



**LODESTAR MINERALS LIMITED**

**ABN 32 127 026 528**

**INTERIM FINANCIAL REPORT**

**For the six months ended 31 December 2016**

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## **CORPORATE DIRECTORY**

### **Directors**

Mr Ross Taylor  
Mr William Clayton  
Mr David McArthur

### **Secretary**

Mr David McArthur

### **Registered and Principal Office**

Level 2, 55 Carrington Street  
Nedlands WA 6009  
Website: [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au)  
Email: [info@lodestarminerals.com.au](mailto:info@lodestarminerals.com.au)

Telephone: +61 8 9423 3200  
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### **Postal Address**

PO Box 985  
Nedlands WA 6909

### **Auditors**

KPMG  
Level 8, 235 St George's Terrace  
Perth WA 6000

### **Share Registry**

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

### **ASX Codes**

Shares: LSR  
Options: LSROA

### **Country of Incorporation and Domicile**

Australia

# LODESTAR MINERALS LIMITED DIRECTORS' REPORT

For the six months ended 31 December 2016

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## DIRECTORS' REPORT

The Directors of Lodestar Minerals Limited ("the Company") present their report together with the consolidated interim financial report for the six months ended 31 December 2016 and the auditor's report thereon.

### 1. DIRECTORS

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

Name	Period of directorship
<b>Non-executive</b> Mr Ross Taylor <i>Chairman of the Board, Non-executive Director and Chairman of the Remuneration &amp; Nomination Committee</i>	Appointed 30 June 2014
<b>Executive</b> Mr William Clayton <i>Managing Director</i>	Appointed 2 November 2007
Mr David McArthur <i>Executive Director, Company Secretary &amp; Chairman of the Audit &amp; Risk Management Committee</i>	Appointed 13 August 2007

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### 2. OPERATING AND FINANCIAL REVIEW

#### Overview

Lodestar Minerals Limited is listed on the Australian Stock Exchange (ASX: LSR) and has approximately 453.3 million shares on issue. Lodestar is a West Australian junior gold explorer with operations on two main project areas having a combined area of 1,137 square kilometres. The Camel Hills and Ned's Creek projects are located in the Gascoyne and Peak Hill Mineral Fields, respectively. Lodestar has made significant gold discoveries at Ned's Creek (in 2013) and Camel Hills (Big Sky, in 2015) and has completed several phases of drilling, geophysical and geochemical programs and geological mapping throughout 2016.

#### Significant events during the period

##### Ned's Creek

- Two phases of drilling (4,345m) completed over the Contessa gold prospect targeting bedrock – hosted mineralisation.
- Two phases of drilling completed at the Brumby gold prospect to carry out "proof of concept" testing for internal and contact-style mineralisation (534m).
- Significant bedrock gold targets for follow-up drilling identified at Contessa and Brumby.
- Numerous gold anomalies identified from regional geochemical sampling completed over the Marymia and West Pinyrinny areas. 1158 samples were analysed for gold and multi-elements.
- The gold anomalies identified at Marymia and West Pinyrinny require in-fill sampling and first-pass drilling.

##### Camel Hills

- Following initial drill testing of the Big Sky gold target in the first half of 2016, the exploration focus has shifted towards regional assessment of an untested mineralised structure corresponding to the Petter calc-silicate contact that extends 6 kilometres southwest of Big Sky.

# LODESTAR MINERALS LIMITED

## DIRECTORS' REPORT

For the six months ended 31 December 2016

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## 2. OPERATING AND FINANCIAL REVIEW (continued)

### Significant events during the period (continued)

#### Tenements

- Compulsory partial surrenders of tenements E52/2440, E52/2456 and E52/2468 (Ned's Creek).
- Surrenders of E69/3254, E69/3255, E69/3261, E69/3263 and E69/3271 (Imbin).
- Application for E52/3473 and E52/3476 (Ned's Creek).
- Application for E69/3483 (Imbin).

### Exploration

#### Ned's Creek

Lodestar completed a program of RC drilling in July, with four holes targeting a discrete IP anomaly adjacent to a zone of supergene gold mineralisation. The drilling intersected variably altered diorite with trace to 10% pyrite mineralisation. Lodestar believes that disseminated pyrite is responsible for the IP anomaly.

