



Lodestar Minerals Limited

ABN 32 127 026 528

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Nedlands WA 6009

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Website

www.lodestarminerals.com.au

26 October 2012

ASX Limited

Electronic lodgement

DESPATCH OF 2012 ANNUAL REPORT AND NOTICE OF AGM

Attached is copy of the 2012 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Memorandum which have been despatched to shareholders.

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

A handwritten signature in black ink that reads "D McArthur".

David McArthur
Director



LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

.....

AND

EXPLANATORY MEMORANDUM

Date of Meeting

Tuesday, 27 November 2012

Time of Meeting

10.00 am (WST)

Place of Meeting

**Level 2, 55 Carrington Street
Nedlands, Western Australia**

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Lodestar Minerals Limited ("**Company**") will be held at 10.00 am (WST) on Tuesday, 27 November 2012, at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on Friday, 23 November 2012.

An Explanatory Memorandum containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following Resolutions.

ORDINARY BUSINESS

2012 Accounts

To receive and consider the annual financial report, the Directors' report and the auditor's report for the financial year ended 30 June 2012 and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Directors' Remuneration Report for the year ended 30 June 2012 and, if thought fit, to pass, with or without amendment, the following Resolution as a non-binding Resolution:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2012 be adopted."

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

Note 2: If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

Voting Prohibition Statement:

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member,

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

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

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or

- (d) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:
- (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Ordinary Resolution 2: Re-election of Mr Mark Pitt as a Director

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

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

Ordinary Resolution 3: Election of Director - Mr Tim Clifton

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

“That Mr Tim Clifton, who retires having been appointed a director since the last annual general meeting, be elected a director pursuant to Clause 7.3 of the Company’s constitution.”

Special Resolution 4: Approval of 10% Placement Capacity

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

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the Shares on issue at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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

Ordinary Resolution 5: Ratification of previous Issue of Shares - Tranche 1 of Placement

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

“That, for the purpose of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the Company ratifies the issue and allotment of 15,000,000 Shares issued on the terms and conditions outlined in the Explanatory Statement.”

ASX Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Ordinary Resolution 6: Approval for Issue of Shares- Tranche 2 of Placement

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

“That, for the purpose of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, the Directors of the Company be authorised to issue and allot up to 60,000,000 Shares on the terms and conditions described in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by a person who may participate in the issue of the shares and any person who may obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and any associate of such persons. However, the Company need not disregard a vote cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By Order of the Board



D M McARTHUR
Company Secretary

Dated: 18 October 2012

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 Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 5:00pm (Sydney Time) on Friday, 23 November 2012 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

PROXIES

Please note that:

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

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A 'Certificate of Appointment of Corporate Representative' is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9423 3200 if they have any queries in respect of the matters set out in this document.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting (“**Notice**”) of the Company.

The Directors of the Company (“**Directors**”) recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report, the Directors’ report and the auditor’s report for the financial year ended 30 June 2012 and the Directors’ declaration on the accounts.

A copy of the Company’s 2012 Annual Report is available on the Company’s ASX platform (ASX: LSR) and on the website www.lodestarminerals.com.au. Alternatively, a hard copy will be made available upon request.

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

The Company’s auditor, KPMG Perth, will be present at the Annual General Meeting and Shareholders will have the opportunity ask the auditor questions in relation to the conduct of the audit, the auditor’s report, the Company’s accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company’s auditor about:

- (a) the preparation and content of the auditor’s report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

NON-BINDING ORDINARY RESOLUTION 1: Directors’ Remuneration Report

General

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for the financial year ending 30 June 2012.

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

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

The Company's Remuneration Report did not receive a "no" vote of 25% or more at the Company's previous annual general meeting.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) ***If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy***

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

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

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the Proxy Form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel***.

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

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the Proxy Form.

ORDINARY RESOLUTION 2: Re-election of Mr Mark Pitt as a Director

Clause 7.3 of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

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

Information about Mr Pitt is set out in the Company's 2012 Annual Report.

Recommendation

The directors (other than Mr Pitt because of his interest in this Resolution) recommend that Shareholders vote in favour of Resolution 2.

ORDINARY RESOLUTION 3: Election of Director - Mr Tim Clifton

Clause 7.3 of the Company's Constitution permits the Directors to appoint additional directors. However, any director so appointed holds office until the next Annual General Meeting and is then required to seek Shareholder approval to continue as a director.

Mr Clifton was appointed to the Board on 2 May 2012. Resolution 3 seeks Shareholder approval for the appointment of Mr Clifton as a director of the Company.

Details of Mr Clifton's qualifications and experience are included in the Company's 2012 Annual Report.

Recommendation

The directors (other than Mr Clifton because of his interest in this Resolution) recommend that Shareholders vote in favour of Resolution 3.

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

4.1 General

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

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below).

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

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

4.2 ASX Listing Rule 7.1A

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

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$ 5.1 million.

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

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

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

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under this rule; and
 - (iv) less the number of Shares cancelled in the previous 12 months.
- B is 10%.
- C is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

4.3 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 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date above, the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Variable "A"		<u>DILUTION</u>		
		\$0.021 50% decrease in Issue Price	\$0.042 Issue price	\$0.084 100% Increase in Issue Price
Current Variable A	10% Voting Dilution	11,648,947 Shares	11,648,947 Shares	11,648,947 Shares
116,489,477 Shares	Funds Raised	\$ 256,277	\$ 512,553	\$ 1,025,107
50% Increase In Current Variable A	10% Voting Dilution	17,473,421 Shares	17,473,421 Shares	17 473,421 Shares
174,734,215 Shares	Funds Raised	\$ 384,393	\$ 768,786	\$ 1,537,573
100% Increase In Current Variable A	10% Voting Dilution	23,297,895 Shares	23,297,895 Shares	23,297,895 Shares
232,978,954 Shares	Funds Raised	\$ 512,553	\$ 1,025,107	\$ 2,050,215

* 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:

1. The current shares on issue are the Shares on issue as at 4 October 2012.
2. No options are exercised into Shares before the date of issue of the Equity Securities.
3. 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%.
4. The issue price set out above is the closing price of the Shares on the ASX on 4 October 2012.
5. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
6. 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.
7. 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.
8. 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 such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company has not previously obtained approval under ASX Listing Rule 7.1A and accordingly has not issued any Equity Securities pursuant to Listing Rule 7.1A in the 12 months preceding the date of the Annual General Meeting.

4.4 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.

ORDINARY RESOLUTION 5: Ratification of Previous Issue of Shares – Tranche 1 of Placement

Background

Pursuant to Resolutions 5 and 6, the Company is proposing to undertake a placement through the issue of up to 60,000,000 Shares (**Placement**). The Placement is intended to be undertaken in two tranches with the Company issuing up to 15,000,000 Shares prior to the date of the Annual General Meeting pursuant to its 15% placement capacity.

The total number of Shares that may be issued under Resolutions 5 and 6 is 60,000,000 Shares. If the first tranche of the Placement is not completed prior to the date of the Annual General Meeting, Resolution 5 will be withdrawn, and the Company will rely on any approval granted under Resolution 6 to issue all 60,000,000 Shares.

Resolution 5 therefore seeks Shareholder ratification for the issue of 15,000,000 Shares proposed to be issued prior to the date of the Annual General Meeting, assuming this tranche of the Placement is completed prior to the date of the Annual General Meeting.

ASX Listing Rule Requirements

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this proposed issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

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

- (a) the number of Shares which the Company proposes to issue prior to the date of the Annual General Meeting is 15,000,000 Shares;
- (b) the price for the issue of these Shares is not yet known as the placement of these Shares has not yet occurred, however the price will be not less than a minimum of 80% of the average market price of the Shares calculated over the last 5 days on which sales of the Shares were recorded before the date that the issue is made;
- (c) the Shares issued will be fully paid ordinary Shares in the capital of the Company and rank pari passu with the Company's existing Shares;
- (d) the Shares will be issued to investors through a licensed Australian Financial Services provider in accordance with the provisions of Section 708 of the Corporations Act; and
- (e) it is intended that the funds raised from the Placement under Resolutions 5 and 6 will be used for the purpose of: ongoing exploration and evaluation of the Company's tenements; and providing general working capital.

ORDINARY RESOLUTION 6: Approval for Issue of Shares – Tranche 2 of Placement

Background

As outlined in the background to Resolution 4 above, the Company is proposing to undertake the Placement to issue up to 60,000,000 Shares.

As at the date of this Notice of Annual General Meeting, it is intended that a first tranche of 15,000,000 Shares under the Placement will be issued prior to the date of the Annual General Meeting, with the remaining (up to) 45,000,000 Shares to be issued subject to the approval of Shareholders at the Annual General Meeting. However, general market conditions at the time of preparing this Notice of Annual General Meeting mean that the Directors are unsure whether they will be in a position to complete the first tranche of the Placement prior to the date of the Annual General Meeting. Therefore, the Directors are seeking approval under Resolution 6 to enable the Company to issue up to 60,000,000 Shares under Resolution 6, in case the first tranche of the Placement to issue 15,000,000 Shares prior to the date of the Annual General Meeting is not completed.

Shareholders should note that the maximum number of Shares that the Company will issue under Resolutions 5 and 6 is up to 60,000,000 Shares.

ASX Listing Rule Requirements

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to this Resolution 6 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

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

- (a) the number of Shares to be issued and allotted by the Company is up to 60,000,000 Shares less any Shares issued prior to the date of the Annual General Meeting and ratified under Resolution 5 above;
- (b) it is anticipated the Shares will be issued and allotted shortly after the Meeting but, in any event, no later than 3 months after the date of the Meeting (or such longer period as ASX may, in its discretion, allow), and it is anticipated that allotment will occur on the same date;
- (c) the issue price of the Shares will be a minimum of 80% of the average market price of the Shares calculated over the last 5 days on which sales of the Shares were recorded before the date that the issue is made;
- (d) the Shares will be issued to investors through a licensed Australian Financial Services provider in accordance with the provisions of Section 708 of the Corporations Act;
- (e) the Shares issued will be fully paid ordinary Shares in the capital of the Company and rank pari passu with the Company's existing Shares;
- (f) none of the recipients of the Shares will be related parties of the Company;
- (g) the funds raised from the issue of the Shares under Resolutions 5 and 6 will be combined and used for the purposes of:
 - ongoing exploration and evaluation of the Company's existing tenements;
 - acquisition of additional tenements; and
 - providing general working capital.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 4.1 of this Notice.

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.

Company means Lodestar Minerals Limited - ABN 32 127 026 528

Directors means the current directors of the Company.

Eligible Entity has the meaning given in Section 4.2 of this Notice.

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.

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.

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

Shareholder means a holder of a Share.

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

Instructions for Completing ‘Appointment of Proxy’ Form

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

Further details on these changes are set out below.

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

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

5. **(Chair's votes on undirected proxies for Remuneration Reports):** Section 250R(5) of the Corporations Act provides:

A member of the Key Management Personnel or a Closely Related Party of such a member (the **voter**) may cast a vote on an advisory resolution to adopt a remuneration report as a proxy if the vote is not cast on their behalf and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the 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 the resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.
6. **(Signing Instructions):**
- (a) **(Individual):** Where the holding is in one name, the member must sign.
 - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - (c) **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
7. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
8. **(Voting in person):**
- (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.
 - (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting
9. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):
- (a) In person to Level 2, 55 Carrington Street, Nedlands, Perth, WA;
 - (b) By mail to PO Box 985, Nedlands, WA, 6909.
 - (c) By Facsimile to +61 8 9389 8327;
 - (d) By scan and email to davidm@broadwaymgt.com.au.

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

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 the annual general meeting of the members of Lodestar Minerals Limited to be held on Tuesday, 27 November 2012 commencing at 10.00 am (WST) and at any adjournments of that annual general meeting.

DATED 2012

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 2, 55 Carrington Street, Nedlands WA 6009 or fax the Certificate to the registered office at +61 8 9389 8327

PROXY FORM

**APPOINTMENT OF PROXY
LODESTAR MINERALS LIMITED
ABN 32 127 026 528**

ANNUAL GENERAL MEETING

I/We

Address

being a Member of Lodestar Minerals Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the Annual General Meeting as your proxy.)

