



## ASX ANNOUNCEMENT

20 October 2017

**LODESTAR**  
**MINERALS**

### COMPANY SNAPSHOT

#### LODESTAR MINERALS LIMITED

ABN: 32 127 026 528

#### CONTACT DETAILS

Bill Clayton, Managing Director  
+61 8 9435 3200

#### Registered and Principal Office

Level 1, 31 Cliff Street  
Fremantle, WA 6160

PO Box 584  
Nedlands, WA, 6959

info@lodestarminerals.com.au

www.lodestarminerals.com.au

#### CAPITAL STRUCTURE

##### *Shares on Issue:*

635,788,328 (LSR)

##### *Options on Issue:*

113,183,702 (listed)

38,800,127 (unlisted)

ASX: LSR

#### PROJECTS

*Peak Hill – Doolgunna:*

*Camel Hills – gold*

*Neds Creek – gold*

*Marymia – gold*

*West Pinyrinny – gold*



### DISPATCH OF 2017 ANNUAL REPORT AND NOTICE OF AGM

Attached is copy of the Lodestar Minerals Limited 2017 Annual Report together with the Notice of Annual General Meeting, Proxy Form and Explanatory Statement 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](http://www.lodestarminerals.com.au)

**For and on behalf of the Board**

**David McArthur**  
**Director**



**LODESTAR MINERALS LIMITED**

**ABN 32 127 026 528**

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**NOTICE OF ANNUAL GENERAL MEETING**

**PROXY FORM**

**AND**

**EXPLANATORY STATEMENT**

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*Date of Meeting*

**20 November 2017**

*Time of Meeting*

**2:00 pm (WST)**

*Place of Meeting*

**Level 1, 31 Cliff Street  
Fremantle, 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 2:00 pm (WST) on Monday 20 November 2017, at Level 1, 31 Cliff Street, Fremantle, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5:00pm (Sydney time) on 19 November 2017.

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 2017 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

##### Ordinary 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 2017."*

**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 2016 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:

- (c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) 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.

#### **Ordinary Resolution 2: Re-election of Director - Mr Ross Taylor**

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

*“That Mr Ross Taylor, 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.”*

#### **Ordinary Resolution 3: Ratification of Issue of Shares and Options - Placement**

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 17,450,000 fully paid ordinary shares and 31,250,000 October 31 2019 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 Resolution 3 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.

#### **Ordinary Resolution 4: Ratification of Issue of Shares - Placement**

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 45,050,000 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 Resolution 4 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.

### **Ordinary Resolution 5: Ratification of Issue of Shares - Consulting fees**

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 2,970,000 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 Resolution 5 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.

### **Ordinary Resolution 6: Ratification of Issue of Options - Lead Manager Fee - Tranche 1**

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 13,200,000 October 31 2019 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 Resolution 6 by the Lead Manager and any associates of the Lead Manager. 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.

### **Ordinary Resolution 7: Approval for Issue of Options - Lead Manager Fee - Tranche 2**

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 7.1 and for all other purposes, the Company approves the allotment and issue of 6,800,000 31 October 2019 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 Resolution 7 by the Lead Manager and any associates of the Lead manager. 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.

### **Ordinary Resolution 8: Appointment of Auditor**

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

*“That, for the purposes of Section 327B of the Corporations Act (2001), HLB Mann Judd, having consented in writing and been duly nominated in accordance with Section 328B(1) of the Corporations Act (2001), be appointed as auditors of the Company.”*

### **Special Resolution 9: 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.

**By Order of the Board**



D M McArthur  
**Company Secretary**

Dated: 6 October 2017

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## **ENTITLEMENT TO ATTEND AND VOTE**

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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 5:00pm (Sydney time) on 19 November 2017 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 9435 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 2017, together with the declaration of the Directors, the Directors’ report, the Remuneration Report and the auditor’s report.

A copy of the Company’s 2017 Annual Report is available on the Company’s ASX platform (ASX: LSR) and on the website [www.lodestarminerals.com.au](http://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.

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### ORDINARY 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**

Pursuant to the Corporations Act, 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.

## **ORDINARY RESOLUTION 2: Re-election of Director - Mr Ross Taylor**

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

Information about Mr Taylor is set out in the Company's 2017 Annual Report.

The Board (other than Mr Taylor) unanimously supports the re-election of Mr Taylor.

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## **ORDINARY RESOLUTIONS 3 and 4: Ratification of Issue of Shares and Options- Placement**

As announced to ASX on 7 September 2017, the Company placed 62,500,000 Shares at \$0.008 per Share to raise \$500,000 before costs (**Placement**). 31,250,000 free attaching 31 October 2019 options exercisable at 3 cents each were also issued on a 1:2 basis. The options are in the same class as the listed 31 October 2019 options on issue.

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.

ASX Listing Rule 7.1A provides that the Company can issue a further 10% of the number of ordinary shares at the beginning of the 12 month period under Listing Rule 7.1.

The Placement was made as follows:

Listing Rule 7.1 - 17,450,000 Shares

- 31,250,000 31 October 2019 options

Listing Rule 7.1A - 45,050,000 Shares

Listing Rule 7.4 provides an issue made within the 15% limit or the 10% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 and Listing Rule 7.1A if subsequently approved by shareholders, thereby 'refreshing' the company's ability to issue shares within the 15% limit and the 10% limit, and restoring the company's ability to make placements within those limits (if that is thought desirable) without the need for shareholder approval.

While the Securities described in this Resolutions 3 and 4 have been issued within the 15% limit and the 10% 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.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares the subject of this Resolutions 3 and 4:

- (a) the total number of shares issued by the Company was 62,500,000;
- (b) the total number of free attaching 31 October 2019 options exercisable at 3 cents each was 31,250,000.
- (c) the shares were issued for \$0.008 per Share;
- (d) the options were issued for \$Nil consideration
- (e) the shares issued rank pari passu with the Company's existing Shares;
- (f) the shares were issued to numerous sophisticated investors.
- (g) the funds raised under the Placement will be used to fund exploration activity at the Yowereena tenements and for working capital purposes.

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#### **ORDINARY RESOLUTION 5: Ratification of Prior Issue of Shares**

On 7 September 2017, the Company issued 2,970,000 Shares at an issue price of \$0.01 per Share as payment of consulting fees totalling \$29,700.

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) 2,970,000 Shares were issued;
- (b) the deemed issue price was \$0.01 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 Shares were issued to Fivemark Partners, as payment of fees owing for consulting services to the Company.

#### **ORDINARY RESOLUTION 6: Ratification of Prior Issue of Options - Lead Manager Fee - Tranche 1**

The capital raising detailed at resolutions 3 and 4 above was facilitated by Mac Equity Partners. As part of the placement fee, the Company agreed to issue Mac Equity Partners 20,000,000 31 March 2019 options exercisable at 3 cents each. The options are the same class as the existing listed 31 October 2019 options on issue.

13,200,000 options were issued pursuant to Listing Rule 7.1, with 6,800,000 options yet to be issued, such issue subject to shareholder approval (refer resolution 7).

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 options described in this Resolution 6 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) 13,200,000 options were issued;
- (b) The options were issued for \$Nil
- (c) the options were issued as part of a placement fee;
- (d) the options are exercisable at 3 cents each on or before 31 October 2019; and
- (e) the options were issued to Mac Equity Partners, which is not a related party of the Company.

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#### **ORDINARY RESOLUTION 7: Approval to Issue of Options- Lead Manager Fee - Tranche 2**

As referred to in Resolution 6, a further 6,800,000 options are to be issued to Mac Equity Partners as fees for facilitating the placement for the Company. The options are in the same class as the listed 31 October 2019 options on issue.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

If Shareholders approve Resolution 7, the options will be issued without using the Company's placement capacity.

### **1.1 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- (a) a total of 6,800,000 options will be issued
- (b) The options will be issued for \$Nil consideration.
- (c) The options are exercisable at 3 cents each on or before 31 October 2019.
- (d) The issue of options will occur at one time, and will be issued no later than 3 months after the date of the meeting.
- (e) the options will be issued to Mac Equity Partners.
- (f) None of these subscribers are related parties of the Company.
- (g) No funds are being raised from the issue of the options.

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### **ORDINARY RESOLUTION 8: Appointment of Auditor**

Following mutual agreement between the Company and KPMG, KPMG has given notice of its intention to resign as auditor of the Company under section 329(5) of the Corporations Act. The resignation is subject to the approval of ASIC and shareholder approval of this resolution 8 for the appointment of HLB Mann Judd as auditor.

It is proposed that the Company appoint HLB Mann Judd as auditor of the Company.

In accordance with Section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a shareholder for HLB Mann Judd to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement at Appendix 2.

HLB Mann Judd has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act subject to shareholder approval of this resolution 8.

If Resolution 8 is passed, the appointment of HLB Mann Judd as the Company's auditor will take effect from the date on which the resignation of KPMG takes effect.

The Directors wish to take this opportunity to thank KPMG for their past service to the Company.

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### **SPECIAL RESOLUTION 9: 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 9, 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 9 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 9 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 9 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 \$7.6million.

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 9:

(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 9 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.

<b><u>DILUTION</u></b>				
Variable "A"		\$0.006 50% decrease in Issue Price	\$0.012 Issue price	\$0.024 100% Increase in Issue Price
<b>Current Variable A</b>	<b>10% Voting Dilution</b>			
<b>635,788,328 Shares</b>		63,567,832 Shares	63,567,832 Shares	63,567,832 Shares
	<b>Funds Raised</b>	\$ 381,407	\$ 762,814	\$ 1,525,628
<b>50% Increase In Current Variable A</b>	<b>10% Voting Dilution</b>			
<b>953,682,492 Shares</b>		95,368,249 Shares	95,368,249 Shares	95,368,249 Shares
	<b>Funds Raised</b>	\$ 572,209	\$ 1,144,419	\$ 2,288,838
<b>100% Increase In Current Variable A</b>	<b>10% Voting Dilution</b>			
<b>1,271,576,656 Shares</b>		127,157,665 Shares	127,157,665 Shares	127,157,665 Shares
	<b>Funds Raised</b>	\$ 762,936	\$ 1,525,892	\$ 3,051,784

\* 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 6 October 2017.
- (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 6 October 2017.
- (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 23 November 2016. The Company has issued 45,050,000 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 185,146,882 ordinary shares and 74,550,000 options have been issued representing 48.11% of the securities on issue at the commencement of the 12-month period preceding the date of the Annual General Meeting (being 539,702,157 securities).

<b>Date of Issue:</b>	<b>28/11/16</b>
Number issued:	2,700,000
Class:	Fully paid ordinary
Terms:	Placement
Name of applicants:	Chris Cook
Price:	1.0 cent per share
Discount to market:	No discount to market
Total cash received:	\$Nil
Purpose of issue:	Acquisition of vehicle.
Value at issue date:	\$27,000.

<b>Date of Issue:</b>	<b>28/11/16</b>
Number issued:	18,900,000
Class:	Listed options
Terms:	Exercisable at 3 cents each on or before 31 October 2019.
Name of applicants:	18,000,000 Directors (Ross Taylor, David McArthur, Bill Clayton) 900,000 Christopher Cook
Price:	\$Nil.
Discount to market:	N/A
Total cash received:	N/A
Basis of issue	Director options issued pursuant to shareholder approval Christopher Cook- Consultant
Option value at date of notice:	\$132,300 (refer appendix 1)

<b>Date of Issue:</b>	<b>13/12/16</b>
Number issued:	23,254
Class:	Fully paid ordinary
Terms:	Option conversion
Price:	3.0 cent per share
Discount to market:	N/A
Total cash received:	\$698
Intended use of cash	Working capital

**Date of Issue:** 7/2/17  
Number issued: 136  
Class: Fully paid ordinary  
Terms: Option conversion  
Price: 3.0 cent per share  
Discount to market: No discount to market  
Total cash received: \$4.00  
Intended use of cash: Working capital

**Date of Issue:** 15/9/17  
Number issued: 62,500,000/ 31,250,000  
Class: Fully paid ordinary/ Listed 31 October 2019 options  
Terms: Placement  
Name of applicants: Sophisticated investors  
Price: 0.8 cent per share (free attaching options)  
Discount to market: 20%  
Total cash received: \$500,000  
Intended use of cash: Exploration at Yowereena tenements and Working capital  
Option value at date of notice: \$218,750 (refer appendix 1)

**Date of Issue:** 15/9/17  
Number issued: 13,200,000  
Class: Listed 31 October 2019 options  
Terms: Broker fees for placement  
Name of applicants: Mac Equity Partners  
Price: \$Nil  
Discount to market: N/A  
Total cash received: \$Nil  
Intended use of cash: N/A  
Option value at notice date: \$92,400 (refer appendix 1)

**Date of Issue:** 15/9/17  
Number issued: 2,970,000  
Class: Fully paid ordinary  
Terms: Placement  
Name of applicants: Fivemark Partners  
Price: 1.0 cent per share  
Discount to market: No discount to market  
Total cash received: \$Nil  
Value of shares issued: \$29,700  
Intended use of cash: Consulting fees.