Assay results from the drilling reported only low grade gold, with best intercepts of 10m at 0.3g/t gold from 88m and 4m at 0.5g/t gold from 235m in LNRC017 (see Lodestar's ASX announcement dated 22 July 2016).

Lodestar interprets the Contessa-Brumby prospects to be intrusion-related gold targets located on the margins of the Contessa granite. Evidence to support the intrusion-related exploration model includes the metal association (Au with Ag-Bi-Mo-Te ± As), the style of mineralisation observed to date (fine grained pyrite-dominant) and the association of disseminated pyrite and mineralised quartz stockwork veining with rocks of syenite composition at Brumby.

Intrusion-related mineralisation may occur in two settings:

- As internal zones within the intrusive body, represented by irregular bodies of fine grained disseminated sulphides and millimeter to centimeter scale stockwork veining. Large internal zones of mineralisation represent low-grade bulk mining targets and potentially may contain smaller higher grade targets where they are intersected by major structures that have upgraded the mineralisation (e.g. Dacian Gold's Jupiter deposit).
- Contact-style mineralisation associated with dykes, lithological contacts or faults located on the margins of the intrusion. This style of mineralisation is generally higher grade and has a more linear or planar distribution.

#### Contessa

At Contessa, the possibility of contact-style or structurally controlled primary mineralisation, over a width of a few metres or tens of metres, was tested by in-fill aircore drilling below the supergene mineralisation on 40m centres. 44 holes were completed and significant results are listed below (and see Lodestar's ASX announcement dated 1 December 2016);

From the supergene zone

- 8m at 3.35g/t gold from 48m in LNR810
- 20m at 1.61g/t gold from 48m in LNR792
- 12m at 1.6g/t gold from 44m in LNR795
- 12m at 1.3g/t gold from 48m in LNR799 and
- 4m at 4.3g/t gold from 48m in LNR804

# LODESTAR MINERALS LIMITED

## DIRECTORS' REPORT

For the six months ended 31 December 2016

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## 2. OPERATING AND FINANCIAL REVIEW (continued)

### Exploration

#### Contessa (continued)

Strong gold anomalies extend into the deeper transition zone and include:

- 20m at 0.3g/t gold from 80m in LNR804
- 13m at 0.4g/t gold from 80m to end of hole in LNR805
- 3m at 1.0g/t gold from 96m to end of hole in LNR806
- 10m at 0.13g/t gold from 80m to end of hole in LNR800
- 10m at 0.91g/t gold from 80m to end of hole (including 4m at 1.7g/t gold from 84m and 2m at 0.65g/t gold from 88m) in LNR792.

The transition zone intercepts represent a priority target for follow-up drilling.

#### Brumby

A single RC drill hole was completed at Brumby to test an intersection in aircore drill hole LNR598 that reported 1m at 6.24g/t gold from 13m, 1m at 18.4g/t gold from 15m and 7m at 0.46g/t gold from 18m (see Lodestar's ASX announcement dated 30 April 2013). LNRC019 was a vertical hole to 99m depth, drilled alongside LNR598. The RC hole reported 7m at 0.51g/t gold from 45m (see Lodestar's ASX announcement dated 15 August 2016), including 1m at 1.87g/t gold from 50m. In total, 37 metres of the 99 metres drilled reported anomalous gold values of greater than 0.1g/t gold associated with fine grained disseminated pyrite. These results, together with surface gold anomalies in rock and lag sampling, indicate a fertile magmatic/hydrothermal system extending over a large area.

A further 13 aircore drill holes were completed as a "proof of concept" test for contact-style mineralisation along the western contact of the Brumby syenite. The drilling targeted two traverses of shallow auger geochemical sampling that reported up to 217ppb gold (see Lodestar's ASX announcement dated 29 December 2014). Most of the drill holes encountered variations of the Brumby syenite, including the internal style of disseminated mineralisation (e.g. 16m at 0.5g/t gold from 4m in LNR829). LNR824, at the western end of the southern traverse, intersected mineralised, fine grained altered syenite, reporting 3m at 1.6g/t from 40m to end of hole, the 20m interval from 16m to 36m averaged 0.53g/t gold (see Lodestar's ASX announcement dated 1 December 2016). LNR824 is adjacent to a structural contact (strongly deformed rocks were intersected in LNR825, 50m south east of LNR824), and the mineralisation is open at depth and along strike. Follow-up drilling is planned to determine the extent of the mineralised zone.

