Lodestar Minerals Limited ABN 31 127 026 528

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Website
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7 October 2009

ASX Limited

BY ELECTRONIC RELEASE

Dear Sirs,

Lodestar Minerals Limited wishes to advise that the 2009 Annual Report and Notice of Annual General Meeting have been despatched to shareholders.

Yours Faithfully
LODESTAR MINERALS LIMITED

David McArthur
Company Secretary

ANNUAL REPORT 2009

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) 9423 3280
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
Level 8
235 St George's Terrace
PERTH WA 6000

SOLICITORS: Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

DOMICILE & COUNTRY OF INCORPORATION: Australia

LEGAL FORM OF ENTITY: Public Company

SUMMARY

During the past year Lodestar has continued to carry out the exploration strategy outlined in earlier reports, completing regional moving loop EM geophysical surveys over the Abattoir and Mt Marion ultramafic sequences and drill testing several significant EM conductors. The focus remained on the Mt Marion ultramafic sequence with two phases of RC drilling testing the ultramafic and adjacent EM conductors.

- Eight RC holes were completed to test EM conductors and the Mt Marion ultramafic sequence. LMPC007 targeted the upper western margin of a complex series of overlapping, northwest plunging conductors and intersected a thick mafic sequence bearing disseminated sulphides. The conductor was not identified in drill samples however a down hole EM survey has indicated that LMPC007 intersected the target. Very low abundance of nickel and copper are present, with traces of pyrrhotite (FeS), chalcopyrite (CuFeS2) and pentlandite ((Fe,Ni)9S8) confirmed by microscopic examination.
- Minor drilling was competed at the Abattoir prospect in an attempt to substantiate reported historic intercepts in Placer drill hole DDH-7 (6.1m at 1.88% Ni). A single, shallow vertical diamond drill hole was sited as close as possible to the reported collar position of DDH-7 (the DDH-7 collar was not located) and completed to a depth of 120.6m to test the eastern gabbro – ultramafic contact. The hole intersected low - grade disseminated mineralisation on the contact over a width of 10m, the maximum nickel value was 2m at 0.59% Ni from 52m.
- The Company's geophysical consultants completed a review of the Abattoir moving loop EM survey, confirming the presence of two moderate to strong conductors flanking the western margin of the Abattoir ultramafic. Subsequent to the EM review the geochemical data obtained from Lodestar drilling (LAPC001 – LAPC004) was also reviewed; the data indicated an east facing direction for the Abattoir ultramafic sequence (contrary to the earlier interpretation) and therefore most drilling below the zone of weathering has concentrated on the eastern, hangingwall contact. The prospective footwall contact to this sequence, in the area of the Abattoir prospect, remains undefined and untested by drilling.
- A regional moving loop EM survey has commenced over the Wildcatters' ultramafic sequence on Location 51, on the same magnetic trend and three kilometres north of the Wildcatters' nickel sulphide occurrence. By the end of June the survey was approximately 30% complete and had been suspended temporarily, due to wet ground conditions.
- Wide spaced traverses of RAB drilling were completed over concealed regional aeromagnetic features to obtain geological information. This work was concentrated on the northern extension of the Abattoir ultramafic and the north eastern margin of the Mt Marion ultramafic.
- The regional aeromagnetic dataset has been re-processed to assist targeting. The re-processing has highlighted zones of thickening or higher magnetic response within the ultramafic sequence that may represent "channel" features of focussed lava flows and/or areas that are least affected by deformation and magnetite destruction.

INTRODUCTION

The Company has maintained a reduced but effective nickel exploration program on the Penfold project over the past twelve months, balancing the reality of restricted access to capital for exploration activities imposed by the global financial crisis and the need to fulfil the obligations of the sale agreement with Dioro.

In response to the global financial crisis the Company has reduced administrative salaries and charges to conserve funds and has reduced its exploration activity on the Penfold project to the minimum needed to satisfy the sale agreement and statutory requirements. The Company's minimum expenditure obligation under the sale agreement amounts to approximately $450,000 of allowable expenditure (Department of Mines and Petroleum, Form 5).

A number of EM conductors associated with the Abattoir and Mt Marion ultramafic sequences have been identified. The priority has been systematic testing of the most promising of these conductors and extending the surface EM survey coverage.

The complex C6 conductor, located adjacent to the Mt Marion ultramafic sequence, has been inconclusively tested and remains of interest, particularly as trace amounts of disseminated pyrrhotite, chalcopyrite and pentlandite (the principle constituents of nickel sulphide ore) have been identified in drill cuttings. Untested EM conductors have been identified adjacent to the Abattoir ultramafic sequence and preliminary work, intended to define the geological and structural setting of the conductors, is scheduled for the coming year. In addition, the surface EM program has been extended to test the third priority area, the Wildcatter's ultramafic sequence. The survey is located some three kilometres along strike to the north of the Wildcatters' nickel sulphide occurrence and is partially complete.

The Company remains highly committed to achieving growth through adding value to its projects. Opportunities for achieving growth may also arise through acquisition and farm-in arrangements on more advanced projects and the Company is actively seeking to diversify its project portfolio.

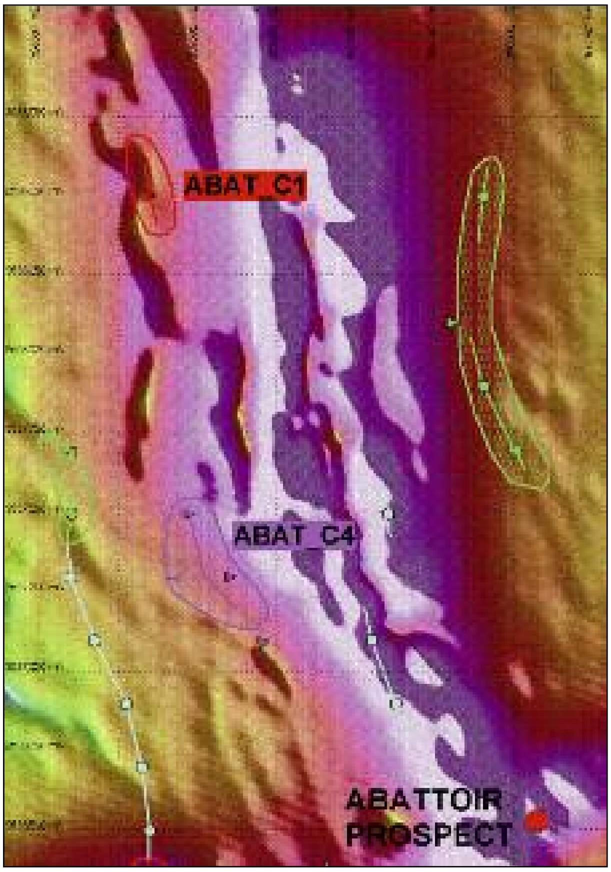


FIGURE 1 Abattoir EMC! & C4 conductors on aeromagnetic image

REGIONAL EXPLORATION

Abattoir Ultramafic – Abattoir prospect

Geophysics

The surface EM survey results were reviewed by the Company's geophysical consultants. The review has confirmed the presence of two, moderate to strong, short strike length conductors located on the western margin of the ultramafic sequence, in addition to multiple, strike-extensive conductors located within the enclosing volcano-sedimentary sequence. At present the two conductors of interest require infill EM surveys to model depth and orientation. They are located adjacent to the ultramafic sequence and within the interpreted position of the Abattoir Shear (Figure 1). There is no outcrop in the vicinity of the conductors and they have not been tested by historic drilling. A sampling traverse across the western margin of the ultramafic sequence has indicated that the sequence consists of thin flow komatiites with minor development of former olivine cumulate basal flows, now expressed as talc-carbonate schists.

Future work will consist of traverses of shallow drilling across the conductors to determine the local geology and structure.

