

31st January 2018

DECEMBER 2017 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- Growing evidence of a major gold system at Ned's Creek – multi-gram intersections from recent aircore, RC and diamond drilling demonstrate excellent exploration upside.
- 4,000m RC drill program planned for March quarter to follow-up strong recent results and scope resource potential.

Contessa

- Lode-style target adjacent to extensive supergene gold anomaly and major shear zone.
- Mineralised zone 7m to 10m thick intersected between 80m to 120m vertical depth. Target open along strike and down-dip.
 - LND001 reported up to 2.3g/t Au from strongly weathered vein.
 - LNRC020 confirmed mineralisation 50m down-dip from LND001, reporting:
 - 10m at 1.4g/t Au from 138m, including 6m at 1.7g/t Au from 139m and 1m at 4.4g/t Au from 143m
- North-dipping structure, over 2,000m in length, is untested beyond area of recent diamond drilling.

Gidgee Flat

- Aircore drilling targeting an earlier gold intersection within a 80m by 60m area, reported multiple thick intersections with distinct high-grade zones:
 - 12m at 2.3g/t Au from 80m
 - 15m at 3.2g/t Au from 72m (incl. 4m at 5.0g/t Au from 72m)
 - 20m at 2.4g/t Au from 44m (incl. 4m at 4.8g/t Au from 48m)
 - 4m at 11g/t Au from 48m
 - 8m at 4.2g/t Au from 48m (incl. 4m at 7.3g/t Au from 52m)
 - 16m at 1.7g/t Au from 44m
 - 4m at 1.5g/t Au from 74m (ended in mineralisation)
- Lode-style gold within low angle, north-dipping shear zone. Thickness of the mineralised system has not been defined and remains open to the north and northwest.

Boundary Fence

- **Thick intersections of shallow gold mineralisation in aircore drilling:**
 - 16m at 1.6g/t Au from 28m (incl. 4m at 5.6g/t Au from 28m)
 - 12m at 1.7g/t Au from 48m (incl. 4m at 4.6g/t Au from 48m)
- **High grade gold confirmed in verification drilling of historic gold intersections:**
 - 11m at 7.3g/t Au from surface (incl. 1m at 23.5g/t Au from surface)
- **Lode-style gold within low angle, north-dipping shear zone.**

Lodestar Minerals Limited (ASX: LSR) completed pivotal drilling programs at Ned’s Creek during the December quarter.

Two diamond drill holes (assisted by Exploration Incentive Scheme co-funding from the West Australian government) and an RC hole were completed at Contessa. The latest drilling has confirmed a north-dipping structural control on gold mineralisation. Significantly, nearly all earlier aircore drilling in the area was oriented on the wrong azimuth to intersect this priority bedrock target.

Aircore drilling at Gidgee Flat, targeting the area around an earlier drill hit of 8m at 2.1g/t Au from 76m (see Lodestar’s ASX announcement dated 10th July 2017), intersected thick zones of gold mineralisation believed to be associated with a north-dipping shear zone, near the contact of an ultramafic unit.

At Boundary Fence, reconnaissance aircore drilling has confirmed a north-dipping shear zone hosting thick intervals of shallow oxide gold. Verification drilling of high-grade historic drill intersections reported local, near-surface; high grade gold and follow-up aircore drilling is planned.

The first RC hole completed at Central Park tested below significant aircore gold anomalies, including 4m at 8.69g/t Au and 4m at 1.61g/t Au (see Lodestar’s ASX announcement dated 10th July 2017). The RC hole intersected extensive pyrite alteration associated with a narrow, mineralised granite dyke.

Together with the partly-explored Brumby prospect, the recent excellent drill results draw attention to Ned’s Creek as a region of extensive gold mineralisation that lacks historic exploration and systematic drilling. The north-dipping structural control, identified in three prospects to date, is clearly similar to the northern margin of the Plutonic Well greenstone belt. This suggests that the same thrust-related mineralisation events have acted across the region and elevates the potential of the Ned’s Creek project to host a significant gold resource (see Figures 1 & 2 for geology interpretation).

