



ASX ANNOUNCEMENT

18 October 2016

Electronic lodgement

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED

ABN: 32 127 026 528

CONTACT DETAILS

Bill Clayton, Managing Director
+61 8 9423 3200

Registered and Principal Office

Level 2, 55 Carrington Street
Nedlands, WA 6009

PO Box 985
Nedlands, WA, 6909

info@lodestarminerals.com.au

www.lodestarminerals.com.au

CAPITAL STRUCTURE

Shares on Issue:

386,224,233 (LSR)

Options on Issue:

43,550,127 (unlisted)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:

Camel Hills – gold

Ned's Creek – gold

Marymia – gold

Imbin – gold and base metals



DISPATCH OF 2016 ANNUAL REPORT AND NOTICE OF AGM

Attached is copy of the Lodestar Minerals Limited 2016 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Memorandum which have been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting will also be available on our website www.lodestarminerals.com.au

For and on behalf of the Board

David McArthur
Director



LODESTAR MINERALS LIMITED
ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING
PROXY FORM
AND
EXPLANATORY MEMORANDUM

Date of Meeting

Wednesday 23 November 2016

Time of Meeting

11:00 am (WST)

Place of Meeting

**Level 2, 55 Carrington Street
Nedlands, Western Australia**

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Lodestar Minerals Limited ("**Company**") will be held at 11:00m (WST) on Wednesday 23 November 2016, at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 4:00pm (WST) on Monday 21 November 2016.

An Explanatory Statement 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

Financial Statements and Reports

To receive and consider the annual financial report for the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

Resolution 1: Adoption of the Remuneration Report

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

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report contained within the Company's annual financial report for the financial year ended 30 June 2016."

Note 1: the vote on this resolution is advisory only and does not bind the Directors of the Company.

Note 2: If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election. Less than 25% of shareholder voted against the remuneration report at the 2015 Annual General Meeting.

Voting Prohibition Statement:

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member,

(collectively, a "**Prohibited Voter**").

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Resolution 2: Re-election of Director - Mr David McArthur

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

“That Mr David McArthur, a Director, retires by rotation in accordance with clause 7.3 of the Company’s constitution, ASX Listing Rule 14.4 and for all other purposes, and being eligible is re-elected as a Director.”

Resolution 3: Approval of 10% Placement Capacity

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

“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Important note: The proposed recipients of any Equity Securities under the 10% Placement Capacity are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person’s vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Capacity), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

Resolution 4: Ratification of Prior Issue of Shares and Options

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 15,600,256 fully paid ordinary shares and 7,800,127 Options on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5: Ratification of Prior Issue of Shares

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 4,473,106 fully paid ordinary shares on the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Issue of Options to Related Party – Mr Bill Clayton

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

“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Director Options to Mr Bill Clayton (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Bill Clayton, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 7: Issue of Options to Related Party – Mr Ross Taylor

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

“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Director Options to Mr Ross Taylor (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Ross Taylor, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Resolution 8: Issue of Options to Related Party – Mr David McArthur

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

“That, for the purpose of ASX Listing Rule 10.11, sections 195(4) and 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 6,000,000 Director Options to Mr David McArthur (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr David McArthur, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

By Order of the Board



D M McARTHUR
Company Secretary

Dated: 7 October 2016

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 4:00pm (WST) on Monday 21 November 2016 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Mr David McArthur on +61 8 9423 3200 if they have any queries in respect of the matters set out in this document.

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

EXPLANATORY STATEMENT

This Explanatory Statement 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 Statement 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.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016, together with the declaration of the Directors, the Directors’ report, the Remuneration Report and the auditor’s report.

A copy of the Company’s 2016 Annual Report is available on the Company’s ASX platform (ASX: LSR) and on the website www.lodestarminerals.com.au. Alternatively, a hard copy will be made available upon request.

The Company’s auditor, KPMG, will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor’s report, the Company’s accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company’s auditor about:

- (a) the preparation and content of the auditor’s report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

RESOLUTION 1: Adoption of Remuneration Report

General

The Corporations Act requires that at a listed company’s annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company’s remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors’ report contained in the annual financial report of the Company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (Spill Resolution) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (Spill Meeting) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

Previous voting results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) ***If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy***

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

(b) ***If you appoint the Chair as your proxy***

If you elect to appoint the Chair where he / she is also a member of the Key Management Personnel whose remunerations details are included in the Remuneration Report, or a Closely Related Party of such a member, ***you must direct the Chair how they are to vote***. Undirected proxies granted to these persons will be voted in favour of all Resolutions.

(c) ***If you appoint any other person as your proxy***

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the Proxy Form. Undirected proxies granted to these persons will be voted at their discretion.

RESOLUTION 2: Re-election of Director – Mr David McArthur

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is longer.

Clause 7.3 of the Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A Director who retires by rotation under clause 7.3(a) is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr David McArthur, the Director longest in office since his last election, retires by rotation and seeks re-election as a Director.

Information about Mr David McArthur is set out in the Company's 2016 Annual Report.

The Board unanimously supports the re-election of Mr David McArthur.

RESOLUTION 3: Approval of 10% Placement Capacity – Shares

General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$4.25 million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of quoted Equity Securities on issue, being fully paid ordinary Shares (ASX Code LSR).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A is the number of Shares on issue 12 months before the date of issue or agreement:
- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
 - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4.; and
 - (iv) less the number of Shares cancelled in the previous 12 months.
- B is 10%.
- C is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date above, the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Variable "A"		<u>DILUTION</u>		
		\$0.0055 50% decrease in Issue Price	\$0.011 Issue price	\$0.022 100% Increase in Issue Price
Current Variable A	10% Voting Dilution	38,622,423 Shares	38,622,423 Shares	38,622,423 Shares
386,224,233 Shares	Funds Raised	\$ 212,423	\$ 424,846	\$ 849,693
50% Increase In Current Variable A	10% Voting Dilution	57,933,634 Shares	57,933,634 Shares	57,933,634 Shares
579,336,349 Shares	Funds Raised	\$ 318,634	\$ 637,269	\$ 1,274,539
100% Increase In Current Variable A	10% Voting Dilution	77,244,846 Shares	77,244,846 Shares	77,244,846 Shares
772,448,466 Shares	Funds Raised	\$ 424,846	\$ 849,693	\$ 1,699,386

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- (a) The current shares on issue are the Shares on issue as at 27 September 2016.
- (b) No options are exercised into Shares before the date of issue of the Equity Securities.
- (c) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. That is why the voting dilution is shown in each example as 10%.
- (d) The issue price set out above is the closing price of the Shares on the ASX on 27 September 2016.
- (e) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (f) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

(g) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(h) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1. Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration in which case the Company may use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital; or

(ii) as non-cash consideration for the acquisition of new resources, assets and investments in which circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iii) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company obtained approval under Listing Rule 7.1A on 25 November 2015. The Company has not issued any Equity Securities pursuant to Listing Rule 7.1A in the 12 months preceding the date of the Annual General Meeting.

As the Company has previously sought shareholder approval for the additional placement capacity under Listing Rule 7.1A, the following information is provided in relation to all issues of equity securities in the 12 months prior to the date of the Annual General Meeting, pursuant to the requirements of Listing Rule 7.3A6(a) and 7.3A6(b):

A total of 20,073,362 ordinary shares have been issued representing 6.0% of the equity securities on issue at the commencement of the 12-month period preceding the date of the Annual General Meeting.

Date of Issue:	21/12/15
Number issued:	15,600,256
Class:	Fully paid ordinary
Terms:	Fully paid ordinary shares plus 7,800,127 options exercisable at 6 cents each by 31 December 2018
Name of applicants:	Sophisticated investors
Price:	3.0 cents per share (free attaching 1:2 option)
Discount to market:	No discount to market
Total cash received:	\$ 468,007
Intended use of cash	Drilling program at the Company's gold prospect areas and administration costs associated with the corporate and compliance functions of the Perth office.

Date of Issue:	7/4/16
Number issued:	4,473,106
Class:	Fully paid ordinary
Terms:	Placement
Name of applicants:	Asymmetric Arbitrage, Ltd
Price:	3.0 cent per share
Discount to market:	No discount to market
Total cash received:	\$ 134,193
Intended use of cash	Drilling program at the Company's gold prospect areas and administration costs associated with the corporate and compliance functions of the Perth office.

Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

RESOLUTION 4: Ratification of Prior Issue of Shares and Options

On 21 December 2015, the Company issued 15,600,256 Shares at an issue price of \$0.03 per Share to raise \$468,007. 7,800,127 options exercisable at 6 cents each by 31 December 2018 were issued for nil consideration.

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12-month period any equity securities which, when aggregated with the number of other securities issued within that 12-month period exceeds 15% of the number of ordinary shares on issue at the beginning of that 12-month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 if subsequently approved by shareholders, thereby 'refreshing' the company's ability to issue shares within the 15% limit, and restoring the company's ability to make placements within that limit (if that is thought desirable) without the need for shareholder approval.

While the Shares described in this Resolution 4 have been issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4 so that the Company's ability to issue securities will be refreshed and it will have the flexibility to issue further securities should the need or opportunity arise.

Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 15,600,256 Shares and 7,800,127 Options were issued;
- (b) the issue price was \$0.03 per Share;
- (c) the Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the options were exercisable at 6 cents each on or before 31 December 2018.
- (e) the Shares were issued to sophisticated investors. None of these subscribers are related parties of the Company; and
- (f) the funds raised under the Placement were used for working capital.

RESOLUTION 5: Ratification of Prior Issue of Shares

On 7 April 2016, the Company issued 4,473,106 Shares at an issue price of \$0.03 per Share resulting from shortfall in the conversion of 31 March 2016 listed options. The Option conversion was underwritten by Asymmetric Arbitrage, Ltd.

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12-month period any equity securities which, when aggregated with the number of other securities issued within that 12-month period exceeds 15% of the number of ordinary shares on issue at the beginning of that 12-month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

Listing Rule 7.4 provides an issue made within the 15% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 if subsequently approved by shareholders, thereby 'refreshing' the Company's ability to issue shares within the 15% limit, and restoring the Company's ability to make placements within that limit (if that is thought desirable) without the need for shareholder approval.

While the Shares described in this Resolution 5 have been issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4 so that the Company's ability to issue securities will be refreshed and it will have the flexibility to issue further securities should the need or opportunity arise.

Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 4,473,106 Shares were issued;
- (b) the issue price was \$0.03 per Share;
- (c) the Shares were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the options were exercisable at 6 cents each on or before 31 December 2018.
- (e) the Shares were issued to Asymmetric Arbitrage, Ltd which is not a related party of the Company; and
- (f) the funds raised under the Placement were used for working capital.

RESOLUTIONS 6, 7 and 8: Issue of Options to Related Parties

The Company has agreed, subject to shareholder approval, to issue a total of 18,000,000 Options (**Director Options**) to its Directors as set out below:

- (a) Mr Bill Clayton – 6,000,000 Options;
- (b) Mr Ross Taylor – 6,000,000 Options; and
- (c) Mr David McArthur – 6,000,000 Options,

(together, the **Related Parties**) on the terms and conditions set out in Appendix 1.

For a public company to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of the Director Options constitutes giving a financial benefit, and Mr Bill Clayton, Mr Ross Taylor and Mr David McArthur are Related Parties of the Company by virtue of being Directors.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies. It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

Section 195 of the Corporations Act

Section 195(1) of the Corporations Act provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered.

If there is not a quorum of directors who are eligible to vote on a matter because of the operation of Section 195(1) of the Corporations Act, one or more directors may call a general meeting and the general meeting may deal with the matter.

The voting prohibition in section 195(1) of the Corporations Act does not apply to a proposal to call a general meeting to consider a matter in which one or more directors have a material personal interest - that is, a director with a material personal interest may consider and vote on such a proposal.

Each of the Directors, being Mr Bill Clayton, Mr Ross Taylor and Mr David McArthur have a material personal interest in the outcome of Resolutions 6 to 8 because they will be receiving Director Options.

The Directors have exercised their right under section 195(4) of the Corporations Act to call the Meeting and put the matters the subject of Resolutions 6 to 8 to Shareholders.

Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to, and in accordance with, the requirements of Sections 217 to 227 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Parties are Mr Bill Clayton, Mr Ross Taylor and Mr David McArthur by virtue of being a Directors.
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties in the aggregate is 18,000,000 Director Options, being 6,000,000 Director Options to each of Messrs Clayton, Taylor and McArthur;
- (c) The Director options will be exercisable at \$0.03 per Option on or before 31 October 2019;
- (d) the Director Options will otherwise be issued on the terms and conditions outlined in Appendix 1;
- (e) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (f) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (g) the value of the Director Options is \$230,467 and the pricing methodology is set out in Appendix 2;
- (h) the relevant interest of the Related Parties in securities of the Company is set out below:

Mr Bill Clayton - 3,517,223 shares
 - 2,500,000 unlisted options exercisable at 15-30 cents by 29 November 2016
 - 10,000,000 unlisted options exercisable at 5 cents by 31 December 2017

Mr Ross Taylor - 71,920,450 shares
 - 8,000,000 unlisted options exercisable at 5 cents by 31 December 2017

Mr David McArthur - 11,700,005 shares
 - 8,000,000 options exercisable at 5 cents by 31 December 2017

- (i) the Related Parties receive remuneration for the current financial year as follows:
 - (i) Bill Clayton- \$164,250
 - (ii) Ross Taylor- \$54,750
 - (iii) David McArthur- \$76,650 (Includes \$ 43,800 paid as Company Secretary).

In the previous financial year, the Related Parties received the following from the Company (paid and payable):

- (i) Bill Clayton -\$164,250
- (ii) Ross Taylor - \$54,750
- (iii) David McArthur- \$76,650 (Includes \$ 43,700 paid as Company Secretary).

Other than as set out in this Explanatory Statement, the Related Parties have not received any other emoluments from the Company;

- (j) if the Director Options granted to the Related Parties are exercised, a total of 18,000,000 Shares would be issued. This will increase the number of Shares on issue from 450,594,938 (assuming 100% take up of current rights issue) to 468,594,938 (assuming that no other Options are exercised and no other Shares issued) with the effect that the share holding of existing shareholders would be diluted by 3.8% (Clayton 1.28%, Taylor 1.28% and McArthur 1.28%).

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time, any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (k) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	DATE
Highest	\$0.028	05/07/2016
Lowest	\$0.01	30/09/2016
Latest	\$0.013	05/10/2015

- (l) the primary purpose of the issue of the Director Options is to provide a market linked incentive to the Related Parties to motivate and reward their performance in their respective roles as Directors;
- (m) the Board acknowledges the grant of Related Party Options to Mr Bill Clayton, Mr Ross Taylor and Mr David McArthur is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however the Board considers the grant of Related Party Options to Mr Bill Clayton, Mr Ross Taylor and Mr David McArthur reasonable in the circumstances for the reason set out in paragraph (n);
- (n) Mr Bill Clayton declines to make a recommendation to Shareholders in relation to Resolution 6 due to Mr Bill Clayton's material personal interest in the outcome of the Resolution on the basis that Mr Bill Clayton is to be granted Director Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 7 and 8, Mr Bill Clayton recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the grant of Director Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - (ii) the grant of the Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the Director Options upon the terms proposed;
- (o) Mr Ross Taylor declines to make a recommendation to Shareholders in relation to Resolution 7 due to Mr Ross Taylor's material personal interest in the outcome of the Resolution on the basis that Mr Ross Taylor is to be granted Director Options in the Company should Resolution 7 be passed. However, in respect of Resolutions 6 and 8, Mr Ross Taylor recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);
- (p) Mr David McArthur declines to make a recommendation to Shareholders in relation to Resolution 8 due to Mr David McArthur's material personal interest in the outcome of the Resolution on the basis that Mr David McArthur is to be granted Director Options in the Company should Resolution 8 be passed. However, in respect of Resolutions 6 and 7, Mr David McArthur recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (n);

- (q) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Director Options to be granted as well as the exercise prices and expiry dates of those Director Options; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolutions.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

GLOSSARY

10% Placement Capacity has the meaning given in Resolution 3 of the Explanatory Statement.

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

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Lodestar Minerals Limited -ABN 32 127 026 528

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

WST means Australian Western Standard Time (Perth, Western Australia).

Instructions for Completing ‘Appointment of Proxy’ Form

1. **(Changes to Proxy Voting):** Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:
 - (a) if proxy holders vote, they must cast all directed proxies as directed;
 - (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed; andFurther details on these changes are set out below.
2. **(Appointing a Proxy):** A member with two or more votes entitled to attend and vote at the 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.
3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
 - (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
 - (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:
 - (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
 - (b) the appointed proxy is not the chair of the meeting;
 - (c) at the meeting, a poll is duly demanded on the resolution; and
 - (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.
5. **(Signing Instructions):**
 - (a) **(Individual):** Where the holding is in one name, the member must sign.
 - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - (c) **(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.

- (d) **(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.
6. **(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.
7. **(Voting in person):**
- (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.
- (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting.
8. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):
- (a) In person to Level 2, 55 Carrington Street, Nedlands, Perth, WA;
- (b) By mail to PO Box 985, Nedlands, WA, 6909.
- (c) By Facsimile to +61 8 9389 8327;
- (d) By scan and email to david.mcarthur@broadwaymgt.com.au

so that it is received at least 48 hours prior to commencement of the General Meeting. Proxy Forms received later than this time will be invalid.