Drilling

A shallow, vertical diamond drill hole (LAD001) was completed on the eastern contact of the ultramafic sequence in an attempt to repeat the intersection reported in historic Placer (1971) drill hole DDH-7 (6.1m at 1.88% Ni). LAD001 intersected the gabbro - ultramafic contact at 50 m depth and reported an average grade from 50 – 60m of 0.47% Ni, 805ppm Cu, 331ppb Pd and 75ppb Pt. Maximum nickel values of 2m at 0.59% Ni were reported from the interval 52 -54m.

The geochemical data obtained from Lodestar's Abattoir drilling (LAPC001 – LAPC004) was re-examined following the review of geophysical data. It was found that the cumulate ultramafic and the interlayered dolerite/gabbro sequence, intersected along the eastern contact, are part of a continuous geochemical fractionation trend. The important implication of this finding is that the eastern ultramafic contact, the main focus of exploration drilling below the depth of weathering, is in fact the hangingwall of the ultramafic sequence. The prospective footwall to the Abattoir ultramafic has not been defined or tested by drilling. Historic data reported from the interior of the ultramafic sequence includes 26m at 1.65% Ni in PDH8 (Placer, 1970, unconfirmed) and 16m at 0.98% Ni, 770ppm Cu from 44m in DDHAU1 (Poseidon Exploration, 1991) (Figure 2). Both intersections occur within the zone of weathering. DDHAU1 was drilled towards grid south, parallel to stratigraphy, to test the ultramafic/Proterozoic dolerite contact and therefore did not test the ultramafic effectively.

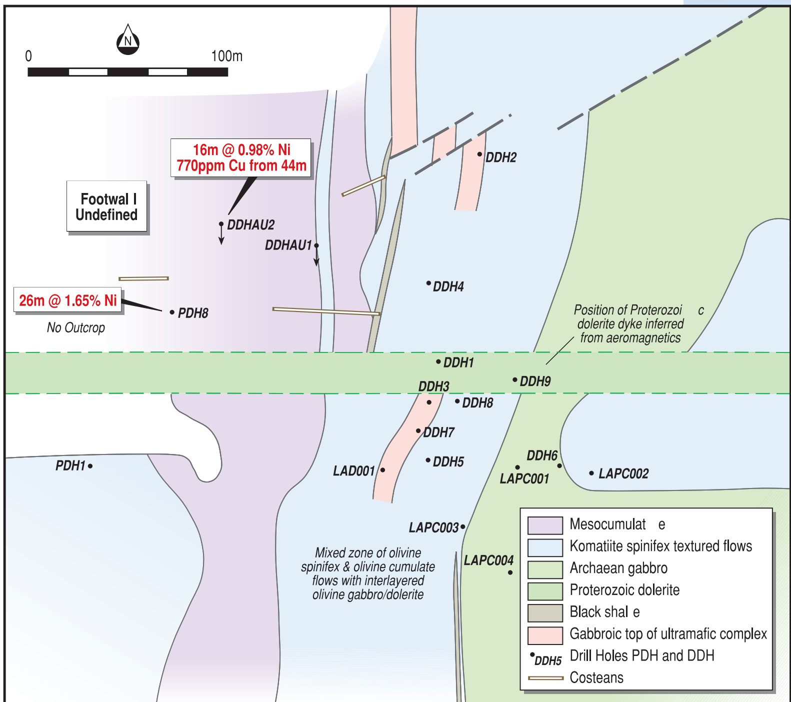


FIGURE 2 Abattoir interpreted geology and drill hole location plan

REGIONAL EXPLORATION

Abattoir Ultramafic – Abattoir prospect

Drilling

The revised interpretation of the Abattoir ultramafic sequence indicates that additional drilling is required to establish the internal stratigraphy of the sequence and test near-surface geochemical anomalies.

Saddle Hills – Mt Marion

Drilling

Deep RC drilling of EM conductor and other targets was completed in two phases between October 2008 and March 2009.

Two holes (LMPC005 and LMPC006) tested a geochemical anomaly in historic drilling and intersected elevated Cu – As values on the sheared contact between felsic volcanics and ultramafics. Dispersion and enrichment of Cu in the weathered zone of the ultramafic unit is responsible for the anomaly.

The remaining six holes tested EM conductor targets and the ultramafic sequence. The Mt Marion ultramafic sequence was found to consist of highly metamorphosed, thin flow sequences including interlayered talc - carbonate altered units after olivine cumulate basal zones. No nickel sulphide mineralisation was observed in any of the holes that intersected the ultramafic sequence.

LMPC008 tested the C8 conductor (Figure 3) and intersected a thick sequence of siliceous sediments and sulphidic black shales beneath the ultramafic sequence. The depth of the conductive shales corresponds to the depth of the modelled target and no further work is planned.

LMPC007 was drilled to a depth of 252m on the western margin of the Mt Marion ultramafic sequence, to test a moving loop EM anomaly (C6A) that represents the southernmost of a complex series of north-plunging anomalies extending over a strike length of 500m. The hole targeted a moderately conductive, west-dipping body at a depth of 150m to 200m and intersected variably sheared tholeiitic dolerite/gabbro and melagabbro bearing disseminated sulphides. No massive or stringer sulphides were identified in the drill cuttings, however a DHEM survey completed to 90m (restricted in depth due to casing failure) has confirmed the moving loop EM model target and that the drill hole intersected the conductor. Composite 5m samples were collected from the hole and were analysed for a comprehensive suite of base metal elements together with Pt and Pd. The 5m composite samples failed to conclusively identify a sulphide conductor and the interval from 145m to 232m was re-submitted for Ni, Cu, Cr, S, Pt and Pd assays as 1m split samples. The results from the 1m sampling confirmed a general increase in sulphide abundance below 150m and again below 190m. Maximum sulphide abundance occurs at 224m (1.14% S), 233m (1.23% S) and 235m (3.01% S). There is a lithology change below 190m from tholeiitic dolerite/gabbro to melagabbro, indicated by increase in Mg, Ni, and Cr and decreasing Ti. The interval from 224m to 228m contains anomalous Pt and Pd (to 101ppb Pt and 71ppb Pd, 224m – 225m) and locally elevated Cu values occur throughout the melagabbro unit.

Four samples from LMPC007 were submitted for microscopic examination to determine the texture and composition of the sulphide minerals. One sample was selected from a biotite-altered shear zone intersected at 150m – 154m; the remaining samples were collected from the melagabbro unit containing elevated S, Cu and/or Pt and Pd. Assay results are listed below.

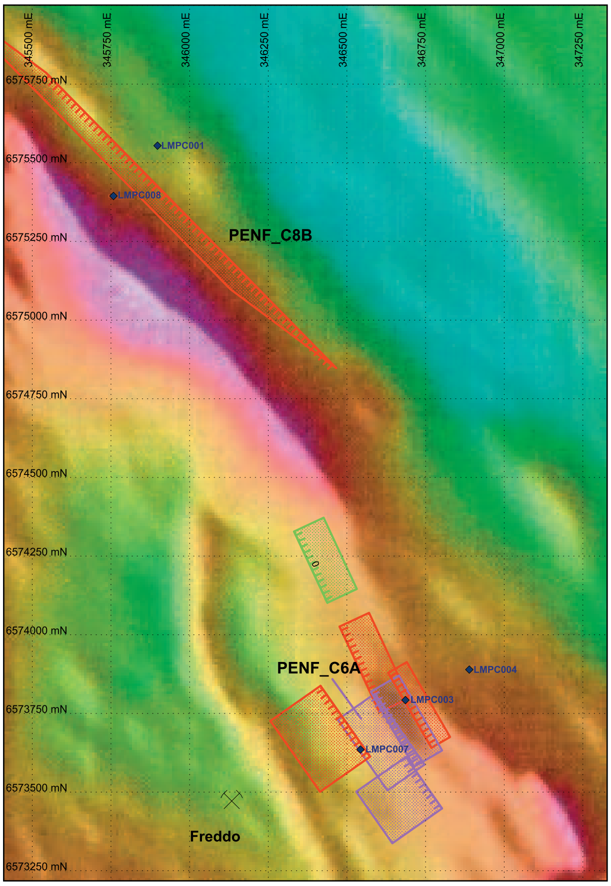


FIGURE 3 Mt Marion C6 & C8 conductors on aeromagnetic image

TABLE 1

Petrographic Samples LMPC007 – MT MARION

Sample depth	Pt ppb	Pd ppb	Ni ppm	Cu ppm	Cr ppm	S ppm
152 – 153m	8	7	230	52	340	950
200 – 201m	2	1	186	396	140	8850
208 – 209m	3	1	380	790	180	5950
224 – 225m	101	71	246	216	560	7300