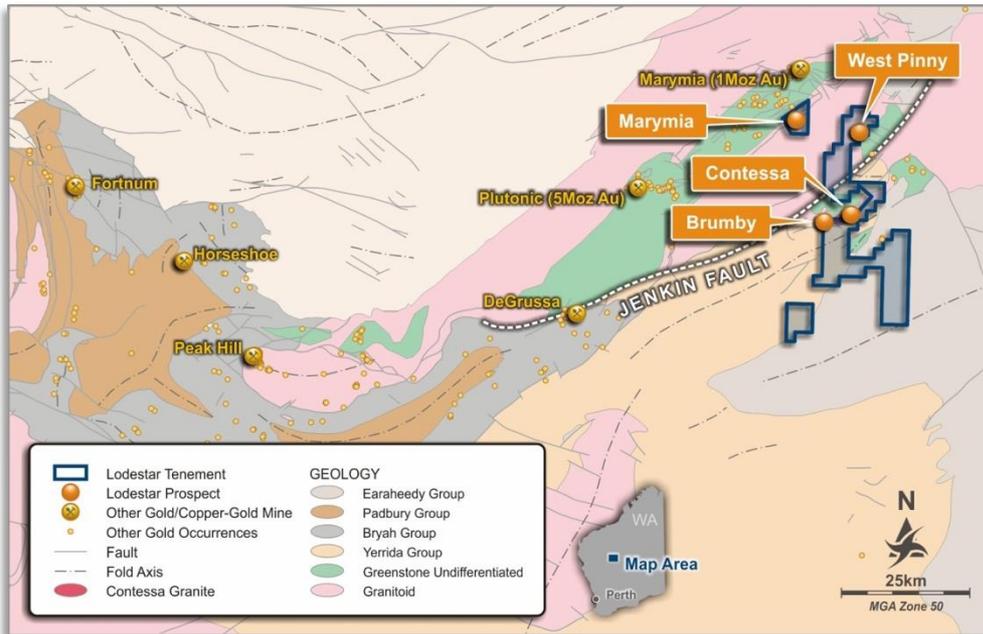


Figure 1: Location plan showing Lodestar's Neds Creek project.

