
LODESTAR MINERALS LIMITED**ACN 127 026 528****NOTICE OF GENERAL MEETING**

Notice is given that the Meeting will be held at:

TIME: 10.30 Am (WST)

DATE: Thursday 22 June 2017

PLACE: Level 1, 31 Cliff Street, Fremantle, Western Australia.

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00 PM (WST) on 20 June 2017.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – CONVERSION OF CONVERTIBLE LOAN AND APPROVAL TO ACQUIRE RELEVANT INTEREST

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 611 (Item 7) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for:

- (a) the Company to issue a Convertible Note with a face value of \$1,200,000, on conversion of an existing converting loan, to Mr Ross Taylor on the terms and conditions set out in the Explanatory Statement;*
- (b) the issue of the Conversion Securities on conversion of the Convertible Note; and*
- (d) the acquisition of a relevant interest in the issued voting shares of the Company by Mr Ross Taylor, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the potential issue of Shares (and Options) on conversion of the Convertible Note referred to in paragraph (b) and the potential issue of Shares on exercise of the Conversion Options issued pursuant to conversion of the Convertible Note, which in addition to the 85,056,034 Shares already held, and the potential exercise of 19,662,284 existing Options already held, will result in Mr Ross Taylor’s voting power increasing from 18.76% to a maximum interest of 40.31% in the capital of the Company,*

on the terms and conditions set out in the Explanatory Statement.”

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

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. **The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this resolution, and concluded that the issue of the Convertible Note is not fair, but reasonable to the non-associated shareholders of the Company.**

Dated: 15 May 2017

By order of the Board

David McArthur
Director and Company Secretary

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:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 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.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9435 3200.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – CONVERSION OF CONVERTIBLE NOTE AND APPROVAL TO ACQUIRE RELEVANT INTEREST

1.1 Background

As announced on 10 March 2017, the Company has entered into a convertible loan agreement with director of the Company, Ross Taylor (**Convertible Loan Agreement**), pursuant to which Mr Taylor agreed to loan the Company \$1,200,000 (**Convertible Loan**).

The material terms of the Convertible Loan Agreement are as follows:

- (a) (**Loan**): Mr Taylor has agreed to loan and the Company has agreed to borrow a principal amount of \$1,200,000 (**Loan Funds**);
- (b) (**Purpose**): The parties have agreed that the Loan Funds must be applied towards exploration expenditure over the Company's mineral tenements, and day to day administration costs and working capital requirements;
- (c) (**Interest**): Interest will accrue daily at a rate of 10% per annum on the Loan Funds outstanding, from the date that the Convertible Loan is drawn down until the date that the Convertible Loan is converted or repaid;
- (d) (**Repayment**): The term of the Convertible Loan is 12 months;
- (e) (**Security**): The Convertible Loan is unsecured;
- (f) (**Conversion to Convertible Note**): The Company has agreed to convene a meeting of its Shareholders to seek approval to issue a convertible note with a face value equal to the Convertible Loan. If such approval is received, the Convertible Loan shall be applied against the subscription price for that Convertible Note.
- (g) (**Convertible Note Terms**): The Convertible Note to be issued will:
 - (i) be unsecured, have a principal value of \$1,200,000, a maturity date of 24 months from the date of this Meeting and will accrue interest at a rate of 10% per annum;
 - (ii) convert (at the election of Mr Taylor) into Shares at a conversion price of \$0.01 per Share, together with one (1) free attaching Option (exercisable at \$0.03 per Share on or before 31 October 2019) for every five (5) Shares issued on conversion; and
 - (iii) be redeemable by the Company at any time prior to maturity or receipt of a conversion notice from Mr Taylor.

The Convertible Loan Agreement otherwise contains provisions considered standard for an agreement of this nature.

Pursuant to the terms of the Convertible Loan Agreement summarised above, should the Convertible Note be issued and subsequently converted into securities in the Company, the Company would issue to Mr Taylor:

- (a) up to 120,000,000 Shares; and
- (b) one Option for every five Shares issued on the terms and conditions contained in Schedule 1 (**Conversion Options**),

(**Conversion Securities**).

The Convertible Note and consequential Conversion Securities will be issued to Mr Ross Taylor, a director of the Company.

Pursuant to the Convertible Loan Agreement, Resolution 1 seeks Shareholder approval:

- (a) to allow the Company to issue the Convertible Note to Mr Taylor;
- (b) to allow the Company to issue the Conversion Securities to Mr Taylor on conversion of the Convertible Note; and
- (c) for the purpose of Item 7 of Section 611 of the Corporations Act, to permit Mr Taylor's voting power to increase from 18.76% to a maximum of 40.31% by virtue of issue of the Convertible Note and potential subsequent issues of the Conversion Securities, and Shares on exercise of the Conversion Options.

1.2 Chapter 2E of the Corporations Act

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

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

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

The issue of the Convertible Note constitutes giving a financial benefit and Mr Ross Taylor is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Ross Taylor, who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Convertible Note on the basis that the Convertible Loan Agreement and Convertible Note have been negotiated on terms that would be reasonable in the circumstances if the parties were dealing at arm's length, and further based on the Independent Expert's Report (set out at Schedule 5) which concludes that the issue of the Convertible Note is not fair, but reasonable to the non-associated Shareholders.

