Lodestar Minerals Limited ABN 31 127 026 528

Registered office
Level 2
45 Stirling Highway
Nedlands WA 6009

Tel: +61 8 9389 8799
Fax: +61 8 9389 8327

Postal address
PO Box 985
Nedlands WA 6909

Website
www.lodestarminerals.com.au

17 September 2008

ASX Limited

Electronic lodgement

Dear Sir / Madam

RE: 2008 ANNUAL REPORT

We attach the 2008 annual report for Lodestar Minerals Limited for the year ended 30 June 2008.

Yours faithfully
LODESTAR MINERALS LIMITED

D McArthur

DAVID McARTHUR
Director

LODESTAR MINERALS LIMITED

ABN 31 127 026 528

ANNUAL REPORT

2008

CONTENTS

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

COMPANY DIRECTORY

DIRECTORS:	William Clayton David McArthur Mark Pitt Rhod Grivas
SECRETARY:	David McArthur
REGISTERED AND PRINCIPAL OFFICE:	Level 2, 45 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9389 8799 Facsimile: (08) 9389 8327
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace PERTH WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033
BANKERS:	ANZ Banking Group Limited 31 Broadway NEDLANDS WA 6009
AUDITORS:	KPMG Central Park 152-158 St George's Terrace PERTH WA 6000
SOLICITORS:	Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public Company

DIRECTORS' REPORT

The directors present their report together with the financial report of Lodestar Minerals Limited ("the Company") for the financial year ended 30 June 2008 and auditor's report thereon.

DIRECTORS

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

Rhoderick Gordon John Grivas*, Non-executive chairman*
Mr Grivas, aged 42, is a geologist with over 20 years' experience in all technical aspects of exploration, from grassroots through to resource estimation and feasibility. He has held a number of director and management positions with junior resource companies and worked at Gilt-Edged Mining NL prior to its takeover by Goldfields Limited (now Barrick), as the Kundana exploration manager during the discovery by Gilt-Edged Mining of a million ounce gold resource, located directly along strike from Dioro's Frog's Leg deposit.

Appointed 13 August 2007

William Frank Clayton*, Managing Director*
Mr Clayton, aged 51, has more than 16 years experience in exploration evaluation of Archaean nickel sulphide deposits in Western Australia. Following project geologist roles supervising drilling programs on the Mount Keith and Goliath-Yackabindie nickel sulphide deposits he joined Outkumpu Australia in 1992 as exploration geologist and carried out regional mapping and drilling campaigns throughout the Forrestania greenstone belt, later moving to the role of underground mine geologist. In 1996 he joined Forrestania Gold and shortly after participated in the discovery of the Emily Ann deposit. This led to key supervisory roles with LionOre in the evaluation of the Maggie Hays, Emily Ann and Waterloo-Amorac deposits. He completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for the geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.

Appointed 2 November 2007

David Maxwell McArthur*, Executive Director*
Mr McArthur, aged 50, is a Chartered Accountant, with over 28 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies for the past 24 years.

Appointed 13 August 2007

Mark William Pitt*, Non-executive Director*
Mr Pitt, aged 59, is a mining engineer with extensive experience in mining projects. He was the mining engineer member of the original team that created the medium size gold miner New Hampton Goldfields Limited. Mr Pitt was the director in charge of the operations on which the strong, profitable mining company was built. New Hampton was subsequently taken over by South African miner Harmony Gold. During his extensive career Mr Pitt has provided mining engineering services to several public companies. Work experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

Appointed 13 August 2007

Unless indicated otherwise, all directors held their position as a director throughout the entire financial period and up to the date of this report.

COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has 28 years experience in the financial and corporate management of public companies.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial period are as follows:

Name	Company	Period of Directorship
William Clayton	NIL	N/A
David McArthur	Dioro Exploration NL Ellendale Resources NL XState Resources Limited	1991 - Current 1999 – May 2007 September 2006 – Current
Mark Pitt	Dioro Exploration NL	2004 - Current
Rhod Grivas	Dioro Exploration NL XState Resources Limited	1992 - Current 29 March 2007 – Current

DIRECTORS' MEETINGS

During the financial period there were 9 meetings of directors. The attendance of directors was as follows:

Director	Attended	Eligible to attend
William Clayton	3	3
David McArthur	9	9
Mark Pitt	9	9
Rhod Grivas	9	9

REMUNERATION REPORT - AUDITED

Principles of compensation - audited

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

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

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

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

The directors do not receive performance related compensation, short or long term incentives, nor any other benefits.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Service contracts

On 1 January 2008 the Company entered into an executive service agreement with David McArthur whereby Mr McArthur receives executive remuneration of $40,000 pa plus statutory superannuation. The contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration.

Mr McArthur additionally receives $40,000 in directors’ fees.

REMUNERATION REPORT – AUDITED (continued)

Service contracts (continued)

On 30 October 2007 the Company entered into an executive service agreement with William Clayton whereby Mr Clayton receives executive remuneration of $200,000 (inclusive of superannuation). The contract is open ended, with a 12 month termination clause by the Company. The Company can waive the notice period by payment of 12 months remuneration.

The compensation for all directors, last voted upon shareholders, is not to exceed $250,000 per annum and is set based on advice from external advisors with reference to fees paid to other directors of comparable companies. Directors' base fees are presently up to $40,000 per annum per director.

Non executive directors
Non executive directors do not receive performance related compensation. Directors' fees cover all main board activities. Presently Messrs Pitt and Grivas each received non executive directors fees up to $40,000 per annum.

In addition to services they were each issued with 1,500,000 options as a loyalty incentive and were not tied to performance.