#### Marymia and West Pinyrinny Areas

Systematic geochemical sampling was completed over greenstone terrane within the Marymia and West Pinyrinny prospect areas on a 200m by 100m grid. 1158 samples were collected and analysed for gold and multi-elements. The assay results were received in October (see Lodestar's ASX announcement dated 18 October 2016) and numerous gold anomalies identified.

At Marymia the anomalous results show a strong correlation with interpreted east-west linear structures believed to act as an important control on gold deposits of the Plutonic Well greenstone belt. The targets include:

- A 1200 metre zone corresponding to the intersection of east – west structures with high magnesian basalts or dolerites.
- A strong anomaly (maximum 61ppb Au) developed at the contact of a discrete felsic intrusive (interpreted from aeromagnetic data).
- A faulted contact between mafic rocks and sediments coincident with an east-west trending structure 600m west of the area where gold was recovered from laterite and Lodestar's aircore drilling intersected low-level gold mineralisation (e.g. 5m at 0.1g/t gold in LMR046 and 5m at 0.45g/t gold in LMR047, see Lodestar's ASX announcement dated 27 January 2016).

# LODESTAR MINERALS LIMITED DIRECTORS' REPORT

For the six months ended 31 December 2016

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## 2. OPERATING AND FINANCIAL REVIEW (continued)

### Exploration

#### Marymia and West Pinyrinny Areas (continued)

At West Pinyrinny sampling identified a large, contiguous coincident As-Au-Sb anomaly extending in an east-west direction over a distance of approximately 1200 metres. The anomaly is adjacent to an area of 100m by 100m tested by Resolute RAB drilling that reported shallow gold anomalies (e.g. up to 10m at 0.34g/t gold)<sup>1</sup>. Lodestar's sampling has confirmed a multi-element anomaly that extends far beyond the target tested by Resolute and has not been drill tested.

### Financial Position

For the six months ended 31 December 2016, the Group incurred a loss of \$1,046,153 (31 December 2015: loss \$1,268,054) and had a net working capital surplus of \$48,141 (30 June 2016: surplus of \$231,212).

The Company had a net cash outflow of \$284,005 (31 December 2015: inflow \$39,368) after a successful capital raising (refer note 1.3).

### Placement of shares

On 12 September 2016, the Company announced a pro-rata non-renounceable entitlements issue to raise \$643,707 (before costs) to fund a high priority exploration campaign on the Contessa and Brumby gold targets at the Company's Ned's Creek project. Under the rights issue, eligible shareholders were entitled to subscribe for one new share priced at 1 cent for every six shares held and would receive one free-attaching option exercisable at 3 cents on or before 31 October 2019 for every three shares applied for in the entitlements issue. The entitlements issue was fully underwritten by Asymmetric Arbitrage Limited.

A total of 55,958,583 shares were applied for in the offer, including applications for shortfall shares made by eligible shareholders. The shortfall of 8,412,122 shares was taken up by the underwriter. Each of the directors of Lodestar took up their full entitlements under the offer. As part of the entitlements issue, 21,457,092 free-attaching options were also issued and 5,000,000 options were issued to the underwriter in lieu of capital raising costs.

At the annual general meeting on 23 November 2016, shareholders approved the issue of 18,000,000 Director options exercisable at 3 cents each expiring on 31 October 2019.

On 26 November 2016, 2,700,000 fully paid ordinary shares and 900,000 options exercisable at 3 cents each expiring on 31 October 2019 were issued pursuant to an agreement to purchase a motor vehicle in February 2017.

On 26 November 2016, 2,500,000 option issued to a director on 28 November 2011 expired, unexercised.

### Competent Person Statement

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

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<sup>1</sup> See Resolute Resources annual report for E52/322, Western Australia Department of Mines and Petroleum open file report no. A32637.

