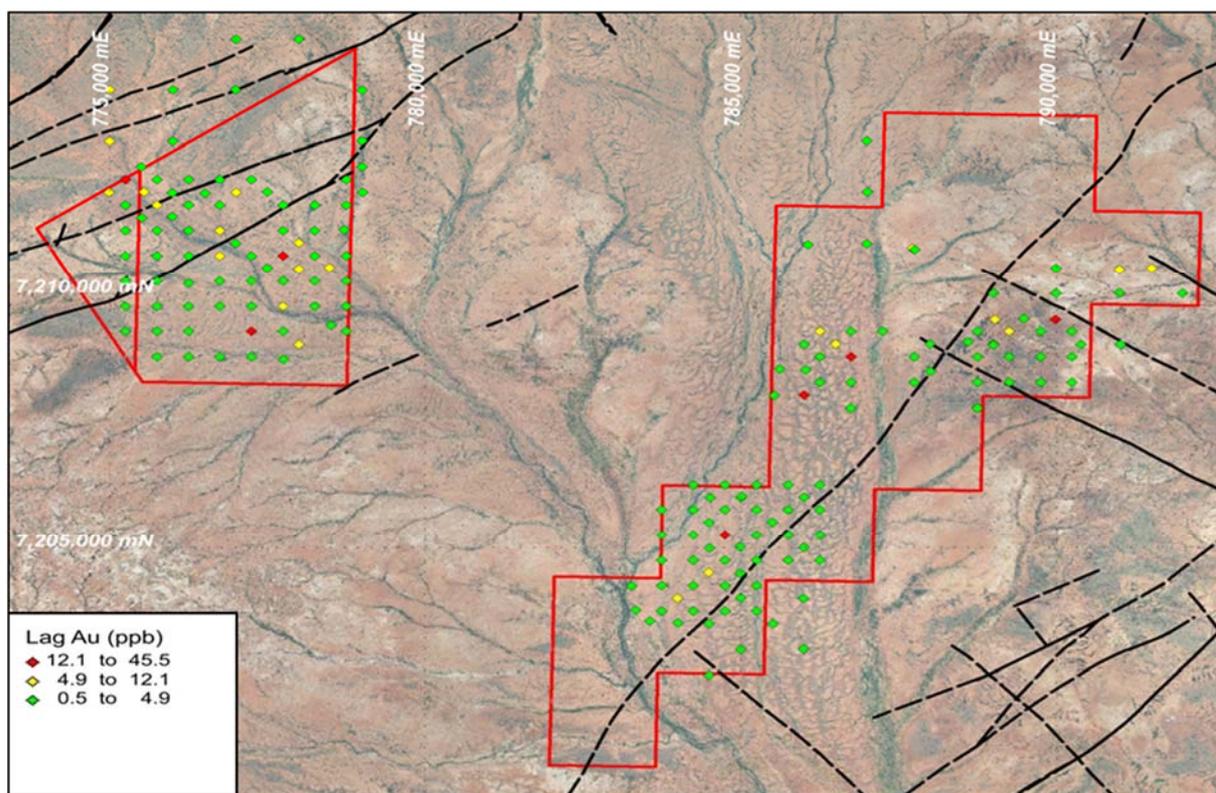


Figure 4 Geochemical lag sampling E52/2493 gold results (MGA94 Zone 50)

REVIEW OF OPERATIONS (continued)

Marymia (continued)

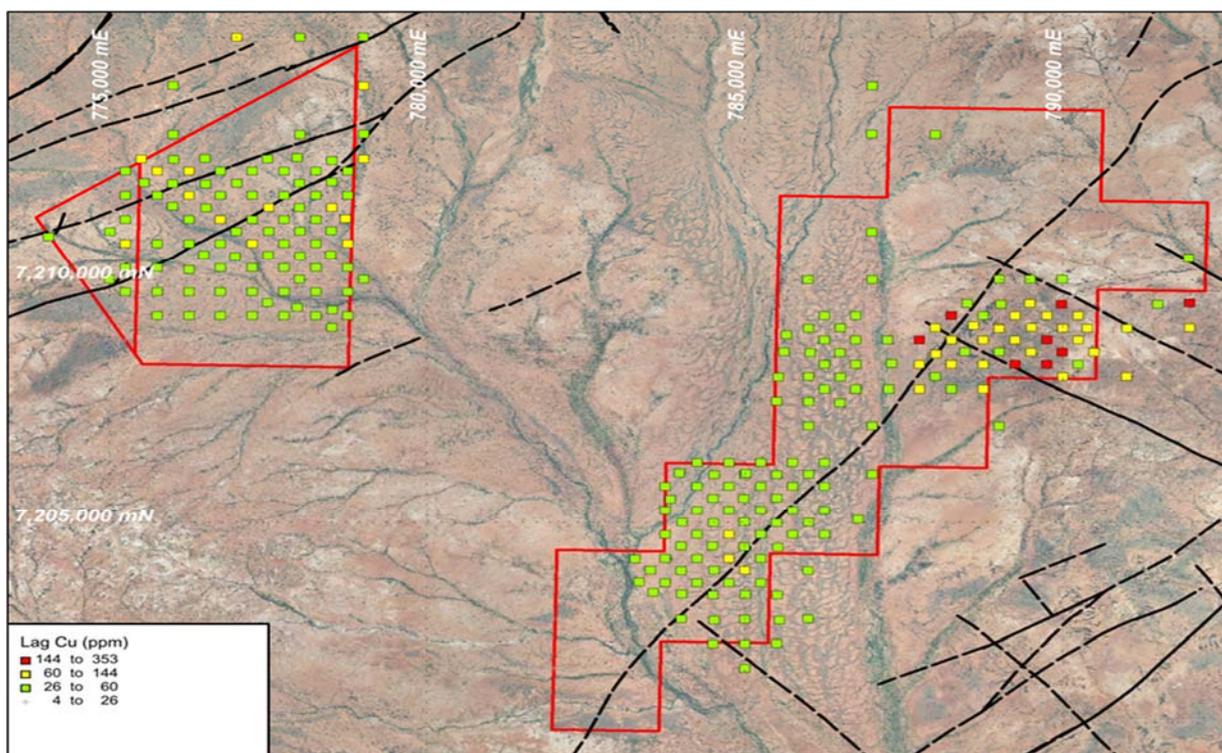


Figure 5 Geochemical lag sampling E52/2493 copper results (MGA94 Zone 50)