Directors and executive officer's remuneration - audited

Details of the nature and amount of each element of the compensation for the financial year of each key management person of the Company and the consolidated entity are shown below:

		Short-term		***Post-employment***	***Share-based payments***		
	Year	**Fees & salary $**	**Non-monetary benefits $**	**Superann-uation $**	**Options $**	**Total $**	**Proportion of remuneration performance related %**
William Clayton *Managing Director* *(Appointed 2 November 2007)*	**2008**	93,073	-	8,377	-	101,450	-
David McArthur *Executive Director & Company Secretary* *(Appointed 13 August 2007)*	**2008**	55,507	-	4,995	103,003	163,505	-
Mark Pitt *Non-executive Director* *(Appointed 13 August 2007)*	**2008**	35,507	-	3,196	103,003	141,706	-
Rhoderick Grivas *Non-executive Director* *(Appointed 13 August 2007)*	**2008**	35,507	-	3,196	103,003	141,706	-
Totals	**2008**	**219,594**	**-**	**19,764**	**309,009**	**548,367**	**-**

* As the Company was incorporated on 13 August 2007, there are no comparative balances for 2007.

The Company does not employ any executive officers other than the directors.

DIRECTORS' INTERESTS - AUDITED

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over ordinary shares
William Clayton	310,000	-
David McArthur	2,615,907	1,500,000
Mark Pitt	144,577	1,500,000
Rhoderick Grivas	241,021	1,500,000

SHARES ISSUED TO THE DIRECTORS OF THE COMPANY - AUDITED

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

	*Held at beginning of period	Purchases	Received on exercise of options	Sales	Other changes	**Held at end of period
2008						
William Clayton	-	310,000	-	-	-	310,000
David McArthur	-	2,615,907	-	-	-	2,615,907
Mark Pitt	-	144,577	-	-	-	144,577
Rhod Grivas	-	241,021	-	-	-	241,021

***** Or date of appointment.
****** Or date of resignation.

OPTIONS GRANTED TO THE DIRECTORS OF THE COMPANY - AUDITED

During the period, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors:

Directors	Number granted	Grant date	Fair value per option at grant date	Exercise price	Expiry date
David McArthur	1,500,000	12 October 2007	6.87 cents	40 cents	31 August 2012
Mark Pitt	1,500,000	12 October 2007	6.87 cents	40 cents	31 August 2012
Rhoderick Grivas	1,500,000	12 October 2007	6.87 cents	40 cents	31 August 2012

All options were granted and vested during the financial year. No options have been granted since the end of the financial year.

OPTIONS GRANTED TO THE DIRECTORS OF THE COMPANY – AUDITED (continued)

Options – 31 August 2012

On 21 December 2007, 1,500,000 options each were granted to Messrs McArthur, Pitt and Grivas. These options were issued as an incentive to secure the ongoing commitment of the directors to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Number	Exercise price	Grant and Vesting date	Expiry date	Name
1,500,000	40 cents	12 October 2007	31 August 2012	David McArthur
1,500,000	40 cents	12 October 2007	31 August 2012	Mark Pitt
1,500,000	40 cents	12 October 2007	31 August 2012	Rhod Grivas

Expected volatility	75%
Risk-free interest rate	6.25%
Life of option	2.9 years
Exercise price	40 cents
Share price at grant date	20 cents

Based on these inputs the options have been valued at $309,009 using Black and Scholes option pricing model. This amount has been expensed to the income statement in "personnel expenses".

Unissued shares under options

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

Expiry date	Exercise price	Number of shares
31 August 2012	40 cents	4,500,000

All options expire on the earlier of their expiry date or termination of the employees employment.

These options do not entitle the holder to participate in any share issue of the Company. The options are exercisable 24 months from the grant date. For all options granted during the period, the earliest exercisable date is 12 October 2009.

Shares issued on exercise of options

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

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was exploration and evaluation of mineral interests.

There were no other significant changes in the nature of the activities of the Company during the year.

The Company was incorporated on 13 August 2007; accordingly the reporting period is from 13 August 2007 to 30 June 2008.

OPERATING AND FINANCIAL REVIEW

Shareholder returns	2008
Net loss attributable to equity holders	(1,170,327)
Basic EPS (cents)	(2.94)
Net Tangible Assets (NTA)	8,863,685
NTA Backing (cents)	17.73

During the year the Company commenced exploration activities over its substantial portfolio of nickel tenements.

DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2008.

EVENTS SUBSEQUENT TO BALANCE DATE

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 Company, the results of these operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS

The Company will continue exploration activities over its nickel tenement interests. The Company will assess corporate growth opportunities.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the Company during the financial year in review, other than those matters referred to in the summary of material transactions.

SUMMARY OF MATERIAL TRANSACTIONS

On 12 October 2007 the Company entered into a mining asset acquisition agreement with Dioro Exploration NL, whereby the Company acquired the nickel rights to the Penfolds tenements for the issue of 25,000,000 fully paid ordinary shares of 20 cents each.

The Company was admitted to the Official List of ASX on 19 December 2007, and commenced trading on 21 December 2007, following the successful raising of $5,000,000 through the issue of 25,000,000 fully paid ordinary shares at 20 cents each.

ENVIRONMENTAL REGULATION PERFORMANCE

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year the Company paid an insurance premium insuring each of the directors and the company secretary against all liabilities once expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The directors have not included details of premium for reasons of confidentiality.

NON-AUDIT SERVICES

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

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

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

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

	Company 2008 $
Audit services:	
Audit and review of financial reports	31,714
	31,714
Services other than statutory audit:	
Investigating accountant's report	15,000
	15,000

LEAD AUDITOR'S INDEPENDENCE STATEMENT

The lead auditor's independence declaration is included immediately after the directors report, and forms part of the directors' report for financial year ended 30 June 2008.

The report is made with a resolution of the directors.

DAVID McARTHUR
Director

Dated at Perth this 19th day of August 2008.