<b>Date of Issue:</b>	<b>5/10/17</b>
Number issued:	117,000,000/ 23,400,000
Class:	Fully paid ordinary/ Listed 31 October 2019 options
Terms:	Satisfaction of convertible note
Name of applicants:	Ross Taylor
Price:	1.0 cent per share, \$Nil option.
Discount to market:	No discount to market
Total cash received:	\$1,170,000
Purpose of issue:	Satisfaction of convertible note.
Option value at date of notice:	\$163,800 (refer appendix 1)

### **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 9.

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## GLOSSARY OF TERMS

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**10% Placement Capacity** has the meaning given in Resolution 9 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 1, 31 Cliff Street, Fremantle, Perth, WA;
  - (b) By mail to PO Box 584, Fremantle, WA, 6959.
  - (c) By Facsimile to +61 8 6444 7408;
  - (d) By scan and email to [david.mcarthur@broadwaymgt.com.au](mailto: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

### Valuation of listed 31 October 2019 options at date of notice of meeting

The Company has valued the Options using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Options ascribed a value as follows:

***Assumptions:***

Value date: 6 October 2017

Share price: \$0.01

Exercise price: \$0.03

Term: 25 months

Volatility: 150%

Risk free interest rate: 1.66%

Indicative value per Option: \$0.007



# LODESTAR MINERALS LIMITED

ABN 32 127 026 528

## APPENDIX 2

6 October 2017

The Directors,  
Lodestar Minerals Limited  
Level 1, 31 Cliff St,  
Fremantle WA 6160

Dear Sirs,

I, David McArthur, being a shareholder of Lodestar Minerals Limited, hereby give written notice pursuant to section 328B(1) of the Corporations Act of the nomination of HLB Mann Judd of 130 Stirling Street, Perth, WA, for appointment as auditor of Lodestar Minerals Limited at its 2017 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an annexure to the Notice of Meeting and Explanatory Statement for the 2017 Annual General Meeting of Lodestar Minerals Limited as required by section 328B(3) of the Corporations Act.

Yours sincerely,



---

David McArthur

# 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 Monday 20 November 2017 commencing at 2.00 pm (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 1, 31 Cliff Street, Fremantle WA 6160 or fax the Certificate to the registered office at +61 8 6444 7408

**PROXY FORM**  
**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 2.00 pm (WST) on 20 November 2017 at Level 1, 31 Cliff Street, Fremantle, 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 - Ross Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3: Ratification of Prior Issue of Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4: Ratification of Prior issue of Shares	<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: Ratification of Prior Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7: Approval to issue Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8: Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9: Approval of 10% Placement Capacity	<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)**

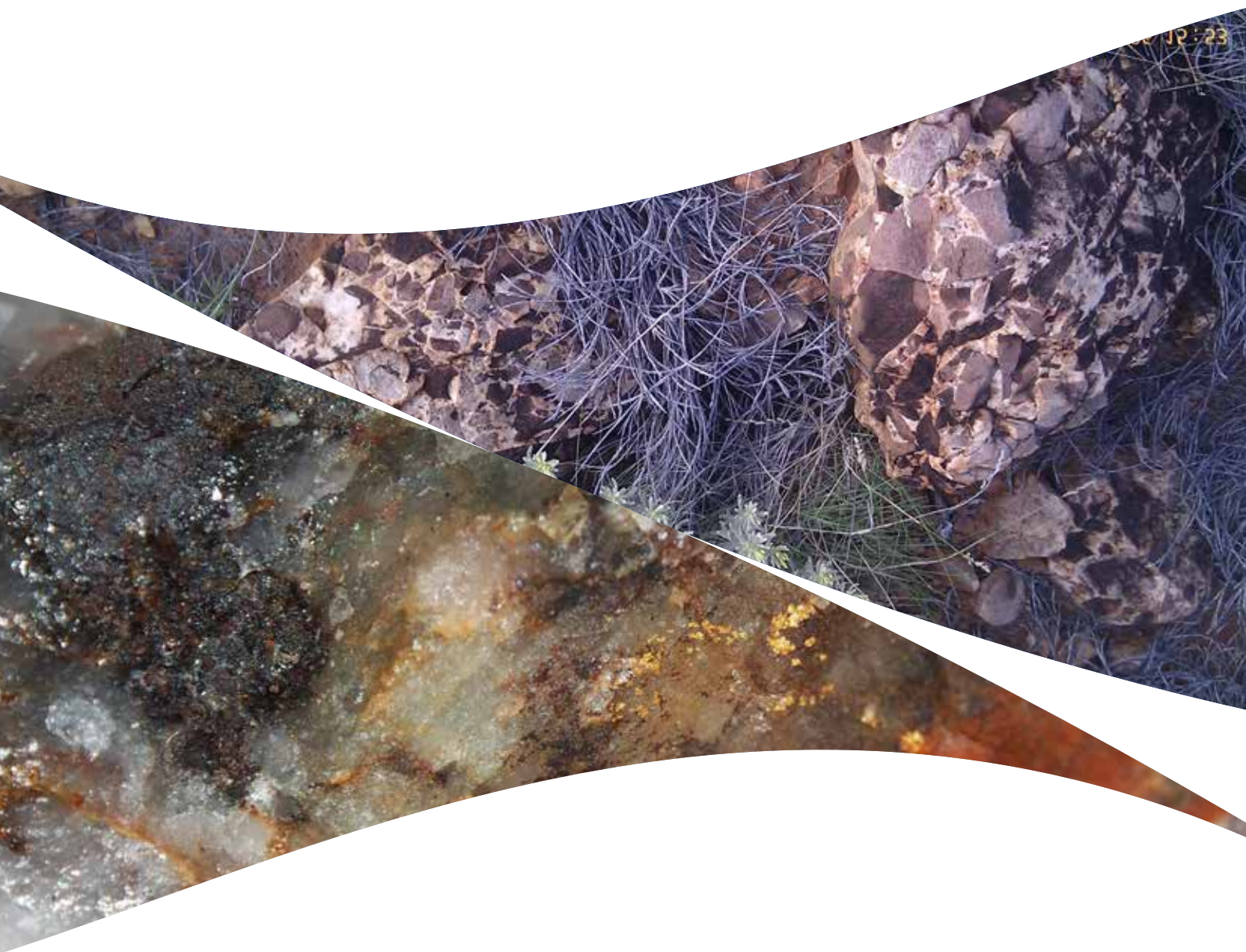
\_\_\_\_\_ Date: \_\_\_\_\_

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

**Member 2**  
  
Director

**Member 3**  
  
Director/Company Secretary

Contact Name: \_\_\_\_\_ Contact Ph (daytime): \_\_\_\_\_ Date: \_\_\_\_\_



# ANNUAL REPORT 2017

Lodestar Minerals Limited

ABN 32 127 026 528



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**LODESTAR MINERALS LIMITED  
CORPORATE DIRECTORY**

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**CORPORATE DIRECTORY**

**Directors**

Mr Ross Taylor  
Mr William Clayton  
Mr David McArthur

**Secretary**

Mr David McArthur

**Registered and Principal Office**

Level 1, 31 Cliff Street  
Fremantle WA 6160

Website: [www.lodestarminerals.com.au](http://www.lodestarminerals.com.au)

Email: [admin@lodestarminerals.com.au](mailto:admin@lodestarminerals.com.au)

Telephone: +61 8 9435 3200

Facsimile: +61 8 6444 7408

**Postal Address**

PO Box 584  
Fremantle WA 6959

**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**

- At Ned’s Creek, drilling continues to advance the gold potential in multiple areas within the Contessa – Brumby region. Approximately 10,000m of aircore drilling was completed over two programs, resulting in significant progress in locating primary gold mineralisation at the Contessa prospect and at the Brumby and Gidgee Flat prospects. Drilling also reported extensive gold mineralisation at the Central Park prospect, where mineralised quartz veining and gossanous samples were recovered from the weathered zone.

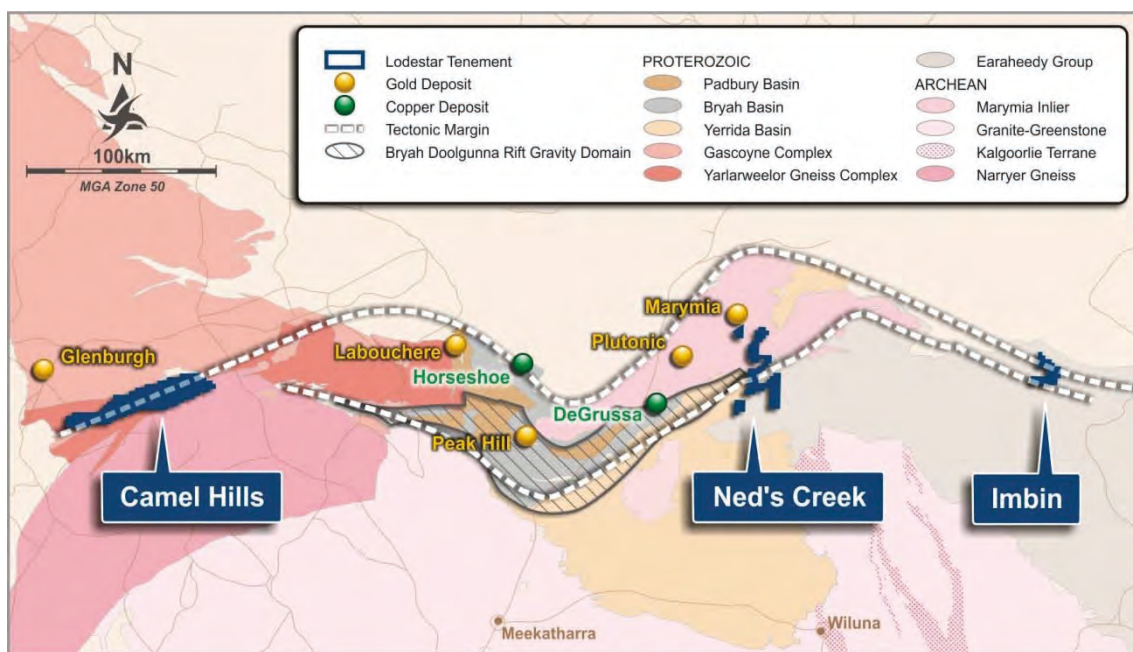
An understanding of the structural controls on mineralisation is crucial to unlocking the potential of these prospects. Lodestar successfully applied for EIS government co-funding of diamond drilling at Contessa and Brumby to obtain core samples to allow measurement of structures in fresh rock. Over 90% of drilling completed at Ned’s Creek is less than 100m depth and predominantly within the weathered zone. The structural information gained from diamond drilling will maximise the effectiveness of future drilling targeting primary mineralisation.

- Lodestar has increased the area under tenure by entering a farm-in agreement with Vango Mining Limited over four granted mining leases that adjoin the Contessa – Brumby area to the north (the Yowereena tenements). Lodestar’s drilling and surface geochemical gold anomalies continue up to the tenement boundary and significant gold intersections have been reported within the mining leases in historic drilling at Boundary Fence and from wide-spaced reconnaissance drilling conducted between 1993 and 2001. The tenements share a close geological similarity with the Contessa area and have received only first-pass exploration, with a number of priority walk-up targets identified. Under the terms of the farm-in agreement Lodestar is required to spend the equivalent of the annual expenditure commitment within twelve months to earn an 80% interest. With the addition of the Yowereena tenements Lodestar’s tenure forms a contiguous block extending over 20 kilometres of prospective greenstone interpreted as part of the northern extension of the Kalgoorlie Terrane of the eastern Yilgarn Craton, a terrane that includes many of Western Australia’s major gold deposits.
- The first comprehensive geochemical sampling programs were completed over the prospective greenstone units at Marymia and West Pinnyriny. The potential of these areas was demonstrated by multiple gold targets reporting up to 60ppb gold at Marymia and a large, multi-element As-Au-Sb anomaly extending for over 600m at West Pinnyriny. These anomalies occur within untested greenstone sequences adjacent to the Plutonic Well greenstone belt that has produced in excess of 5.5Moz of gold since mining commenced in 1990.



**ACTIVE EXPLORER ON THE CAPRICORN MARGIN**

Lodestar’s tenement portfolio includes 1,120 square kilometres under tenure across the northern margin of the Yilgarn Craton, Western Australia (Figure 1). The tenement package spans a distance of 360 kilometres, extending across the collision zone of the Yilgarn and Pilbara Cratons, known as the Capricorn Orogen.



**Figure 1 Location of Lodestar's projects on the northern Yilgarn Craton margin.**

Ancient craton margins have the 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. At Ned’s Creek the Bryah and Yerrida Basins, the Marymia Inlier and greenstone in the Contessa area (interpreted as part of the Kalgoorlie Terrane), are located within the major deformation zone active during the Capricorn and Glenburgh Orogens. The craton margin, including the Plutonic Well greenstone belt of the Marymia Inlier, has 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 1680Ma<sup>1</sup>, 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 Orogeny<sup>2</sup>. 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 also known to occur at the Camel Hills project.

<sup>1</sup> 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.