OR

the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit (except for Resolution 1 which requires the below express authorisation), at the Annual General Meeting to be held at 10.00 am (WST) on Tuesday, 27 November 2012 at Level 2, 55 Carrington Street, Nedlands, Western Australia, and at any adjournment of that meeting.

***Important for Resolution 1**

If a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of such a member is your proxy you must direct (in writing) your proxy how to vote on Resolution 1 unless that person is also the Chair in which case you must, in the absence of a direction how to vote, expressly authorise the Chair to exercise the proxy by marking the box below.

I/we direct the Chair to vote in accordance with their voting intentions on Resolution 1 (except where I/we have indicated a different voting intention below) and acknowledge that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

If you do not mark this box, and you have not directed the Chair how to vote on Resolution 1, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

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

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 - Adoption of Remuneration Report*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Re-election of Director – Mark Pitt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Election of Director- Tim Clifton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Ratification of Previous Issue of Shares – Tranche 1 of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Approval for Issue of Shares – Tranche 2 of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ____%.

Signature of Member(s)

Individual or Member 1

Sole Director/Company Secretary

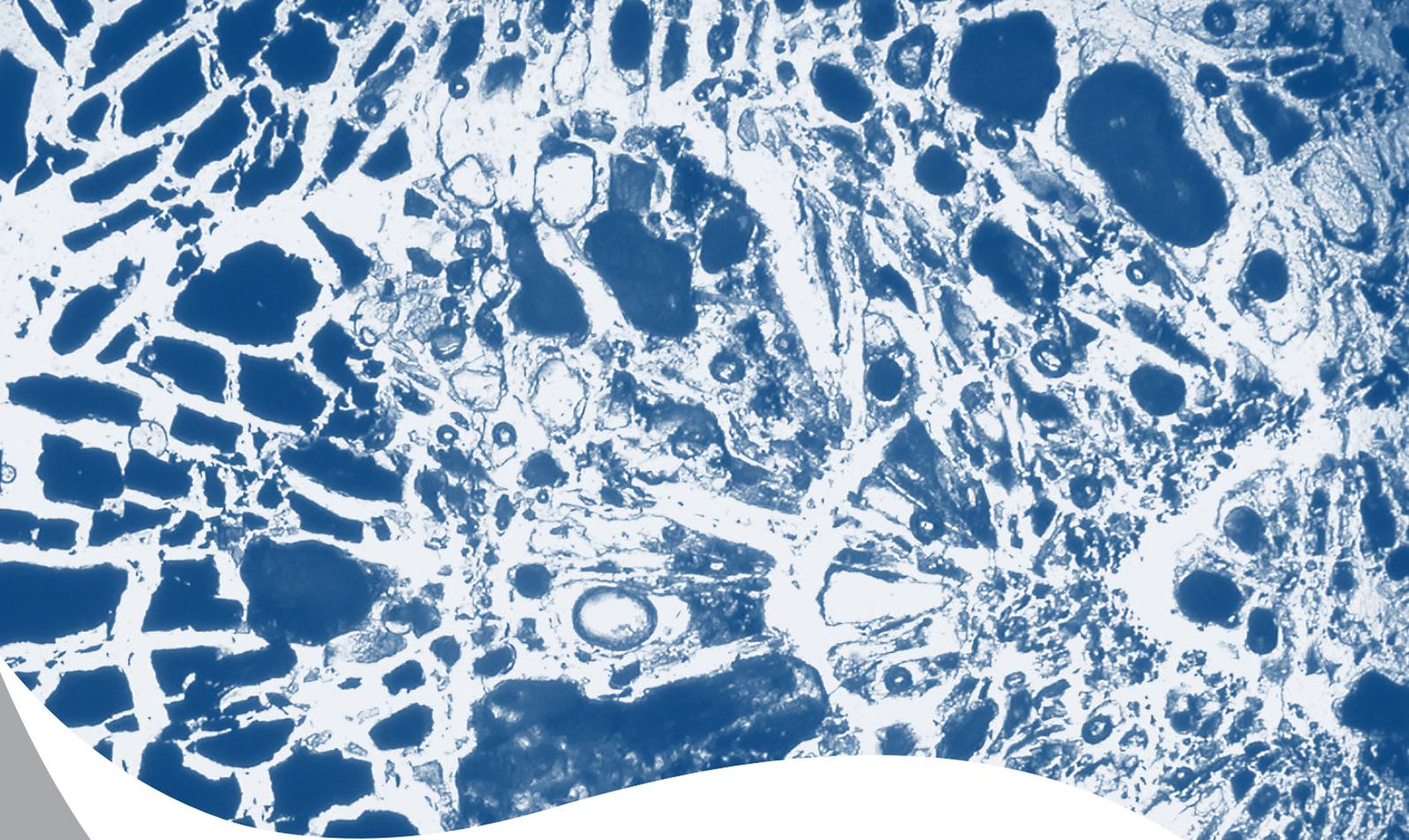
Member 2

Director

Member 3

Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____



ANNUAL REPORT 2012

Lodestar Minerals Limited
ABN 32 127 026 528

Front cover shows a photomicrograph of a pyritic stromatolite (fossil algal colony) found in the area of the Transformer Prospect (E52/2492). Pyritic stromatolites develop in the vicinity of sea floor vents where hot fluids are discharged, an environment associated with sediment-hosted base metal mineralisation.

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DIRECTORS AND COMPANY SECRETARY:

- Tim Clifton** *Non-executive Chairman*
Appointed 1 May 2012
- William Clayton** *Managing Director*
Appointed 2 November 2007
- David McArthur** *Executive Director and Company Secretary*
Appointed 13 August 2007
- Mark Pitt** *Non-executive Director*
Appointed 13 August 2007
- Rhod Grivas** *Non-executive Chairman*
Resigned 1 May 2012

WEBSITE AND EMAIL:

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

DOMICILE AND COUNTRY OF INCORPORATION:
Australia

SECURITIES EXCHANGE:

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

REGISTERED OFFICE:

Level 2, 55 Carrington Street NEDLANDS WA 6009
PO Box 985 NEDLANDS WA 6909
Telephone: +61 8 9423 3200
Facsimile: +61 8 9389 8327

PRINCIPAL OFFICE:

Level 2, 83 Havelock Street WEST PERTH WA 6005
Telephone: +61 8 9481 5455
Facsimile: +61 8 9481 5466

SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

BANKERS:

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

AUDITORS:

KPMG
Level 8
235 St George's Terrace
PERTH WA 6000

SOLICITORS:

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





ACHIEVEMENTS

Lodestar is

- Focused on exploration of its large landholdings in the Doolgunna and Thaduna regions in a newly developing and relatively unexplored base metal province.
- Positioned for deep drill testing of extensive copper anomalies in the McDonald Well region during the December quarter. These anomalies represent some of the best undrilled bedrock targets in the Doolgunna district.
- Expanding the mineral potential of the Neds Creek tenements by identifying the McDonald Well Fault as a regional structure that ranks with the Jenkin Fault as a target for the development of large hydrothermal mineralising systems.
- Identifying additional targets along the southern extension of the McDonald Well Fault and in parallel structures.

INTRODUCTION

Lodestar has continued an intensive exploration program over the Peak Hill – Doolgunna project throughout 2012 with the aim of defining and testing large copper and multi-element geochemical anomalies. This work is intended to advance the project to a major milestone in the latter part of 2012: to test selected copper targets in the McDonald Well area with deeper drilling. Our exploration also continues to identify base metal targets beyond the McDonald Well area and these are being progressively assessed.

Interest in the region has been buoyed by the discovery of a large zone of secondary copper mineralisation at the Enigma copper prospect on Sipa Resource's neighbouring tenement and Ventnor Resource's on-going success in extending the mineralisation at the Thaduna copper mine. These successes reinforce our view that the Neds Creek region and the eastern Yerrida Basin represent an under-explored mineral province with potential to host copper deposits of significant size.

Lodestar's tenements cover an area of 2300 square kilometres along the Jenkin Fault Zone and the recently identified McDonald Well Fault (Figure 2). Large structures that constrain and control the margins of sedimentary basins, such as the Jenkin and McDonald Well Faults, form deep-seated tectonic corridors which provide a focus and channel way for hydrothermal systems and the development of substantial ore bodies (the DeGrussa Cu-Au deposit lies within the Jenkin Fault corridor). Exploration along the McDonald Well Fault has identified extensive copper anomalies over a distance of 7 kilometres. These anomalies are currently a focus for detailed mapping and sampling programs that aim to establish well-defined targets for deeper drilling that is planned for the December quarter.

The Company also has an interest in the Kimberley Project (see Figure 1). Subsequent to the reporting period Pindan Exploration



Figure 1 Project Locations

Company (a subsidiary of Panoramic Resources) gave notice of its intention to withdraw from the Farm In Agreement and Lodestar therefore retains all rights to the project. The Kimberley Project is located 50 kilometres north of Halls Creek and includes large Proterozoic mafic-ultramafic intrusive bodies that are prospective for Ni-Cu and PGE mineralisation. Significant deposits in the region include *Savannah* (4.74Mt @ 1.48% Ni and 0.72% Cu), *Copernicus* (852,000t @ 1.24% Ni and 0.81% Cu) and *Panton* (14.3Mt @ 5.2g/t PGE+Au). A number of electromagnetic (EM) conductors, representing potential sulphide mineralisation within mafic-ultramafic bodies, were drill tested during the year.

PROJECTS

PEAK HILL – DOOLGUNNA PROJECT

The Peak Hill – Doolgunna project is located 150 kilometres north east of Meekatharra in the northern Murchison region. The project spans a distance of approximately 130 kilometres in an east north easterly direction along the Jenkin Fault corridor and is divided into three tenement areas, comprising the Neds Creek, Marymia and Western Tenement Blocks. Together, the tenements constitute one of the largest landholdings in the region and provide exposure to a range of promising exploration targets that have been identified through the systematic application of geochemistry, geophysics and drilling.