OPERATONS REPORT

SUMMARY

- Primary regional targets identified as the Abattoir ultramafic sequence, the Wildcatters ultramafic sequence and the Saddle Hills ultramafic sequence (Mt Marion).
- Ground EM surveys commenced in March 2008 and continued to July 2008, covering selected areas of the Abattoir and the Saddle Hills ultramafic, with approximately 15 kilometres strike distance covered.
- Drill testing of the Abattoir prospect completed, confirming magmatic sulphide mineralisation on the contact of the high magnesian ultramafic and an Archaean dolerite intrusion.
- EM anomalies associated with the Abattoir ultramafic have been identified and require further geophysical investigation.
- EM results from the Saddle Hills ultramafic are currently being assessed.

INTRODUCTION

Lodestar Minerals Limited listed on the ASX on 21st December 2007 after raising $5 million to explore for nickel sulphide mineralisation on the Penfold Nickel Project. The Penfold tenements were acquired from Harmony Gold by Dioro in 2007 and the nickel rights were granted to Lodestar under the terms of the Sale Agreement in late 2007. The Company has a fully paid issued capital of 50,000,000 shares including 25,000,000 shares granted to Dioro shareholders as an *in specie* distribution. The tenements comprise 332 square kilometres of significantly under-explored terrain within 20 kilometres of Kambalda, Western Australia's premier nickel producing region, with historic production of greater than 1 million tonnes of nickel metal.

The Penfolds Nickel Project contains approximately 48 strike kilometres of ultramafic sequences within the Kambalda and Coolgardie geological domains. The area presents an excellent opportunity for the discovery of massive nickel sulphide mineralisation, with benefits of high tenor - high margin ore and proximity to infrastructure.

The strategy that Lodestar has applied to the Penfold Nickel Project is to maximise discovery opportunities by systematic evaluation of areas identified in historic data as having greatest potential to host mineralisation, using ground TEM geophysical surveys, followed by drilling. EM geophysics is a key exploration tool in nickel sulphide exploration and has been responsible for most of the major discoveries in WA over the past ten years. Lodestar commenced EM surveys over priority areas in March and continued to the end of July. In addition, regional drilling is being completed in areas of no outcrop and no previous exploration, to identify the regolith and bedrock stratigraphy along aeromagnetic/ultramafic corridors and establish the priorities for future exploration.

Regional Targets

- **Abattoir Ultramafic - Abattoir Prospect**

The review of historic data highlighted the Abattoir area as a high priority target due to reported intersections of mineralisation along an ultramafic – dolerite contact over a strike length of approximately 200m. This area became the focus of the first work programs conducted on the Penfold project.

- **Saddle Hills Ultramafic – Mt Marion**

The Mt Marion area contains the northern continuation of the Saddle Hills ultramafic that is folded about a core of high magnesium basalt and shales in a north northeast trending doubly plunging anticline. Historic auger soil sampling over the north eastern extension of the ultramafic has returned strongly anomalous Copper values, suggesting the presence of a sulphide source. The historic sampling program was limited in scope (a gold exploration program) and area and there is potential to extend soil sampling over the remainder of the outcropping eastern limb of the Saddle Hills anticline.

- **Wildcatters Ultramafic**

The Wildcatters Ultramafic is located on the eastern margin of the project. The Wildcatters massive nickel sulphide occurrence is approximately 1200 metres south of the Lodestar tenements and the host ultramafic has been traced by mapping into Location 51. The Wildcatters ultramafic has had little nickel exploration completed and is scheduled for EM geophysical survey.

Work Programs Completed Abattoir

- **EM Targets Identified – additional EM to refine drill targets**
- **Drilling Confirmed Nickel Sulphides at the Abattoir Prospect**

Regional EM geophysical survey

A regional EM geophysical survey has been completed over nine kilometres of strike length, including the Abattoir prospect area. The survey was carried out on 200m spaced lines with a 200m loop and 100m station spacing and a Smartem receiver and fluxgate 3 component sensor. Three lines over the immediate area of the Abattoir prospect were surveyed using a 50m station spacing to improve resolution. A total of fifteen low amplitude EM anomalies were identified by the survey. Of the fifteen conductors, five show a close spatial relationship with the Abattoir ultramafic, four are located within a felsic sedimentary sequence east of the ultramafic and the remainder occur in felsic sediments and shales on the western margin of the ultramafic, coincident with the Abattoir shear zone. The low amplitude of the anomalies associated with the ultramafic indicates that the targets are relatively deep and additional geophysical surveys are required to refine the targets before drilling can commence.

Drilling

Four RC drill holes were completed to test reported intersections of nickel sulphide mineralisation in historic drill holes DDH-7 and DDH-8. Two holes were drilled into the area of the original intersections and two holes were drilled as step out holes to test the contact down-dip. Although the RC drilling failed to reproduce the reported intersections, there was evidence of nickel sulphide mineralisation over a narrow interval in LAC001 (6m @ 0.46% Ni, 826ppm Cu, 231ppb Pd and 54ppb Pd plus 3m @ 0.49% Ni, 1330 Cu, 481ppb Pd and 111ppb Pt). This result is significant as it confirms the occurrence of magmatic nickel sulphide mineralisation within the high magnesian cumulate ultramafic sequence at the Abattoir prospect and the potential of the ultramafic on a regional scale.

Geology

Recent work has provided an opportunity to re-assess the geological environment of the Abattoir ultramafic. The ultramafic – dolerite contact is intrusive, as the dolerite forms the upper part of a differentiated gabbro-dolerite sill intruded along the eastern margin of the ultramafic. The Abattoir ultramafic (and other ultramafic sequences within the Kambalda domain within the Penfold area) represents remnant stratigraphy within early geological structures, the footwall and most of the hangingwall stratigraphy has been removed by early deformation, followed by intrusion of the gabbro-dolerites into zones of major shearing. Structurally remobilised mineralisation is most likely within this environment.

