ASX ANNOUNCEMENT

14th October 2019

DISPATCH OF 2019 ANNUAL REPORT AND NOTICE OF AGM

Attached is a copy of the Lodestar Minerals Limited 2019 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Statement which have been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting will also be available on our website www.lodestarminerals.com.au

For and on behalf of
Lodestar Minerals Limited

David McArthur
Director

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY STATEMENT

Date of Meeting

19 November 2019

Time of Meeting

10:00 am (AWST)

Place of Meeting

Level 1, 31 Cliff Street
Fremantle, Western Australia

This Notice and the Explanatory Statement should be read in its entirety.

Shareholders are urged to attend or vote by lodging the Proxy Form attached to this Notice.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor without delay.

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 10:00 am (AWST) on Tuesday 19 November 2019, at Level 1, 31 Cliff Street, Fremantle, Western Australia.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2:00pm (AWST) on 17 November 2019.

An Explanatory Statement 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

Financial Statements and Reports

To receive and consider the annual financial report for the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the auditor's report.

Ordinary Resolution 1: Adoption of the Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> "*That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report contained within the Company's annual financial report for the financial year ended 30 June 2019*."

Note 1: The vote on this resolution is advisory only and does not bind the Directors or 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. Less than 25% of shareholder voted against the remuneration report at the 2018 Annual General Meeting.

Voting Prohibition Statement:

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

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

(a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

(b) the 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 though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Ordinary Resolution 2: Re-election of Director - Mr Ross Taylor

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Ross Taylor, a Director, retires by rotation in accordance with clause 7.3 of the Company's constitution, ASX Listing Rule 14.4 and for all other purposes, and being eligible is re-elected as a Director."

Ordinary Resolution 3: Approval of Private Placement

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 50,000,000 Shares on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or 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.

Special Resolution 4: Approval of 10% Placement Capacity

To consider and, if thought fit, to pass, 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 Company to issue up to the number of Equity Securities equal 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 otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or 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.

By Order of the Board

D M McArthur
Company Secretary

Dated: 7 October 2019

ENTITLEMENT TO ATTEND AND VOTE

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 Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2:00pm (AWST) on 17 November 2019.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

(a) each Shareholder has a right to appoint a proxy;

(b) the proxy need not be a member of the Company; and

(c) a Shareholder who is 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. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

(a) if proxy holders vote, they must cast all directed proxies as directed; and

(b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

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, Mr David McArthur on +61 8 9435 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 STATEMENT

This Explanatory Statement 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 Statement 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 of the Company for the financial year ended 30 June 2019, together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

A copy of the Company's 2019 Annual Report is available on the ASX platform (**ASX: LSR**) and on the website www.lodestarminerals.com.au. Alternatively, a hard copy will be made available upon request.

The Company's auditor, HLB Mann Judd, 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 to the Company Secretary no later than 5 business days before the meeting date.

1. ORDINARY RESOLUTION 1: Adoption of 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 a financial year.

The chair of the meeting must allow a reasonable opportunity for Shareholders to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

Voting consequences

Pursuant to the Corporations Act, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

Previous voting results

At the Company's previous Annual General Meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this 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 <u>must</u> direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

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

If you elect to appoint the Chair where they are also a member of the Key Management Personnel whose remunerations details are included in the Remuneration Report, or a Closely Related Party of such a member, ***you <u>must</u> direct the Chair how they are to vote.*** Undirected proxies granted to these persons will be voted in favour of all Resolutions.

(c) *If you appoint any other person as your proxy*

You ***<u>do not</u>*** need to direct your proxy how to vote, and you ***<u>do not</u>*** need to tick any further acknowledgement on the Proxy Form. Undirected proxies granted to these persons will be voted at their discretion.

2. ORDINARY RESOLUTION 2: Re-election of Director - Mr Ross Taylor

General

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

Clause 7.3(a) of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded down 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 Director who retires by rotation under clause 7.3(a) is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Ross Taylor, the Director longest in office since his last election, retires by rotation and seeks re-election as a Director.

Information about Mr Taylor is set out in the Company's 2019 Annual Report.

The Board (other than Mr Taylor) unanimously supports the re-election of Mr Taylor.

3. ORDINARY RESOLUTION 3: Approval of Private Placement

General

Resolution 3 seeks Shareholder approval for the issue of up to 50,000,000 Shares, at an issue price of not less than 80% of the VWAP of the Shares calculated over the last 5 days traded in the Shares before the day on which the Share issue is made (**Private Placement**), to raise working capital for the Company.

Shareholder approval for the issue of up to 50,000,000 Shares is being sought in accordance with ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, more equity securities during any 12-month period than an amount which, when aggregated with the number of other securities issued within that 12-month period, represents 15% of the number of ordinary shares on issue at the commencement of that 12-month period, unless the issue falls within on of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

The effect of Resolution 3 will be to allow the Company to issue up to 50,000,000 Shares pursuant to the Private Placement during a period of 3 months following the Meeting (or a longer period, if allowed by ASX), without utilising the Company's 15% annual placement capacity.

Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Private Placement:

a) the maximum number of Shares to be issued is 50,000,000;

b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

c) the issue price per Share will not be less than 80% of the VWAP of the Shares calculated over the last 5 days traded in the Shares before the day on which the Private Placement is made;

d) the Shares will be issued progressively to sophisticated investors (as that term is defined in section 708 of the Corporations Act 2001);

e) the Directors will determine to whom the Shares will be issued, and these persons will not be related parties of the Company;

f) the Company has not yet determined who the Shares will be issued to;

g) the Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares; and

h) the Company intends to use the funds raised from the Private Placement towards continued exploration efforts at the Company's exploration tenements and for working capital.

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4. SPECIAL RESOLUTION 4: Approval of 10% Placement Capacity - Shares

General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval by special resolution passed at its annual general meeting to allow it to issue up to the number of Equity Securities equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

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 $5.25m (based on the number of Shares on issue and the closing price of Shares on the ASX on 24 September 2019).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. At the date of the meeting, the Company will only have one class of quoted Equity Securities on issue, being fully paid ordinary Shares (**ASX Code: LSR**). Any unexercised listed options in the Company will expire on 31 October 2019 (**ASX Code: LSROA**).

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.

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.

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) (after which date, an approval under Listing Rule 7.1A ceases to be valid).

(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 on the following page 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.

Variable "A"		DILUTION $0.0035 50% decrease in Issue Price	$0.007 Issue Price	$0.014 100% increase in Issue Price
Current Variable A **749,218,328 shares**	**10% Voting Dilution**	74,921,833 Shares	74,921,833 Shares	74,921,833 Shares
	Funds Raised	$ 262,226	$ 524,453	$ 1,048,906
50% Increase in Current Variable A **1,123,827,492 shares**	**10% Voting Dilution**	112,382,750 Shares	112,382,750 Shares	112,382,750 Shares
	Funds Raised	$ 393,340	$ 786,679	$ 1,573,359
100% Increase in Current Variable A **1,498,436,656 Shares**	**10% Voting Dilution**	149,843,666 Shares	149,843,666 Shares	149,843,666 Shares
	Funds Raised	$ 524,453	$ 1,048,906	$ 2,097,811

* 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:

(i) There are currently 749,218,328 Shares on issue as at 24 September 2019.

(ii) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

(iii) 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%.

(iv) The issue price set out above is the closing price of the Shares on the ASX on 24 September 2019.

(v) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

(vi) 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.

(vii) 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.

(viii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

(ix) 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; or

(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.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

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

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

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

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

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

The Company obtained approval under Listing Rule 7.1A on 30 November 2018. 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 15,000,000 options have been issued representing 1.72% of the securities on issue at the commencement of the 12-month period preceding the date of the Annual General Meeting (being 873,572,157 securities), as detailed in the table below.

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)[1]	Form of consideration
Issue – 20/11/2017 Appendix 3B – 21/11/2017	15,000,000	Unquoted Options[2]	Directors	No issue price (non-cash consideration)	Non-cash consideration: incentive remuneration for Directors. Current value[3] = $17,550

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Unquoted Options, exercisable at $0.10 each, on or before 31 December 2021.
3. Unquoted Options value is measured using the Black & Scholes option pricing model. Measurement inputs include Share price on the measurement date, exercise price, term of the Option, impact of dilution, expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividend yield and risk-free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market-based performance conditions (i.e. conditions linked to the price of Shares). Value calculation is set out at Appendix 1.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

(i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and

(ii) the information required by Listing Rule 3.10.5A for release to the market.

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.

GLOSSARY OF TERMS

10% Placement Capacity has the meaning given in Resolution 7 of the Explanatory Statement.

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.

Director Options means options exercisable at $0.10 per option on or before 31 December 2021.

Eligible Entity means an entity that, at the date of the relevant 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.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the 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.

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.

AWST means Australian Western Standard Time (Perth, Western Australia).

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

APPENDIX 1

VALUATION OF 31 DECEMBER 2021 DIRECTOR OPTIONS AT DATE OF NOTICE OF MEETING

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

Assumptions:

Valuation date:	24 September 2019
Share price:	$0.007
Exercise price:	$0.10
Remaining Term:	26 months
Volatility:	1.21%
Risk free interest rate:	0.73%
Indicative value per Option:	$0.00117

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

……… (***Company***),
Insert name of Shareholder Company

the Company has appointed:

………,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at an annual general meeting of the members of Lodestar Minerals Limited to be held on Tuesday, 19 November 2019 commencing at 10.00 am (AWST) and at any adjournments of that general meeting.

DATED …………………………………………………….

Please sign here

Executed by the Company)
in accordance with its constituent documents)
)

………………………………………………………………	………………………………………………………………………
Signed by authorised representative	Signed by authorised representative
…………………………………………………………………	………………………………………………………………………
Name of authorised representative (print)	Name of authorised representative (print)
………………………………………………………………	………………………………………………………………………
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Lodestar Minerals Limited at Level 1, 31 Cliff Street, Fremantle WA 6160 or fax the Certificate to the registered office at +61 8 6444 7408

PROXY FORM

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 of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions or if no directions have been as the proxy sees fit, at the Annual General Meeting to be held at 10.00 am (AWST) on 19 November 2019 at Level 1, 31 Cliff Street, Fremantle, Western Australia, and at any adjournment of that meeting.

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1: Adoption of Remuneration Report	☐	☐	☐
Ordinary Resolution 2: Re-election of Director – Ross Taylor	☐	☐	☐
Ordinary Resolution 3: Approval of Private Placement	☐	☐	☐
Special Resolution 4: Approval of 10% Placement Capacity	☐	☐	☐

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: _______________

Instructions for completing Proxy Form

1. (**Appointing a proxy**): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing instructions**):

   - (**Individual**): Where the holding is in one name, the Shareholder must sign.

   - (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.

   - (**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 Proxy Form when you return it.

   - (**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. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   - In person to Level 1, 31 Cliff Street, Fremantle, Perth, WA;

   - By mail to PO Box 584, Fremantle, WA, 6959;

   - By Facsimile to +61 8 6444 7408;

   - By scan and email to jordan.mcarthur@broadwaymgt.com.au,

   so that it is received not less than 48 hours prior to commencement of the Meeting.

   Proxy Forms received later than this time will be invalid.

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2019

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CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretaries

Mr David McArthur
Mr Jordan McArthur

Registered and Principal Office

Level 1, 31 Cliff Street
Fremantle WA 6160

Telephone: +61 8 9435 3200
Facsimile: +61 8 6444 7408

Postal Address

PO Box 584
Fremantle WA 6959

Auditor

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000

Telephone: +61 8 6188 0800

Stock Exchange Listing

Shares: ASX Code LSR
Options: ASX Code LSROA (expiring 31 October 2019)

Website and Email

Website: www.lodestarminerals.com.au
Email: admin@lodestarminerals.com.au

REVIEW OF OPERATIONS

HIGHLIGHTS

NED'S CREEK PROJECT

The Company continued its focus on the Ned's Creek project where significant bedrock gold discoveries were targeted with RC and diamond drilling.