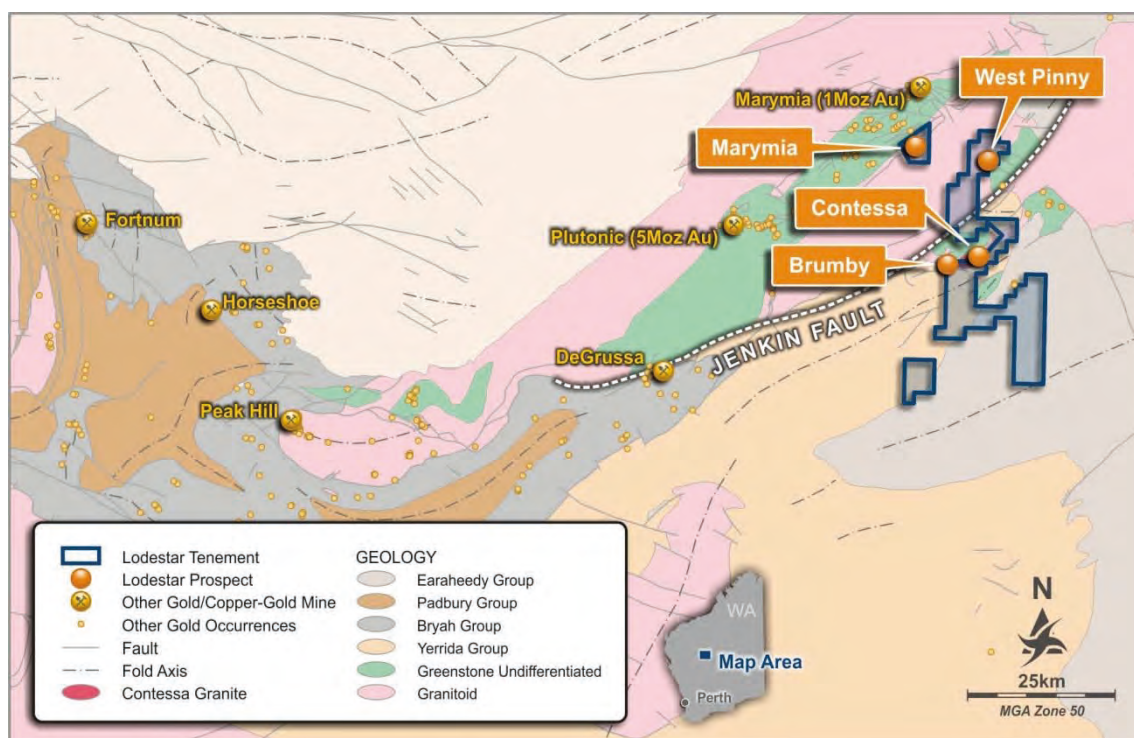
<sup>2</sup> Hawke, M.L., Meffre, S. and Stein, H. (2014), Geochronology of the DeGrussa Cu-Au-Ag volcanic-hosted massive sulphide deposit and comparisons with regional mineralization of the Yerrida, Bryah and Padbury basins, Western Australia. Accessed on 26<sup>th</sup> June 2015 at <http://www.segweb.org/SEG/Events/ConferenceWebsiteArchives/2014/Abstracts/dat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

**NED'S CREEK PROJECT**

(E52/2440, E52/2456, E52/2468, E52/2493, E52/2734 & E52/3473)

**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 major structure that defines the northern boundary of the Bryah-Yerrida volcano-sedimentary sequence and extend over 343 square kilometres of the northern Proterozoic Yerrida Basin and Archaean granite-greenstone basement. The project is 3 kilometres east of the Thaduna and Green Dragon copper deposits, currently being evaluated by Sandfire Resources NL and 35 kilometres east of the Plutonic gold mine, operated by Superior Gold.



**Figure 2 Location plan showing location of Lodestar's gold prospects on the Ned's Creek tenements.**

The discovery of gold at Contessa in 2013 confirmed the potential for significant gold mineralisation within the Ned's Creek tenements. Since then numerous surface gold anomalies along the southern margin of the Contessa granite have been targeted by first-pass aircore drilling, yielding multiple, significant ore-grade intersections of supergene gold mineralisation. Drilling completed in the current period has successfully identified the presence of bedrock gold mineralisation at three prospect areas; Contessa, Brumby and Gidgee Flat, each representing outstanding targets for follow up drilling.

**LODESTAR MINERALS LIMITED**  
**REVIEW OF OPERATIONS**  
**For the year ended 30 June 2017**

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In-fill aircore drilling at the Contessa prospect in November was completed on a 40m by 40m grid. The drilling had several aims, premised on a shear-hosted mineralisation target rather than diorite-hosted disseminated mineralisation;

- To identify the source of gold in bedrock
- To better define the distribution of supergene gold mineralisation and
- To test for a north west oriented structural control on mineralisation

The drilling identified an area of strong gold anomalism extending into the transition zone at the western end of the area tested. This zone produced a significant intersection in LNR806 which terminated in quartz veining with evidence of oxidised sulphide mineralisation and reported 3m at 1g/t from 96m to the end of hole. This intersection is within a zone of elevated transition zone mineralisation and is believed to represent a significant primary target for bedrock mineralisation to be tested by an EIS co-funded diamond drill hole.

Significant results from this program also include;

- **8m at 3.35g/t gold from 48m in LNR810**
- **20m at 1.61g/t gold from 48m in LNR792**
- **12m at 1.6g/t gold from 44m in LNR795**
- **12m at 1.3g/t gold from 48m in LNR799 and**
- **4m at 4.3g/t gold from 48m in LNR804, *all in the oxide zone***

With

- **20m at 0.3g/t gold from 80m in LNR804**
- **13m at 0.4g/t gold from 80m to end of hole in LNR805**
- **10m at 0.13g/t gold from 80m to end of hole in LNR800 and**
- **10m at 0.9g/t gold from 80m to end of hole in LNR792 (includes 4m at 1.7g/t gold from 84m), *all from the transition zone.***

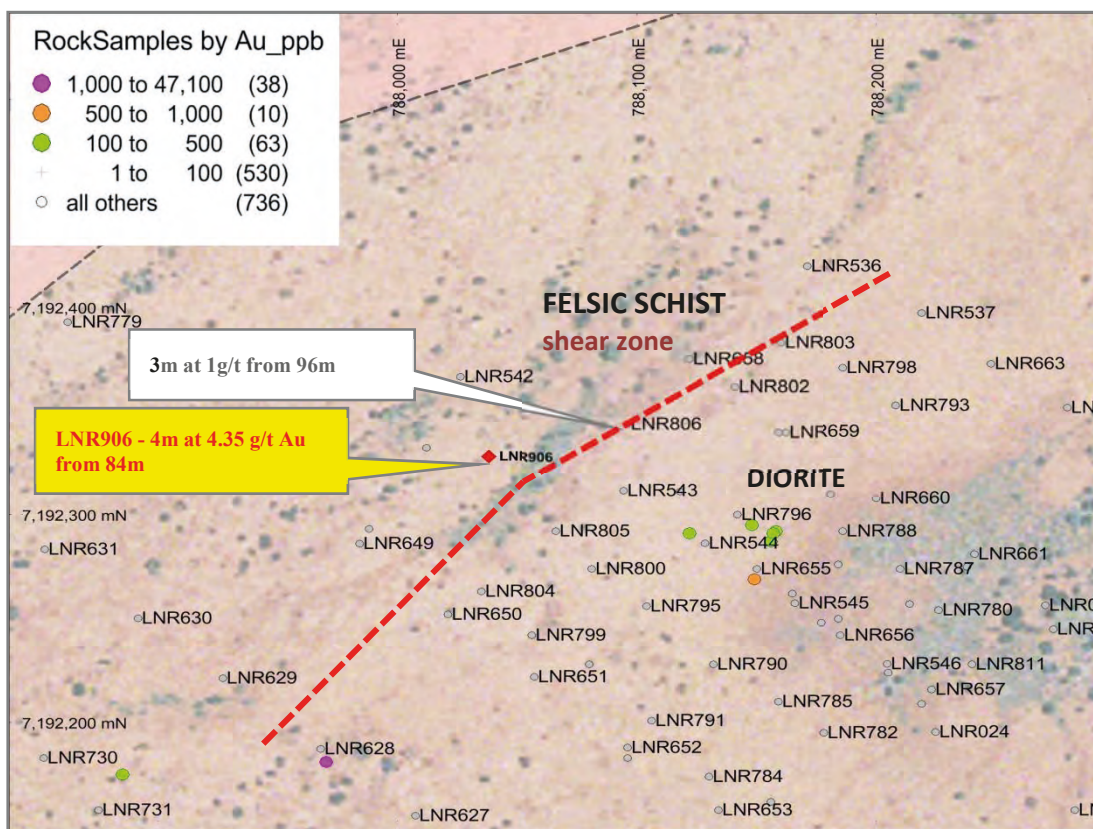
In preparation for diamond drilling, a single aircore hole was drilled in May to confirm the location of the target. LNR906 was drilled towards 130 degrees (grid south) and intersected the same quartz vein system intersected in LNR806, at 84m. Due to water inflow both LNR806 and LNR906 were terminated prematurely and stopped within the mineralisation. LNR906 returned

- **4m at 4.35g/t gold from 84m, *ending in mineralisation.***

The location of the drilling and the interpreted position of the bedrock target on a north east trending contact between diorite and strongly sheared felsic rocks is shown in Figure 3.

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**Figure 3** Contessa gold intersections and target for EIS co-funded diamond drill hole (MGA94).

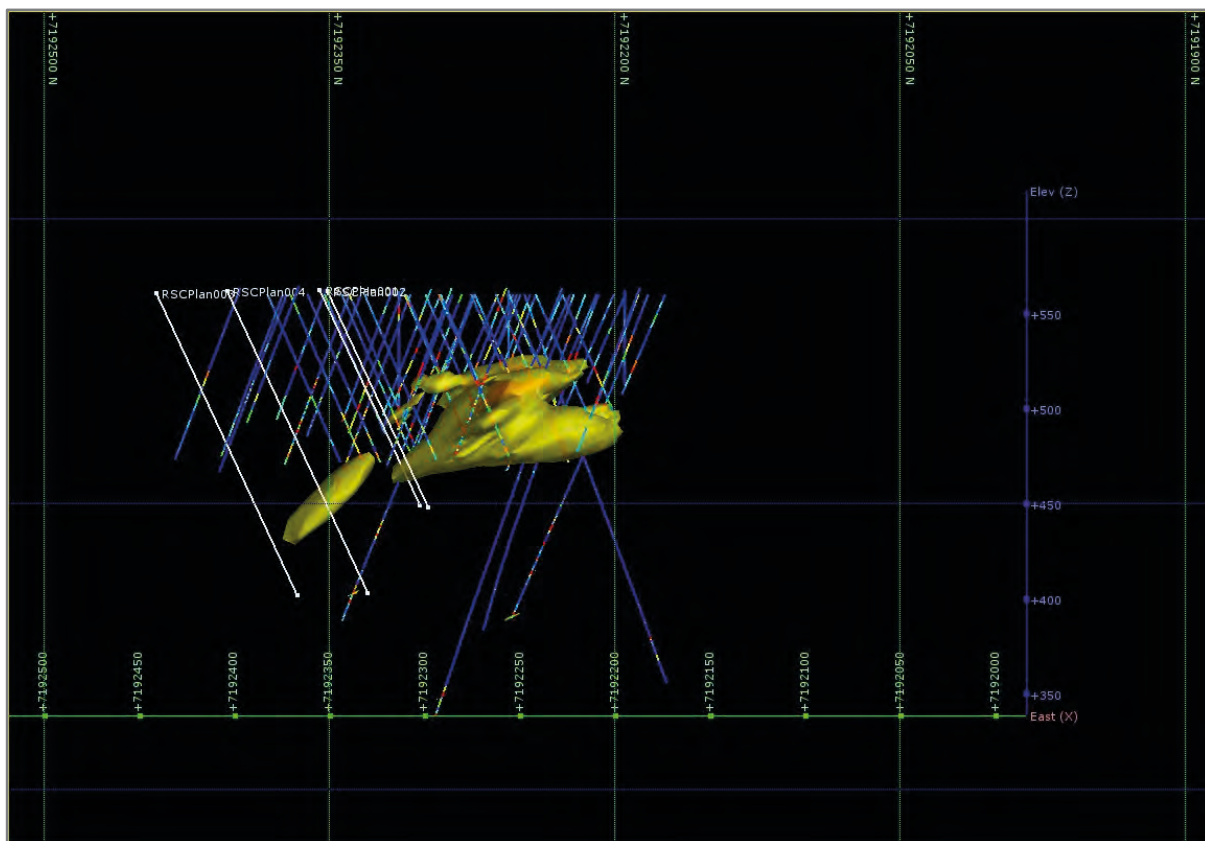
On completion of the in-fill drill program Lodestar undertook a review of the results and compiled a 3D model of the mineralisation using Leapfrog implicit modelling software with the assistance of RSC Mining and Mineral Exploration Consultants. In the absence of detailed structural information Leapfrog can be used as a rapid method of gaining insights into potentially important geological trends, in this case gold mineralisation. A cross-section derived from the modelling of the +0.1g/t gold envelope is shown in Figure 4. The modelled distribution of the low-grade envelope shows a north-dipping body extending into the transition zone. There is little drilling to the north west of the interpreted contact of the diorite where the modelling suggests that drilling in this area is too shallow to intersect the down-dip projection of mineralisation. The planned diamond drill hole will be a critical test of the model and if successful, will open up a large area for extensional drilling.

**Brumby (Gold)**

Two phases of aircore drilling were completed at Brumby to test gold geochemical anomalies in auger sampling over the western contact of the granite. Most of the drilling encountered variations of the Brumby syenite and included low-grade mineralisation typical of the internal style of mineralisation (e.g. LNR829 – 16m at 0.5g/t gold from 4m) with the exception of **hole LNR824 which intersected 3m at 1.6g/t gold from 40m and ended in mineralisation.**

The second phase of drilling in May-June tested the area around LNR824 on a 25m hole spacing. LNR912 was drilled beneath LNR824 and intersected a wide zone of gold mineralisation from surface to 30m, including a **high-grade zone reporting 4m at 6.4g/t gold from 12m.**

The results confirm the presence of significant mineralisation as reported in LNR824. The target is “blind”, occurring in an area of extensive, shallow alluvial cover and is currently only tested to a vertical depth of 40m. The second EIS co-funded diamond drill hole will target this zone to identify the style of the mineralisation and the host sequence.



**Figure 4 Leapfrog model of >0.1g/t gold mineralisation envelope at Contessa viewed from the south west, showing interpreted northerly dip and planned drill test (white hole traces).**

Elsewhere at Brumby reconnaissance drilling on the north western contact and within the Brumby granite reported widespread low-grade mineralisation of >0.1g/t gold with a best intersection of 8m at 1.1g/t gold from 24m in LNR886, adjacent to the granite contact. These results provide further evidence of the potential for intrusion-related mineralisation to occur along the largely untested western granite contact.