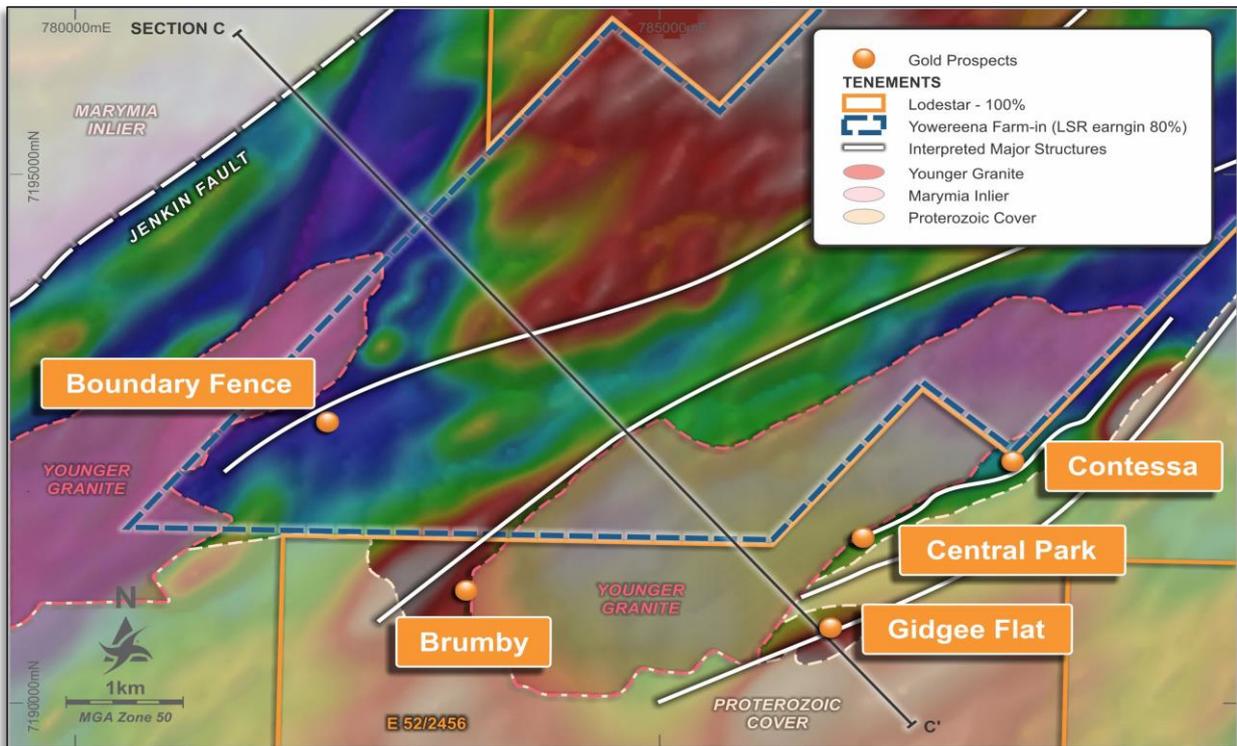


Figure 2a Regional geology interpretation showing gold prospects and interpreted major structures on aeromagnetic TMI image.

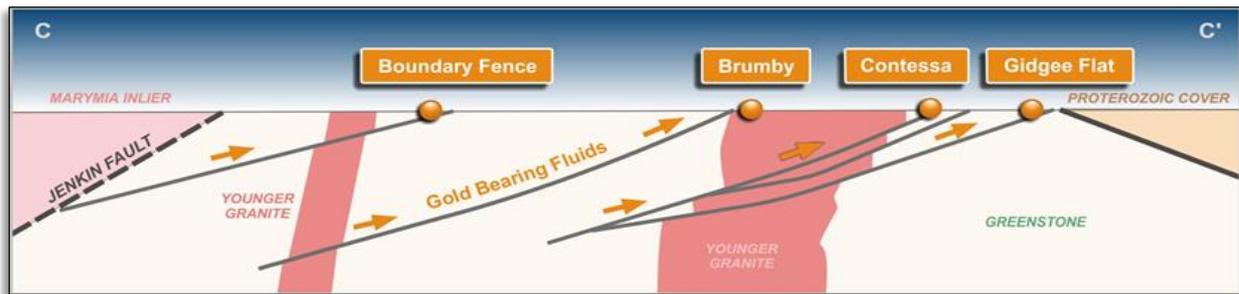


Figure 2b: Geological interpretation showing low angle structures as pathways for gold mineralising fluids to be mobilised to the surface.

Ned's Creek Project (LSR 100%)

CONTESSA

Assay results were received for two diamond drill holes and an RC hole targeting the contact between diorite and felsic schist (see Lodestar's ASX announcements dated 13th November, 8th December 2017 and 27th December 2017). Diamond and RC drilling has identified a major bedrock gold target comprising a zone of mineralisation between 7m and 10m thick located on a structural contact, dipping between 40-45 degrees to the north west (see Figures 3 and 4).

LND001 was targeted below previous aircore drill hole LNR906 that terminated in vein quartz and reported 4m at 4.35g/t Au, core sampling returned results that included:

- up to 2.3g/t Au over a 1m interval within a 7.8m intersection of strongly weathered quartz veining and alteration.

LND002 was drilled down-dip, as a scissor hole to LND001, remaining in the diorite footwall throughout. Significant intersections were reported from the footwall rocks, demonstrating extensive alteration and mineralisation around the primary structure, including:

- 0.65m at 9.7g/t Au
- 0.5m at 1.3g/t and 2m at 1.0g/t Au

LNRC020 targeted the contact approximately 50m down-dip from LND001 and intersected a zone of silica-pyrite alteration on the contact. Significant assay results from this zone include:

- 10m at 1.4g/t Au from 138m, including 6m at 1.7g/t Au and 1m at 4.4g/t Au from 143m

Diamond and RC drilling has been critically important in constraining the orientation of the gold mineralised structure at Contessa. Both LND001 and LNRC020 intersected significant mineralisation at the contact, representing a large target for follow up RC drilling down-dip and along strike to the northeast and southwest.

