

29 July 2010

ASX Limited

By Electronic Lodgement

Dear Sir / Madam

The following summarises the results of activity for the quarter ended 30 June 2010:

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30th JUNE 2010**

HIGHLIGHTS

- Interpretation of the VTEM survey flown April 2010 is complete. Multiple EM conductors identified in the Ned's Creek tenements have been assessed with five conductors modelled and ready to drill test.
- A review of historic geochemistry over the McDonald Well copper prospect has revealed multi-element base – metal geochemical anomalies co-incident with the VTEM conductors, confirming that the McDonald Well conductors represent high priority drill targets for base metal mineralisation.
- Heritage access agreement with the Gingirana traditional owners has been signed, allowing the Marymia tenements to proceed to grant.
- At June 30th 2010 Lodestar had cash reserves of \$1.3 million.

PEAK HILL – DOOLGUNNA PROJECT

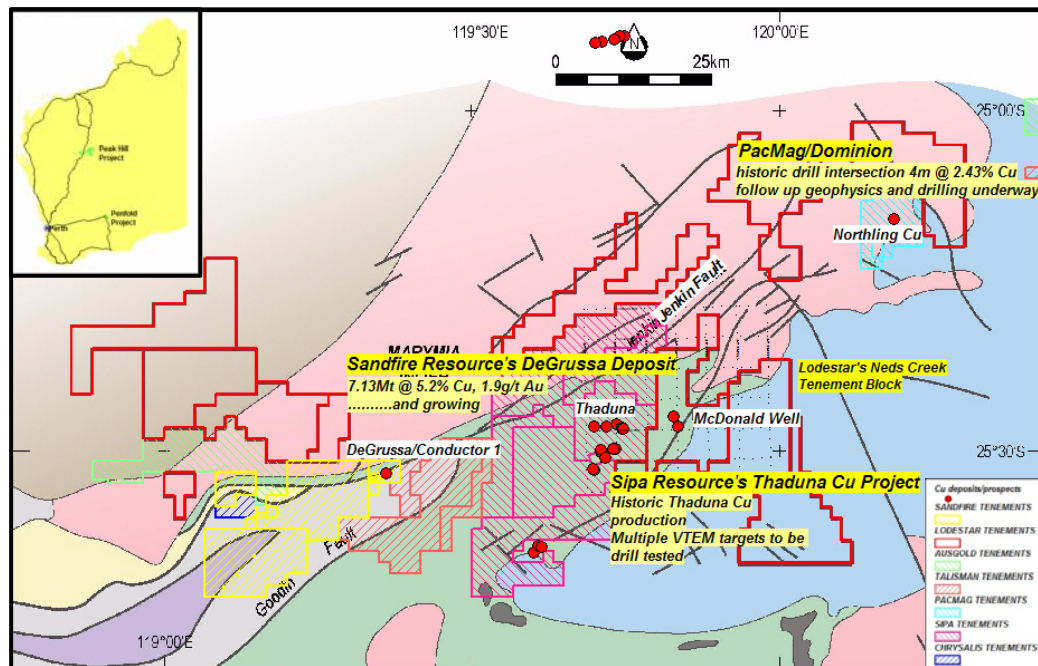


Figure 1 Lodestar's Peak Hill - Doolgunna project

Lodestar's Peak Hill – Doolgunna project comprises thirteen tenements and covers 2000 square kilometres of under explored terrain within the northern Murchison Goldfields (Figure 1). The project extends over 130 kilometres along the Jenkin Fault zone, a bounding structure to a north east trending belt of copper mineralisation that includes the DeGrussa Cu-Au deposit (9.62Mt @ 5.5% Cu, 1.8g/t Au) and the Thaduna copper district being explored by Sipa Resources.

During the period work has concentrated on evaluating the VTEM (versatile time-domain electromagnetic) conductors and reviewing historic geological and geochemical data to assist in prioritising exploration targets. The multiple VTEM anomalies identified on the Ned's Creek tenements were assessed and five were modelled as potential drill targets at depths of less than 200m. A further 13 anomalies were selected for follow up ground MLEM (moving loop electromagnetic) surveys to better define the conductors (Figure 2).