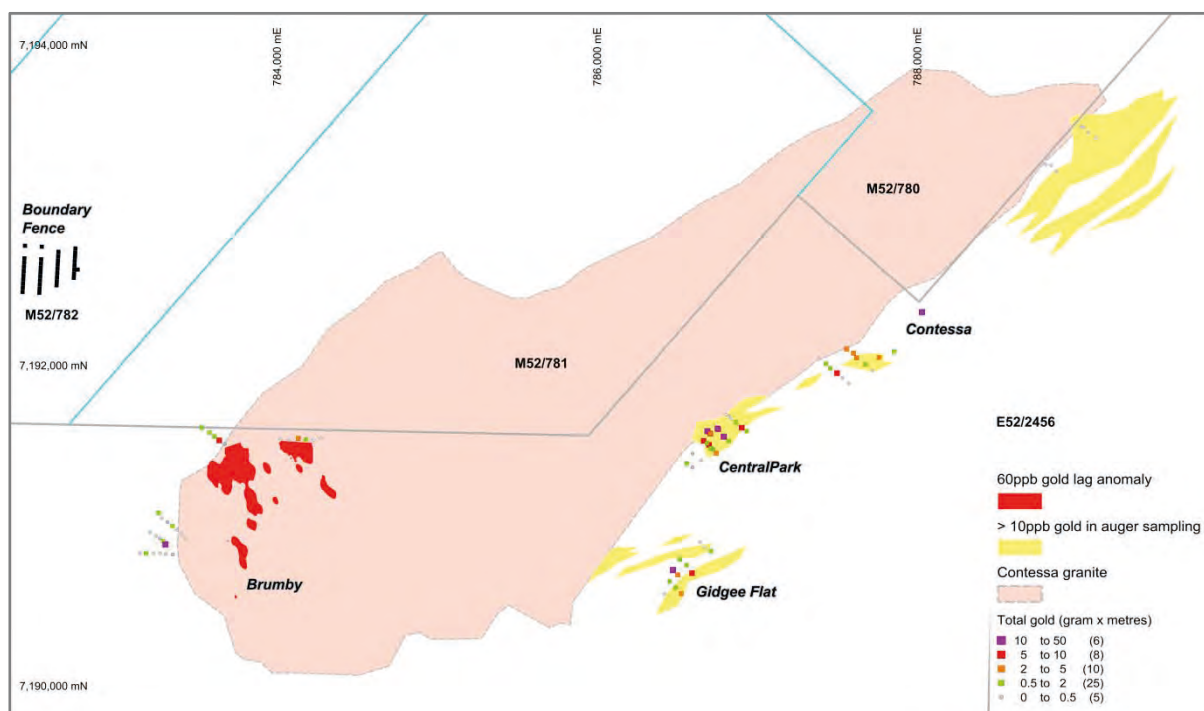
The second phase of aircore drilling targeted gold anomalies identified at Gidgee Flat and Central Park (see Figure 5) in first-pass aircore drilling completed in 2014.

**Gidgee Flat (Gold)**

The Gidgee Flat area is located 500m south of the granite contact, within an area of poorly exposed mafic and ultramafic rocks. Follow up drilling targeted significant saprolite gold mineralisation in LNR747 (10m at 1.89g/t Au from 40m) and lower magnitude anomalies in adjacent holes. Drilling has been completed on 80m by 60m centres and has identified the first bed rock targets. Significant results include;

- **LNR875, on the northern end of a traverse, intersected 8m at 1.98g/t Au from 28m and 16m at 1.4g/t Au from 72m. The hole ended in mineralisation at 88m.**
- **LNR876, located at the southern end of the adjacent traverse, intersected low level gold mineralisation at the end of hole, which was terminated after intersecting vein quartz.**

Close-spaced follow-up drilling is now required to test the area around LNR875 where rock chip sampling has also returned results of up to 3.9g/t Au.



**Figure 5 Drill hole location plan showing gold prospects, surface gold anomalies and colour coding total gold in each drill hole (grams per tonne of intersection x thickness of intersection) (MGA94).**



**Central Park (Gold)**

Central Park is located adjacent to the southern granite contact in an area of no outcrop. Reconnaissance drilling completed in 2011 and 2014 reported multi-gram supergene gold mineralisation, including 5m at 8.9g/t Au from 30m (LNR758).

Recent drilling intersected thick intercepts of low-level gold mineralisation over an area of 200m by 200m with better intercepts associated with vein quartz including:

- 4m at 3.35g/t Au from 36m in LNR858
- 4m at 1.37g/t Au from 72m in LNR853
- 4m at 1.43g/t Au from 32m in LNR856
- 4m at 1.45g/t Au from 32m in LNR861

In addition to the vein quartz related mineralisation identified in several drill holes, strongly weathered and goethitic samples, possibly representing gossanous material, were recovered from LNR857 and follow up hole LNR899 closest to the position of the granite contact (see Figure 6).

Results from these holes, at the end of a traverse, include;

- 4m at 8.69g/t Au from 28m and 4m at 1.61g/t Au from 44m in LNR899
- LNR857 terminated in mineralisation at 78m, with wide intervals reporting results greater than 0.1g/t Au (16m at 0.31g/t Au from 40m; 8m at 0.27g/t from 60m), including individual results up to 0.59g/t Au.

The mineralised zone is open and additional drilling is required along strike and north, towards the granite contact.

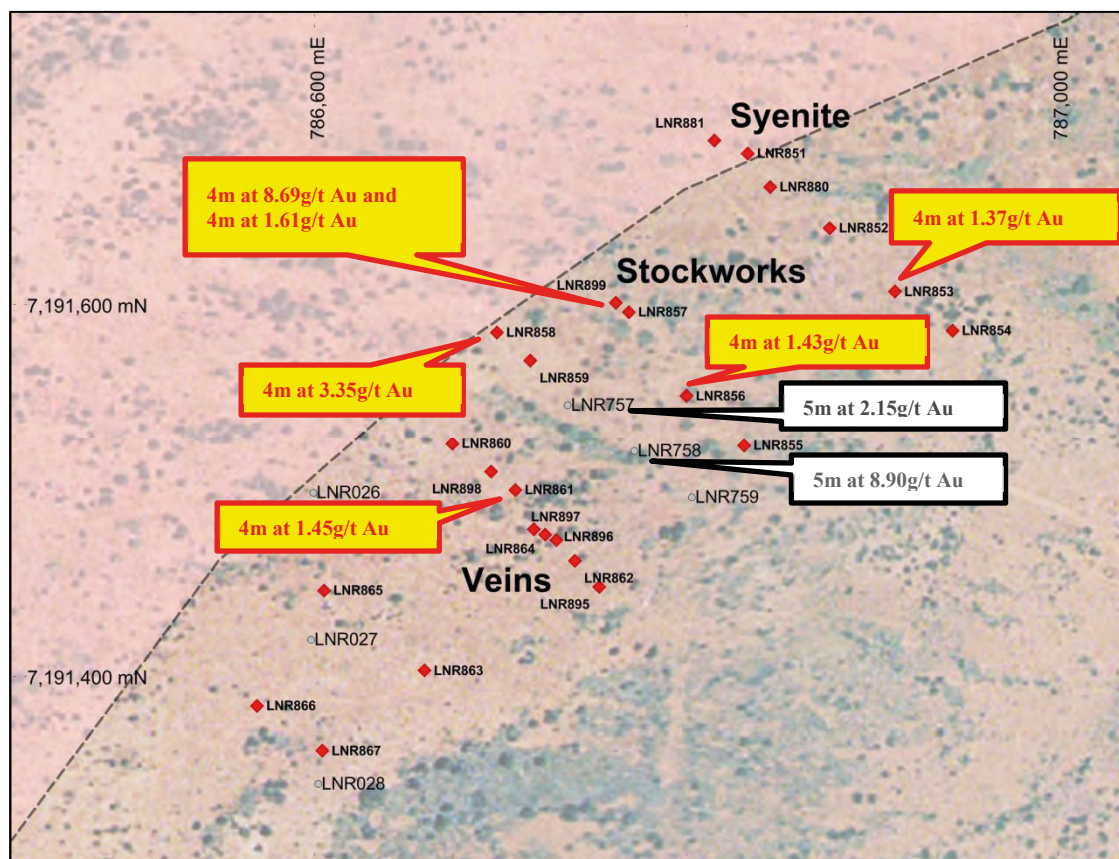


Figure 6 Significant results from Central Park (MGA94).

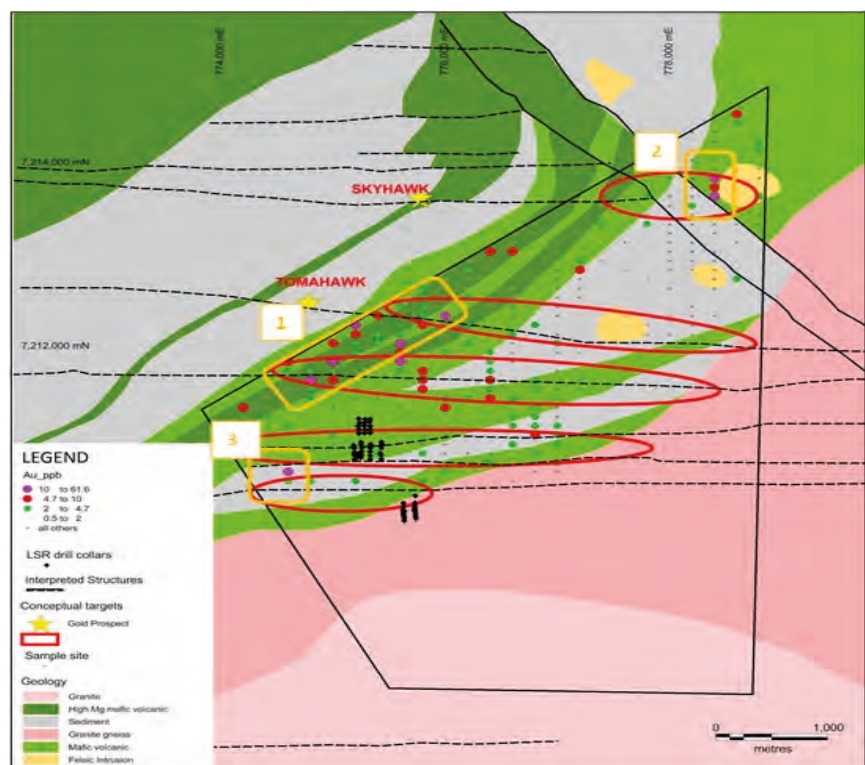
**Marymia (Gold)**

A multi-element geochemical sampling program was completed over the Marymia and West Pinnyriny greenstone terrane following a review of detailed aeromagnetic data.

At Marymia anomalous gold results up to 61ppb gold are closely correlated with conceptual targets developed from the aeromagnetic interpretation (see Figure 7).

- Zone 1 is 1,200m long and contains the majority of anomalous results reported from the program. These anomalies correspond to the intersection of mafic contacts and east-west faults (identified from aeromagnetic interpretation) and cluster around the interpreted high Mg and high Fe units within the mafic sequence that are a preferred host for gold mineralisation. There is no historic drilling in this area.
- Zone 2 contains the maximum anomalous sample (61ppb Au) and is located adjacent to a magnetic anomaly interpreted to represent a felsic intrusive and a potential brittle host for gold mineralisation. This target has not been drill tested and may be analogous to the Mercuri and Venus deposits located to the east.
- Zone 3 is located on the faulted contact between mafic rocks and sediments, on an east-west structure and 600m west of the area where Lodestar’s aircore drilling intersected low-level gold mineralisation (e.g. 5m at 0.1g/t Au in LMR046 and 5m at 0.45g/t Au in LMR047).

The geochemical anomalies are located in close proximity to and on the same structural trends as gold mineralisation defined by Barrick Gold on tenements immediately to the north. The Marymia area was held by Resolute and did not receive the same intensity of drilling as the former Barrick tenements.



**Figure 7 Marymia soil geochemistry results showing anomalies and conceptual targets (red) interpreted from aeromagnetic data (MGA94).**

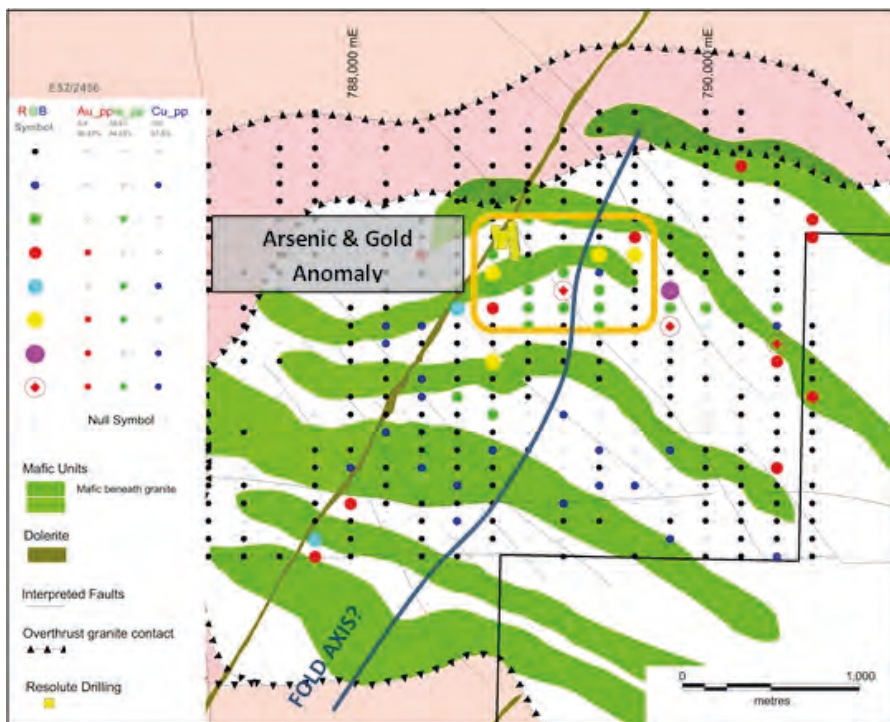


**West Pinnyriny (Gold)**

The West Pinnyriny prospect is located on the northern contact of the Baumgarten greenstone sequence where it is over thrust by granites from the northwest. The structural setting is similar to that of the north-western margin of the Plutonic Well greenstone belt which hosts most of the major gold deposits of the region.