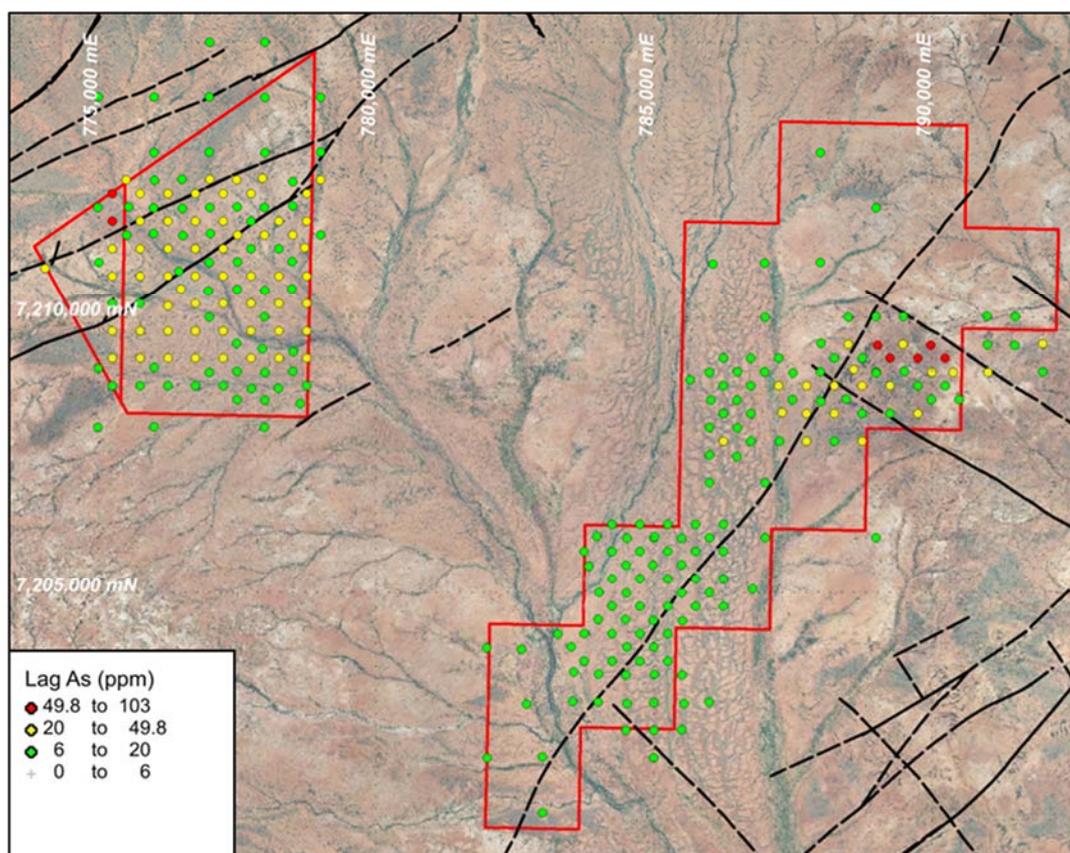


Figure 6 Geochemical lag sampling E52/2493 Arsenic results (gold pathfinder) (MGA94 Zone 50)

REVIEW OF OPERATIONS (continued)

Marymia (continued)