Gold anomalies extend for over 2 kilometres along the southern contact of the Contessa granite, high-grade oxide and bedrock mineralisation has been confirmed at the Contessa, Central Park and Gidgee Flat prospects. The gold mineralisation occurs within a distinctive geological setting related to syenite intrusion, a characteristic shared with major gold deposits in Western Australia (e.g. Jupiter, Wallaby, Carosue Dam). The approximately 70% of the granite/syenite contact that remains untested by drilling represents a major exploration target and in addition, Lodestar has identified widespread gold and pathfinder anomalies in the adjacent under-explored greenstone, indicating good potential for further discoveries and economic gold mineralisation.

In a strong endorsement of the generative work and exploration carried out by Lodestar, Vango Mining ("Vango", ASX:VAN), an emerging gold producer and operator of the adjacent Marymia gold project, have exercised an option to farm into the Ned's Creek project (see Lodestar's ASX announcement dated 17 July 2019). Lodestar and Vango have a shared objective of growing the gold resource inventory to support a planned stand-alone processing facility at Vango's Marymia project.

$5M Farm-in Agreement to target high-grade gold discoveries

In July 2019, Vango announced its intention to farm into the Ned's Creek project to earn an initial 51% interest. Vango is targeting near-term production and construction of a stand-alone processing facility on its adjacent Marymia gold project, 20km north of the Ned's Creek tenements. The farm-in provides access to a planned processing facility within easy trucking distance for any future production from the project and benefits Lodestar shareholders by expediting drilling of advanced gold targets. Drilling will initially test opportunities for near-term resource definition, followed by exploration of selected targets. Under the terms of the farm-in agreement Vango is required to spend $5M on exploration within 3 years.

Exploration Completed

Lodestar's drilling programs were directed towards confirmation of high-grade gold intersections at Contessa and Gidgee Flat and extending the zones of bedrock mineralisation. Significant drill intersections include;

Contessa

- Diamond hole **LND003,** a twin hole to LNRC026 (4m at 78.1g/t Au from 140m, including 3m at 102.5g/t Au), reported **5.1m at 28.1g/t Au from 143m, including 1m at 134g/t Au.**
- **LNRC048** drilled 20m up-dip from LNRC026 reported **12m at 1.5g/t Au from 97m, including 2m at 5.7g/t Au from 98m.**

Gidgee Flat

- Diamond hole **LND004**, a twin hole to LNRC039 (11m at 5.8g/t Au from 195m) reported **6.01m at 2.0g/t Au from 206.45m**.
- **RC Drilling**
  - **LNRC052** reported **6m at 2.4g/t Au from 163m and 1m at 8.6g/t Au from 192m**.
  - **LNRC056** reported **6m at 3.7g/t Au from 191m, including 1m at 8.4g/t from 194m**.
  - **LNRC059** reported **4m at 6.7g/t Au from 193m, including 1m at 16.7g/t Au from 195m.**

Central Park

A four-hole RC drilling program, representing the first test of the granite contact zone, reported very positive results from bedrock, including:

- **LNRC069** reported **21m at 0.7g/t Au from 71m** and
- **LNRC070** reported **7m at 1.4g/t Au from 107m**

A FOCUS ON GOLD AND COPPER ALONG THE CAPRICORN CRATON MARGIN

Lodestar's tenement portfolio comprises 1,560 sq. km. in three projects under tenure or application across the northern margin of the Yilgarn Craton, Western Australia (Figure 1). The tenement package spans a distance of 360 kilometres, extending across the collision zone of the Yilgarn and Pilbara Cratons, known as the Capricorn Orogen.

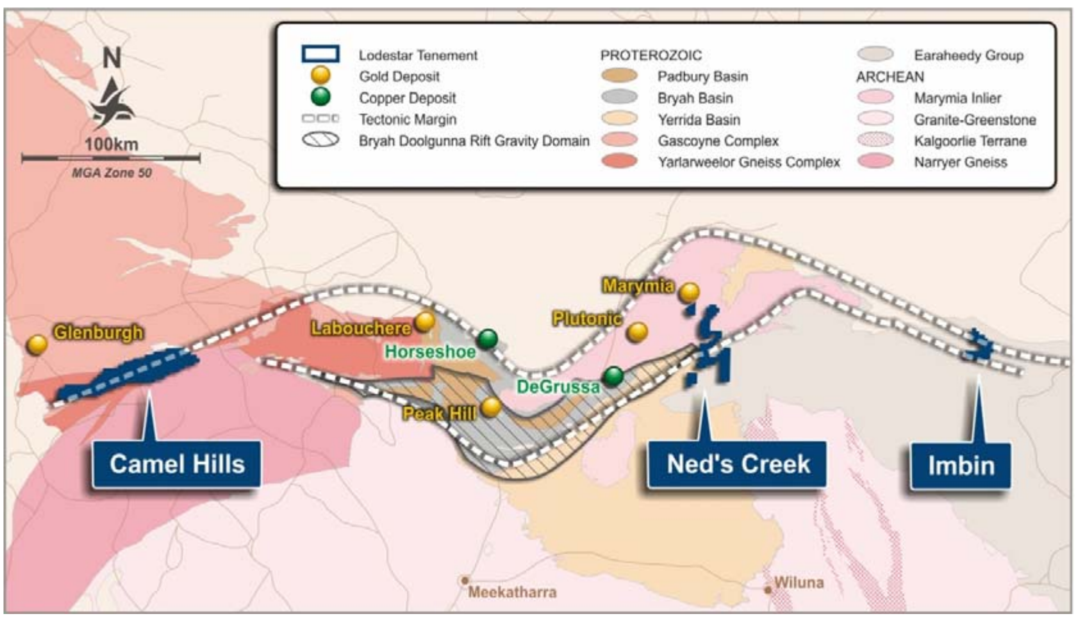

Figure 1 Location of Lodestar's projects on the northern margin of the Yilgarn Craton.

The northern Yilgarn craton margin, including the Plutonic Well greenstone belt of the Marymia Inlier, has an endowment of multi-million-ounce gold deposits and major resources of high-grade copper. The mineralisation at the Plutonic gold deposit (>5Moz Au) has been dated at ~2100Ma, 1850Ma and 1680Ma[1], reflecting multi-phase mineralisation related to major orogenic events on the Yilgarn margin. A study of the ages of ore deposits in the Bryah and Padbury Basins has confirmed the relationship between major orogenic events and mineralisation; the DeGrussa and Horseshoe Lights (Cu-Au), Peak Hill, Horseshoe and Mikhaburra (Au) deposits are dated between 2005 – 1960Ma corresponding to the Glenburgh Orogeny[2]. These mineralising episodes can be correlated across the northern margin of the Yilgarn and are important in identifying areas of mineral potential. Under-explored exposures of Glenburgh age rocks host mineralisation at the Camel Hills and Imbin projects, at the western and eastern ends of the Capricorn Orogen, respectively.

[1] Gazely, M.F. (2011), Metamorphism, Geochronology and Stratigraphy of an amphibolite-facies greenstone-hosted gold deposit: Plutonic Gold Mine, Western Australia. Unpublished PhD thesis, Victoria University of Wellington, New Zealand, 164p.

[2] Hawke, M.L., Meffre, S. and Stein, H. (2014), Geochronology of the DeGrussa Cu-Au-Ag volcanic-hosted massive sulphide deposit and comparisons with regional mineralization of the Yerrida, Bryah and Padbury basins, Western Australia. Precambrian Research, Vol. 267, 250-284p.

NED'S CREEK PROJECT

(E52/2440, E52/2456, E52/2468, E52/2493, E52/2734, E52/3473, E52/3476 and M52/779, M52/780, M52/781 & M52/782 – VAN earning 51%)

The Ned's Creek tenements are located 150 kilometres north east of Meekatharra along geological trend from the Thaduna and DeGrussa copper deposits, 35 km east of the Plutonic gold mine and 20km south of the historic Marymia gold operations . The tenements flank the Jenkin Fault zone, a major structure that defines the northern boundary of the Bryah-Yerrida volcano-sedimentary basins and extend over 374 sq. km. of the northern Yerrida Basin and under-explored Archaean granite-greenstone basement. The Archaean basement, immediately north of overlying Yerrida sediments, has yielded significant gold discoveries related to a large composite granite/syenite intrusion at Contessa, Central Park and Gidgee Flat (Figure 2).

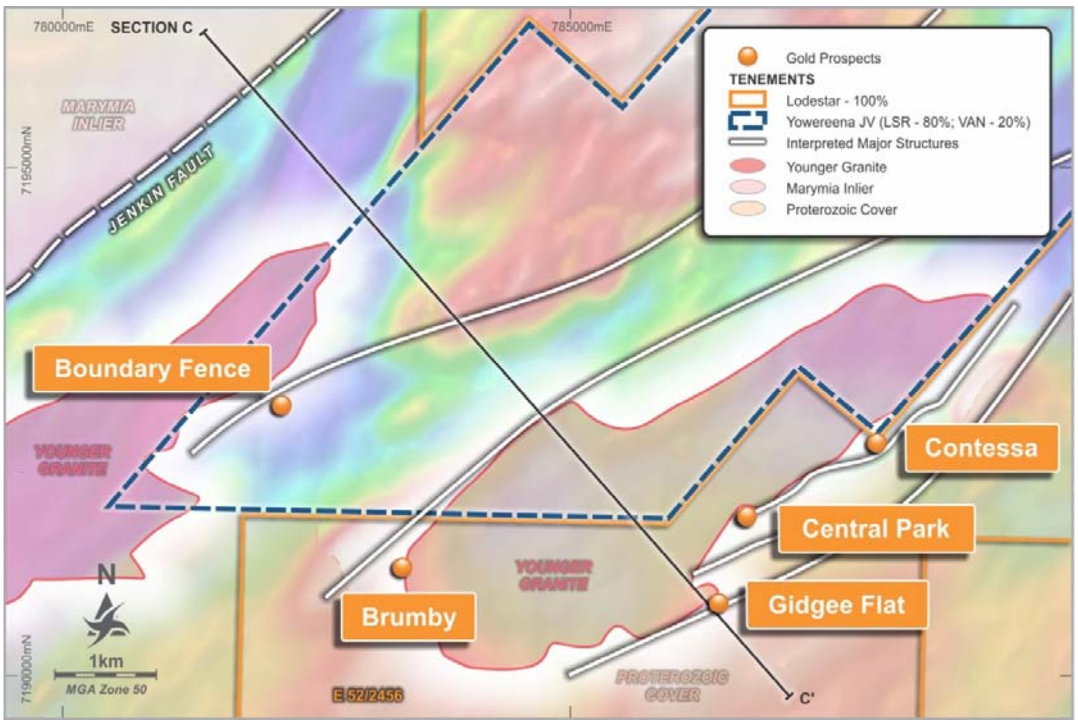

Figure 2 Prospect location plan, showing relationship to granite intrusions. Background TMI magnetic image.

Contessa (Gold)

Lodestar completed follow up diamond and RC drilling at the Contessa prospect targeting extensions to the bedrock mineralisation intersected in LNRC026 (Figure 3).