(LMPC007 collared 346541mE 6573636mN (GDA94 Zone51) drilled -60 degrees towards 060degrees magnetic)

In summary, the target EM conductor has been intersected by LMPC007, but due to the widespread development of disseminated mineralisation within the gabbroic sequence it has not been possible to visually identify the target in drill cuttings. LMPC007 failed to intersect mineralisation of economic significance, although pyrrhotite and traces of pentlandite and chalcopyrite have been confirmed. The gabbroic sequence intersected by LMPC007 is not a typical host for komatiite – associated nickel sulphide mineralisation. However, the geological setting of the C6 conductor, within a major structural zone with potential to host remobilised mineralisation, proximity to the Mt Marion ultramafic sequence and indications of complex, stronger conductors situated down-plunge to the north of LMPC007 suggest that this target has untested potential.

WILDCATTERS' ULTRAMAFIC – LOCATION 51

Geophysics

A moving loop EM survey was commenced in June on the northern boundary of Location 51. The survey comprises 26 line kilometres on 200m line spacing, 200m loops and 100m stations and utilises a HT SQUID sensor. The survey will provide complete coverage of the northern extension of the Wildcatters' ultramafic sequence on Location 51 (Figure 4). The survey was approximately 30% complete at the end of June and had been suspended due to wet ground conditions.

Regional Targeting

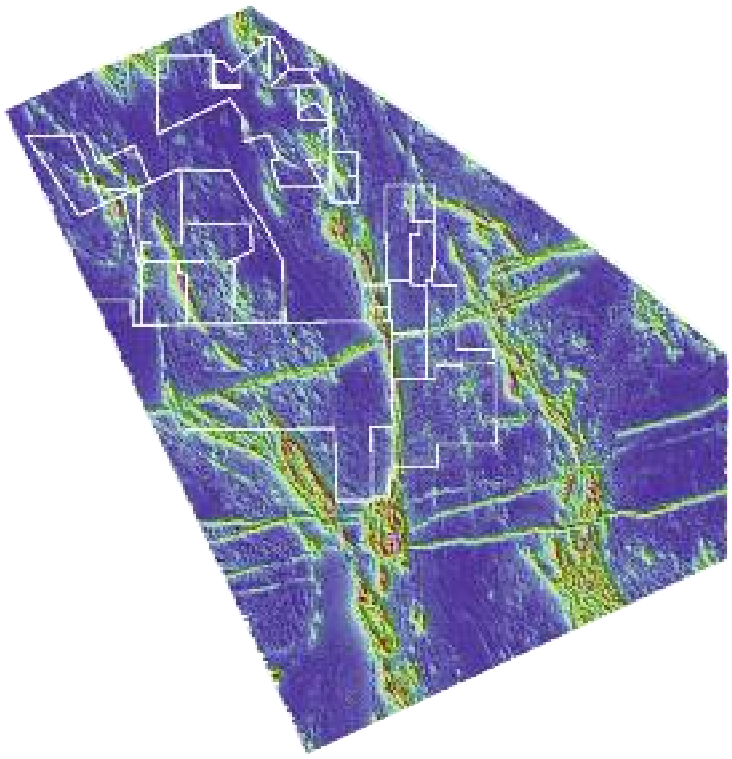
The aeromagnetic data set was reprocessed to highlight zones within the ultramafic stratigraphy that retain a higher magnetic response due to local thickening or preservation of magnetite (lower strain domains) (Figure 5).

These areas represent targets for further evaluation. Several of the magnetic features identified were modelled to determine the possible orientation, depth and thickness of the magnetic source rocks. The models have illustrated complexity in the ultramafic sequence at depth and provide a useful guide to targeted exploration.

A program of widely spaced traverses of reconnaissance RAB drilling was completed during 2008. The program was planned to test concealed aeromagnetic features and did not specifically test ultramafic contact positions. The geological information obtained from the program was used to confirm areas of interest.

FIGURE 4 Location 51Wildcatters north EM survey location plan

FIGURE 5 Penfold regional aeromagnetic data set reprocessed to highlight the ultramafic sequences



The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Clayton consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The directors present their report together with the financial report of Lodestar Minerals Limited ("the Company") for the financial year ended 30 June 2009 and the auditor's report thereon.

1. 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 43, 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 52, 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 51, 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 26 years.

Appointed 13 August 2007

Mark William Pitt, *Non-executive Director*

Mr Pitt, aged 60, 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

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	N/A	N/A
David McArthur	Dioro Exploration NL	1991 - 27 January 2009
	Ellendale Resources NL	1999 - May 2007
	Xstate Resource Limited	September 2006 - Current
Mark Pitt	Dioro Exploration NL	2004 - 27 January 2009
Rhod Grivas	Dioro Exploration NL	2002 - Current
	Xstate Resource Limited	March 2007 - Current

2. COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of company secretary on 13 August 2007. Mr McArthur has 26 years experience in the financial and corporate management of public companies.

3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Resolutions	
	A	B	A	B
William Clayton	4	4	2	2
David McArthur	4	4	2	2
Mark Pitt	4	4	2	2
Rhod Grivas	4	4	2	2

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

4. 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.

In order to reduce corporate and administrative fees, it was agreed at the Board meeting held on 10 February 2009 to reduce director and executive fees and salaries.

Long-term incentive

Subject to shareholder approval, directors receive options at various times for their ongoing commitment and contribution to the Company.

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. On 1 March 2009 Mr McArthur's executive remuneration was reduced to $30,000 pa, plus 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.

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). On 1 May 2009 Mr Clayton's executive remuneration was reduced to $150,000 pa, 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 non executive directors, last voted upon by 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.

Executive and 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 $30,000 per annum. Non-executive directors' fees were reduced from $40,000 on 1 March 2009. Mr McArthur also receives $30,000 in directors' fees. This was reduced from $40,000 pa, on 1 March 2009.

Directors and executive officer's remuneration - audited

Details of the nature and amount of each major element of remuneration of each director of the Company are:

		Short-term	Post-employment	Share-based payments		
		Salary & fees $	Superannuation $	Options $	Total $	Value of options as proportion of remuneration %
EXECUTIVE DIRECTORS						
William Clayton	2009	175,840	15,826	11,221	202,887	5.53%
	2008	93,073	8,377	-	101,450	0.00%
David McArthur	2009	73,332	6,600	-	79,932	0.00%
	2008	55,507	4,995	103,003	163,505	63.00%
NON-EXECUTIVE DIRECTORS						
Mark Pit	2009	36,666	3,300	-	39,966	0.00%
	2008	35,507	3,196	103,003	141,706	72.69%
Rhod Grivas	2009	36,666	3,300	-	39,966	0.00%
	2008	35,507	3,196	103,003	141,706	72.69%
Totals	2009	322,504	29,026	11,221	362,751	3.09%
	2008	219,594	19,764	309,009	548,367	56.35%

Notes in relation to the table of directors' and executive officers' remuneration – audited

a) the Company does not employ any executive officers other than the directors; and

b) the directors of the Company do not receive performance related remuneration.

EQUITY INSTRUMENTS – AUDITED

All options refer to options over ordinary shares of Lodestar Minerals Limited, which are exercisable on a one-for-one basis.