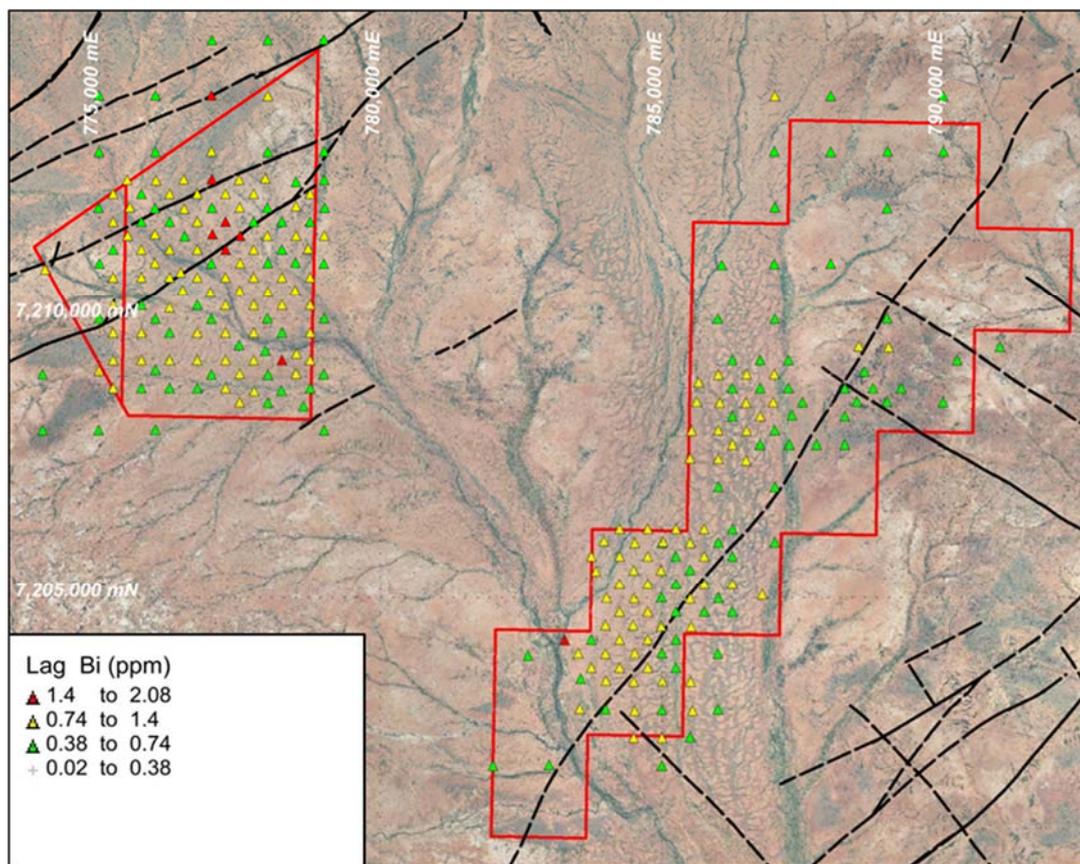


Figure 7 Geochemical lag sampling E52/2493 Bismuth results (chalcophile or pathfinder element) (MGA94 Zone 50)

Tenement Applications

Applications have been submitted for exploration licences at Imbin and Camel Hills, both areas of high mineral potential (Figure 10).

Imbin

The Imbin region is located 260 kilometres northeast of Wiluna. Recent dating of the Frere Iron Formation (Earaheedy Basin) in this region gave ages similar to those expected for the upper Bryah Basin, implying that the rocks stratigraphically below the Frere may be Bryah Basin age equivalents. The Bryah Basin hosts a number of significant copper and gold deposits, including the DeGrussa discovery of Sandfire Resources NL, and equivalent age rocks along the northern margin of the Yilgarn Craton may have similar prospectivity.

Imbin has been subject to sporadic exploration dating back to 1990. Exploration completed by Sons of Gwalia, Aztec, Stockdale, Mount Isa Mines (MIM) and most recently Empire Resources, has targeted sediment-hosted base metal (Cu-Pb-Zn-Au), diamonds, shear-hosted epigenetic gold, shale-hosted Au-PGM and IOCG (Cu-U-Au) deposits.

Six applications cover approximately 70 kilometres of strike of a belt of deformed sedimentary and mafic intrusive rocks (the Imbin Schists) that are partly exposed to the north of the Earahedy Basin.

Historic exploration has identified a number of gossanous ironstones developed in pyritic carbonaceous shale, dolomitic siltstone and pyritic chert. The gossans are associated with steeply dipping shear zones and where drilled, display silica-sericite-carbonate-sulphide alteration. The most intensive work has been completed around the Main Gossan (Figure 8) which is anomalous in Au, As, Cu, Ag and Pt. Wide spaced diamond drilling of the gossan completed by Aztec intersected disseminated and massive sulphide mineralisation anomalous in copper and gold.

REVIEW OF OPERATIONS (continued)

Tenement Applications

Imbin (continued)

Follow-up drilling has generally been shallow, of limited extent and has not systematically tested geochemical anomalies or potential extensions to mineralisation.

Collectively, the prospects identified at Imbin are evidence of a large mineralised zone related to a major northwest trending deformation zone and extend over at least 19 kilometres. Lodestar will complete a review of all historic data to confirm exploration targets.

