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31 January 2008

ASX Limited

Dear Sir / Madam

The following summarises the results of activity for the quarter ended 31 December 2007:

Highlights

Lodestar Minerals has commenced exploration at the Penfold Nickel Project located between Kalgoorlie and Coolgardie.

Lodestar will commence a detailed regional moving loop EM survey over the eastern ultramafic belt that hosts the Abattoir prospect. A regional grid was established during December / January in preparation for the commencement of the EM survey in early February.

An RC drilling program is also set to commence in early February aimed at following up the encouraging historic nickel sulphide intercepts at the Abattoir prospect, including 3m @ 3.1% Ni + Cu.

Lodestar Minerals NL ("**Lodestar**") has commenced exploration on the Penfold Nickel Project after successfully listing on the ASX on the 21st of December 2007, and raising \$ 5,000,000 through the issue of 25 million shares at 20 cents each. Lodestar entered into a sale agreement with Dioro Exploration NL on the 12 October 2007 to acquire the sole and exclusive right to explore for and mine nickel on the Penfold Project tenements.

Since acquiring the nickel rights to the Penfold Project, Lodestar has reviewed all available previous exploration data, highlighting priority exploration targets. Work has begun on a surface moving loop EM survey with an initial focus on the Abattoir and adjacent ultramafic sequences within the Kambalda domain. The aim is to fulfil Lodestar's key exploration objectives of:

- a) rapidly evaluating the Abattoir prospect, and
- b) generating further nickel targets within the adjacent ultramafic sequences.

An RC drill rig has been sourced to begin drilling at the Abattoir prospect in early February. An initial program of 700 metres is designed to follow-up historic drilling that intersected nickel mineralisation over a strike length of 180m, within a prospective high Mg ultramafic sequence. Previous drilling reported best intersections of 3m @ 3.1% Ni + Cu in DDH-7, 1m @ 2.7% Ni in DDH-6 and 15.2m at 0.64% Ni in DDH8. Mineralisation appears to be open both along strike and at depth.

The Penfolds Project is located 12 kilometres from Kambalda, a world class nickel province in Western Australia. The Tenements and Locations have historical sulphide nickel intercepts at the Abattoir prospect, and remain largely underexplored using modern geophysical and drilling techniques.

The Penfolds Project is considered highly prospective due to:

- its location covering three ultramafic belts, 12 kilometres from Kambalda, a world class nickel province in Western Australia;
- its dormant exploration status with no nickel exploration undertaken on the project in the last 15 years due to the projects ownership by large gold-focussed explorers;
- its historical sulphide nickel, intercepts including 3m @ 3.1% Ni + Cu at the Abattoir prospect; and
- the lack of modern exploration geophysics with no documented evidence of any previous airborne, surface or down hole geophysical techniques. These techniques have led to the discovery of numerous nickel deposits in recent times.

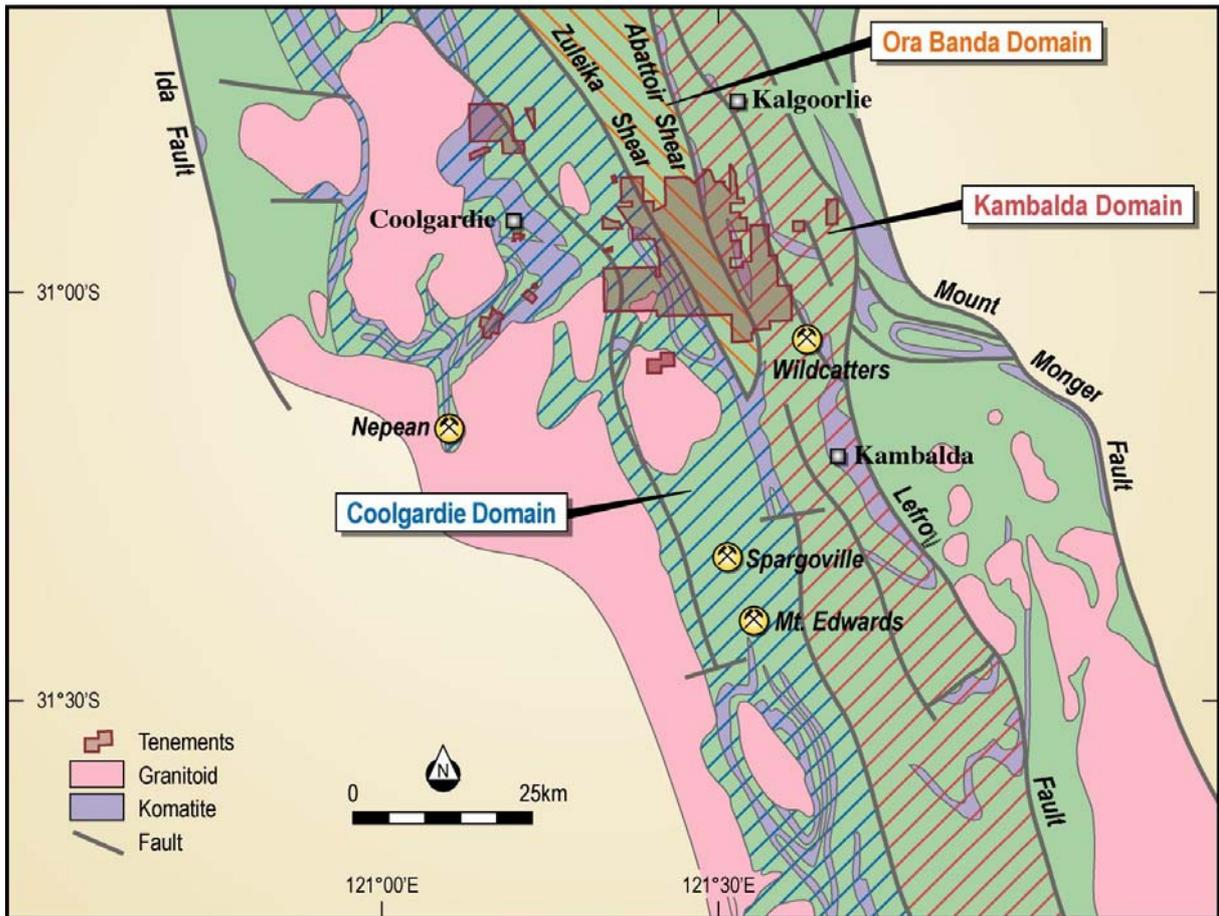
The Penfolds Project covers an estimated 48 strike kilometres of mafic-ultramafic stratigraphy within the Coolgardie and Kambalda tectono-stratigraphic domains. Both the Coolgardie and Kambalda domains have demonstrable endowment of komatiite - hosted nickel sulphides, with the Kambalda domain being the type example of this style of mineralisation and having produced more than 1 million tonnes of Ni metal.