1.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the issue of the Convertible Note (and any subsequent conversion) to Mr Ross Taylor involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

1.4 Item 7 of Section 611 of the Corporations Act

(a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%.

(Prohibition).

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) Ross Taylor's entitlements in the Company

Mr Taylor currently has an interest in the following Shares and Options in the Company:

Current holdings of Mr Ross Taylor:

Shares	Options	Voting Power
85,056,034 ¹	19,662,284 ²	18.76%

Notes:

- 1. Comprising 40,307,288 Shares held by Mr Ross Jeremy Taylor as trustee for the Jamanaro A/C (of which Mr Taylor is a beneficiary), 27,987,403 Shares held by Mr Ross Jeremy Taylor and Mrs Natasha Tanya Taylor as trustees for the Jamanaro Super Fund A/C (of which Mr Taylor is a beneficiary), 15,612,500 held by Merrill Lynch (Australia) Nominees Pty Limited as nominee for Mr Ross Taylor, and 1,148,843 held directly by Mr Taylor.
- 2. Comprising 54,707 Options held directly by Mr Taylor, 18,274,844 Options held by Mr Ross Jeremy Taylor as trustee for the Jamanaro A/C (of which he is a beneficiary)

and 1,332,733 Options held by Mr Ross Jeremy Taylor and Mrs Natasha Tanya Taylor as trustees for the Jamanaro Super Fund A/C (of which Mr Taylor is a beneficiary).

Following the issue and subsequent conversion of the Convertible Note, Mr Taylor's securityholding and resulting voting power in the Company, will be as follows:

Holdings of Mr Ross Taylor following the conversion of the Convertible Note

Shares	Options	Voting Power
205,056,034	43,662,284	35.77%

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

A relevant agreement includes an agreement, arrangement or understanding, whether written or oral, formal or informal and whether or not having legal or equitable force.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

For the purposes of the Corporations Act, the following are relevant associates of Mr Taylor for the purpose of this Resolution 1:

- (i) Mrs Natasha Tanya Taylor, who is the joint trustee of the Jamanaro Super Fund A/C with Mr Taylor, as Mr Taylor is the

beneficiary of the Jamanaro Super Fund A/C and is the spouse of Mrs Natasha Taylor; and

- (ii) Merrill Lynch (Australia) Nominees Pty Limited as Merrill Lynch (Australia) Nominees Pty Ltd holds securities in the Company as a nominee holder for a foreign registered superannuation fund held by Mr Taylor.

1.5 Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (iv) a body corporate in which the person's voting power is above 20%;
- (v) a body corporate that the person controls.

1.6 Reason Section 611 Approval is required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

At present, and following the issue of the Convertible Note, Mr Taylor will have a relevant interest in 85,056,034 Shares and 19,662,284 Options (with various exercise price and expiry dates), which represents an 18.76% voting power in the Company. If the Convertible Note is converted into the Conversion Securities, Mr Taylor will receive up to 120,000,000 Shares and up to 24,000,000 Options (with an exercise price of \$0.03 and an expiry date of 31 October 2019). If the Conversion Options are exercised, Mr Taylor will have a relevant interest in 229,056,034 Shares, and a voting power in the Company of 38.35%. If Mr Taylor also exercised all other Existing Options, he would have a relevant interest in 248,718,318 Shares and a voting power of 36.38% in the Company on a fully diluted basis and a voting power of 40.31% on an undiluted basis.

Accordingly, Resolution 1 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the Convertible Note and, if converted, the Conversion Securities, to Mr Taylor and to enable his voting power to increase to up to a maximum of 40.31%.

1.7 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by HLB Mann Judd, which is annexed to this Notice of Meeting.

(a) Identity of the Acquirer and its Associates

It is proposed that Mr Ross Taylor, who is a director of the Company, will be issued the Convertible Note as set out in Section 1.1 of this Explanatory Statement

The identity of Mr Taylor's associates and the nature of their relevant interest is summarised in section 1.4(d) of this Explanatory Statement.

(b) Relevant Interest and Voting Power

The relevant interests of Mr Taylor and each of his associates in voting shares in the capital of the Company and voting power of Mr Taylor (both current, and following the issue of the Convertible Note, subsequent conversion of the Convertible Note and potential exercise of the Conversion Options and Existing Options) are set out in the table below:

Party	Relevant Interest at date of this Notice and on issue of Convertible Note (Shares)	Voting power at date of this Notice and on issue of Convertible Note	Relevant Interest on conversion of Convertible Note (Shares)	Voting power on conversion of Convertible Note	Relevant Interest on exercise of Conversion Options (Shares)	Voting power on exercise of Conversion Options	Relevant Interest on exercise of all Existing Options (Shares)	Voting Power on exercise of all Existing Options
Mr Ross Taylor	85,056,034	18.76%	205,056,034	35.77%	229,056,034	38.35%	248,718,318	40.31%
Mrs Natasha Tanya Taylor	85,056,034	18.76%	205,056,034	35.77%	229,056,034	38.35%	248,718,318	40.31%
Merrill Lynch (Australia) Nominees Pty Limited	15,612,500	3.44%	15,612,500	2.72%	15,612,500	2.61%	15,612,500	2.28%

From the above table, it can be seen that the maximum voting power that Mr Taylor will hold after the issue of the Convertible Note, subsequent conversion of the Convertible Note and subsequent potential exercise of the Conversion Options and Existing Options is 248,718,318 Shares, being a maximum voting power of 40.31%.