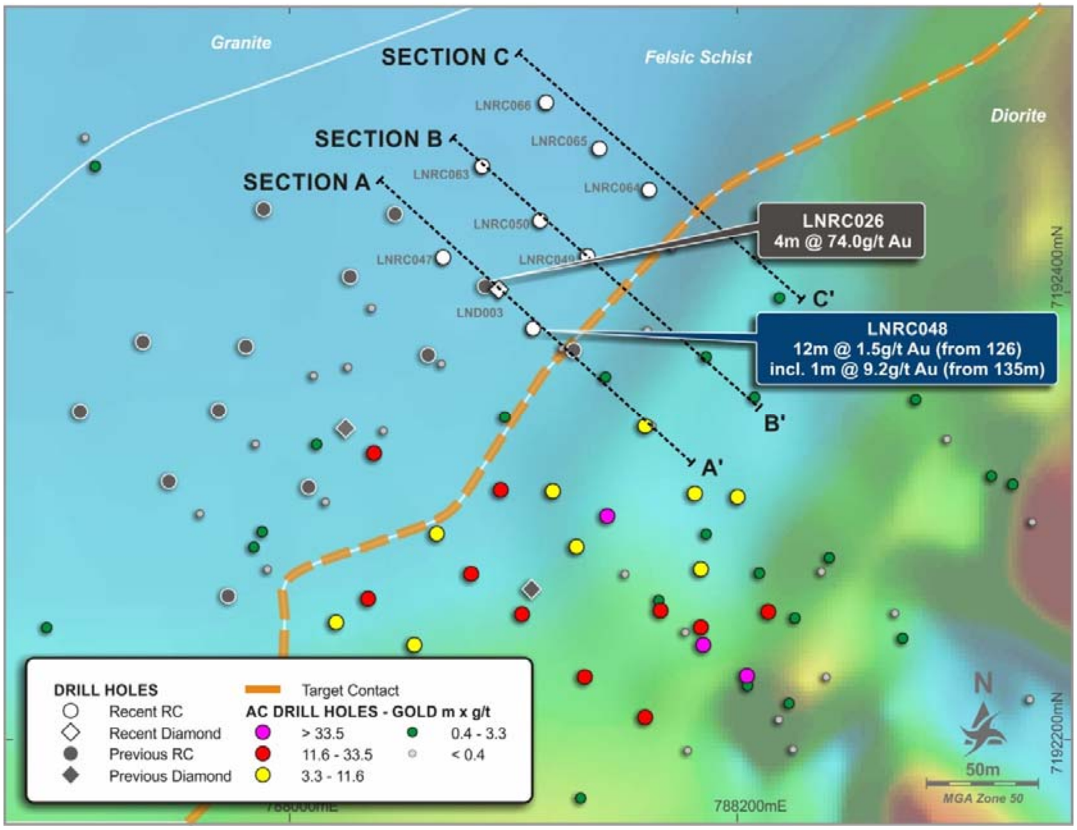

Figure 3 Contessa - Drill hole collar plan, background magnetics RTP 1VD.

Drilling comprised 1 diamond drill hole (LND003) and 8 RC drill holes (LNRC047-50 & LNRC063-66) for a combined total of 1,620m of drilling. The Contessa mineralised shear zone has been tested by RC drilling over a strike distance of 250m.

Diamond drill hole LND003 confirmed the high-grade gold intersection in LNRC026 (see Lodestar's ASX announcement dated 9 October 2018). The diamond core revealed intense alteration and deep weathering within the target zone (see Figure 6). Structural measurements could not be obtained through this critical zone due to the low strength of the drill core and additional diamond drilling is required to resolve the key structural controls and improve drill targeting.

LNRC048 drilled 20m up-dip from LNRC026/LND003 reported 12m at 1.5g/t Au from 126m in similar sheared and altered rocks (see Lodestar's ASX announcements dated 16 November 2018 and 19 December 2018). The remaining RC holes were drilled beneath or along strike to the northeast of LNRC026. No other significant mineralisation was reported, however as the drilling encountered swelling clays and hole deviations, the effectiveness of this program was compromised.

The drilling completed to date has not intersected or defined the position of the granite contact (an important structural control on mineralisation at Gidgee Flat and Central Park). As this key exploration target remains untested, exploration drilling at Contessa is planned to continue.

Gidgee Flat (Gold)

RC drilling at Gidgee Flat targeted extensions to mineralisation along the east-northeast trending granite contact. Drilling was carried out over a strike distance of 340m (Figures 4 and 5). The contact appears to be offset by a sinistral fault that displaces the granite about 260m to the west southwest at the north eastern limit of drilling. The position of the fault is concealed by overlying chert at the base of the Yerrida Basin and this potentially important structure has not been targeted by drilling.

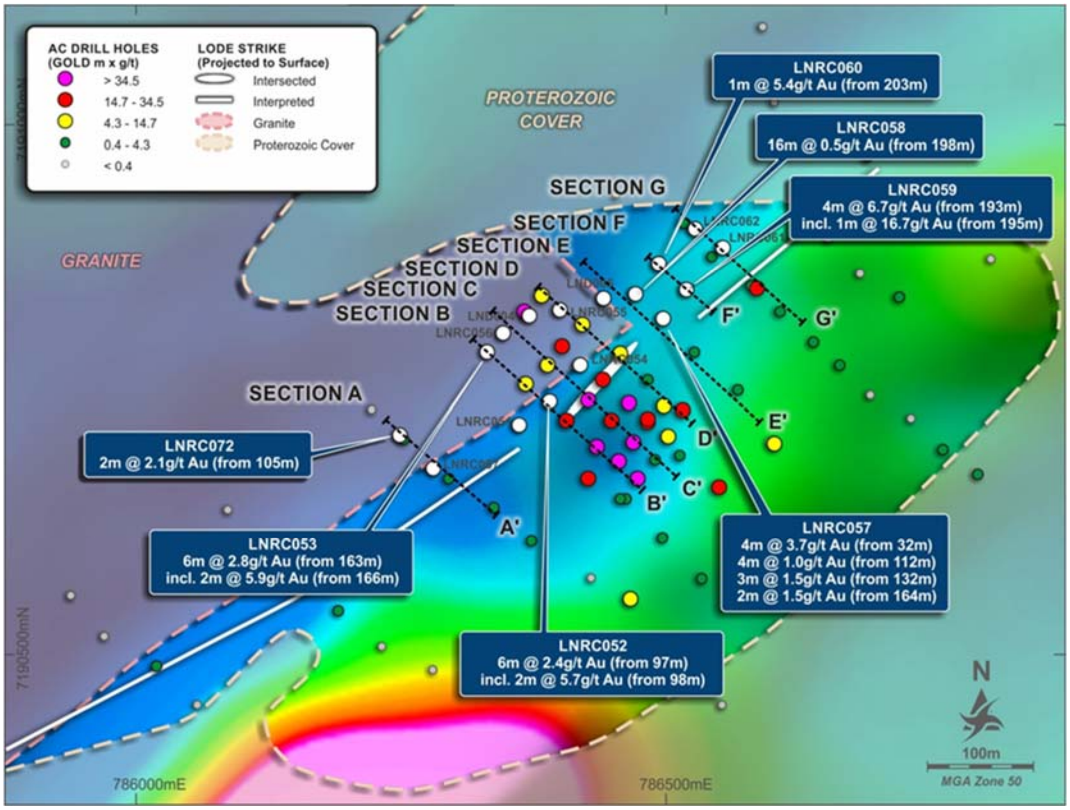

Figure 4 Gidgee Flat collar location plan with drill intercepts on background magnetic TMI image.

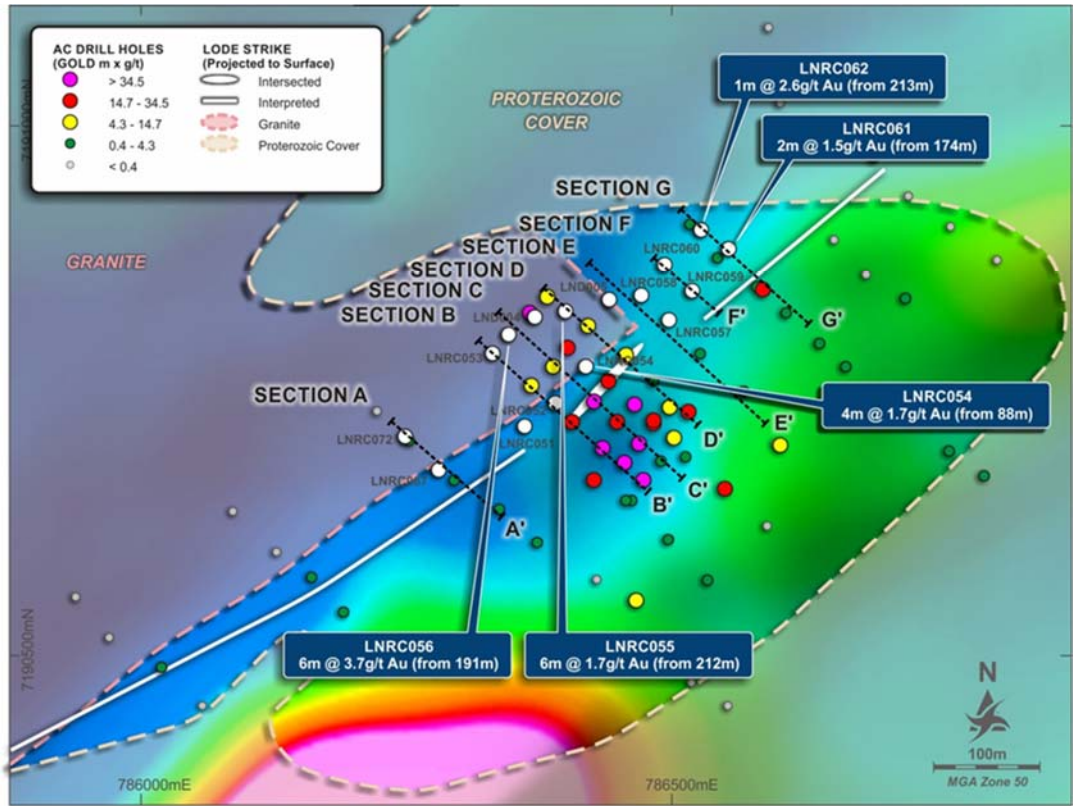

Figure 5 Gidgee Flat collar location plan with drill intercepts on background magnetic TMI image.

Bedrock mineralisation has been reported over a strike distance of 200m; 2 diamond drill holes and 14 RC holes were completed for a combined total of 3,360.8m (see Lodestar's ASX announcements dated 16 November 2018, 28 November 2018 and 19 December 2018). Significant results from the latest drilling include***:***

- ***6m at 2.4g/t Au from 97m in LNRC052***
- ***8m at 2.4g/t Au from 163m in LNRC053***
- ***7m at 1.6g/t Au from 212m in LNRC055***
- ***6m at 3.7g/t Au from 191m in LNRC056***
- ***16m at 0.5g/t Au from 198m in LNRC058 and***
- ***4m at 6.7g/t Au from 193m in LNRC059***

The mineralisation occurs within a series of moderately to steeply north-dipping shear zones adjacent to the granite contact. The shear zones display silica-sericite-pyrite, carbonate, K-feldspar, haematite-magnetite and epidote alteration (see Figure 7) and are interspersed with syenite intrusives that also contain gold-bearing pyrite mineralisation. There is a close association between the granite contact, shear-hosted gold mineralisation and undeformed mineralised syenite intrusions as dykes and apophyses within the shear zone.

Central Park (Gold)

A program of 4 RC holes for 678m targeted the granite contact on 40m centres over a 120m strike distance. All holes intersected primary gold mineralisation below adjacent, aircore-related gold anomalies (see Lodestar's ASX announcements dated 4 July 2018 and 28 November 2018). Significant results from the RC program include;

- ***2m at 1.0g/t Au from 93m in LNRC068***
- ***21m at 0.7g/t Au from 71m, including 1m at 1.8g/t Au from 73m and 1m at 2.9g/t Au from 79m in LNRC069***
- ***1m at 2.9g/t Au from 84m and 7m at 1.4g/t Au from 107m, including 1m at 3.1g/t Au from 112m in LNRC070***
- ***LNRC071 encountered a wide zone of low grade (<0.5g/t Au) mineralisation from 152m to end of hole at 180m, indicating that the mineralising system is continuous and open along strike.***

The drilling was not definitive in testing the granite contact and the extent or tenor of gold mineralisation. The position of the contact had not been defined by aircore drilling and holes LNRC068 to LNRC071 were exploratory holes not collared in granite but intersecting granite dykes or apophyses intruding mafic rocks within the hole. Additional drilling is required to determine the location of the main granite contact and associated structures.
Gold mineralisation is hosted in the same geological setting at Central Park and Gidgee Flat and these prospects "bookend" the faulted offset of the granite contact, an area that is not yet tested by drilling. Prospecting activity along the 700m fault and contact zone between Central Park and Gidgee Flat has located gold nuggets, confirming that it is an area of potential mineralisation and a priority for follow up drilling.

IMBIN PROJECT (Copper-Gold)

(E69/3483, Lodestar – 100%)

E69/3483 was granted in March 2018, the tenement represents one of five tenements comprising the Imbin project and approximately 14% of the area under tenure or application. Negotiations in relation to land access and heritage protocols for the remaining tenement applications are continuing and are expected to be resolved in coming months.