Saddle Hills – Mt Marion

- **Regional EM Survey completed**
- **Drilling anticipated**

EM geophysical surveys have been completed over a five kilometre strike length of eastern limb of the Saddle Hills ultramafic sequence. The survey area coincides with the area of strong Copper anomalism in auger sampling. The Copper anomaly is open to the south and this area will be tested by future geochemical programs. Anomalies identified by the EM survey are currently being assessed with drilling planned for October 2008.

Assessment and interpretation of the Saddle Hills area is at an early stage; the anticlinal structure of the belt and mapped facing directions indicate that the western contact represents the basal contact and this contact appears to have been poorly tested by previous exploration.

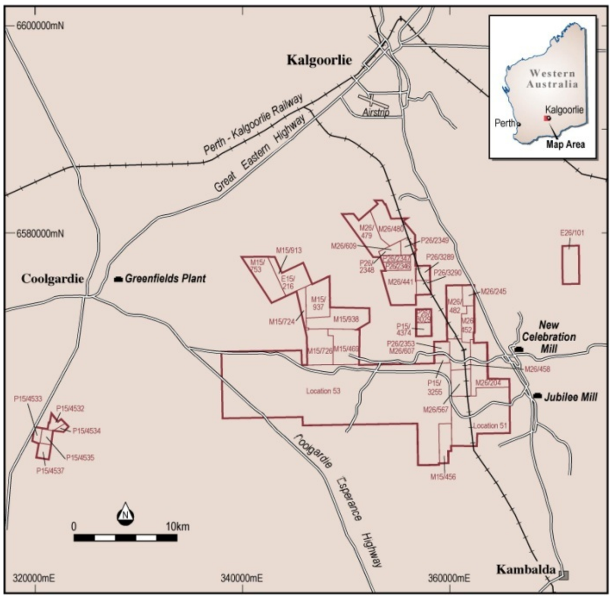

Figure 1 Location Plan

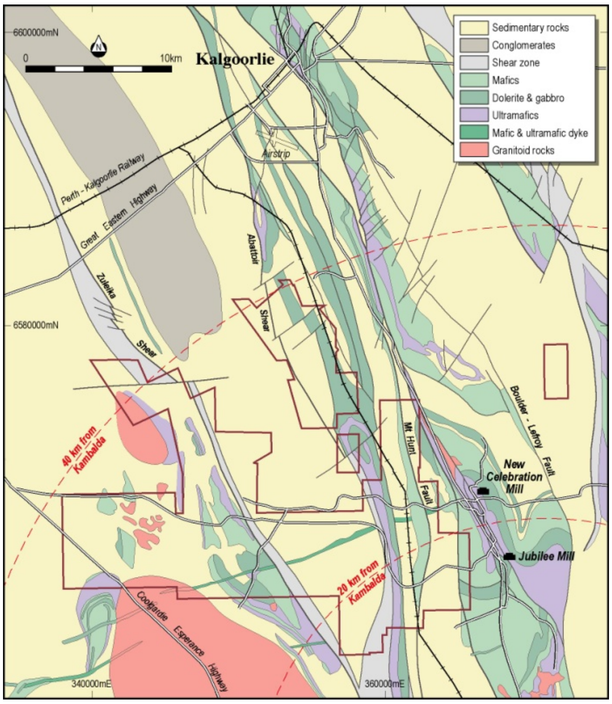

Figure 2 Regional geology

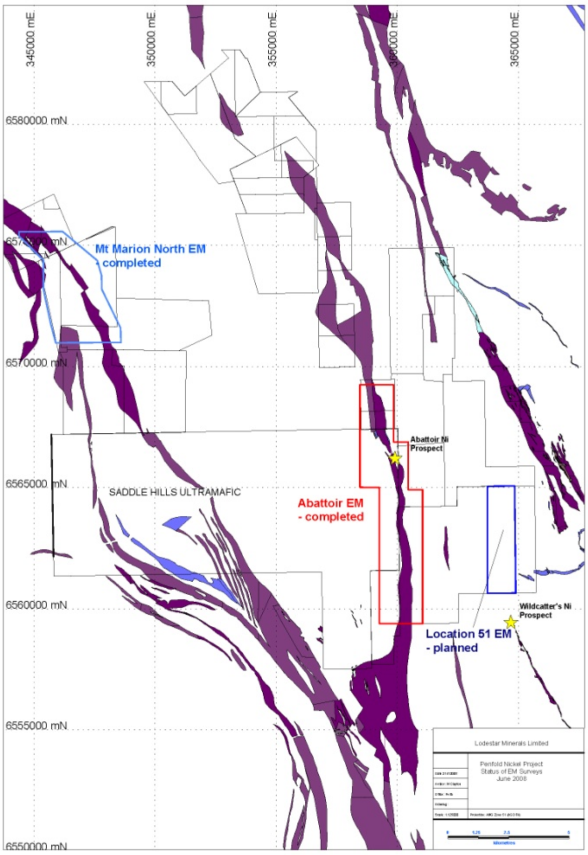

Figure 3 Priority areas and EM survey progress

CORPORATE GOVERNANCE STATEMENT

The Board of directors of Lodestar Minerals Limited has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Company has and has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out below.