Note that the following assumptions have been made in calculating the above:

- (i) the Company has 453,318,328 Shares on issue as at the date of this Notice of Meeting;
- (ii) the Company does not issue any additional securities;

- (iii) no Options are exercised other than the Conversion Options and the Existing Options; and
- (iv) Mr Taylor and his associates do not acquire any additional Shares other than on the exercise of the Conversion Options and the Existing Options.

Further details on the voting power of Mr Taylor are set out in the Independent Expert's Report prepared by HLB Mann Judd.

(c) **Reasons for the proposed issue of securities**

As set out in Section 1.1 of this Explanatory Statement, the Company has entered into a Convertible Loan Agreement which is convertible into a Convertible Note with the approval of Shareholders. The purpose of the issue of the Convertible Note is to convert the Convertible Loan in accordance with its terms. The purpose of entering into the Convertible Loan Agreement was to provide immediate funding to the Company on competitive terms, which provide for a share based repayment, thus conserving the Company's cash reserves.

(d) **Date of proposed issue of Convertible Note**

If Shareholder approval is obtained, the Convertible Note will be issued within 7 Business Days of this Meeting.

(e) **Material terms of proposed issue of securities**

As set out in section 1.1 of this Explanatory Statement, the Company is proposing to issue a Convertible Note with a face value of \$1,200,000 which will, at the election of Mr Taylor, convert into:

- (i) up to 120,000,000 Shares; and
- (ii) up to 24,000,000 Options, exercisable at \$0.03 on or before 31 October 2019, and otherwise on the terms and conditions contained in Schedule 1.

(f) **Mr Taylor's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Mr Taylor:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) does not intend to transfer any property between the Company and himself or any entities associated with him; and

- (vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Mr Taylor at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Changes to the Board**

No changes to the Board are expected as a result of the issue.

(h) **Interests and Recommendations of Directors**

- (i) the Directors (other than Mr Taylor who has a material personal interest in Resolution 1) do not have any material personal interests in the outcome of Resolution 1 and unanimously recommend that Shareholders vote in favour of Resolution 1. The Director's recommendations are based on the reasons outlined in section 1.8 below.

- (ii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

(i) **Capital Structure**

A table showing the Company's current capital structure and the possible capital structure on completion of the issue of the Convertible Note and subsequent issue of the Conversion Securities is set out in Schedule 2.

1.8 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) the issue of the Convertible Note to Mr Taylor (and subsequent conversion of the Convertible Note and issue of Conversion Securities), if approved by Shareholders, will mean the Company may not have to repay the loan funds, which would decrease the Company's cash position;
- (b) the Convertible Note will be unsecured, which is favourable to the Company as there will be no security registered over the assets of the Company;
- (c) the issue of the Convertible Note to Mr Taylor will complete the Company's obligations under the Convertible Loan Agreement, and will

allow repayment of the principal to be delayed for 24 months, if repaid at all; and

- (d) HLB Mann Judd has concluded that the issue of the Convertible Note is not fair, but reasonable to the non-associated shareholders.

1.9 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- (a) the issue of the Convertible Note to Mr Taylor, and subsequent potential issue (and exercise) of the Conversion Securities will increase the voting power of Mr Taylor from 18.76% to 40.31% (on a fully diluted basis), reducing the voting power of non-associated Shareholders in aggregate from 81.24% to 59.69%;
- (b) existing Shareholders may have their current Shareholdings diluted by up to 36.10% (on a fully diluted basis), meaning existing Shareholders will receive less distribution of the Company's profits; and
- (c) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

1.10 Independent Expert's Report

The Independent Expert's Report prepared by HLB Mann Judd (a copy of which is attached as Schedule 5 to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 1 are fair and/or reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the issue of the Convertible Note pursuant to Resolution 1 is not fair, but reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of the Convertible Note. This assessment is designed to assist all Shareholders in reaching their voting decision.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

1.11 Technical Information required by ASX Listing Rule 10.13

A summary of ASX Listing Rule 10.11 is set out in Section 1.3 above.

The effect of Resolution 1 will be to allow the Directors to issue the Convertible Note during the period of 1 month after the Meeting (or a longer period, if allowed by ASX) and the Conversion Securities issued on conversion of the Convertible Notes, to a related party of the Company, without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 1:

- (a) the Convertible Note will be issued to Mr Ross Taylor, who is a related party of the Company by virtue of being a Director;
- (b) the maximum number of securities to be issued to Mr Taylor is one Convertible Note; and if the Convertible Note converts:
 - (i) 120,000,000 Shares; and
 - (ii) 24,000,000 Options on the terms and conditions contained in Schedule 1;
- (c) the Convertible Note will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Convertible Note will be issued for \$1,200,000, such consideration to be paid by Mr Taylor by application of the loan funds provided by him under the Convertible Loan Agreement;
- (e) the funds raised will be used as follows:

Allocation of Funds	\$
Exploration expenditure	1,000,000
Administration costs	200,000
Total	1,200,000