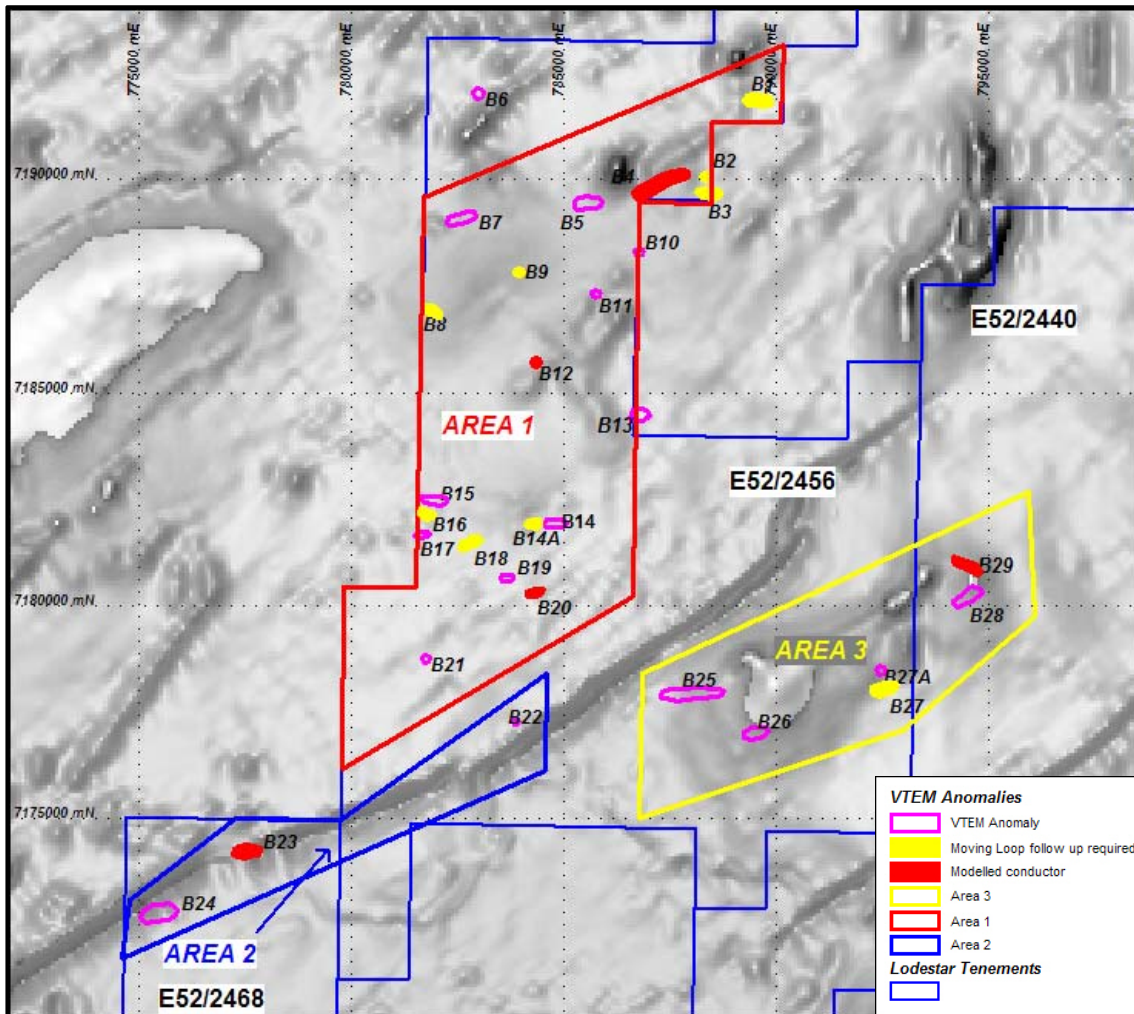


Figure 2 VTEM conductors identified on Lodestar's Neds Creek tenements overlain on aeromagnetic image. (Aeromagnetic data © Geoscience Australia 2009) MGA94 Zone 50

A review of open file geochemical data has highlighted VTEM anomalies in the McDonald Well area as high priority targets for base metal mineralisation.

The McDonald Well area was first identified by Western Mining in the period 1969 - 1970 during exploration for sediment – hosted copper mineralisation. Western Mining mapped sporadic outcrop of silicified ironstones and silicified breccia over a distance of two kilometres between McDonald Well and McDonald Well South. The silicified ironstones reported assays up to 4100ppm Cu and 1120ppm Zn and are interpreted as gossans occurring in a northwest trending fault zone that traverses a large area of poorly exposed sediments, where numerous anomalous assays of greater than 500ppm Cu have been reported.

In 1989 – 1990 CRA carried out regional auger sampling over the McDonald Well area on a 400m x 100m grid. The effectiveness of the auger sampling was compromised by not consistently sampling specific regolith units and CRA did not report any significant anomalies from the McDonald Well area.