The Imbin project covers an area of 907 sq. km and is located 170km north east of Wiluna. The project geology is interpreted as a volcano-sedimentary package representing a rift axis along the strongly deformed northern margin of the Earaheedy Basin, prospective for VMS type copper deposits. The geology is believed to be similar in age and tectonic setting to the Bryah Basin, host to Sandfire Resource's DeGrussa and Monty Cu-Au deposits. Copper mineralisation has been intersected in drill holes targeting a gossanous outcrop at Main Gossan and anomalous copper and gold has been reported from sporadic outcrops and shallow drilling over a 20km strike.

Planned work, once the tenements are granted, includes field verification of the interpreted mafic-siliciclastic sequence and airborne geophysical surveys.

Lodestar flew a detailed aeromagnetic survey over E69/3483 to in-fill between adjacent open-file aeromagnetic data. The survey consisted of 1,612-line km on flight lines, oriented N-S on 50m line spacing and 35m sensor height. The data will assist geological interpretation in areas of sand cover.

TRADITIONAL OWNERS

Lodestar Minerals would not be able to operate successfully without the support of the Traditional Owners and the local communities in which we operate. We continue to build trust and respect between Lodestar Minerals and our key stakeholders through transparency, listening, acting on concerns and looking for innovative and sustainable ways of ensuring that the Traditional Owners are participating in the journey to responsibly and sensitively explore and develop the Peak Hill / Doolgunna region. We are working closely with our Native Title holders to identify mutually supportive initiatives which will see a growing range of business and employment opportunities being developed and importantly ensuring that the local community has the capability and opportunity to grow with the Company.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the ASX announcements dated

- *4 July 2018, "Aircore Results Confirm Large Bedrock Gold Drill Targets".*
- *9 October 2018, "Diamond Drilling Returns High Grades – Contessa/Gidgee Flat".*
- *16 November 2018 "First RC Drill Results from Gidgee Flats Extend Strike 50%".*
- *28 November 2018, "Gidgee and Central Park Gold Discoveries Continue to Grow".*
- *19 December 2018, "Final RC Drill Results Extend Gidgee Discovery".*
- *17 July 2019 "Vango Mining Exercises Farm-in Option for Ned's Creek"*

These announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

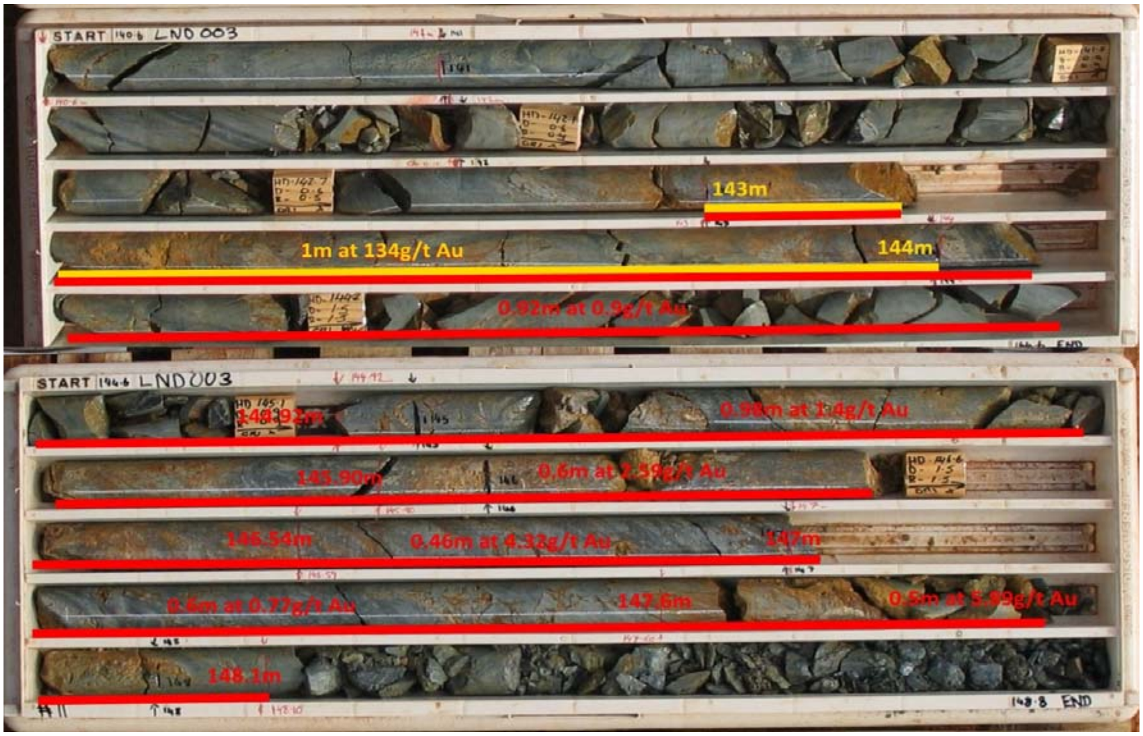

Figure 6 Contessa - mineralised core from LND003, partly oxidised and strongly sericite altered diorite.

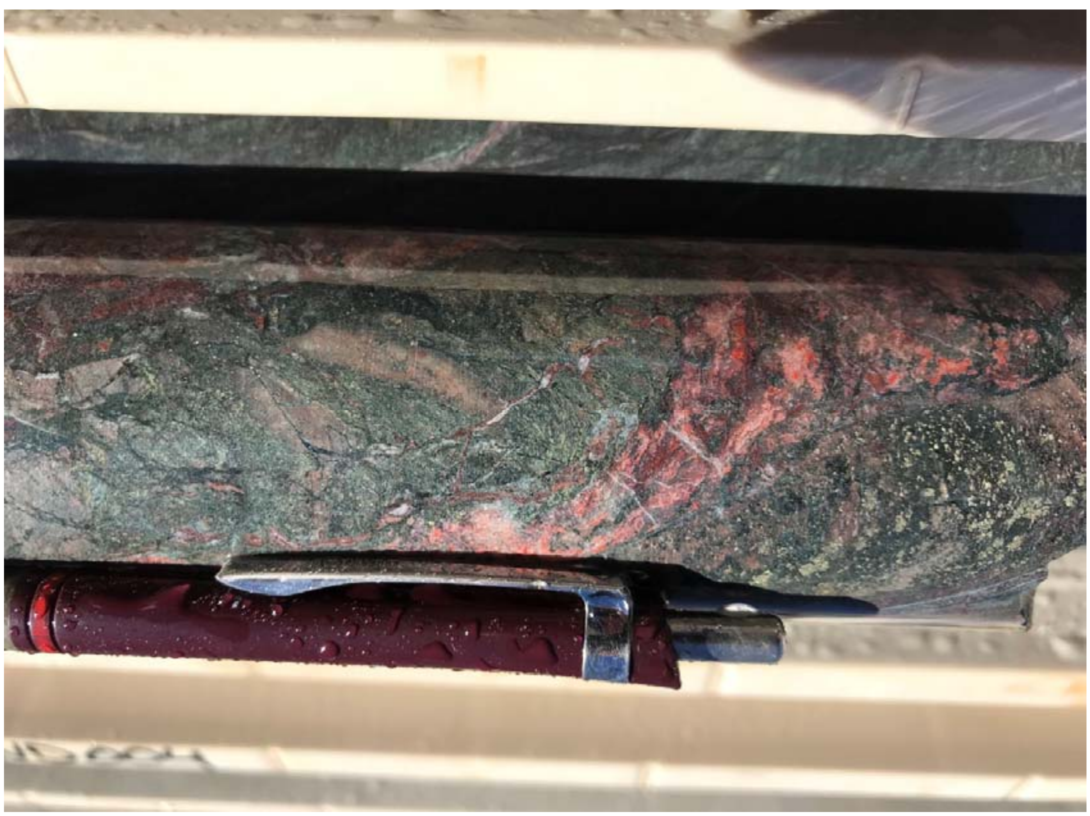

Figure 7 Gidgee Flat drill core showing typical silica-pyrite-K-feldspar and haematite alteration of mafic host rocks.

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group, consisting of Lodestar Minerals Limited and the entity it controlled, for the financial year ended 30 June 2019 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Ross Taylor Non-Executive Chairman Appointed: 30 June 2014	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.
<u>Interests:</u> Shares: 215,456,035 Options: 19,989,482	Ross is Chair of the Remuneration and Nomination Committee and is a member of the Audit and Risk Management Committee.
Past directorships	None
William Clayton Managing Director Appointed: 2 November 2007	Mr Clayton has more than 20 years' experience in exploration evaluation of Archaean nickel sulphide deposits, precious metals and other commodities, working with Outokumpu Australia, Forrestania Gold and LionOre. Mr Clayton 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.
<u>Interests:</u> Shares: 4,103,427 Options: 11,195,402	
Past directorships:	None

DIRECTORS (continued)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
David McArthur Non-Executive Director Appointed: 3 September 2018 (Executive Director 13 August 2007 to 3 September 2018)	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 over 30 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of numerous public listed companies over the past 30 years. Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.
<u>Interests:</u> Shares: 13,550,007 Options: 12,616,669	David is Chair of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee.
Past directorships	Non-Executive Director of Smart Marine Systems Limited from 29 January 2016 until 3 September 2019. Non-Executive Director of Xstate Resources Limited from 3 September 2013 until 15 July 2019. Non-Executive Director of Renewable Heat & Power Limited from 14 August 2013 until 2 February 2017. Non-Executive Director of Sacgasco Limited from 15 November 2016 until 1 February 2017.

COMPANY SECRETARIES

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 13 August 2007. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint Company Secretary on 17 April 2018. Mr McArthur has nine years corporate and financial experience in Australia and the United Kingdom.

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 2019, and the number of meetings attended by each director were:

	Full meetings of Directors		Meetings of Audit and Risk Management Committee		Meetings of Remuneration and Nomination Committee	
	Number of meetings attended	Number of meetings held whilst a Director	Number of meetings attended	Number of meetings held whilst a Director	Number of meetings attended	Number of meetings held whilst a Director
Ross Taylor	3	3	2	2	1	1
William Clayton	3	3	2	2	n/a	n/a
David McArthur	3	3	2	2	1	1

The small size of the Board means that Members of the Board meet informally on a regular basis to discuss company operations, risks and strategies, and as required, formalise key actions through circular resolutions.

The audit and risk management, finance and environmental functions are handled by the full board of the Company.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

The loss for the financial year ended 30 June 2019 attributable to members of Lodestar Minerals Limited after income tax was $1,896,090 (2018: $2,092,895).

The Group has a working capital deficit of $96,184 (2018: surplus of $917,365) and had net cash outflows of $1,043,259 (2018: net cash outflow of $957,469).

The Company remains acutely aware of the current economic climate and continues to implement cost reduction measures across the business.

OPERATIONS REVIEW

Information on the operations of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

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 overview above.

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 30 June 2019 (2018: Nil).

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration activities. It 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.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all Directors and Company Secretary against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is $15,540 (2018: $13,320) to insure the Directors and Company Secretary of the Company.

NON-AUDIT SERVICES

No non-audit services were provided during the year from the auditor of the Company, HLB Mann Judd.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 5.8 of the notes to the consolidated financial statements, there have been no matters or circumstances 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.

PROCEEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

As at the date of this report details of ordinary shares issued by the Company during or since the end of the financial year as a result of the exercise of an option are:

Date of exercise	Number of shares issued	Amount paid for the shares $
26-Jul-2018	23,400,000	702,000
06-Aug-2018	30,000	900

There are no unpaid amounts on the shares issued.

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Group under option are:

Grant date	Number of shares under option	Exercise price of option cents	Expiry date of option
27-Oct-2016	5,000,000	3	31-Oct-2019
23-Nov-2016	18,000,000	3	31-Oct-2019
25-Nov-2016	900,000	3	31-Oct-2019
26-Nov-2016	21,433,702	3	31-Oct-2019
15-Sep-2017	31,220,000	3	31-Oct-2019
15-Sep-2017	13,200,000	3	31-Oct-2019
20-Nov-2017	6,800,000	3	31-Oct-2019
05-Dec-2018	15,000,000	10	31-Dec-2021
	111,553,702		

All unissued shares are ordinary shares of the Company.