The sampling identified numerous gold anomalous samples located on the margins of mafic volcanic units (interpreted from aeromagnetic data) and concentrated within an extensive zone of anomalous arsenic in the central part of the prospect (see Figure 8). The mafic units are poorly exposed and may have been repeated by thrust stacking and/or folding. Mafic units are separated by sediments comprising minor chert and quartz mica schists. Resolute Resources RAB drilled a small area of anomalous rock samples (Au-As-Cu-Pb) and a low-level (2-4ppb Au) soil anomaly, intersecting anomalous gold at shallow depth (with a best intersection of 10m at 0.34g/t Au). There has been no further drilling in this area.

Lodestar’s sampling demonstrates that the multi-element anomaly extends well beyond the area targeted by Resolute, around the margins of west and northwest trending mafic units, and is confirmation of a regional anomaly first identified by Lodestar’s lag sampling. This area has no historic drilling and is a priority for follow up exploration.



**Figure 8 West Pinnyriny soil geochemistry multi-element anomaly extends over 600m (MGA94).**

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**REVIEW OF OPERATIONS**  
**For the year ended 30 June 2017**

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***Yowereena Farm-in (Lodestar earning 80%)***

On 14th March 2017 Lodestar announced details of a farm-in agreement with Vango Mining Limited (ASX: VAN). The farm-in agreement covers four granted mining leases located immediately north of the Contessa and Brumby gold prospects and the tenements contain a number of priority walk up gold targets, including Boundary Fence, where historic RAB drilling intersected high-grade gold. The farm-in agreement allows Lodestar to earn an 80% interest in the tenements by meeting the minimum annual expenditure (\$357,000) over a 12 month period with Vango retaining the right to claw back a 29% interest in the tenements (to hold an initial 49% interest) by repaying to Lodestar an amount equal to the higher of either 29% of the deemed market value of the tenements or 29% of the amount expended by Lodestar in earning its initial interest.

The Yowereena tenements cover 7.5 kilometres of strike over the Jenkin Fault corridor, a major structural divide forming the southern margin of the Marymia Inlier. A package of highly prospective, sheared mafic-felsic schists interlayered with metasediments is wedged between the Marymia Inlier and the Contessa granite. The tenements include the 7 kilometre long northern margin of the Contessa granite, where Lodestar believes there is high potential for the intrusion or shear-hosted style of mineralisation being targeted at Brumby and Contessa.

Marymia Exploration and Homestake carried out exploration drilling up to 2001. RAB drilling by Marymia Exploration tested the Boundary Fence area and reported significant intersections of high-grade gold in the oxide zone, including;

- **12m at 8.4g/t Au from 12m in YHR-15**
- **16m at 1.5g/t Au from 20m in YHR-39**
- **13m at 10.5g/t Au from 45m in YHR-54**
- **7m at 2.0g/t Au from 8m in YHR-61**
- **7m at 2.4g/t Au from 29m in YHR-63**
- **19m at 3.3g/t Au from 5m in YHR-90**
- **26m at 2.1g/t Au from 0m in YHR-98**

Reconnaissance RAB drilling by Homestake identified a number of gold anomalies under alluvial cover, reporting up to 4m at 1.13g/t Au from 76m in YHRB0009. Homestake followed up with a CBI (cover-bedrock interface) shallow geochemical drilling program on a 160m grid that reported anomalies in Au, As, Bi, Cu and Sb. There has been no follow up drill testing of the Homestake RAB or CBI anomalies. Most recently in 2012-2013, Dampier Gold carried out additional soil geochemistry across the Yowereena tenements reporting gold anomalies located along the northern granite contact, that mirror the anomalies reported by Lodestar along the southern contact of the granite (see Figure 9).

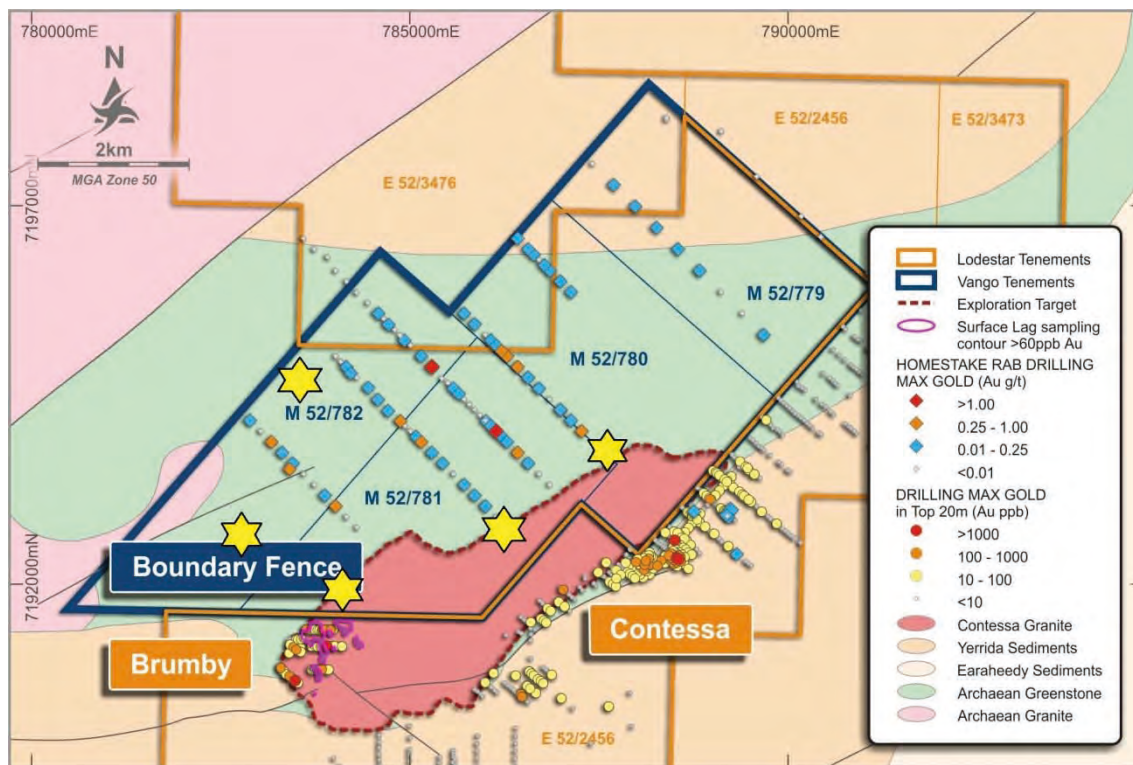


Figure 9 Yowereena mining leases showing Homestake RAB drilling and the location of Dampier Gold's gold anomalies in soil sampling (MGA94).

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

Lodestar has identified the contact between the magnetic Petter Calc-silicate unit and the Quart Pot pelite as a regional target for gold exploration. High-grade gold mineralisation occurs along this contact at the Big Sky prospect and the contact can be traced for 6 kilometres south west of Big Sky in aeromagnetic data. Historic drainage sampling along the contact has reported anomalous gold and the extent of the contact zone requires systematic sampling. Due to the focus on drilling at Ned’s Creek no work was carried out at Camel Hills during the reporting period.

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**REVIEW OF OPERATIONS**  
**For the year ended 30 June 2017**

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***Imbin (E69/3483)***

An application for tenement E69/3483 is awaiting grant. The tenement includes the prospective Troy Creek Beds, part of an interpreted rift zone including ultramafic rocks and the host to a number of known occurrences of copper mineralisation with associated gold anomalies. The Imbin Inlier is believed to be contemporary with the Bryah Basin and therefore highly prospective for VHMS base metal mineralisation.







**LODESTAR MINERALS LIMITED**  
**REVIEW OF OPERATIONS**  
**For the year ended 30 June 2017**

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**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 and issue of options

On 12 September 2016, the Company announced a pro-rata non-renounceable entitlements issue to raise \$643,707 (before costs) to fund a high priority exploration campaign on the Contessa and Brumby gold targets at the Company's Ned's Creek project. Under the rights issue, eligible shareholders were entitled to subscribe for one new share priced at 1 cent for every six shares held and would receive one free-attaching option exercisable at 3 cents on or before 31 October 2019 for every three shares applied for in the entitlements issue. The entitlements issue was fully underwritten by Asymmetric Arbitrage Limited.

A total of 55,958,583 shares were applied for in the offer, including applications for shortfall shares made by eligible shareholders. The shortfall of 8,412,122 shares was taken up by the underwriter. Each of the directors of Lodestar took up their full entitlements under the offer. As part of the entitlements issue, 21,457,092 free-attaching options were issued and 5,000,000 options were issued to the underwriter in lieu of capital raising costs.

At the annual general meeting on 23 November 2016, shareholders approved the issue of 18,000,000 Director options exercisable at 3 cents each expiring on 31 October 2019.

On 26 November 2016, 2,700,000 fully paid ordinary shares and 900,000 options exercisable at 3 cents each expiring on 31 October 2019 were issued pursuant to an agreement to purchase a motor vehicle in February 2017.

On 26 November 2016, 2,500,000 options issued to a director on 28 November 2011 expired, unexercised.

**ISSUED CAPITAL as at 15 September 2017**

Ordinary Shares	518,788,328
Listed Options	89,783,702
Unlisted Options	38,800,127

**LODESTAR MINERALS LIMITED**  
**REVIEW OF OPERATIONS**  
**For the year ended 30 June 2017**

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**FINANCIAL RESULTS AND CONDITION**

The loss for the year ended 30 June 2017 attributable to members of Lodestar Minerals Limited after income tax was \$1,511,603 (2016: \$2,068,455).

The Group has a working capital deficit of \$206,658 (2016 surplus: \$231,212) and net cash outflows of \$266,345 (2016 inflow: \$69,430).

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

**Summary of results**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	172	2,591
Loss before income tax	(1,511,603)	(2,068,455)
Income tax expense	-	-
Loss attributable to owners of Lodestar Minerals	(1,511,603)	(2,068,455)
Other comprehensive income	24,348	-
Loss per share (cents)	(0.35)	(0.59)
Shares on issue at reporting date	453,318,328	386,224,233
Weighted average number of shares	431,403,002	351,638,181

**PLANNED ACTIVITY**

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

**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 2017**

**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 2017 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:

<b>Name and independence status</b>	<b>Experience, qualifications, special responsibilities and other directorships</b>
<p><b>Ross Taylor</b>  Non-executive Chairman    Appointed: 30 June 2014    Chair of Remuneration and Nomination Committee    Member of the Audit &amp; 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><b>William Clayton</b>  Managing Director    Appointed: 2 November 2007</p>	<p>Mr Clayton has more than 20 years' experience in exploration evaluation of Archaean nickel sulphide deposits, precious metals and other commodities, working with Outokumpu Australia, Forresteria Gold and LionOre.</p> <p>Mr Clayton 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><b>David McArthur</b>  Executive Director    Appointed: 13 August 2007    Chair of the Audit &amp; 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 2017**

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**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 2017, 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	4	5	2	2
William Clayton	5	5	2	2
David McArthur	5	5	2	2

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The small size of the board means that Members of the Board meet informally on a 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 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 2017 (2016: 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 2017

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**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 as part of their remuneration:

	Number of options granted	Exercise price per option cents	Expiry date
<b>Executive directors</b>			
Bill Clayton	6,000,000	3	31 October 2019
David McArthur	6,000,000	3	31 October 2019
<b>Non-executive directors</b>			
Ross Taylor	6,000,000	3	31 October 2019

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
16-Dec-2017	5	16,000,000
31 Dec-2018	5	15,000,000
30 Dec-2018	6	7,800,127
31 Oct-2019	3	45,333,702
		84,133,829

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 30 June 2017**

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**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, 23,390 shares were issued as a result of the conversion of 31 October 2019 options at 3 cents per share (2016: 36,077,402).

**Options expired**

During the reporting period 4,750,000 options expired (30 June 2016: no options expired).

**11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

During the financial year, the Company paid a premium of \$13,320 (2016: \$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 2017

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**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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Taxation Services</b>		
<i>KPMG Australia</i>		
Taxation compliance services	7,000	7,000
<b>Total remuneration from non-audit services</b>	<b>7,000</b>	<b>7,000</b>

**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 2017

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#### 14. REMUNERATION REPORT - AUDITED

The Directors present the Company's 2017 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) Bonuses
- (f) Voting and comments made at the Company's 2016 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 2017

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#### 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 award 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.

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 30 June 2017**

**14. REMUNERATION REPORT – AUDITED (continued)**

**(b) Executive remuneration strategy and framework (continued)**  
*Long-term incentive (continued)*

Options over equity instruments granted as compensation

All options refer to options over ordinary shares which are exercisable on a one-for-one basis

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

	Number of options and rights granted during 2017	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 2017
<b>Executive directors</b>								
William Clayton	6,000,000	0.6	100%	-	23-Nov-16	3	31-Oct-19	6,000,000
David McArthur	6,000,000	0.6	100%	-	23-Nov-16	3	31-Oct-19	6,000,000
<b>Non-executive directors</b>								
Ross Taylor	6,000,000	0.6	100%	-	23-Nov-16	3	31-Oct-19	6,000,000

(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***

During the reporting period, 4,750,000 options expired (30 June 2016: no options expired).

# LODESTAR MINERALS LIMITED

## DIRECTORS' REPORT

For the year ended 30 June 2017

### 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	2017	2016	2015	2014	2013 Restated
Net loss attributable to equity holders (\$)	(1,511,603)	(2,068,455)	(1,372,120)	(1,693,984)	(3,663,148)
Basic loss per share - EPS (cents)	(0.35)	(0.59)	(0.46)	(0.76)	(2.11)
Share price at year end (cents)	0.90	2.3	1.3	1.2	1.2
Market capitalisation (\$)	4,079,865	8,883,157	4,219,105	2,666,799	2,666,799
Net tangible assets/(liabilities) (NTA) (\$)	<sup>(1)</sup> (410,130)	221,484	227,188	204,271	1,496,170
NTA backing (cents)	(0.09)	0.06	0.07	0.09	0.67

<sup>(1)</sup> (NTA) comprises Net Assets of \$157,135 less Capitalised Exploration and Evaluation expenditure of \$567,265.