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**LODESTAR MINERALS LIMITED  
DIRECTORS' REPORT**

**For the six months ended 31 December 2016**

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**2. OPERATING AND FINANCIAL REVIEW (continued)**

**Competent Person Statement**

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

- 30th April 2013 "March 2013 Quarterly Activity and Cashflow Report".
- 29th December 2014 "RC Drilling intersects Significant Gold in Alteration Zone".
- 27th January 2016 "Marymia Drilling Results".
- 22nd July 2016 "Initial Results from Contessa IP Target".
- 18th October 2016 "Multiple Gold Targets Identified at Marymia and West Pinyrinny".
- 1st December 2016 "Contessa-Brumby Aircore Drilling Results".

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

**3. DIVIDENDS**

The directors recommend that no dividend be provided for the six months ended 31 December 2016.

**4. CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lodestar Minerals Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 30 June 2016 Annual Report and can be viewed on the Company's website.

**5. EVENTS SUBSEQUENT TO REPORTING DATE**

Other than the matters disclosed in note 5.3 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

**6. LEAD AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in the Directors' Report.

This report is made in accordance with a resolution of the Directors.



**DAVID MCARTHUR**

Director

Dated at Perth, Western Australia this 10<sup>th</sup> day of March 2017.





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

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review of the half-year ended 31 December 2016 there have been:

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

*KPMG.*

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a flourish at the end.

R Gambitta  
*Partner*

Perth

10 March 2017

**LODESTAR MINERALS LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Cash and cash equivalents	91,697	375,702
Trade and other receivables	17,786	30,463
Prepayments	53,460	1,452
<b>Total current assets</b>	<b>162,943</b>	<b>407,617</b>
Capitalised exploration and evaluation expenditure	567,265	749,612
Property and equipment	18,789	23,367
<b>Total non-current assets</b>	<b>586,054</b>	<b>772,979</b>
<b>Total assets</b>	<b>748,997</b>	<b>1,180,596</b>
<b>Liabilities</b>		
Trade and other payables	(62,486)	(133,127)
Employee benefits	(38,316)	(43,278)
Site restoration provision	(14,000)	-
<b>Total current liabilities</b>	<b>(114,802)</b>	<b>(176,405)</b>
Employee benefits	(35,512)	(33,095)
<b>Total non-current liabilities</b>	<b>(35,512)</b>	<b>(33,095)</b>
<b>Total liabilities</b>	<b>(150,314)</b>	<b>(209,500)</b>
<b>Net assets</b>	<b>598,683</b>	<b>971,096</b>
<b>Equity</b>		
Issued capital	22,588,999	22,069,369
Reserves	670,410	686,425
Accumulated losses	(22,660,726)	(21,784,698)
<b>Total equity attributable to equity holders of the Company</b>	<b>598,683</b>	<b>971,096</b>

The accompanying notes are an integral part of these financial statements.

**LODESTAR MINERALS LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Finance income	172	700
<b>Expenses</b>		
Exploration expensed through profit or loss	(496,078)	(512,658)
Exploration and evaluation expenditure impaired	(182,347)	(182,347)
Site restoration	(14,000)	-
Personnel expenses	(208,983)	(407,447)
Administrative expenses	(65,536)	(56,122)
Professional fees	(73,352)	(72,588)
Depreciation	(4,578)	(7,215)
Finance expenses	(1,427)	(30,352)
Other expenses	(24)	(25)
<b>Results from operating activities</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Loss before income tax</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
Income tax expense	-	-
<b>Loss for the period from continuing operations</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Loss for the period</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Total comprehensive loss for the period</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Loss attributable to owners of the Company</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Total comprehensive profit loss attributable to owners of the Company</b>	<b>(1,046,153)</b>	<b>(1,268,054)</b>
<b>Loss per share (cents per share)</b>		
Basic and diluted	(0.26)	(0.38)

The accompanying notes are an integral part of these financial statements.

**LODESTAR MINERALS LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	Attributable to equity holders of the Company			Total
	Share Capital	Share-based Payments reserve	Accumulated Losses	
	\$	\$	\$	
Balance at 1 July 2016	22,069,369	686,425	(21,784,698)	971,096
<b>Total comprehensive income for the period</b>				
Loss for the period	-	-	(1,046,153)	(1,046,153)
Total other comprehensive loss for the period	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	(1,046,153)	(1,046,153)
<b>Transactions with owners, recorded directly in equity:</b>				
<b>Contributions by and distributions to owners</b>				
Issue of ordinary shares	670,707	-	-	670,707
Issue of ordinary shares on conversion of options	698	-	-	698
Transfer to accumulated losses on lapse of options	-	(170,125)	170,125	-
Share-based payment transactions	-	154,110	-	154,110
Capital raising costs	(151,775)	-	-	(151,775)
<b>Total contributions by and distributions to owners</b>	519,630	(16,015)	170,125	673,740
<b>Total transactions with owners</b>	519,630	(16,015)	170,125	673,740
<b>Balance at 31 December 2016</b>	22,588,999	670,410	(22,660,726)	598,683

The accompanying notes are an integral part of these financial statements.

