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28 October 2010

ASX Limited

By Electronic Lodgement

Dear Sir / Madam

The following summarises the results of activity for the quarter ended 30 June 2010:

**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30th SEPTEMBER 2010**

HIGHLIGHTS

- The Neds Creek Project tenements in the Peak Hill- Doolgunna project have now been granted and proposed drilling programs over the McDonald Well and surrounding areas have been submitted to DMP and native title representatives for approval.
- A capital raising of \$2,207,750 through the issue of 23,239,474 shares (subject to shareholder approval) to provide working capital for the exploration of the Peak Hill – Doolgunna tenements and appraisal of new opportunities was announced on 14th September 2010.
- Heritage access agreement has been signed with the Yamatji Land and Sea Council over the Neds Creek tenements.
- Cash - Following completion of the capital raising, the Company will have cash reserves of approximately \$3.3 million.

Significant events subsequent to the end of the September quarter

- A farm out agreement was signed with ASX-listed Panoramic Resource's subsidiary Pindan Exploration Company, allowing Pindan to acquire an 80% interest in Lodestar's Kimberley tenements by expending \$1M over a three year period.
- Low impact exploration commenced on the Neds Creek tenements.

PEAK HILL - DOOLGUNNA PROJECT

Lodestar's Peak Hill-Doolgunna project comprises thirteen tenements and covers 2000 square kilometres of under explored terrain within the northern Murchison Goldfields (Figure 1). The project extends over 130 kilometres along the Jenkin Fault zone, a bounding structure to a north east trending belt of copper mineralisation that includes Sandfire Resource's DeGrussa Cu-Au deposit (10.67Mt @ 5.6% Cu, 1.9g/t Au and 15g/t Ag) and the Thaduna copper district being explored by Sipa Resources. Sandfire's recent discovery has highlighted the significant base metal potential of a province that has remained under-explored until now. Lodestar is utilising regional geological and geochemical data to conduct a focussed exploration campaign using modern techniques.

Historic geochemical data initially compiled by Western Mining Corporation indicates district-wide copper anomalism (on a 10-kilometre scale) within the sedimentary sequences of the Yerrida Basin that occur within Lodestar's tenements. Lodestar is planning to test several co-incident VTEM (electromagnetic), geochemical and structural targets in the McDonald Well area during its upcoming drilling program.

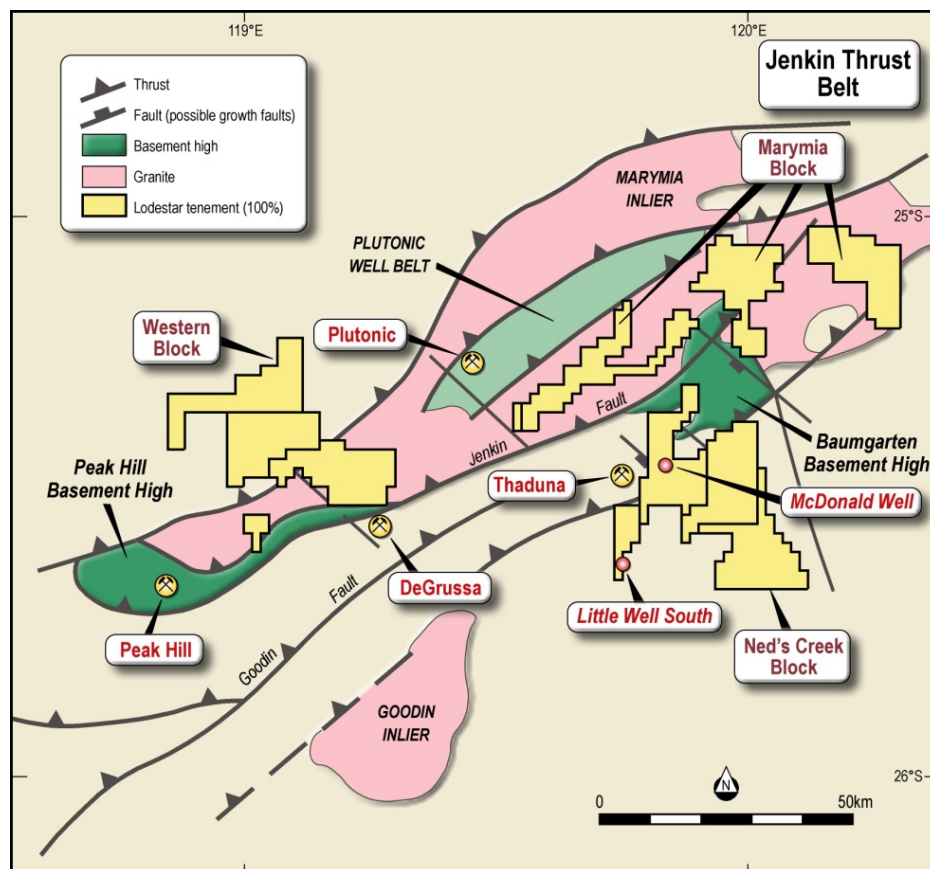


Figure 1 Lodestar's Peak Hill-Doolgunna tenements showing main tenement blocks

During the quarter the final Neds Creek tenement applications progressed to granting. The granting of the applications over the Neds Creek project/McDonald Well prospect, together with the finalisation of a native title agreement, has allowed work programs for ground disturbing activity to be submitted to the DMP and native title representatives. The work programs that relate to drilling at McDonald Well and surrounding areas are now being assessed.