- (f) the Conversion Securities will be issued for nil cash consideration upon the conversion of the Convertible Note, accordingly no funds will be raised from the issue of the Conversion Securities;
- (g) the Convertible Note will be issued with a face value of \$1,200,000, on the terms and conditions contained in Schedule 3;
- (h) the Shares to be issued on conversion of the Convertible Note (if converted) will be fully paid ordinary shares, on the same terms and conditions as the Company's then existing Shares;
- (i) the Conversion Options to be issued on conversion of the Convertible Note (if converted) will be on the terms and conditions contained in Schedule 1;
- (j) the value of the Shares to be issued on conversion of the Convertible Note and the pricing methodology is set out in the Independent Expert's Report;
- (k) the relevant interests of Mr Taylor in the securities of the Company are set out in Section 1.4(c) of this Explanatory Statement;
- (l) if the Convertible Note is converted, a maximum of 120,000,000 Shares and 24,000,000 Options will be issued. If those Conversion Options are subsequently converted, the total increase to the Company's Shares as a result of conversion of the Convertible Note will be 144,000,000 Shares, being an increase from 453,318,328 to 597,318,328 with the effect that existing Shareholders would be diluted by an aggregate of 31.77%;
- (m) the market price for Shares during the term of the Convertible Note and Conversion Options would normally determine whether or not those securities are converted or exercised, respectively. If, at any time either

the Convertible Note or any of the Conversion Options are converted or exercised and the Shares are trading on ASX at a price that is higher than the conversion or exercise price, there may be a perceived cost to the Company;

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

	Price	Date
Highest	\$0.029	4 July 2016
Lowest	\$0.008	8, 13, 14, 15, 21 and 27 December 2016 2, 3, 4, 5 and 19 January 2017 21, 22, 23 February 2017
Last	\$0.01	12 May 2017

- (o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Convertible Note as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Convertible Note to Mr Taylor will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

1.12 Pro forma balance sheet and capital table

A pro forma balance sheet of the Company post the completion of the issue of the Convertible Note, and conversion of the Convertible Note is set out in Schedule 4.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Lodestar Minerals Limited (ACN 127 026 528).

Constitution means the Company's constitution.

Conversion Options means 24,000,000 Options, exercisable at \$0.03 on or before 31 October 2019 and otherwise on the terms and conditions contained in Schedule 1.

Conversion Securities means 120,000,000 Shares and the Conversion Options, to be issued on conversion of the Convertible Note.

Convertible Loan Agreement means the convertible loan agreement between the Company and Ross Taylor, entered into on 9 February 2017.

Convertible Loan means the convertible loan of \$1,200,000 provided by Ross Taylor to the Company, pursuant to the Convertible Loan Agreement.

Convertible Note means the convertible note into which the Convertible Loan is proposed to convert, pursuant to the Convertible Loan Agreement, on the terms and conditions contained in Schedule 3.

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

Directors means the current directors of the Company.

Existing Options means the 19,662,284 Options in which Mr Ross Taylor currently has an interest.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

HLB Mann Judd or **Independent Expert** means HLB Mann Judd Corporate (WA) Pty Ltd (ACN 008 878 555).

Independent Expert's Report means the independent experts report prepared by HLB Mann Judd.

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

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

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF CONVERSION OPTIONS

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

SCHEDULE 2 – CAPITAL STRUCTURE

Securities Event	Shares	Options
Currently on issue	453,318,328	86,383,829 ¹
Issue of Conversion Securities	120,000,000	24,000,000 ²
Subtotal	573,318,328	110,383,829
Exercise of Conversion Options	24,000,000	(24,000,000)
Total	597,318,328	86,383,829

Notes:

1. **Comprising:**
 - (a) 45,333,702 listed Options exercisable at \$0.03 on or before 31 October 2019;
 - (b) 2,250,000 unlisted Options exercisable at \$0.15-\$0.30 by 8 May 2017;
 - (c) 16,000,000 unlisted Options exercisable at \$0.05 by 16 December 2017;
 - (d) 15,000,000 unlisted Options exercisable at \$0.05 by 31 December 2018; and
 - (e) 7,800,127 unlisted Options exercisable at \$0.06 by 30 December 2018.
2. Exercisable at \$0.03 on or before 31 October 2019.