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

APPENDIX 1

The material terms and condition of the Director Options referred to in Resolutions 6-8 are as follows:

- (a) The Options will be issued in 1 tranche with an exercise price of \$0.03 (“Exercise Price”):
- (b) The Options are exercisable at any time on or before 31 October 2019 (“Expiry Date”).
- (c) The options will be listed.
- (d) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (e) The notice attached to the certificate has to be completed when exercising the Options (“Notice of Exercise”).
- (f) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (g) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company’s then existing Shares.
- (h) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (i) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (j) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (k) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

APPENDIX 2

Valuation of Options to be issued to Directors

The Company has valued the Options to be issued to Directors (“Director Options”) using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Director Options ascribed a value as follows:

Assumptions:

Value date: 5 October 2016

Share price: \$0.013

Exercise price: \$0.03

Term: 35 months

Volatility: 300%

Risk free interest rate: 2.6%

Indicative value per Option: \$0.0128

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

..... (Company),
Insert name of Shareholder Company
the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at an annual general meeting of the members of Lodestar Minerals Limited to be held on Wednesday 23 November 2016 commencing at 11.00 am (WST) and at any adjournments of that general meeting.

DATED

Please sign here

Executed by the Company)
in accordance with its constituent documents)
)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg “John Smith” or “each director of the Company”).
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Lodestar Minerals Limited at Level 2, 55 Carrington Street, Nedlands WA 6009 or fax the Certificate to the registered office at +61 8 9389 8327

PROXY FORM
APPOINTMENT OF PROXY
LODESTAR MINERALS LIMITED
ABN 32 127 026 528
ANNUAL GENERAL MEETING

I/We

Address

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

Appoint

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the Annual General Meeting as your proxy.)

OR the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions or if no directions have been as the proxy sees fit, at the Annual General Meeting to be held at 11.00 am (WST) on Wednesday 23 November 2016 at Level 2, 55 Carrington Street, Nedlands, Western Australia, and at any adjournment of that meeting.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1: Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: Re-election of Director - David McArthur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: Ratification of Prior Issue of Shares and Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5: Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6: Issue of Options to Related Party - B Clayton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: Issue of Options to Related Party - R Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8: Issue of Options to Related Party - D McArthur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 be counted in computing the required majority on a poll.

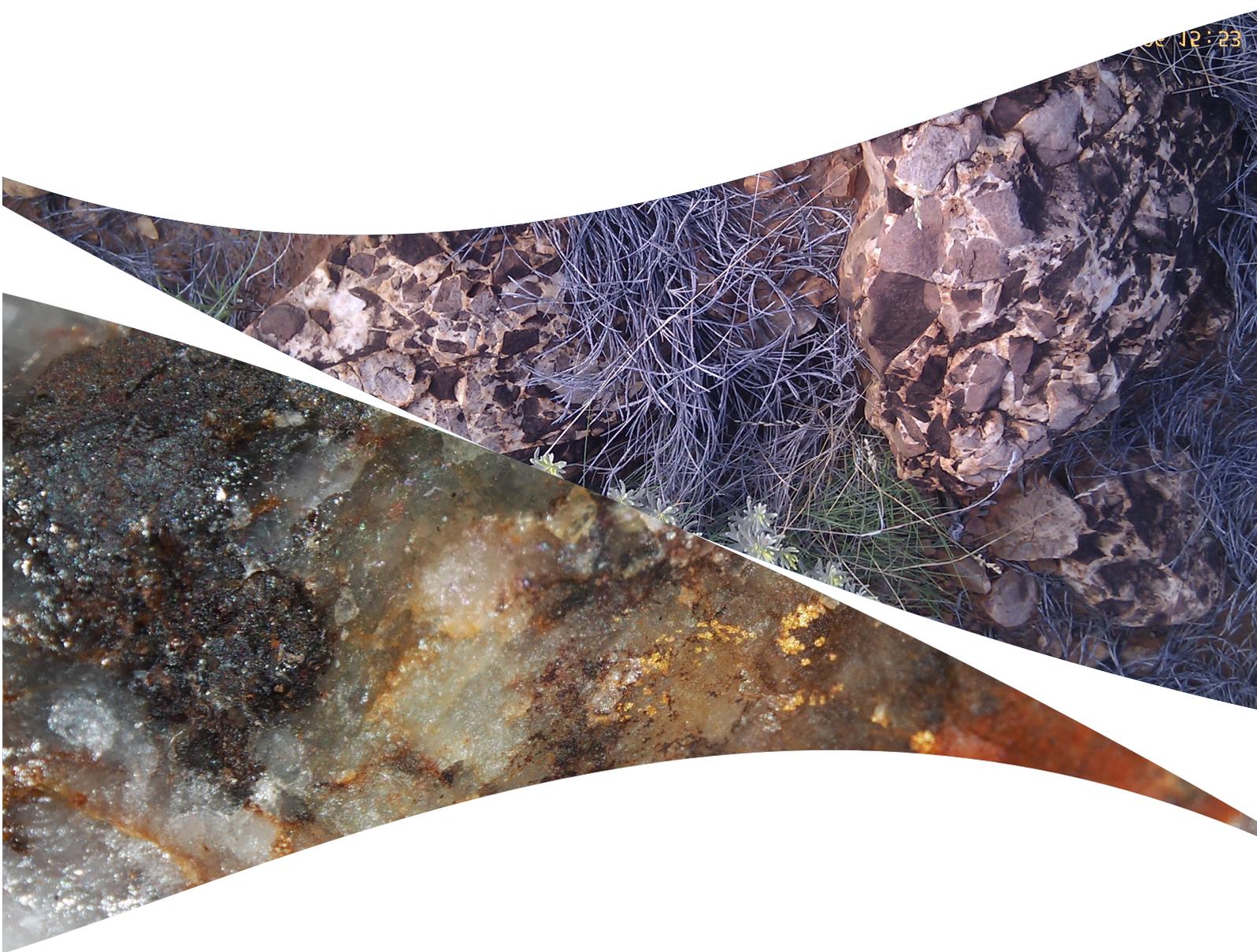
If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Signature of Member(s)

_____ **Date:** _____

Individual or Member 1	Member 2	Member 3
<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>	<input style="width: 250px; height: 25px;" type="text"/>
Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____



ANNUAL REPORT 2016

Lodestar Minerals Limited

ABN 32 127 026 528

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**LODESTAR MINERALS LIMITED
CORPORATE DIRECTORY**

CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretary

Mr David McArthur

Registered and Principal Office

Level 2, 55 Carrington Street
Nedlands WA 6009

Website: www.lodestarminerals.com.au

Email: admin@lodestarminerals.com.au

Telephone: +61 8 9423 3200

Facsimile: +61 8 9389 8327

Postal Address

PO Box 985
Nedlands WA 6909

Auditors

KPMG
Level 8, 235 St George's Terrace
Perth WA 6000

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000

ASX Code

Shares: LSR

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

REVIEW OF OPERATIONS

HIGHLIGHTS

Lodestar tested promising gold targets at the Camel Hills (Big Sky) and Neds Creek (Contessa – Brumby, Marymia) projects throughout 2015-2016, in accordance with our aim of rapidly identifying and testing exploration opportunities having potential to deliver a significant discovery.

At Camel Hills, the Big Sky prospect gold anomalies identified by the trench sampling and RAB drilling programs completed in 2015 were followed by detailed auger geochemical sampling and RC drilling. Initial RC drilling of the gold discovery outcrop reported very high grade gold intersections below the outcrop, but subsequent close-spaced RC drilling at depth and up to 140m along strike failed to repeat these high grades. The immediate area around the Big Sky mineralisation is therefore down-graded, however Lodestar's work has identified the structural contact between the Petter Calc-silicate and Quartpot pelite as consistently anomalous in gold. This contact can be traced in aeromagnetic data for more than 6km in Lodestar's tenements where it is spatially associated with gold reported in drainage sampling. These historic gold anomalies are untested and will be investigated in the next phase of exploration at Camel Hills.

At Ned's Creek aircore drilling was completed in the Marymia area following the discovery by prospectors of gold nuggets and specimens in duricrust. The drilling identified a shallow north-dipping mineralised zone that reported maxima of 0.9g/t gold and 0.54% copper. The Marymia tenements have received minimal historic exploration and Lodestar has reviewed and interpreted high resolution aeromagnetic data and is completing detailed surface geochemistry to assist future drill targeting.

A new gold target has been identified at the historic prospect known as West Pinnyriny. The geology is believed to be a continuation of the Baumgarten greenstone belt and early exploration drilling (circa 1992) intersected anomalous gold near surface. Lodestar has reported anomalous gold in rock chip samples collected from the area of this drilling which is also identified by coincident anomalous copper, antimony and arsenic values reported from Lodestar's lag sampling. A high resolution aeromagnetic survey was flown in April; this data has been processed and interpreted to provide a framework for detailed surface geochemical sampling to be carried out this year.

A high resolution aeromagnetic survey was completed at Contessa, together with a gradient array induced polarisation survey (IP) over the area of supergene mineralisation intersected by Lodestar's aircore drilling in 2013.

RC drilling at Contessa in 2014 intersected disseminated pyrite alteration in fresh rock. Samples with pyrite mineralisation have variable gold content, up to a maximum of 6g/t over 1 metre intervals. The IP survey was intended to identify zones of electrically chargeable sulphides concentrated in the bedrock that may host bulk gold mineralisation. A discrete IP anomaly was identified by the survey with a predicted strike length of 150m and depth of 150 to 200m. The anomaly was located adjacent to and south east of significant supergene gold in aircore drilling. Four RC drill holes were completed, all holes intersected zones of disseminated pyrite alteration but gold grades were generally less than 1g/t gold.

The Contessa mineralisation is hosted by a large diorite intrusion that exhibits extensive pyrite alteration and local ore-grade gold mineralisation. This geological setting is very significant in terms of the regional potential of the Contessa-Brumby area and additional drilling is needed along the contacts southwest of Contessa.

Detailed geological mapping over the Brumby prospect identified a new gold anomaly from rock chip sampling and a single RC drill hole tested a gold intersection in previous aircore drilling. The RC drill hole reached 99m and intersected several zones of disseminated sulphide mineralisation with strongly anomalous gold values to a maximum 1.87g/t. The drill hole and recent mapping of the Brumby area has confirmed that mineralisation is related to intrusions of syenite composition. Syenite-related gold mineralisation may include extensive sub-grade mineralisation as a halo to localised ore-grade shoots. Therefore the recognition of intrusions of syenite composition hosting disseminated low-grade gold mineralisation is viewed as being very positive for future exploration success in the Contessa-Brumby area.

EXPLORING THE CAPRICORN MARGIN

Lodestar’s tenement portfolio includes 2,443 square kilometres under tenure across the northern margin of the Yilgarn Craton, Western Australia (Figure 1). The tenement package spans a distance of 580 kilometres, extending across the collision zone of the Yilgarn and Pilbara Cratons, known as the Capricorn Orogen.

Ancient craton margins have potential to host large base metal and precious metal deposits; the associated deep crustal structures can promote the transfer of fluids and magma from fertile upper mantle to the upper crust over extended periods. Craton margins are sites of repeated crustal re-working that re-activate first-order structures, transferring metal-bearing fluids into favourable structural sites in the upper crust.

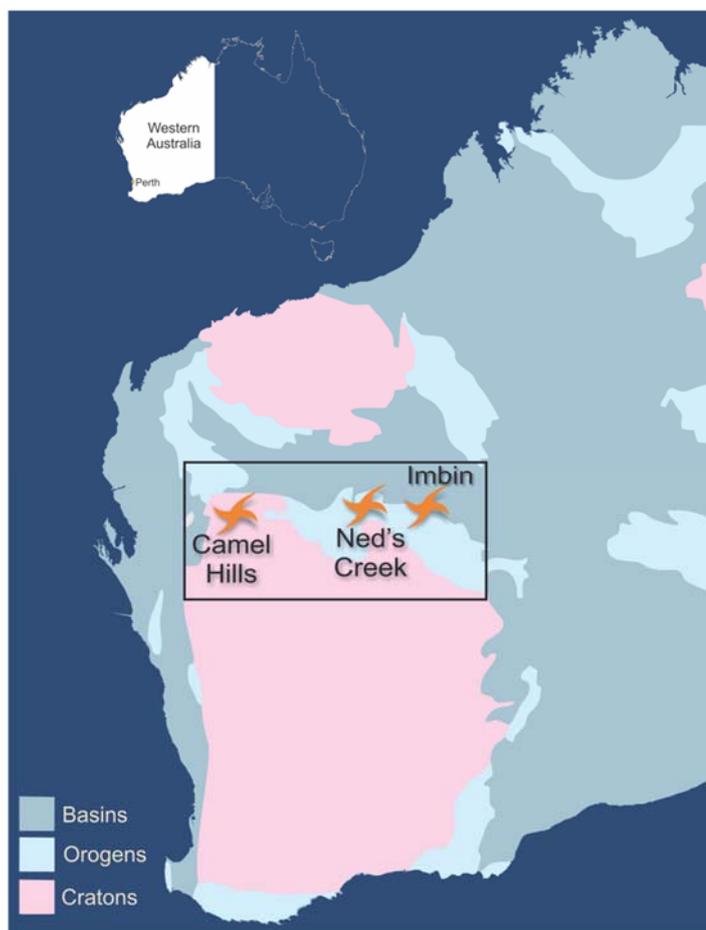


Figure 1 Location of Lodestar's projects

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The Bryah Basin and flanking Marymia Inlier, containing the Plutonic Well greenstone belt, have an endowment of multi-million ounce gold deposits and growing resources of copper (Figure 2). The mineralisation at the Plutonic gold deposit (5Moz Au) has been dated at ~2100Ma, 1850Ma and 1680Ma¹, reflecting multi-phase mineralisation related to major orogenic events on the Yilgarn margin. A recent study of the ages of ore deposits in the Bryah and Padbury Basins has confirmed this relationship between major orogenic events and mineralisation; the DeGrussa and Horseshoe Lights (Cu-Au), Peak Hill, Horseshoe and Mikhaburra (Au) deposits are dated between 2005 – 1960Ma corresponding to the Glenburgh Orogeny². Correlation of these mineralising episodes across the northern margin of the Yilgarn is important in identifying areas of similar mineral potential and rocks of Glenburgh age are known to occur at Camel Hills and Imbin.

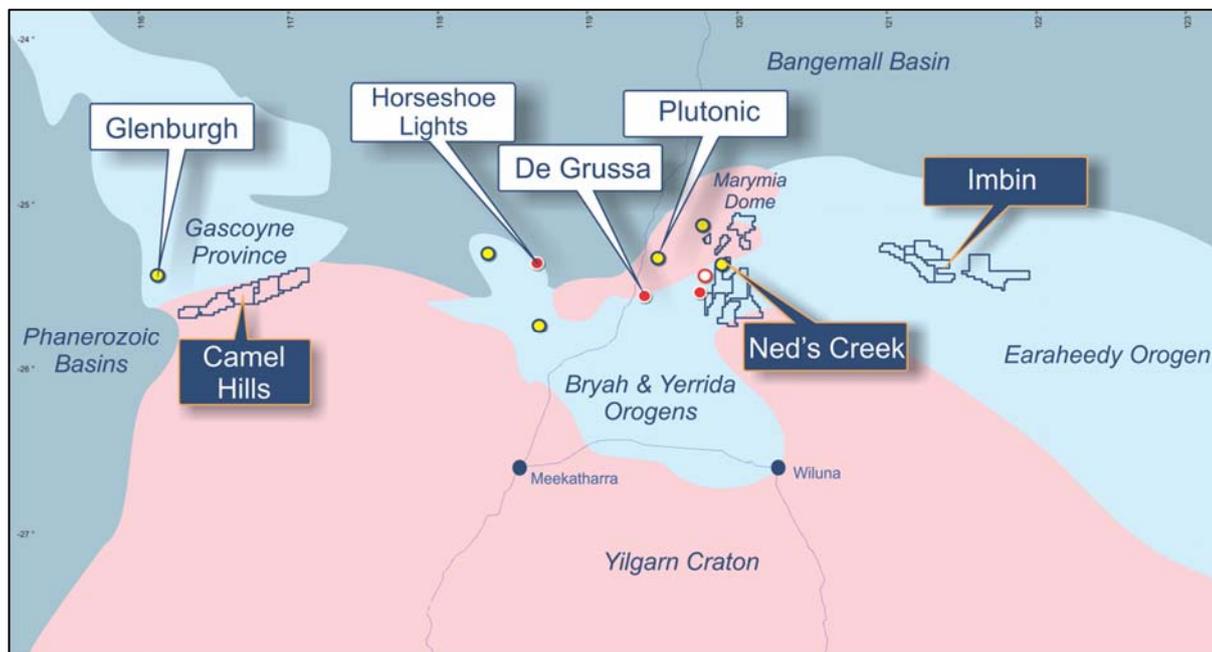


Figure 2 Major mineral deposits of the Capricorn margin.