THE BOARD OF DIRECTORS

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

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

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' report contains details of the directors' skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises a non-executive Chairperson, two executive directors and one non-executive independent director. Details of the directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

Retirement and re-election of directors

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

Independence of directors

The Board has reviewed the position and association of each of the directors in office at the date of this report and considers that two directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

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

Independent professional advice

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

Board performance review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

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

Director remuneration

Details of the Company's remuneration policies are included in the "Directors' and key management emoluments" section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement or termination benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

MANAGING BUSINESS RISK

The Company maintains policies and practices designed to identify and manage significant business risks, including:

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

AUDIT COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Chief Financial Officer, Mr David McArthur (whose details appear in the Directors' Report), and the Company's auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

ETHICAL STANDARDS

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

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

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

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

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

CONTINUOUS DISCLOSURE

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

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

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

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

SHAREHOLDERS

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

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

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

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that based upon the information set out above, it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council.

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The Board has adopted a statement of its primary responsibilities as set out above, which reflects the policies that were in place during the reporting year.

Recommendation 2.1: A majority of the board should be independent directors.

As set out above, the Board considers that two directors of the Company are independent, with the independent chairman having a casting vote.

Recommendation 2.2: The Chairperson should be an independent director.

As set out above, the Board considers that the Company's chairperson, Mr Rhod Grivas is an independent director.

Recommendation 2.3: The roles of the chairperson and chief executive officer should not be exercised by the same individual

The chairperson is Mr Rhod Grivas and Mr Bill Clayton is the Chief Executive Officer.

Recommendation 3.1: Establish a code of conduct to guide directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

As set out above, the Company has adopted a Code of Conduct which reflects policies that were in place during the reporting year.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

As set out above, the Company has adopted a trading policy.

Recommendation 3.3: Provide the information indicated in "Guide to Reporting on Principle 3".

The Company has made available a summary of its Code of Conduct and trading policy in this statement, but has not otherwise made this information publicly available.

Recommendation 4.1: *Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.*

As set out above, the Company complies with this requirement.

Recommendation 5.1: *Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.*

As set out above, the Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2: *Provide the information indicated in "Guide to Reporting on Principle 5".*

The Company has provided a summary of its continuous disclosure policy in this Statement.

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

As set out above, the Company has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2: *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.*

As set out above, the Company requests its auditor to attend the annual general meeting.

Recommendation 7.1: *The board or appropriate committee should establish policies on risk oversight and management.*

As set out above, the Board has established policies on risk oversight and management.

Recommendation 7.2: *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state to the board in writing that:*

7.2.1 *the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.*

7.2.2 *the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

As set out above, the Company complies with this requirement.

Recommendation 7.3: *Provide the information indicated in "Guide to Reporting on Principle 7".*

The Company has provided relevant information in this Statement upon recognising and managing risk, but has not otherwise made a description of its risk management policy and internal compliance and control system publicly available.

Recommendation 8.1: *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

The Company's processes for performance evaluation are set out above.

Recommendation 9.1: *Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.*

The Company's remuneration policies are referred to above.

Recommendation 9.3: *Clearly distinguish the structure of non-executive directors' remuneration from that of executives.*

The distinction between non-executive and executive remuneration has been detailed above.

Recommendation 9.4: *Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.*

As set out in the Company's remuneration policies, the Company complies with this requirement.

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

As set out above, the Company has adopted a Code of Conduct setting standards of behaviour and compliance with obligations to stakeholders, which reflects policies in place during the reporting year.

Recommendation 2.4: The Board should establish a Nomination Committee.

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 2.5: Provide the information indicated in "Guide to reporting on Principle 2".

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 2* is *"the names of members of the nomination committee and their attendance at meetings of the committee"*.

As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 2* by the inclusion of information in this Statement, but has not otherwise made the information publicly available.

Recommendation 4.2: The Board should establish an Audit Committee.

Recommendation 4.3: Structure of the Audit Committee so that it consists of:

- *only Non-Executive Directors;*
- *a majority of Independent Directors;*
- *an independent Chairperson, who is not chairperson of the Board;*
- *at least three members.*

Recommendation 4.4: The Audit Committee should have a formal charter.

The functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.5: Provide the information indicated in "Guide to reporting on Principle 4".

The *Guide to reporting on Principle 4* requires that the corporate governance section of the annual report include "*details of the names and qualifications of those appointed to the audit committee"*. As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish an audit committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the audit committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 4*.

Recommendation 9.2: The Board should establish a Remuneration Committee.

The functions to be performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 9.5: Provide the information indicated in "Guide to reporting on Principle 9".

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 9* is "*the names of members of the remuneration committee and their attendance at meetings of the committee*". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the remuneration committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 9*.

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 audit for the period ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

J G Robinson
Partner

Perth
Dated: 19/8/08

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	2008 $
Personnel expenses	7	(533,672)
Administrative expenses	8	(432,884)
Other expenses	9	(223,383)
Exploration expenditure written off	13	(134,714)
Results from operating activities		(1,324,653)
Financial income	10	154,326
Net financing income		154,326
Loss before income tax		(1,170,327)
Income tax (expense)/benefit	11	-
Net loss for the year		(1,170,327)
Net loss attributable to equity holders		(1,170,327)
Earnings per share		
Basic loss per share (cents)	18	(2.94)
Diluted loss per share (cents)	18	(2.94)

The income statement is to be read in conjunction with the notes to the financial statements.