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 <sup>(i)</sup>	Ongoing from 19 September 2014	3 months	3 months	\$164,250	12 months' base salary
David McArthur <sup>(ii)</sup>	Ongoing from 19 September 2014	3 months	3 months	\$76,650	12 months' base salary

<sup>(i)</sup> Base salary is inclusive of superannuation and quoted for the year ended 30 June 2017;

<sup>(ii)</sup> Base salary is inclusive of superannuation and quoted for the year ended 30 June 2017.



## **LODESTAR MINERALS LIMITED**

### **DIRECTORS' REPORT**

**For the year ended 30 June 2017**

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#### **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 changed 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 2016 Annual General Meeting**

The Company received 98.68% of "yes" votes on its remuneration report for the 30 June 2016 financial year.

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 30 June 2017

**14. REMUNERATION REPORT – AUDITED (continued)**

**(g) Directors' 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				
<b>Non-executive directors</b>							
Ross Taylor	2017	50,000	4,440	4,750	-	36,000	95,190
	2016	50,000	4,440	4,750	-	99,000	158,190
<b>Executive directors</b>							
William Clayton	2017	138,462	4,440	14,250	2,500	36,000	195,652
	2016	154,615	4,440	14,250	2,500	99,000	274,805
David McArthur	2017	77,538	4,440	6,650	2,333	36,000	126,961
	2016	69,646	4,440	6,650	7,414	99,000	187,150
Sub-total executive directors' remuneration (E)	2017	216,000	8,880	20,900	4,833	72,000	322,613
	2016	224,261	8,880	20,900	9,914	198,000	461,955
<b>Total Directors' remuneration</b>	<b>2017</b>	<b>266,000</b>	<b>13,320</b>	<b>25,650</b>	<b>4,833</b>	<b>108,000</b>	<b>417,803</b>
	<b>2016</b>	<b>274,261</b>	<b>13,320</b>	<b>25,650</b>	<b>9,914</b>	<b>297,000</b>	<b>620,145</b>

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' REPORT**  
**For the year ended 30 June 2017**

**14. REMUNERATION REPORT – AUDITED (continued)**

**(g) Directors' 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 officer's other than the directors.

**(h) Other Director disclosures**

**Director option holdings**

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

	Held at 1 July 2016	Granted as compensation	Acquired	Exercised <sup>(i)</sup>	Lapsed	Held at 30 June 2017	Vested during the year	Vested and exercisable at 30 June 2017
<b>Executive directors</b>								
William Clayton	12,500,000	6,000,000	195,402	-	(2,500,000)	16,195,402	6,000,000	16,195,402
David McArthur	8,000,000	6,000,000	616,669	-	-	14,616,669	6,000,000	14,616,669
<b>Non-executive directors</b>								
Ross Taylor	8,000,000	6,000,000	5,662,284	-	-	19,662,284	6,000,000	19,662,284

**LODESTAR MINERALS LIMITED****DIRECTORS' REPORT**

For the year ended 30 June 2017

**14. REMUNERATION REPORT – AUDITED (continued)****(h) Other Director disclosures (continued)*****Director shareholdings***

	Held at 1 July 2016	Purchases	Received on exercise of options	Sales	Held at 30 June 2017
<b>Executive directors</b>					
William Clayton	3,517,223	586,204	-	-	4,103,427
David McArthur	11,700,005	1,850,002	-	-	13,550,007
<b>Non-executive directors</b>					
Ross Taylor	71,920,450	13,135,584	-	-	85,056,034

***Director consulting services***

During the year, Broadway Management (WA) Pty Ltd, a company associated with David McArthur, was paid \$85,172 (2016: \$84,000) for commercial, arms-length consulting services and lease of office. Further information about these transactions is disclosed in note 6.3 of the notes to the consolidated financial statements.

***Director loans to the Company***

- David McArthur, a director of the Company, provided the Company with a draw-down loan facility of up to \$200,000 for a period of 12 months or until a capital raising by the Company. The loan was unsecured with interest payable at 10% per annum, quarterly in arrears. The loan was deemed to be on normal commercial terms and conditions. This facility was cancelled following approval by shareholders of a \$1.2 million convertible note issued to Ross Taylor, Chairman of the Company.
- On 9 February 2017, following consideration of a variety of potential funding sources and structures to provide near-term funding certainty, the Company entered into a Binding Converting Loan Agreement with the Chairman, Ross Taylor subject to shareholder approval of the terms. Pursuant to the agreement, Mr Taylor will advance up to \$1,200,000 to the Company on a draw down basis as and when funds are required.

Following shareholder approval on 22 June 2017, the Company issued a convertible note for \$1.2 million under the above-mentioned converting loan agreement. The unsecured Convertible Note has a maturity date of 22 June 2019 and accrues interest at a rate of 10% per annum. The Convertible Note is convertible, at the election of Mr Taylor, into up to 120,000,000 Lodestar shares at a price of \$0.01 per share plus one free attaching option (exercisable at \$0.03 per share on or before 31 October 2019) for every five shares issued on conversion. The convertible notes are redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor. At 30 June 2017, the Company had drawn \$370,000.

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 2017**

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**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 2017.

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



**WILLIAM CLAYTON**

Director

Dated at Perth, Western Australia this 22<sup>nd</sup> day of September 2017.



# 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 of Lodestar Minerals Limited for the financial year ended 30 June 2017 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 blue ink, appearing to read 'R Gambitta'.

R Gambitta  
*Partner*

Perth

22 September 2017

## **CORPORATE GOVERNANCE STATEMENT**

The 2017 Corporate Governance Statement is dated as 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 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 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations. A copy of the Corporate Governance policies is contained on the Company's web site.

### **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 Managing Director 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

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#### **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 legal advisers.

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**

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#### **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**

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#### **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 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

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#### **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**

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#### **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 not have a specific need to meet during the year.

# LODESTAR MINERALS LIMITED

## CORPORATE GOVERNANCE STATEMENT

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### **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

## LODESTAR MINERALS LIMITED

### CORPORATE GOVERNANCE STATEMENT

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#### 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 2017 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**

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**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 2017 and has been approved by the Board.

This statement is current as at 30 June 2017 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 2017**

	Note	2017 \$	2016 \$
<b>Assets</b>			
Cash and cash equivalents	4.1	109,357	375,702
Trade and other receivables	4.2	17,439	30,463
Prepayments		2,731	1,452
<b>Total current assets</b>		<b>129,527</b>	<b>407,617</b>
Capitalised exploration and evaluation expenditure	3.1	567,265	749,612
Property, plant and equipment		72,249	23,367
Other non-current assets		1,872	-
<b>Total non-current assets</b>		<b>641,386</b>	<b>772,979</b>
<b>Total assets</b>		<b>770,913</b>	<b>1,180,596</b>
<b>Liabilities</b>			
Trade and other payables	4.3	251,767	133,127
Employee benefits	2.2	77,207	43,278
Site restoration provision	3.2	6,400	-
<b>Total current liabilities</b>		<b>335,374</b>	<b>176,405</b>
Employee benefits	2.2		33,095
Loans and borrowings	5.2	278,404	-
<b>Total non-current liabilities</b>		<b>278,404</b>	<b>33,095</b>
<b>Total liabilities</b>		<b>613,778</b>	<b>209,500</b>
<b>Net assets</b>		<b>157,135</b>	<b>971,096</b>
<b>Equity</b>			
Share capital	5.1	22,588,553	22,069,369
Reserves		627,458	686,425
Accumulated losses		(23,058,876)	(21,784,698)
<b>Total equity attributable to equity holders of the Company</b>		<b>157,135</b>	<b>971,096</b>

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 2017**

	Note	2017 \$	2016 \$
<b>Revenue from continuing operations</b>			
Finance income	2.3	172	2,591
<b>Expenses</b>			
Exploration expensed		(700,307)	(1,034,310)
Exploration expenditure impaired	3.1	(182,347)	(182,347)
Site rehabilitation		(14,000)	(27,917)
Other operating expenses		(2,437)	-
Personnel expenses	2.2	(319,342)	(509,434)
General and administrative expenses		(97,166)	(90,358)
Professional fees		(169,758)	(171,922)
Depreciation and amortisation		(12,977)	(13,644)
Finance expenses	2.3	(9,852)	(30,398)
Marketing and business development		(3,589)	(9,622)
Other gains and (losses)		-	(1,094)
<b>Results from operating activities</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Loss before income tax</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
Income tax expense	2.4	-	-
<b>Loss from continuing operations</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Loss for the year</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Loss attributable to owners of the Company</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(1,511,603)</b>	<b>(2,068,455)</b>
<b>Loss per share</b>			
Basic and diluted (cents per share)	2.5	(0.35)	(0.59)

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 2017**

	Attributable to equity holders of the Company					
	Share capital	Share-based payments reserve	Equity component of convertible notes	Accumulated losses	Total	
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	22,069,369	686,425	-	(21,784,698)	971,096	
<b>Total comprehensive income for the year</b>	-	-	-	(1,511,603)	(1,511,603)	
Loss for the year	-	-	-	-	-	
Total other comprehensive loss for the year	-	-	-	(1,511,603)	(1,511,603)	
<b>Total comprehensive loss for the year</b>	-	-	-	(1,511,603)	(1,511,603)	
<b>Transactions with owners, recorded directly in equity:</b>						
<b>Contributions by and distributions to owners</b>						
Issue ordinary shares	670,707	-	-	-	670,707	
Issue of ordinary shares on conversion of options	702	-	-	-	702	
Issue of convertible notes	-	-	24,348	-	24,348	
Transfer to accumulated losses on exercise of options	-	(237,425)	-	237,425	-	
Share-based payment transactions	-	154,110	-	-	154,110	
Capital raising costs	(152,225)	-	-	-	(152,225)	
Total contributions by and distributions to owners	519,184	(83,315)	-	237,425	673,294	
Total changes in ownership interests in subsidiaries	-	-	-	-	-	
Total transactions with owners	519,184	(83,315)	-	237,425	673,294	
Balance at 30 June 2017	22,588,553	603,110	24,348	(23,058,876)	157,135	

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
<b>Total comprehensive income for the year</b>				
Loss after income tax expense for the year	-	-	(2,068,455)	(2,068,455)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(2,068,455)	(2,068,455)
<b>Transactions with owners, recorded directly in equity</b>				
<b>Contributions by and distributions to owners</b>				
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 CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
Note	\$	\$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(437,718)	(472,895)
Interest paid	(1,427)	-
Interest received	172	2,885
Payments for exploration, evaluation and development	(674,924)	(993,218)
<b>Net cash used in operating activities</b>	4.1(b) (1,113,897)	(1,463,228)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(27,749)	(8,810)
<b>Net cash used in investing activities</b>	(27,749)	(8,810)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	644,409	1,638,791
Proceeds from issue of convertible notes	370,000	-
Proceeds from borrowings	-	100,000
Proceeds from related party loans	100,000	60,000
Payment of capital raising costs	(113,225)	(66,925)
Repayment of borrowings	-	(125,000)
Repayment of loans from related parties	(100,000)	(60,398)
Payment of transaction costs related to borrowings	(25,883)	(5,000)
<b>Net cash from financing activities</b>	875,301	1,541,468
<b>Net (decrease) / increase in cash and cash equivalents</b>	(266,345)	69,430
Cash and cash equivalents at 1 July	375,702	306,272
<b>Cash and cash equivalents at 30 June</b>	4.1(a) 109,357	375,702

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**SECTION 1 BASIS OF PREPARATION**

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.

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 First Floor, 31 Cliff Street, Fremantle, WA, 6160.

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 2017 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 22 September 2017. 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 initial recognition of the convertible note facility and 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 2016. 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.

# LODESTAR MINERALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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 deficit of \$206,658 and net cash outflows for the 30 June 2017 financial year of \$266,345 (after \$674,924 of exploration expenditure). The Group incurred a loss for the year of \$1,511,603 (including \$896,654 in exploration expenditure expensed, capitalised exploration expenditure impaired and site rehabilitation during the period).

In February 2017, the Company entered into a Binding Converting Loan Agreement with the Chairman, Ross Taylor to advance up to \$1,200,000 to the Company on a draw-down basis as and when funds are required.

On 22 June 2017, shareholders approved the issue of a \$1.2 million Convertible Note to replace the Converting Loan Agreement. The unsecured Convertible Note has a maturity date of 22 June 2019 and accrues interest at a rate of 10% per annum. The Convertible Note is convertible, at the election of Mr Taylor, into Lodestar shares at a price of \$0.01 per share plus one free attaching option (exercisable at \$0.03 per share on or before 31 October 2019) for every five shares issued on conversion. The Convertible Notes are redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor. As at 30 June 2017, \$830,000 remains undrawn on the Convertible Notes facility. Subsequent to year end on 13 September 2017, the Company submitted an irrevocable notice to draw down \$650,000 from the Convertible Note facility. In addition, the Company raised \$500,000 (before costs) via an equity placement (refer note 6.6).

In addition to the funding 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 other than minimum exploration expenditure commitments (refer note 3.3), and the directors can also institute cost saving measures to further reduce corporate and administration costs.

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. Although there is uncertainty as noted above, the directors are of the opinion that the use of the going concern basis is appropriate in the circumstances.

# LODESTAR MINERALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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 could 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.

### 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.

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

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**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 5.2* - *Loans and borrowings*
- *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	2017 \$	2016 \$
<b>Loss before income tax</b>			
Total loss for reportable segments	(i)	(1,007,641)	(1,252,475)
Central administration and directors' remuneration		(494,282)	(788,173)
Finance expense		(9,852)	(30,398)
Finance income		172	2,591
Consolidated loss before income tax		<u>(1,511,603)</u>	<u>(2,068,455)</u>

- (i) Total loss for reportable segments includes impairment of capitalised exploration expenditure of \$182,347 (2016: \$182,347).