Lodestar has reviewed the Western Mining and CRA data and observed a number of important relationships between the historic data and the recently identified VTEM anomalies in the McDonald Well area

- The silicified ironstones and breccias mapped by Western Mining parallel a regional north west trending drainage channel. The breccias and silicification suggest fluid movement along a zone of brittle deformation (fault) that is parallel to a prominent fault orientation elsewhere in the region. VTEM conductor B20 is adjacent to this zone (Figure 3).
- The CRA auger geochemistry did identify a number of co-incident multi-element anomalies that have a close spatial relationship with the positions of VTEM anomalies. Co-incident As-Bi-Mo ± Cu and Zn anomalies are shown in Figure 4.

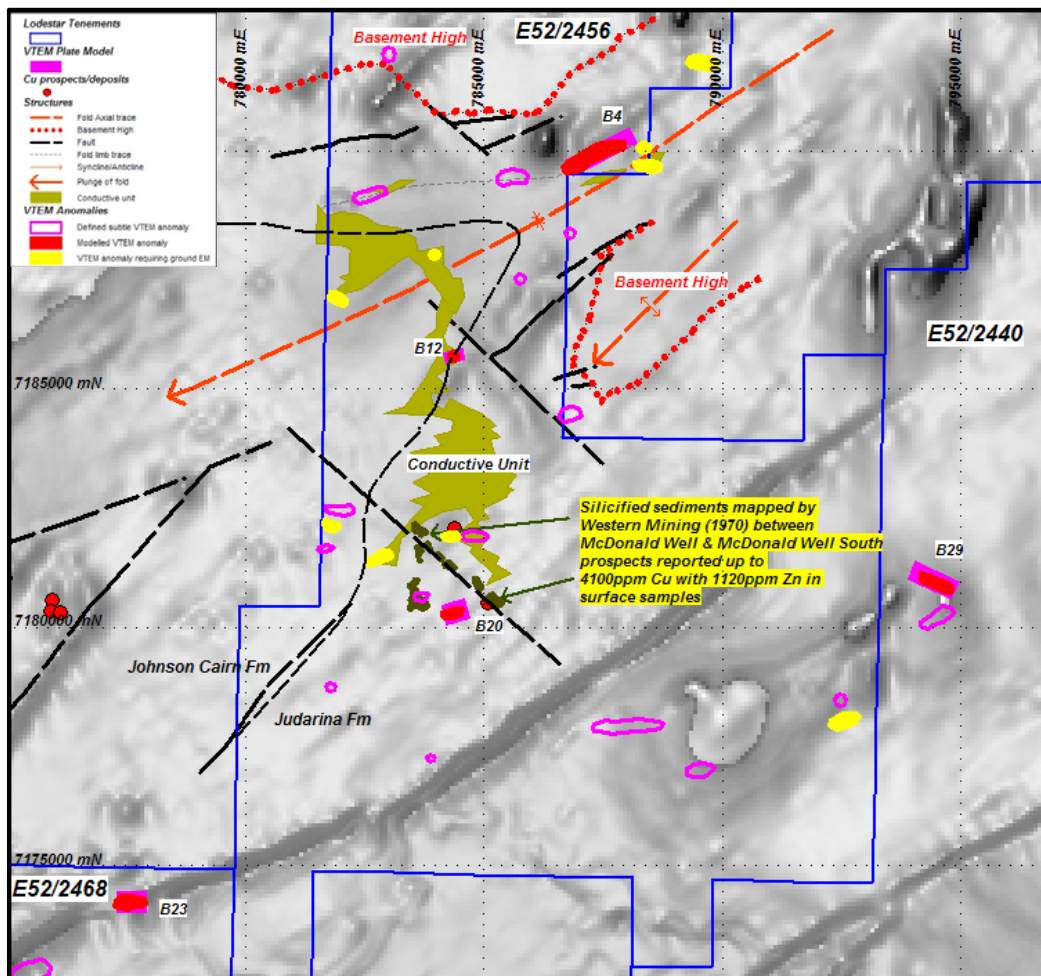


Figure 3 VTEM anomalies showing structural interpretation on aeromagnetic image. Aeromagnetic data © Geoscience Australia (2009). MGA94 Zone 50

The coincidence of silicified structures/faults (fluid pathways), base metal geochemical anomalies and VTEM conductors indicates that the McDonald Well area hosts a number of high priority drill targets.