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 $
CURRENT ASSETS		
Cash and cash equivalents	16	3,116,747
Other receivables	15	535,949
TOTAL CURRENT ASSETS		3,652,696
NON-CURRENT ASSETS		
Property, plant and equipment	12	3,854
Exploration and evaluation expenditure	13	5,327,114
TOTAL NON-CURRENT ASSETS		5,330,968
TOTAL ASSETS		8,983,664
CURRENT LIABILITIES		
Trade and other payables	21	(112,148)
Employee benefits	19	(7,831)
TOTAL CURRENT LIABILITIES		(119,979)
TOTAL LIABILITIES		(119,979)
NET ASSETS		8,863,685
EQUITY		
Share capital	17	9,725,003
Reserves	17	309,009
Retained earnings		(1,170,327)
TOTAL EQUITY		8,863,685

The balance sheet is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2008

	Issued capital $	Accumulated losses $	Other reserves $	Total $
At 13 August 2007	-	-	-	-
Loss for the period	-	(1,170,327)	-	(1,170,327)
Cost of share-based payments	-	-	309,009	309,009
Issue of ordinary shares	10,000,003	-	-	10,000,003
Capital raising costs	(275,000)	-	-	(275,000)
At 30 June 2008	9,725,003	(1,170,327)	309,009	8,863,685

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	2008 $
Cash flows from operating activities		
Cash paid to suppliers and employees	16(b)	(793,453)
Net cash from operating activities		(793,453)
Cash flows from investing activities		
Interest received		137,381
Acquisition of property, plant and equipment		(4,115)
Payments for exploration, evaluation and development		(436,068)
Payment of deposit for investment		(500,000)
Net cash used in investing activities		(802,802)
Cash flows from financing activities		
Proceeds from issue of shares		4,988,002
Capital raising costs		(275,000)
Net cash from (used in) financing activities		4,713,002
Net increase/(decrease) in cash and cash equivalents		3,116,747
Cash and cash equivalents at 13 August 2007		-
Cash and cash equivalents at the end of the financial year	16(a)	3,116,747

The cash flow statement is to be read in conjunction with the notes to the financial statements.

1. REPORTING ENTITY

Lodestar Minerals Limited (the "Company") is a company domiciled in Australia and was incorporated on 13 August 2007. The address of the Company's registered office is Level 2, 45 Stirling Highway, Nedlands, Western Australia, 6009.

The financial report was authorised for issue by the directors on 19 August 2008.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company financial report complies with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except where stated.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised in any future periods affected.

(e) Comparative information

The financial statements are for the period from 13 August 2007 (date of incorporation) to 30 June 2008. Accordingly, there is no comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently throughout the period.

(a) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

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

Accounting for finance income and expense is discussed in note 3(e).

(ii) Derivative financial instruments

The Company does not hold any derivative financial instruments.

(iii) Share capital

Ordinary shares

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

Dividends

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

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the period are as follows:

Plant and equipment	5-12 years
Fixtures and fittings	5-10 years

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

They carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(d) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except those that fail to vest due to market conditions not being met.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Finance income and expenses

Finance income comprises interest income on cash and cash equivalents invested that is recognised in profit or loss. Interest income is recognised as it accrues in the profit and loss using the effective interest method.

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

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

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

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

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

(g) Goods and services tax

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

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

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

(h) Earnings per share

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

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

(i) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

The Company operates predominantly in the mineral exploration industry in Australia.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Exploration and evaluation

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, exploration costs, including costs of acquiring licences, are capitalised in respect of each separate area of interest. Costs incurred before the company has obtained the legal rights to explore an area are recognised in the income statement. Exploration and evaluation expenditure are carried forward at cost where the rights of tenure are current and either:

(i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(ii) Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed annually for impairment in accordance with AASB 6, and where impairment indicators exist, recoverable amounts of these assets are estimated based on discounted cash flows from their associated cash generating units. The income statement will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets with property, plant and equipment.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(k) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- *AASB 8 Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Company's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments (Note 6). The Company does not believe that the effects of the new standard will be significant as it operates in one segment.

- *Revised AASB 101 Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.

- *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

4. DETERMINATION OF FAIR VALUES

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

4. DETERMINATION OF FAIR VALUES (continued)

Trade and other receivables
The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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

5. FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

The Company has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payments statistics for similar financial assets.

Other receivables
The Company has limited exposure to credit risk, as the other receivable balance relates largely (93%) to a deposit on an investment which was subsequently refunded post year end.

The remaining other receivables are with the Australian Taxation Office and banking institutions where the perceived credit risk is low.

The Company does not have any concentration of credit risk.

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

Interest rate risk

The Company only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly the Company does not hedge their exposure (see note 22(b) for sensitivity analysis).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity.

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

The Company is not subject to externally imposed capital requirements.

6. SEGMENT REPORTING

The Group operates predominantly in the mineral exploration industry in Australia.

	2008 $
7. PERSONNEL EXPENSES	
Contributions to defined contribution plans	19,763
Increase in liability for annual leave	7,831
Equity-settled share based payments transactions	309,009
Directors remuneration	147,964
Recruitment costs	49,105
Total employee expenses	533,672
8. ADMINISTRATIVE EXPENSES	
Advertising and publicity	10,921
Communication and information services	1,192
Office administration	32,996
Bank charges	993
Share registry and statutory fees	386,782
Total administrative expenses	432,884
9. OTHER EXPENSES	
Depreciation and amortisation expenses	261
Professional fees	211,124
Bad debts expense	11,998
Total other expenses	223,383
10. FINANCE INCOME AND EXPENSE	
Financial income	
Interest income	154,326

	2008 $

11. INCOME TAX EXPENSE

Recognised in the income statement	
Current income tax benefit	(1,831,699)
Deferred tax expense	1,831,699
Income tax expense/(benefit) reported in the income statement	-

Numerical reconciliation between tax expense/(benefit) and pre-tax accounting loss	
Accounting loss for the period before income tax	(1,170,327)
Income tax using the domestic corporation tax rate of 30%	(351,098)
Increase/(decrease) in income tax expense due to:	
Non-deductible expenses	92,703
Deductible expenses	-
Tax losses not bought to account	258,395
Income tax expense/(benefit) reported in the income statement	-

Tax losses	
Unused tax losses for which no deferred tax asset has been recognised	6,160,663
Potential tax benefit at 30%	1,848,199

Potential future income tax benefits of $1,848,199 attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

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

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) the conditions for deductibility imposed by tax legislation continue to be complied with;

iii) no changes in tax legislation adversely affect the Company in realising the benefit, and

iv) satisfaction of either the continuity of ownership test or the same business test.