**LODESTAR MINERALS LIMITED**  
**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

	<b>Share Capital</b>	<b>Share-based Payments reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	\$	\$	\$	
Balance at 1 July 2015	20,485,965	402,625	(19,729,443)	1,159,147
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(1,268,054)	(1,268,054)
<b>Other comprehensive income for the year</b>				
Total other comprehensive loss for the year	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(1,268,054)	(1,268,054)
<b>Transactions with owners, recorded directly in equity:</b>				
<b>Contributions by and distributions to owners</b>				
Issue of ordinary shares	628,314	-	-	628,314
Share-based payment transactions	-	297,000	-	297,000
Capital raising costs	(11,774)	-	-	(11,774)
<b>Total contributions by and distributions to owners</b>	616,540	297,000	-	913,540
<b>Total transactions with owners</b>	616,540	297,000	-	913,540
<b>Balance at 31 December 2015</b>	21,102,505	699,625	(20,997,497)	804,633

The accompanying notes are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(271,715)	(268,741)
Interest received	172	883
Payments for exploration, evaluation and development	(542,665)	(427,679)
<b>Net cash used in operating activities</b>	<b>(814,208)</b>	<b>(695,537)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	-	(6,635)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(6,635)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options	644,405	628,313
Proceeds from borrowings	-	100,000
Loans from related parties	100,000	60,000
Payment of capital raising costs	(112,775)	(41,773)
Repayment of loans from related parties	(101,427)	-
Payment of transaction costs related to borrowings	-	(5,000)
<b>Net cash from financing activities</b>	<b>530,203</b>	<b>741,540</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(284,005)</b>	<b>39,368</b>
Cash and cash equivalents at 1 July	375,702	306,272
<b>Cash and cash equivalents at 31 December</b>	<b>91,697</b>	<b>345,640</b>

The accompanying notes are an integral part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

**SECTION 1 BASIS OF PREPARATION**

Lodestar Minerals Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiary (together referred to as the "Group"). The Group is primarily involved in the mineral exploration industry in Australia.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016 which is available upon request from the Company's registered office at Level 2, 55 Carrington Street, Nedlands, WA, 6009 or at [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au).

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

**1.1 STATEMENT OF COMPLIANCE**

The consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report was approved by the Board of Directors on 10 March 2017.

**1.2 SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2017.

AASB 2015-1 – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

AASB 2015-2 – Disclosure Initiative: Amendments to AASB 101

Prior year presentation has been reclassified where necessary to conform with current year presentation.

## **LODESTAR MINERALS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1.3 GOING CONCERN**

The directors have prepared the consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has a working capital surplus of \$48,141 and net cash outflows of \$284,005 (after \$542,665 of exploration payments). The Group incurred a loss of \$1,046,153 (including \$678,425 in exploration expenditure expensed or written off in the period) for the six months ended 31 December 2016.

The directors are aware that the Group's ability to continue as a going concern, and thereby able to pay its debts as and when they fall due, is dependent on the Group securing further working capital. Subsequent to 31 December 2016, the Group has signed a convertible note agreement whereby the lender agrees to advance up to \$1.2 million (refer note 5.3 for further details). The convertible note is undrawn at the date of this report. Other funding alternatives can be sourced from one or more of the following:

- Capital market raising such as:
  - Private placement
  - Entitlements issue
  - Share purchase plan
- Borrowings from related or third parties (refer note 5.3)
- Farming out assets to reduce expenditure obligations

The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities. Whilst there is uncertainty regarding the outcomes of funding, if necessary the Group will delay discretionary exploration, none of which is contractually binding, and the directors can also institute cost saving measures to further reduce corporate and administration costs.