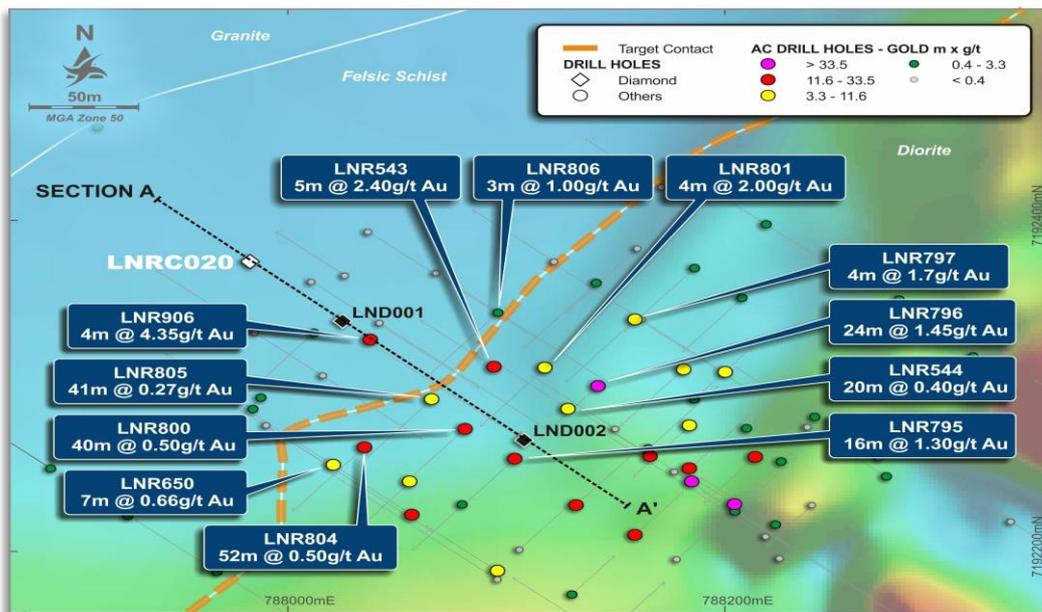
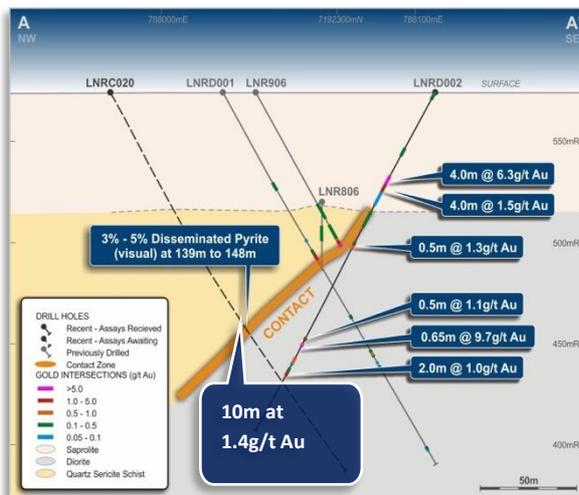


Figure 3: Contessa drill collar plan showing recent drilling along section A – A', diorite contact and gold in aircore drilling adjacent to the target contact. Background TMI magnetic image.

Figure 4: Contessa drill cross section showing north-dipping mineralised structural contact between diorite and felsic schist.



GIDGEE FLAT

Fourteen aircore holes were completed for 1,053m. The drilling targeted the area on a 25m grid pattern around previously reported gold mineralisation in saprock. The latest drilling confirmed the original intersection and resulted in a new greenfields discovery that includes wide intervals of strong gold mineralisation related to a low angle, north-dipping zone of shearing and alteration (see Figures 5 and 6). Many of the aircore holes did not penetrate the lower contact of the shear zone, ending within the alteration and anomalous gold values.