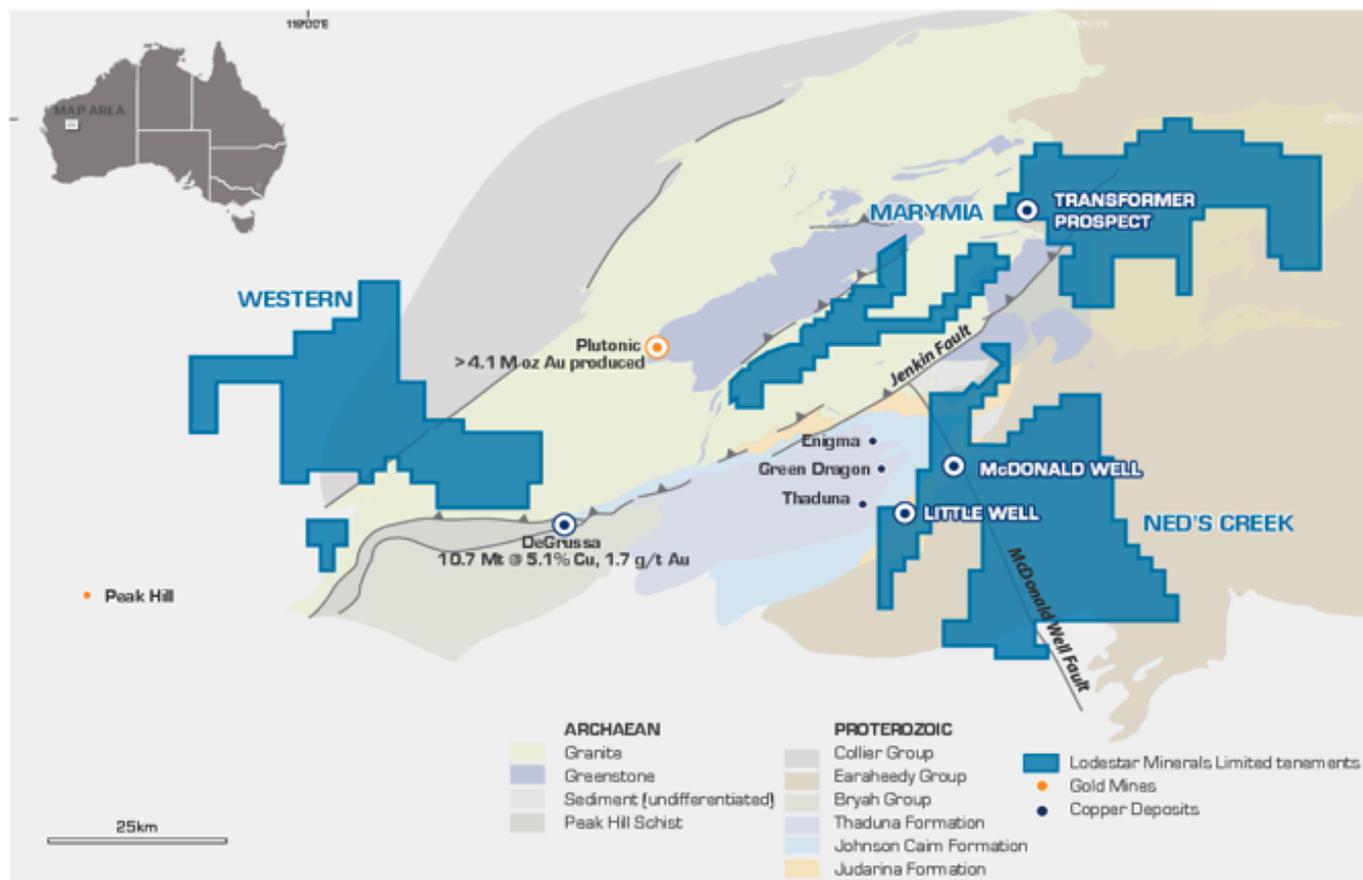


Figure 2 Neds Creek, Marymia and Western tenement blocks

NEDS CREEK

The Neds Creek tenements cover the geological sequence that hosts the Thaduna copper deposit and the Enigma copper anomaly on neighbouring tenements.

The identification, through geological mapping by Lodestar, of the regional McDonald Well Fault corridor has important implications for prospectivity and the development of hydrothermal base-metal mineralising systems within the Lodestar tenements.

The McDonald Well Fault is a major north northwest trending structural corridor which traverses the Neds Creek tenements and forms the eastern tectonic margin to the Proterozoic Yerrida Basin. This structure is evident in geochemical and aeromagnetic data and in geological mapping in the McDonald Well area. The fault extends over 40 kilometres to the southern boundary of the Neds Creek tenements.

Extensive copper geochemical anomalies in the McDonald Well area are associated with the northern extension of the structural corridor defined by the McDonald Well Fault. Lodestar is carrying out detailed geochemical sampling and geological mapping to identify bedrock drill targets within these anomalies.

Hydrothermal systems developed within the tectonic margins to Proterozoic basins are host to some of the world's major base metal deposits.

Significant historic copper workings on neighbouring tenements at Thaduna are located in fault zones which are potentially structurally related to the McDonald Well Fault at the basin tectonic margin.

Significant Results

- Wide-spaced RAB/aircore drilling in the McDonald Well area reported numerous holes intersecting anomalous copper within the weathered zone, including:
 - 16m at 928ppm Cu (LNR148)
 - 12m at 970ppm Cu (LNR257) and
 - 7m at 1258ppm Cu (LNR267)
 - 8m at 1335ppm Cu from 33m (LNR311)
 - 10m at 1126ppm Cu from 31m (LNR 329) and
 - 19m at 794ppm Cu from 16m (LNR 382)
- The RAB/aircore copper anomalies form two broad, contiguous zones extending over 7 kilometres adjacent to the McDonald Well Fault (Figure 3). The anomalies are



associated with black shale with evidence of fracturing and hydrothermal alteration suggesting widespread fluid-rock interaction on the margin of the fault. Follow up detailed geochemical sampling is underway.

- The identification of the McDonald Well Fault is a significant geological breakthrough. Mapping in the vicinity of the fault at McDonald Well has identified hydrothermal breccias, intense shearing and folding; features that indicate the scale and potential of this structure to act as a focus for major hydrothermal systems.
- The tectonic basin margin setting mapped within the Neds Creek region has analogues in many major Proterozoic base metal provinces; the Neds Creek tenements include approximately 40 kilometres of this prospective structure.

Planned Exploration

Exploration at Neds Creek is intended to establish specific targets within the large RAB/aircore - defined copper anomalies for deeper drilling. It is expected that target definition will be completed early in the December quarter with drilling to follow. The exploration programmes currently underway include

- Detailed in-fill geochemistry on a 200m x 100m grid and locally a 100m x 50m grid
- Geological mapping
- Progressive extension of reconnaissance sampling and mapping along the length of the McDonald Well Fault.

MARYMIA

The Marymia tenements include major east north east trending structures along the southern margin of the Marymia Inlier and a Proterozoic sub-basin overlying the Marymia Inlier. The Jenkin Fault, a major tectonic boundary defining the northern margin of the Yerrida Basin, also forms the southern margin to the sub-basin and appears to control the basin geometry. Similar regional scale faults are instrumental in focusing hydrothermal fluids and localising base metal mineralisation in sediment-hosted base metal provinces. Lodestar is exploring for sediment-hosted base metal and lode gold systems within these regional structural corridors. The eastern half of the Marymia tenements is concealed beneath a relatively shallow cover of wind-blown sand and has received minimal exploration.

Early reconnaissance sampling identified Pb-Ag

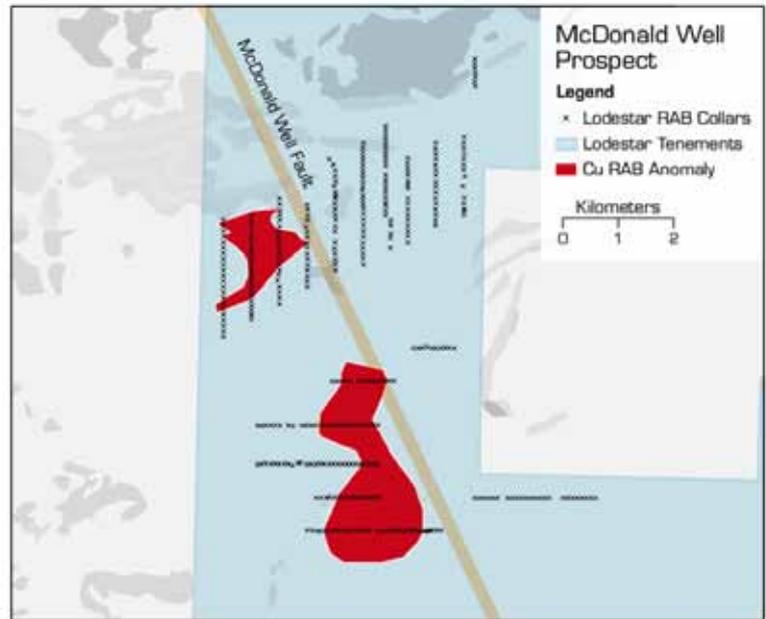


Figure 3 Distribution of copper anomalies in drilling along the McDonald Well Fault

anomalies along the western margin of the Proterozoic sub-basin. Further sampling confirmed the anomaly as a zone of Pb-Ag-As-Cu-Mo extending for two kilometres along the contact between black shale and underlying chert breccia. The first drill test of this zone was completed in September 2011 when four RC holes were drilled to test VTEM electromagnetic anomalies, located down-dip of the surface geochemical anomalies, at the Transformer prospect. Shallow RAB drilling was completed to test the wider area around the VTEM anomalies (Figure 4).

Significant Results

- The first drill test of the Transformer VTEM anomalies reported weakly anomalous Pb, Mo and Zn (to a maximum 334ppm Pb, 37ppm Mo and 693ppm Zn) in LMPC001 between 135m and 145m, at the contact between black shale and chert breccia. RAB drilling reported a best intersection of 5m @ 1.52g/t Ag and 1678ppm Pb in LMR 021 from the same zone, up-dip from the RC drilling. Only one of the four RC drill holes intersected the target zone and none intersected a specific conductor (other than the widely distributed black shale). Similarly, the RAB drilling was generally too shallow to intersect the chert-shale contact. Given the extensive strike of the VTEM and geochemical anomalies further drill testing is warranted.
- Petrographic examination of a surface sample from the Transformer area confirmed the presence of pyritic stromatolite. Pyritic stromatolites are submarine algal and bacterial iron sulphide accumulations that form in active fault zones where hot basin fluids are vented onto the seafloor and are known to occur in Proterozoic basins containing SEDEX style mineralisation.
- In fill lag sampling was completed over the area of the Transformer prospect to refine existing Zn and Pb lag anomalies and delineate targets for RAB/aircore drilling.

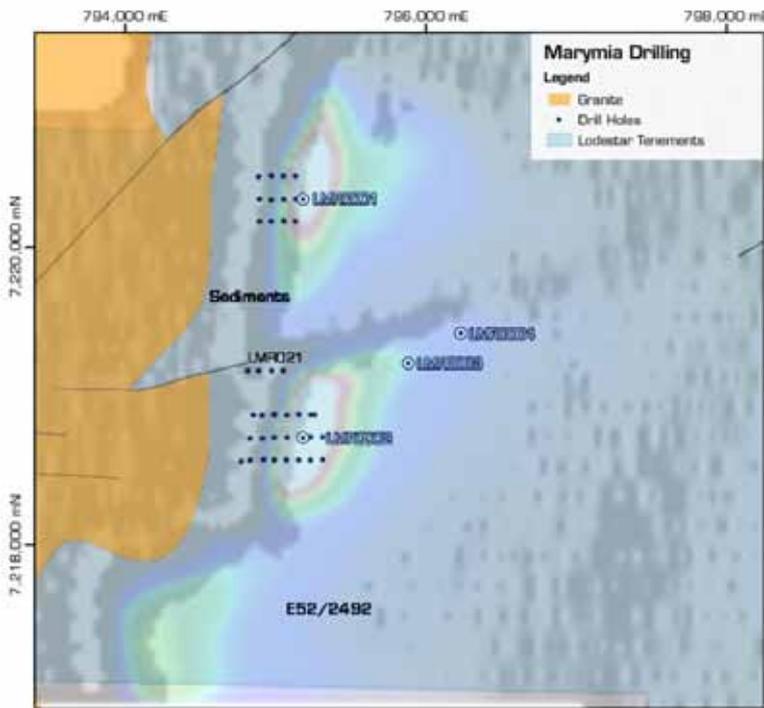


Figure 4 Drilling in the Transformer area, showing VTEM (electromagnetic) conductor image (Ch47), drillholes and faults

The drilling program and subsequent work in the Transformer area has provided strong geochemical and geological evidence of a restricted basin, SEDEX type environment. The east to north east trending faults that offset the basin margins in the area of the Transformer prospect are considered to be potential sites of sulphide accumulation and attractive exploration targets.

WESTERN BLOCK

Tenements of the Western Block lie north west of Sandfire Resource’s DeGrussa Cu-Au deposit (Figure 2) on the margin of the Marymia Inlier and overlying sediments of the Bangemall Basin. The geology of the area adjoining

Sandfire’s tenement is under cover and poorly defined. Historic drilling was largely ineffective in determining the bedrock geology. Detailed aeromagnetic data over the area shows a similar magnetic pattern to the volcanosedimentary sequence mapped on adjacent tenements to the southeast and drilling is required to establish the underlying geology.

Exploration drilling was planned in the tenements adjoining Sandfire’s DeGrussa discovery to test a north west trending structure that reported copper (up to 800ppm in historic rock chip sampling) associated with a magnetic zone. This structure is one of a number of parallel structures that intersect the Jenkin Fault zone in the area of the DeGrussa deposit and may be influential in localising mineralisation. Due to delays in gaining Heritage and Native Title clearances the drilling has not yet been completed. This work will be re-scheduled once Heritage clearance has been granted.

KIMBERLEY PROJECT

Lodestar’s Kimberley project comprises five exploration licences, having a combined area of 220 square kilometres, located 50 kilometres north of Halls Creek. The area is prospective for Ni-Cu-PGM mineralisation hosted by mafic-ultramafic intrusions within the Halls Creek Orogen.