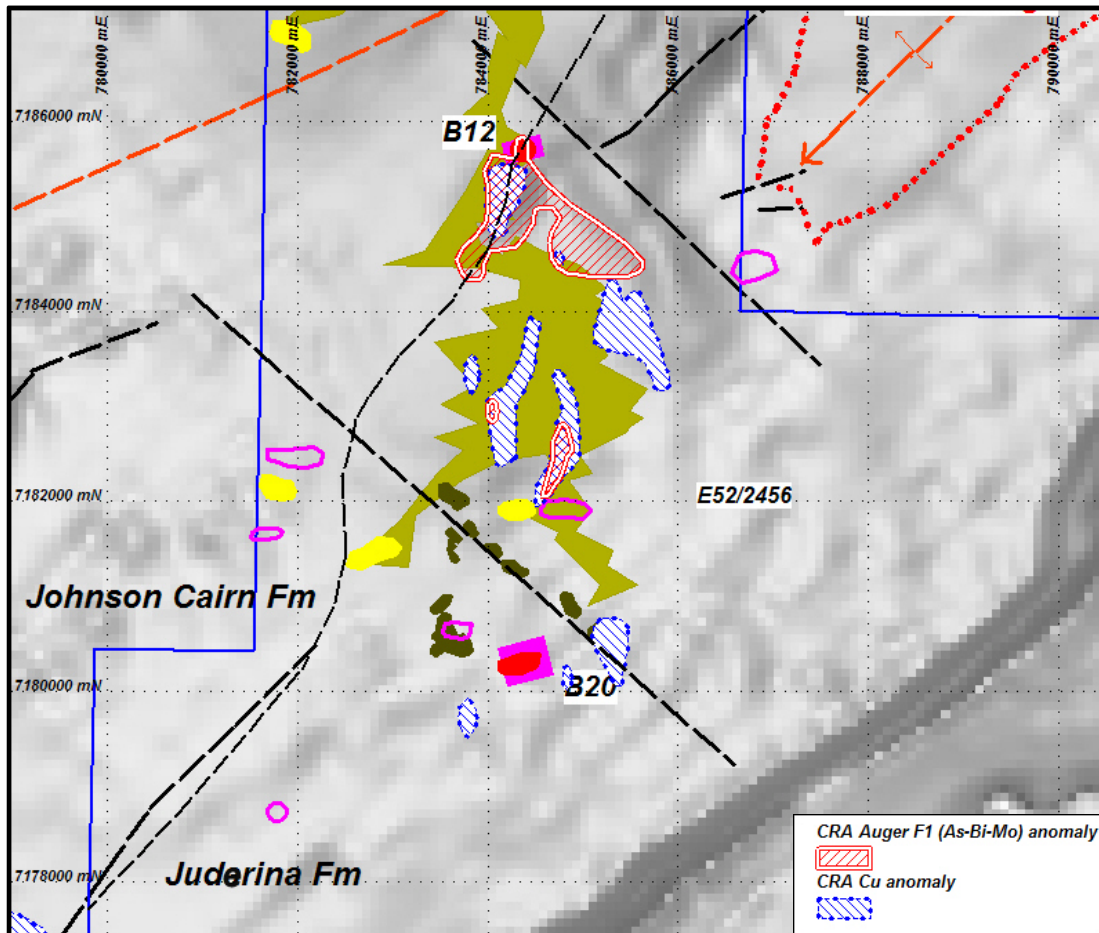


Figure 4 McDonald Well interpreted auger geochemistry. Aeromagnetic data © Geoscience Australia (2009). MGA94 Zone 50

Native Title

An alternative heritage agreement has been signed with the Gingirana native title claim group over the Marymia tenements E52/2512, E52/2505, E52/2493, E52/2492 and E69/2662 (Figure 5). It is anticipated that these tenements will be granted during the third quarter 2010.

The objection to the grant of E52/2444 was dismissed by the National Native Title Tribunal on 9th July 2010. This tenement should also proceed to grant during the third quarter 2010.