Significant assays from the latest drilling include:

- 20m at 2.4g/t Au from 44m (incl. 4m at 4.8g/t Au from 48m)
- 15m at 3.2g/t Au from 72m (incl. 4m at 5.0g/t Au from 72m)
- 8m at 4.2g/t Au from 48m (incl. 4m at 7.3g/t Au from 52m)
- 12m at 2.3g/t Au from 80m
- 16m at 1.7g/t Au from 44m

- 4m at 11g/t Au from 48m
- 4m at 1.5g/t Au from 76m (ending in mineralisation)

Gold occurs within foliated, intensely sericite-silica-pyrite altered zones hosted by metamorphosed high magnesian mafic to ultramafic rocks.

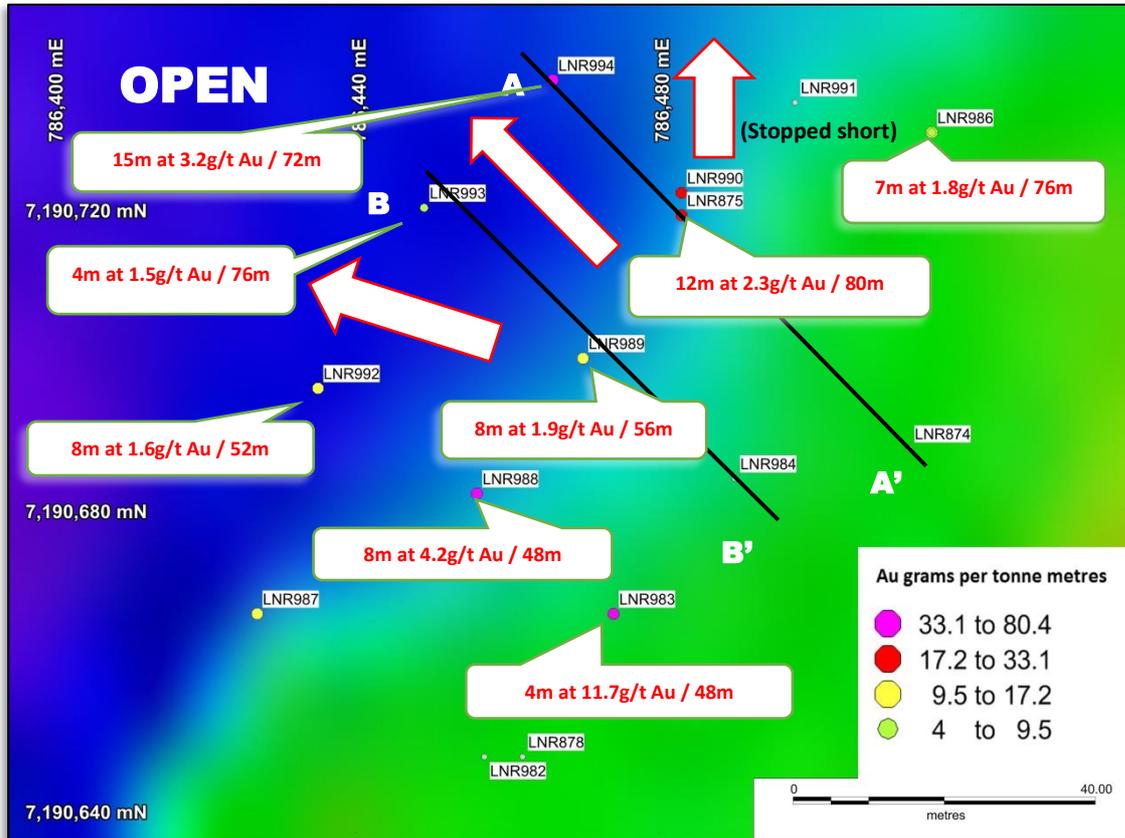


Figure 5 Gidgee Flat drill collar plan showing gold distribution, gold intercepts and depth of intersection in aircore drilling. Background aeromagnetic image RTP 1VD MGA94.