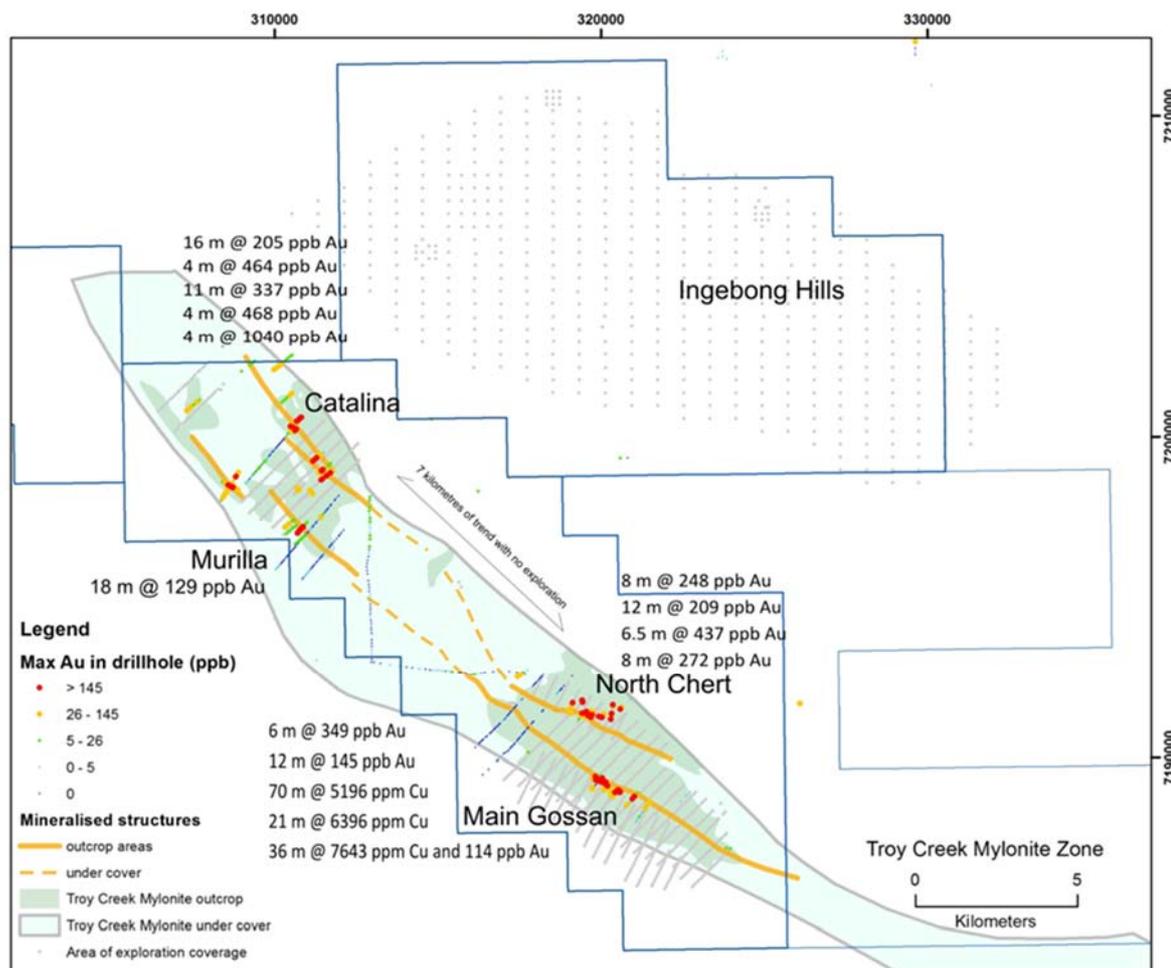


Figure 8 Significant exploration drill results reported from Imbin

Camel Hills

Lodestar applied for three exploration licences over 50 kilometres of strike along the Earabiddy Shear Zone, a major crustal suture that divides the northern Yilgarn Craton (Narryer greenstone/gneiss terrane) and the Palaeoproterozoic Glenburgh Terrane. The Glenburgh Terrane is comprised of high grade metamorphic rocks that are prospective for gold (the Glenburgh gold project (1Moz Au) is located 60 kilometres northwest of the Camel Hills tenements). There has been little systematic exploration for gold within the Earabiddy Shear Zone; regional sampling has identified an 18 kilometre long low-level gold anomaly overlying the Earabiddy Shear Zone at Camel Hills. Within the area applied for by Lodestar, historic prospect sampling has reported visible gold in stream sediment sampling and a first-pass RC drilling programme over a strike of 1200 metres reported significant thicknesses of highly anomalous gold >100ppb Au. Lodestar believes that the exploration to date has not explained the reports of widespread visible gold or the surface gold geochemical anomalies and is engaging with the native title claimants to expedite the grant of these tenements (Figure 9).

REVIEW OF OPERATIONS (continued)

Tenement Applications

Camel Hills (continued)