Options granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2009	Grant date	Fair value per option at grant date cents	Exercise price per option cents	Expiry date	Number of options vested during 2009
EXECUTIVE DIRECTORS						
William Clayton	500,000	26-Nov-08	1.31	20	26-Nov-13	500,000
	500,000	26-Nov-08	0.98	30	26-Nov-13	-
	500,000	26-Nov-08	0.78	40	26-Nov-13	-

No options have been granted since the end of the financial year. The options were provided at no cost to the recipient.

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable over a period from grant date to two years from grant date. These options were issued as an incentive to secure the ongoing commitment to the continued growth of the Company. The earliest exercisable date for options granted in the current year is 26 November 2008.

Modifications of terms of equity-settled share-based payment transactions – audited

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation – audited

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

EQUITY INSTRUMENTS – AUDITED (continued)

Analysis of options and rights over equity instruments granted as compensation – audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Company are detailed below:

	Options granted				Financial years in which
	Number	Date	% vested in year	% forfeited in year	grant vests
EXECUTIVE DIRECTORS					
William Clayton	500,000	26-Nov-08	100%	-	01-Jul-08
	500,000	26-Nov-08	-	-	01-Jul-09
	500,000	26-Nov-08	-	-	01-Jul-10
David McArthur	1,500,000	12-Oct-07	-	-	01-Jul-07
NON-EXECUTIVE DIRECTORS					
Mark Pitt	1,500,000	12-Oct-07	-	-	01-Jul-07
Rhod Grivas	1,500,000	12-Oct-07	-	-	01-Jul-07

Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

	Granted in year $ (A)	Value of Options Exercised in year $ (B)	Lapsed in year $ (C)
EXECUTIVE DIRECTORS			
William Clayton	15,350	-	-
David McArthur	-	-	-
NON-EXECUTIVE DIRECTORS			
Mark Pitt	-	-	-
Rhod Grivas	-	-	-
	15,350	-	-

(A) *The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes pricing model taking into account the terms and conditions upon which the options were granted. The value of each tranche of options is recognised over the vesting period. For the year ended 30 June 2009 $11,221 was expensed in personnel expenses. At the balance date $4,129 remains to be vested.*

(B) *The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No options were exercised in the year.*

(C) *The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using the Black Scholes pricing model assuming the performance criteria had been achieved. No options lapsed in the year.*

5. PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was exploration and evaluation of nickel 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 comparative reporting period is from 13 August 2007 to 30 June 2008.

6. OPERATING AND FINANCIAL REVIEW

	Shareholder returns 2009	2008
Net loss attributable to equity holders	(572,845)	(1,170,327)
Basic EPS (cents)	(1.15)	(2.94)
Net tangible assets (NTA)	8,302,061	8,863,685
NTA Backing (cents)	16.60	17.73

Significant changes in the 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.

7. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2009.

8. EVENTS SUBSEQUENT TO REPORTING 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.

9. LIKELY DEVELOPMENTS

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

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, 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	1,500,000
David McArthur	2,840,319	1,500,000
Mark Pitt	144,577	1,500,000
Rhod Grivas	241,021	1,500,000

11. SHARE OPTIONS

Options granted to the directors of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors as part of their remuneration:

	Number of options granted	Exercise price per option cents	Expiry date
EXECUTIVE DIRECTORS			
William Clayton	500,000	20	26-Nov-13
	500,000	30	26-Nov-13
	500,000	40	26-Nov-13

11. SHARE OPTIONS (continued)

Unissued shares under options

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

Expiry date	Exercise price cents	Number of shares
31-Aug-12	40	4,500,000
26-Nov-13	20	500,000
26-Nov-13	30	500,000
26-Nov-13	40	500,000
		6,000,000

All options expire on the earlier of their expiry date or termination of the employee's employment.

These options do not entitle the holder to participate in any share issue of the Company.

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.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has agreed to indemnify each of the directors and the company secretary of the Company, against all liabilities to another person (other than the Company) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The directors have not included details of premium for reasons of confidentiality.

13. 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	
	2009 $	2008 $
Audit services:		
Audit and review of financial reports	55,377	31,714
	55,377	31,714
Services other than statutory audit:		
Other assurance services		
Investigating accountants' report	-	15,000
Other services		
Taxation compliance services	7,000	-
	7,000	15,000

14. LEAD AUDITOR'S INDEPENDENCE STATEMENT

The lead auditor's independence declaration is set out on the next page and forms part of the directors' report, for the financial year ended 30 June 2009.

The report is made with a resolution of the directors.

DAVID McARTHUR

Director

Dated at Perth this 3rd day of September 2009.

KPMG

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 financial year ended 30 June 2009 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

Trevor Hart
Partner

Perth

3 September 2009

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

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.

Director and executive education

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.

Independent professional advice and access to company information

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.

Composition of the board

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 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 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 four directors in office at the date of this report and considers that two of the four directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and 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.

REMUNERATION AND NOMINATION 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 Company Secretary, Mr David McArthur, the board and/or board members as appropriate to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

DIRECTOR REMUNERATION

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

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 Company Secretary, Mr David McArthur, the board and/or board members as appropriate 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.

RISK MANAGEMENT

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.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Chief Executive Officer and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

Environmental regulation

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2009.

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 Chairman 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 Chairman (or in his place the Managing Director) 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.

COMMUNICATION WITH 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 Stock Exchange in accordance with the Company's continuous disclosure policy, including quarterly cash flow reports, half-year reviewed accounts, yearend 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 is requested to 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.

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to 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, 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.

ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND 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 Corporate Governance Principles and Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficient, 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 Corporate Governance Principles and Recommendations with which the Company has not complied in the reporting period.

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

Recommendation 1.1: *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

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 1.3: *Companies should provide the information indicated in the Guide to reporting on Principle 1*

The Company has provided details of the Board roles and responsibilities.

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

Two of the four directors are independent.

The Board has adopted procedures intended to ensure that independent decision making occurs. As set out above, all directors are entitled to seek independent professional advice in carrying out their duties. Further, in accordance with the Corporations Act 2001 (Cth) and the Company's policies, each member of the Board is required to keep the Board advised of any potential conflict of interest with the Company and must absent themselves from any Board discussion and not vote if a conflict does exist. Board effectiveness is also achieved through appointing directors with knowledge and experience specific to the Company's business and operations.

Recommendation 2.2: *The chair should be an independent director.*

The role of the chair has been filled by Mr Rhod Grivas, a non-executive director.

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

The role of the chair has been filled by Mr Rhod Grivas and the role of Chief Executive Officer has been fulfilled by Mr William Clayton.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The Company has disclosed the process for evaluating the performance of the board.

Recommendation 2.6: *Companies should provide the information indicated in the "Guide to reporting on Principle 2".*

The Company has complied with the disclosure requirements contained in the Guide to reporting on Principle 2.

Recommendation 3.1: *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

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

3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders

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

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 3.2: *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy*

The Company has adopted a trading policy.

Recommendation 3.3:	*Companies should provide the information indicated in the "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 5.1:	*Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.* The Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.
Recommendation 5.2:	*Companies should 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:	*Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.* The Company has adopted a communications policy, which reflects policies that were in place during the reporting year.
Recommendation 6.2:	*Companies should provide the information indicated in the "Guide to reporting on Principle 6".* The Company has provided a summary of its communication with shareholders in this statement.
Recommendation 7.1:	*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.* The Board has established policies on risk oversight and management.
Recommendation 7.2:	*The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.* The Company complies with this requirement.
Recommendation 7.3:	*The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.* The Company complies with this requirement.
Recommendation 7.4:	*Companies should provide the information indicated in the "Guide to Reporting on Principle 7".* The Company has provided relevant information in this statement upon recognising and managing risk.
Recommendation 8.2:	*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.* The distinction between non-executive and executive remuneration is detailed above.
Recommendation 8.3:	*Provide the information indicated in "Guide to reporting on Principle 8".* One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 8 is "there is a clear relationship between performance and remuneration, and that the policy underlying executive remuneration be understood by investors".* The Company complies with this requirement.

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

Other than the Board of Directors there are currently no other senior executives.