	2008 $
12. PROPERTY, PLANT AND EQUIPMENT	

Property, plant and equipment are included in the financial statements, at cost, on the following basis:

	2008 $
Furniture and fittings	
Cost	1,521
Accumulated depreciation	(103)
	1,418
Computer equipment	
Cost	2,594
Accumulated depreciation	(158)
	2,436
Total property, plant and equipment	3,854

Reconciliation

	2008 $
Furniture and fittings	
Carrying amount at beginning of period	-
Additions	1,521
Depreciation	(103)
Carrying amount at end of period	1,418
Computer equipment	
Carrying amount at beginning of period	-
Additions	2,594
Depreciation	(158)
Carrying amount at end of period	2,436
	3,854

13. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in:

	2008 $
Exploration and evaluation expenditure	5,327,114

Movements for the period:

	2008 $
Exploration and evaluation expenditure	
Opening balance	-
Acquisitions	5,000,000
Additions	461,828
Written off	(134,714)
	5,327,114

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

	2008 $

14. TAX ASSETS AND LIABILITIES

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

Assets	
Trade and other payables	6,000
Employee benefits	2,349
Black hole deductible costs	87,681
Carry forward tax losses	1,848,199
Liabilities	
Accrued interest receivable	(5,084)
Property, plant and equipment	(116)
Exploration and evaluation expenditure	(1,598,134)
	340,895

15. OTHER RECEIVABLES

Current	
Other receivables	530,420
GST receivable	5,529
	535,949

16. CASH AND CASH EQUIVALENTS

(a) The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

Cash and cash equivalents in the statement of cash flows	3,116,747

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

(b) Reconciliation of cash flows from operating activities

Net loss for the period	(1,170,327)
Adjustments for:	
Depreciation	261
Bad debt expensed	11,998
Exploration expenditure written off	134,714
Equity-settled share-based payment transactions	309,009
Net finance expense	(154,326)
Placement of shares	3
Operating profit before changes in working capital and other provisions	(868,668)
Change in other receivables	(19,005)
Change in trade and other payables	86,389
Change in provisions and employee benefits	7,831
	(793,453)
Net cash from operating activities	(793,453)

	2008
	$

17. CAPITAL AND RESERVES

(a) Issued and paid-up capital

50,000,003 ordinary shares, fully paid	9,725,003

Reconciliation of movements in issued capital

Balance at the beginning of the financial year	-
Share issues	
Placement of 3 shares at $1 each	3
Issue of 25,000,000 shares at 20 cents each pursuant to the acquisition of the Penfolds nickel rights	5,000,000
Placement of 25,000,000 shares at 20 cents each	5,000,000
Less capital raising costs	(275,000)
	9,725,003

(b) Reserves

Employee equity-settled benefits reserve	309,009
	309,009

Reconciliation of movements in reserves:

Employee equity-settled benefits reserve

Balance at beginning of period	-
Cost of share-based payment	309,009
Balance at end of period	309,009

18. LOSS PER SHARE

The calculation for basic loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of $1,170,327 and a weighted average number of ordinary shares outstanding of 39,783,285 calculated as follows:

Loss for the period	1,170,327

	Number
Weighted average number of ordinary shares (basic)	
Issued ordinary shares at 13 August 2007	-
Effect of shares issued during the year	39,783,285
Weighted average number of shares (basic) at 30 June	39,783,285

The calculation for diluted loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of $1,170,327 and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 39,783,285 calculated as follows:

	Number
Weighted average number of ordinary shares (diluted)	
Weighted average number of ordinary shares at 30 June	39,783,285
Effect of share options on issue	-
Weighted average number of shares (diluted) at 30 June	39,783,285

		2008 $
19.	**EMPLOYEE BENEFITS**	
	Current	
	Liability for annual leave	7,831
		7,831

	Number
Number of employees	
Number of employees at year end	2

20. SHARE-BASED PAYMENTS

Unlisted options

A share option plan has been established which entitles key management personnel and senior employees to the Company options over the ordinary shares of Lodestar Minerals Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the directors of Lodestar Minerals Limited. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares. All options are granted at the discretion of the directors.

Options – 31 August 2012

On 21 December 2007, 1,500,000 options each were granted to Messrs McArthur, Pitt and Grivas. These options were issued as an incentive to secure the ongoing commitment of the directors to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Number	Exercise price	Grant and Vesting date	Expiry date	Name
1,500,000	40 cents	12 October 2007	31 August 2012	David McArthur
1,500,000	40 cents	12 October 2007	31 August 2012	Mark Pitt
1,500,000	40 cents	12 October 2007	31 August 2012	Rhod Grivas

Expected volatility	75%
Risk-free interest rate	6.25%
Life of option	2.9 years
Exercise price	40 cents
Share price at grant date	20 cents

Based on these inputs the options have been valued at $309,009 using Black and Scholes option pricing model. This amount has been expensed to the income statement in “personnel expenses”.

All options remain unexercised at 30 June 2008.

	2008 $

21. TRADE AND OTHER PAYABLES

Current	
Trade and other payables	51,157
Accrued expenses	60,991
	112,148

22. FINANCIAL INSTRUMENTS

(a) Credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure.

None of the Company's receivables are past due.

(b) Interest rate risk exposures

The Company is exposed to interest rate risk through primary financial assets and liabilities. The carrying amounts of financial assets and financial liabilities held at balance date approximate their estimated fair values and shown in the balance sheet. Short-term instruments where carrying amounts approximate fair values, are omitted. The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

The Company's exposure to interest rate risk and the effective interest rate relates to cash and cash equivalents. The financial asset is a variable rate instrument with a carrying value equal to its fair value of $3,116,747.

