

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED
ABN: 32 127 026 528

CONTACT DETAILS

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CAPITAL STRUCTURE

Shares on Issue:
 88,989,477 (LSR)

Options on Issue:
 4,500,000 (Unlisted)

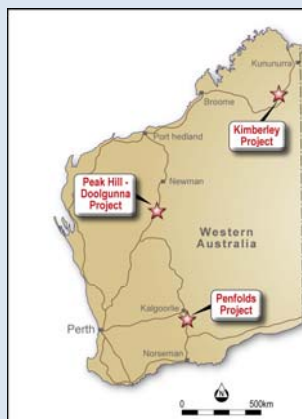
ASX: LSR

PROJECTS

Peak Hill – Doolgunna:
 Base metals, gold

Penfold:
 Nickel

Kimberley:
 Nickel, copper, PGM's



SEPTEMBER 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

1. Regional geochemistry discovers quartz veins bearing visible sulphide mineralisation at the Contessa Prospect. The veins are exposed at the western end of an untested 2 kilometre geochemical (Bi-Mo-Ag) anomaly on the granite-sediment contact.
2. Statutory and heritage clearance gained for an extensive 20,000m RAB drilling program for McDonald Well, Neds Creek project. Drilling will commence along strike from Sipa Resource's nearby Enigma copper anomaly.
3. Drilling completed at the Transformer prospect, targeting VTEM and geochemical anomalies for SEDEX-style base metal mineralisation.
4. Soil sampling to refine regional geochemical anomalies continues at Neds Creek and Marymia
5. Cash – At September 30th 2011 Lodestar had cash reserves of \$1.04M.

PEAK HILL-DOOLGUNNA

Neds Creek (E56/2440, E52/2444, E52/2456 and E52/2468)

The Neds Creek tenements are located approximately 12 kilometres north east of the Thaduna copper deposits (a group of fault-hosted copper deposits and occurrences within sediments of the Yerrida Basin) and cover the north eastern margin of the Yerrida Basin (Figure 1). Recent encouraging exploration results for Sipa Resource's Enigma Prospect, located within a large copper anomaly immediately along strike from E52/2456, are a very positive indicator of the exploration potential of similar-age sediments in the McDonald Well area.

Exploration is targeting a primary source of copper mineralisation (sediment-hosted copper) within folded sediments of the lower Yerrida Basin. RC drilling identified broad intervals of anomalous base and indicator metals within the weathering zone overlying a black shale unit. VTEM (versatile time domain electromagnetic) and surface EM surveys have defined the extent of the black shale unit over at least 7 kilometres of strike within E52/2456. Lodestar's immediate objective is to test the 5 kilometre zone along the northern contact of the sedimentary sequence and progressively extend the RAB drilling over regional geochemical targets within E52/2456.

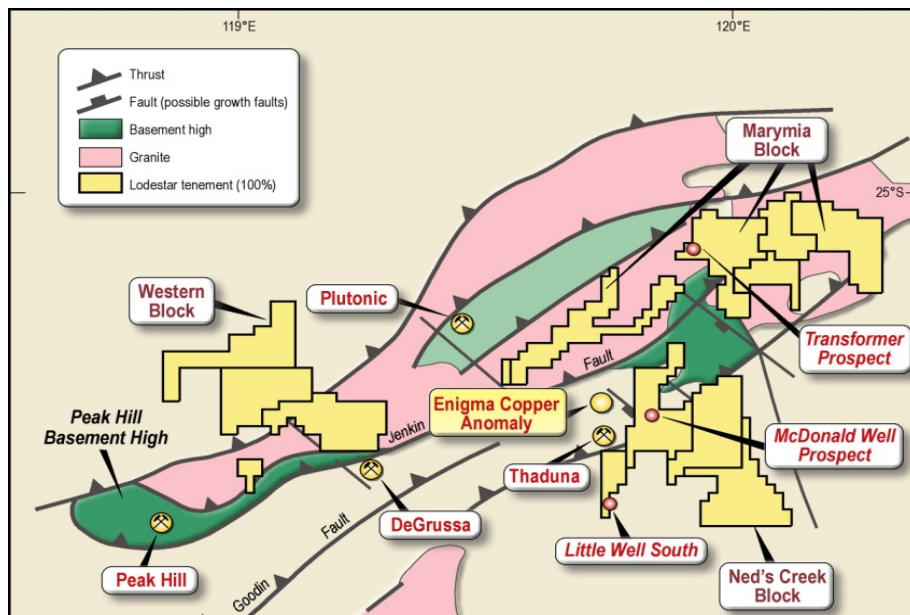


Figure 1 Location Plan – Lodestar's Peak Hill-Doolgunna tenements

Contessa Prospect

Rock chip samples collected from outcropping quartz veining in the area of a lag sampling Bi-Mo-Ag anomaly on the northern area of E52/2456 contain visible fine to coarse grey molybdenite and pyrite and have reported anomalous values of Au, Ag, Bi, Mo, Pb and Te. The sampled vein outcrops over a distance of 60m and strikes at 290° and is located at the western end of a Bi-Mo-Ag geochemical anomaly extending 2 kilometres along the granite-sediment contact. Quartz veining and outcrop are to be systematically mapped and

sampled as part of a program to assess the contact between the granite and Proterozoic sediments in detail. This program will commence with detailed soil sampling over the anomaly on a 200m x 50m grid.