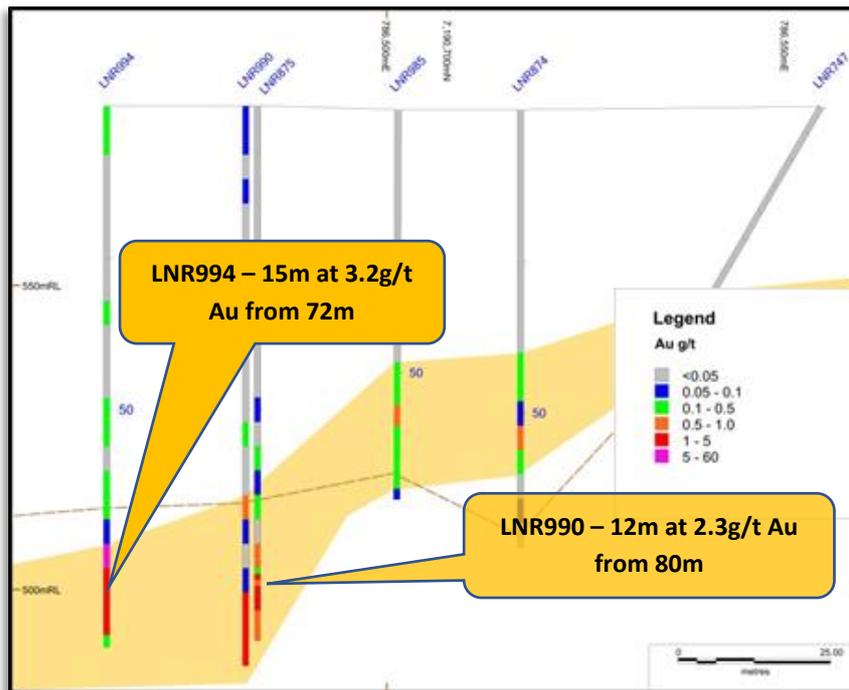


Figure 6: Cross-section A-A', oriented north west to south east, showing mineralisation at >0.1g/t Au and interpreted shallow dip (base of oxidation shown as dashed brown line).

CENTRAL PARK

Aircore drilling completed earlier in 2017 at Central Park reported significant gold anomalies over a distance of 230m along the granite contact (see Lodestar’s ASX announcement dated 10th July 2017). Two of the aircore holes believed to be closest to the contact reported significant supergene mineralisation and terminated in gossanous rock with iron oxide veinlets. During the December quarter a single RC drill hole tested below this zone, intersecting an interval of silica-pyrite alteration from 103m to 111m. This interval reported 8m at 0.26g/t Au with a maximum grade of 0.59g/t Au. A narrow, pyritic granite dyke was present within the alteration zone.

In-fill aircore drilling is required to locate the granite contact precisely and continue testing primary gold targets in areas where gold mineralised quartz veins have been intersected.

Yowereena farm-in (Lodestar earning 80%)

BOUNDARY FENCE

Aircore drilling comprised 57 holes for 3,712m. Of the 57 holes, 33 reported anomalous gold of greater than 0.1g/t Au, confirming Boundary Fence as a significant regional anomaly.

The drilling had two main objectives:

- To extend drill testing along strike and north of the area tested by Marymia Exploration and test the north-dipping “reef” model targeted in historic RAB and RC drilling; and

- To confirm high-grade gold results reported in Marymia Exploration RAB drilling (see Lodestar’s ASX announcement dated 14th March 2017).

Four aircore holes targeted the historic high-grade results with mixed results; high-grade near surface gold was reported adjacent to an outcrop of vein quartz, confirming the historic results but elsewhere the earlier results were not replicated (see Lodestar’s ASX announcement dated 27th December 2017).

Drilling within the main prospect area intersected thick intervals of low grade mineralisation within a shallow, north-dipping zone of abundant quartz veining and silica-sericite alteration. Locally, significant gold mineralisation was intersected in two adjacent holes:

- 16m at 1.6g/t Au from 28m, including 4m at 5.6g/t Au from 28m (LNR945)
- 12m at 1.7g/t Au from 48m, including 4m at 4.6g/t Au (LNR946)

Aircore holes were drilled perpendicular to the regional north east trending foliation and it is clear that significant gaps exist in the historic drilling. It is believed that there is potential for lode-style gold and structurally controlled plunging ore shoots within the existing drill pattern and in-fill drilling is necessary to map out the gold distribution in greater detail.