During the reporting period 27,800,127 options expired (2018: 16,000,000).

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of Lodestar Minerals Limited for the financial year ended 30 June 2019 and is included on page 17.

AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. The Independence Declaration is set out on page 23 and forms part of this Directors' report for the year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.

WILLIAM CLAYTON

Director

Dated at Perth, Western Australia this 19th day of September 2019.

REMUNERATION REPORT - AUDITED

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Directors of Lodestar Minerals Limited for the year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001.*

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

Remuneration philosophy

The performance of the Company depends upon the quality of the Key Management Personnel. The philosophy of the Company in determining remuneration levels is to:

- Set competitive remuneration packages to attract and retain high calibre employees;
- Link executive rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining and reviewing compensation arrangements for the Key Management Personnel.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. The Remuneration and Nomination Committee met once during the year.

Remuneration structure

In accordance with best practice corporate governance, the structure of Executive Director and Non-executive directors' remuneration is separate and distinct.

Executive Director remuneration
Remuneration consists of fixed remuneration and variable remuneration (compromising short-term and long-term incentive schemes).

Fixed remuneration
Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

Variable remuneration - Short-term incentive scheme
Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

Remuneration structure (continued)

Variable remuneration - Short-term incentive scheme

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- satisfactory completion of development programs, on time and on budget;
- securing funding to support planned work programs;
- investor relations; and
- consideration of safety performance, corporate governance, external relations and general management.

At this stage, the Company does not award any STIs.

Variable remuneration - Long-term incentive scheme

The Group also makes long-term incentive payments such as share options and / or performance rights to reward Executive Directors and other key management in a manner that aligns this element of remuneration with the creation of shareholder wealth.

The Company has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Company eligible employees and consultants to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however, the Board determines appropriate vesting periods to provide rewards over time.

Performance on shareholder wealth

The remuneration of the Group's key management personnel, including any component of remuneration that consists of securities in the Company, is not formally linked to the prior performance of the Group. The rationale for this approach is that the Group is in the exploration phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

The table below sets out summary information about the Group's earnings and movements in shareholder's wealth for the five years to 30 June 2019:

	2019	2018	2017 *	2016	2015 *
Loss before income tax ($)	(1,896,090)	(2,092,895)	(1,329,256)	(1,866,108)	(1,330,440)
Net loss attributable to equity holders ($)	(1,896,090)	(2,092,895)	(1,329,256)	(1,866,108)	(1,330,440)
Share price at year end (cents)	0.80	2.50	0.90	2.30	1.30
Number of listed ordinary shares	749,218,328	725,788,328	453,318,328	386,224,233	324,546,575
Weighted average number of shares	747,612,629	620,627,451	431,403,002	351,638,181	297,382,550
Basic loss per share EPS (cents)	(0.25)	(0.34)	(0.31)	(0.59)	(0.46)
Unlisted options	96,533,702	119,983,702	45,333,702	-	-
Market capitalisation ($)	5,993,747	18,144,708	4,079,865	8,883,157	4,219,105
Net tangible assets / (liabilities) (NTA) ($)	(49,179)	978,946	(410,130)	221,484	227,188
NTA Backing (cents)	(0.01)	0.14	(0.09)	0.06	0.07

* Net loss and basic loss per share have been restated for the retrospective change in accounting policy.

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

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was in 2008 and an aggregate remuneration of $250,000 per annum was set. Any future changes would be approved by shareholders at an Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration and Nomination Committee considers advice from external shareholders as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of statutory superannuation and membership of sub-committees.

Non-Executive Directors' base fees ranged from $40,000 to $60,000 per annum.

The Remuneration and Nomination Committee reviewed the workload and activities undertaken by each director. The Board resolved that with effect from 1 September 2018, to increase director fees as follows:

- Non-Executive Directors Increase $10,000 p.a. to $40,000 p.a. plus superannuation
- Chairman Increase $10,000 p.a. to $60,000 p.a. plus superannuation

Effective 3 September 2018, the Board resolved to accept the termination of David McArthur's executive services agreement, continuing to serve in the capacity of Non-Executive Director.

On the same date, the Board further resolved to sign an agreement with DAS (Australia) Pty Ltd for Company Secretarial services provided by David McArthur, previously provided under his executive services agreement.

Employment contracts

Remuneration and other terms of employment of Directors and other key management personnel are formalised in an employment contract. The major provisions of the agreement related to remuneration are set out below.

Name	Terms of agreement	Employee notice period	Employer notice period	Base salary *	Termination Benefit **
William Clayton	Ongoing from 1 September 2018	Three months	Three months	$175,000	Twelve months' base salary

* Base salary is exclusive of the superannuation guarantee charge rate applicable at the time (currently 9.50%).

** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. They are equal to base salary and superannuation payable for the notice period.

Use of remuneration consultants

No remuneration consultants provided services during the year.

Remuneration of Directors

Name		Short-term employee benefits		Post Employment benefits	Long-term benefits	Share-based payments	
		Cash salary and fees (A) $	D&O Insurance Premiums $	Superannuation $	Long-service leave $	Options $	Total $
Non-Executive Directors							
Ross Taylor	2019	58,333	5,180	5,542	-	55,514	**124,569**
	2018	50,000	4,440	4,750	-	-	59,190
David McArthur (B)	2019	70,834	4,300	3,167	-	55,514	**133,815**
	2018	-	-	-	-	-	-
Sub-total Non-Executive	2019	129,167	9,480	8,709	-	111,028	**258,384**
Directors' remuneration	2018	50,000	4,440	4,750	-	-	59,190
Executive Directors							
William Clayton	2019	180,619	5,180	16,229	7,370	55,515	**264,913**
	2018	146,538	4,440	14,250	2,500	-	167,728
David McArthur (B)	2019	17,219	880	1,636	(6,076)	-	**13,659**
	2018	60,591	4,440	6,650	(7,627)	-	64,054
Sub-total Executive	2019	197,838	6,060	17,865	1,294	55,515	**278,572**
Directors' remuneration	2018	207,129	8,880	20,900	(5,127)	-	231,782
Total Directors' remuneration	**2019**	**327,005**	**15,540**	**26,574**	**1,294**	**166,543**	**536,956**
	2018	**257,129**	**13,320**	**25,650**	**(5,127)**	**-**	**290,972**

(A) Includes annual leave
(B) Effective 1 September 2018, David McArthur resigned as Executive Director and was re-appointed as a Non-Executive Director

No proportion of Director's remuneration was linked to performance for the year ended 30 June 2019 (2018: nil).

Options

Granted as compensation

At the date of this report, share options granted to the Directors of the Company as part of their remuneration are:

	Number of options granted	Grant date	Value per option at grant date cents	Value of options at grant date $	Vesting and first exercise date	Last Exercised date	Exercise price per option cents	Expiry date
William Clayton	5,000,000	30-Nov-18	1.11	55,515	30-Nov-18	31-Dec-21	10	31-Dec-21
Ross Taylor	5,000,000	30-Nov-18	1.11	55,514	30-Nov-18	31-Dec-21	10	31-Dec-21
David McArthur	5,000,000	30-Nov-18	1.11	55,514	30-Nov-18	31-Dec-21	10	31-Dec-21

The options tabled above were provided at no cost to the recipients.

No options granted as compensation in the current or prior years were exercised. No options granted as compensation in the current year were forfeited, lapsed or cancelled (2018: 11 million lapsed).

Other information

Options held by Directors

	Held at 30 June 2018	Granted as remuneration	Acquired	Exercised	Expired	Held at 30 June 2019	Vested and exercisable at 30-Jun-19
William Clayton	11,195,402	5,000,000	-	-	(5,000,000)	11,195,402	**11,195,402**
Ross Taylor	43,389,482	5,000,000	-	(23,400,000)	(5,000,000)	19,989,482	**19,989,482**
David McArthur	11,616,669	5,000,000	1,000,000	-	(5,000,000)	12,616,669	**12,616,669**

Other information (continued)

Ordinary shares held by Directors

	Held at 30 June 2018 Number	Purchases Number	Exercise of options Number	Held at 30 June 2019 Number
William Clayton	4,103,427	-		**4,103,427**
Ross Taylor	192,056,035	-	23,400,000	**215,456,035**
David McArthur	13,550,007	-		**13,550,007**

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Cash bonuses included in remuneration

No cash bonuses were granted during 2019.

Share-based remuneration granted as compensation

For details of share-based payments granted during the year, refer note 5.1.

Other transactions with Key Management Personnel

Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 5.4.

2018 Annual General Meeting

The Company received 99.9% of “yes” votes on its remuneration report for the 30 June 2018 financial year.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lodestar Minerals Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Norman Glad

Perth, Western Australia	**N G Neill**
19 September 2019	**Partner**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	3.1	23,567	1,066,826
Trade and other receivables	3.2	48,562	72,684
Prepayments		3,784	3,767
Other current assets	3.3	89,197	-
Total current assets		165,110	1,143,277
Property, plant and equipment		44,946	59,522
Non-current deposits and bonds	3.3	2,059	2,059
Total non-current assets		47,005	61,581
Total assets		212,115	1,204,858
Liabilities			
Trade and other payables	3.4	103,247	160,304
Loans and borrowings	4.2	81,359	-
Employee benefits	2.4	70,288	59,208
Site restoration provision		6,400	6,400
Total current liabilities		261,294	225,912
Total liabilities		261,294	225,912
Net (deficiency) / assets		(49,179)	978,946
Equity			
Share capital	4.1	26,703,737	26,002,315
Reserves		367,453	543,667
Accumulated losses		(27,120,369)	(25,567,036)
Total (deficiency) / equity		(49,179)	978,946

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Other income	2.2	265,926	87,272
Exploration expensed		(1,337,661)	(1,650,707)
Site rehabilitation		(6,510)	(14,582)
Other operating expenses		(1,855)	(8,500)
General and administrative expenses		(163,144)	(104,384)
Professional fees		(169,189)	(175,253)
Personnel expenses	2.4	(407,066)	(179,993)
Depreciation		(14,576)	(18,666)
Marketing and business development		(63,947)	(21,737)
Other gains and (losses)		(1,608)	-
Results from operating activities		(1,899,630)	(2,086,550)
Finance income		7,078	5,501
Finance costs		(3,538)	(11,846)
Net finance income / (costs)	2.3	3,540	(6,345)
Loss before income tax		(1,896,090)	(2,092,895)
Income tax expense		-	-
Loss for the year		(1,896,090)	(2,092,895)
Total comprehensive loss for the year		(1,896,090)	(2,092,895)
Total comprehensive loss attributable to owners of the Company		(1,896,090)	(2,092,895)
Loss per share			
Basic and diluted (cents per share)	2.6	(0.25)	(0.34)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Share capital $	Share-based payments reserve $	Accumulated losses $	Total $
Balance at 1 July 2018		26,002,315	543,667	(25,567,036)	**978,946**
Total comprehensive loss for the year					
Loss for the year		-	-	(1,896,090)	**(1,896,090)**
Total comprehensive loss for the year		-	-	(1,896,090)	**(1,896,090)**
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of ordinary shares on exercise of options	4.1	702,900	-	-	**702,900**
Transfer to accumulated losses on expiry of options		-	(342,757)	342,757	**-**
Share-based payment transactions	5.1	-	166,543	-	**166,543**
Capital raising costs		(1,478)	-	-	**(1,478)**
Total contributions by and distributions to owners		**701,422**	**(176,214)**	**342,757**	**867,965**
Balance at 30 June 2019		**26,703,737**	**367,453**	**(27,120,369)**	**(49,179)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of the Company				
	Share capital $	**Share-based payments reserve $**	**Equity component of convertible notes $**	**Accumulated losses $**	**Total $**
Balance at 1 July 2017	22,588,553	603,110	24,348	(23,626,141)	(410,130)
Total comprehensive loss for the year					
Loss for the year	-	-	-	(2,092,895)	**(2,092,895)**
Total comprehensive loss for the year	**-**	**-**	**-**	**(2,092,895)**	**(2,092,895)**
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of ordinary shares	2,599,700	-	-	-	**2,599,700**
Issue of ordinary shares on conversion of convertible note	1,170,000	-	-	-	**1,170,000**
Transfer to accumulated losses on expiry of options	-	(152,000)	-	152,000	**-**
Share-based payment transactions	-	92,557	-	-	**92,557**
Conversion of convertible note	-	-	(24,348)	-	**(24,348)**
Capital raising costs	(355,938)	-	-	-	**(355,938)**
Total contributions by and distributions to owners	**3,413,762**	**(59,443)**	**(24,348)**	**152,000**	**3,481,971**
Balance at 30 June 2018	**26,002,315**	**543,667**	**-**	**(25,567,036)**	**978,946**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(593,504)	(508,979)
Interest paid		(1,230)	(833)
Interest received		7,078	5,501
Payments for exploration, evaluation and development		(1,349,128)	(1,656,013)
Net cash used in operating activities	3.1(b)	**(1,936,784)**	**(2,160,324)**
Cash flows from investing activities			
Payments for financial assets at fair value through profit or loss		(2,000)	-
Proceeds from sale of financial assets at fair value through profit or loss		114,103	-
Payments for property, plant and equipment		-	(5,940)
Net cash from / (used in) investing activities		**112,103**	**(5,940)**
Cash flows from financing activities			
Proceeds from issue of shares		-	2,581,538
Proceeds from issue of convertible notes		-	800,000
Proceeds from exercise of options		702,900	-
Proceeds from related party loans		131,100	-
Payment of capital raising costs		(1,478)	(194,429)
Repayment of loans from related parties		(51,100)	-
Payment of transaction costs related to borrowings		-	(63,376)
Net cash from financing activities		**781,422**	**3,123,733**
Net (decrease) / increase in cash and cash equivalents		(1,043,259)	957,469
Cash and cash equivalents at 1 July		1,066,826	109,357
Cash and cash equivalents at 30 June	3.1(a)	**23,567**	**1,066,826**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