The Kimberley tenements were subject to a farm in agreement with Pindan Exploration Company (PEC), a wholly owned subsidiary of Panoramic Resources Limited. PEC has advised Lodestar of its intention to withdraw from the farm in agreement, which will return 100% ownership of the project to Lodestar.



OPERATIONS REPORT



The region hosts significant nickel and platinum-group metal (PGM) mineralization, including the Savannah nickel deposit (4.74Mt at 1.48% Ni and 0.72% Cu) currently mined by Panoramic Resources, the Copernicus nickel deposit (852,000t at 1.24% Ni and 0.81% Cu) and the Panton PGM deposit (14.3Mt at 5.2g/t PGE + Au).

Exploration to Date

PEC carried out regional airborne versatile time-domain electromagnetic (VTEM) surveys that identified a number of anomalies within the project. VTEM is a widely used geophysical exploration technique that is designed to detect electrical conductors and particularly, massive sulphide mineralization.

Selected VTEM anomalies were verified by surface EM surveys, and during 2012 nine EM targets, within or on the contact of the Corridor Gabbro, were tested by eleven RC drill holes with intercepts of 0.6% Ni or greater, intersected in three of the targets.

The nine EM targets and drill hole locations selected by PEC are shown in Figure 5.

Significant Nickel Drill Results

- SV38-DH1 with 1m at 0.76% Ni from 56m
- SV32-DH1 with 1m at 0.60% Ni and 0.11% Cu from 38m and 1m at 0.1% Ni and 0.99% Cu from 46m
- SV45-DH1 with 2m at 0.66% Ni and 0.20% Cu from 121m

These results were reported from three individual drill targets over a strike distance of 14 kilometres and occur within wider zones of disseminated mineralization of up to 15m down hole thickness.

Lodestar's preliminary review of the results makes the following observations;

- The drilling has demonstrated widespread sulphur saturation within the Corridor Gabbro host unit; this is an important criterion in exploration for basal segregations of Ni-Cu-PGM sulphides.
- The three intersections listed above occur on the western contact of the Corridor Gabbro. They represent contact-related zones of mineralization.
- Substantial nickel sulphide ore bodies are usually located within magma chambers, magma conduits or structural embayments that act as feeders to mafic-ultramafic sills, such

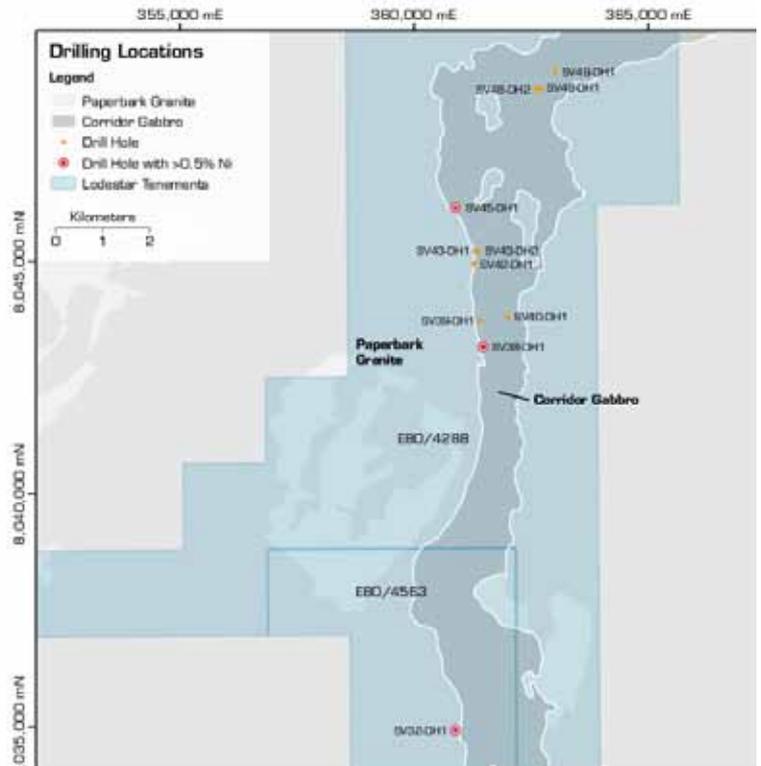


Figure 5 Drill hole locations

as the Corridor Gabbro. The occurrence of widespread disseminated mineralization in a contact position is therefore a strong indication that further interpretation is necessary to understand the geological setting of the mineralization intersected in the drilling and to determine the potential for related massive sulphide ores within the Corridor Gabbro sequence.

Lodestar will receive all exploration data collected by PEC and will carry out its own evaluation of the project data.

PENFOLDS PROJECT

No work was carried out. Lodestar will withdraw from this project at the end of 2012.

The information in this report to which this statement is attached that relates to Exploration Results is based on information compiled by Mr Bill Clayton who is a member of the Australian Institute of Geoscientists. Bill Clayton is a full-time employee of the Company. Bill Clayton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves". Bill Clayton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group comprising of Lodestar Minerals Limited (the Company), and its subsidiary, for the financial year ended 30 June 2012 and the auditor's report thereon.

1. DIRECTORS

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

Tim Clifton
 William Clayton
 David McArthur
 Mark Pitt
 Rhod Grivas

Tim Clifton was appointed as a director on 1 May 2012.

Rhod Grivas was a director from the beginning of the financial year until his resignation on 1 May 2012.

Tim Clifton

Non-Executive Chairman

Appointed: 1 May 2012

Experience and expertise

Mr Clifton has over 40 years mining and corporate experience as a geologist and company director and has extensive knowledge of the Peak Hill – Doolgunna region, the core focus of the Company's exploration activities. Mr Clifton is a former Managing Director of Perilya Limited, where he led the company's transformation from explorer to diversified miner.

Mr Clifton was appointed Chairman on 1 May 2012.

Other current directorships

Non-executive chairman	Strike Energy Limited	19 August 2010 to current
Non-executive director	Strike Energy Limited	13 August 2008 to 18 August 2010

Former directorships in the past three years

Non-executive chairman	Uranium Equities Limited	8 May 2006 to 23 June 2010
------------------------	--------------------------	----------------------------

Special responsibilities

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

Interest in shares and options

4,627,631 ordinary shares

William Clayton

Managing Director

Appointed: 2 November 2007

Experience and expertise

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



In 1996 he joined Forrestania Gold and shortly after participated in the discovery of the Emily Ann deposit. This led to key supervisory roles with LionOre in the evaluation of the Maggie Hays, Emily Ann and Waterloo-Amorac deposits. He completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.

Other current directorships

None

Former directorships in the past three years

None

Special responsibilities

None

Interest in shares and options

610,000 ordinary shares

2,500,000 options

David McArthur

Executive Director and Company Secretary

Appointed: 13 August 2007

Experience and expertise

Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia. Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has 31 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies over the past 28 years.

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

Other current directorships

Executive Director GGG Resources plc 16 March 2011 to current

Former directorships in the past three years

Executive Director	Xstate Resources Limited	September 2006 to 8 July 2010
Executive Director	Bullabulling Gold Limited	15 September 2011 to 2 July 2012

Special responsibilities

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

Interest in shares and options

3,625,001 ordinary shares

1,500,000 options

Mark Pitt

Non-executive Director

Appointed: 13 August 2007

Experience and expertise

Mr Pitt is a mining engineer with extensive resource sector corporate and operational experience. He has been responsible for the development and expansion of a number of mining operations in a variety of commodities. He has held director, operations and other senior management roles in several listed mining companies. These include gold miners Dioro Exploration NL, New Hampton Goldfields

Limited and Perseverance Corporation Ltd and nickel and tin miner Metals Exploration Ltd. Experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

Other current directorships

Non-executive Director Mount Magnet South NL 26 October 2010 to current

Former directorships in the past three years

None

Special responsibilities

Chair of the Audit and Risk Management Committee

Member of the Remuneration and Nomination Committee

Interest in shares and options

344,578 ordinary shares

1,500,000 options

Rhod Grivas

Non-Executive Chairman

Appointed: 13 August 2007

Resigned: 1 May 2012

Experience and expertise

Mr Grivas is a geologist with over 20 years experience in corporate and technical management of publically listed mining and exploration companies. He has held a number of executive director positions with resource companies including ASX and TSX listed gold miner, Dioro Exploration NL prior to the Avoca takeover early in 2010.

Other current directorships

Non-executive chairman	Canyon Resources Limited	11 December 2009 to current
Executive director	Southern Crown Resources Limited	30 April 2010 to current
Non-executive director	Coventry Resources Limited	2 August 2010 to current

Former directorships in the past three years

Executive director	Dioro Exploration NL	2002 to 29 January 2010
Non-executive director	Xstate Resources Limited	March 2007 to 8 July 2010

Special responsibilities

Member of the Audit and Risk Management Committee

Member of the Remuneration and Nominations Committee

Interest in shares and options

241,021 ordinary shares

1,500,000 options

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

DIRECTORS' REPORT



2. COMPANY SECRETARY

David McArthur is a chartered accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has 28 years experience in the corporate management of publicly listed companies.

3. DIRECTORS' MEETINGS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Director	Full meetings of directors		Meetings of audit and risk management committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of Meetings held whilst a director
Tim Clifton	1	1	-	-
William Clayton	8	8	2	2
David McArthur	8	8	1	2
Mark Pitt	8	8	2	2
Rhod Grivas	6	7	2	2

4. REMUNERATION REPORT - AUDITED

Principles of Compensation

Remuneration is referred to as compensation throughout this report.

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

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

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

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

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

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

Fixed compensation

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

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

Short-term incentive

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

Long-term incentive

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

Consequences of performance on shareholder wealth

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

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

Shareholder returns	2012	2011	2010	2009
Net loss attributable to equity holders	(6,146,785)	(\$557,530)	(\$1,141,320)	(\$572,845)
Basic EPS (cents)	(5.84)	(0.68)	(2.07)	(1.15)
Change in share price (cents)	(2.1)	(3.0)	4.3	(4.0)



4. REMUNERATION REPORT – AUDITED (continued)

Principles of Compensation (continued)

Consequences of performance on shareholder wealth (continued)

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to its shareholders. The measures of performance of the Company set out in the table above have been taken into consideration in determining appropriate levels of remuneration.

Service contracts

On 15 June 2012, the remuneration and nominations committee of the board approved an increase in Mr Clayton's executive remuneration to \$250,000 pa, plus superannuation, effective 1 July 2012. Mr Clayton's service contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration. Mr Clayton must give the company 3 months notice of termination.

On 5 January 2012, it was resolved to increase the executive remuneration of Mr David McArthur from \$40,000 to \$50,000 p.a. plus superannuation, effective 1 January 2012. Mr McArthur presently receives total remuneration of \$95,000 p.a. plus statutory superannuation. This includes payment to Mr McArthur as the Company Secretary. Mr McArthur's service contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration. Mr McArthur must give the company 3 months notice of termination.

Executive and non executive directors

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

On 15 June 2012, the remuneration and nominations committee of the board resolved that the remuneration of the non-executive Chair of the Board would increase from \$45,000 to \$55,000 p.a. plus superannuation, effective 15 June 2012. Presently, non-executive director's fees are \$45,000 pa, plus superannuation.

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

Presently, Mr Clifton receives non-executive directors' fees of \$55,000 per annum plus superannuation and Mr Pitt receives non-executive directors' fees of \$45,000 per annum plus superannuation.

Messrs Clayton and McArthur's directors fees are included as part of their service contracts.

4. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives remuneration - audited

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

Name		Short-term employee benefits		Total	Post	Share	Total	Options as % of re- muneration
		Cash salary And fees	Non-monetary Annual Leave		employment benefits Super- annuation	based payments Options		
		\$	\$	\$	\$	\$	\$	%
Non-executive directors								
Tim Clifton (1)	2012	8,509	-	8,509	766	-	9,275	-
	2011	-	-	-	-	-	-	-
Mark Pitt	2012	45,000	-	45,000	4,050	-	49,050	-
	2011	37,500	-	37,500	3,375	-	40,875	-
Sub-total Non-executive Directors' remuneration	2012	53,509	-	53,509	4,816	-	58,325	-
	2011	37,500	-	37,500	3,375	-	40,875	-
Executive directors								
William Clayton	2012	200,000	21,912	221,912	18,000	84,639	324,551	26.08
	2011	175,688	18,431	194,119	15,812	29,715	239,646	12.40
David McArthur	2012	90,000	734	90,734	8,100	-	98,834	-
	2011	77,500	(1,174)	76,326	6,975	-	83,301	-
	-	-	-	-	-	-	-	-
Sub-total Executive Directors' remuneration	2012	290,000	22,646	312,646	26,100	84,639	423,385	26.08
	2011	253,188	17,257	270,445	22,787	29,715	322,947	12.40
Total current Directors' remuneration	2012	343,509	22,646	366,155	30,916	84,639	481,710	26.08
	2011	290,688	17,257	307,945	26,162	29,715	363,822	12.40

(1) Appointed 1 May 2012



4. REMUNERATION REPORT – AUDITED (continued)

Name		Short-term employee benefits		Total	Post	Share	Total	Options as % of re- muneration
		Cash salary And fees	Non-monetary Annual Leave		employment	based		
					benefits Super- annuation	payments Options		
		\$	\$	\$	\$	\$	\$	%
Former directors								
Rhod Grivas ⁽²⁾	2012	62,500 ⁽³⁾	-	62,500	3,375	-	65,875	-
	2011	37,500	-	37,500	3,375	-	40,875	-
Total directors' Remuneration	2012	406,009	22,646	428,655	34,291	84,639	547,585	26.08
	2011	328,188	17,257	345,445	29,537	29,715	404,697	12.04

(2) Resigned 1 May 2012

(3) During the year Mr Grivas received \$25,000 for consulting services to the Company

4. REMUNERATION REPORT – AUDITED (continued)

Directors' remuneration - audited

Notes in relation to the table of directors' remuneration – audited

- a) the Group does not employ any executive officers other than the directors;
- b) the fair value of options granted was determined using the Black and Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
- c) In November 2008, shareholders approved the issue of 1,500,000 options to William Clayton. ASX listing rules require the issue to be completed within one month of shareholder approval. This deadline was not met and as a result these options were cancelled and were replaced with 2,500,000 options following approval by the shareholders at the AGM on 28 November 2011. The commencement of the vesting period remains in line with the original issue. The new terms that have been adopted required an adjustment of \$84,639 to reflect the additional options issued.
- d) the directors of the Group do not receive performance related remuneration.

Equity instruments – audited

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

Options and rights over equity instruments granted as compensation – audited

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

	Number of options granted during 2012	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2012
Executive directors						
William Clayton	1,000,000	29-Nov-11	7.21	15	29-Nov-16	-
	750,000	29-Nov-11	6.83	20	29-Nov-16	-
	750,000	29-Nov-11	6.25	30	29-Nov-16	-

No options vested during the reporting period.

Modification of terms of equity-settled share-based payment transactions – audited

On 11 March 2011, 1,500,000 options issued to William Clayton were replaced by 2,500,000 options listed above, as the original options were not issued within one month of shareholder approval in November 2008, as required by the ASX listing rules. The replacement options were approved by shareholders at the AGM on 28 November 2011 and the table above reflects the correct values on the grant date.

Exercise of options granted as compensation – audited

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



4. REMUNERATION REPORT – AUDITED (continued)

Equity instruments – audited (continued)

Analysis of options and rights over equity instruments granted as compensation- audited

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group are detailed below.

	Options granted		% vested	% replaced	Financial	Expiry
	Number	Date	in year	in year	years in which grant vests	date
			(A)	(B)		
Executive directors						
William Clayton	500,000	26-Nov-08	-	100%	01-Jul-08	26-Nov-13
	500,000	26-Nov-08	-	100%	01-Jul-09	26-Nov-13
	500,000	26-Nov-08	-	100%	01-Jul-10	26-Nov-13
	1,000,000	29-Nov-11	-	-	01-Jul-12	29-Nov-16
	750,000	29-Nov-11	-	-	01-Jul-13	29-Nov-16
	750,000	29-Nov-11	-	-	01-Jul-14	29-Nov-16
David McArthur	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12
Non executive directors						
Mark Pitt	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12
Rhod Grivas	1,500,000	12-Oct-07	-	-	01-Jul-07	31-Aug-12

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

(B) The percentage replaced in the year represents the reduction from the maximum number of options available to vest due to the cancellation of the options originally issued outside the ASX Listing Rules.

Analysis of movements in options- audited

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

	Granted in year \$ (A)	Value of options exercised in year \$ (B)	Lapsed in year \$ (C)
William Clayton	84,639	-	-

1. The value of options granted in the year is the fair value of the options calculated at the grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period which will be from 26 November 2008 to the vesting date of 29 November 2016;
2. The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
3. The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved;

This is the end of the Remuneration Report – Audited.

5. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was exploration and evaluation of copper / gold, nickel and other base metal interests.

There were no changes in the nature of the activities of the Group during the year.

6. OPERATING AND FINANCIAL REVIEW

Shareholder returns	2012	2011	2010	2009
Net loss attributable to equity holders	(6,146,785)	(\$557,530)	(\$1,141,320)	(\$572,845)
Basic EPS (cents)	(5.84)	(0.68)	(2.07)	(1.15)
Net tangible assets (NTA)	891,323	\$1,524,227	\$1,217,698	\$2,474,779
NTA Backing (cents)	0.77	1.71	1.86	4.95

Net loss amounts for 2009 to 2012 have been calculated in accordance with Australian Accounting Standards (AASBs).

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 in review, other than those matters referred to in the operations report.

7. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2012.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. LIKELY DEVELOPMENTS

The Group will continue exploration activities over its copper / gold, nickel and other base metal tenement interests. The Group will assess corporate growth opportunities.



10. DIRECTORS' INTERESTS

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

Director	Ordinary Shares	Options over ordinary shares
Tim Clifton	4,627,631	-
William Clayton	610,000	2,500,000
David McArthur	3,625,001	1,500,000
Mark Pitt	344,578	1,500,000

11. SHARE OPTIONS

Options granted to directors of the Group

With the exception of 2,500,000 options issued to William Clayton which replaced 1,500,000 options cancelled in March 2011, the Group has not granted options over unissued ordinary shares in the Company during or since the end of the financial year.

Unissued shares under options

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

Expiry date	Exercise price cents	Number of Shares
31-Aug-12	40	4,500,000
29-Nov-16	15	1,000,000
29-Nov 16	20	750,000
29-Nov 16	30	750,000
08-May 17	15	1,000,000
08-May 17	20	750,000
08-May 17	30	500,000
		<u>9,250,000</u>

All non-director options expire on the earlier of their expiry date or within 30 days of termination of the employee's employment.

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

Shares issued on exercise of options

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

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has agreed to indemnify each of the directors and the company secretary of the Group against all liabilities to another person (other than the Group) that may arise from their position, except where the liability arises out of conduct involving fraud, negligence or a lack of good faith. The directors have not included details of the premium paid for reasons of confidentiality.

No agreements have been entered into to indemnify the Group's current auditors against any claims by third parties arising from their report on the Annual Financial Report.

13. NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

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

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

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

	2012	2011
	\$	\$
Audit services:		
<i>Auditors of the Company</i>		
Audit and review of financial reports (KPMG Australia)	51,830	61,532
	<u>51,830</u>	<u>61,532</u>
Services other than statutory audit:		
<i>Other services</i>		
Taxation compliance services (KPMG Australia)	13,500	13,260
	<u>13,500</u>	<u>13,260</u>



14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2012.

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

DAVID MCARTHUR
Director

Dated at Perth, Western Australia this 18th day of September 2012.



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

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2012, there have been:

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


Grant Robison
Partner

Perth

18 September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



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

As required under ASX Listing Rule 4.10.3, the Group makes the following disclosures in relation to each of the Recommendations. A checklist, cross referencing the ASX Principles to the relevant section of this Statement, the Remuneration Report or Financial Report, follows these disclosures.

1. BOARD OF DIRECTORS

(a) Role of the Board

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

The Board evaluates these policies on an ongoing basis.

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

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

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

(b) Board composition and expertise

The names of the directors of the Company in office at the date of the statement are set out in the directors' report. The directors' report also contains details of each director's skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence.

The Board currently comprises four directors - one non-executive Chairman, two executive directors and one independent non-executive director.

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) which the Board is looking to achieve in its membership. The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

(c) Retirement and re-election of directors

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

(d) Independence of directors

The Board has reviewed the position and association of each of the four directors in office at the date of this report and considers that two directors are 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.

The Board considers that, Messrs Clifton and Pitt meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

(e) Director education

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.

(f) Independent professional advice

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

(g) Board Performance Review

There is no formal appraisal system in place for Board performance on a director by director basis. The performance of all directors is assessed through review by the Board as a whole of a director's attendance at, and involvement in, Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period. However, the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

(h) Conflict of Interest

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

(i) Directors' remuneration

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

2. BOARD COMMITTEES**(a) Board committees and membership**

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

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

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



(b) Audit and Risk Management Committee

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

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

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

- Mr Mark Pitt – independent non-executive director (Chair of audit and risk management committee);
- Mr Tim Clifton – independent non-executive Chairman
- Mr David McArthur – executive director and company secretary

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

The external auditor met with the audit committee and the Board of directors twice during the year.

The responsibilities of the audit and risk management committee include:

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

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

(c) Remuneration and Nomination Committee

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

- Mr Tim Clifton – independent non-executive Chairman (Chair of remuneration and nomination committee);
- Mr Mark Pitt – independent non-executive director;
- Mr David McArthur – executive director and company secretary;

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

Remuneration and Nomination Committee

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

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

From 1 July 2011, there is increased transparency and accountability in remuneration matters as required in the Improving Accountability on Director and Executive Remuneration Bill 2011. There are new rules for engaging remuneration consultants and on reporting specific information about remuneration consultants in the audited Remuneration Report in the Directors' Report. The Group's audited Remuneration Report will include these new reporting obligations.

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

3. MANAGING BUSINESS RISK

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

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

(a) Internal controls

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

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

(b) CEO and CFO assurance on corporate reporting

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



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

(c) Environmental regulation

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2012..

4. ETHICAL STANDARDS

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

(a) Code of Conduct

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

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

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

(b) Diversity Policy

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

The key elements of the diversity policy are as follows:

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

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

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

	Women	Men
Percentage of women and men employed within the Group	0%	100%
Percentage of women and men employed at the senior management level	0%	100%
Percentage of women and men employed at the Board level	0%	100%
Percentage of women and men employed by corporate services provider	75%	25%

The Diversity Policy can be accessed on the Company's website at www.lodestarminerals.com.au under the Corporate Governance section.