MARCH QUARTER 2018 ACTIVITIES

Lodestar’s planned activities for the March quarter include:

- First systematic RC drilling at the Contessa and Gidgee Flat prospects.
- At Contessa, approximately 2,000m of RC drilling planned to test the mineralised structure over a strike length of 160m and to a vertical depth of 150m. Lodestar gratefully acknowledges co-funding of \$90,000 from the WA Government’s EIS funding program for the upcoming drill program at Contessa.
- At Gidgee Flat, approximately 2,000m of RC drilling planned to test the mineralisation over a strike length of 120m and to a vertical depth of 170m.
- Success at either prospect will lead directly to a program of resource definition drilling.
- A program of work for the RC drilling has been submitted and selection of the drilling contractor is underway, the program is planned to commence mid-March.
- Drilling at Brumby, Central Park and Boundary Fence is planned and will commence on completion of RC drilling.

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About Lodestar

Lodestar Minerals is an active Western Australian gold explorer with a prospective tenement package spanning more than 2,000km² at the edge of the Pilbara and Yilgarn Cratons. Lodestar has three main projects – Ned’s Creek, Camel Hills and Imbin – and is also earning an 80% interest in Vango Mining’s Yowereena gold project which is adjacent to Ned’s Creek.

Lodestar’s main focus is Ned’s Creek where it has made greenfields gold discoveries at the Contessa and Gidgee Flat prospects. These prospects are the most advanced of many partly explored gold anomalies located within a large shear zone developed along the margins of a 6 kilometre long, elongate composite granite intrusion.

Competent Person Statement

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

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the ASX announcements dated 14 March 2017 “Farm-in Agreement Enhances Gold Potential at Neds Creek”; 10th July 2017 “Widespread high grade gold results advance Neds Creek targets”; 13 November 2017 “Contessa Initial Diamond Drilling Results”; 8 December 2017 “Diamond Drilling Results Support Expanded Drilling Program” and 27 December 2017 “Confirmation of Major Gold System 35km from Plutonic Belt”. 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.

Schedule of Exploration Tenements as at 31 December 2017

Tenement description	Tenement Numbers	Status	Percentage Interest
Camel Hills	E09/2099	Granted	100%
Camel Hills	E09/2100	Granted	100%
Camel Hills	E52/3064	Granted	100%
Camel Hills	E09/2138	Granted	100%
Camel Hills	E09/2139	Granted	100%
Camel Hills	E09/2215	Application	100%
Ned's Creek	E52/2440	Granted	100%
Ned's Creek	E52/2456	Granted	100%
Ned's Creek	E52/2468	Granted	100%
Ned's Creek	E52/2493	Granted	100%
Ned's Creek	E52/2734	Granted	100%
Ned's Creek	E52/3473	Granted	100%
Ned's Creek	E52/3476	Application	100%
Imbin - Troy Creek	E69/3483	Application	100%
Yowereena	M52/779	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/780	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/781	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/782	Vango Mining	0% - Lodestar farm-in to earn up to 80%

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(474)	(773)
(b) development	-	-
(c) production	-	-
(d) staff costs	(62)	(136)
(e) administration and corporate costs	(99)	(166)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(20)	(20)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(655)	(1,095)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	500
3.2	Proceeds from issue of convertible notes	-	800
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(51)
3.5	Proceeds from borrowings	-	32
3.6	Repayment of borrowings	-	(36)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	1,245

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	914	109
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(655)	(1,095)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,245
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	259	259

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	259	914
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	259	914

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

81

6.1 - Includes salaries paid to Directors, as well as superannuation paid on behalf of Directors. A percentage of the Managing Director's salary has been expensed to exploration activities. Also, includes corporate and accounting services paid to a company associated with one of the Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Ross Taylor provided a convertible loan draw down facility for \$1,200,000. On 22 June 2017, the loan reverted to a convertible note following approval by shareholders at a general meeting. At 30 September 2017, the Company had drawn down \$1,170,000. The convertible note was converted to 117,000,000 fully paid ordinary shares on 3 October 2017. The draw down facility is no longer available to the Company.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	2
9.2 Development	-
9.3 Production	-
9.4 Staff costs	74
9.5 Administration and corporate costs	63
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	139

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Director and Company Secretary

Date: 31 January 2018

Print name: David M 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.