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

Given the above financial position of the Group, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs within its business plans for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

#### **1.4 JUDGEMENTS AND ESTIMATES**

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.



**LODESTAR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 2 RESULTS FOR THE YEAR**

This section focuses on the results and performance of the Group, with disclosures including segment information.

**2.1 OPERATING SEGMENTS**

**Information about reportable segments**

The Group currently operates in one operating segment being base mineral exploration and evaluation.

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

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
<b>Loss before income tax</b>		
Total loss for reportable segments	(694,559)	(699,091)
Central administration and directors' remuneration	(350,339)	(539,311)
Finance expense	(1,427)	(30,352)
Finance income	172	700
Consolidated loss before income tax	<u>(1,046,153)</u>	<u>(1,268,054)</u>
	<b>31 December 2016</b>	<b>30 June 2016 \$</b>
<b>Assets</b>		
Total assets for reportable segments	584,073	768,554
Cash and cash equivalents	91,697	375,702
Other assets	73,227	36,340
Consolidated total assets	<u>748,997</u>	<u>1,180,596</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	(39,601)	(86,188)
Employee benefits	(73,828)	(76,373)
Other liabilities	(36,885)	(46,939)
Consolidated total liabilities	<u>(150,314)</u>	<u>(209,500)</u>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2016.

**LODESTAR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 3 ASSETS AND LIABILITIES RELATING TO EXPLORATION AND EVALUATION**

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at 31 December 2016.

**Key estimates and assumptions in this section**

**Indicators of impairment for exploration and evaluation assets**

The Group has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that impairment indicators did exist at period end due to the relinquishment of tenements. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

**3.1 CAPITALISED ACQUISITION COSTS**

	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
Costs carried forward in respect of areas of interest		
<b>Tenement Acquisition Costs</b>	567,265	749,612
<b>Movements for the period:</b>		
<b>Tenement acquisition</b>		
Opening balance	749,612	931,959
Impaired	(182,347)	(182,347)
	<b>567,265</b>	<b>749,612</b>

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

**3.2 CAPITAL AND OTHER COMMITMENTS**

Commitments for approved mineral exploration expenditure are scheduled as follows:

	<b>31 December 2016 \$</b>	<b>30 June 2016 \$</b>
<b>Mineral exploration</b>		
Not later than one year	524,501	1,032,843
<b>Other commitments</b>		
<b>Office rent</b>		
Not later than one year	3,945	8,679

**LODESTAR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 4 EQUITY AND FUNDING**

This section focuses on the share capital, options and debt funding available to the Group at period end.

**4.1 CAPITAL AND RESERVES**

**Share capital**

	<b>Ordinary shares</b>			
	<b>Number of shares</b>		<b>Amount in \$</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Balance at 1 July</b>	<b>386,224,233</b>	<b>324,546,575</b>	<b>22,069,369</b>	<b>20,485,965</b>
Issue of fully paid ordinary shares for cash		25,600,256		568,008
Placement of fully paid ordinary shares as prepayment for a motor vehicle	2,700,000	-	27,000	-
Issue of fully paid ordinary shares converted from options	23,254	2,010,199	698	60,306
Entitlements issue of fully paid ordinary shares for working capital purposes	64,370,705	-	643,707	-
Capital raising costs	-	-	(151,775)	(11,774)
<b>Balance at 31 December</b>	<b>453,318,192</b>	<b>352,157,030</b>	<b>22,588,999</b>	<b>21,102,505</b>

**Options**

On 27 October 2016, 5,000,000 options were issued to a broker in satisfaction of raising capital. The options are exercisable at 3 cents each and expire on 31 October 2016.

At the annual general meeting on 23 November 2016, shareholders approved the issue of 18,000,000 Director options exercisable at 3 cents each expiring on 31 October 2019.

On 26 November 2016, 2,700,000 fully paid ordinary shares and 900,000 options exercisable at 3 cents each expiring on 31 October 2019 were issued as a deposit, pursuant to an arrangement to purchase a motor vehicle.

On 26 November 2016, 2,500,000 option issued to a director on 28 November 2011 expired, unexercised.

At the date of this report, there are 86,383,965 (2015: 77,617,330) options on issue in Lodestar Minerals Limited. The exercise price ranges from 3 cents to 30 cents, and the exercise dates range from May 2017 to October 2019.