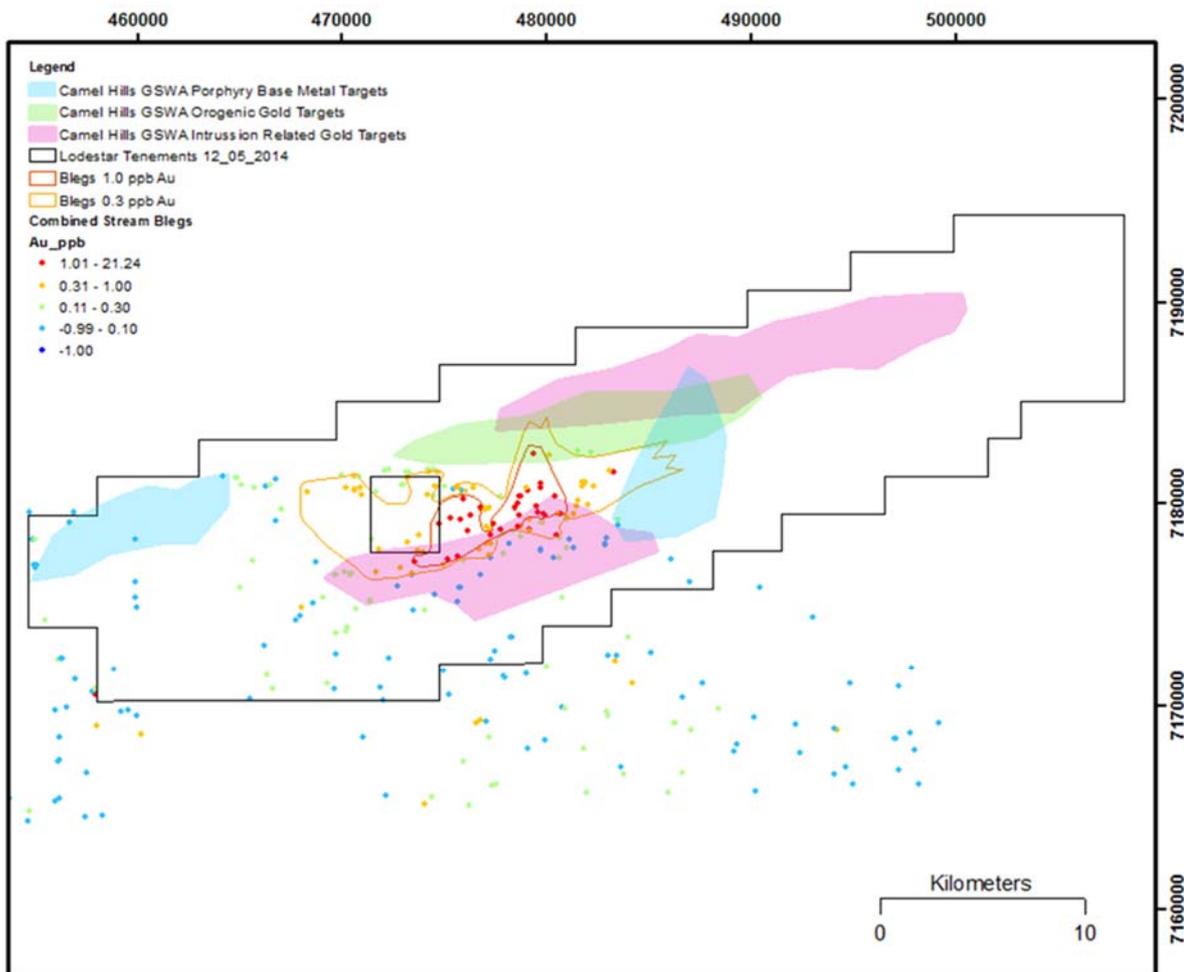


Figure 9 Location plan – Camel Hills tenement applications showing predictive gold targets (based on GSWA analysis,) and gold anomalism in surface sampling (MGA94 Zone 50).

REVIEW OF OPERATIONS (continued)

Tenement Applications (continued)

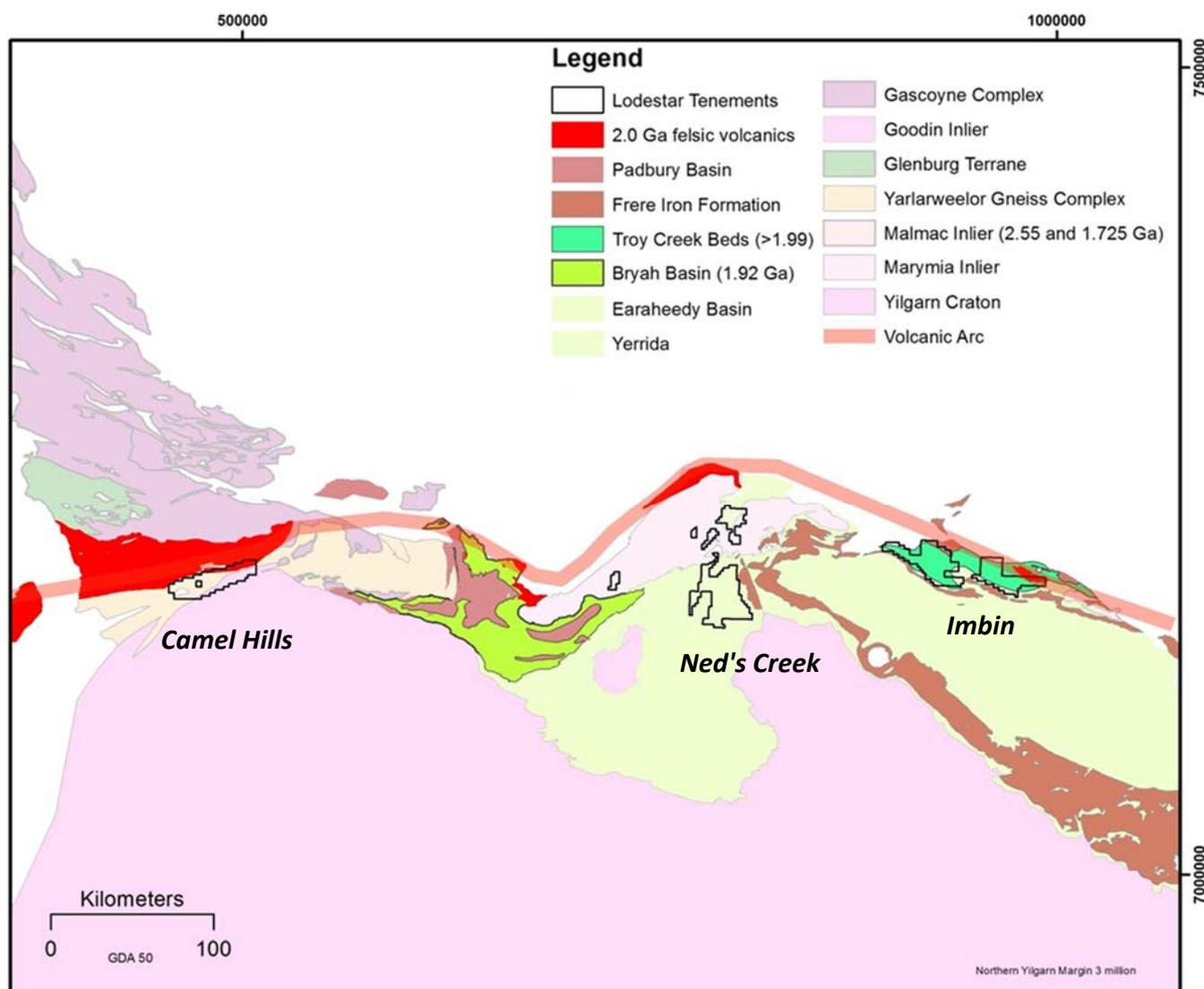


Figure 10 Location Plan showing Lodestar's project tenements

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 announcements dated 17th July 2014 "Lodestar Corporate Presentation – July 2014"; 19th September 2014 "Annual Report for year ended 30 June 2014"; 29th December 2014 "RC Drilling Intersects Significant Gold in Alteration Zone" and 30th January 2015 "December 2014 Quarterly Activities and Cash Flow Report". The Company confirms that it is not aware of any new information or data that materially affects the information included in the original Company 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.