¹ Gazely, M.F. (2011), Metamorphism, Geochronology and Stratigraphy of an amphibolite-facies greenstone-hosted gold deposit: Plutonic Gold Mine, Western Australia. Unpublished PhD thesis, Victoria University of Wellington, New Zealand, 164p.

² Hawke, M.L., Meffre, S. and Stein, H. (2014), Geochronology of the DeGrussa Cu-Au-Ag volcanic-hosted massive sulphide deposit and comparisons with regional mineralization of the Yerrida, Bryah and Padbury basins, Western Australia. Accessed on 26th June 2015 at http://www.segweb.org/SEG/Events/Conference_Website_Archives/2014/Abstracts/data/papers/abstracts/0393-000068.pdf

NED'S CREEK PROJECT

(E52/2440, E52/2456, E52/2468, E52/2493 & E52/2734)

Contessa (Gold)

The Ned's Creek tenements are located 150 kilometres north east of Meekatharra along geological trend from the Thaduna and DeGrussa copper deposits. The tenements flank the Jenkin Fault zone, a regional structure that defines the northern boundary of the Bryah-Yerrida volcano-sedimentary sequence and extend over 538 square kilometres of the northern Proterozoic Yerrida Basin and Archaean granite-greenstone basement (Figure 3). They are located 3 kilometres east of the Thaduna and Green Dragon copper deposits, currently being evaluated by Sandfire Resources NL.

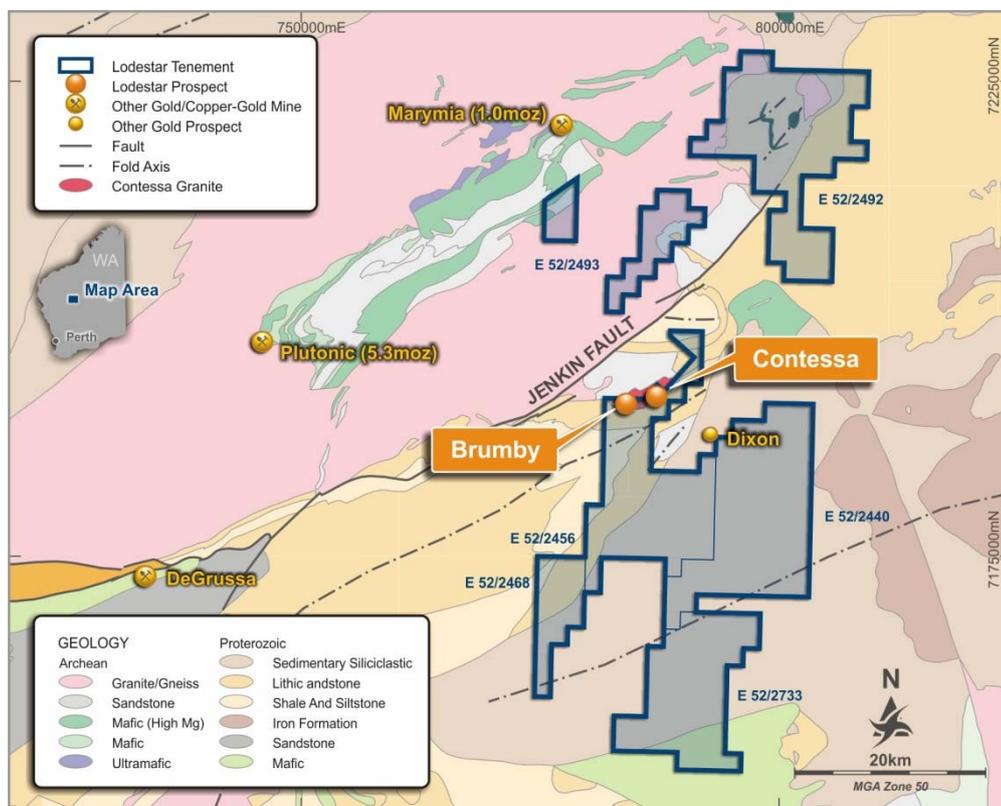


Figure 3 Location plan showing Contessa and Brumby prospects on the Ned's Creek tenements.

The north eastern Yerrida Basin contains thick sedimentary sequences interleaved with mafic volcanics related to a rifting phase of basin development. Basin geometry and stratigraphy is controlled by large-scale structures, the Jenkin and McDonald Well Faults. This setting is analogous to many of the world's major Proterozoic sediment-hosted base metal camps, highlighting the potential of this region to host large base metal deposits.

The Contessa gold discovery in 2013 confirmed the potential for significant gold mineralisation within the Ned's Creek tenements. Numerous surface gold anomalies have been targeted by first-pass aircore drilling, yielding significant ore-grade intersections of supergene gold mineralisation. The focus during the reporting period has been the discovery of a bedrock source for the supergene mineralisation.

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A high resolution aeromagnetic survey (25m line spacing, 25m sensor height) was completed over the Contessa main zone to provide greater detail in the interpretation of the geological and structural setting of the area. A gradient array induced polarisation (IP) survey was then completed over an area of 3km by 1km covering the area of most significant supergene gold intersected in drilling. IP surveys are a method of detecting bodies of disseminated sulphide mineralisation in bedrock and applicable to the Contessa environment where widespread pyrite alteration is associated with gold mineralisation in the diorite host. The IP survey defined a 150m long discrete anomaly adjacent to aircore drilling that intersected significant supergene gold mineralisation (see Figures 4 and 5).

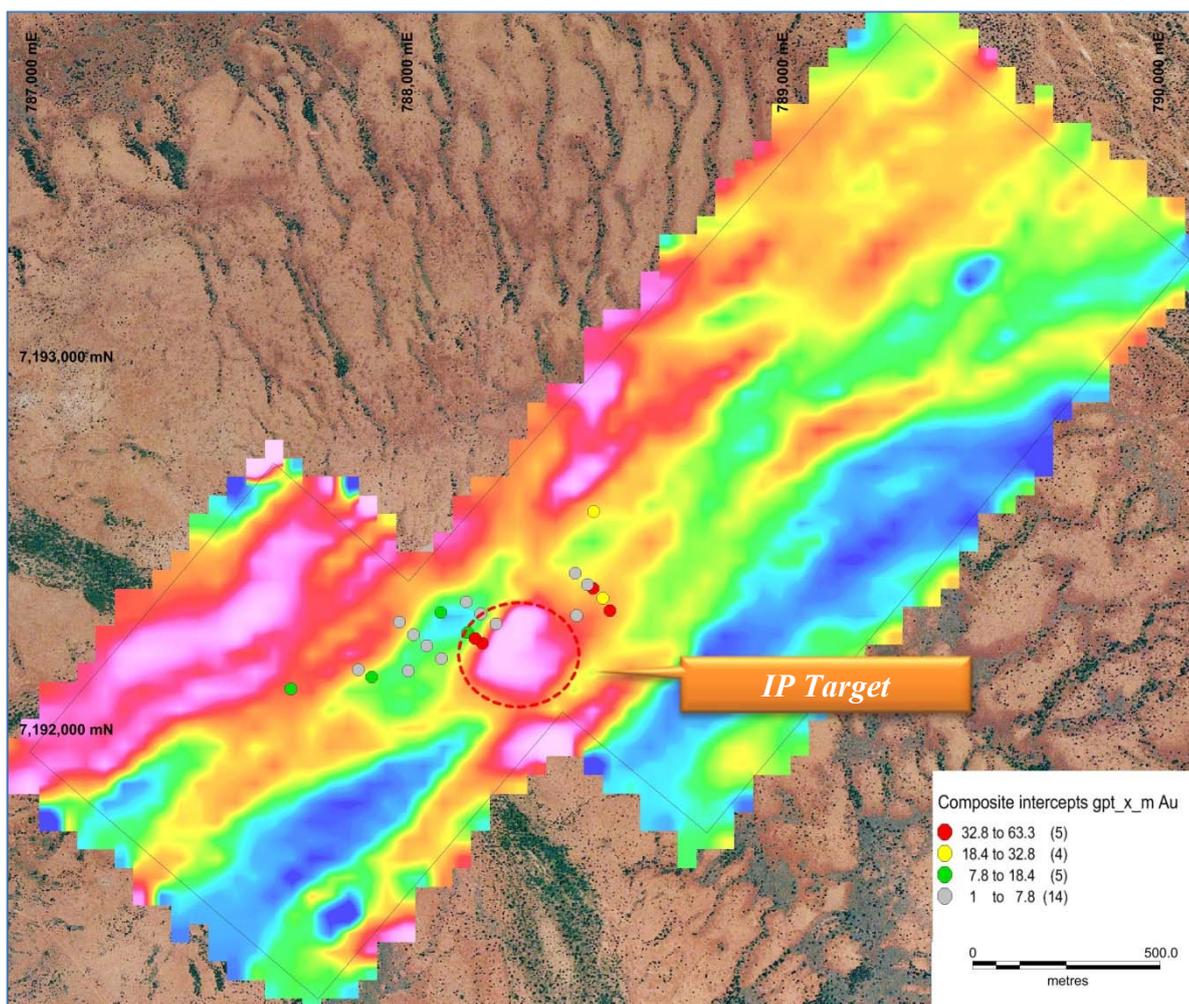


Figure 4 Gradient Array IP chargeability image showing anomaly tested by RC drilling and gold intercepts in aircore drilling. (MGA94 Zone 50).

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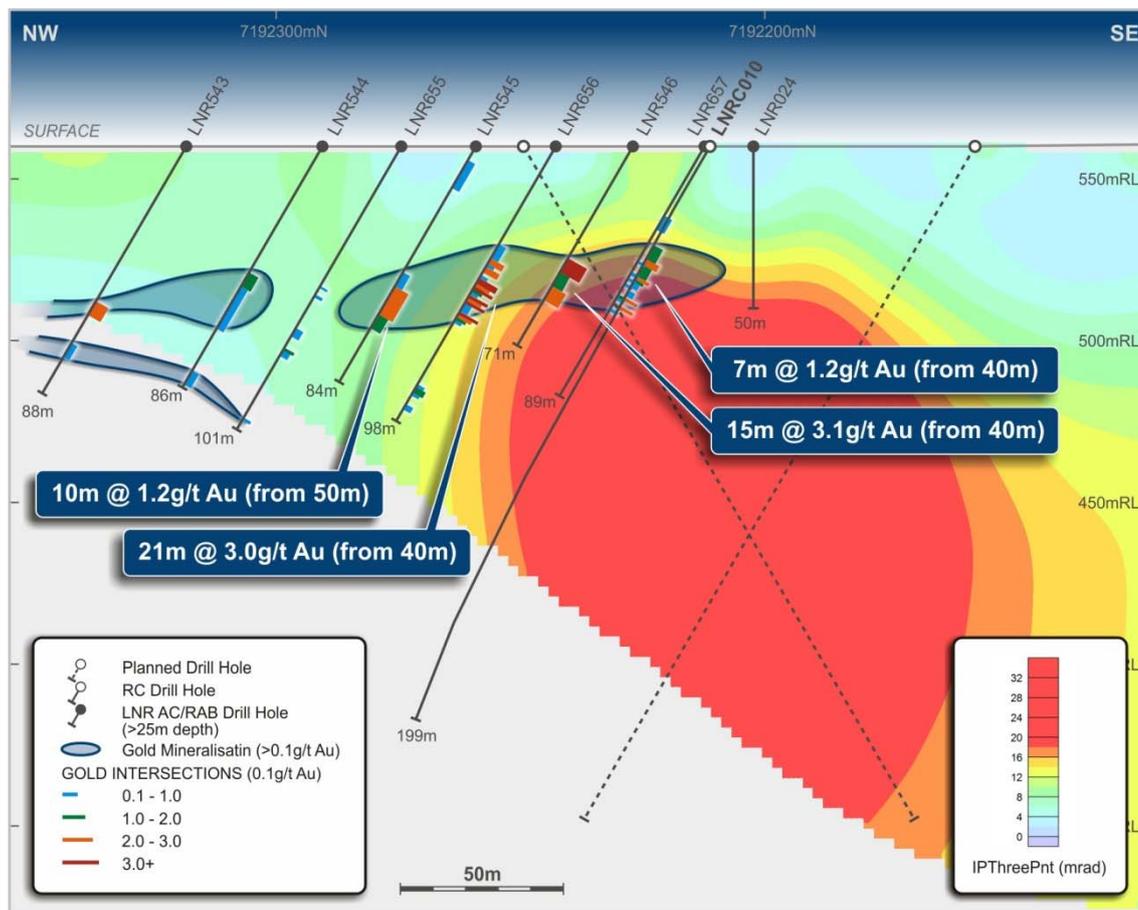


Figure 5 Modelled IP chargeable anomaly on section view showing Lodestar supergene drill intercepts.

Four RC drill holes tested the target to a depth of up to 249m on two sections 70m apart. All holes intersected variably altered diorite with locally up to 10% pyrite; however assay results reported only low grade gold, with best intercepts of 10m at 0.3g/t gold from 88m and 4m at 0.5g/t gold from 235m in LNRC017.

Further drilling is required at Contessa and along the granite contact to the southwest, where a number of supergene gold intercepts in aircore drilling remain untested. The wide distribution and magnitude of gold anomalies adjacent to the Contessa granite suggest that the potential for discovery is high.

Brumby (Gold)

Rock sampling and lag geochemical sampling, followed by wide-spaced traverses of aircore drilling have identified a large gold anomaly at the Brumby prospect, 4km west of Contessa, near the western contact of the Contessa granite. Lodestar completed detailed geological mapping of the Brumby area to assist in identifying possible controls on gold mineralisation. Important outcomes of this work were the recognition of intrusive rocks of syenite composition in the Brumby area and the discovery of a new gold target, east of current drilling, where iron-stained, weathered rock samples reported 1-2g/t gold within a 400m long lag geochemical anomaly (see Figure 6).

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A single RC hole (LNRC019) was drilled to a depth of 99m to test the extent of mineralisation and alteration near gold intercepts in Lodestar’s aircore drill hole LNR598. LNRC019 intersected several zones of low grade gold mineralisation associated with disseminated sulphides, with a maximum 1.87g/t gold from 50m.

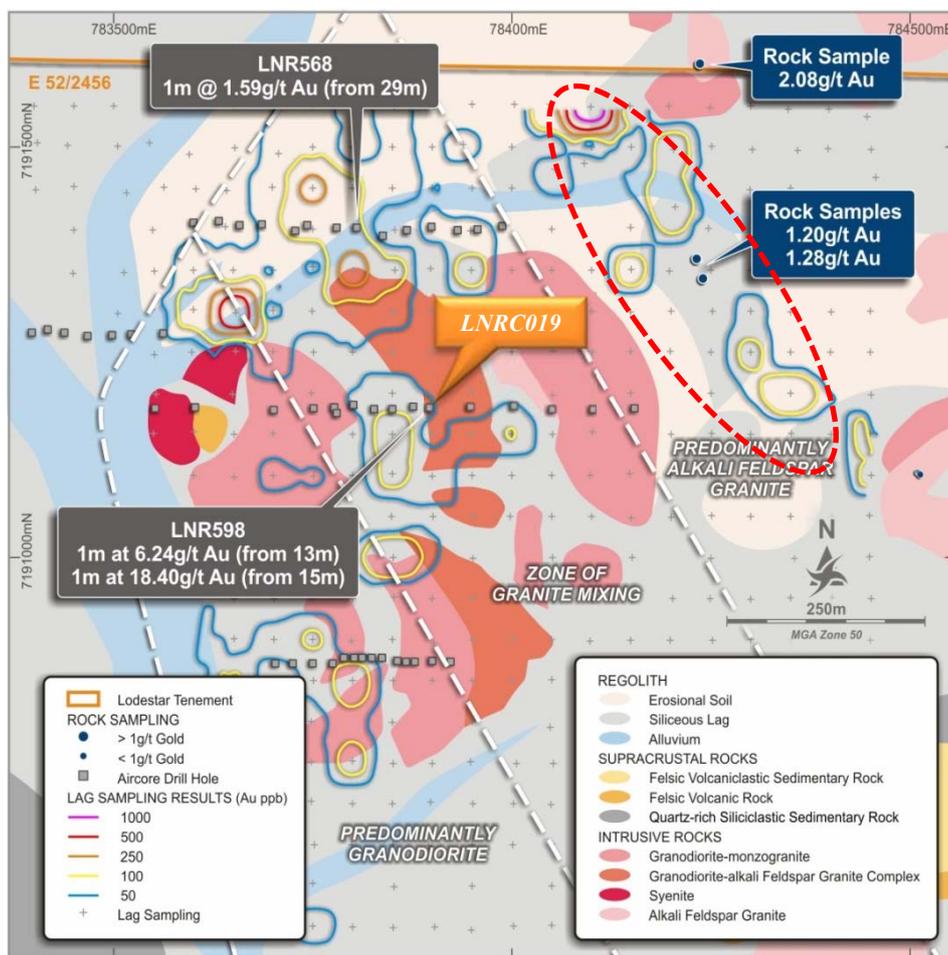


Figure 6 Brumby prospect mapping showing location of anomalous rock samples and gold in lag sampling

The discovery of gold-bearing disseminated sulphide mineralisation associated with syenite intrusions is significant for exploration targeting. Exploration models for intrusion-related gold systems indicate that higher grade lode systems associated with dykes, faults and contacts in the vicinity of the syenite bodies can occur in the area of low-grade, disseminated gold halos.