Recommendation 2.4: *The board should establish a nomination committee.*

The functions to be performed by a nomination committee under the ASX Corporate Governance Principles and 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 4.1: *The board should establish an audit committee.*

Recommendation 4.2: *The audit committee should be structured so that it:*

4.2.1 consists only of non-executive directors

4.2.2 consists of a majority of independent directors

4.2.3 is chaired by an independent chair, who is not chair of the board

4.2.4 has at least three members.

Recommendation 4.3: *The audit committee should have a formal charter.*

Recommendation 4.4: *Companies should provide the information indicated in the "Guide to reporting on Principle 4".*

The functions to be performed by an audit committee under the ASX Corporate Governance Principles and 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 Corporate Governance Principles and 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 8.1: *The board should establish a remuneration committee.*

The functions to be performed by a remuneration committee under the ASX Corporate Governance Principles and 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.

Balance Sheet

AS AT 30 JUNE 2009

	Notes	2009 $	2008 $
Assets			
Cash or cash equivalents	15	2,544,204	3,116,747
Other receivables	14	12,738	533,922
Prepayments for current assets	14	8,063	2,027
Total current assets		2,565,005	3,652,696
Property, plant and equipment	11	8,868	3,854
Exploration and evaluation	12	5,827,282	5,327,114
Total non-current assets		5,836,150	5,330,968
Total assets		8,401,155	8,983,664
Liabilities			
Trade and other payables	20	89,863	112,148
Employee benefits	18	9,231	7,831
Total current liabilities		99,094	119,979
Total liabilities		99,094	119,979
Net assets		8,302,061	8,863,685
Equity			
Share capital	16	9,725,003	9,725,003
Reserves	16	320,230	309,009
Retained earnings	16	(1,743,172)	(1,170,327)
Total equity attributable to equity holders of the Company		8,302,061	8,863,685

The notes are an integral part of these financial statements.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $	2008 Re-presented $
Continuing operations			
Administrative expenses		(333,034)	(966,556)
Exploration expenditure written off		(229,954)	(134,714)
Other expenses	7	(141,613)	(223,383)
Results from operating activities		(704,601)	(1,324,653)
Finance income	9	131,756	154,326
Net finance income		131,756	154,326
Loss before income tax		(572,845)	(1,170,327)
Income tax expense	10	-	-
Loss from continuing operations		(572,845)	(1,170,327)
Loss for the period		(572,845)	(1,170,327)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		(572,845)	(1,170,327)
Loss attributable to owners of the Company		(572,845)	(1,170,327)
Total comprehensive loss attributable to owners of the Company		(572,845)	(1,170,327)
Loss per share			
Basic and diluted (cents per share)	17	(1.15)	(2.94)

The notes are an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Share capital $	Translation reserve $	Equity-based benefits reserve $	Accumulated losses $	Total $
		Attributable to equity holders of the Company				
Balance at 1 July 2008		9,725,003	-	309,009	(1,170,327)	8,863,685
Total comprehensive income for the period						
Loss for the period		-	-	-	(572,845)	(572,845)
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	(572,845)	(572,845)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Share-based payment transactions	19	-	-	11,221	-	11,221
Total contributions by and distributions to owners		-	-	11,221	-	11,221
Total changes in ownership interests in subsidiaries		-	-	-	-	-
Total transactions with owners		-	-	11,221	-	11,221
Balance at 30 June 2009		9,725,003	-	320,230	(1,743,172)	8,302,061

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Share capital $	Translation reserve $	Equity-based benefits reserve $	Accumulated losses $	Total $
Balance at 13 August 2007		-	-	-	-	-
Total comprehensive income for the period						
Loss for the period		-	-	-	(1,170,327)	(1,170,327)
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	(1,170,327)	(1,170,327)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares		10,000,003	-	-	-	10,000,003
Capital raising costs		(275,000)	-	-	-	(275,000)
Share-based payment transactions	19	-	-	309,009	-	309,009
Total contributions by and distributions to owners		9,725,003	-	309,009	-	10,034,012
Total changes in ownership interests in subsidiaries		-	-	-	-	-
Total transactions with owners		9,725,003	-	309,009	-	10,034,012
Balance at 30 June 2008		9,725,003	-	309,009	(1,170,327)	8,863,685

The notes are an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 $	2008 $
Cash flows from operating activities			
Cash receipts from customers		-	-
Cash paid to suppliers and employees		(483,640)	(793,453)
Net cash from / (used in) investing activities	15(b)	(483,640)	(793,453)
Cash flows from investing activities			
Interest received		143,423	137,381
Acquisition of property, plant and equipment		(7,177)	(4,115)
Payments for exploration, evaluation and development		(725,149)	(436,068)
Repayment / (payment) of deposit for investment		500,000	(500,000)
Net cash from / (used in) investing activities		(88,903)	(802,802)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,988,002
Capital raising costs		-	(275,000)
Net cash from financing activities		-	4,713,002
Net decrease in cash and cash equivalents		(572,543)	3,116,747
Cash and cash equivalents at 1 July / 13 August		3,116,747	-
Cash and cash equivalents at 30 June	15(a)	2,544,204	3,116,747

The notes are an integral part of these financial statements.

FOR THE YEAR ENDED 30 JUNE 2009

1. REPORTING ENTITY

Lodestar Minerals Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, 45 Stirling Highway, Nedlands, Western Australia, 6009. The Company operates predominantly in the mineral exploration industry in Australia.

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 financial report of the Company 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 and in any future periods affected.

(e) Comparative information

The financial statements for the comparative period are from 13 August 2007 (date of incorporation) to 30 June 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Comparative amounts have been reclassified to conform with the current year's presentation following changes to accounting policies.

(a) Change of accounting policy

Presentation of financial statements

The Company has early adopted revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(b) 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.

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(f).

(ii) 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 on ordinary shares are recognised as a liability in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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 and 2008 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.

(d) 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

The 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 each year at the same time.

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.

(e) 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

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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 for which the related service and non-market vesting conditions are met.

(f) Finance income and expenses

Finance income comprises interest income on funds 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.

(g) 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 year, 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.

(h) 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.

(i) 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.

(j) Segment reporting

A segment is a distinguishable component of the Company that engages in business activities from which it may earn revenues and incur expenses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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 2009, but have not been applied in preparing this financial report.

- *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Company's 30 June 2010 financial statements, with retrospective application. The Company has not yet determined the potential effect of the amendment.
- *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 change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to asses each segment's performance and to allocate resources to them. Currently the Company presents its 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.

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.

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 holds cash balances with Australian authorised deposit taking institutions. Accordingly, the Company does not believe that it has significant credit risk exposure.

Other receivables

The Company has limited exposure to credit risk, as the 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's 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.

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 its interest rate risk exposure (see note 21(d) 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 Company is not at a stage where it generates significant operating income. Accordingly, equity markets are the principle source of funding if additional capital resources are required.

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. OPERATING SEGMENTS

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

	Notes	2009 $	2008 Re-presented $
7. OTHER EXPENSES			
Depreciation and amortisation expenses		2,163	261
Professional fees		139,450	211,124
Bad debts expense		-	11,998
		141,613	223,383
8. PERSONNEL EXPENSES			
Directors remuneration		322,503	147,964
Other associated personnel expenses		-	49,105
Contributions to defined contribution plans		29,025	19,763
Increase in liability for annual leave		1,400	7,831
Equity-settled share-based payment transactions	19	11,221	309,009
		364,149	533,672
9. FINANCE INCOME AND EXPENSE			
Recognised in profit or loss			
Interest income on bank deposits		131,756	154,326
Finance income		131,756	154,326
The above finance income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:			
Total interest income on financial assets		131,756	154,326

10. INCOME TAX EXPENSE

	2009 $	2008 $
Current tax expense		
Current period	(324,612)	(1,831,699)
Deferred tax expense		
Origination and reversal of temporary differences	324,612	1,831,699
Total income tax expense	-	-
Numerical reconciliation between tax expense and pre-tax accounting loss		
Loss for the period	(572,845)	(1,170,327)
Total income tax expense	-	-
Loss excluding income tax	(572,845)	(1,170,327)
Income tax using the Company's domestic tax rate of 30% (2008: 30%)	(171,853)	(351,098)
Non-deductible expenses	3,366	92,703
Tax losses not brought to account	168,487	258,395
	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	7,190,450	6,160,663
Potential tax benefit at 30% (2008: 30%)	2,157,135	1,848,199

Potential future income tax benefits of $2,157,135 (2008: $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.

11. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Computer equipment	Total
Gross carrying amount			
Balance at 13 August 2007	-	-	-
Additions	1,521	2,594	4,115
Disposals	-	-	-
Balance at 30 June 2008	1,521	2,594	4,115
Balance at 1 July 2008	1,521	2,594	4,115
Additions	947	6,230	7,177
Disposals	-	-	-
Balance at 30 June 2009	2,468	8,824	11,292
Depreciation and impairment losses			
Balance at 13 August 2007	-	-	-
Depreciation for the year	103	158	261
Impairment loss	-	-	-
Disposals	-	-	-
Balance at 30 June 2008	103	158	261
Balance at 1 July 2008	103	158	261
Depreciation for the year	398	1,765	2,163
Impairment loss	-	-	-
Disposals	-	-	-
Balance at 30 June 2009	501	1,923	2,424
Carrying amounts			
Balance at 30 June 2008	1,418	2,436	3,854
Balance at 30 June 2009	1,967	6,901	8,868

12. EXPLORATION AND EVALUATION EXPENDITURE

	2009 $	2008 $
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	5,827,282	5,327,114
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	5,327,114	-
Acquisitions	-	5,000,000
Additions	730,122	461,828
Written off	(229,954)	(134,714)
	5,827,282	5,327,114

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

13. TAX ASSETS AND LIABILITIES

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

	Assets		Liabilities		Net	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Property, plant & equipment	-	-	(441)	(116)	(441)	(116)
Exploration and evaluation expenditure	-	-	(1,748,185)	(1,598,134)	(1,748,185)	(1,598,134)
Trade and other receivables	-	-	(1,583)	(5,084)	(1,583)	(5,084)
Black hole deductible costs	87,193	87,681	-	-	87,193	87,681
Trade and other payables	9,005	6,000	-	-	9,005	6,000
Employee benefits	2,769	2,349	-	-	2,769	2,349
Carry forward tax losses	2,157,135	1,848,199	-	-	2,157,135	1,848,199
	2,256,102	1,944,229	(1,750,209)	(1,603,334)	505,893	340,895

	Notes	2009 $	2008 $

14. OTHER RECEIVABLES

	Notes	2009 $	2008 $
Current			
Other receivables		5,278	528,393
Prepayments		8,063	2,027
GST receivable		7,460	5,529
		20,801	535,949

15. 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 21.

	Notes	2009 $	2008 $
Cash and cash equivalents in the statement of cash flows		2,544,204	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

	Notes	2009 $	2008 $
Cash flows from operating activities			
Loss for the period		(572,845)	(1,170,327)
Adjustments for:			
Depreciation		2,163	261
Finance income	9	(131,756)	(154,326)
Bad debt expensed		-	11,998
Exploration expenditure written off	12	229,954	134,714
Equity-settled share-based payment transactions	19	11,221	309,009
Placement of shares		-	3
		(461,263)	(868,668)
Change in other receivables	14	9,518	(16,978)
Change in trade and other payables	20	(27,259)	86,389
Change in prepayments	14	(6,036)	(2,027)
Change in provisions and employee benefits	18	1,400	7,831
Net cash used in operating activities		(483,640)	(793,453)

16. CAPITAL AND RESERVES

(a) Reconciliation of movement in capital and reserves

	Note	Share capital $	Equity-based benefits reserve $	Retained earnings $	Total $
Balance at 13 August 2007		-	-	-	-
Total recognised income and expense		-	-	(1,170,327)	(1,170,327)
Issue of ordinary shares		9,725,003	-	-	9,725,003
Share-based payment	19	-	309,009	-	309,009
Balance at 30 June 2008		9,725,003	309,009	(1,170,327)	8,863,685
Balance at 1 July 2008		9,725,003	309,009	(1,170,327)	8,863,685
Total recognised income and expense		-	-	(572,845)	(572,845)
Share-based payment	19	-	11,221	-	11,221
Balance at 30 June 2009		9,725,003	320,230	(1,743,172)	8,302,061

(b) Share capital

	Ordinary shares 2009 Number	Ordinary shares 2008 Number
On issue at 1 July 2008 / 13 August 2007	50,000,003	-
Placement of shares	-	3
Issue of shares at 20 cents each pursuant to the acquisition of the Penfolds nickel rights	-	25,000,000
Placement of shares at 20 cents each	-	25,000,000
	50,000,003	50,000,003

The Company has also issued share options (see note 19).

The Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new share issue by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Equity-based benefits reserve

The equity-settled benefits reserve represents the cost of options that have been granted as share-based payments but not exercised. This reserve will be transferred to capital should these options be exercised or reversed through profit and loss should certain vesting conditions not be met.

17. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $572,845 (2008: $1,170,327) and a weighted average number of ordinary shares outstanding of 50,000,003 (2008: 39,783,285) calculated as follows:

	2009 $	2008 $
Loss attributable to ordinary shareholders		
Loss for the period	(572,845)	(1,170,327)

	2009 Number	2008 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July 2008 / 13 August 2007	50,000,003	-
Effect of shares issued during the year	-	39,783,285
	50,000,003	39,783,285

Diluted loss per share

The calculation of diluted loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $572,845 (2008: $1,170,327) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 50,000,003 (2008: 39,783,285) calculated as follows:

	2009 Number	2008 Number
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	50,000,003	39,783,285
Effect of share options on issue	-	-
	50,000,003	39,783,285

18. EMPLOYEE BENEFITS

	2009 $	2008 $
Current		
Liability for annual leave	9,231	7,831

19. SHARE-BASED PAYMENTS

Unlisted options

A share option plan has been established which entitles key management personnel to 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.

The terms and conditions of the grants are as follows:

Grant date	Vesting date	Number of instruments	Vesting conditions	Contractual life of options
12 October 2007	12 October 2007	4,500,000	Vested upon granting	4.9 years
26 November 2008	26 November 2008	500,000	Vested upon granting	5 years
26 November 2008	26 November 2009	500,000	1 year service	5 years
26 November 2008	26 November 2010	500,000	2 years' service	5 years
		6,000,000		

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 July / 13 August	40 cents	4,500,000	- cents	-
Forfeited during period	- cents	-	- cents	-
Exercised during the period	- cents	-	- cents	-
Granted during the period	30 cents	1,500,000	40 cents	4,500,000
Outstanding at 30 June	38 cents	6,000,000	40 cents	4,500,000
Exercisable at 30 June	38 cents	5,000,000	40 cents	4,500,000

The options outstanding at 30 June 2009 have an exercise price in the range of 20 cents to 40 cents and a weighted average contractual life of 3.48 years (2008: 4.16 years).

No options were exercised or forfeited during the year (2008: no options exercised or forfeited).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes options pricing model, with the following inputs:

Fair value of share options and assumptions issued during the year	**Class A**	**Class B**	**Class C**
Fair value at grant date	1.31 cents	0.98 cents	0.78 cents
Share price	4.30 cents	4.30 cents	4.30 cents
Exercise price	20 cents	30 cents	40 cents
Expected volatility	70%	70%	70%
Option life	5 years	5 years	5 years
Vesting period	- years	1 year	2 years
Risk free rate	6.75%	6.75%	6.75%

Expected volatility is estimated by considering historic average share price volatility.

Employee expenses

	2009 $	2008 $
Share options granted in 2008	-	309,009
Share options granted in 2009	11,221	-
Total expense recognised as employee costs	11,221	309,009

The value of each tranche of options is recognised as employee expenses over their respective vesting periods.