DIRECTORS' REMUNERATION

(a) Executive directors and non-executive director

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 difficult financial climate and market conditions, the Board implemented the following reductions in remuneration effective from 1 December 2013:

- Bill Clayton's executive remuneration was reduced from \$230,000 p.a. inclusive of superannuation to \$130,000 p.a. inclusive of superannuation
- David McArthur's total remuneration was reduced from \$81,500 p.a. plus superannuation to \$60,000 p.a. plus superannuation. 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).
- Remuneration for the non-executive Chair was reduced from \$38,500 p.a. plus superannuation to \$20,000 p.a. plus superannuation.

Effective from 19 September 2014, the Board implemented the following increases in remuneration:

- Bill Clayton's executive remuneration was increased from \$130,000 p.a. inclusive of superannuation to \$164,250 p.a. inclusive of superannuation.
- David McArthur's total remuneration was increased from \$60,000 p.a. plus superannuation to \$70,000 p.a. plus superannuation. This comprises payment of \$30,000 p.a. plus superannuation for directors' fees (previously \$20,000 plus superannuation) and \$40,000 plus superannuation for management fees for his role as Company Secretary.
- Ross Taylor's remuneration as non-executive Chair was increased from \$20,000 p.a. plus superannuation to \$40,000.

Ross Taylor's non-executive chair fees were further increased to \$50,000 p.a. plus superannuation with effect from 17 October 2014.

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

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

DIRECTORS' REMUNERATION (continued)

(b) Equity instruments

Analysis of movements in options

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

	Granted in year
	\$
	(A)
Executive	
Bill Clayton	65,781
David McArthur	37,500
Non-executive	
Ross Taylor	37,500

Notes in relation to the table on analysis of movements in options

(A) The value of options granted in the interim period is the fair value of the options calculated at grant date using the Black-Scholes option-pricing model.

No options were exercised or cancelled during the interim period held by key management personnel.

DIRECTORS' REMUNERATION (continued)

(b) Equity instruments (continued)

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period are as follows:

	Number of options granted during 2014	Grant date	Fair value per option at grant date cents	% vested in year (A)	% forfeited in year (B)	Date on which grant vests	Exercise Price per option cents	Expiry date	Number of options vested during 2014
Executive directors									
Bill Clayton	5,000,000	25-Nov-14	1.25	100	-	25-Nov-14	5.0	16-Dec-17	5,000,000
David McArthur	3,000,000	25-Nov-14	1.25	100	-	25-Nov-14	5.0	16-Dec-17	3,000,000
Non-executive directors									
Ross Taylor	3,000,000	25-Nov-14	1.25	100	-	25-Nov-14	5.0	16-Dec-17	3,000,000

(A) The percentage vested in the year represents the number of options that become unconditional due to the recipient satisfying specified vesting conditions;

(B) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to performance criteria not being achieved.

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 S250G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over ordinary shares
Bill Clayton	2,886,667	7,740,556
David McArthur	12,000,000	4,000,000
Ross Taylor	50,350,001	11,266,453

SHARE OPTIONS

Options granted to directors of the company

During the reporting period, the Company granted options for no consideration over unissued ordinary shares in the Company to the directors as part of their remuneration (refer Directors Remuneration note (b)).

The options were provided at no cost to the recipients.

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
31-Mar-2016	3	36,079,263
29-Nov-2016	15	1,000,000
29-Nov-2016	20	750,000
29-Nov-2016	30	750,000
08-May-2017	15	1,000,000
08-May-2017	20	750,000
08-May-2017	30	500,000
16-Dec-2017	5	16,000,000
		56,829,263

All unissued shares are ordinary shares of the Company.

All options expire on their expiry date.

These options do not entitle the holder to participate in any share issue of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Lodestar Minerals Limited support and have adhered, where appropriate, to the principles of good corporate governance. The Group's corporate governance statement is contained within the 30 June 2014 Annual Report and on the Company's web site.

SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the next page and forms part of the directors' report, for the six months ended 31 December 2014.

Dated at Perth this 26 day of February 2015.

Signed in accordance with a resolution of the directors.



WILLIAM F CLAYTON
Director



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 review for the half-year ended 31 December 2014 there have been:

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

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a horizontal line extending to the right.

R Gambitta
Partner

Perth

26 February 2015

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	31 December 2014 \$	30 June 2014 \$
Assets			
Cash and cash equivalents		595,113	226,373
Other receivables		569	129
Prepayments		26,986	5,563
Total current assets		622,668	232,065
Trade and other receivables		21,800	59,800
Property, plant and equipment		35,812	43,037
Capitalised exploration and evaluation expenditure		945,600	987,279
Total non-current assets		1,003,212	1,090,116
Total assets		1,625,880	1,322,181
Liabilities			
Trade and other payables		29,184	69,667
Employee benefits		63,974	45,462
Total current liabilities		93,158	115,129
Employee benefits		21,682	15,501
Total non-current liabilities		21,682	15,501
Total liabilities		114,840	130,630
Net assets		1,511,040	1,191,551
Equity			
Share capital		20,479,709	19,271,006
Reserves		440,276	277,868
Retained losses		(19,408,945)	(18,357,323)
Total equity attributable to equity holders of the Company		1,511,040	1,191,551

The condensed notes on pages 23 to 29 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Note	31 December 2014 \$	31 December 2013 Restated ⁽¹⁾ \$
Continuing operations			
Administrative expenses	7	(396,055)	(208,820)
Exploration expenditure written off ⁽¹⁾		(41,679)	(7,166)
Exploration expensed through profit or loss ⁽¹⁾	6	(511,326)	(375,940)
Other expenses	7	(106,384)	(146,114)
Results from operating activities		(1,055,444)	(738,040)
Finance income		3,822	17,219
Net finance income		3,822	17,219
Loss before income tax		(1,051,622)	(720,821)
Income tax expense		-	-
Loss from continuing operations		(1,051,622)	(720,821)
Loss for the period		(1,051,622)	(720,821)
Other comprehensive expense			
Items that will not be reclassified to profit or loss		-	-
<i>Total items that will not be reclassified to profit or loss</i>		-	-
Items that may be reclassified subsequently to profit or loss		-	-
<i>Total items that may be reclassified subsequently to profit or loss</i>		-	-
Other comprehensive loss for the period, net of income tax		-	-
Total comprehensive loss for the period		(1,051,622)	(720,821)
Loss attributable to owners of the Company		(1,051,622)	(720,821)
Total comprehensive loss attributable to owners		(1,051,622)	(720,821)
Loss per share			
Basic and diluted (cents per share)		(0.39)	(0.32)

⁽¹⁾ 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 (refer note 6).