Aircore drilling is planned to

- Test the lag and rock sample anomaly east of current drilling
- In-fill selected areas within the granite and
- Test contact zones on the granite margins.

Marymia (Gold)

Following discovery of gold nuggets and gold specimens in laterite by a prospecting team in Marymia tenements E52/2734 and E52/2493 (see Figure 7), Lodestar completed in-fill lag geochemistry and rock sampling that reported gold up to 1.5g/t in the area of the nugget discovery. A program of 59 holes for 3,464m of close-spaced aircore drilling tested the area in an attempt to locate the source of the gold. The drilling intersected a shallow north-dipping zone of low-grade gold and anomalous copper, returning maximum values of 0.9g/t gold and 0.54% copper. The source of the gold nuggets remains unknown, however their discovery in an area of no previous exploration indicates that the Marymia terrane is worthy of further investigation.

Public domain aeromagnetic data for the tenements was recovered, processed and interpreted to improve understanding of the underlying geology and the relationships with the adjacent greenstone, where numerous deposits have been exploited.

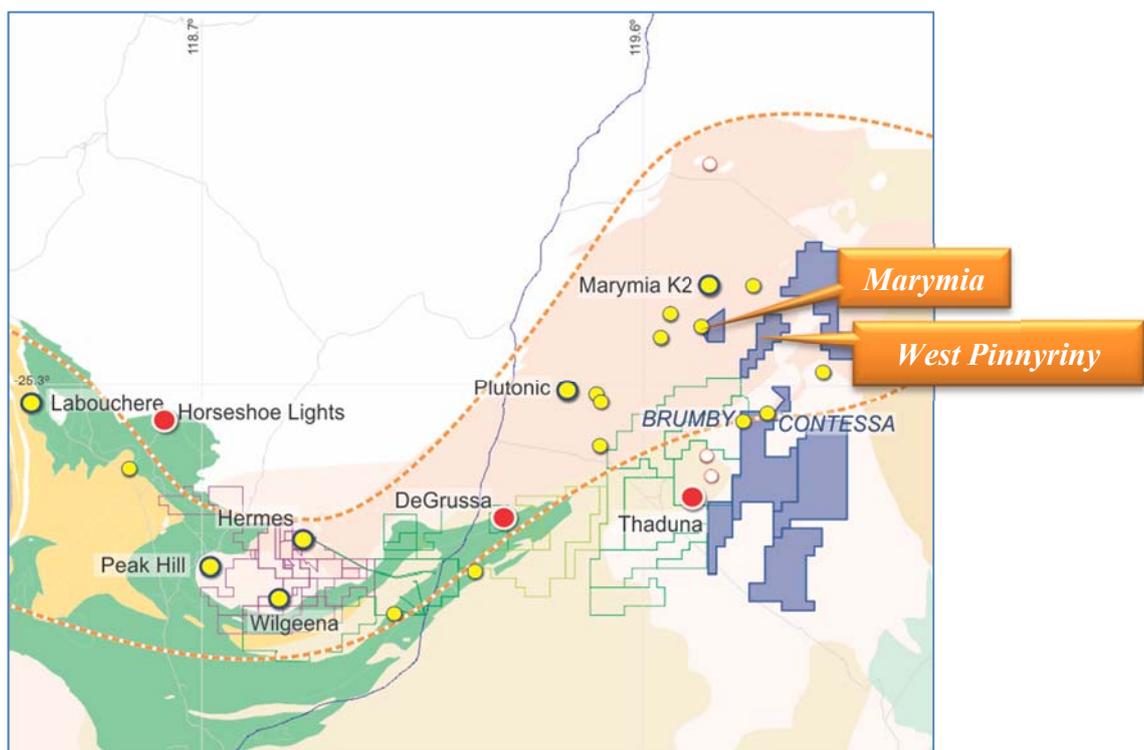


Figure 7 Location plan - Marymia and West Pinnyriny prospects.

In the Plutonic Well Greenstone Belt the intersection of east-west structures with lithological or structural contacts represents a potential site for mineralisation. Interpretation of aeromagnetic data at the prospect scale has identified conceptual targets related to east-west faults and intersections with the main northeast trending litho-structural units (see Figure 8). These targets will be reviewed and further drilling planned, once the results of a detailed surface sampling program have been received.

Bottom of hole samples from the aircore drilling were analysed for a range of multi-elements to identify rock types and determine whether alteration vectors to mineralisation were present.

A review of the drill hole geochemistry and geology identified a north west-trending brittle fault that is probably related to the series of east-west faults identified in the aeromagnetic interpretation. Alteration vectors to mineralisation show a consistent increase towards the brittle fault zone which is characterised by deep weathering and has not been effectively tested by Lodestar’s drilling.

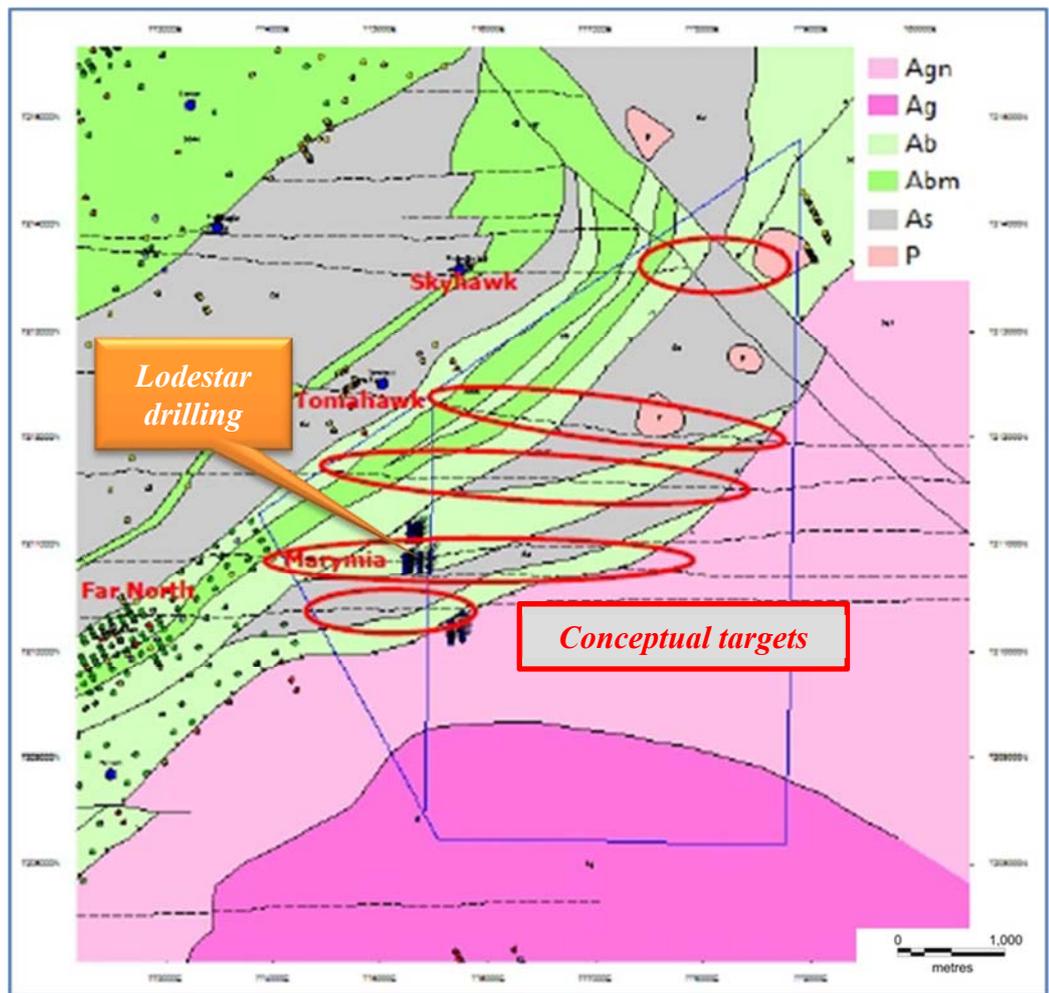


Figure 8 Marymia - Interpreted geology and gold targets from aeromagnetic interpretation (MGA94).

West Pinyriny (Gold)

A review of historic data located a gold prospect known as West Pinyriny (see Figure 7) discovered by Resolute3 following regional sampling that returned a rock sample grading 5.1g/t gold and a regional stream anomaly of 1.4ppb gold. The prospect is located within the area where Lodestar’s lag geochemistry has reported anomalous As, Cu, Pb and Sb. Resolute rock sampling reported consistently anomalous Au, As, Cu and Pb from outcropping weathered schists (up to 0.95g/t gold, 1280ppm As, 610ppm Cu and 470ppm Pb). This anomaly and an associated 2 to 4ppb gold in soil anomaly, which was drill tested, occurs over an area of approximately 100m by 100m.

³ Resolute Resource’s Limited Report on the Marymia Gold Project, E52/322, 1991. Open file report no. A32637, Department of Mines and Petroleum, Western Australia.

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Drill results from 5 holes on the western traverse were highly anomalous in the near surface zone, reporting

- GRAB01 – 0 to 5m at 0.34g/t gold
- GRAB002 – 0 to 10m at 0.34g/t gold
- GRAB003 – 5 to 10m at 0.11g/t gold
- GRAB004 – 5 to 10m at 0.10g/t gold
- GRAB016 – 0 to 5m at 0.11g/t gold

Check sampling by Lodestar in the area of Resolute’s historic drilling and surface sampling reported a maximum 1640ppb (1.6g/t) gold with associated elevated As, Cu, Mo, and Sb from brecciated quartz veining. Quartz veining is associated with outcropping cherty sediments and strongly deformed schistose rocks. The sequence dips to the north at 40 degrees and appears to be over thrust by granite-gneiss of the Marymia Inlier.

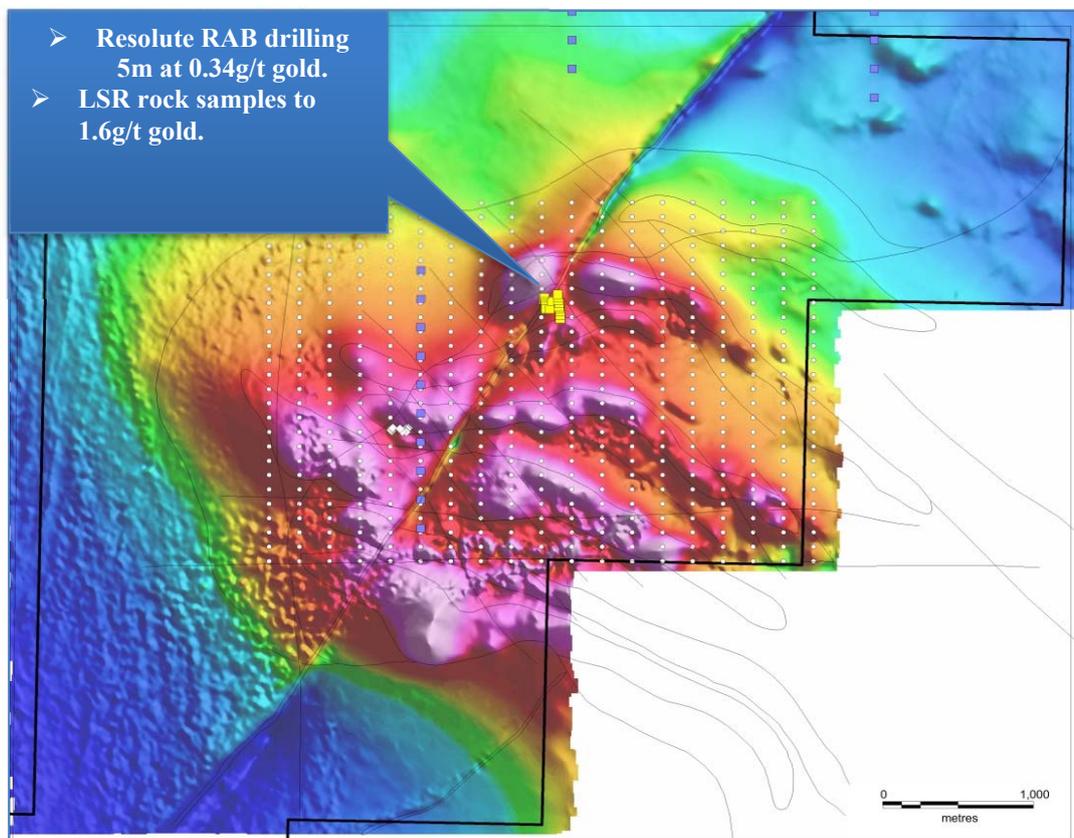


Figure 9 West Pinyriny aeromagnetic image showing prospect locations and historic drilling (TMI - RTP image MGA94). Planned surface geochemistry – white dots.

A high resolution aeromagnetic survey (25m line spacing, 25m sensor height) was completed over the prospect in April-May.

The aeromagnetic image clearly shows a folded sequence of mafic-ultramafic units representing the northern extension of the Baumgarten greenstone sequence (see Figure 9). The detailed aeromagnetics and revised geological interpretation will provide a vastly improved framework for evaluating a detailed surface geochemical survey to be completed this year.

CAMEL HILLS PROJECT

(E09/2099, E09/2100, E52/3064, E09/2138 & E09/2139)

Big Sky (Gold)

The Camel Hills tenements are located 170 kilometres northwest of Meekatharra, Western Australia and 60 kilometres south and east of Gascoyne Resources Limited’s Glenburgh gold deposits (1M oz. resources, see Figure 10). The tenements cover 924km² and 90km of strike over the Errabiddy Shear Zone (ESZ), a 5km to 20 km wide structure that marks the boundary between the Archaean Narryer Terrane to the south and the accreted Palaeoproterozoic Glenburgh Terrane to the north. The ESZ is linked at depth to the Cardilya Fault, a deep crustal fault that marks the major tectonic boundary between the Archaean Yilgarn Craton and accreted Palaeoproterozoic terrane.

Lodestar is targeting orogenic gold in the Camel Hills area, along the northern Yilgarn margin where mineral systems prospectivity mapping by the Geological Survey of Western Australia identified the ESZ as a favourable site for large-scale gold mineralisation. Historic surface sampling identified strong gold anomalies associated with outcropping gneiss in the Big Sky area and this was the most recent focus of Lodestar’s exploration, which has comprised rock sampling, shallow trenching, ground magnetic surveying, auger sampling and RAB and RC drilling.

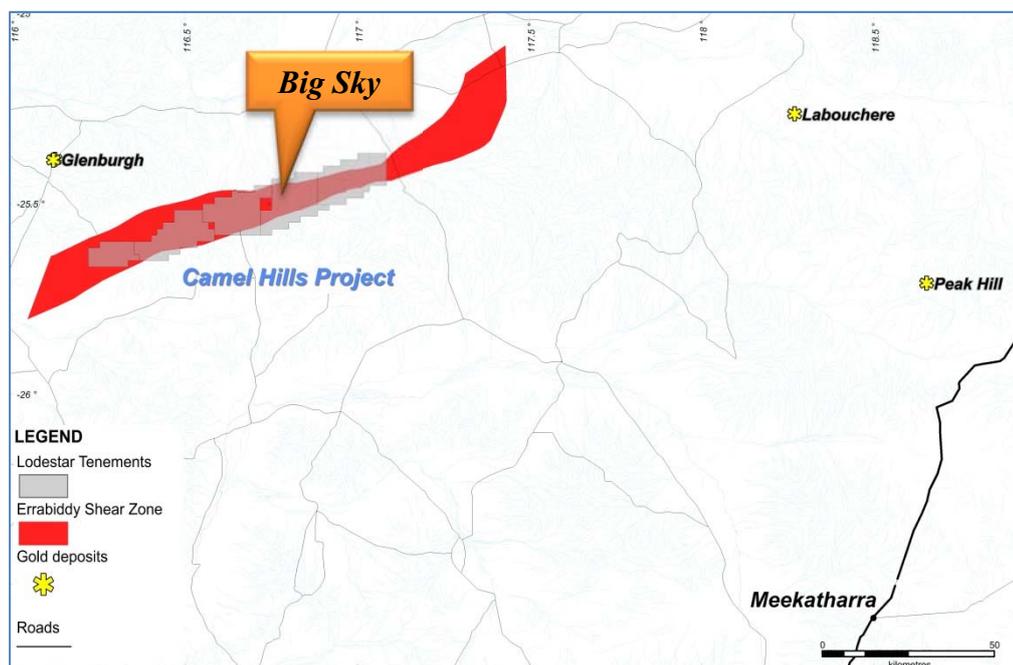


Figure 10 Location plan - Big Sky gold prospect.

A program of 13 shallow RC drill holes (428m) was completed in September 2015. Close-spaced drilling of a gold anomaly identified in trenching did not confirm the anomaly (reporting a best intersection of 0.9g/t gold in LCC001); the source of the trench anomaly is believed to be contamination from the colluvial soil cover, as the trench is down slope from the high grade gold outcrop.