SCHEDULE 3 – TERMS AND CONDITIONS OF CONVERTIBLE NOTE

Principal	\$1,200,000
Maturity Date	The date that is 24 months after the date of the Shareholder Meeting, or such other date as agreed between the Parties in writing.
Interest Rate	10% per annum payable quarterly in arrears.
Quotation	The Company will not apply for quotation on ASX of the Convertible Note.
Security	The Convertible Note will be unsecured and Mr Taylor (the Lender) will rank equally with all other unsecured creditors of the Company.
Conversion Price	\$0.01 per fully paid ordinary share in the capital of the Company (Shares)
Conversion	<p>(a) The Convertible Note shall be convertible into:</p> <ul style="list-style-type: none"> (i) Shares at the Conversion Price; and (ii) options to purchase Shares (exercisable at \$0.03 per Share on or before 31 October 2019) (Options), whereby one (1) Option will be issued for every five (5) Shares issued pursuant to (a)((i)) above, <p style="padding-left: 40px;">at any time on or before the Maturity Date at the election of the Lender.</p> <p>(b) Conversion is effected by giving 7 days notice in writing to the Company.</p> <p>(c) If the Convertible Note is converted, the Company will proceed to issue to the Lender that number of Shares and Options calculated in accordance with paragraph (a) above.</p> <p>(d) The issue of Shares and Options on conversion operates in satisfaction of the Company's obligation to the Lender in respect of the portion of Principal so converted but will in no way affect any liability of the Company for unpaid interest accrued up to the conversion date.</p>
Ordinary Shares Ranking	<p>(a) Shares issued on conversion of the Convertible Note will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares at the time of conversion and the Company agrees to apply for quotation of the Shares on the ASX within seven (7) days of their issue.</p> <p>(b) The Company will do all such acts and things as may be necessary to ensure that any Shares issued on conversion of the Convertible Note will be freely tradeable.</p>
Redemption	(a) The Company may elect to redeem the Convertible Note by making a payment in cash for Principal (or

	part thereof) to the Lender, plus all accrued interest, at any time prior to the Maturity Date and before the Lender has given a conversion notice.
Event of Default	Upon the occurrence of an event of default, the Lender may for so long as the event of default is continuing by written notice to the Company require immediate redemption of the Convertible Note outstanding together with all accrued interest and other outstanding moneys to be immediately due and payable to the Lender without the need for any further demand or notice to be given.
Voting rights	The Convertible Note shall not provide for any voting rights at shareholder meetings of the Company (unless otherwise required by the ASX Listing Rules or the Corporations Act).
Transferability	The Lender shall only be permitted to transfer the Convertible Note to a Related Body Corporate with the prior written consent of the Company which shall not be unreasonably withheld.

SCHEDULE 4 – PRO FORMA BALANCE SHEET

BALANCE SHEET AS AT 31 DECEMBER 2016

		Convertible Note	Pro Forma
	\$	\$	\$
CURRENT ASSETS			
Cash	91,697	1,200,000	1,291,697
Receivables	11,538		11,538
ATO benefits	6,246		6,246
Prepayments	<u>53,460</u>		<u>53,460</u>
TOTAL CURRENT ASSETS	<u>162,941</u>		<u>1,362,941</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	18,789		18,789
Capitalised exploration	<u>567,262</u>		<u>567,262</u>
TOTAL NON-CURRENT ASSETS	<u>586,051</u>		<u>586,051</u>
TOTAL ASSETS	<u>748,992</u>		<u>1,948,992</u>
CURRENT LIABILITIES			
Payables	62,486		62,486
Employee benefits	73,828		73,828
Provisions	<u>14,000</u>		<u>14,000</u>
TOTAL LIABILITIES	<u>150,314</u>		<u>150,314</u>
NET ASSETS	<u>598,678</u>		<u>1,798,678</u>
SHAREHOLDERS' FUNDS			
Contributed equity	22,588,998	1,200,000	23,788,998
Reserves	670,407		670,407
Retained earnings	<u>(22,660,727)</u>		<u>(22,660,727)</u>
TOTAL	<u>598,678</u>		<u>1,798,678</u>

SCHEDULE 5 – INDEPENDENT EXPERT’S REPORT



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

Independent Expert's Report

Lodestar Minerals Limited

Opinion: Not fair, but Reasonable

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HLB Mann Judd Corporate (WA) Pty Ltd is a member of  IFILE International, a worldwide organisation of accounting firms and business advisers.



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

FINANCIAL SERVICES GUIDE

Dated 1 May 2017

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 ("HLB Mann Judd Corporate" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HLB Mann Judd Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 Referral to external disputes resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.



Mann Judd Corporate (WA) Pty Ltd

ACN 008 878 555

Licensed Investment Adviser

15 May 2017

The Directors
Lodestar Minerals Ltd
311-313 Hay Street
SUBIACO WA 6008

Dear Sirs

INDEPENDENT EXPERT'S REPORT

INTRODUCTION

On 10 March 2017 ("Announcement Date"), Lodestar Minerals Limited ("Lodestar" or the "Company") announced that it had entered into a Binding Converting Loan Agreement ("Agreement") with the Company's Chairman, Mr. Ross Taylor ("Taylor") under which Taylor has agreed to advance up to \$1.2 million to Lodestar on a draw down basis as and when the funds are required.

A Convertible Note will be issued to Taylor with a face value equal to the principal owing on the loan ("Proposed Transaction"). The Convertible Note may then be converted into fully paid shares in Lodestar at the option of Taylor in accordance with the Agreement. Further details of the Agreement are set out in Section 3 of this Report. In addition one (1) option exercisable at 3 cents on or before 31 October 2019 will be issued for every five (5) shares issued.

Taylor's voting power will increase from 18.76% to a maximum interest of 40.31% in the capital of the Company, depending on the extent of the facility drawn down by Lodestar and the ultimate conversion (if any) of the Convertible Note and any options held into fully paid shares in Lodestar by Taylor. It is noted that Taylor currently holds 85,056,034 ordinary fully paid shares, 11,622,284 options exercisable at 3 cents and 8,000,000 options exercisable at 5 cents.