SECTION 1 BASIS OF PREPARATION

Lodestar Minerals Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2019 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Working capital disclosures
4. Equity and funding
5. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 GENERAL INFORMATION

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at First Floor, 31 Cliff Street, Fremantle, WA, 6160.

The Group is primarily involved in the mineral exploration industry in Australia.

The consolidated financial statements of the Group as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 19 September 2019. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board;
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2018. Refer to note 5.9 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 5.10 for further details.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. The Directors are satisfied the Company is a going concern, notwithstanding it incurred a total comprehensive loss of $1,896,090 for the year ended 30 June 2019 and has a net liability position of $49,179. Subsequent to year end, the Company received 1,142,857 shares in Vango Mining Limited as part of its Ned's Creek farm-out agreement. At the date of this report these shares were valued at $228,571.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on securing additional funding through various potential means. The Directors acknowledge the need to raise additional funds in the coming year to meet its anticipated operating expenditures and planned exploration commitments for tenements held and are confident that this is achievable through either one or a combination of the following:

a) capital raising with existing shareholders or a placement to sophisticated investors;
b) short-term borrowings with related or third parties;
c) partial or full sale of tenement ownership rights held by the Group; and / or
d) farm-out of existing exploration areas with upfront consideration payable.

The Directors are currently negotiating with a public listed mining company to farm-out part of its interest in the Imbin and Camel Hills projects and are confident of a successful outcome. The terms being negotiated will include an upfront payment, consistent with the recent farm-out by the Company. The Directors have also agreed not to call on amounts owed to them until the Group is in a financial position to do so.

Should the Group be unsuccessful in raising funds, there is a material uncertainty that exists that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the Group does not continue as a going concern.

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

1.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Refer note 2.5.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 5.1.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumption on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date. Refer note 5.2.

Fair value of assets

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

2.1 OPERATING SEGMENTS

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided by the Chief Operating Decision Maker.

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Lodestar Minerals Limited.

AASB 8 *Operating Segments* requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being base minerals exploration and evaluation in Australia.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income and the assets and liabilities of the Group as a whole are set out in the consolidated statement of financial position.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2018.

2.2 OTHER INCOME

Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

	Note	2019 $	2018 $
Co-funded drilling program revenue		15,926	87,272
Other income	(i)	250,000	-
		265,926	87,272

(i) The Company received 1,470,588 fully paid ordinary shares in Vango Mining Limited at a value of $0.17 per share for a total consideration of $250,000.

2.3 NET FINANCE INCOME

Accounting Policy

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the finance cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

	Note	2019 $	2018 $
Interest income on deposits		(7,078)	(5,501)
Interest expense on financial liabilities measured at amortised cost			
Interest expense on loans received from related parties	4.2	2,589	315
Interest expense on premium funding		102	458
Interest expense on convertible loan notes		-	11,013
Other finance charges		847	60
Finance costs		**3,538**	**11,846**
Net finance (income) / costs		**(3,540)**	**6,345**

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Employee leave benefits

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Other long-term employee benefits

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

The table below sets out personnel costs expensed during the year.

	Note	2019 $	2018 $
Directors remuneration	5.4	536,956	290,972
Other associated personnel expenses		223	2,101
		537,179	293,073
Expensed in exploration and evaluation		130,113	113,080
Expensed in personnel expenses		407,066	179,993
		537,179	**293,076**

The table below sets out employee benefits at the reporting date.

	2019 $	2018 $
Current		
Liability for annual leave	36,193	26,407
Liability for long service leave	34,095	32,801
	70,288	**59,208**

2.5 INCOME TAX EXPENSE

Accounting Policy

Income tax expense or benefit comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(a) Amounts recognised in profit or loss

	2019 $	2018 $
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-

2.5 INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate

	2019	2018
	$	$
Loss for the period	(1,896,090)	(2,095,895)
Total income tax benefit / (expense)	-	-
Profit / (Loss) excluding income tax	(1,896,090)	(2,092,895)
Income tax using the Group's domestic tax rate of 27.5% (2018: 27.5%)	(521,425)	(575,546)
Non-deductible expenses	45,806	14,225
Timing differences	(22,981)	(51,215)
Tax losses utilised not previously brought to account	498,600	612,536
Income tax expense	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to $7,844,843 (2018: $7,373,949) attributed to tax losses have not been brought to account.

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 legalisation continue to be complied with;
iii) no changes in tax legislation adversely affect the Group in realising the benefit; and
iv) satisfaction of either the continuity of ownership or the same business test.

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2019	2018
	$	$
Deferred tax assets		
Black hole deductible costs – s40-880	50,437	75,505
Borrowing costs – s25-25	188	376
Property, plant and equipment	-	615
Intangible assets	41	72
Trade and other payables	5,088	7,890
Employee benefits	19,329	16,282
Provisions	1,760	1,760
Carry forward tax losses – Group	7,771,084	7,272,485
	7,847,927	7,374,985

2.5 INCOME TAX EXPENSE (continued)

(c) Unrecognised deferred tax assets and liabilities (continued)

	2019 $	2018 $
Deferred tax liabilities		
Prepaid expenditure	(1,041)	(1,036)
Property, plant and equipment	(2,043)	-
	(3,084)	(1,036)
Net Unrecognised Deferred Tax Assets	7,844,843	7,373,949

The Group does not recognise deferred tax.

2.6 LOSS PER SHARE

Accounting Policy

Basic earnings per share is the amount of a company's profit or loss for a reporting period that is available to the shares of its common stock that are outstanding during the reporting period.

Basic and diluted loss per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 30 June 2019 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes account of the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders

	2019	2018
Net loss attributable to ordinary shareholders - **$**	(1,896,090)	(2,092,895)
Issued ordinary shares at 1 July - number	725,788,328	453,318,328
Effect of shares issued - number	21,824,301	167,309,123
Weighted average number of ordinary shares at 30 June	747,612,629	620,627,451
Basic and diluted loss per share (cents)	(0.25)	(0.34)

* At 30 June 2019, 111,553,702 options (2018: 147,783,829 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

SECTION 3 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

3.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash comprises cash at bank and in hand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2019 $	2018 $
Cash and cash equivalents in the statement of cash flows	23,567	1,066,826

(b) Reconciliation of cash flows from operating activities

	Note	2019 $	2018 $
Cash flows from operating activities			
Loss for the period		(1,896,090)	(2,092,895)
Adjustments for:			
Equity-settled share-based payment transactions	5.1	166,543	56,510
Finance expense	2.3	-	11,013
Depreciation		14,576	18,666
Gain on sale of listed shares		1,550	-
Other income	2.2	(250,000)	-
Change in other receivables		71,271	(66,782)
Change in prepayments		(17)	(1,036)
Change in other operating assets		-	(187)
Change in trade and other payables		(57,158)	(54,295)
Change in interest bearing liabilities		1,461	(13,320)
Change in employee benefits provision		11,080	(17,998)
Change in site restoration provision			-
Net Cash used in operating activities		**(1,936,784)**	**(2,160,324)**

3.1 CASH AND CASH EQUIVALENTS (continued)

(c) Changes in liabilities arising from financing activities

	Convertible notes	Related party Loans	Total
	$	$	$
Balance at 1 July 2017	278,404	-	278,404
Net cash from / (used in) financing activities	800,000	-	800,000
Interest on convertible notes	91,596	-	91,596
Conversion of loan to fully paid shares	(1,170,000)	-	(1,170,000)
Balance at 30 June 2018	**-**	**-**	**-**
Net cash from / (used in) financing activities	-	80,000	80,000
Interest on related party loans	-	1,359	1,359
Balance at 30 June 2019	**-**	**81,359**	**81,359**

3.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within five days of receipt of loading documents.

Impairment of trade receivables is continually reviewed and those considered uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

Expected credit losses
The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade and other receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they possess shared credit risk characteristics.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

3.2 TRADE AND OTHER RECEIVABLES (continued)

	2019	2018
	$	$
Current		
Authorised government agencies	-	1,705
Other receivables	48,562	70,979
	48,562	**72,684**

Other receivables are non-interest.

Note 5.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

3.3 OTHER FINANCIAL ASSETS

		2019	2018
		$	$
Listed shares at fair market value	(i)	89,197	-
Deposits and bonds		2,059	2,059
		91,256	**2,059**
Current		89,197	-
Non-current		2,059	2,059
		91,256	**2,059**

(i) Equity instruments consist of investments in ordinary shares and have no fixed maturity date or coupon rate.

3.4 TRADE AND OTHER PAYABLES

Accounting Policy

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

		2019	2018
		$	$
Current			
Trade payables	(i)	67,099	136,815
Due to authorised government agencies		4,727	-
Non-trade payables and accrued expenses		31,421	23,489
		103,247	160,304

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. All amounts are short-term. The net carrying amount of trade payables is considered a reasonable approximation of fair value.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 5.2.

SECTION 4 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital, loans and borrowings.

4.1 Capital and Reserves

Accounting Policy

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.

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2019	**2018**	**2019**	**2018**
On issue at 1 July	**725,788,328**	**453,318,328**	**26,002,315**	**22,588,553**
Shares issued and expensed during the period:				
Issue of fully paid shares for cash	-	152,500,000	-	2,570,000
Issue of fully paid shares on exercise of options	23,430,000	-	702,900	-
Issue of shares upon conversion of convertible note	-	117,000,000	-	1,170,000
Issue of shares in satisfaction of service provider fees	-	2,970,000	-	29,700
Capital raising costs	-	-	(1,478)	(355,938)
On issue at 30 June	**749,218,328**	**725,788,328**	**26,703,737**	**26,002,315**

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

In the event of a winding up of the Group, ordinary shareholders rank after all other shareholders (if any) and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

The Company has also share options on issue (see note 5.1).

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of options to be issued to directors, consultants and employees. Refer to note 5.1 for further details of these plans.

4.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 5.2.

Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

	Book value 2019 $	Fair value 2019 $	Book value 2018 $	Fair value 2018 $
Current				
Loans received from a director	(81,359)	(85,359)	-	-
Convertible note facility	-	-	-	-
On issue at 30 June	**(81,359)**	**(85,359)**	**-**	**-**

	Loans from a director [(2)] $	Convertible loan $
Balance at 1 July 2018	-	(278,404)
Loans & borrowings received	-	(800,000)
Interest charged	-	(91,596)
Less loan extinguished through issue of shares	-	1,170,000
Balance at 30 June 2018	**-**	**-**
Loans & borrowings received	(131,100)	-
Interest charged	(2,589)	-
Less repaid [(1)]	52,330	-
Balance at 30 June 2019	**(81,359)**	**-**

(1) Amounts repaid include interest and loan establishment costs;
(2) Refer to note 5.4 for further details.

SECTION 5 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

5.1 SHARE-BASED PAYMENT PLANS

Accounting Policy

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.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2019	2018
	$	$
Expensed in personnel expenses (director remuneration)		
Options issued to directors	166,543	-
Expensed in professional fees		
Shares issued to a consultant	-	56,510
Capital raising costs within equity		
Options issued to a consultant	-	92,557

Share-based payment programme

The Company has adopted an Employee Share Option Scheme (“ESOS”). Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company’s total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash.

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

5.1 SHARE-BASED PAYMENT PLANS (continued)

Options

At 30 June 2019, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
25-Nov-15	25-Nov-15	31-Dec-18	5	15,000,000	-	-	(15,000,000)	-	-
10-Sep-16	23-Nov-16	31-Oct-19	3	900,000	-	-	-	900,000	900,000
21-Sep-16	27-Oct-16	31-Oct-19	3	5,000,000	-	-	-	5,000,000	5,000,000
23-Nov-16	23-Nov-16	31-Oct-19	3	18,000,000	-	-	-	18,000,000	18,000,000
15-Sep-17	15-Sep-17	31-Oct-19	3	13,200,000	-	-	-	13,200,000	13,200,000
20-Nov-17	20-Nov-17	31-Oct-19	3	6,800,000	-	-	-	6,800,000	6,800,000
28-Feb-18	07-Mar-18	31-Dec-18	5	5,000,000	-	-	(5,000,000)	-	-
30-Nov-18	05-Dec-18	31-Dec-21	5	-	15,000,000	-	-	15,000,000	15,000,000
Total				**63,900,000**	**15,000,000**	**-**	**(20,000,000)**	**58,900,000**	**58,900,000**
Weighted Average Exercise Price (cents)				3.63	10.00	-	5.00	4.78	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 0.89 years.

5.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

At 30 June 2018, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
16-Dec-13	16-Dec-13	16-Dec-17	5	5,000,000	-	-	(5,000,000)	-	-
25-Nov-14	25-Nov-14	16-Dec-17	5	11,000,000	-	-	(11,000,000)	-	-
25-Nov-15	25-Nov-15	31-Dec-18	5	15,000,000	-	-	-	15,000,000	15,000,000
10-Sep-16	23-Nov-16	31-Oct-19	3	900,000	-	-	-	900,000	900,000
21-Sep-16	27-Oct-16	31-Oct-19	3	5,000,000	-	-	-	5,000,000	5,000,000
23-Nov-16	23-Nov-16	31-Oct-19	3	18,000,000	-	-	-	18,000,000	18,000,000
15-Sep-17	15-Sep-17	31-Oct-19	3	-	13,200,000	-	-	13,200,000	13,200,000
20-Nov-17	20-Nov-17	31-Oct-19	3	-	6,800,000	-	-	6,800,000	6,800,000
28-Feb-18	7-Mar-18	31-Dec-18	5	-	5,000,000	-	-	5,000,000	5,000,000
Total				**54,900,000**	**25,000,000**	**-**	**(16,000,000)**	**63,900,000**	**63,900,000**
Weighted Average Exercise Price (cents)				4.13	3.40	-	5.00	3.63	

5.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

Key valuation assumptions made at valuation date are summarised below:

	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**	**Tranche 5**	**Tranche 6**
Number of options	900,000	5,000,000	18,000,000	13,200,000	6,800,000	15,000,000
Exercise price (cents)	3	3	3	3	3	5
Grant date	10-Sep-16	21-Sep-16	23-Nov-16	15-Sep-17	20-Nov-17	30-Nov-18
Expiry date	31-Oct-19	31-Oct-19	31-Oct-19	31-Oct-19	31-Oct-19	31-Dec-21
Life of the options (years)	3.14	3.11	2.94	2.13	1.95	3.09
Volatility	150%	150%	150%	N/A*	N/A*	178.70%
Risk free rate	1.56%	1.67%	1.72%	N/A*	N/A*	2.04%
Fair value at grant date (cents)	0.92	0.78	0.60	0.60	0.60	1.11
Share price at grant date (cents)	2.50	1.10	0.90	0.90	0.90	1.50

* Volatility and risk-free rate were not incorporated into valuation calculation as option issuances in Tranches 4 and 5 were for listed options.

5.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

5.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category. The Group does not have any material expected credit losses.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

5.2 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's Board of Directors who has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

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 on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency exchange rate risk management
The Group is not exposed to foreign currency risk.

Interest rate risk management
The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

<u>Interest rate risk sensitivity analysis</u>
The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by $236.

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

5.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rates its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Non-derivative financial liabilities
The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months $	6 months to 1 year $	1 – 5 years $
30 June 2019				
Trade and other payables	-	103,247	-	-
Borrowings	10.00	85,359	-	-
		188,606	-	-
30 June 2018				
Trade and other payables	-	160,304	-	-

5.2 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amounts of current receivables, current payables, and current interest-bearing borrowings, approximate their fair values.

5.3 CAPITAL AND OTHER COMMITMENTS

Accounting Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. During the year, Lodestar entered into a Joint Venture earn-in agreement with Vango Mining, whereby Vango is required to spend A$4.5m over three years (with a minimum expenditure of $1m per year). The tenements covered in this agreement are Ned's Creek tenements. These obligations are not provided for in the financial statements and are payable as follows:

	Note	2019 $	2018 $
Mineral exploration			
Less than one year		(1) 196,000	990,560

(1) Ned's Creek and Yowereena are omitted from the above as these commitments have been taken up by the JV agreement with Vango to spend a minimum of $4.5m over three years.

	Note	2019 $	2018 $
Office rent and storage			
Less than one year		18,778	19,745
Between one and five years		17,213	-
		35,991	19,745

5.4 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is 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 because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2019 $	2018 $
Short-term employee benefits	342,545	270,449
Long-term employee benefits	1,294	(5,127)
Post-employment benefits	26,574	25,650
Share-based payments – options	166,543	-
	536,956	290,972

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

David McArthur

David McArthur provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months, if, and when, the company was in a financial position to do so. Interest expense at 30 June 2019 was $2,589 (2018: nil) and the balance outstanding was $81,359 (2018: nil).

Broadway Management (WA) Pty Ltd, a company for which Mr McArthur is a Director, received $102,000 (2018: $112,960) in repayment for commercial, arms-length consulting services and lease of office. The balance outstanding at 30 June 2019 was $24,500 (2018: $19,989).

DAS (Australia) Pty Ltd, a company for which Mr McArthur is a Director, received $33,750 (2018: nil) in repayment for company secretarial services. The balance outstanding at 30 June 2019 was $3,750 (2018: nil).

5.5 SUBSIDIARIES

The consolidated financial statements include the financial statements of Lodestar Minerals Limited (the parent entity) and the subsidiaries listed in the following table:

Name of subsidiary	Place of incorporation	Equity Interest	
		2019 %	2018 %
Audacious Resources Pty Ltd	Australia	100	100

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

5.6 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

As at, and throughout the financial year ended 30 June 2019, the parent entity of the Group was Lodestar Minerals Limited.

	2019 $	2018 $
Result of the parent entity		
Loss for the year	(1,896,090)	(1,795,295)
Total comprehensive income for the year	**(1,896,090)**	**(1,795,295)**
Financial position of parent entity at year end		
Current assets	165,110	1,143,276
Total assets	**212,115**	**1,204,858**
Current liabilities	(254,894)	(225,912)
Total liabilities	**(254,894)**	**(225,912)**
Total equity of the parent entity comprising of:		
Share capital	26,703,737	26,002,315
Equity settled benefits reserve	367,453	543,667
Other reserves		-
Accumulated losses	(27,113,969)	(25,567,036)
Total (deficiency) / equity	**(42,779)**	**978,946**

5.7 AUDITORS' REMUNERATION

	2019	2018
	$	$
Audit and other assurance services		
HLB Mann Judd	29,650	18,500
KPMG	-	23,524
TOTAL AUDITORS' REMUNERATION	**29,650**	**42,024**

5.8 SUBSEQUENT EVENTS

There have been no matters or circumstances 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.

5.9 ADOPTION OF NEW AND REVISED STANDARDS

In the year ended 30 June 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. Those which have a material impact on the Group are set out below.

AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to some areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting models.

The Group has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to hold assets to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For Financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New impairment requirements us an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

5.9 ADOPTION OF NEW AND REVISED STANDARDS (continued)

AASB 9 *Financial Instruments* (continued)

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods as there was no material impact to profit or loss or net assets.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Group has adopted AASB 15 from 1 July 2018.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations, Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has adopted AASB 15, using the modified retrospective method of adoption (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 30 June 2018 has not been restated.

As a result of the above review, the Directors have determined that there is no material impact to profit or loss or net assets on adoption of this standard in the current or comparative years.

5.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019. Those which may have a material impact on the Group are set out below.

AASB 16 *Leases*

AASB 16 replaces AASB 117 *Leases*. AASB 16 eliminates the operating and finance lease classifications for lessees.

AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

Impact on operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income.
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented in operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has identified the following leases where AASB 16 will have an impact, but has elected not to early adopt this standard and has not yet quantified the material effect of application for future periods:

- Office and storage lease, Fremantle

Impact on finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual guarantees provided by the lessee or lessor.

AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

On initial application, the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented with borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 June 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

5.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in AASB 112 based on taxable profit (tax loss), unused tax losses, unused tax credits and tax rates determined applying this interpretation.

Interpretation 23 is effective from annual reporting periods beginning on or after 1 July 2019.

Other than the above, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Lodestar Minerals Limited (the "Company"):

   (a) the accompanying financial statements and notes 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 2019 and of its performance for the year then ended; and

      (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

   (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.

   (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.

Dated at Perth this 19th day of September 2019.

WILLIAM CLAYTON
Director

INDEPENDENT AUDITOR'S REPORT
To the members of Lodestar Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lodestar Minerals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1.3 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the *Material uncertainty related to going concern* section, we have determined there are no additional key audit matters to be communicated in our report.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Lodestar Minerals Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
19 September 2019

CORPORATE GOVERNANCE STATEMENT

The 2019 Corporate Governance Statement is dated as 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year.

Lodestar Minerals Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main Corporate Governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year and comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations. A copy of the Corporate Governance policies is can be viewed on the Company's web site (www.lodestarminerals.com.au).

Board of Directors

Role of the Board

The matters expressly reserved to the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals;
- Monitoring the achievement of these goals;
- Review of the management accounts and reports to monitor the progress of the Group;
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- Review and approval of the annual and interim financial reports;
- Nominating and liaising with the external auditor;
- Approving all significant business transactions;
- Appointing and monitoring senior management;
- All remuneration, development and succession issues;
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board; and
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.

The Board delegates day to day operational matters to the Managing Director and Company Secretary of the Company.

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the Directors' skills, 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 Group's business with excellence. To maintain this, the Group's policy is that Executive Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

Board composition (continued)

The specific skills that the Board collectively bring to the Company include:

- Industry experience/ technical qualification;
- Commercial experience;
- Public company experience;
- Analytical expertise;
- Financial expertise;
- Risk Management experience;
- Strategic planning experience;
- Strategic leadership experience;
- Corporate Governance expertise;
- Communications experience; and
- Interpersonal experience.

The Board comprises one Executive Director, one Non-Executive Director and a Non-Executive Chairman. A written agreement is entered with each Director and Senior Executive of the Company setting out the terms of their employment.

The chair of any sub-committees formed by the Board has specific skills in the area for which they are responsible.

The Board does not have a Director with legal experience, as any legal work is outsourced to external legal advisers.

Directors' details are set out in the Directors' Report.