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Two RC holes (LCC0011 & LCC0012) were drilled below the site of the anomalous rock chip sampling where earlier anomalous results were reported in RAB drilling. These holes reported extremely high-grade gold intersections at shallow depths with best results of 6 metres grading 20.3g/t gold from 21 metres, 6 metres grading 6.6g/t gold from 13 metres and 1 metre at 23.8 g/t from surface.

A detailed auger sampling program was then completed over and along strike from the gold occurrence to determine the potential size of the vein system and assist in siting the follow-up RC program. 1,065 samples were collected from the auger program along the Petter Calc-silicate contact.

A second program of RC drilling, comprising 22 holes for 1,525m, was completed in March 2016 (see Figure 11). The RC drilling failed to repeat the high-grade mineralisation identified in LCC011 and LCC012, with the best intersection of 4 metres at 3g/t gold from 52 metres reported from a 4 metre composite sample in LCC017, down-dip from the discovery drill holes.

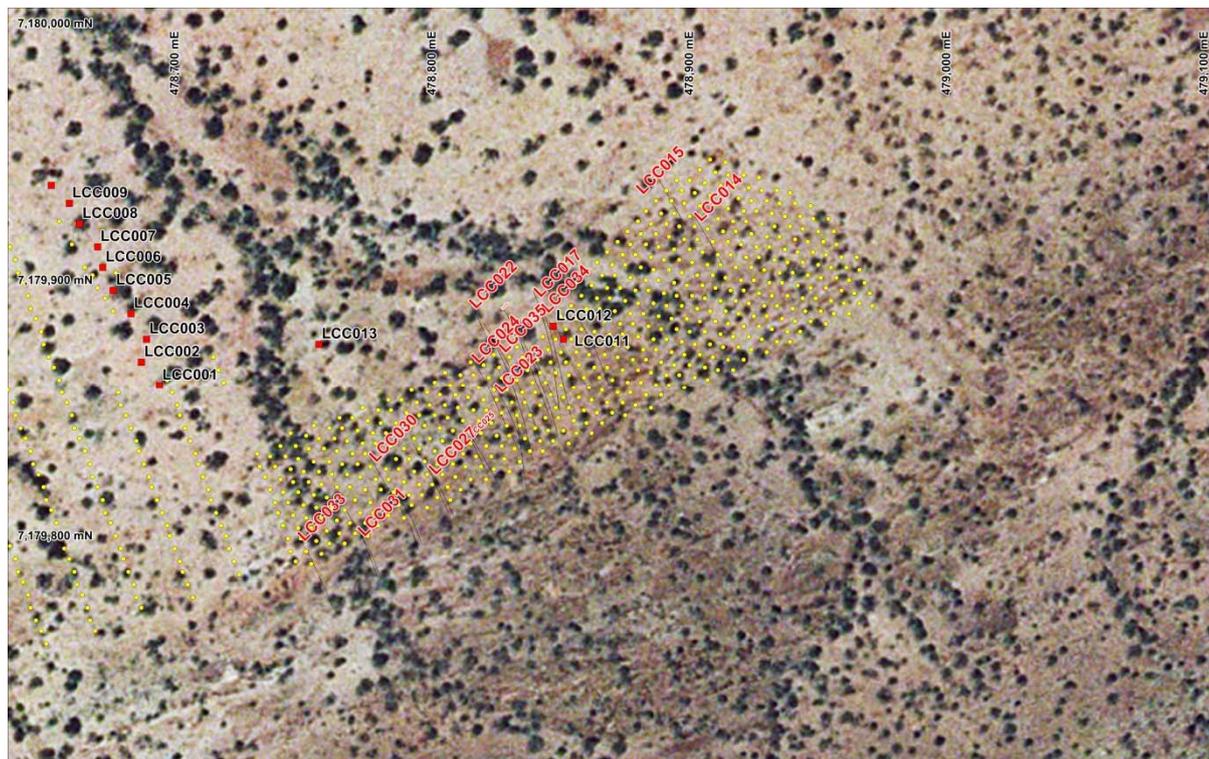


Figure 11 Collar plan showing RC drill holes and auger sampling (yellow dots) at the Big Sky prospect (MGA94 Zone 50).

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Numerous anomalous drill assay values of greater than 100ppb (0.1g/t) gold occur along the magnetic Pettecalcilicate contact, confirming that the contact is an important control on mineralisation. Untested regional stream gold anomalies (see Figure 12) occur along the same magnetic contact, south west of the Big Sky target and will be subject to follow-up sampling in 2016.

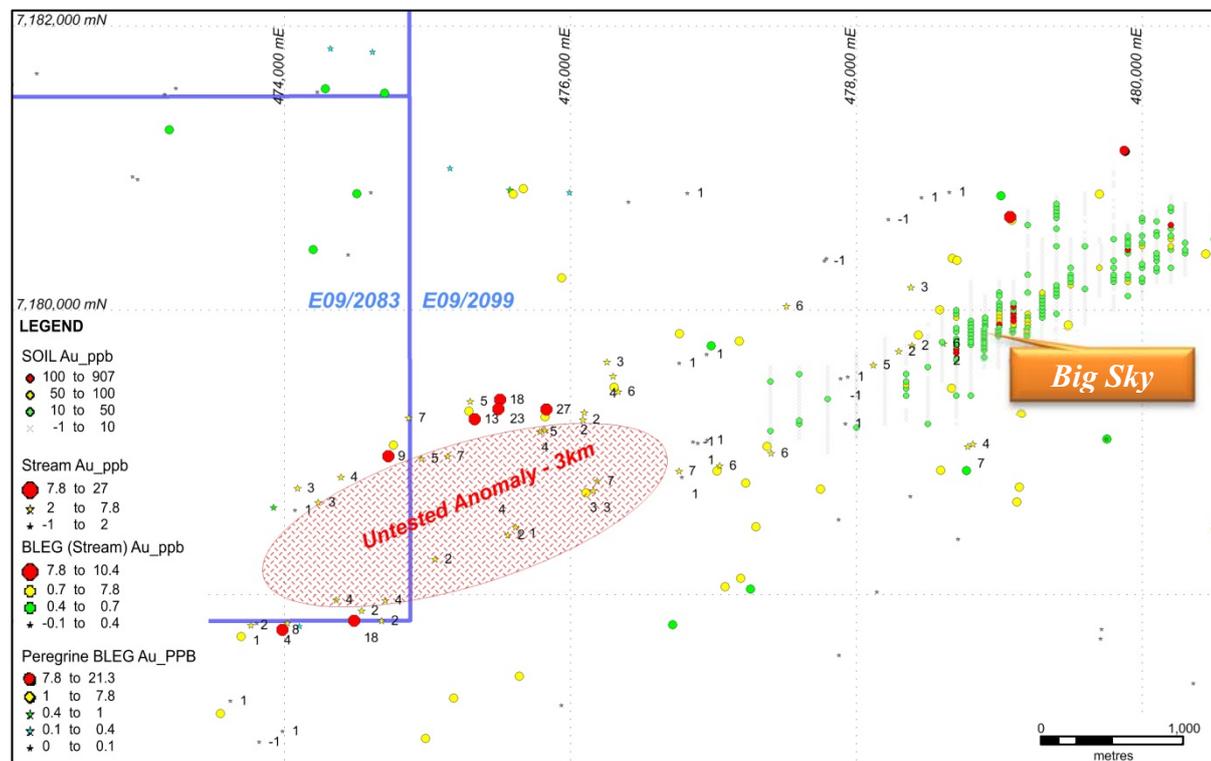


Figure 12 Camel Hills drainage sampling showing gold anomaly south west of Big Sky (MGA94 Zone 50).

IMBIN PROJECT (Gold and Base Metals)

(E69/3254, E69/3255, E69/3261, E69/3263, E69/3265, E69/3271)

The Imbin Project is located 260 kilometres northeast of Wiluna (see Figure 2). Six tenements cover approximately 70 kilometres of strike of a belt of deformed sedimentary rocks (the Troy Creek Beds) with intercalated Bryah-age felsic rocks and mafic intrusives. Large gravity anomalies within the belt are interpreted as mafic rocks at depth associated with volcanic activity related to rifting, and the sequence is referred to as the Imbin Rift. The Imbin Rift is considered prospective for the discovery of volcanic hosted massive sulphide, sediment-hosted copper and orogenic gold mineralisation and Lodestar has identified high value walk-up gold and base metal targets.

Recent dating of the Frere Iron Formation in this region gave ages similar to those expected for the Bryah Basin, implying that the rocks stratigraphically below the Frere Formation (i.e. the Troy Creek Beds) are Bryah Basin age equivalents. Mapping completed by MIM in the 1990’s also interpreted the contact between the Earahedy Group and the Troy Creek Beds to be an unconformity, placing the Troy Creek Beds into a stratigraphy earlier than the Earahedy Group.

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The Troy Creek Beds are comprised of a sequence of sandstones, mudstones, pyritic carbonaceous shale, and chert and are intruded by folded dolerite sills. A large area of the tenements is covered by aeolian sand and historic exploration has focussed on areas of outcrop, identifying a number of sulphidic horizons.

Drilling by Aztec in the early 1990's confirmed the presence of copper mineralisation at the Main Gossan prospect where a diamond drill hole reported 1.5m at 2.98% copper from 108.9m. Follow up drilling has confirmed the potential for the sequence to host significant copper mineralisation (e.g. 36m at 0.76% Cu from 91m, TCRC08-02).

The Bryah Basin hosts a number of significant copper and gold deposits, including the DeGrussa and Monty discoveries of Sandfire Resources NL. Equivalent age rocks along the northern margin of the Yilgarn Craton may have similar prospectivity. Historic gold and copper prospects on the Imbin tenements have added significance when considered in the context of the tectonic setting, gold and copper endowment and metal associations of the Bryah Basin.

Reconnaissance exploration along the exposed western end of the Imbin Rift has identified extensive gold and copper anomalies that collectively extend over 17 kilometres and are indicative of a large mineral system. Gold has been an important pathfinder in exploration for volcanic-hosted Cu-Au mineralisation in the Bryah Basin and the significance of the extensive gold anomalies at Imbin is yet to be determined.

Lodestar will pursue opportunities to joint venture the Imbin tenements to expedite exploration over this under-explored, frontier terrane.

TRADITIONAL OWNERS

Lodestar Minerals would not be able to operate successfully without the support of the Traditional Owners and the local communities in which we operate. We continue to build trust and respect between Lodestar Minerals and our key stakeholders through transparency, listening, acting on concerns and looking for innovative and sustainable ways of ensuring that the Traditional Owners are participating in the journey to responsibly and sensitively explore and develop the Peak Hill / Doolgunna region. We are working closely with our Native Title holders to identify mutually supportive initiatives which will see a growing range of business and employment opportunities being developed and importantly ensuring that the local community has the capability and opportunity to grow with the Company.

CORPORATE ACTIVITY

Placement of shares

On 11 September 2015, the Company placed 10 million shares at 1 cent each raising \$100,000 and on 22 December 2015, placed an additional 15,600,256 shares at 3 cents raising \$468,007 (7,800,127 free attaching options were also issued). These placements were primarily made to long term supporters of the Company.

On 27 November 2015 the Company issued 15,000,000 director options exercisable at 5 cents each by 31 December 2018 as approved by shareholders at the Annual General Meeting on 25 November 2015.

LODESTAR MINERALS LIMITED

REVIEW OF OPERATIONS

For the year ended 30 June 2016

Listed Options Conversion

During the year all of the Company's 36,077,402 listed options priced at 3 cents each were exercised before the expiry date of 31 March 2016. By 31 March 2016 a total of 31,604,296 options had been converted to fully paid ordinary shares raising \$948,128. The remaining balance of 4,473,106 options was converted to raise an additional \$134,193 under an agreement negotiated by the Company whereby the conversion of up to \$500,000 of its unexercised 31 March 2016 options would be underwritten.

FINANCIAL RESULTS AND CONDITION

The loss for the year ended 30 June 2016 attributable to members of Lodestar Minerals Limited after income tax was \$2,068,455 (2015: \$1,372,120).

The Group has a working capital surplus of \$231,212 (2015: \$199,275) and net cash inflows of \$69,430 (2015: \$79,899).

The Company remains acutely aware of the current economic climate and continues to implement cost reduction measures across the business.

Summary of results

	2016	2015
	\$	\$
Revenue from ordinary activities	2,591	8,809
Loss before income tax	(2,068,455)	(1,372,120)
Income tax expense	-	-
Loss attributable to owners of Lodestar Minerals	(2,068,455)	(1,372,120)
Other comprehensive income	-	-
Underlying loss per share (cents)	(0.59)	(0.46)
Shares in issue at reporting date	386,224,233	324,546,575
Weighted average number of shares	351,638,181	297,382,550

PLANNED ACTIVITY

The Company will seek to implement the growth strategies as outlined in the review of operations above.

LODESTAR MINERALS LIMITED
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Competent Person Statement

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

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the ASX announcements dated 24th November 2014 "Contessa Drilling Update", 29th December 2014 "RC Drilling Intersects Significant Gold in Alteration Zone", 30th January 2015 "December 2014 Quarterly Activities and Cash Flow Report", 28th August 2015 "First-pass drill results from Big Sky Gold Prospect" and 3rd September 2015 "Trenching Results Define New Gold Target at Big Sky". The announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2016

DIRECTORS' REPORT

The Directors present their report together with the financial report of the Group, comprising Lodestar Minerals Limited (the Company) and its subsidiary, for the financial year ended 30 June 2016 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:

Name and independence status	Experience, qualifications, special responsibilities and other directorships
<p>Ross Taylor Non-executive Chairman Appointed: 30 June 2014 Chair of Remuneration and Nomination Committee Member of the Audit & Risk Management Committee</p>	<p>Mr. Taylor is a Chartered Accountant and an investment banking consultant with a thorough knowledge of international financial markets gained while working in Australia, London, New York and Tokyo. He has extensive experience in the global investment banking sector and has held senior positions with Deutsche Bank, Bankers Trust and Barclays Capital.</p>
<p>William Clayton Managing Director Appointed: 2 November 2007</p>	<p>Mr Clayton has more than 20 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 Outokumpu 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.</p> <p>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 geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.</p>
<p>David McArthur Executive Director Appointed: 13 August 2007 Chair of the Audit & Risk Management Committee Member of Remuneration and Nomination Committee</p>	<p>Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia. Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has 32 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 over the past 29 years.</p> <p>Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.</p> <p>Mr McArthur is a Non-executive Director of Xstate Resources Limited, Renewable Heat and Power Limited and Shark Mitigation Systems Limited.</p>

LODESTAR MINERALS LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2016

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 over 29 years' experience in the corporate management of publicly listed companies.

3. DIRECTORS' MEETINGS

The number of meetings of the Group's Board of Directors and of each Board Committee held during the year ended 30 June 2016, and the number of meetings attended by each director were:

Director	Full meetings of directors		Meetings of audit and risk management committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of Meetings held whilst a director
Ross Taylor	3	3	2	2
William Clayton	3	3	-	-
David McArthur	3	3	2	2

The small size of the board means that Members of the Board meet informally on a very regular basis to discuss company operations, risks and strategies, and as required, formalise key actions through circular resolutions.

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was base metal exploration and evaluation.

5. OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its strategies and prospects is set out in the Review of Operations at the beginning of this Annual Report.

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 Group during the financial year, other than those matters referred to in the overview above.

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2016 (2015: Nil).

7. LIKELY DEVELOPMENTS

The Group will continue to pursue the exploration and evaluation of resources over its base metal tenement interests and assess corporate growth opportunities.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

8. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

9. SHARE OPTIONS

Options granted to directors of the Group

During, or since the end of the reporting period, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and senior executives as part of their remuneration:

	Number of options granted	Exercise price per option cents	Expiry date
Executive directors			
Bill Clayton	5,000,000	5	31 December 2018
David McArthur	5,000,000	5	31 December 2018
Non-executive directors			
Ross Taylor	5,000,000	5	31 December 2018

The options tabled above were provided at no cost to the recipients.

Unissued shares under options

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

Expiry date	Exercise price cents	Number of shares
29-Nov-2016	15	1,000,000
29-Nov-2016	20	750,000
29-Nov-2016	30	750,000
08-May-2017	15	1,000,000
08-May-2017	20	750,000
08-May-2017	30	500,000
16-Dec-2017	5	16,000,000
31 Dec-2018	5	15,000,000
30 Dec-2018	6	7,800,127
		43,550,127

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

10. SHARE OPTIONS (continued)

All unissued shares are ordinary shares of the Company.

All options expire on their expiry date or in instances where options have been issued under the employee share option plan rules, upon termination of the individual's employment in accordance with the Group's employee share option plan rules.

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

Further details in relation to share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

During the year, 36,077,402 shares were issued as a result of the exercise of options.

Options expired

No options expired during the reporting period (30 June 2015: no options expired).

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium of \$13,320 (2015: \$13,320) to insure the directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

No agreements have been entered into to indemnify the Group's auditors against any claims by third parties arising from their report on the Annual Financial Statements.

12. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

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.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

12. NON-AUDIT SERVICES (continued)

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

	2016	2015
	\$	\$
Taxation Services		
<i>KPMG Australia</i>		
Taxation compliance services	7,000	14,000
Total remuneration from non-audit services	7,000	14,000

13. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as disclosed in note 6.6 of the notes to the consolidated financial statements, 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 Group, the results of these operations, or the state of affairs of the Group in future financial years.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

14. REMUNERATION REPORT - AUDITED

The Directors present the Company's 2016 Remuneration Report prepared in accordance with the Corporations Act 2001. The Report sets out the detailed remuneration information for Non-Executive Directors and Executive Directors. The Company does not employ any other Key Management Personnel (KMP).

The report contains the following sections:

- (a) Remuneration governance
- (b) Executive remuneration strategy and framework
- (c) Service contracts
- (d) Non-executive director remuneration
- (e) Voting and comments made at the Company's 2015 Annual General Meeting

(a) Remuneration governance

The remuneration of directors is the responsibility of the Remuneration and Nomination Committee.

(b) Executive remuneration strategy and framework

Remuneration is referred to as compensation throughout this report.

Compensation levels for Directors of the Group are set to attract, retain and motivate appropriately qualified and experienced Directors. As the Group's principal activities during the year were new ventures and exploration / evaluation, measurement of remuneration policies against financial performance is not considered relevant. The measurement of remuneration policies considered a range of factors including budget performance, delivery of results and timely completion of development programmes.

The objective of the Group's reward framework is to ensure that remuneration policies and structures are fair and competitive. The Board ensures that remuneration satisfies the following criteria for reward:

- competitiveness and reasonableness;
- transparency;
- attracts and retains high calibre executives; and
- rewards capability and experience.

Executive remuneration mix

The remuneration of the Executive Directors was structured as a mix of fixed remuneration and variable "at risk" remuneration through long-term incentive components.

Fixed compensation

Fixed compensation consists of base compensation plus employer contributions to superannuation funds (unless otherwise stated). Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group, and compares compensation to ensure it is comparable and competitive within the market in which the Group operates.

Fixed compensation is not "at risk" but is appropriately benchmarked and set with reference to role, responsibilities, skills and experience.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

14. REMUNERATION REPORT – AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Short-term incentive

Short term incentives (STI) reward employees for their individual achievements and contributions to business success and organisation outcomes during the financial year. STI's are a variable reward and are not guaranteed.

Each year, the Board considers the appropriate targets and Key Performance Indicators (KPI's) to link the STI and the level of payout if targets are met. This includes capping the maximum payout under the STI scheme and determining the minimum levels of performance to trigger payment of the STI's. Depending upon the level of management, KPI's include the following:

- satisfactory completion of development programs, on time and on budget;
- securing funding to support planned work programs;
- investor relations; and
- consideration of safety performance, corporate governance, external relations and general management.

At this stage the Company does not awards any STIs.

Long-term incentive

Long-term incentives (LTI) are comprised of share options which are granted from time to time to encourage sustained performance in the realisation of strategic outcomes and growth in shareholder value. Options are granted for no consideration and do not carry voting rights or dividend entitlements.

The Company has adopted an Employee Share Options Scheme (ESOS). Under the ESOS, the Company may grant options to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes Simulation model.

Options with an exercise price well above the current market price are chosen as they provide an incentive to grow the overall value of the Company.

Options over equity instruments granted as compensation

On 27 November 2015, 15,000,000 options over unissued shares in the Company were granted, for no consideration, to key management personnel under the ESOS as approved by shareholders at the Annual General Meeting on 25 November 2015.

	Options granted	Value of options granted \$
Directors		
Ross Taylor	5,000,000	99,000
William Clayton	5,000,000	99,000
David McArthur	5,000,000	99,000
	<hr/>	<hr/>
	15,000,000	297,000
	<hr/>	<hr/>

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

14. REMUNERATION REPORT – AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Long-term incentive (continued)

Options over equity instruments granted as compensation (continued)

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

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period are as follows:

	Number of options and rights granted during 2015	Fair value per option or right at grant date cents	% vested in year (A)	% forfeited in year	Date on which grant vests	Exercise price per option cents	Expiry date	Number of options and rights vested during 2015
Executive directors								
William Clayton	5,000,000	1.98	100%	-	25-Nov-15	5	31-Dec-18	5,000,000
David McArthur	5,000,000	1.98	100%	-	25-Nov-15	5	31-Dec-18	5,000,000
Non-executive directors								
Ross Taylor	5,000,000	1.98	100%	-	25-Nov-15	5	31-Dec-18	5,000,000

(A) The percentage vested in the year represents the number of options that become unconditional due to the recipient satisfying specified vesting conditions;

Exercise of options granted as compensation

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

Options expired

No options expired during the reporting period (30 June 2015: no options expired).

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the year ended 30 June 2016

14. REMUNERATION REPORT – AUDITED (continued)

(b) Executive remuneration strategy and framework (continued)

Consequences of performance on shareholder wealth

The overall level of compensation takes into account the performance of the Group over a number of years, although no remuneration is directly linked with financial performance.

Performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns	2016	2015	2014	2013 Restated	2012 Restated
Net loss attributable to equity holders (\$)	(2,068,455)	(1,372,120)	(1,693,984)	(3,663,148)	(7,028,628)
Basic loss per share - EPS (cents)	(0.59)	(0.46)	(0.76)	(2.11)	(6.67)
Share price at year end (cents)	2.3	1.3	1.2	1.2	3.0
Market capitalisation (\$)	8,883,157	4,219,105	2,666,799	2,666,799	3,494,684
Net tangible assets (NTA) (\$)	221,484	227,188	204,271	1,496,170	891,322
NTA backing (cents)	0.06	0.07	0.09	0.67	0.77

During the financial years noted above, there were no dividends paid or other returns of capital made by the Group to shareholders. The Group's financial performance is impacted by a number of factors.

As the Group is still in the exploration phase of its operations, and as such does not generate revenue, the share price and thus the Company's market capitalisation is the only indicator of the Group's overall performance.

(c) Service contracts

On appointment to the Board, all non-executive directors enter into a letter of appointment with the Company specifying their functions and duties as a Director.

Executive remuneration and other terms of employment are formalised in service agreements. The service agreements outline the components of compensation paid to the Executives but do not prescribe how compensation levels are modified year by year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role and any changes required to meet the principles of the compensation policy. The major provisions of the agreements relating to remuneration are set out below.

Name	Term of agreement	Employee notice period	Employer notice period	Base salary	Termination Benefit
William Clayton ⁽ⁱ⁾	Ongoing from 19 September 2014	3 months	3 months	\$164,250	12 months' base salary
David McArthur ⁽ⁱⁱ⁾	Ongoing from 19 September 2014	3 months	3 months	\$76,650	12 months' base salary

⁽ⁱ⁾ Base salary is inclusive of superannuation and quoted for the year ended 30 June 2016;

⁽ⁱⁱ⁾ Base salary is inclusive of superannuation and quoted for the year ended 30 June 2016.

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

14. REMUNERATION REPORT – AUDITED (continued)

(d) Non- executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Remuneration and Nomination Committee.

The current base fees were last reviewed with effect from 17 October 2014. The fees approved by the Board are inclusive of the statutory superannuation amount.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum and was approved by shareholders at a General Meeting in 2008.

Non-executive directors' base fees are currently \$40,000 (including superannuation) per annum and they do not receive cash performance related compensation. Directors' fees cover all main board activities and memberships of sub-committees.

The Non-executive Chairman's fees are determined independently to the fees paid to the non-executive directors, based on comparative roles in the external market. Having regard to the current economic climate, non-executive Chairman's fees are \$50,000 (excluding superannuation) per annum.

(e) Analysis of bonuses included in remuneration

No short-term incentive cash bonuses have been awarded as remuneration to directors of the Company.

(f) Voting and comments at the Company's 2015 Annual General Meeting

The Company received 98.96% of "yes" votes on its remuneration report for the 30 June 2015 financial year.

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2016**

14. REMUNERATION REPORT – AUDITED (continued)

(g) Key management personnel remuneration

Name	Short-term employee benefits			Post-employment benefits	Other long term benefits	Share Based payments	Total	
	Salary and fees (A) \$	Non-monetary benefits (B) \$	Total \$					Options (D) \$
Non-executive directors								
Ross Taylor	2016	50,000	4,440	54,440	4,750	-	99,000	158,190
	2015	42,705	4,440	47,145	4,057	-	28,500	79,702
Executive directors								
William Clayton	2016	150,000	4,440	154,440	14,250	7,115	99,000	274,805
	2015	143,211	4,440	147,651	13,605	9,786	50,781	221,823
David McArthur	2016	70,000	4,440	74,440	6,650	7,060	99,000	187,150
	2015	67,808	4,440	72,248	6,442	2,374	28,500	109,564
Sub-total executive directors' remuneration (E)	2016	22,000	8,880	228,880	20,900	14,175	198,000	461,955
	2015	211,019	8,880	219,899	20,047	12,160	79,281	331,387
Total key management personnel remuneration	2016	270,000	13,320	283,320	25,650	14,175	297,000	620,145
	2015	253,724	13,320	267,044	24,104	12,160	107,781	411,089

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

- 14. REMUNERATION REPORT – AUDITED (continued)**
(g) Key management personnel remuneration (continued)

Notes in relation to the table of directors' remuneration

- (A) Includes annual leave
 (B) Comprises Directors and Officers insurance premiums
 (C) Includes long service leave
 (D) The fair value of options granted was determined using the Black-Scholes simulation pricing model
 (E) The Group does not employ any executive officers other than the directors.

- (h) Other KMP disclosures**
KMP option holdings

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

	Held at 1 July 2015	Granted as compensation	Acquired	Exercised ⁽ⁱ⁾	Lapsed	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Executive directors								
William Clayton	7,740,556	5,000,000	-	(230,556)	(10,000)	12,500,000	5,000,000	12,500,000
David McArthur	4,000,003	5,000,000	2,669,447	(3,669,450)		8,000,000	5,000,000	8,000,000
Non-executive directors								
Ross Taylor	13,920,449	5,000,000	-	(10,920,449)		8,000,000	5,000,000	8,000,000

(i) Options exercised were not granted as compensation

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

14. REMUNERATION REPORT – AUDITED (continued)

(h) Other KMP disclosures (continued)

KMP shareholdings

	Held at 1 July 2015	Purchases	Received on exercise of options	Sales	Held at 30 June 2016
Executive directors					
William Clayton	3,286,667	-	230,556	-	3,517,223
David McArthur	12,000,002	-	3,669,450	(3,969,447)	11,700,005
Non-executive directors					
Ross Taylor	56,100,001	6,500,000	10,920,449	(1,600,000)	71,920,450

KMP consulting services

During the year, Broadway Management (WA) Pty Ltd, a company associated with David McArthur, was paid \$84,000 (2015: \$83,133) for commercial, arms-length consulting services. Further information about these transactions is disclosed in note 6.3 of the notes to the consolidated financial statements.

KMP loans

During the year, David McArthur provided the Company with a \$60,000 short-term loan with an interest rate of 7% pa. Further information about these transactions is disclosed in note 5.2 of the notes to the consolidated financial statements.

THIS IS THE END OF THE REMUNERATION REPORT – AUDITED.

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the year ended 30 June 2016

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is included in the Directors' Report for the financial year ended 30 June 2016.

This Directors' Report is made in accordance with a resolution of the Directors.



WILLIAM CLAYTON

Director

Dated at Perth, Western Australia this 20th day of September 2016.



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 2016 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

A handwritten signature in black ink, appearing to read 'R Gambitta', with a horizontal line extending to the right.

R Gambitta
Partner

Perth

20 September 2016

CORPORATE GOVERNANCE STATEMENT

The 2016 Corporate Governance Statement is dated as 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year.

Lodestar Minerals Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

Board of Directors

Role of the Board

The matters expressly reserved to the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals
- Monitoring the achievement of these goals
- Review of the management accounts and reports to monitor the progress of the Group
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance
- Review and approval of the annual and interim financial reports
- Nominating and monitoring the external auditor
- Approving all significant business transactions
- Appointing and monitoring senior management
- All remuneration, development and succession issues
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity

The Board delegates day to day operational matters to the management of the Company.

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' Report contains details of the Directors' skills, 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 Group's business with excellence. To maintain this, the Group'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.

LODESTAR MINERALS LIMITED CORPORATE GOVERNANCE STATEMENT

Board composition (continued)

The specific skills that the Board collectively bring to the Company include:

- Industry Experience/ technical qualification
- Commercial experience
- Public company experience
- Analytical expertise
- Financial expertise
- Risk Management experience
- Strategic planning experience
- Strategic leadership experience
- Corporate Governance expertise
- Communications experience
- Inter personal experience

The chair of any sub committees formed by the Board has specific skills in the area for which they are responsible.

The Board does not have a director with legal experience, as any legal work is out sourced to external lawyers.

The Board comprises an independent Non-Executive Chairman and two Executive Directors.

Directors' details are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent Director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

Retirement and re-election of directors

The Constitution of the Company requires one third of Directors (or the number nearest one third, rounded up), other than the Managing Director, to retire from office at each Annual General Meeting. No Director (other than the Managing Director) shall hold office for a period in excess of three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the Annual General Meeting following their appointment and are not taken in to account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

LODESTAR MINERALS LIMITED CORPORATE GOVERNANCE STATEMENT

Independence of directors

The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that none of the Directors can be deemed 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.

Although Mr Taylor has no material business or contractual relationship to the Company, nor any material pecuniary interest with the Company, he is not considered independent due to his substantial shareholding in the Company. Other than his shareholding, Mr Taylor does satisfy the test for independence.

Director education

All new Directors complete an induction process. The Non-Executive Directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

Independent professional advice

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

Board performance review

The performance of all Directors is assessed through review by the Board as a whole of a Director's attendance at and involvement in Board meetings, their 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 Directors conducted an internal performance evaluation of the Members of the Board during the reporting period.

Director remuneration

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

Non-Executive Directors will be remunerated by cash payments (including statutory superannuation), may receive equity performance incentives and will not be provided with any benefits for ceasing to be a Director. The Executive Directors are remunerated by both fixed remuneration and equity performance based remuneration, subject to obtaining all regulatory approvals from shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

Managing Business Risk

The Group maintains policies and practices designed to identify and manage significant risks including:

- regular budgeting and financial reporting
- procedures and controls to manage financial exposures and operational risks
- the Group's business plan
- corporate strategy guidelines and procedures to review and approve the Group's strategic plans
- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk.
- insurance and risk management programs which are reviewed by the Board

LODESTAR MINERALS LIMITED CORPORATE GOVERNANCE STATEMENT

Managing Business Risk (continued)

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings.

The Board's review of business risk is also based on reports from the Audit and Risk Management Committee.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director (or in his absence the Chairman) 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 Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk procedures adopted by the Company, it is not believed the Company has a material exposure to these risks.

The Company does not have an internal audit function. The Board has determined that the established internal controls for the Company, combined with the work of the audit and risk management committee, at this stage satisfactorily address the function that would otherwise be dealt with by an internal audit function.

Internal Controls

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- 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.

Board Committees

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit function of the Committee is to:

- Assist the Board in fulfilling its overview of the audit process
- Assist the Board in overseeing financial reporting
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established
- Monitor, review and recommend the adoption of the financial statements of the Company
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company
- Review the financial report and other financial information distributed externally
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles

LODESTAR MINERALS LIMITED CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee (continued)

- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management
- Review the nomination and performance of the auditor
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner
- Monitor the establishment of appropriate ethical standards
- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards, ASX Listing Rules and all other regulatory requirements
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions; and
- Improve the quality of the accounting function

The primary role of the risk function of the committee is to assist the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

Risk assessment and risk management are the responsibility of the Company's management. The Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Committee shall have the following authority and responsibilities:

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes in place for risk management
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks.
- Discuss with the Company's executive team the Company's risk assessment and risk management guidelines, policies and processes, as the case may be. The Risk Committee meets separately at least twice a year with the executive team
- Receive, as and when appropriate, reports from the Company's Executive General Manager-Corporate & Risk on the results of risk management reviews and assessments
- Review disclosure regarding risk contained in the Company's Annual Report
- Review and assess the nature and level of insurance coverage
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls
- Discharge any other duties or responsibilities delegated to the Committee by the Board
- Delegate any of its responsibilities to subcommittees as the Committee may deem appropriate
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees
- Report its actions and any recommendations to the Board.
- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

LODESTAR MINERALS LIMITED CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee (continued)

The Committee consists of the following Non-Executive Directors:

- Mr David McArthur (Committee Chair)
- Mr Ross Taylor- (Committee member)

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee.

The Audit and Risk management committee met twice during the year.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors
- Determine remuneration and incentive policies of Key Executives
- Determine the Group recruitment, retention and termination policies and procedures for senior management
- Determine and review incentive schemes
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment
- Evaluate senior executive performance on an annual basis. This occurred during the 2016 financial year.
- Determine and review superannuation arrangements of the Group and
- Determine and review professional indemnity and liability insurance for Directors and senior management
- Review the Board composition to ensure the Board has the correct balance of skills and expertise.
- Appointment of the Managing Director and the Company Secretary
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director
- Performance appraise the Board members and the Managing Director
- Succession planning for Board members and the Managing Director
- Approve the recommended succession planning for key management personnel presented to the Committee by the Managing Director.
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary

The Remuneration and Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to Lodestar's remuneration assessment.