**LODESTAR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SECTION 5 OTHER DISCLOSURES**

The disclosures in this section focus on share schemes in operation and financial risk management of the Group and other mandatory disclosures, such as details of related party transactions.

**5.1 SHARE-BASED PAYMENT PLANS**

At the annual general meeting on 23 November 2016, shareholders approved the issue of 18,000,000 Director options exercisable at 3 cents each by 31 October 2019 with a calculated fair value of 0.6 cents each. The Company also issued 5,000,000 options to a consultant in lieu of capital raising costs and 900,000 options as a deposit to acquire a motor vehicle. All options were for no consideration and are listed.

The fair value of each tranche of options granted was based on the fair value on the date granted, measured using the Black-Scholes options pricing model.

The key valuation assumptions made at valuation date are summarised below:

	<b>Director options</b>	<b>Capital raising cost options</b>	<b>Motor vehicle deposit options</b>
<b>Key value assumptions</b>			
Exercise price (cents)	3	3	3
Grant date	23-Nov-16	21-Sep-16	10-Sep-16
Vesting date	23-Nov-16	27-Oct-16	25-Nov-16
Expiry date	31-Oct-19	31-Oct-19	31-Oct-19
Life of the options (years)	2.94	3.01	3.14
Volatility	150%	150%	150%
Risk free rate	1.72%	1.67%	1.56%
Fair value at grant date (cents)	0.60	0.78	0.79

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

The amount expensed to profit or loss as directors' remuneration was

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Expensed in personnel expenses (director remuneration)</b>		
Options issued to directors	108,000	297,000
<b>Expensed in capital raising costs</b>		
Options issued to a consultant	39,000	-
<b>Expensed as a deposit to acquire a motor vehicle</b>		
Options issued to a consultant	7,110	-

No options were exercised during the period. 2,500,000 options expired during the period.

**LODESTAR MINERALS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**5.2 RELATED PARTIES**

**(a) Key management personnel compensation**

Key management personnel compensation included in 'personnel expenses' and 'share-based payments' (note 5.1), comprises the following:

		<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Short term employee benefits		139,169	149,108
Post-employment benefits		12,825	12,825
Share-based payments – options and rights	5.1	108,000	297,000
		<u>259,994</u>	<u>458,933</u>
Expensed in exploration and evaluation		(51,012)	(51,486)
		<u>208,982</u>	<u>407,447</u>

**(b) Key management personnel transactions**

Several short-term loans totalling \$100,000 were obtained from David McArthur between 14 and 22 September 2016. The loans bear interest at 10% p.a. for the period of the loan and are repayable within one year. The loans were deemed to be on normal commercial terms and conditions. These loans were repaid during the period.

**5.3 SUBSEQUENT EVENTS**

On 9 February 2017, the Company signed an unsecured convertible loan agreement with its Chairman, Ross Taylor ("the lender").

The lender agrees to advance up to \$1,200,000 to the Company by way of a drawdown Convertible Loan facility. Interest is payable at a rate of 10% pa, accrues daily from each drawdown date, and is payable, quarterly in arrears.

Subject to shareholder approval, the Company will issue a Convertible Note for the face value of the loan. The convertible note will have a term of 24 months from the date of issue, and can be converted at any time at the sole election of the Company. The Convertible Note will pay interest at a rate of 10% pa. The Convertible Note can be converted to shares at an issue price of 1 cent each, with 1 free attaching option to be issued for every 5 shares issued. The options are exercisable at 3 cents per share, expiring on 31 October 2019. In the event shareholder approval is not obtained, the principal outstanding with all accrued interest will be repaid on maturity of the Convertible Note.

Other than as disclosed above, there have been no matters or circumstance that have arisen since the end of the reporting period that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' DECLARATION**

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**DIRECTORS' DECLARATION**

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

- (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, for the six months' period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated at Perth this 10<sup>th</sup> day of March 2017.



**DAVID MCARTHUR**  
Managing Director



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

We have reviewed the accompanying interim financial report of Lodestar Minerals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 5.3 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### *Responsibility of the Directors for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility for the review of the interim financial report*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lodestar Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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



*Conclusion*

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*KPMG.*

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta  
Partner

Perth

10 March 2017