The condensed notes on pages 23 to 29 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	Attributable to equity holders of the Company			
	Share capital	Equity-settled benefits reserve	Accumulated losses ⁽¹⁾	Total
	\$	\$	\$	\$
Balance at 1 July 2014	19,271,006	277,868	(18,357,323)	1,191,551
Total comprehensive loss for the period				
Loss for the period	-	-	(1,051,622)	(1,051,622)
Total other comprehensive loss	-	-	-	-
Total comprehensive loss for the period	-	-	(1,051,622)	(1,051,622)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of 102,292,942 fully paid ordinary shares at 1.3 cents	1,329,810	-	-	1,329,810
Issue of 18,557 fully paid ordinary shares converted from options at 3 cents each	557	-	-	557
Share based payment transactions	-	162,408	-	162,408
Capital raising costs	(121,664)	-	-	(121,664)
Total contributions by and distributions to owners	1,208,703	162,408	-	1,371,111
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	1,208,703	162,408	-	1,371,111
Balance at 31 December 2014	20,479,709	440,276	(19,408,945)	1,511,040

⁽¹⁾ 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 (refer note 6).

The condensed notes on pages 23 to 29 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Attributable to equity holders of the Company			
	Share capital \$	Equity-settled benefits reserve \$	Accumulated losses ⁽¹⁾ \$	Total \$
Balance at 1 July 2013, restated ⁽¹⁾	19,271,006	204,350	(16,663,339)	2,812,017
Total comprehensive loss for the period				
Loss for the period	-	-	(720,821)	(720,821)
Total other comprehensive loss	-	-	-	-
Total comprehensive loss for the period	-	-	(720,821)	(720,821)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Share-based payment transactions	-	63,609	-	63,609
Total contributions by and distributions to owners	-	63,609	-	63,609
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	-	63,609	-	63,609
Balance at 31 December 2013	19,271,006	267,959	(17,384,160)	2,154,805

⁽¹⁾ 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 (refer note 6).

The condensed notes on pages 23 to 29 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014**

	31 December 2014 \$	31 December 2013 Restated ⁽¹⁾ \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(307,876)	(370,826)
Interest received	3,382	-
Payments for exploration, evaluation and development	(519,868)	(407,470)
Net cash used in operating activities	(824,362)	(778,296)
Cash flows from investing activities		
Interest received	-	15,504
Acquisition of property, plant and equipment	-	(21,705)
Net cash used in investing activities	-	(6,201)
Cash flows from financing activities		
Proceeds from issue of shares	1,295,367	-
Capital raising costs	(102,265)	-
Net cash from financing activities	1,193,102	-
Net increase / (decrease) in cash and cash equivalents	368,740	(784,497)
Cash and cash equivalents at 1 July	226,373	1,609,218
Cash and cash equivalents at 31 December	595,113	824,721

⁽¹⁾ 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 (refer note 6).

The condensed notes on pages 23 to 29 are an integral part of these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is a for-profit company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2014 comprises the Company and its subsidiary (together referred to as the “Group”). The Group is primarily involved in the mineral exploration industry in Australia.

The consolidated financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company’s registered office at Level 2, 55 Carrington Street, Nedlands, Western Australia, 6009 and is available for review on the Company’s web site.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual consolidated financial report of the Group as at and for the year ended 30 June 2014 and any public announcements made by the Company during the interim period.

The condensed consolidated interim financial report was approved by the Board of Directors on 26 February 2015.

(b) Judgements and Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

(c) Fair value measurement

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 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.

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.

2. BASIS OF PREPARATION (continued)

(d) Going concern

The condensed consolidated interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the settlement of liabilities in the normal course of business. The Group has \$595,113 in cash as at 31 December 2014, a working capital surplus of \$529,510 and generated net cash inflows for the period of \$368,740. The Group incurred a loss for the interim period of \$1,051,622 (including \$553,005 in exploration expenditure expensed and written off in the period).

The directors are aware that additional funds will need to be sourced for the Group to continue its business as budgeted including meeting its exploration commitments. The ability of the Group 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 by additional equity (placement, entitlements issue or share purchase plan) or entering into a farm-out or joint venture arrangement in relation to its assets such that exploration expenditure is borne by a third party. The Group has commenced discussions with interested parties in relation to farm-out / joint venture possibilities.

The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities.

Whilst there is significant uncertainty regarding the outcomes of funding alternatives, the Board believes that it will be able to raise further capital or farm-out / joint venture to fund its exploration and development activities. If necessary, the Group will delay discretionary exploration, none of which is contractually binding. If necessary the directors can also institute cost saving measures to further reduce corporate and administration costs.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014, except for the adoption of new standards and interpretations as of 1 July 2014, noted below:

AASB 1031 Materiality (December 2013) and AASB 2013-9 Amendments to AASB 1031 Part B

Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. These changes have no impact on the financial statements.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)

AASB 2012-3 address inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation. These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

AASB 2014-1 Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycles

The change amends a number of pronouncements as a result of the 2010-2012 and 2011-2013 annual improvements cycles. These changes did not impact the financial statements.