Specific policies and procedures regarding remuneration determination are contained within the Directors Report.

The Committee consists of the following Non-Executive Directors:

- Mr Ross Taylor (Committee Chair)
- Mr David McArthur (Committee Member)

The Committee did have a specific need to meet during the year.

LODESTAR MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Ethical Standards

Code of Conduct

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. The code stipulates that any unethical behaviour is to be reported to the Group's Managing Director (or in his absence, the Chairman) as soon as possible.

The Code of Conduct is based on respect for the law and the rights of individuals, 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 Group which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Group's securities and Directors and employees are prohibited from dealing in the Group's securities whilst in the possession of price sensitive information. The Company's Managing Director (or in his place the Chairman) must be notified of any proposed transactions in the Company's shares.

Any Director or employee receiving shares pursuant to the Company's equity based remuneration scheme (refer to the remuneration report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

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

Continuous Disclosure

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

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

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once 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.

Communication with Shareholders

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

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report.
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website

Communication with Shareholders (continued)

- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry.
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group; 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 seek feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders.

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

Diversity Policy

The Group is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff
- Appreciate and respect the unique aspects that an individual brings to the workplace
- Where possible and practicable, increase participation and employment opportunities for indigenous people
- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace
- Take action to prevent discrimination, harassment, vilification or victimisation; and
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has developed measurable objectives and strategies to support the framework and objectives of the Diversity Policy, and the Board is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms. For the 2016 financial year the Boards' objectives were met by the Group. The Board assesses the progress and achievement of the objectives.

LODESTAR MINERALS LIMITED

CORPORATE GOVERNANCE STATEMENT

Diversity Policy (continued)

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and men employed within the Group	-	100%
Women and men at senior management level	-	100%
Women and men employed at Board level	-	100%
Women and men employed by corporate services provider	75%	25%

ASX Corporate Governance principals and recommendations not followed - "if not, why not" approach

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 2.1

A majority of the Board should be independent directors

Recommendation 4.2

The audit and risk management committee should be structured so that it:

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the Board*
- *has at least three members*

Recommendation 8.2

The remuneration and nomination committee should be structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent chair*
- *has at least three members*

None of the three directors is independent. In view of the size of the Company and the nature of its activities, the Board considers that the current Board structure is a cost effective and practical means of directing and managing the Company. The Chairman of the Board is non-executive, however by virtue of his significant shareholding in the Company is not deemed independent.

While the ASX Principles recommend an ideal structure for the audit and risk management and remuneration and nomination committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with these ASX Principles to be materially detrimental to the Company. This statement is current as at 30 June 2016 and has been approved by the Board.

This statement is current as at 30 June 2016 and has been approved by the Board.



Chairman - Ross Taylor



Director - David McArthur

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	4.1	375,702	306,272
Trade and other receivables	4.2	30,463	294
Prepayments		1,452	5,471
Total current assets		407,617	312,037
Capitalised exploration and evaluation expenditure	3.1	749,612	931,959
Trade and other receivables	4.2	-	21,800
Property, plant and equipment		23,367	29,295
Total non-current assets		772,979	983,054
Total assets		1,180,596	1,295,091
Liabilities			
Trade and other payables	4.3	133,127	57,111
Employee benefits	2.2	43,278	55,651
Total current liabilities		176,405	112,762
Employee benefits	2.2	33,095	23,182
Total non-current liabilities		33,095	23,182
Total liabilities		209,500	135,944
Net assets		971,096	1,159,147
Equity			
Share capital	5.1	22,069,369	20,485,965
Reserves		686,425	402,625
Accumulated losses		(21,784,698)	(19,729,443)
Total equity attributable to equity holders of the Company		971,096	1,159,147

The accompanying notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue from continuing operations			
Finance income	2.3	2,591	8,809
Expenses			
Exploration expensed		(1,034,310)	(579,863)
Exploration expenditure impaired	3.1	(182,347)	(41,679)
Site rehabilitation		(27,917)	-
Personnel expenses	2.2	(509,434)	(346,736)
Administrative expenses		(99,923)	(207,154)
Professional fees		(171,922)	(185,215)
Finance expenses	2.3	(30,398)	-
Other expenses		(14,795)	(20,282)
Results from operating activities		(2,068,455)	(1,372,120)
Loss before income tax		(2,068,455)	(1,372,120)
Income tax expense	2.4	-	-
Loss from continuing operations		(2,068,455)	(1,372,120)
Loss for the year		(2,068,455)	(1,372,120)
Other comprehensive income			
Total items that will not be reclassified subsequently to profit or loss		-	-
Total items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(2,068,455)	(1,372,120)
Loss attributable to owners of the Company		(2,068,455)	(1,372,120)
Total comprehensive loss attributable to owners of the Company		(2,068,455)	(1,372,120)
Loss per share			
Basic and diluted (cents per share)	2.5	(0.59)	(0.46)

The accompanying notes are an integral part of these financial statements.

**LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Attributable to equity holders of the Company			
	Share capital \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2015	20,485,965	402,625	(19,729,443)	1,159,147
Total comprehensive income for the year	-	-	(2,068,455)	(2,068,455)
Loss after income tax expense for the year	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(2,068,455)	(2,068,455)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue ordinary shares	568,008	-	-	568,008
Issue of ordinary shares on conversion of options	1,082,321	-	-	1,082,321
Transfer to accumulated losses on exercise of options	-	(13,200)	13,200	-
Share-based payment transactions	-	297,000	-	297,000
Capital raising costs	(66,925)	-	-	(66,925)
Total contributions by and distributions to owners	1,583,404	283,800	13,200	1,880,404
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	1,583,404	283,800	13,200	1,880,404
Balance at 30 June 2016	22,069,369	686,425	(21,784,698)	971,096

The accompanying notes are an integral part of these financial statements.

**LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

	Attributable to equity holders of the Company			
	Share capital \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2014	19,271,006	277,868	(18,357,323)	1,191,551
Total comprehensive income for the year				
Loss after income tax expense for the year	-	-	(1,372,120)	(1,372,120)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,372,120)	(1,372,120)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	1,329,810	-	-	1,329,810
Issue of ordinary shares on conversion of options	613	-	-	613
Share-based payment transactions	-	124,757	-	124,757
Capital raising costs	(115,464)	-	-	(115,464)
Total contributions by and distributions to owners	1,214,959	124,757	-	1,339,716
Total changes in ownership interests in subsidiaries	-	-	-	-
Total transactions with owners	1,214,959	124,757	-	1,339,716
Balance at 30 June 2015	20,485,965	402,625	(19,729,443)	1,159,147

The accompanying notes are an integral part of these financial statements.

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
Note	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(472,895)	(537,487)
Interest received	2,885	8,644
Payments for exploration, evaluation and development	(993,218)	(583,217)
Net cash used in operating activities	4.1(b) (1,463,228)	(1,112,060)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	2,000
Acquisition of property, plant and equipment	(8,810)	(3,200)
Net cash used in investing activities	(8,810)	(1,200)
Cash flows from financing activities		
Proceeds from issue of shares	1,638,791	1,295,423
Proceeds from borrowings	100,000	-
Proceeds from related party loans	60,000	-
Payment of capital raising costs	(66,925)	(102,264)
Repayment of borrowings	(125,000)	-
Repayment of loans from related parties	(60,398)	-
Payment of transaction costs related to borrowings	(5,000)	-
Net cash from financing activities	1,541,468	1,193,159
Net increase in cash and cash equivalents	69,430	79,899
Cash and cash equivalents at 1 July	306,272	226,373
Cash and cash equivalents at 30 June	4.1(a) 375,702	306,272

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

SECTION 1 BASIS OF PREPARATION

In preparing the 2016 financial statements, the Company has made a number of changes in structure, layout and wording in order to make the financial statements less complex and more relevant for shareholders and other users. We have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities supporting exploration and evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

Prior year presentation has been reclassified where necessary to conform with current year presentation.

1.1 GENERAL INFORMATION

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 2, 55 Carrington Street, Nedlands, WA, 6009.

The Group is primarily involved in the mineral exploration industry in Australia.

The consolidated financial statements of the Group as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 20 September 2016. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015. Refer to note 6.8 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.9 for further details.

1.2 GOING CONCERN

The directors have prepared the financial report on a going concern basis, which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has a working capital surplus of \$231,212 and net cash inflows for the 30 June 2016 financial year of \$69,430 (after \$993,218 of exploration expenditure). The Group incurred a loss for the year of \$2,068,455 (including \$1,244,574 in exploration expenditure expensed, capitalised exploration expenditure impaired or site rehabilitation during the period).

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2 GOING CONCERN (continued)

On 12 September 2016, the Company announced a non-renounceable share entitlements offer to raise approximately \$643,000. Asymmetric Arbitrage Limited have fully underwritten the share entitlements offer and the underwriting agreement is subject to customary terms and conditions.

In addition to the expected funds raised through the underwriting referred to above, the directors are aware that the Group's ability to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is dependent on the Group securing further working capital in order to maintain current levels of spending including its exploration commitments set out in note 3.3. Alternatives available to the Group include:

- Capital market raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties (refer note 5.2)
- Farming out assets to reduce expenditure obligations or sale of assets

The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities. Whilst there is uncertainty regarding the outcomes of funding alternatives, if necessary the Group will delay discretionary exploration, none of which is contractually binding, and the directors can also institute cost saving measures to further reduce corporate and administration costs.

Furthermore, subsequent to year-end in order to meet short-term cash flow needs, a director provided a loan facility of us to \$200,000 to the Company for a period of 12 months from 26 August 2016 or until a capital raising by the Company is completed that is sufficient to repay the amount drawn against the facility.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

Given the above financial position of the Group, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs within its business plans for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associated is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition charges in the Group's share of net assets of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Where a joint arrangement is classified as a joint operation the Group recognises its proportionate share of revenue, expenditure, assets and liabilities.

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

1.5 IMPAIRMENT

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment losses on available-for-sale investments are recognised by reclassifying the cumulative loss that has been recognised in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

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

1.6 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

- *Note 1.2* - *Going concern*
- *Note 2.4* - *Recognition of tax losses*
- *Note 3.1* - *Capitalised exploration and evaluation costs*
- *Note 6.1* - *Share-based payments*

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

Key estimates and assumptions in this section

Deferred taxation

The Group has unrecognised carry forward tax losses which can be utilised against future taxable profits. Given that the Group is not yet in production, the tax asset has not yet been recognised.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being base minerals exploration and evaluation.

Reportable segments disclosed are based on aggregating tenements where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same mineral resource or type of mineral resource; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating tenements, are determined in accordance with *AASB 8 Operating Segments*.

Reconciliation of reportable segment loss, assets and liabilities and other material items

	Note	2016 \$	2015 \$
Profit / (Loss) before income tax			
Total loss for reportable segments	(i)	(1,252,475)	(627,830)
Central administration and directors' remuneration		(788,173)	(753,099)
Finance expense		(30,398)	-
Finance income		2,591	8,809
Consolidated loss before income tax		<u>(2,068,455)</u>	<u>(1,372,120)</u>
Assets			
Total assets for reportable segments		768,554	952,033
Cash and cash equivalents		375,702	306,272
Term deposits		-	21,800
Other assets		36,340	14,986
Consolidated total assets		<u>1,180,596</u>	<u>1,295,091</u>

- (i) Total loss for reportable segments includes impairment of capitalised exploration expenditure of \$182,347 (2015: \$41,679).

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 OPERATING SEGMENTS (continued)

Reconciliation of reportable segment loss, assets and liabilities and other material items (continued)

	2016	2015
	\$	\$
Liabilities		
Total liabilities for reportable segments	(86,188)	(17,180)
Employee entitlements	(76,373)	(78,833)
Other liabilities	(46,939)	(39,931)
Consolidated total liabilities	(209,500)	(135,944)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2015.

2.2 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payments

The policy relating to share-based payments is set out in note 6.1.

The table below sets out personnel costs expensed during the year.

	Note	2016	2015
		\$	\$
Directors and executive's remuneration	6.3	620,145	411,089
Other wages and salaries		17,666	19,074
Employee contributions to defined contribution plans		1,678	1,812
Directors remuneration		639,489	431,975
Expensed in exploration and evaluation		130,055	85,239
Expensed in personnel expenses		509,434	346,736
		639,489	431,975

Further information relating to directors' remuneration is set out in note 6.3.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

The table below sets out employee benefits at the reporting date.

	2016	2015
	\$	\$
Salary accrual	-	15,214
Liability for superannuation	-	1,420
Liability for annual leave	43,278	39,017
Liability for long service leave	33,095	23,182
	76,373	78,833
Current	43,278	55,651
Non-current	33,095	23,182
	76,373	78,833

2.3 FINANCE INCOME AND COSTS

Accounting Policy

Net finance costs comprise income on funds invested and interest expense on borrowings. Interest income and interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

	2016	2015
	\$	\$
Interest income on bank deposits	2,591	8,809
Interest expense on financial liabilities measured at amortised cost		
Interest expense on loans received from related parties	(398)	-
Interest expense on borrowings	(25,000)	-
Other finance charges	(5,000)	-
	(30,398)	-
Net finance (expense) / income recognised in profit or loss	(27,807)	8,809

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(a) Amounts recognised in profit or loss

	2016	2015
	\$	\$
Current tax benefit		
Current period	(471,556)	(240,108)
Deferred tax benefit		
Origination and reversal of temporary differences	471,556	240,108
Total income tax benefit	-	-

(b) Reconciliation of effective tax rate

	2016	2015
	\$	\$
Loss for the period	(2,068,455)	(1,372,120)
Total income tax expense	-	-
Loss excluding income tax	(2,068,455)	(1,372,120)
Income tax using the Group's domestic tax rate of 30% (2015: 30%)	(620,536)	(411,636)
Non-deductible expenses	89,341	37,613
Capital gain	-	105,000
Tax losses not brought to account	531,195	269,023
	-	-

All unused tax losses were incurred by Australian entities.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate (continued)

Potential future income tax benefits of \$6,416,496 (2015: \$5,799,659) 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 or the same business test.

(c) Recognised deferred tax assets and liabilities

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

	2016	2015
	\$	\$
Deferred tax liabilities (DTLs)		
Property, plant and equipment	4,756	6,215
Exploration and evaluation expenditure	224,884	279,588
Trade and other receivables	-	88
Set-off against DTAs	(229,640)	(285,891)
	-	-
Deferred tax assets (DTAs)		
Black hole deductible costs	(50,884)	(60,757)
Trade and other payables	(6,726)	(6,435)
Employee benefits	(22,912)	(23,650)
Carry forward tax losses	(149,118)	(195,049)
Set-off against DTLs	229,640	285,891
	-	-

There were no unrecognised deferred tax liabilities.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5 LOSS PER SHARE

(a) Basic loss per share

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share.

The calculation of basic loss per share at 30 June 2016 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

Loss per share attributable to ordinary shareholders

	2016	2015
Net loss attributable to ordinary shareholders - \$	(2,068,455)	(1,372,120)
Issued ordinary shares at 1 July	324,546,575	222,233,215
Effect of shares issued	27,091,606	75,149,335
Weighted average number of ordinary shares at 30 June	351,638,181	297,382,550
Basic loss per share (cents)	(0.59)	(0.46)
Diluted loss per share (cents) *	(0.59)	(0.46)

* At 30 June 2016, 43,550,127 options (2015: 22,750,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

SECTION 3 ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at the year end.

Key estimates and assumptions in this section

Indicators of impairment for exploration and evaluation assets

The Group has reviewed exploration and evaluation assets for indicators of impairment in accordance with AASB 6 and concluded that capitalised exploration and evaluation expenditure was impaired as disclosed in note 3.1. In making this assessment, management is required to make assessments on the status of each project and the future plans towards successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

Site restoration

Provisions for the costs of rehabilitation, decommissioning and restoration of the area disturbed during mining activities depends on the legal requirements at the date of decommissioning, the costs and timing of work and the discount rate to be applied.

3.1 EXPLORATION AND EVALUATION EXPENDITURE

Accounting Policy

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation costs are written off in the year they are incurred, apart from acquisition costs, which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the Directors decide that it is not commercially viable, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also 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.

Impairment

Capitalised acquisition costs are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount. Such triggering events are defined in AASB 6 '*Exploration for and Evaluation of Mineral Resources*' in respect of exploration and evaluation assets and includes consideration of commercial viability and technical feasibility.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.6.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 EXPLORATION AND EVALUATION EXPENDITURE (continued)

Accounting Policy

Site restoration

In accordance with the Group's published environment policy and applicable legal requirements, rehabilitation of drilling programs is completed progressively as the liability arises. Where future rehabilitation is anticipated, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

	2016	2015
	\$	\$
Costs carried forward in respect of areas of interest		
Exploration and evaluation expenditure	749,612	931,959
Movements for the year:		
Opening balance	931,959	987,279
JV Receipts	-	(13,641)
Impaired	(182,347)	(41,679)
	749,612	931,959

During the year, management surrendered a tenement which had been acquired in 2010. As a result, and in line with AASB 6, the acquisition cost totalling \$182,347 was impaired.