Neds Creek Drilling

Statutory approvals were received and a heritage survey completed in preparation for the planned RAB drilling program on E52/2456. The drilling will target copper and multi-element anomalies within the northern and central areas of the tenement (Figure 2), targets include

- A five kilometre zone along the northern margin of the sedimentary sequence where lag sampling reported copper values of up to 700ppm copper. This zone is directly along strike from Sipa Resource's Enigma Prospect and is adjacent to the major structural boundary between the Yerrida Basin and Marymia granite. Large scale structures are favourable locations for focussed flow of mineralising fluids during basin development and deformation.
- The Contessa Bi-Mo-Ag anomaly. A line of RAB drilling will test a north-west trending structure that intersects the granite-sediment contact in this area. The Bi-Mo-Ag anomaly extends for 2 kilometres along the granite contact. In the central part of the anomaly Ag abundance shows a close correlation with underlying magnetic anomalies possibly related to intrusive phases. The drilling will test the potential for granite or porphyry-hosted mineralisation in this area.
- Large, multi-element geochemical anomalies in the McDonald Well area where the sediments are folded around south easterly trending fold axes on the margins of the Baumgarten Inlier (basement high).
- A gold anomaly (maximum 374ppb Au), reported from lag sample geochemistry, located on the southern margin of the Baumgarten Inlier.

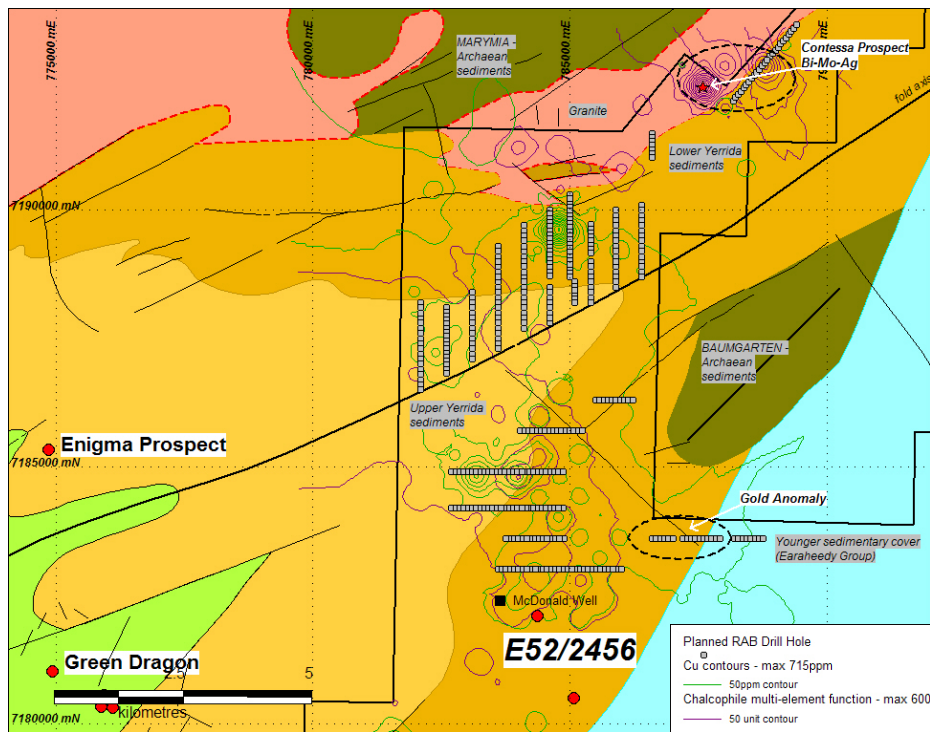


Figure 2 Planned drilling program – copper and multi-element contours

Marymia (E52/2492, E52/2493, E52/2544, E52/2558 & E69/2662)

The Marymia tenements include the north eastern extension of the Marymia Inlier and overlying Proterozoic sediments. The sediments form a basin 100 square kilometres in area, that is truncated by the Jenkin Fault on the south east margin.

A VTEM electromagnetic survey and regional geochemistry have been completed over E52/2492 and E52/2544. The VTEM survey identified two discrete late-time conductors on the south western margin of the basin (the Transformer prospect). Recently completed RC and RAB drilling tested modelled VTEM targets (T1 & T2) and the surrounding area (Figure 3).

The Transformer VTEM and geochemical targets were tested by RAB and RC drilling. Four RC holes were drilled to depths of up to 216m for a total 760m and 37 RAB holes were completed for 1181m.