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease of 100 basis points in interest rates during the period would have increased or decreased the Company's equity and profit or loss by $32,836 respectively. This analysis assumes that all other variables remain constant.

(c) Liquidity risk

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

	Carrying amount	6 months or less
Trade and other payables	112,148	112,148
	112,148	112,148

(d) Fair values of financial assets and liabilities

The fair values of the financial assets and liabilities at balance date of Lodestar Minerals Limited approximate the carrying amounts in the financial statements, except where specifically stated.

	2008 $

23. OTHER COMMITMENTS

Office rent	
Less than one year	51,980
Between one and five years	77,970
	129,950

24. RELATED PARTIES

Key management personnel compensation
The key management personnel compensation is as follows:

Short-term employee benefits	219,594
Post-employment benefits	19,764
Share-based payments	309,009
	548,367

Individual directors and executives compensation
Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors report.

Options over equity instruments

	*Held at beginning of period	Granted as incentive	Exercised	Sales	Expired/ cancelled	**Held at end of period
2008						
David McArthur	-	1,500,000	-	-	-	1,500,000
Mark Pitt	-	1,500,000	-	-	-	1,500,000
Rhod Grivas	-	1,500,000	-	-	-	1,500,000

Movements in shares

	*Held at beginning of period	Purchases	Received on exercise of options	Sales	Other changes	**Held at end of period
2008						
William Clayton	-	310,000	-	-	-	310,000
David McArthur	-	2,615,907	-	-	-	2,615,907
Mark Pitt	-	144,577	-	-	-	144,577
Rhod Grivas	-	241,021	-	-	-	241,021

* Or date of appointment.
** Or date of resignation.

Transactions with non-key management personnel
Office rent of $30,972 was paid to Dioro Exploration NL, a company associated with Messrs McArthur, Pitt and Grivas

25. AUDITORS REMUNERATION

Audit services

Auditors of the Company KPMG Australia	
- audit and review of financial reports	31,714

Other services

Auditors of the Company KPMG Australia	
- investigating accountants report	15,000

26. SUBSEQUENT EVENTS

There have been no matters of circumstances that have arisen since the end of the financial year 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
ABN 31 127 026 528

DIRECTORS' DECLARATION

In the opinion of the directors of Lodestar Minerals Limited:

(a) the financial statements and notes, set out on pages 18 to 36, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date;

- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

- (iii) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

- (iv) the remuneration disclosures that are contained in the Remuneration Report in the Directors Report comply with Australian Accounting Standard AASB124 "Related Party Disclosures", the Corporations Act 2001 and the Corporations Regulations 2001.

(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; and

(c) the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors.

DAVID McARTHUR
Director

Dated this 19th day of August 2008.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

Additional information included in accordance with the Listing Rules of the Australian Securities Exchange Limited.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 29 August 2008

	Fully paid ordinary shares
Number of Holders	6,129
Distribution is:	
1 - 1,000	2,989
1,001 - 5,000	1,819
5,001 - 10,000	378
10,001 - 100,000	878
100,001 and Over	65
	6,129
Holding less than a marketable parcel	5,109

(b) Voting rights

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

(c) Substantial shareholders

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
David McArthur	2,615,907

(d) Shareholders

The twenty largest shareholders hold 29.58% of the total issued ordinary shares in the Company as at 29 August 2008.

(e) Unlisted 31 August 2012 Options

There are 4,500,000 options held by 3 holders on issue and are exercisable at $0.40 on or before 31 August 2012. The option holders do not have any voting rights.

(f) Restricted securities

683,758 fully paid ordinary shares and 4,500,000 options exerciseable on 31 August 2012 are subject to escrow until 21 December 2009.

2. QUOTATION

Listed securities in Lodestar Minerals Limited are quoted on the Australian Securities Exchange.

3. AUDIT COMMITTEE

As at the date of the Directors' Report, the Company did not have an audit committee of the board of directors. The Company is not of a size, nor are the affairs of a complexity, sufficient to warrant the existence of a separate audit committee. All matters that could be delegated to such a committee are dealt with by the full Board.

LODESTAR MINERALS LIMITED

Top Twenty Shareholders at 29 August 2008

	Name	Number of Shares	% of Issued Shares
1.	Genteel Nominees Pty Ltd	2,500,000	5.00
2.	DASMAC (WA) Pty Ltd	1,762,750	3.52
3.	Sampala Investments Pty Ltd	1,695,078	3.39
4.	La Mancha Resources Australia Pty Ltd	1,324,343	2.65
5.	Piat Corp Pty Ltd	1,000,000	2.00
6.	Cadogan Grove Pty Ltd	895,780	1.79
7.	Mr William Henry Hernstadt	888,749	1.78
8.	Mr Craig Ian Burton	804,922	1.61
9.	ANZ Nominees Limited	658,320	1.32
10.	Paso Holdings Pty Ltd	633,436	1.27
11.	Mrs Susan Jane McArthur	621,980	1.24
12.	Ematilda Pty Ltd	500,000	1.00
13.	Genesta Holdings Pty Ltd	500,000	1.00
14.	Oak Stream Pty Ltd	500,000	1.00
15.	Woodhurst Pty Ltd	450,000	0.90
16.	Carojon Pty Ltd	400,000	0.80
17.	Lando Pty Ltd	384,819	0.77
18.	Nomial Pty Ltd	354,299	0.71
19.	Brocklebank Pty Ltd	308,439	0.62
20.	Mrs Gillean Mary Margaret	300,000	0.60
		16,482,915	32.97

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Lodestar Minerals Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a description of significant accounting policies and other explanatory notes 1 to 26 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of Lodestar Minerals Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lodestar Minerals Limited for the period ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

JG Robinson

J G Robinson
Partner

Perth
Dated: 19/8/08