**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)**

	Assets		Liabilities	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exploration	638,834	768,554	(125,572)	(86,188)
Corporate and other segment assets and liabilities	132,079	412,042	(488,206)	(123,312)
<b>Total</b>	<b>770,913</b>	<b>1,180,596</b>	<b>(613,778)</b>	<b>(209,500)</b>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2016.

**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	2017	2016
		\$	\$
Directors and executive's remuneration	6.3	417,803	620,145
Other wages and salaries		789	17,666
Employee contributions to defined contribution plans		67	1,678
<b>Directors remuneration</b>		<b>418,659</b>	<b>639,489</b>
Expensed in exploration and evaluation		99,317	130,055
Expensed in personnel expenses		319,342	509,434
		<b>418,659</b>	<b>639,489</b>

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

**LODESTAR MINERALS LIMITED**  
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**2.2 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Liability for annual leave	39,278	43,278
Liability for long service leave	37,929	33,095
	<b>77,207</b>	<b>76,373</b>
Current	77,207	43,278
Non-current	-	33,095
	<b>77,207</b>	<b>76,373</b>

**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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Interest income on bank deposits	172	2,591
<b>Interest expense on financial liabilities measured at amortised cost</b>		
Interest expense on loans received from related parties	(1,427)	(398)
Interest expense on borrowings	-	(25,000)
Interest expense on convertible notes	(8,425)	-
Other finance charges	-	(5,000)
	<b>(9,852)</b>	<b>(30,398)</b>
Net finance (expense) / income recognised in profit or loss	<b>(9,680)</b>	<b>(27,807)</b>

**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**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current tax benefit</b>		
Current period	(420,964)	(471,556)
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	420,964	471,556
Total income tax benefit	-	-

**(b) Reconciliation of effective tax rate**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss for the period	(1,511,603)	(2,068,455)
Total income tax expense	-	-
Loss excluding income tax	(1,511,603)	(2,068,455)
Income tax using the Group's domestic tax rate of 30% (2016: 30%)	(453,481)	(620,536)
Non-deductible expenses	32,517	89,341
Tax losses not brought to account	420,964	531,195
	-	-

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 \$6,717,118 (2016: \$6,264,644) 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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred tax liabilities (DTLs)</b>		
Prepaid expenditure	819	-
Property, plant and equipment	3,068	4,756
Exploration and evaluation expenditure	170,179	224,884
Set-off against DTAs	(174,066)	(229,640)
	-	-
<b>Deferred tax assets (DTAs)</b>		
Tax losses	90,796	151,852
Expenses taken into equity	51,492	48,150
Other temporary differences	31,778	29,638
Set-off against DTLs	(174,066)	(229,640)
	-	-
<b>Unrecognised deferred tax asset</b>		
Tax losses	6,807,914	6,416,496
Off-set of deferred tax liabilities	(90,796)	(151,852)
Net deferred tax assets unrecognised	6,717,118	6,264,644

There were no unrecognised deferred tax liabilities.

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

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**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 2017 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***

	<b>2017</b>	<b>2016</b>
Net loss attributable to ordinary shareholders - \$	(1,511,603)	(2,068,455)
Issued ordinary shares at 1 July	386,224,233	324,546,575
Effect of shares issued	45,178,769	27,091,606
Weighted average number of ordinary shares at 30 June	431,403,002	351,638,181
Basic loss per share (cents)	(0.35)	(0.59)
Diluted loss per share (cents) *	(0.35)	(0.59)

\* At 30 June 2017, 84,133,829 options (2016: 35,750,000 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 1.5.

**LODESTAR MINERALS LIMITED**  
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**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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Costs carried forward in respect of areas of interest		
<b>Exploration and evaluation expenditure</b>	<b>567,265</b>	749,612
<b>Movements for the year:</b>		
Opening balance	749,612	931,959
Impaired	(182,347)	(182,347)
	<b>567,265</b>	<b>749,612</b>

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 SITE RESTORATION PROVISION**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Site restoration provision	6,400	-
<b>Movements for the year:</b>		
Provision recognised	14,000	-
Provision consumed	(7,600)	-
	<b>6,400</b>	<b>-</b>



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

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**3.3 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:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b><i>Mineral exploration</i></b>		
Not later than one year	(1) 913,667	1,032,843

(1) The above commitment includes the amount to earn into Yowereena farm-in

**Other commitments**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b><i>Office rent</i></b>		
Not later than one year	18,560	8,679
Between one and five years	17,479	-
	<b>36,039</b>	<b>8,679</b>

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**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**

	<b>2017</b>	<b>2016</b>
	\$	\$
Cash and cash equivalents in the statement of cash flows	109,357	375,702

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**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Loss for the period		(1,511,603)	(2,068,455)
Adjustments for:			
Equity-settled share-based payment transactions	6.1	108,000	297,000
Finance expense	2.3	8,425	30,398
Exploration and evaluation expenditure impaired	3.1	182,347	182,347
Exploration expensed through profit or loss			-
Depreciation		12,977	13,644
Loss on disposal of property, plant and equipment		-	1,094
Change in other receivables		13,024	3,169
Change in prepayments		(1,279)	4,019
Change in other operating assets		(1,872)	-
Change in trade and other payables		68,850	76,016
Change in employee benefits provision		834	(2,460)
Change in site restoration provision		6,400	-
<b>Net Cash from / (used in) operating activities</b>		<b>(1,113,897)</b>	<b>(1,463,228)</b>

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

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**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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Authorised government agencies	5,901	18,925
Other receivables	11,538	11,538
	17,439	30,463

**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.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade payables	177,298	109,960
Non-trade payables and accrued expenses	74,469	23,167
	251,767	133,127

**LODESTAR MINERALS LIMITED**  
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**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 \$	
	2017	2016	2017	2016
<b>On issue at 1 July</b>	<b>386,224,233</b>	<b>324,546,575</b>	<b>22,069,369</b>	<b>20,485,965</b>
<b><i>Shares issued and expensed during the period:</i></b>				
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		1,082,321
Placement of shares at 1 cent each	64,370,705	-	643,707	-
Issue of shares at 1 cent each as part payment for motor vehicle	2,700,000	-	27,000	-
Issue of shares converted from options at 3 cents each	23,390	-	702	
Capital raising costs	-	-	(152,225)	(66,925)
<b>On issue at 30 June</b>	<b>453,318,328</b>	<b>386,224,233</b>	<b>22,588,553</b>	<b>22,069,369</b>

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.

**LODESTAR MINERALS LIMITED**  
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**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.

**Convertible Loan / Convertible Note**

In February 2017, following consideration of a variety of potential funding sources and structures to provide near-term funding certainty, the Company entered into a Binding Converting Loan Agreement with the Chairman, Ross Taylor subject to shareholder approval of the terms. Pursuant to the agreement, Mr Taylor will advance up to \$1,200,000 to the Company on a draw down basis as and when funds are required.

On 22 June 2017, shareholders approved the issue of a \$1.2 million Convertible Note to Mr Taylor, replacing the Binding Converting Loan Agreement. The unsecured Convertible Note has a maturity date of 22 June 2019 and accrues interest at a rate of 10% per annum. The Convertible Note is convertible, at the election of Mr Taylor, into up to 120,000,000 Lodestar shares at a price of \$0.01 per share plus one free attaching option (exercisable at \$0.03 per share on or before 31 October 2019) for every five shares issued on conversion. The convertible notes are redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current</b>		
Proceeds from issue of convertible notes	370,000	-
Transaction costs	(68,952)	-
Net proceeds	301,048	-
Amount classified as equity	(24,348)	-
Accreted interest expense	1,704	-
	<b>278,404</b>	<b>-</b>

**Loans received from a director**

During the year, David McArthur, a director of the Company, provided the Company with a draw-down loan facility of up to \$200,000 for a period of 12 months, or until a capital raising by the Company.

From this facility, several short-term loans totalling \$100,000 were obtained from David McArthur between 14 and 22 September 2016. These loans were unsecured with interest payable at 10% per annum, quarterly in arrears. The loans were deemed to be on normal commercial terms and conditions. These loans plus interest totalling \$1,427 were repaid on 11 November 2016.

This facility was cancelled following approval by shareholders of a \$1.2 million convertible note issued to Ross Taylor, Chairman of the Company.

**LODESTAR MINERALS LIMITED**  
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**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 financial statements can be broken down as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Expensed in personnel expenses (director remuneration)</b>		
Options issued to directors	108,000	297,000
<b>Capital raising costs within equity</b>		
Options issued to a consultant	39,000	-
<b>Capitalised as part payment for property, plant and equipment</b>		
Options issued to a consultant	7,110	-

**Share-based payment programme**

An employee option scheme ("ESOS") 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 2017, 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)	-	-
28-Nov-11	29-Nov-13	29-Nov-16	20	750,000	-	-	(750,000)	-	-
28-Nov-11	29-Nov-14	29-Nov-16	30	750,000	-	-	(750,000)	-	-
08-May-12	08-May-12	08-May-17	15	1,000,000	-	-	(1,000,000)	-	-
08-May-12	08-May-14	08-May-17	20	750,000	-	-	(750,000)	-	-
08-May-12	08-May-15	08-May-17	30	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-15	25-Nov-15	31-Dec-18	5	15,000,000	-	-	-	15,000,000	15,000,000
10-Sep-16	23-Nov-16	31-Oct-19	3	-	900,000	-	-	900,000	900,000
21-Sep-16	27-Oct-16	31-Oct-19	3	-	5,000,000	-	-	5,000,000	5,000,000
23-Nov-16	23-Nov-16	31-Oct-19	3	-	18,000,000	-	-	18,000,000	18,000,000
<b>Total</b>				<b>35,750,000</b>	<b>23,900,000</b>	-	<b>(4,750,000)</b>	<b>54,900,000</b>	<b>54,900,000</b>
Weighted Average Exercise Price (cents)				7.06	3.00	-	20.53	4.13	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 1.56 years (2016: 1.79 years). The weighted average exercise price of outstanding shares at the end of the reporting period was 4.13 cents (2016: 7.06 cents).

LODESTAR MINERALS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)

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
<b>Total</b>				<b>22,750,000</b>	<b>15,000,000</b>	<b>(2,000,000)</b>	<b>-</b>	<b>35,750,000</b>	<b>35,750,000</b>
Weighted Average Exercise Price (cents)				8.07	5.00	3.00	-	7.06	



**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:

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>	<b>Tranche 5</b>
Exercise price (cents)	5	5	3	3	3
Grant date	25-Nov-14	25-Nov-15	10-Sep-16	21-Sep-16	23-Nov-16
Expiry date	16-Dec-17	31-Dec-18	31-Oct-19	31-Oct-19	31-Oct-19
Life of the options (years)	3.06	3.10	3.14	3.11	2.94
Volatility	150%	130%	150%	150%	150%
Risk free rate	2.51%	1.99%	1.56%	1.67%	1.72%

**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 \$109,357 at 30 June 2017 (2016: \$375,702). 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 2017, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2017	2016
	\$	\$
Australia	17,439	30,463

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 2017, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2017	2016
	\$	\$
Authorised government agencies	5,901	18,925
Other receivables	11,538	11,538
Total	17,439	30,463

**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 \$	Between one and five years \$
<b>30 June 2017</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	251,767	251,767	251,767	-
Borrowings	278,404	443,189	37,000	406,189
	530,171	694,956	288,767	406,189
<b>30 June 2016</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	133,127	133,127	133,127	-

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	
	2017 \$	2016 \$
<b>Variable rate instruments</b>		
Cash and cash equivalents	109,357	375,702

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 2017.

	<b>Profit or loss</b>	
	<b>100 bp increase \$</b>	<b>100 bp decrease \$</b>
<b>30 June 2017</b>		
Variable rate instruments	1,094	-
Cash flow sensitivity	1,094	-
<b>30 June 2016</b>		
Variable rate instruments	1,879	(1,879)
Cash flow sensitivity	1,879	(1,879)

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

**Fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Cash and cash equivalents, trade and other receivables, trade creditors, other creditors, accruals, borrowings and employee entitlements have been excluded from the above analysis as their fair values are equal to the carrying values.

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

**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	2017 \$	2016 \$
Short term employee benefits		279,320	287,581
Long term employee benefits		4,833	9,914
Post-employment benefits		25,650	25,650
Share-based payments - options	6.1	108,000	297,000
	2.2	417,803	620,145

**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.

**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:

<i>Key management person</i>	Transaction	Note	Transactions value		Balance outstanding as at 30 June	
			2017 \$	2016 \$	2017 \$	2016 \$
David McArthur	Management fee and office lease	(i)	85,172	84,000	24,272	7,700
Total and current liabilities					23,100	7,700

**Key to table**

- (i) The Company leased an office and 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.

## LODESTAR MINERALS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 6.3 RELATED PARTIES (continued)

##### Loans received from directors

During the year, David McArthur, a director of the Company, provided the Company with a draw-down loan facility of up to \$200,000 for a period of 12 months or until a capital raising by the Company. The loan was unsecured with interest payable at 10% per annum, quarterly in arrears. The loan was deemed to be on normal commercial terms and conditions. Between 14 and 22 September 2016, the Group drew down \$100,000 of this facility. The loans, plus interest of \$1,427 were repaid on 11 November 2016.

This facility was cancelled following approval by shareholders of a \$1.2 million convertible note issued to Ross Taylor, Chairman of the Company.

##### Convertible Note

In February 2017, following consideration of a variety of potential funding sources and structures to provide near-term funding certainty, the Company entered into a Binding Converting Loan Agreement with the Chairman, Ross Taylor subject to shareholder approval of the terms. Pursuant to the agreement, Mr Taylor is to advance up to \$1,200,000 to the Company on a draw down basis as and when funds are required.

On 22 June 2017, shareholders approved the issue of a \$1.2 million Convertible Note to Mr Taylor, replacing the Binding Converting Loan Agreement. The unsecured Convertible Note has a maturity date of 22 June 2019 and accrues interest at a rate of 10% per annum. The Convertible Note is convertible, at the election of Mr Taylor, into up to 120,000,000 Lodestar shares at a price of \$0.01 per share plus one free attaching option (exercisable at \$0.03 per share on or before 31 October 2019) for every five shares issued on conversion. The convertible notes are redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor.