All options remain unexercised at 30 June 2009.

20. TRADE AND OTHER PAYABLES

	2009 $	2008 $
Current		
Trade payables	69,613	51,158
Non-trade payables and accrued expenses	20,250	60,991
	89,863	112,149

21. FINANCIAL INSTRUMENTS

(a) Credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2009	2008
	$	$
Other receivables	20,801	535,949
Cash and cash equivalents	2,544,204	3,116,747
	2,565,005	3,652,696

None of the Company's receivables are past due (2008: nil).

(b) Liquidity risk

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

	Carrying amount $	Contractual cash flows $	6 mths or less $
30 June 2009			
Non-derivative financial liabilities			
Trade and other payables	89,863	89,863	89,863
	89,863	89,863	89,863
30 June 2008			
Non-derivative financial liabilities			
Trade and other payables	112,148	112,148	112,148
	112,148	112,148	112,148

(c) Currency risk

The Company is not exposed to foreign currency risk.

(d) Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2009	2008
	$	$
Variable rate instruments		
Financial assets	2,544,204	3,116,747
	2,544,204	3,116,747

The Company does not carry any fixed rate instruments.

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 $2,544,204 (2008: $3,116,747).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased the Company's equity and profit or loss by $25,442 (2008: $32,836) respectively. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2008.

	Profit or loss and equity	
	100bp increase $	100bp decrease $
30 June 2009		
Variable rate instruments	25,442	(25,442)
Cash flow sensitivity	25,442	(25,442)
30 June 2008		
Variable rate instruments	32,836	(32,836)
Cash flow sensitivity	32,836	(32,836)

(e) Fair values

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

	2009 $	2008 $

22. OTHER COMMITMENTS

Office rent		
Less than one year	17,610	51,980
Between one and five years	25,280	77,970
	42,890	129,950

The commitment figure reported in June 2008 was for the period to 30 June 2010. The lease was renegotiated and a reduced rent became effective on 1 December 2008 for a three year period.

Mineral exploration		
Not later than one year	476,849	725,026

23. RELATED PARTIES

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

Short term employee benefits	322,504	219,594
Post-employment benefits	29,026	19,764
Share-based payments	11,221	309,009
	362,751	548,367

Individual directors and executives compensation disclosures

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

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

23. RELATED PARTIES (continued)

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might be reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
			2009	2008	2009	2008
			$	$	$	$
Key management person	Transaction					
David McArthur						
Rhod Grivas						
Mark Pitt	Office rent	(i)	33,813	30,972	1,647	4,440
David McArthur	Management fee	(ii)	75,000	31,250	13,750	-
Total and current liabilities					15,397	4,440

(i) The Company entered into a three-year sub-lease of office premises with Dioro Exploration NL, a company associated with Messrs Grivas, McArthur and Pitt.

(ii) The Company paid a management fee to Broadway Management Pty Ltd, a company associated with Mr McArthur.

Options and rights over equity instruments

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

	**Held at 1 July 2008	Granted as compensation	Exercised	*Other changes	***Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
William Clayton	-	1,500,000	-	-	1,500,000	500,000	500,000
David McArthur	1,500,000	-	-	-	1,500,000	-	-
Rhod Grivas	1,500,000	-	-	-	1,500,000	-	-
Mark Pitt	1,500,000	-	-	-	1,500,000	-	-

	**Held at 13 August 2007	Granted as compensation	Exercised	*Other changes	***Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
William Clayton	-	-	-	-	-	-	-
David McArthur	-	1,500,000	-	-	1,500,000	1,500,000	-
Rhod Grivas	-	1,500,000	-	-	1,500,000	1,500,000	-
Mark Pitt	-	1,500,000	-	-	1,500,000	1,500,000	-

* *Other changes represent options that expired or were forfeited during the year*

** *Or date of appointment*

*** *Or date of resignation*

Movements in shares

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

	* Held at 1 July 2008	Purchases	Received on exercise of options	Sales	** Held at 30 June 2009
Directors					
William Clayton	310,000	-	-	-	310,000
David McArthur	2,615,907	224,412	-	-	2,840,319
Mark Pitt	144,577	-	-	-	144,577
Rhod Grivas	241,021	-	-	-	241,021

	* Held at 13 August 2007	Purchases	Received on exercise of options	Sales	** Held at 30 June 2008
Directors					
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*

No shares were granted to key management personnel during the reporting period as compensation in 2008 or 2009.

Other related parties

Contributions to superannuation funds on behalf of employees are disclosed in note 8.

24. 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.

25. AUDITORS' REMUNERATION

	2009 $	2008 $
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	55,377	31,714
	55,377	31,714
Other services		
Auditors of the Company		
KPMG Australia:		
Investigating accontants' report	-	15,000
Taxation compliance services	7,000	-
	7,000	15,000

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

(a) the financial statements and notes, and the Remuneration report in the Directors' report, set out in section 4, are 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 2009 and of their performance, for the financial year 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(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 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 2009.

Signed in accordance with a resolution of the directors:

Dated at Perth this 3rd day of September 2009.

DAVID McARTHUR
Director

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 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 25 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

Independence

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

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 2009 and of its performance for the year 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 Section 4 of the directors' report for the year ended 30 June 2009. 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 year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

3 September 2009

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. SHAREHOLDER INFORMATION

(a) Distribution of equity security holders at 31 August 2009

	Number of equity security holders	
Category	Ordinary shares	Options
1 - 1,000	2,935	-
1,001 - 5,000	1,687	-
5,001 - 10,000	348	-
10,001 - 100,000	805	-
100,001 and over	67	4
	5,842	4

The number of shareholders holding less than a marketable parcel of ordinary shares is 5,312

(b) Voting rights

Ordinary shares

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 for every share held.

Options

There are no voting rights attached to the options.

(c) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Name	Number of Shares
David McArthur	2,840,319

(d) 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.

(e) Unlisted 31 August 2012 Options

There are 1,500,000 options held by 1 holder on issue and are exercisable between $0.20 and $0.40 on or before 26 November 2013.

(f) Restricted securities

555,641 fully paid ordinary shares and 4,500,000 options exercisable 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.

4. TOP TWENTY SHAREHOLDERS

The Top Twenty Shareholders as at 31 August 2009 are set out below:

Rank	Name	Units	% of Units
1	Genteel Nominees Pty Ltd	2,500,000	5.00
2	Piat Corp Pty Ltd	2,200,000	4.40
3	Sampala Investments Pty Ltd	1,695,078	3.39
4	DASMAC (WA) Pty Ltd <McArthur Family SF A/C>	1,443,754	2.89
5	La Mancha Resources Australia Pty Ltd	1,324,343	2.65
6	Paso Holdings Pty Ltd	918,510	1.84
7	Cadogan Grove Pty Ltd <The Wood Family S/F AC>	895,780	1.79
8	Mr William Henry Hernstadt	888,749	1.78
9	Mr Craig Ian Burton <C I Burton Family A/C>	804,922	1.61
10	Nomial Pty Ltd <Burton Family Super Fund A/C>	589,760	1.18
11	ANZ Nominees Limited <Cash Income A/C>	524,938	1.05
12	Lando Pty Ltd	508,866	1.02
13	Ematilda Pty Ltd <The Fisheagle Fund A/C>	500,000	1.00
14	Oak Stream Pty Ltd <Ian Dorrington Family A/C>	500,000	1.00
15	Mr James Florian Pearson <James Pearson S/Fund A/C>	500,000	1.00
16	Woodhurst Pty Ltd	450,000	0.90
17	Carojon Pty Ltd <Imbruglia S/F A/C>	400,000	0.80
18	Tekoma Holdings Pty Ltd	395,014	0.79
19	Mrs Susan Jane McArthur <McArthur Family A/C>	321,980	0.64
20	Brocklebank PTY LTD	308,439	0.62
		17,670,133	35.34

ANNUAL REPORT 2009

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

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# AND

# EXPLANATORY MEMORANDUM

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***Date of Meeting***
**Thursday, 5 November 2009**

***Time of Meeting***
**10.00am (WST)**

***Place of Meeting***
**Level 2, 45 Stirling Highway**
**Nedlands, Western Australia**
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LODESTAR MINERALS LIMITED
ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Lodestar Minerals Limited will be held at Level 2, 45 Stirling Highway, Nedlands on Thursday, 5 November 2009 at 10.00am (WST).