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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

3.2 CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. These obligations are not provided for in the financial report and are payable as follows:

	2016	2015
	\$	\$
Mineral exploration		
Not later than one year	1,032,843	1,118,500

Other commitments

	2016	2015
	\$	\$
Office rent		
Not later than one year	8,679	9,108
Between one and five years	-	9,468
	8,679	18,576

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(a) Reconciliation of cash and cash equivalents

	2016	2015
	\$	\$
Cash and cash equivalents in the statement of cash flows	375,702	306,272

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

	Note	2016	2015
		\$	\$
Cash flows from operating activities			
Loss for the period		(2,068,455)	(1,372,120)
Adjustments for:			
Equity-settled share-based payment transactions	6.1	297,000	141,140
Finance expense	2.3	30,398	-
Exploration and evaluation expenditure impaired	3.1	182,347	41,679
Exploration expensed through profit or loss		-	19,058
Depreciation		13,644	14,036
Loss on disposal of property, plant and equipment		1,094	906
Change in other receivables		3,169	47,941
Change in prepayments		4,019	92
Change in trade and other payables		76,016	(22,662)
Change in employee benefits provisions		(2,460)	17,870
Net Cash from / (used in) operating activities		(1,463,228)	(1,112,060)

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 OTHER RECEIVABLES

Accounting Policy

Trade receivables are recognised initially at the value of the invoice sent to the counter-party and subsequently at the amounts considered recoverable (amortised cost). Where there is evidence that the receivable is not recoverable, it is impaired with a corresponding charge to the consolidated statement of profit or loss.

	2016	2015
	\$	\$
Authorised government agencies	20,125	-
Other receivables	11,538	-
Deposits and bonds	-	21,800
Bank interest income	-	294
	31,663	22,094
Current	31,663	294
Non-current	-	21,800
	31,663	22,094

4.3 TRADE AND OTHER PAYABLES

Accounting Policy

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid at the end of the month following date of recognition.

	2016	2015
	\$	\$
Current		
Trade payables	124,480	32,224
Non-trade payables and accrued expenses	23,167	22,831
Authorised government agencies	-	2,056
	147,647	57,111

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

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.

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2016	2015	2016	2015
On issue at 1 July	324,546,575	222,233,215	20,485,965	19,271,006
<i>Shares issued and expensed during the period:</i>				
Placement of shares at 1.3 cents each	-	99,600,634	-	1,294,810
Issue of shares at 1.3 cents each in lieu of consulting services	-	2,692,308	-	35,000
Placement of shares at 1 cent each	10,000,000	-	100,000	-
Placement of shares at 3 cents each	15,600,256	-	468,008	-
Issue of shares converted from options at 3 cents each	36,077,402	20,418	1,082,321	613
Capital raising costs	-	-	(66,925)	(115,464)
On issue at 30 June	386,224,233	324,546,575	22,069,369	20,485,965

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

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

All issued shares are fully paid.

The Company has also share options on issue (see note 6.1).

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued.

5.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 6.2.

Asymmetric Draw Down Facility

On 9 June 2015, the Company entered into a drawdown facility agreement with Asymmetric Arbitrage Limited whereby the Company could draw down loan funds of up to \$300,000. Under the terms of the agreement, interest was fixed at \$25,000 and payable within 12 months of the first draw down amount and was secured against the Camel Hills tenements.

On 21 July 2015, the Group drew down \$100,000 of the facility. A director of the Company personally guaranteed the drawdown facility with no recourse to Lodestar. On 7 April 2016, this loan plus interest of \$25,000 was repaid.

Loans received from a director

During the year a director provided the Company with a \$60,000 short-term loan with an interest rate of 7% pa. The loan plus interest was repaid on 4 January 2016.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

Key estimates and assumptions in this section

Share-based payments

The fair value of share options is measured using the Black Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk free interest rate (based on government bonds). Service and non-market conditions are not taken into account in determining fair value.

6.1 SHARE-BASED PAYMENT PLANS

Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated statement of comprehensive profit or loss can be broken down as follows:

	2016	2015
	\$	\$
Expensed in personnel expenses (director remuneration)		
Options issued to directors	297,000	106,141
Expensed in exploration expenditure		
Options issued to directors	-	3,189
Options issued to a consultant	-	2,227
Expensed in capital raising costs		
Options issued to a consultant	-	13,200

Share-based payment programme

An employee option plan has been established which enables the Group to issue key management personnel and consultants options over the ordinary shares of the Company. Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash. Options may not be transferred other than to an associate of the holder.

**LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

At 30 June 2016, a summary of the Group options issued and not exercised are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
28-Nov-11	29-Nov-12	29-Nov-16	15	1,000,000	-	-	-	1,000,000	1,000,000
28-Nov-11	29-Nov-13	29-Nov-16	20	750,000	-	-	-	750,000	750,000
28-Nov-11	29-Nov-14	29-Nov-16	30	750,000	-	-	-	750,000	750,000
08-May-12	08-May-12	08-May-17	15	1,000,000	-	-	-	1,000,000	1,000,000
08-May-12	08-May-14	08-May-17	20	750,000	-	-	-	750,000	750,000
08-May-12	08-May-15	08-May-17	30	500,000	-	-	-	500,000	500,000
16-Dec-13	16-Dec-13	16-Dec-17	5	5,000,000	-	-	-	5,000,000	5,000,000
25-Nov-14	25-Nov-14	16-Dec-17	5	11,000,000	-	-	-	11,000,000	11,000,000
25-Nov-14	25-Nov-14	31-Mar-16	3	2,000,000	-	(2,000,000)	-	-	-
25-Nov-15	25-Nov-15	31-Dec-18	5	-	15,000,000	-	-	15,000,000	15,000,000
Total				22,750,000	15,000,000	(2,000,000)	-	35,750,000	35,750,000
Weighted Average Exercise Price (cents)				8.1	5.0	3.0	-	7.1	7.1

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 1.79 years (2015: 2.14 years). The weighted average exercise price of outstanding shares at the end of the reporting period was 7.06 cents (2015: 8.07 cents).

**LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

At 30 June 2015, a summary of the Group options issued and not exercised are as follows:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
28-Nov-11	29-Nov-12	29-Nov-16	15	1,000,000	-	-	-	1,000,000	1,000,000
28-Nov-11	29-Nov-13	29-Nov-16	20	750,000	-	-	-	750,000	750,000
28-Nov-11	29-Nov-14	29-Nov-16	30	750,000	-	-	-	750,000	750,000
08-May-12	08-May-12	08-May-17	15	1,000,000	-	-	-	1,000,000	1,000,000
08-May-12	08-May-14	08-May-17	20	750,000	-	-	-	750,000	750,000
08-May-12	08-May-15	08-May-17	30	500,000	-	-	-	500,000	500,000
16-Dec-13	16-Dec-13	16-Dec-17	5	5,000,000	-	-	-	5,000,000	5,000,000
25-Nov-14	25-Nov-14	16-Dec-17	5	-	11,000,000	-	-	11,000,000	11,000,000
25-Nov-14	25-Nov-14	31-Mar-16	3	-	2,000,000	-	-	2,000,000	2,000,000
Total				9,750,000	13,000,000	-	-	22,750,000	22,750,000
Weighted Average Exercise Price (cents)				12.6	4.7	-	-	8.1	8.1

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

Key valuation assumptions made at valuation date are summarised below:

Key value assumptions	2016	2015
Exercise price (cents)	5	5
Grant date	25-Nov-15	25-Nov-14
Expiry date	31-Dec-18	16-Dec-17
Life of the options (years)	3.10	3.06
Volatility	130%	150%
Risk free rate	1.99%	2.51%

6.2 FINANCIAL RISK MANAGEMENT

Accounting Policy

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the statement of financial position in accordance with AASB 139 *Financial Instruments*:

- Loans and receivables – separately disclosed as cash and cash equivalents and trade and other receivables;
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments. Details on the accounting policies for measurement of the above instruments are set out in the relevant note.

Recognition and de-recognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the statement of financial position when contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Group held cash and cash equivalents of \$375,702 at 30 June 2016 (2015: \$306,272). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

At 30 June 2016, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2016	2015
	\$	\$
Australia	31,663	22,094

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. As the Group is not trading there are no financial assets past due and there is no management of credit risk through performing an aging analysis; therefore, an aging analysis has not been disclosed.

At 30 June 2016, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2016	2015
	\$	\$
Authorised government agencies	31,663	22,094

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group 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.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	12 months or less
	\$	\$	\$
30 June 2016			
Non-derivative financial liabilities			
Trade and other payables	147,647	147,647	147,647
30 June 2015			
Non-derivative financial liabilities			
Trade and other payables	55,055	55,055	55,055

The balances above will not always agree to the financial statements as the contractual cash flows above are undiscounted. The carrying amount is the balance as recognised in the statement of financial position.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group'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. There has been no change to the manner in which the Group manages market risk from the previous year.

Currency risk

The Group is not exposed to foreign currency risk.

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	2016	2015
	\$	\$
Variable rate instruments		
Cash and cash equivalents	375,702	328,072

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.2. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 30 June 2015.

	Profit or loss	
	100 bp increase \$	100 bp decrease \$
30 June 2016		
Variable rate instruments	1,879	(1,879)
Cash flow sensitivity	1,879	(1,879)
30 June 2015		
Variable rate instruments	3,281	3,281
Cash flow sensitivity	3,281	3,281

At the reporting date the Group did not hold any variable rate financial liabilities.

6.3 RELATED PARTIES

Key management personnel compensation included in 'personnel expenses' (note 2.2) and 'share-based payments' (note 6.1), comprised the following:

	Note	2016 \$	2015 \$
Short term employee benefits		297,495	279,204
Post-employment benefits		25,650	24,104
Share-based payments - options	6.1	297,000	107,781
	2.2	620,145	411,089

Individual directors and executive's compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as required by S300A of the Corporations Act and Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report in section 13.

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

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.3 RELATED PARTIES (continued)

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies 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		Balance outstanding as at 30 June	
			2016	2015	2016	2015
<i>Key management person</i>	Transaction	Note	\$	\$	\$	\$
David McArthur	Management fee	(i)	84,000	83,133	7,700	7,700
Total and current liabilities					7,700	7,700

Key to table

- (i) The Company paid a management fee to Broadway Management Pty Ltd, a company associated with Mr McArthur, for the management of the accounting, financial reporting and statutory compliance functions of the Company.

Loans received from a director

During the year David McArthur provided the Company with a \$60,000 short-term loan with an interest rate of 7% pa. The loan plus interest was repaid on 4 January 2016.

6.4 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2016 %	2015 %
Audacious Resources Pty Ltd	Mineral exploration	Australia	30 June	100	100

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.5 PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2016, the parent entity of the Group was Lodestar Minerals Limited.

	2016	2015
	\$	\$
Result of the parent entity		
Loss for the year	(2,068,455)	(1,372,120)
Total comprehensive income for the year	(2,068,455)	(1,372,120)
Financial position of parent entity at year end		
Current assets	422,137	312,037
Total assets	1,195,116	1,295,091
Current liabilities	(190,925)	(112,762)
Total liabilities	(224,020)	(135,944)
Total equity of the parent entity comprising of:		
Share capital	22,069,369	20,485,965
Equity settled benefits reserve	686,425	402,625
Accumulated losses	(21,784,698)	(19,729,443)
Total equity	971,906	1,159,147
Commitments		
Office rent		
Less than one year	9,468	9,108
Between one and five years	-	9,468
	9,468	18,576
Mineral exploration		
Not later than one year	622,000	575,000

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.6 SUBSEQUENT EVENTS

On 12 September 2016, the Company announced a pro-rata non-renounceable entitlements issue to subscribe for one new fully paid ordinary share for every six ordinary shares held by eligible shareholders at 1 cent per share to raise \$643,707 (before costs). One option exercisable at 3 cents on or before 31 October 2019 will be issued for nil consideration for every three shares applied for in the entitlements issue. The entitlements issue is fully underwritten by Asymmetric Arbitrage Limited.

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the reporting period 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.

6.7 AUDITORS' REMUNERATION

	2016	2015
	\$	\$
KPMG Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	34,751	33,532
<i>Taxation services</i>		
Taxation compliance services	7,000	14,000
TOTAL AUDITORS' REMUNERATION	41,751	47,532

It is the Group's policy to employ KPMG on assignments additional to their statutory audit duties where KPMG's expertise and experience with the Group are important. These assignments are principally tax advice, or where KPMG is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

6.8 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in the notes to the consolidated financial statements to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2015.

- (a) *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

The changes above did not have a material impact on the Group.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.9 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2016.

Reference	Title	Application date of standard	Application date for the Group
		Periods beginning on or after	
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)		
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 16	Leases	1 January 2019	1 July 2019
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	1 July 2016
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	1 January 2018	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017

There will be no significant impact on the Group's results and disclosures on the adoption of the above standards.

Reference	Title	Application date of standard	Application date for the Group
		Periods beginning on or after	
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	1 July 2017

The impact of the above standard has not yet been assessed by management.

LODESTAR MINERALS LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of Lodestar Minerals Limited (the "Group"):
- (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its 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; and
 - (b) as set out in note 1.2, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The directors draw attention to note 1.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 20th day of September 2016.



WILLIAM CLAYTON
Director



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 consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 6.9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group'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.

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 the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.1.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion expressed above, attention is drawn to note 1.2 in the financial report. The matters set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in section 13 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

20 September 2016

STOCK EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 31 August 2016:

1. Distribution of ordinary shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	3,460	3,194,429	0.83
1,001 - 5,000	229	1,680,893	0.43
5,001 - 10,000	1,003	37,060,002	9.59
10,001 - 100,000	417	137,675,725	35.65
100,001 and over	65	206,613,184	53.50
Total	5,174	386,224,233	100.00

There were 4,356 holders of less than a marketable parcel of ordinary shares.

2. Substantial shareholders

The substantial shareholders are set out below:

Shareholders	Number of Shares
Ross Jeremy Taylor <Jamanaro A/C>	31,334,025
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	23,989,202

3. Voting rights

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

LODESTAR MINERALS LIMITED
STOCK EXCHANGE INFORMATION

4. Unlisted options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
28-Nov-11	2,500,000	1	29-Nov-16	15-30
08-May-12	2,250,000	1	8-May-17	15-30
16-Dec-13	5,000,000	1	16-Dec-17	5
25-Nov-14	11,000,000	3	16-Dec-17	5
25-Nov-15	15,000,000	3	31-Dec-18	5
22-Dec-15	7,800,127	1	30 Dec-18	6

There are 43,550,127 options issued to 10 holders under the Lodestar Minerals long-term option plan to take up ordinary shares.

5. Twenty largest shareholders as at 31 August 2016

Shareholders	Ordinary shares	
	Number held	% of issued shares
Ross Jeremy Taylor <Jamanro A/C>	31,334,025	8.11
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	23,989,202	6.21
Merrill Lynch (Australia) Nominees Pty Ltd	16,064,538	4.16
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	13,222,822	3.42
Dasmac (WA) Pty Ltd	8,512,780	2.20
Julia April Singleton	5,692,855	1.47
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	5,416,667	1.40
Robert John McArthur Anderson	4,100,000	1.06
Luigi Costa	3,659,873	0.95
Sharon Anne Clayton	3,397,223	0.88
Teri Conway Patterson	3,200,000	0.83
Mark Phillip Jones	3,166,667	0.82
Noel James Stewart	3,100,000	0.80
Colin Rose	3,030,469	0.78
Soon Jeung Yuen	3,022,415	0.78
David Maxwell McArthur	2,679,566	0.69
Bruce William Fawcett	2,410,000	0.62
Leigh Mackay	2,388,974	0.62
Neverett Pty Ltd <Neil Everett S/F A/C>	2,171,297	0.56
Garth Armstrong	2,148,650	0.56

LODESTAR MINERALS LIMITED
STOCK EXCHANGE INFORMATION

6. Tenements listing as at 31 August

Tenement description	Tenement Numbers	Status	Percentage Interest
Camel Hills	E09/2099	Granted	100%
Camel Hills	E09/2100	Granted	100%
Camel Hills	E52/3064	Granted	100%
Camel Hills	E09/2138	Pending	100%
Camel Hills	E09/2139	Pending	100%
Ned's Creek	E52/2440	Granted	100%
Ned's Creek	E52/2456	Granted	100%
Ned's Creek	E52/2468	Granted	100%
Ned's Creek	E52/2493	Granted	100%
Ned's Creek	E52/2734	Granted	100%
Imbin	E69/3254	Granted	100%
Imbin	E69/3255	Granted	100%
Imbin	E69/3261	Granted	100%
Imbin	E69/3263	Granted	100%
Imbin	E69/3271	Granted	100%
Imbin	E69/3265	Granted	100%

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Level 2, 55 Carrington Street,
Nedlands, WA 6009
Telephone: +61 8 9423 3200
Facsimile: +61 8 9389 8327