The increase in Taylor's interest would be potentially achieved by the approval of Resolution 1 of the Notice of General Meeting ("Notice") of shareholders of the Company proposed to be held on or about 25 June 2017, to consider the issue of the Convertible Note and possible acquisition of a Relevant Interest as set out in the Explanatory Statement that accompanies the Notice.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Summary and opinion
2. Purpose of the Report
3. Key components of the Agreement
4. Economic analysis
5. Industry analysis
6. Adopted basis of evaluation
7. Profile of Lodestar

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8. Valuation of Lodestar prior to the Proposed Transaction
9. Valuation of Lodestar subsequent to the Proposed Transaction
10. Assessment of whether the Proposed Transaction is fair
11. Assessment of whether the Proposed Transaction is reasonable
12. Sources of information
13. Qualifications, Declarations and Consents

Appendix 1 – Glossary of Terms

Appendix 2 – Independent Valuation of Mineral Assets prepared by Ravensgate

1. SUMMARY AND OPINION

1.1 Fairness

Set out in the table below is a comparison of our assessment of the fair market value of a Lodestar share prior to the Proposed Transaction on a control basis with the value of a Lodestar share subsequent to the Proposed Transaction on a minority basis (assuming the maximum number of shares that are able to be issued to Taylor are issued).

	Report Reference	Low cents	Preferred cents	High cents
Value of a Lodestar share pre-transaction	8.3	0.92	1.22	1.63
Value of a Lodestar share post-transaction:				
Scenario 1	9	0.75	0.97	1.30
Scenario 2	9	0.93	1.14	1.44
Scenario 3	9	0.89	1.10	1.42

As the preferred value of a Lodestar share on a pre-transaction basis is greater than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is not **fair** to the non-associated shareholders of Lodestar.

1.2 Reasonableness

We have considered the analysis in Section 11 of this Report, in terms of both the advantages and disadvantages of the Proposed Transaction and the position of the non-associated shareholders of Lodestar if the Proposed Transaction was to proceed.

In our opinion the position of the non-associated shareholders of Lodestar if the Proposed Transaction was to proceed is more advantageous than if the Proposed Transaction was not approved by the shareholders.

1.3 Opinion

We are of the opinion that the Proposed Transaction is not fair, but reasonable to the non-associated shareholders of Lodestar.

2. PURPOSE OF THE REPORT

2.1 General

The Directors of Lodestar have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Proposed Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be regarded ("non-associated shareholders").

This Report has been prepared to assist shareholders in their decision whether to vote for or against the resolution giving effect to the Proposed Transaction. Lodestar is seeking the approval of its shareholders under Item 7 of section 611 of the Corporations Act 2001, for the Proposed Transaction, as it involves Taylor potentially acquiring greater than 20% of the issued capital of Lodestar. At the date of this Report, Taylor holds 18.76% of the issued capital of Lodestar. The potential issue of shares (and any subsequent conversion of options) to Taylor pursuant to the Proposed Transaction could result in Taylor acquiring a relevant interest in Lodestar of greater than 20%.

2.2 Regulatory Guidance

This Report is to be included in the Notice of General Meeting and Explanatory Statement ("Notice") for the meeting to be held on or about 25 June 2017 to consider the resolution giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of that resolution. This Report should not be used for any other purpose.

We have prepared this Report having regard to the relevant Australian Securities and Investments Commission ("ASIC") releases. ASIC Regulatory Guide 74 "*Acquisitions approved by members*" suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolution giving effect to the Proposed Transaction can be satisfied by the directors of Lodestar by either:

- (a) undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- (b) by commissioning an independent expert's report.

The directors of Lodestar have commissioned this Report to satisfy this obligation.

In determining the fairness and reasonableness of the Proposed Transaction, we have had regard to ASIC Regulatory Guide 111 "*Content of expert reports*" ("RG 111"), which states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price (in this case, the proposed price at which the convertible notes will be converted into fully paid shares in Lodestar) and the value that may be attributed to the securities under offer (in this case, the value of the Lodestar shares) (*fairness*) and an examination to determine whether there are sufficient reasons for security holders to accept the offer despite an offer not being fair (*reasonableness*).

The concept of *fairness* is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in this offer (in this case, the value of the Lodestar shares). Furthermore, this comparison should be made assuming 100% ownership of the "target" (in this case, 100% of Lodestar) and irrespective of whether the consideration is scrip or cash.

RG 111 states that an offer is reasonable if it is fair. An offer may also be reasonable, if despite it not being fair, there are significant factors which in the expert's opinion shareholders should consider in accepting the offer.

RG 111 also suggests that where the Proposed Transaction is a control transaction the expert should focus on the substance of the control transaction, rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis that is consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction to consider whether, in our opinion, it is fair and reasonable to the non-associated shareholders of Lodestar.

We have also had regard to ASIC Regulatory Guide 112 "*Independence of experts*".

2.3 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 *Valuation Services* ("APES 225") as issued by the Accounting Professional & Ethical Standards Board.

In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3. KEY COMPONENTS OF THE AGREEMENT

On 10 March 2017, Lodestar announced that it had entered into a Binding Converting Loan Agreement ("Agreement") with the Company's Chairman, Mr. Ross Taylor ("Taylor") under which Taylor has agreed to advance up to \$1.2 million to Lodestar on a draw down basis as and when the funds are required.