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (WST) on Monday, 2 November 2009.

An Explanatory Memorandum containing information in relation to each of the resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following resolutions.

ORDINARY BUSINESS

2009 Accounts

To receive and consider the Directors' report and income statement for the year ended 30 June 2009, the balance sheet at that date, the Auditors' report and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Director's Remuneration Report for the year ended 30 June 2009 and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, pursuant to and in accordance with section 250R(2) of the Corporations Act , the Directors' Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2009 be adopted."

Ordinary Resolution 2: Re-Election of a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Mark Pitt, a director retiring by rotation in accordance the Company's Constitution, is re-elected a director of the Company."

Information about Mr Pitt is set out in the Company's Annual Report.

Special Resolution 3 – Disposal of less than Marketable Parcel of Shares

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution:**

" That, pursuant to Schedule 1 of the Company's Constitution, approval is given for the Company to adopt the minimum shareholding buy-back provisions as set out in Schedule 1 of the Company's Constitution on the terms and conditions set out in the Explanatory Memorandum"

By Order of the Board

D M McARTHUR
Company Secretary

Dated: 22 September 2009

LODESTAR MINERALS LIMITED
ABN 32 127 026 528

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

NON-BINDING ORDINARY RESOLUTION 1 – Directors' Remuneration Report

Pursuant to Section 250R(2) of the Corporations Act, a resolution adopting the Directors' Remuneration Report contained within the Directors' Report must be put to the vote.

Shareholders are advised that pursuant to Section 250R(3) of the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company.

The Director's Remuneration Report is set out within the Director's Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive and non executive Directors and senior executives of the Company;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company;
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company; and
- provides an explanation of share based compensation payments for each Director and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Directors' Remuneration Report at the Meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Directors' Remuneration Report.

ORDINARY RESOLUTION 2 – Re- Election of a Director of the Company

ASX Listing Rule 14.4 and Clause 7.3(a) of the Company's Constitution provide that at every Annual General Meeting of the Company one-third of the Directors(other than alternate Directors and the Managing director) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Mark Pitt, being a director of the Company, retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

SPECIAL RESOLUTION 3: Disposal of less than a Marketable Parcel of Shares

Resolution 3 is a special resolution to adopt the minimum shareholding buyback provisions contained in Schedule 1 to the Constitution. Schedule 1, on adoption, enables the Company to have the right, but not the obligation to procure the disposal of shares where the member holds less than a Marketable Parcel of shares within the meaning of the Listing Rules (for these purposes a marketable parcel is a parcel of securities of no less than $500). Pursuant to Schedule 1 of the Constitution the ability of the Company to utilise the minimum holding buy back provisions expires 12 months from the date of adoption. A minimum holding buy back is a procedure whereby the Company buys back shares from Shareholders holding less than a Marketable Parcel (**minimal Shareholdings**). Schedule 1 of the Company's Constitution sets out the procedure for the sale of Minimal Shareholdings by the Company on behalf of its members who hold less than a Marketable Parcel (**Minority Members**).

As well as keeping administrative costs to a minimum, the disposal of less than Marketable Parcels, at no cost to the Shareholder, enables holders of small numbers of shares to sell their holding without incurring minimum brokerage.

The process for implementing the sale of Minimal Shareholdings is set out below:

(a) the Company must give written notice to a Minority Member advising of the Company's intention to sell his or her shareholding pursuant to Schedule 1 (**First Notice**)

(b) the Minority Member must, within 6 weeks of receipt of the First Notice (**Notification Period**), advise the Company if it wishes to retain the holding (**Retention Notice**):

(c) if, following expiry of the Notification Period, the Company does not receive a Retention Notice the Company must give the Minority Member a second written notice (**Second Notice**) advising that the company intends to sell his or her shareholding upon expiration of 5 business days from the date of the Second Notice (**Final Notice Period**), unless the Minority Member notifies the Company that it wishes to retain the holding;

(d) on the date immediately following expiry of the Final Notice Period (**Effective Date**), (and provided the Minority Member has not advised the Company within the Final Notice Period that it wishes to retain the holding) the Company may sell a Minority Member's Minimal Shareholdings;

(e) the Company must appoint a person to act as attorney for each Minority Member to execute an instrument of transfer of the Minimal Shareholdings to the purchaser (**Purchaser)**

(f) from the Effective Date, the Company:

    (i) shall act as the Minority Member's agent; and

    (ii) may sell the Minimal Shareholdings (provided the price per share is not less than the simple average of the sale prices of the Shares on ASX over the last 10 trading days prior to the date the offer is received by the Company);

(g) the Company must collect the proceeds of sale of the Minimal Shareholdings (**Proceeds**);

(h) following receipt of the Proceeds the Company must:

    (i) immediately enter the name of the Purchaser in the Register of Shareholdings; and

    (ii) within 14 days of receipt of the share certificate, provide the Minority Members with their pro rata proportions of the Proceeds by cheque payable to the Minority Member (or, if joint holders, to them jointly) mailed to their address on the Register of Shareholders (or if a joint holder to the person named first on the Register of Members)

The Company bears the cost of the sale of the Minimal Shareholdings. The Company may only invoke Schedule 1 once in any 12 month period.

GLOSSARY

Annual General Meeting or **Meeting** means the meeting of Shareholders convened by the Notice.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX Limited

Board means the board of Directors of the Company.

Company or **Lodestar** means Lodestar Minerals Limited ABN 32 127 026 528.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Existing Shareholders means all Shareholders on the register of members of the Company immediately prior at the Snapshot date.

Explanatory Memorandum means this Explanatory Memorandum.

Notice or **Notice of Meeting** means the notice of meeting accompanying this Explanatory Memorandum.

Resolutions means the resolutions contained in the Notice which Shareholders will vote upon.

Security Holder means a holder of a Share or an Option.

Shareholder means a holder of a Share.

Shares means fully paid ordinary Shares in the capital of the Company.

WST means Western Standard Time.

PROXY FORM

APPOINTMENT OF PROXY
LODESTAR MINERALS LIMITED
ABN 32 127 026 528

ANNUAL GENERAL MEETING

I/We ______________________

of ______________________

being a member of Lodestar Minerals Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint ______________________

Name of proxy

<u>OR</u> ☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting, or the Chairman's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10.00am (WST), on Thursday, 5 November 2009 at Level 2, 45 Stirling Highway, Nedlands, Western Australia, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

☐ If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **<u>not</u>** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 3** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 3 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 3 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 3.

OR

Voting on Business of the Annual General Meeting

	FOR	**AGAINST**	**ABSTAIN**
Resolution 1 – Directors' Remuneration Report	☐	☐	☐
Resolution 2 – Re-Election of Mr M Pitt as a Director	☐	☐	☐
Resolution 3 –Disposal of less than marketable parcel of shares	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s): **Date:**

Individual or Member 1		**Member 2**		**Member 3**
Sole Director/Company Secretary		**Director**		**Director/Company Secretary**

Contact Name: ______________________Contact Ph (daytime):

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

Instructions for Completing 'Appointment of Proxy' Form

1. (**Appointing a Proxy**): A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

2. (**Direction to Vote**): A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing Instructions**):

   - (**Individual**): Where the holding is in one name, the member must sign.

   - (**Joint Holding**): Where the holding is in more than one name, all of the members must sign.

   - (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   (a) post to Lodestar Minerals Limited, PO Box 985, Nedlands, Western Australia, 6909; or

   (b) facsimile to the Company on facsimile number +61 8 9389 8327,

so that it is received not later than 10.00am (WST) on Tuesday, 3 November 2009.

Proxy forms received later than this time will be invalid.