The Board, through the Remuneration and Nomination Committee, is primarily responsible for identifying potential new Directors and 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.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether, or not, to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

Retirement and re-election of Directors

The Constitution of the Company requires one third of Directors (or the number nearest one third, rounded up), other than the Managing Director, to retire from office at each Annual General Meeting. No Director (other than the Managing Director) shall hold office for a period in excess of three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the Annual General Meeting following their appointment and are not considered in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

Independence of Directors

The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that only Mr McArthur 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 to the Company, nor any material pecuniary interest with the Company, he is not considered independent due to his substantial shareholding in the Company. Other than his shareholding, Mr Taylor would satisfy the test for independence.

Director education

All new Directors complete an induction process. The Non-Executive Directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

Independent professional advice

With prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board performance review

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 Directors conducted an internal performance evaluation of the Members of the Board during the reporting period. External advisers were not used.

Director remuneration

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

Non-Executive Directors will be remunerated by cash payments (including statutory superannuation) and may receive equity performance incentives, but they will not be provided with any benefits for ceasing to be a Director.

Executive Directors are remunerated by both fixed remuneration and equity performance-based remuneration, subject to obtaining all regulatory approvals from shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

Managing Business Risk

The Group maintains policies and practices designed to identify and manage significant risks including:

- Regular budgeting and financial reporting;
- Procedures and controls to manage financial exposures and operational risks;
- The Group's business plan;
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans;

Managing Business Risk (continued)

- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk; and
- Insurance and risk management programs 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 Board may consult with the Group's external auditors on external risk matters, or other appropriately qualified external consultants on risk generally, as required. The entity's risk management framework was reviewed by the Board during the financial year.

The Board's review of business risk is also based on reports from the Audit and Risk Management Committee.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

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

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk procedures adopted by the Company, it is not believed the Company has a material exposure to these risks.

Due to its size and activities, the Company does not have an internal audit function. The Board has determined that the established internal controls for the Company, combined with the work of the audit and risk management committee, at this stage satisfactorily address the function that would otherwise be dealt with by an internal audit function.

Internal Controls

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- 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.

Board Committees

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit function of the Committee is to:

- Assist the Board in fulfilling its overview of the audit process;
- Assist the Board in overviewing financial reporting;
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;
- Monitor, review and recommend the adoption of the financial statements of the Company;
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company;

Audit and Risk Management Committee (continued)

- Review the financial report and other financial information distributed externally;
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- Monitor the establishment of appropriate ethical standards;
- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards, ASX Listing Rules and all other regulatory requirements;
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions; and
- Improve the quality of the accounting function.

The primary role of the risk function of the committee is to assist the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

Risk assessment and risk management are the responsibility of the Company's management. The Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Committee shall have the following authority and responsibilities:

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes in place for risk management;
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks;
- Discuss with the Company's executive team the Company's risk assessment and risk management guidelines, policies and processes, as the case may be. The Risk Committee meets separately at least twice a year with the executive team;
- Review disclosure regarding risk contained in the Company's Annual Report;
- Review and assess the nature and level of insurance coverage;
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls if required;
- Discharge any other duties or responsibilities delegated to the Committee by the Board;
- Delegate any of its responsibilities to subcommittees as the Committee may deem appropriate;
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees;
- Report its actions and any recommendations to the Board; and
- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

Audit and Risk Management Committee (continued)

The Committee consists of the following Non-Executive Directors:

- Mr David McArthur (Committee Chair – Non-Executive Director from 3 September 2018)
- Mr Ross Taylor (Committee member)

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee.

The Audit and Risk management committee met twice during the year.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors;
- Determine remuneration and incentive policies of Key Executives;
- Determine the Group recruitment, retention and termination policies and procedures for senior management;
- Determine and review incentive schemes;
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment;
- Evaluate senior executive performance on an annual basis;
- Determine and review superannuation arrangements of the Group;
- Determine and review professional indemnity and liability insurance for Directors and senior management;
- Review the Board composition to ensure the Board has the correct balance of skills and expertise;
- Appointment of the Managing Director and the Company Secretary;
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director;
- Performance appraisal of the Board members and the Managing Director. This occurred during the 2019 financial year by way of an informal review;
- Succession planning for Board members and the Managing Director;
- Approve the recommended succession planning for key management personnel presented to the Committee by the Managing Director; and
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary.

The Remuneration and Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to Lodestar's remuneration assessment. External advice was not obtained during the 2019 financial year.

Specific policies and procedures regarding remuneration determination are contained within the Directors Report.

The Committee consists of the following Non-Executive Directors:

- Mr Ross Taylor (Committee Chair)
- Mr David McArthur (Committee Member – Non-Executive Director from 3 September 2018)

The Committee met once during the year.

Ethical Standards

Code of Conduct

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. The code stipulates that any unethical behaviour is to be reported to the Group's Managing Director (or in his absence, the Chairman) as soon as possible.

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

Trading in the Company's Securities by Directors and Employees

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

Any Director or employee receiving shares pursuant to the Company’s equity-based remuneration scheme (refer to the remuneration report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

Continuous Disclosure

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

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

The procedure adopted by the Group 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 (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once 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.

Communication with Shareholders

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

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;

Communication with Shareholders (continued)

- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry;
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX 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 Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group;
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report; and
- The Board seeks feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders.

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

Diversity Policy

The Group is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high-quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance;
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Appreciate and respect the unique aspects that an individual brings to the workplace;
- Where possible and practicable, increase participation and employment opportunities for indigenous people;
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and always recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;
- Take action to prevent discrimination, harassment, vilification or victimisation;
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has an objective of providing a balanced representation of employees from a diversity stance across the Group. The Board has also implemented strategies to support the framework and objectives of the Diversity Policy and is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanism. For the 2019 financial year, the Boards' objectives were met by the Group. The Board assesses annually the progress and achievement of the objectives.

Diversity Policy (continued)

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and men employed within the Group	-	100%
Women and men at senior management level	-	100%
Women and men employed at Board level	-	100%
Women and men employed by corporate services provider	60%	40%

ASX Corporate Governance principals and recommendations not followed - "if not, why not" approach

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 / 8.1

The Nomination and Remuneration 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*

Recommendation 2.4

A majority of the Board of a listed entity should be Independent Directors

Recommendation 2.5

The chair of the Board should be an Independent Director

Recommendations 4.1 / 7.1

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*

Only one 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 & Risk Management and Nomination & Remuneration 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. This statement is current as at 30 June 2019 and has been approved by the Board.

SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 31 August 2019:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 5,000	127	156,550	0.02
5,001 - 10,000	27	218,946	0.03
10,001 – 100,000	681	31,042,784	4.14
100,001 – 1,000,000	461	157,700,023	21.05
1,000,001 and over	112	560,100,025	74.76
Total	**1,408**	**749,218,328**	**100.00**

There were 702 holders of less than a marketable parcel of ordinary shares.

2. Distribution of listed options

Range	Total holders	Listed options over ordinary shares	% of issued capital
1 - 5,000	287	346,572	0.36
5,001 - 10,000	44	309,226	0.32
10,001 – 100,000	103	3,656,668	3.79
100,001 – 1,000,000	53	22,751,942	23.56
1,000,001 and over	18	69,489,294	71.97
Total	**505**	**96,553,702**	**100.00**

There were 465 holders of less than a marketable parcel of listed options.

3. Substantial shareholders

The substantial shareholders are set out below:

Shareholders	Number of Shares
Ross Jeremy Taylor <Jamanaro A/C>	160,707,288
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	37,987,403

4. Voting rights

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights
No voting rights.

5. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
10-Sep-16	900,000	1	31-Oct-19	3
21-Sep-16	5,000,000	1	31-Oct-19	3
23-Nov-16	18,000,000	3	31-Oct-19	3
15-Sep-17	13,200,000	1	31-Oct-19	3
20-Nov-17	6,800,000	1	31-Oct-19	3
30-Nov-18	15,000,000	3	31-Dec-21	10

6. Twenty largest shareholders as at 31 August 2019

	Ordinary shares	
Shareholders	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	160,707,288	21.45
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	37,987,403	5.07
Mac Equity Partners Pty Ltd	21,389,847	2.85
Black Prince Pty Ltd <Black Prince Super Fund A/C>	20,000,000	2.67
Citicorp Nominees Pty Limited	19,376,415	2.59
Merrill Lynch (Australia) Nominees Pty Ltd	16,227,243	2.17
Mr Albert Wijeweera	14,430,687	1.93
Asymmetric Arbitrage Ltd	14,197,843	1.90
Dasmac (WA) Pty Ltd <McArthur Family Super A/C>	9,931,577	1.33
Miss Julia April Singleton	8,696,784	1.16
Mr Matthew David Bell	7,861,315	1.05
Mr Gregory Peter Wilson	7,420,740	0.99
Fivemark Capital Pty Ltd	6,884,883	0.92
Mr Peter Howells	6,550,000	0.87
Mr Andrew David Stephen	5,754,806	0.77
Mr Samuel Rotstein	5,097,550	0.68
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	5,000,000	0.67
XV Pty Ltd	5,000,000	0.67
XV Pty Ltd <WLUM Super Fund A/C>	5,000,000	0.67
Fano Pty Ltd <Kim Hurley Super Fund A/C>	4,500,000	0.60

7. Twenty largest option holders as at 31 August 2019

	Listed Options	
Shareholders	Number held	% of listed options
Ross Jeremy Taylor <Jamanaro A/C>	13,602,041	14.08
Bobarino Pty Ltd	9,500,000	9.84
Citicorp Nominees Pty Limited	7,359,897	7.62
Mr David Maxwell McArthur	7,115,532	7.37
Mr Bryant James McLarty <The McLarty Family A/C>Mr David Maxwell McArthur	6,625,000	6.86
Golden Stakes Pty Ltd	6,000,000	6.21
Mr Stephen Anthony Ray	3,500,000	3.62
Ocean View WA Pty Ltd	2,929,784	3.03
Mr Hugh James Pilgrim	2,468,750	2.56
Mr Jason Paul Skinner <Jason Skinner Family A/C>	1,750,000	1.81
Mr Ross Jeremy Taylor & Mrs Natasha Tanya Taylor <Jamanaro Super Fund A/C>	1,332,734	1.38
Busso Holdings Pty Ltd <Bew A/C>	1,250,000	1.29
C W Johnston Pty Ltd <C W Johnston Super Fund A/C>	1,250,000	1.29
Mr Joshua Mason Chadwick <JMC Family A/C>	1,250,000	1.29
Fano Pty Ltd <Kim Hurley Super Fund A/C>	1,250,000	1.29
Mrs Lorraine Alyssa Goldsmith	1,250,000	1.29
Mr Gregory Peter Wilson	1,055,556	1.09
Ms Gabriele Bereczky	1,000,000	1.04
IQ Global Asset Partners Pty Ltd <IQ S/F A/C>	950,010	0.98
Mrs Kelly Totaro	937,500	0.97

8. Tenements listing as at 31 August 2019

Tenement description	Tenement Numbers	Status	Percentage Interest
Camel Hills	E09/2099	Granted	100%
Camel Hills	E09/2100	Granted	100%
Camel Hills	E09/2215	Granted	100%
Camel Hills	E52/3064	Granted	100%
Ned's Creek	E52/2440	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/2456	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/2468	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/2493	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/2734	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/3473	Granted	100% - Vango earning up to 51%
Ned's Creek	E52/3476	Granted	100% - Vango earning up to 51%
Imbin - Troy Creek	E69/3483	Granted	100% - Vango earning up to 51%
Imbin – Troy Creek	E69/3532	Application	100% - Vango earning up to 51%
Imbin – Troy Creek	E69/3533	Application	100% - Vango earning up to 51%
Imbin – Troy Creek	E69/3590	Application	100% - Vango earning up to 51%
Imbin – Troy Creek	E69/3699	Application	100% - Vango earning up to 51%
Yowereena	M52/779	Granted	100% - Vango earning up to 51%
Yowereena	M52/780	Granted	100% - Vango earning up to 51%
Yowereena	M52/781	Granted	100% - Vango earning up to 51%
Yowereena	M52/782	Granted	100% - Vango earning up to 51%