A Convertible Note will be issued to Taylor with a face value equal to the principal owing on the loan ("Proposed Transaction"). The Convertible Note may then be converted into fully paid shares in Lodestar at the option of Taylor in accordance with the Agreement. In addition, one (1) option exercisable at 3 cents on or before 31 October 2019 will be issued for every five (5) shares issued in Lodestar at the option of Taylor in accordance with the Agreement.

The key terms of the Agreement are as follows:

- i) The principal amount is \$1,200,000;
- ii) The maturity date is the date that is 24 months after the date of the shareholder meeting (*held to approve the issue*);
- iii) Interest is payable at 10% per annum, quarterly in arrears;
- iv) The Conversion price is 1 cent;

- v) The convertible note shall be convertible into:
- (i) Shares at the conversion price; and
 - (ii) Options to purchase shares (exercisable at 3 cents per share on or before 31 October 2019), whereby one (1) option will be issued for every five (5) shares issued pursuant to the conversion;
- vi) The Company may elect to redeem the Convertible Note by making payment in cash, at any time prior to the maturity date and before Taylor has given a conversion notice.

Depending on the extent of the facility drawn down by Lodestar and the ultimate conversion of the convertible note and any options into fully paid shares in Lodestar by Taylor (if any), which in addition to the shares and options already held by Taylor, may result in Taylor's voting power increasing from 18.76% to a maximum interest of 40.31% in the capital of the Company.

	Taylor % interest in Lodestar
Scenario 1 ⁽ⁱ⁾	35.77%
Scenario 2 ⁽ⁱⁱ⁾	37.46%
Scenario 3 ⁽ⁱⁱⁱ⁾	40.31%

- (i) Assumes \$1,200,000 of notes are issued, notes are held to maturity and converted to ordinary shares.
- (ii) Assumes \$1,200,000 of notes are issued, notes are held to maturity, all notes are converted to ordinary fully paid shares and all 3 cent options are exercised.
- (iii) Assumes \$1,200,000 of notes are issued, notes are held to maturity, all notes are converted to ordinary fully paid shares and all options held by Taylor are exercised.

4. ECONOMIC ANALYSIS

At its meeting on 2 May 2017, the Reserve Bank of Australia Board ("Board") decided to leave the cash rate unchanged at 1.5 per cent. In support of this decision, the Board provided the following commentary:

There has been a broad-based pick-up in the global economy since last year. Labour markets have tightened further in many countries and forecasts for global growth have been revised up. Above-trend growth is expected in a number of advanced economies, although uncertainties remain. In China, growth is being supported by increased spending on infrastructure and property construction, with the high level of debt continuing to present a medium-term risk. The improvement in the global economy has contributed to higher commodity prices, which are providing a significant boost to Australia's national income. Australia's terms of trade have increased, although some reversal of this is occurring.

Headline inflation rates have moved higher in most countries, partly reflecting the higher commodity prices. Core inflation remains low. Long-term bond yields are higher than last year, although in a historical context they remain low. Interest rates have increased in the United States and there is no longer an expectation of additional monetary easing in other major economies. Financial markets have been functioning effectively.

The Bank's forecasts for the Australian economy are little changed. Growth is expected to increase gradually over the next couple of years to a little above 3 per cent. The economy is

continuing its transition following the end of the mining investment boom, with the drag from the decline in mining investment coming to an end and exports of resources picking up. Growth in consumption is expected to remain moderate and broadly in line with incomes. Non-mining investment remains low as a share of GDP and a stronger pick-up would be welcome.

Indicators of the labour market remain mixed. The unemployment rate has moved a little higher over recent months, but employment growth has been a little stronger. The various forward-looking indicators still point to continued growth in employment over the period ahead. The unemployment rate is expected to decline gradually over time. Wage growth remains slow and this is likely to remain the case for a while yet.

The outlook continues to be supported by the low level of interest rates. Lenders have announced increases in mortgage rates, particularly those paid by investors and on interest-only loans. The depreciation of the exchange rate since 2013 has also assisted the economy in its transition following the mining investment boom. An appreciating exchange rate would complicate this adjustment.

Inflation picked up to above 2 per cent in the March quarter in line with the Bank's expectations. In underlying terms, inflation is running at around 1¾ per cent, a little higher than last year. A gradual further increase in underlying inflation is expected as the economy strengthens.

Conditions in the housing market continue to vary considerably around the country. Prices have been rising briskly in some markets and declining in others. In the eastern capital cities, a considerable additional supply of apartments is scheduled to come on stream over the next couple of years. Rent increases are the slowest for two decades. Growth in housing debt has outpaced the slow growth in household incomes. The recently announced supervisory measures should help address the risks associated with high and rising levels of indebtedness.

Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time.

Source: www.rba.gov.au Statement by Philip Lowe, Governor: Monetary Policy Decision 2 May 2017

5. INDUSTRY ANALYSIS

The following analysis is provided in respect of the exploration industry in Australia, as the Company's major operations are exploration for gold in Western Australia.