(c) Trading in Company securities by directors and employees

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

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

5. COMMUNICATION WITH SHAREHOLDERS

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

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

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

(a) Continuous Disclosure

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

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

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

CORPORATE GOVERNANCE STATEMENT



ASX PRINCIPLES COMPLIANCE STATEMENT

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations	Reference	Compliance
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	1a	Comply
1.2 Companies should disclose the process for evaluating the performance of senior executives	Remuneration report	Comply
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	1a, Remuneration report	Comply
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent directors	1b, 1d	Comply
2.2 The chair should be an independent director	1d	Comply
2.3 The roles of the chair and chief executive officer should not be exercised by the same individual	1d, Directors' report	Comply
2.4 The Board should establish a nomination committee	2c	Comply
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	1g, 2a	Comply
2.6 Companies should provide the information indicated in the Guide to reporting Principle 2.	1b, 1f, 1g, 2a, Directors' report	Comply
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the reasonability and accountability of individuals for reporting and investigating reports of unethical practices. 	4a	Comply
3.2 Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	4b	Comply
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	4b	Comply
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	4b	Comply
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3	4a, 4b, 4c, 4d	Comply
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee	2b	Comply
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> 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 	2b, 2b, 2b, 2b	Comply, Comply, Comply, Comply

4.3	The audit committee should have a formal charter	2a	Comply
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2a, 2b, Directors' report	Comply
Principle 5 – Making timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5, 5a	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	5a	Comply
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	5	Comply
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2b, 3, 3a	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	3, 3b	Comply
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	3b	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	2b, 3, 3a, 3b, Directors' report	Comply
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	2a, 2c, Remuneration report	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	2c 2c 2c	Comply Comply Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration report	Comply
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2a, 2c, Remuneration report	Comply

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
Assets			
Cash and cash equivalents	17a	1,083,282	1,596,099
Other receivables	15	302	24,187
Prepayments		10,811	9,228
Total current assets		1,094,395	1,629,514
Other receivables	15	25,803	-
Property, plant and equipment	13	36,618	13,500
Exploration and evaluation	14	5,759,192	9,093,821
Total non-current assets		5,821,613	9,107,321
Total assets		6,916,008	10,736,835
Liabilities			
Trade and other payables	22	202,060	78,310
Employee benefits	20	63,433	40,477
Total current liabilities		265,493	118,787
Total liabilities		265,493	118,787
Net assets		6,650,515	10,618,048
Equity			
Share capital		15,767,077	13,706,527
Reserves		472,245	353,543
Accumulated losses		(9,588,807)	(3,442,022)
Total equity attributable to equity holders of the Company		6,650,515	10,618,048

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Continuing operations			
Other income	7	25,235	-
Administrative expenses	9	(581,329)	(426,854)
Exploration expenditure written off	14	(5,431,584)	(19,648)
Other expenses	10	(219,590)	(200,124)
Results from operating activities		<u>(6,207,268)</u>	<u>(646,626)</u>
Finance income	11	60,483	89,096
Net finance income		<u>60,483</u>	<u>89,096</u>
Loss before income tax		(6,146,785)	(557,530)
Income tax expense	12	-	-
Loss from continuing operations		<u>(6,146,785)</u>	<u>(557,530)</u>
Loss for the period		<u>(6,146,785)</u>	<u>(557,530)</u>
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		<u>(6,146,785)</u>	<u>(557,530)</u>
Loss attributable to owners of the Company		<u>(6,146,785)</u>	<u>(557,530)</u>
Total comprehensive loss attributable to owners of the Company		<u>(6,146,785)</u>	<u>(557,530)</u>
Loss per share			
Basic and diluted (cents per share)	19	<u>(5.84)</u>	<u>(0.68)</u>

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012



	Attributable to equity holders of the Company				
	Notes	Share capital	Equity-settled	Accumulated losses	Total
			benefits reserve		
		\$	\$	\$	\$
Balance at 1 July 2011		13,706,527	353,543	(3,442,022)	10,618,048
Total comprehensive income for the year					
Loss for the year		-	-	(6,146,785)	(6,146,785)
Total other comprehensive income / (expense)		-	-	-	-
Total comprehensive income for the year		-	-	(6,146,785)	(6,146,785)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares		2,200,000	-	-	2,200,000
Capital raising costs		(139,450)	-	-	(139,450)
Share-based payment transactions	21	-	118,702	-	118,702
Total contributions by and distributions to owners		2,060,550	118,702	-	2,179,252
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		2,060,550	118,702	-	2,179,252
Balance at 30 June 2012		15,767,077	472,245	(9,588,807)	6,650,515

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Attributable to equity holders of the Company				
	Notes	Share capital	Equity-settled benefits reserve	Accumulated losses	Total
		\$	\$	\$	\$
Balance at 1 July 2010		11,585,003	323,828	(2,884,492)	9,024,339
Total comprehensive income for the year					
Loss for the year		-	-	(557,530)	(557,530)
Total other comprehensive income / (expense)		-	-	-	-
Total comprehensive income for the year		-	-	(557,530)	(557,530)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares		2,240,250	-	-	2,240,250
Capital raising costs		(118,726)	-	-	(118,726)
Share-based payment transactions	21	-	29,715	-	29,715
Total contributions by and distributions to owners		2,121,524	29,715	-	2,151,239
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		2,121,524	29,715	-	2,151,239
Balance at 30 June 2011		13,706,527	353,543	(3,442,022)	10,618,048

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts from customers		25,235	-
Cash paid to suppliers and employees		(633,462)	(601,980)
Net cash used in operating activities	17(b)	(608,227)	(601,980)
Cash flows from investing activities			
Interest received		66,446	87,497
Acquisition of property, plant and equipment		(29,308)	(7,868)
Payments for exploration, evaluation and development		(2,002,278)	(1,273,190)
Net cash used in investing activities		(1,965,140)	(1,193,561)
Cash flows from financing activities			
Proceeds from issue of shares		2,200,000	2,207,750
Capital raising costs		(139,450)	(118,726)
Net cash from / (used in) financing activities		2,060,550	2,089,024
Net increase / (decrease) in cash and cash equivalents		(512,817)	293,483
Cash and cash equivalents at 1 July		1,596,099	1,302,616
Cash and cash equivalents at 30 June	17(a)	1,083,282	1,596,099

The notes are an integral part of these financial statements.

1. REPORTING ENTITY

Lodestar Minerals Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, 55 Carrington Street, Nedlands, Perth, Western Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities"). The Group primarily is involved in the mineral exploration industry in Australia.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of the Directors on 18th September 2012.

(b) Basis of measurement

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

(c) Going concern

The consolidated year-end financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has recorded a net loss for the period of \$6,146,785 (30 June 2011: Loss \$557,530) with net cash outflows for the period of \$512,817 (net cash inflows for the year ended 30 June 2011: \$293,483), current assets exceeded current liabilities by \$828,902 (30 June 2011: \$1,510,727), and the Group has net assets of \$6,650,515 (30 June 2011: \$10,618,048).

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

- Capital market raising such as:
 - o Private placement
 - o Entitlements issue
 - o Share purchase plan
- Asset sales
- Borrowings from related or third parties
- The ability of the Group to scale down its exploration activities to conserve cash (i.e. discretionary spend).

The Group acknowledges that there are risks that may provide uncertainty over the Group's ability to continue operating for at least the next twelve months. However, the Directors believe that the Group will continue as a going concern and base this view on the factors set out below.

The Group's cash flow forecast supports the director's opinion that the Group's working capital position will remain positive for at least the next twelve months from the date of these financial statements. However, this cash flow forecast is dependent on successfully achieving funding through one or more of the above funding alternatives. The timing of raising additional working capital will depend on a variety of factors but will be required within the next twelve months. Whilst there is uncertainty regarding the outcomes of the funding alternatives set out above, the Group has a history of successfully raising capital to fund its exploration activities. The Directors are confident that one or more of these necessary alternatives will be realised. Despite this, however, there is an inherent uncertainty about the achievement of future funding on which the assessment of going concern is based.

The Directors have reviewed the operating outlook for the Group and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. In the event that the Group is unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in this financial report.

2. BASIS OF PREPARATION (continued)

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

Critical judgements

(i) *Going concern*

A key assumption underlying the preparation of the financial statements is that the entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and to continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement has been required in assessing whether the entity is a going concern as set out in note 2(c).

Estimates and assumptions

(ii) *Exploration and evaluation assets*

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(d)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(d), a judgment is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 3(e). The carrying amounts of exploration and evaluation assets are set out in note 14.

(iii) *Recognition of tax losses*

In accordance with the Group's accounting policies for deferred taxes (refer note 3(i)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation will take place, or alternatively judgements about commodity prices, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The Group currently does not recognise deferred tax assets.

(iv) *Share-based payments*

As set out in Note 21, share-based payments have been calculated at fair value using the Black & Scholes method and have been recognised as either an employee or professional expense, according to its nature.

(f) Changes in accounting policies

Presentation of transactions recognised in other comprehensive income

From 1 July 2011 the Group has applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project. The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in other comprehensive income in note 18 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(f), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Loans and receivables

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

Loans and receivables comprise other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note 3(h).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

(iii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Property, plant and equipment

(i) Recognition and measurement

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" and "other expenses" in profit or loss.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	Method	2012	2011
Plant and equipment	Straight line	20%	20%
Fixtures and fittings	Straight line	20%	20%

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Depreciation (continued)

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

(d) Exploration and evaluation

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

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

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- (a) The rights to tenure of the area of interest are current; and
- (b) At least one of the following conditions is also met:
 - (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
 - (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets, only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. As the assets are not yet ready for use, they are not depreciated. Assets that are classified as tangible assets include:

- Piping and pumps;
- Tanks; and
- Exploration vehicles and drilling equipment.

(d) Exploration and evaluation (continued)

Assets that are classified as intangible include:

- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling costs.

Borrowing costs incurred in connection with the financing of exploration and evaluation activities are expensed as incurred.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being classified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(e)(ii).

(e) Impairment

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events has had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) *Non-derivative financial assets (continued)*

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(f) Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) *Share-based payment transactions*

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the true value of money and the risks specific to the liability.

Site Restoration

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

(h) Finance income and finance costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Tax consolidation

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

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(k) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(l) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

Trade and other receivables are short-term in nature. As a result, the fair value of these instruments is considered to approximate its carrying value.

Non-derivative financial liabilities

Trade and other payables are short term in nature. As a result, the fair value of these instruments is considered to approximate its carrying value.

Share-based payment transactions

The fair value of stock options is based on market value, if available. If market value is not available, then the fair value of stock options is measured using the Black and Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management framework

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



5. FINANCIAL RISK MANAGEMENT (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Cash and cash equivalents

The Group limits its exposure to credit risk by only depositing with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Refer to Note 2(c) for basis of going concern.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is not exposed to currency or any other market risk with the exception of interest rate risk as detailed below.

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure (see note 23(d) for sensitivity analysis).

Capital Management

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

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

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

6. OPERATING SEGMENTS

The Group has two reportable segments, being copper / gold and nickel exploration and evaluation in Western Australia.

The basis of segmentation and measurement is included below.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

Information about reportable segments

	Copper / Gold		Nickel		Total	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Reportable segment loss before income tax	-	-	(5,431,584)	(19,648)	(5,431,584)	(19,648)
Reportable segment assets	5,721,705	3,637,941	37,487	5,455,880	5,759,192	9,093,821
Other materials items:						
Impairment loss on exploration and evaluation	-	-	(5,431,584)	(19,648)	(5,431,584)	(19,648)
Capitalised exploration and evaluation expenditure - acquired	-	61,453	-	-	-	61,453
Capitalised exploration and evaluation expenditure - additions	2,083,764	1,117,509	13,191	127,866	2,096,955	1,245,375
Reportable segment liabilities	108,175	13,498	-	-	108,175	13,498

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

	2012	2011
	\$	\$
Loss		
Total loss for reportable segments	(5,431,584)	(19,648)
Unallocated amounts: other corporate expenses	(775,684)	(626,978)
Finance income	60,483	89,096
	<u>(6,146,785)</u>	<u>(557,530)</u>
Assets		
Total assets for reportable segments	5,759,192	9,093,821
Other assets	1,156,816	1,643,014
	<u>6,916,008</u>	<u>10,736,835</u>
Liabilities		
Total liabilities for reportable segments	(108,175)	(13,498)
Other liabilities	(157,318)	(105,289)
	<u>(265,493)</u>	<u>(118,787)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

6. OPERATING SEGMENTS (continued)

	Reportable segment totals \$	Adjustments \$	Consolidated totals \$
Other material items 2012			
Capitalised exploration and evaluation expenditure - additions	2,096,955	-	2,096,955
Impairment of exploration and evaluation	(5,431,584)	-	(5,431,584)
Other material items 2011			
Capitalised exploration and evaluation expenditure - acquired	61,453	-	61,453
Capitalised exploration and evaluation expenditure - additions	1,245,375	-	1,245,375
Impairment of exploration and evaluation	(19,648)	-	(19,648)

7. OTHER INCOME

	Note	2012 \$	2011 \$
Other income		25,235	-
		<u>25,235</u>	<u>-</u>

8. PERSONNEL EXPENSES

Wages and salaries (staff)		57,167	-
Directors and executives remuneration	26(a)	547,585	404,697
Contributions to defined contribution plans		5,145	-
Increase / (decrease) in liability for annual leave		4,397	-
Other associated personnel expenses		25,871	-
		<u>640,165</u>	<u>404,697</u>
Capitalised to exploration and evaluation		219,278	129,997
Expensed in administrative expenses	9	420,887	274,700
Personnel expenses included in Administrative Expenses		<u>640,165</u>	<u>404,697</u>

\$25,506 of other associated personnel expenses relates to recruitment costs.