Subsequent to the end of the September quarter low impact exploration activity commenced in the McDonald Well area

- A number of VTEM anomalies identified in the initial survey have been selected for surface EM in-fill to assist modelling, as described in the June quarterly report. This work is proceeding and is expected to increase the number of drill targets and justify an expanded drilling program.
- The K42 magnetic anomaly (Figure 2) will be tested by ground gravity survey lines to examine the relationship between the magnetic high, VTEM anomalies located on the periphery of the magnetic high and density changes that may reflect alteration zones. Potential mineralisation targets include intrusion-related skarn/replacement and IOCG (iron oxide-copper-gold).
- Field inspection of the VTEM anomalies to be tested in the first round drilling program has confirmed widespread silicification and brecciation of the sedimentary sequence beyond the McDonald Well area, consistent with large-scale hydrothermal activity and brittle deformation.

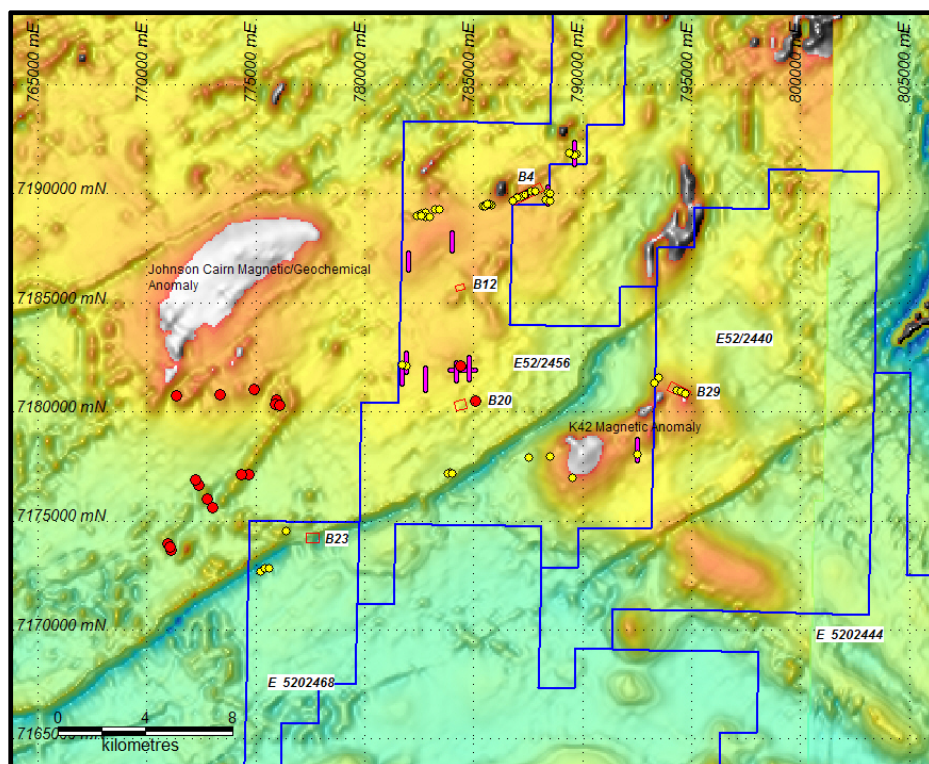


Figure 2 The McDonald Well area and K42 magnetic anomaly showing VTEM anomalies (yellow) and drill targets (B4 – B29) and in-fill EM survey lines. The B29 VTEM anomaly is scheduled for drilling in the upcoming program (Aeromagnetic data © Geoscience Australia (2009)).

Native Title

A heritage agreement has been signed with the Yamatji Land and Sea Council (representing the Yugunga Nya native title claim group) over the Neds Creek tenements E52/2440, E52/2444, E52/2456 and E52/2468. The planned McDonald Well drilling program has been submitted for heritage clearance.

Planned Activities for Next Quarter

- Drilling is expected to commence at McDonald Well, subject to heritage clearance.
- Geochemical surveys are planned for the Neds Creek and Marymia project areas. Work is continuing on regolith mapping, prior to undertaking orientation surveys over regional targets.

Yours faithfully

LODESTAR MINERALS LIMITED

A handwritten signature in blue ink, appearing to read 'L. Clayton', is positioned above the printed name.

BILL CLAYTON

Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr Bill Clayton, Managing Director, who is a member of the Australian Institute of Geologists, and has sufficient experience of relevance to the styles of mineralisation and 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

LODESTAR MINERALS LIMITED

ACN or ARBN

127 026 528

Quarter ended ("current quarter")

30 September 2010

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	-	-
1.2 Payments for		
(a) exploration and evaluation	(79)	(79)
(b) development	-	-
(c) production	-	-
(d) administration	(144)	(144)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	13
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	(210)	(210)
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 (repaid to shareholders)	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – cash acquired through business acquisition	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(210)	(210)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(210)	(210)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	879	879
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	(5)	(5)
	Net financing cash flows	874	874
	Net increase (decrease) in cash held	664	664
1.20	Cash at beginning of quarter/year to date	1,303	1,303
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,967	1,967

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	100
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

+ See chapter 19 for defined terms.

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	250
4.4 Administration	140
Total	182

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.2	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,967	1,303
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,967	1,303

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	E15/985; M26/204, 245, 441, 452, 458, 482,567 M15/456 P15/5051 P26/3499, 3530, 3531, 3532, 3533, 3289, 3290	Farm-in party earning 80%	100%	100%
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	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 **	74,750,003	74,750,003	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	9,250,000	9,250,000	9.5 cents	9.5 cents
7.5 +Convertible debt securities	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>Exercise price</i>	<i>Expiry date</i>
Listed options	N/A	N/A	N/A	N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	0	0	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures (totals only)	Nil	N/A		
7.12 Unsecured notes (totals only)	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 Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Director

Date: 28 October 2010

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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