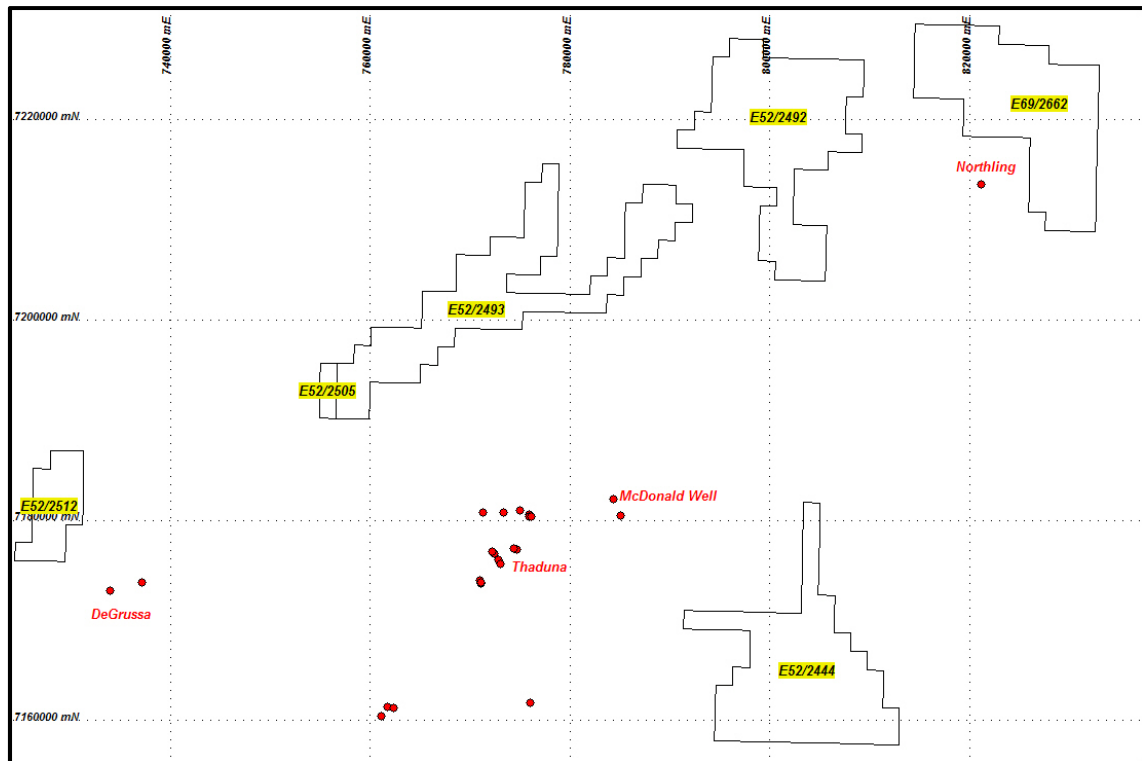


Figure 5 Tenements where heritage access agreements have been signed or objections to granting dismissed.

Planned Activities for Next Quarter

- A review of the open file geochemical data over the Marymia tenements (E52/2512, E52/2505, E52/2492, E52/2493 and E69/2662) is in progress, with the aim of commencing field activities next quarter. E69/2662 contains a number of unassayed sulphide intersections reported from historic drilling, in addition to a significant unresolved gold in soil anomaly.
- Negotiations with native title parties continue and Lodestar expects to gain access to the remaining Peak Hill – Doolgunna tenements in the near future.

Yours faithfully

LODESTAR MINERALS LIMITED

A handwritten signature in blue ink, appearing to read 'Bill Clayton', is positioned above the printed name.

BILL CLAYTON

Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr Bill Clayton, Managing Director, who is a member of the Australian Institute of Geologists, and has sufficient experience of relevance to the styles of mineralisation and 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

LODESTAR MINERALS LIMITED

ACN or ARBN

127 026 528

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(508)	(885)
(b) development	-	-
(c) production	-	-
(d) administration	135	(415)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	62
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	(359)	(1,238)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities (repaid to shareholders)	(10)	(114)
1.11 Loans repaid by other entities	-	-
1.12 Other – cash acquired through business acquisition	-	114
Net investing cash flows	(13)	(3)
1.13 Total operating and investing cash flows (carried forward)	(372)	(1,241)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(372)	(1,241)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(372)	(1,241)
1.20	Cash at beginning of quarter/year to date	1,675	2,544
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,303	1,303

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	107
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.2 – An adjustment between exploration and administration of \$203k relates to project assessment costs for the acquisition of Audacious Resources Pty Ltd, reported as administration in the March quarter and now reversed to exploration pursuant to asset acquisition Accounting Standards requirements.

1.23 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. Also included is office running expenses.

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

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- 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

+ See chapter 19 for defined terms.

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	42
4.4 Administration	140
Total	182

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.2	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,303	1,675
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,303	1,675

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	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 **	65,500,003	65,500,003	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A	N/A	N/A	N/A
7.5 +Convertible debt securities	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>Exercise price</i>	<i>Expiry date</i>
7.8 Listed options	0	0	N/A	N/A
7.9 Issued during quarter	N/A	N/A	N/A	N/A
7.10 Exercised during quarter	0	0	N/A	N/A
7.11 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures (totals only)	Nil	N/A		
7.12 Unsecured notes (totals only)	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 Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Director

Date: 29 July 2010

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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