The Penfolds Project tenements fall largely within the Coolgardie domain where tight upright folding and strike parallel shearing have probably combined to attenuate and alter local zones of thickening (troughs) within the ultramafic on the fold limbs, in effect making identification of these targets more difficult.

Given the evident similarities in age, stratigraphic relationships and composition of the project ultramafic sequences to those of proximal, renowned nickel camps there is high potential for the project having similar nickel sulphide occurrences.

The enigmatic Abattoir Prospect, on Location 53, remains the obvious target for immediate exploration. The effectiveness and intensity of previous nickel exploration also requires critical assessment. Clearly, in areas of outcrop, surface exploration techniques such as geological mapping and prospecting, costeaning and geochemical sampling, have been highly effective in identifying mineralisation that extends into the zone of weathering.

The main phase of nickel exploration in the 1960's and 1970's identified all areas where these techniques were likely to be effective. The ultramafic sequences are known to extend under cover along strike from outcrops (from the aeromagnetic data), where the techniques employed by earlier explorers were less effective due to the lack of geochemical indicators in transported surface material and where drilling was employed, the common inability of the drilling methods to provide meaningful samples in areas of high water table, soft clays or broken, indurated zones within the regolith.



There has been a lapse of 15 years in systematic exploration for nickel sulphide mineralisation within the project area (a period during which gold was the commodity of interest), during which time exploration technology has enjoyed significant advances in drilling and geophysical techniques, and many areas under cover can now be effectively assessed to depths of 200-300m.