At the reporting date, the company had drawn down \$370,000 (refer note 5.2) plus \$6,721 of accrued interest.

#### 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	
				2017 %	2016 %
Audacious Resources Pty Ltd	Mineral exploration	Australia	30 June	100	100

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

**6.5 PARENT COMPANY DISCLOSURES**

As at, and throughout the financial year ended 30 June 2017, the parent entity of the Group was Lodestar Minerals Limited.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Result of the parent entity</b>		
Loss for the year	1,511,603	(2,068,455)
Total comprehensive income for the year	1,511,603	(2,068,455)
<b>Financial position of parent entity at year end</b>		
Current assets	129,527	407,617
Total assets	764,513	1,180,596
Current liabilities	(329,785)	(176,405)
Total liabilities	(607,378)	(209,500)
<b>Total equity of the parent entity comprising of:</b>		
Share capital	22,588,553	22,069,369
Equity settled benefits reserve	603,110	686,425
Other reserves	24,348	-
Accumulated losses	(23,058,876)	(21,784,698)
<b>Total equity</b>	<b>157,135</b>	<b>971,906</b>
<b>Commitments</b>		
<b>Office rent</b>		
Less than one year	18,560	9,468
Between one and five years	17,479	-
	36,039	9,468
<b>Mineral exploration</b>		
Not later than one year	608,000	622,000

**6.6 SUBSEQUENT EVENTS**

On 7 September 2017, the Company announced that it had completed a placement of 62.5 million fully paid ordinary shares at a price of 0.8 cents per share to raise \$500,000 before costs. The Company will also issue 31,250,000 listed options on a one-for-two basis for zero consideration, with each option exercisable at 3 cents on or before 31 October 2019. A further 20,000,000 listed options exercisable at 3 cents each on or before 31 October 2019 will be issued to Mac Equity Partners, the lead manager of the placement.

Funds raised from the placement will expedite upcoming exploration activities planned for the Yowereena farm-in tenements, located immediately north of Lodestar's 100% owned Ned's Creek project.

In addition to the placement, the Company also issued 2.97 million shares priced at 1 cent each in relation to corporate consulting fees. The shares were placed pursuant to Rule 7.1 of the ASX Listing Rules.

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

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**6.6 SUBSEQUENT EVENTS (continued)**

The issues will be made pursuant to Section 708 of the Corporations Act 2001 (Cth) and Rule 7.1 (20,420,000 shares and 44,450,000 options) and Rule 7.1A (45,050,000 Shares) of the ASX Listing Rules. 6,800,000 of the 20,000,000 options to be issued to Mac Equity Partners will require shareholder approval prior to issue. This approval will be sought at the upcoming annual general meeting.

Other than as discussed 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**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>KPMG Australia</b>		
<b><i>Audit and other assurance services</i></b>		
Audit and review of financial reports	35,450	34,751
<b><i>Taxation services</i></b>		
Taxation compliance services	7,000	7,000
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>42,450</b>	<b>41,751</b>

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.



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

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**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 2016.

- (a) *AASB 14 Regulatory Deferral Accounts (for first time adopters)*
- (b) *AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts)*
- (c) *AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*
- (d) *AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- (e) *AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements*
- (f) *AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- (g) *AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*
- (h) *AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs*
- (i) *AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128*
- (j) *AASB 1057 Application of Australian Accounting Standards*

The adoption of these standards and interpretations did not have a material impact on the Group.

## 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 2017

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 9	Financial Instruments (2014)	The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised. AASB 9 introduces new requirements for classifying and measuring financial assets,	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 <i>Construction Contracts</i> , AASB 118 <i>Revenue</i> , Interpretation 13 <i>Customer Loyalty Programmes</i> , and Interpretation 15 <i>Agreements for the Construction of Real Estate</i> , Interpretation 18 <i>Transfers of Assets from Customers</i> , and Interpretation 131 <i>Revenue-Barter Transactions Involving Advertising Services</i> . The core principle is that an entity recognises revenue to depict the transfer of promised goods or services.	1 January 2018	1 July 2018
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15 ( <i>not yet fully compiled</i> )	This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	1 July 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 ( <i>December 2014</i> )	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	1 July 2018
AASB 2014-10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Addresses a conflict between the requirements of AASB 128 <i>Investments in Associates and Joint Ventures</i> and AASB 10 <i>Consolidated Financial Statements</i> and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.	1 January 2018	1 July 2018

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

**6.9 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)**

Reference	Title	Summary	Application date of standard	Application date for the Group
			Periods beginning on or after	
AASB 2016-1	Recognition of Deferred Tax Assets for Unrealised Losses	Amends AASB 112 <i>Income Taxes</i> to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
AASB 2016-2	Disclosure Initiative: Amendments to AASB 107	Amends AASB 107 <i>Statement of Cash Flows</i> to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 16	Leases	The new Standard introduces three main changes: - Enhanced guidance on identifying whether a contract contains a lease; - A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; - Enhanced disclosures. Lessor accounting will not significantly change.	1 January 2019	1 July 2019
AASB 2016-1	Recognition of Deferred Tax Assets for Unrealised Losses	Amends AASB 112 <i>Income Taxes</i> to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017

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

**LODESTAR MINERALS LIMITED**  
**DIRECTORS' DECLARATION**

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**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 2017 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 22<sup>nd</sup> day of September 2017.



**WILLIAM CLAYTON**  
Director



# Independent Auditor's Report

To the shareholders of Lodestar Minerals Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Lodestar Minerals Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Consolidated statement of financial position* as at 30 June 2017
- *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 then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration*.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

The **Key Audit Matters** we identified are:

- *Capitalised exploration and evaluation ("E&E") assets; and*
- *Going Concern basis of accounting*

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Capitalised exploration and evaluation ("E&E") assets (\$567,265)**

Refer to Note 3.1 Exploration and Evaluation Expenditure

**The key audit matter**

Assessing the presence of impairment indicators for the capitalised E&E assets was a key audit matter for us.

Capitalised E&E is a significant asset recorded in relation to the Group's total assets (74%). The Group capitalises E&E assets relate to acquisition costs for numerous licences relating to the Peake Hill-Doolgunna project. The presence of impairment indicators would necessitate a detailed analysis by management of the value of E&E under relevant accounting standards. Therefore, given the criticality of determining the presence of impairment indicators to the scope and depth of our work, we involved senior team members to challenge management's determination that no additional impairment indicators existed that would warrant a further impairment charge.

The key indicators we focused on were those that may draw into question the commercial continuation of exploration and evaluation activities. This involved assessing:

- The Group's compliance with key license conditions, in particular minimum expenditure requirements
- The ability of the Group to fund the continuation of activities in the specific areas of interest, and
- Management's assessments of prospectivity for the area of interest and the associated strategy and intentions of the Group for the continuation of E&E activities in the area of interest.

**How the matter was addressed in our audit**

Our audit procedures included:

- Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard.
- Assessing the Group's determination of its area of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as planned work programmes.
- For the area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses. Where individual licenses have been relinquished during the year, we tested that the carrying value is impaired to nil.
- We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E. We corroborated this through interviews with key personnel.
- We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for the area.



## Going concern basis of accounting

Refer to Note 1.2 to the Financial Report

### The key audit matter

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 1.2.

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:

- The Group's planned levels of operational and exploration expenditures, and the ability of the Group to manage cash outflows within available funding, and
- The Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds.

In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.

### How the matter was addressed in our audit

Our procedures included:

- We analysed the cash flow projections by:
  - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, including minimum expenditure commitments as set out in the capitalised exploration and evaluation key audit matter, their consistency with the Group's intentions, as outlined in Directors minutes, ASX announcements and funding documentation, and their comparability to past practices;
  - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific area we focused on related to the timing and extent of forecast cash inflows from capital raisings and/or financing by agreeing it to source documentation; and
  - Assessing the planned levels of operating and exploration expenditures for consistency of relationships and trends to the Group's historical results and our understanding of the business, industry and economic conditions of the Group
- We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.



## Other Information

Other Information is financial and non-financial information in Lodestar Minerals Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our Auditor's Report.





## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Lodestar Minerals Limited for the year ended 30 June 2017, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in *section 14* of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

R Gambitta  
*Partner*

Perth

22 September 2017

**LODESTAR MINERALS LIMITED**  
**STOCK EXCHANGE INFORMATION**

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**STOCK EXCHANGE INFORMATION**

The shareholder information set out below was applicable as at 31 August 2017:

**1. Distribution of ordinary shares**

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	3,388	3,125,453	0.69
1,001 - 5,000	223	1,642,272	0.36
5,001 - 10,000	899	33,004,705	7.23
10,001 – 100,000	411	130,771,793	28.66
100,001 and over	83	287,744,75	63.06
<b>Total</b>	<b>5,004</b>	<b>456,288,328</b>	<b>100.00</b>

There were 4,327 holders of less than a marketable parcel of ordinary shares.

**2. Distribution of listed options**

Range	Total holders	Listed options over ordinary shares	% of issued capital
1 - 1,000	295	361,662	0.80
1,001 - 5,000	51	362,378	0.80
5,001 - 10,000	126	4,079,541	9.00
10,001 – 100,000	25	8,447,414	18.63
100,001 and over	7	32,082,707	70.77
<b>Total</b>	<b>504</b>	<b>45,333,702</b>	<b>100.00</b>

There were 483 holders of less than a marketable parcel of ordinary shares.

**3. Substantial shareholders**

The substantial shareholders are set out below:

Shareholders	Number of Shares
Ross Jeremy Taylor <Jamanaro A/C>	40,307,288
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	27,987,403

**LODESTAR MINERALS LIMITED**  
**STOCK EXCHANGE INFORMATION**

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**4. 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.

**5. Unlisted options**

<b>Grant date</b>	<b>Number</b>	<b>Number of holders</b>	<b>Expiry date</b>	<b>Exercise price (cents)</b>
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
10-Sep-16	900,000	1	31-Oct-19	3
21-Sep-16	5,000,000	1	31-Oct-19	3
23-Nov-16	18,000,000	3	31-Oct-19	3

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There are 67,200,127 options issued to 8 holders under the Lodestar Minerals long-term option plan to take up ordinary shares.

**LODESTAR MINERALS LIMITED**  
**STOCK EXCHANGE INFORMATION**

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**6. Twenty largest shareholders as at 31 August 2017**

Shareholders	Ordinary shares	
	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	40,307,288	8.89
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	27,987,403	6.17
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	19,217,003	4.24
Merrill Lynch (Australia) Nominees Pty Limited	15,615,742	3.44
Dasmac (WA) Pty Ltd	9,931,577	2.19
Miss Julia April Singleton	8,696,784	1.92
Ms Teri Conway Patterson	5,300,000	1.17
Mr Samuel Rotstein	5,097,550	1.12
HS Superannuation Pty Ltd <HS Superannuation Fund A/C>	5,000,000	1.10
Mr Noel James Stewart	4,400,000	0.97
Asymmetric Arbitrage Ltd	4,197,843	0.93
Mr Gregory Peter Wilson	4,168,850	0.92
Ms Sharon Anne Clayton	3,963,427	0.87
First Investment Partners Pty Ltd	3,920,841	0.86
Paso Holdings Pty Ltd	3,250,000	0.72
Mr Albert Wijeweera	3,169,821	0.70
Mr Mark Phillip Jones	3,166,667	0.70
Dr Colin Rose	3,030,469	0.67
Mr David Maxwell McArthur	3,026,161	0.67
Mr Soon Jeung Yuen	3,022,415	0.67

**LODESTAR MINERALS LIMITED**  
**STOCK EXCHANGE INFORMATION**

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**7. Twenty largest optionholders as at 31 August 2017**

Shareholders	Ordinary shares	
	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	10,274,844	22.67
BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	7,304,041	16.11
David Maxwell McArthur	6,115,532	13.49
Golden Stakes Pty Ltd	6,000,000	13.24
Ross Jeremy Taylor & Natasha Tanya Taylor <Jamanaro Super Fund A/C>	1,332,734	2.94
Gregory Peter Wilson	1,055,556	2.33
Mark Andrew Tkocz	1,000,000	2.21
Christopher Robert Louis Cook	900,000	1.99
Barroseven Pty Ltd	583,333	1.29
IQ Global Asset Partners Pty Ltd <IQ S/F A/C>	552,820	1.22
Inuk Fleur Mackay	500,000	1.10
Dasmac (WA) Pty Ltd	472,933	1.04
Moqiang Xu	367,223	0.81
Gregory Buckley & Julie Buckley <Buckley Family S/F A/C>	333,334	0.74
G & P Redfearn Investments P/L <G & P Redfearn S/F A/c>	333,334	0.74
Torso Pty Ltd	333,334	0.74
Firemark Capital Pty Ltd	330,000	0.73
Julia April Singleton	316,270	0.70
Robert John McArthur Anderson	300,000	0.66
Paul Richard Job	300,000	0.66

**LODESTAR MINERALS LIMITED**  
**STOCK EXCHANGE INFORMATION**

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**8. Tenements listing as at 31 August**

<b>Tenement description</b>	<b>Tenement Numbers</b>	<b>Status</b>	<b>Percentage Interest</b>
Camel Hills	E09/2099	Granted	100%
Camel Hills	E09/2100	Granted	100%
Camel Hills	E52/3064	Granted	100%
Camel Hills	E09/2138	Granted	100%
Camel Hills	E09/2139	Granted	100%
Camel Hills	E09/2215	Application	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%
Ned's Creek	E52/3473	Granted	100%
Ned's Creek	E52/3476	Application	100%
Imbin - Troy Creek	E69/3483	Application	100%
Yowereena	M52/779	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/780	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/781	Vango Mining	0% - Lodestar farm-in to earn up to 80%
Yowereena	M52/782	Vango Mining	0% - Lodestar farm-in to earn up to 80%

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