The drilling intersected wide intervals of black shale overlying a chert breccia. The black shale represents the conductive unit responsible for the VTEM anomaly. Drill samples have been submitted for analysis and results are awaited.

Sampling of the basal chert unit has identified high background levels of Pb-Ag and evidence of pyritic stromatolite layers (fossil algal material containing Fe-sulphide). These features are indicators of a geological environment favourable for SEDEX-style mineralisation. Geochemical sampling will continue in order to refine the regional lag sample anomalies

identified to date. Soil sampling has been completed along the northern margin of the basin, with a total of 630 samples submitted for analysis.

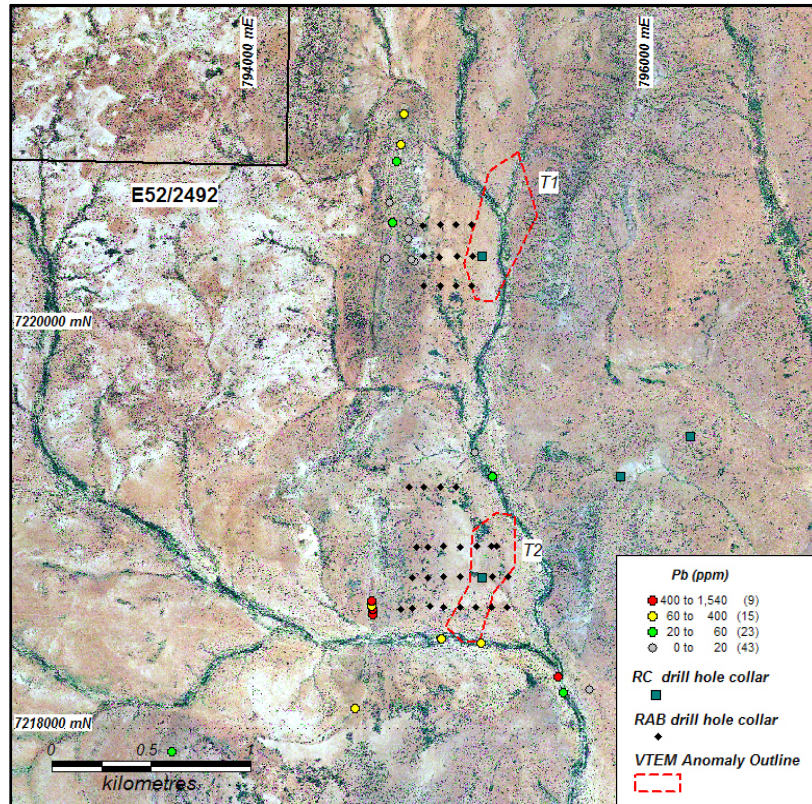


Figure 3 Transformer Prospect showing drill hole location and surface sampling Pb (in ppm)

Kimberley Project

Lodestar has a farm-out agreement with Pindan Exploration Company (PEC) – a wholly-owned subsidiary of Panoramic Resources Pty Ltd (ASX: PAN), over the Kimberley project tenements. The area is prospective for magmatic Ni-Cu-PGE mineralisation and the tenements contain several gossans identified in historic exploration reports. PEC completed regional detailed gravity and VTEM surveys over a large area of the East Kimberley region surrounding the Savannah nickel mine. Follow up fixed loop electromagnetic (EM) surveys have now been completed over targets identified from earlier airborne surveys. The results of the fixed loop EM surveys are currently being interpreted.

Penfold Project (Nickel)

No Activity. Lodestar has offered the project for joint venture or sale.

Contact:

Company

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Media

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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 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

About Lodestar Minerals:

Lodestar Minerals Limited is a Perth-based explorer with projects in the Kimberley, Peak Hill and Kalgoorlie regions. Lodestar acquired the Peak Hill-Doolgunna project in March 2010. The Peak Hill-Doolgunna project forms the core of Lodestar's project portfolio and represents a strategic landholding of 2200 square kilometres covering 120 kilometres of the Jenkin Thrust Belt, a regional fault system that is adjacent to the recently discovered DeGrussa Cu-Au deposit. Lodestar believes the region has potential to host a number of styles of base metal deposit and is embarking on an aggressive exploration program to assess the potential of the under-explored north Murchison base metal province.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	18	18
1.2 Payments for		
(a) exploration and evaluation	(380)	(380)
(b) development	-	-
(c) production	-	-
(d) administration	(210)	(210)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(555)	(555)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(555)	(555)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(555)	(555)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(555)	(555)
1.20	Cash at beginning of quarter/year to date	1,596	1,596-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,041	1,041

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	121
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. Also includes corporate and accounting services paid to a company associated with one of the directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	307
4.2 Development	-
4.3 Production	-
4.4 Administration	182
Total	489

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,041	1,596
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,041	1,596

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference *securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 *Ordinary securities **	88,989,477	88,989,477	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	N/A	N/A	<i>Exercise price</i> N/A	<i>Expiry date</i> N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Cancelled during quarter	N/A	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Director

Date: 31 October 2011

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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