9. ADMINISTRATIVE EXPENSES

	Note	2012 \$	2011 \$
Personnel expenses	8	420,887	274,700
Advertising and publicity		41,546	19,784
Communication and information services		9,471	3,281
Office administration		58,317	66,961
Bank charges		974	351
Share registry and statutory fees		50,134	61,777
		<u>581,329</u>	<u>426,854</u>

10. OTHER EXPENSES

	Note	2012 \$	2011 \$
Professional fees		192,836	196,907
Depreciation and amortisation	13	6,190	3,217
Travelling expenses		20,564	-
		<u>219,590</u>	<u>200,124</u>

11. FINANCE INCOME AND EXPENSE

Interest income on bank deposits		60,483	89,096
Finance income		<u>60,483</u>	<u>89,096</u>
Net finance income recognised in profit or loss		<u>60,483</u>	<u>89,096</u>
The above finance income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:			
Total interest income on financial assets		<u>60,483</u>	<u>89,096</u>

12. INCOME TAX EXPENSE

Current tax benefit			
Current period		(816,326)	(539,537)
		<u>(816,326)</u>	<u>(539,537)</u>
Deferred tax benefit			
Origination and reversal of temporary differences		816,326	539,537
Total income tax expense		<u>-</u>	<u>-</u>

Numerical reconciliation between tax expense and pre-tax accounting loss

	2012 \$	2011 \$
Loss for the period	(6,146,785)	(557,530)
Total income tax expense	-	-
Loss excluding income tax	<u>(6,146,785)</u>	<u>(557,530)</u>
Income tax using the Company's domestic tax rate of 30% (2011: 30%)		
	(1,844,036)	(167,259)
Non-deductible expenses	35,739	9,057
Tax losses not brought to account	1,808,297	158,202
	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

12. INCOME TAX EXPENSE (continued)

Tax losses

Unused tax losses for which no deferred tax asset has been recognised

13,242,479

10,378,200

Potential tax benefit at 30% (2011: 30%)

3,972,744

3,113,460

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of \$3,972,744 (2011: \$3,113,460) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii) the conditions for deductibility imposed by tax legislation continue to be complied with;
- iii) no changes in tax legislation adversely affect the Company in realising the benefit; and
- iv) satisfaction of either the continuity of ownership or the same business test.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures And Fittings \$	Computer Equipment \$	Field Equipment \$	Total \$
Gross carrying amount				
Balance at 1 July 2010	4,521	8,824	-	13,345
Additions	-	7,195	673	7,868
Balance at 30 June 2011	4,521	16,019	673	21,213
Balance at 1 July 2011	4,521	16,019	673	21,213
Additions	6,468	16,733	6,107	29,308
Balance at 30 June 2012	10,989	32,752	6,780	50,521
Depreciation and impairment losses				
Balance at 1 July 2010	814	3,682	-	4,496
Depreciation for the year	904	2,242	71	3,217
Balance at 30 June 2011	1,718	5,924	71	7,713
Balance at 1 July 2011	1,718	5,924	71	7,713
Depreciation for the year	1,010	4,300	880	6,190
Balance at 30 June 2012	2,728	10,224	951	13,903
Carrying amounts				
Balance at 30 June 2011	2,803	10,095	602	13,500
Balance at 30 June 2012	8,261	22,528	5,829	36,618

14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2012	2011
	\$	\$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	5,759,192	9,093,821
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	9,093,821	7,806,641
Acquisitions	-	61,453
Additions	2,096,955	1,245,375
Written off	(5,431,584)	(19,648)
	5,759,192	9,093,821

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of otherwise of economically recoverable reserves.

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

Management has decided to cease exploration activity over the Penfolds Nickel tenements. Attempts to farm out the Companies rights to the areas have not been successful. On the basis that the Company will not be committing to any further expenditure over these tenements, it has been decided to write off the carrying value of the tenements.

15. OTHER RECEIVABLES

	2012	2011
	\$	\$
Bank interest income	-	5,963
Deposits	25,803	5,303
GST receivable	302	12,921
	26,105	24,187
Non-current	25,803	-
Current	302	24,187
	26,105	24,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012



16. DEFERRED TAX ASSETS AND LIABILITIES

(a) Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	-	-	(1,558)	(753)	(1,558)	(753)
Exploration and evaluation expenditure	-	-	(1,270,588)	(2,270,976)	(1,270,588)	(2,270,976)
Trade and other receivables	-	-	-	(1,789)	-	(1,789)
Black hole deductible costs	55,741	70,442	-	-	55,741	70,442
Trade and other payables	9,000	12,000	-	-	9,000	12,000
Employee benefits	19,030	12,143	-	-	19,030	12,143
Carry forward tax losses	3,972,744	3,113,460	-	-	3,972,744	3,113,460
	4,056,515	3,208,045	(1,272,146)	(2,273,518)	2,784,369	934,527

The Group does not recognise deferred tax assets as it is not probable that sufficient taxable amounts will be available in future periods to enable the benefit to be realised.

17. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

	2012	2011
	\$	\$
Cash and cash equivalents in the statement of cash flows	1,083,282	1,596,099

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

17. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Loss for the period		(6,146,785)	(557,530)
Adjustments for:			
Depreciation	13	6,190	3,217
Finance income	11	(60,483)	(89,096)
Exploration and evaluation expenditure written off	14	5,431,584	19,648
Equity-settled share-based payment transactions		118,702	29,715
Annual leave expense		27,044	-
		<u>(623,748)</u>	<u>(594,046)</u>
Change in other receivables		(7,881)	(11,449)
Change in trade and other payables		29,072	(19,035)
Change in prepayments		(1,583)	1,205
Change in employee benefits provisions		(4,087)	21,345
		<u>(608,227)</u>	<u>(601,980)</u>
Interest paid	11	-	-
Income taxes paid	12	-	-
Net cash used in operating activities		<u>(608,227)</u>	<u>(601,980)</u>

18. CAPITAL AND RESERVES

(a) Share capital

	2012 Number	Ordinary shares 2011 Number
On issue at 1 July	88,989,477	65,500,003
20-Sep-10 Placement of shares at 9.5 cents each	-	9,250,000
05-Nov-10 Placement of shares at 9.5 cents each	-	13,989,474
15-Dec-10 Issue of shares at 13 cents each pursuant to: the acquisition of exploration tenements	-	250,000
23-Nov-11 Issue of 12,876,500 shares at 8 cents each	12,876,500	-
30-Nov-11 Issue of 14,623,500 shares at 8 cents each	14,623,500	-
On issue at 30 June	<u>116,489,477</u>	<u>88,989,477</u>

(b) Issuance of ordinary shares

On 23 November 2011, the Company issued 12,876,500 ordinary shares at a market value of 8 cents per share (2011: nil).

On 30 November 2011, the Company issued 14,623,500 ordinary shares at a market value of 8 cents per share (2011: nil).

All issued shares are fully paid.

18. CAPITAL AND RESERVES (continued)

(c) Ordinary shares

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

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

All issued shares are fully paid.

The Company has also issued share options (see note 21).

(d) Reserves

Equity-based benefits reserve

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

At the 2011 AGM on 28 November 2011, shareholders approved the issue of 2,500,000 options to Mr Bill Clayton to replace the 1,500,000 options that were cancelled on 11 March 2011. A true-up adjustment for the fair value on the revised grant date has resulted in an additional expense of \$84,639, 50% of which has been recognised as capitalised exploration expenditure and the balance being recognised in employee expenses.

On 8 May 2012, the Company issued, for no consideration, 2,250,000 options in lieu of consulting services. As the services were in relation to exploration activities, the calculated fair value of each tranche of options is recognised as capitalised exploration expenditure over their respective vesting periods.

At 30 June 2012, the Group held 9,250,000 options with an exercise price between 15 and 40 cents per share. 7,000,000 of these options were granted to the directors on 12 October 2007 and 28 November 2011. The balance of 2,250,000 options, were granted to a consultant to the Company on 8 May 2012.

19. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of \$6,146,785 (2011: \$557,530) and a weighted average number of ordinary shares outstanding of 105,314,984 (2011: 81,954,783) calculated as follows:

Loss attributable to ordinary shareholders

	2012 \$	2011 \$
Loss for the period	(6,146,785)	(557,530)

Weighted average number of ordinary shares (basic)

	2012 Number	2011 Number
Issued ordinary shares at 1 July	88,989,477	65,500,003
Effect of shares issued during the period	16,325,507	16,454,780
	105,314,984	81,954,783

19. LOSS PER SHARE (continued)

(b) Diluted loss per share

The calculation of diluted loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of \$6,146,785 (2011: \$557,530) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 105,314,984 (2011: 81,954,783) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2012 Number	2011 Number
Weighted average number of ordinary shares (basic)	105,314,984	81,954,783
Effect of share options on issue	-	-
	105,314,984	81,954,783

At 30 June 2012, 9,250,000 options (2011: 7,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

20. EMPLOYEE BENEFITS

	2012 \$	2011 \$
Current		
Liability for annual leave	63,433	36,389
Liability for superannuation	-	4,088
	63,433	40,477

21. SHARE-BASED PAYMENT PLANS

(a) Description of the share-based payment arrangements

At 30 June 2012 the Group has the following share-based payment arrangements.

Equity-settled share option programme

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

At the 2011 AGM on 28 November 2011, shareholders approved the issue of 2,500,000 options to Mr Bill Clayton to replace the 1,500,000 options that were cancelled on 11 March 2011. A true-up adjustment for the fair value on the revised grant date has resulted in an additional expense of \$84,639, 50% of which has been recognised as capitalised exploration expenditure and the balance being recognised in employee expenses.

On 8 May 2012, the Company issued, for no consideration, 2,250,000 options exercisable between 15 and 30 cents each, in lieu of consulting fees. The resultant expense of \$34,063 is included as part of capitalised exploration expenditure.

The fair value of services received for share options granted is based on the fair value of options granted, measured using the Black-Scholes formula.

21. SHARE-BASED PAYMENT PLANS (continued)

(b) Terms and conditions of share-option programme

The terms and conditions relating to the grant of existing share options are as follows:

Tranche	Grant date	Number of instruments	Vesting conditions	Contractual life of options
1	12- October-2007	4,500,000	Vested upon granting	4.9 years
2	28 November 2011	1,000,000	12 months from date of issue	5 years
3	28 November 2011	750,000	24 months from date of issue	5 years
4	28 November 2011	750,000	36 months from date of issue	5 years
5	8 May 2012	1,000,000	Vested upon granting	5 years
6	8 May 2012	750,000	12 months from date of issue	5 years
7	8 May 2012	500,000	24 months from date of issue	5 years
		9,250,000		

(c) Disclosure of share option programme

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

	Weighted average exercise price 2012	Weighted Number of options 2012	average exercise price 2011	Number of Options 2011
Outstanding at 1 July	33.2 cents	7,000,000	37.5 cents	6,000,000
Replaced during the period	30.0 cents	-	30.0 cents	(1,500,000)
Granted during the period	20.0 cents	2,250,000		-
Replaced with during the period		-	21.0 cents	2,500,000
Outstanding at 30 June	30.0 cents	9,250,000	33.2 cents	7,000,000
Exercisable at 30 June	35.5 cents	5,500,000	40.0 cents	4,500,000

The options outstanding at 30 June 2012 have an exercise price between 15 and 40 cents (2011: between 15 and 40 cents) and a weighted average contractual life of 2.46 years (2011: 2.54 years).

No options were exercised, however, 1,500,000 options were replaced with 2,500,000 options and 2,250,000 options were issued during the year (2011: no options granted, exercised or forfeited).