No new accounting policies are expected nor will they be reflected in the Group's financial statements as at and for the year ending 30 June 2015.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2014.

5. OPERATING SEGMENTS

At the reporting date the Group had one reportable segment, being base metal exploration and evaluation in Western Australia.

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

	31 December 2014 \$	31 December 2013 Restated ⁽¹⁾ \$
Loss		
Total loss for reportable segment	(556,166)	(383,106)
Central administration and directors' remuneration	(499,278)	(354,934)
Finance income	3,822	17,219
Consolidated loss before income tax	(1,051,622)	(720,821)
	31 December 2014 \$	30 June 2014 \$
Assets		
Total assets for reportable segment	965,601	1,010,441
Cash and cash equivalents	595,113	226,373
Term deposits	21,800	59,800
Other assets	43,366	25,567
Consolidated total assets	1,625,880	1,322,181
Liabilities		
Total liabilities for reportable segment	(27,181)	(64,590)
Employee entitlements	(85,656)	(60,963)
Other liabilities	(2,003)	(5,077)
Consolidated total liabilities	(114,840)	(130,630)

⁽¹⁾ 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 (refer note 6).

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2014.

6. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

The consolidated financial statements to 30 June 2014 were prepared incorporating retrospective application of a voluntary change in the accounting policy relating to exploration and evaluation expenditure.

The new exploration expenditure accounting policy adopted on 30 June 2014 and applied retrospectively was to expense all exploration and evaluation expenditure as incurred, apart from acquisition costs, which are carried forward where the right to tenure of the area of interest is current, and they are expected to be recouped through sale or successful developments 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.

The previous accounting policy was that expenditure 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 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.

As a result of this change in accounting policy, exploration expenditure totalling \$375,940 which was previously capitalised in the comparative period has been retrospectively expensed in the comparative period restated statement of profit or loss and other comprehensive income. The impact of this is also reflected in accumulated losses in the statement of changes in equity and comparative earnings per share disclosure and also the Consolidated Statement of Cash Flows where payments for exploration, evaluation and development are no longer recorded as investment activities but operating activities.

7. EXPENSES

	31 December 2014 \$	31 December 2013 \$
Administrative expenses		
Personnel expenses	266,276	117,008
Advertising and publicity	4,059	4,341
Communication and information services	32,547	9,192
Office administration	65,529	59,277
Bank charges	519	425
Share registry and statutory fees	27,125	18,577
	396,055	208,820
Other expenses		
Professional fees	93,863	135,826
Travelling expenses	5,296	3,287
Depreciation and amortisation	7,225	7,001
	106,384	146,114

8. CAPITAL AND RESERVES

(a) Share capital

The number of shares on issue at 31 December 2014 was 324,544,714 (31 December 2013: 222,233,215).

	Ordinary Shares			
	Number		Amount	
	2014 Number	2013 Number	2014 \$	2013 \$
On issue at 1 July	222,233,215	222,233,215	19,271,006	19,271,006
Issue of fully paid ordinary shares at 1.3 cents each for cash	99,600,634	-	1,294,810	-
Issue of fully paid ordinary shares at 1.3 cents each in lieu of consulting services	2,692,308	-	35,000	-
Issue of fully paid ordinary shares converted from options at 3 cents each	18,557	-	557	-
Capital raising costs	-	-	(121,664)	-
On issue at 31 December	324,544,714	222,233,215	20,479,709	19,271,006

8. CAPITAL AND RESERVES (continued)

(b) Reserves

The equity-based benefits reserve represents the cost of options that have been granted and vested 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.

(c) Options

At the date of this report, there are 56,829,263 options on issue in Lodestar Minerals Limited. The exercise price ranges from 3 cents to 30 cents, and the exercise dates range from March 2016 to December 2017.

9. SHARE-BASED PAYMENT PLANS

During the reporting period, the Company issued 11,000,000 unlisted options for no consideration to directors as part of their remuneration. The options are exercisable at 5 cents by 16 December 2017 with a calculated value of 1.25 cents each. The Company also issued 2,000,000 listed options for no consideration to a consultant for services rendered. The options are exercisable at 3 cents by 31 March 2016 with a calculated value of 0.97 cents each.

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 these options are as follows:

	Director Options	Consultant Options
Fair value at grant date	1.25 cents	0.97 cents
Share price	1.4 cents	1.4 cents
Exercise price	5 cents	3 cents
Expected volatility	213%	213%
Option life	3.06 years	1.35 years
Vesting period	On granting	On granting
Risk free rate	2.51%	2.51%
Grant date	25 November 2014	25 November 2014
Vesting date	25 November 2014	25 November 2014
Expiry date	16 December 2017	31 March 2016

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.

These options have a weighted average exercise price of 4.7 cents each.

The amount expensed to profit or loss was \$137,500 to administrative expenses and \$19,400 to other expenses.

10. CONTINGENCIES

The Company has no contingent assets or liabilities.

11. COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2014 \$	31 December 2013 \$
<i>Mineral exploration</i>		
Not later than one year	643,250	666,250

12. SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Lodestar Minerals Limited (the "Company"):

- (1) the financial statements and notes set out on pages 18 to 29 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



WILLIAM F CLAYTON
Director

Dated at Perth this 26 day of February 2015.



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

Report on the financial report

We have reviewed the accompanying interim financial report of Lodestar Minerals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lodestar Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lodestar Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, attention is drawn to note 2(d) in the interim financial report. The matters set forth in note 2(d), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

KPMG.

KPMG

R Gambitta
Partner

Perth

26 February 2015