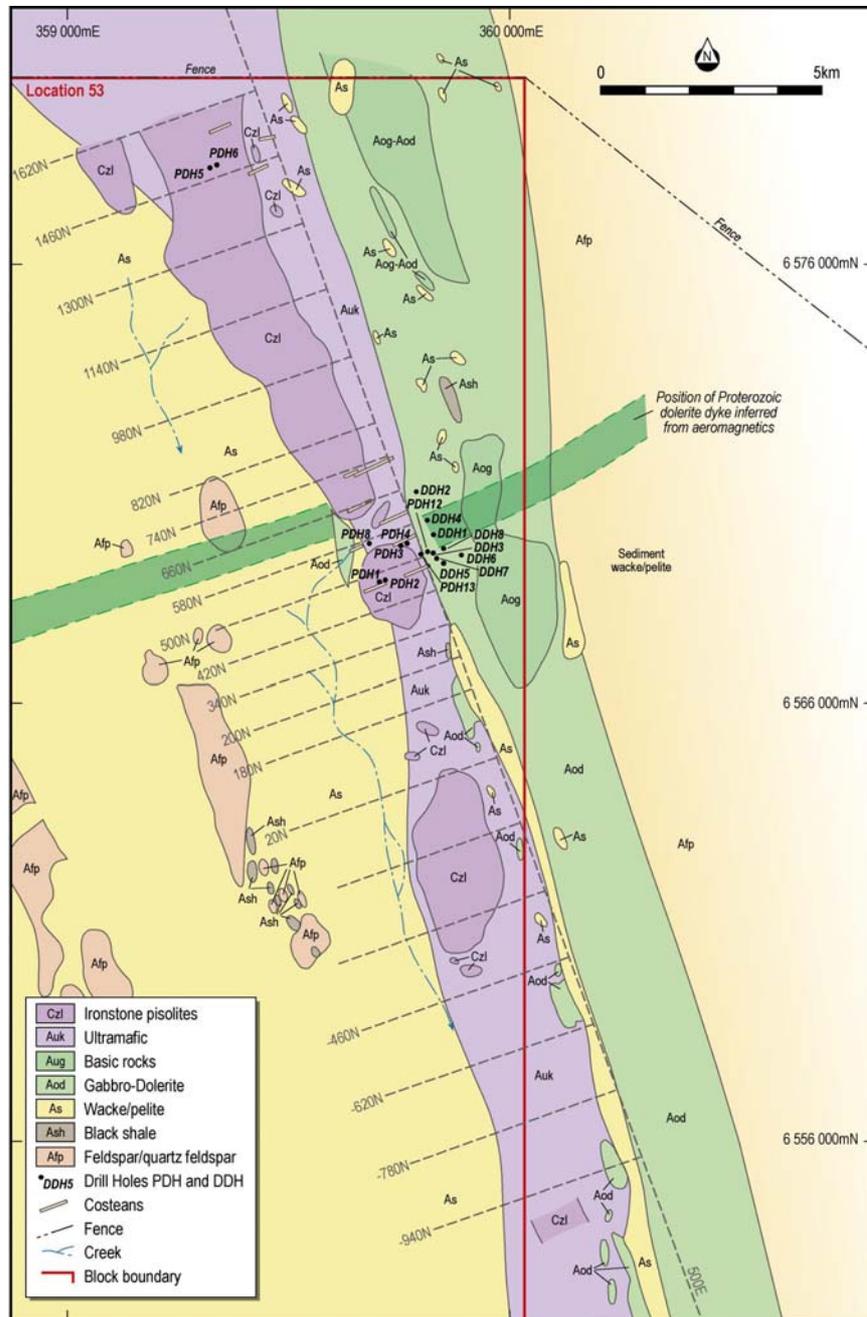
Further, there is now an awareness of the importance of regolith interpretation when analysing geochemical surveys and a willingness to drill to bedrock in areas where reliable geochemical information is required. The greatest opportunities for exploration success are believed to exist where ultramafic sequences under cover remain under-explored; in these areas shallow mineralisation, extending into the regolith may have gone unrecognised.

Similarly, deeper targets, represented by mineralisation below the base of weathering and having no surface geochemical expression are also likely to have been overlooked.

The main features of the Penfolds Project assessment are:

- The ultramafic sequences have the same age, stratigraphic association and composition as ultramafics hosting the Kambalda - Widgiemooltha nickel camps and the Nepean nickel deposit. The Penfolds Project also includes the strike extension of the ultramafic sequence hosting the Wildcatters Prospect. On this basis the potential for nickel mineralisation occurring within the Penfolds Project must be considered high;
- Historic exploration concentrated around areas of outcrop, ultramafic sequences under cover were generally not as effectively explored due to limitations in drilling equipment and geophysical surveying;

- Nickel sulphide mineralisation identified in an unusual setting at the Abattoir Prospect has not been explored conclusively; and
- The greatest potential remains for the discovery of mineralisation under transported cover and/or deeper mineralisation occurring below the depth of weathering.



Yours faithfully
LODESTAR MINERALS LIMITED



BILL CLAYTON
Managing Director

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information provided by Lodestar Minerals Ltd and compiled by Mr Bill Clayton, MAIG, an employee of Lodestar Minerals Ltd. Mr Clayton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Clayton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

LODESTAR MINERALS LIMITED

ACN or ARBN

127 026 528

Quarter ended ("current quarter")

31 December 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(3)	-
(b) development	-	-
(c) production	-	-
(d) administration	(94)	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(96)	-
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (proceeds received from parent entity)	92	-
Net investing cash flows	92	-
1.13 Total operating and investing cash flows (carried forward)	(4)	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(4)	-
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	4,979	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	(326)	-
Net financing cash flows		4,653	-
Net increase (decrease) in cash held		4,649	-
1.20	Cash at beginning of quarter/year to date	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	4,649	-

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	55
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes salaries paid to directors and director-related entities during the quarter, along with superannuation paid on behalf of directors. Also included is office rental expenses paid to a related entity.

Non-cash financing and investing activities

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

Lodestar acquired the rights to the nickel tenements from Dioro Exploration NL for the issue of 25,000,000 Lodestar shares at a value of 20 cents each.

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.2	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,649	-
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,649	-

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	50,000,003	49,316,245	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	50,000,000	49,316,245	20 cents	20 cents
7.5 +Convertible debt securities	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options Listed options	0	0	<i>Exercise price</i> N/A	<i>Expiry date</i> N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	0	0	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2008
Director

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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