21. SHARE-BASED PAYMENT PLANS (continued)

(d) Inputs for measurement of grant date fair values

The fair value of services received in return for share options granted was based on the fair value of share options on the date granted, measured using the Black Scholes options pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6
Fair value at grant date	7.21 cents	6.83 cents	6.25 cents	4.26 cents	4.17 cents	4.02 cents
Share price	9.90 cents	9.90 cents	5.00 cents	5.00 cents	5.00 cents	5.00 cents
Exercise price	15 cents	20 cents	30 cents	15 cents	20 cents	30 cents
Expected volatility	104%	104%	104%	105%	105%	105%
Option life	5 years					
Vesting period	1 year	2 years	3 years	- years	1 year	2 years
Risk free rate	4.01%	4.01%	4.01%	3.42%	3.42%	3.42%

(e) Employee expenses

	Note	2012 \$	2011 \$
Share options replaced in 2011	-	-	29,715
Share options granted in 2012	-	42,320	-
Total expense recognised as employee costs		42,320	29,715

50% of the value of each tranche of options is recognised as employee expenses over their respective vesting periods and 50% recognised as capitalised exploration expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

22. TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Current		
Trade payables	156,587	16,320
Non-trade payables and accrued expenses	45,473	61,990
	202,060	78,310

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

23. FINANCIAL INSTRUMENTS

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2012	2011
	\$	\$
Other receivables	26,105	24,187
Cash and cash equivalents	1,083,282	1,596,099
	1,109,387	1,620,286

None of the Group's receivables are past due.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	6 months or less
	\$	\$	\$
30 June 2012			
Non-derivative financial liabilities			
Trade and other payables	202,060	202,060	202,060
	202,060	202,060	202,060
30 June 2011			
Non-derivative financial liabilities			
Trade and other payables	78,310	78,310	78,310
	78,310	78,310	78,310

(c) Foreign currency risk management

The Group is not exposed to foreign currency risk.

23. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount 2012 \$	2011 \$
Variable rate instruments		
Financial assets	1,083,282	1,596,099
	1,083,282	1,596,099

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

	100 bp increase \$	Profit or loss	100 bp decrease \$
30 June 2012			
Variable rate instruments	11,051		(11,051)
Cash flow sensitivity	11,051		(11,051)
30 June 2011			
Variable rate instruments	15,961		(15,961)
Cash flow sensitivity	15,961		(15,961)

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

(e) Fair values of financial assets and liabilities

The fair values of the financial assets and liabilities at balance date of the Group approximate the carrying amounts in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

24. COMMITMENTS

	2012	2011
	\$	\$
Office rent		
Less than one year	90,800	34,283
Between one and five years	181,600	-
	272,400	34,283
Mineral exploration		
Not later than one year	966,000	1,192,650

25. CONTINGENCIES

The Group has no contingent assets or liabilities.

26. RELATED PARTIES

(a) Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

		2012	2011
		\$	\$
Short term employee benefits		428,655	345,445
Post-employment benefits		34,291	29,537
Share-based payments	21	84,639	29,715
		547,585	404,697

(b) Individual directors and executives compensation

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

(c) Key management personnel and director transactions

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

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

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

26. RELATED PARTIES (continued)

	Transaction	Transaction value		Balance outstanding	
		year ended 30 June		as at 30 June	
		2012	2011	2012	2011
		\$	\$	\$	\$
Key management person					
David McArthur	Management fee	82,500	75,000	7,500	12,500
Total and current liabilities				7,500	12,500

The Company paid a management fee to Broadway Management Pty Ltd, a company associated with Mr McArthur, for the management of the accounting, financial reporting and statutory compliance functions of the Company.

(d) Options and rights over equity instruments

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

	Held at 1 July 2011	Granted as compensation	Exercised	* Other changes	Held at 30 June 2012	Vested during the year	Vested and Exercisable At 30 June 2012
Directors							
William Clayton	1,500,000	2,500,000	-	(1,500,000)	2,500,000	-	-
David McArthur	1,500,000	-	-	-	1,500,000	-	1,500,000
Tim Clifton	-	-	-	-	-	-	-
Mark Pitt	1,500,000	-	-	-	1,500,000	-	1,500,000
Rhod Grivas ⁽¹⁾	1,500,000	-	-	(1,500,000)	-	-	-
	Held at 1 July 2010	Granted as compensation	Exercised	* Other changes	Held at 30 June 2011	Vested during the year	Vested and Exercisable At 30 June 2011
Directors							
William Clayton	1,500,000	-	-	-	1,500,000	500,000	1,000,000
David McArthur	1,500,000	-	-	-	1,500,000	-	1,500,000
Tim Clifton	-	-	-	-	-	-	-
Mark Pitt	1,500,000	-	-	-	1,500,000	-	1,500,000
Rhod Grivas	1,500,000	-	-	-	1,500,000	-	1,500,000

* Other changes represent options that were cancelled and replaced or on date of resignation.

(1) Rhod Grivas resigned on 1 May 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

26. RELATED PARTIES (continued)

(e) Movements in shares

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

	* Held at 1 July 2011	Purchases	* Other changes	Received on exercise of options	Sales	** Held at 30 June 2012
Directors						
William Clayton	510,000	100,000	-	-	-	610,000
David McArthur	3,425,000	200,001	-	-	-	3,625,001
Tim Clifton ⁽²⁾	-	-	4,627,631	-	-	4,627,631
Mark Pitt	344,577	1	-	-	-	344,578
Rhod Grivas ⁽¹⁾	241,021	1	(241,022)	-	-	-
	* Held at 1 July 2010	Purchases	* Other changes	Received on exercise of options	Sales	** Held at 30 June 2011
Directors						
William Clayton	310,000	200,000	-	-	-	510,000
David McArthur	2,840,319	584,681	-	-	-	3,425,000
Mark Pitt	144,577	200,000	-	-	-	344,577
Rhod Grivas	241,021	-	-	-	-	241,021

* Shares held on date of appointment or on date of resignation.

(1) Rhod Grivas resigned on 1 May 2012

(2) Tim Clifton was appointed on 1 May 2012

No shares were granted to key management personnel during the reporting period as compensation in 2011 or 2012.

(f) Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 8.

27. GROUP ENTITIES

Name	Place of incorporation	Financial Year end	2012 %	2011 %
Parent entity				
Lodestar Minerals Limited	Australia	30 June		
Subsidiary				
Audacious Resources Pty Ltd	Australia	30 June	100	100

28. AUDITORS' REMUNERATION

	2012	2011
	\$	\$
Audit Services:		
<i>Auditors of the Company</i>		
Audit and review of financial reports (KPMG Australia)	51,830	61,532
	51,830	61,532
Services other than statutory audit		
<i>Other services</i>		
Taxation compliance services (KPMG Australia)	13,500	13,260
	13,500	13,260

29. PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2012, the parent entity of the Group was Lodestar Minerals Limited.

	2012	2011
	\$	\$
Result of the parent entity		
Loss for the period	(6,142,785)	(557,297)
Other comprehensive income	-	-
Total comprehensive income for the period	(6,145,785)	(557,297)
Financial position of parent entity at year end		
Current assets	1,094,395	1,624,211
Total assets	6,915,124	10,731,952
Current liabilities	265,493	118,788
Total liabilities	265,493	118,788
Total equity of the parent entity comprising of:		
Share capital	15,767,077	13,706,527
Equity-settled benefits reserve	472,245	353,543
Accumulated losses	(9,589,692)	(3,446,906)
Total equity	6,649,630	10,613,164
Commitments		
<i>Office rent</i>		
Less than one year	90,800	34,283
Between one and five years	181,600	-
	272,400	34,283
<i>Mineral exploration</i>		
Not later than one year	297,000	588,650



30. SUBSEQUENT EVENTS

There have been no matters of circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

- 1 In the opinion of the directors of Lodestar Minerals Limited (the "Company"):
 - (a) the consolidated financial statements and notes, and the Remuneration report set out in section 4 in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) as set out in note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2012.
- 3 The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 18th day of September 2012.



DAVID MCARTHUR
Director



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

Report on the financial report

We have audited the accompanying financial report of Lodestar Minerals Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

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

Report on the remuneration report

We have audited the Remuneration Report included in section 4 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lodestar Minerals Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

Grant Robinson
Partner

Perth
18 September 2012

STOCK EXCHANGE INFORMATION



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

1. SHAREHOLDER INFORMATION

(a) Distribution of fully paid ordinary shares at 31 August 2012

Category			Number of Shareholders	Shares held
1	-	5,000	3,818	3,664,383
5,001	-	10,000	269	2,023,216
10,001	-	100,000	744	20,595,489
100,001	-	1,000,000	148	43,216,800
1,000,001	and	over	16	46,989,589
			<u>4,995</u>	<u>116,489,477</u>

(b) Distribution of options at 31 August 2012

Category			Number of Shareholders	Shares held
1,000,001	and	over	5	9,250,000
			<u>5</u>	<u>9,250,000</u>

(c) Marketable Parcel

The number of shareholders holding less than a marketable parcel of ordinary shares is 4,313.

(d) Voting rights

Ordinary shares

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

Options

There are no voting rights attached to the options.

(d) Substantial shareholders

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

Name	Ordinary shares Number of Shares
Ross Jeremy Taylor	14,000,000

(e) Unlisted 31 August 2012 Options

There are 4,500,000 options held by 3 holders on issue that are exercisable at \$0.40 on or before 31 August 2012.

(f) Unlisted 29 November 2016 Options

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

(g) Unlisted 8 May 2017 Options

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

(g) Shareholders

The twenty largest shareholders hold 47.06% of the total issued ordinary shares in the Company as at 31 August 2012.

2. TOP TWENTY SHAREHOLDERS AS AT 31 AUGUST 2012

	Name	Ordinary shares	
		Number of Shares	Percentage of issued shares
1	Ross Jeremy Taylor	14,000,000	12.00
2	JP Morgan Nominees Australia Limited <Cash Income A/C>	5,571,578	4.78
3	Robert John McArthur Anderson	5,400,000	4.64
4	Calm Holdings Pty Ltd <Clifton Super Fund>	4,627,631	3.97
5	Glenn Griffin Money	4,124,475	3.54
6	National Nominees Limited	3,130,380	2.69
7	DASMAC (WA) Pty Ltd	3,092,436	2.65
8	HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	2,500,000	2.15
9	La Mancha Resources Australia Pty Ltd	1,324,343	1.14
10	Mark Phillip Jones	1,250,000	1.07
11	Mark Phillip Jones & Carol Jones <Hardfarm Super Fund>	1,250,000	1.07
12	S&Y Ashton Nominees Pty Ltd <Ashton Super Fund A/C>	1,100,000	0.94
13	Lucky Country Investments Pty Ltd <Hopper family A/C>	1,000,000	0.86
14	James Timothy Griffin Money	1,000,000	0.86
15	Peter Griffin Money	1,000,000	0.86
16	Sams Watchmaker Jeweller Pty Ltd <Super Fund A/C>	993,496	0.85
17	M & K Korkidas Pty Ltd <M & K Korkidas Super Fund A/C>	952,280	0.82
18	Cadogan Grove Pty Ltd <Wood Family S/F>	895,780	0.77
19	Magaurite Pty Ltd <Peter Nelson Super Fund>	815,817	0.70
20	Ms Sarah Elizabeth Adlington	800,000	0.69
		54,282,216	47.05

STOCK EXCHANGE INFORMATION



3. TENEMENTS LISTING AT 31 AUGUST 2012

Tenement Description	Tenement Numbers	Status	Percentage Interest
Peak Hill			
Robinson Range	E52/2403	Granted	100%
Robinson Range	E52/2418	Granted	100%
Marymia	E52/2544	Granted	100%
Marymia	E52/2558	Granted	100%
Robinson Range	E52/2430	Granted	100%
Robinson Range	E52/2431	Granted	100%
Marymia	E52/2440	Granted	100%
Marymia	E52/2444	Granted	100%
Yowerrena Hill	E52/2456	Granted	100%
Little Well	E52/2468	Granted	100%
Yowerrena Hill	E52/2492	Granted	100%
Yowerrena Hill	E52/2493	Granted	100%
Thaduna	E52/2505	Granted	100%
Robinson Range	E52/2512	Granted	100%
Marymia	E69/2662	Granted	100%
Marymia	E52/2733	Pending	100%
Yowerrena Hill	E52/2734	Pending	100%
Halls Creek			
Springvale	E80/4287	Granted	100%
Springvale	E80/4288	Granted	100%
Springvale	E80/4289	Granted	100%
Springvale	E80/4302	Granted	100%
Springvale	E80/4563	Granted	100%
Mount Jarrad	E80/4662	Pending	100%