5.1 Summary

The Mineral Exploration industry's role in the mining supply chain is to identify a pipeline of economically proven resources for the future development, production and export of minerals. Mineral explorers locate ore bodies that can be mined, and provide data so that companies can evaluate the viability of deposits. Industry activity is often taken as a lead indicator for mineral output and the industry's performance moves ahead of mineral extraction industries. Spending on exploration activities is influenced by the global prices of different mineral commodities, the strength of the Australian dollar and sentiment in the Mining industry generally. Weaker commodity prices reduce the value of potential discoveries and it therefore becomes more difficult for exploration companies to access funding. The connection between industry activity and commodity prices also underpins the industry's high revenue volatility.

The following table summarises outlines gold exploration expenditure over the past 6 years.

Gold exploration expenditure, Australia			
Year	Exploration value (\$ million)	(% change)	Proportion of total mineral exploration (percentage)
2011-12	768.0	N/C	19.4
2012-13	661.8	-13.8	21.7
2013-14	434.3	-34.4	20.6
2014-15	395.7	-8.9	25.1
2015-16*	510.4	29.0	36.9
2016-17*	539.8	5.8	38.5
*Estimate			SOURCE: ABS AND IBISWORLD

Expenditure declined significantly during the period from 2012 to 2014, with expenditure rebounding in the past 2 years. The financial incentive to complete mineral exploration activities generally rises when commodity prices are higher, which aids industry growth. However, as new mines gradually come on line, existing miners are likely to focus on increasing production at brownfield mine sites, rather than exploring for new resources.

5.2 Current performance

Activity in the Mineral Exploration industry sets the future direction for subsequent mining activity. Exploration allows mining companies to identify a pipeline of projects to replace existing mines that are being exploited and gradually depleted. Brownfield exploration, which is defined as exploration near existing mine sites, helps determine whether an existing operation can be expanded. Greenfield exploration, which is defined as exploration in unmined areas, identifies new ore bodies for future exploitation.

Exploration activity creates an option for future expansion, which will be exercised by downstream industries if commodity prices cover production costs. The value of the option and establishing that option depends on future expected supply and demand for particular commodities. The relationship between commodity prices and potential industry activity increases the volatility of demand for industry services.

5.3 Outlook

The Mineral Exploration industry is expected to rebound over the next five years. Rising commodity prices typically increase the incentive for firms to expand their exploration budgets. However, exploration expenditure by major mining firms and junior miners is unlikely to return to the level it reached during the height of Australia's mining boom. Although commodity prices are expected to increase over the next five years, growth in exploration is anticipated to be marginal as firms focus on production at existing mine sites. Uncertainty among investors and lower rates of mineral discovery are also likely to constrain growth.

Risk and reward

Mineral exploration is a financially risky activity, with few projects progressing from site investigation to new mine sites. Providers of capital to the industry, which include

both established miners and the equity holders of junior miners, are constantly weighing up the costs of exploration with their potential benefits. According to the Minerals Council of Australia, it is estimated that only one in a thousand exploration projects successfully leads to a new mine. Although the rate of discovery is higher than this, not every discovered ore deposit can be feasibly developed into an operating mine site. Geographical and economic constraints can prevent discoveries from generating a return on investment for exploration companies.

The potential rewards for identifying new resources are expected to remain fairly low over the next five years, due to comparatively weak commodity prices. This will result in subdued activity and participation in a highly cyclical industry. The industry has shifted its focus towards brownfield exploration near pre-existing mine sites and away from greenfield exploration in unmined areas over the past five years. This trend is set to continue over the five years through 2021-22. Although brownfield exploration is less risky, the returns are often far less lucrative. This is likely to constrain profitability over the next five years, with profit expected to decline as a share of revenue.

The rate of significant mineral discoveries in Australia has slowed over the past 10 years. Mineral explorers have had to drill much deeper to uncover mineral deposits. This typically leads to an increase in drilling costs, which reduces the incentive to explore for new mineral ore deposits. However, technological developments over the next five years have the potential to reduce drilling costs for many industry operators. In May 2014, the Deep Exploration Technologies Cooperative Research Centre (DET CRC) developed a new cost-effective drilling rig. The new product, a greenfield coiled tubing rig, is expected to cut greenfield drilling costs by over 80%. The DET CER expects that the new technology will be available during 2018, which will reduce drilling costs for greenfield explorations. This is expected to help reduce wage costs associated with greenfield exploration. However, as most firms are likely to continue focusing on brownfield exploration, wages are expected to increase as a share of revenue over the next five years.

Source: IBIS World

6. ADOPTED BASIS OF EVALUATION

6.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessment of the fair market value of a Lodestar share on a control basis prior to incorporating the effects of the Proposed Transaction with our assessment of the fair market value of a Lodestar share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

As noted in Section 3 of this Report, the number of shares to be issued under the Proposed Transaction will depend upon the extent of the facility drawn down by Lodestar and the ultimate conversion of the notes and any conversion options into fully paid shares of Lodestar.

To evaluate the Proposed Transaction, we have assumed three alternatives, which represent the minimum position (Scenario 1), the maximum position which includes the exercise of existing options held by Taylor (Scenario 3) and the most likely outcome based on discussions with the non-associated directors (Scenario 2).

Scenario 1 - all notes are held to maturity and converted to ordinary shares.

Scenario 2 – all notes are held to maturity, converted to ordinary shares and all options exercisable at 3 cents are exercised.

Scenario 3- all notes are held to maturity, converted to ordinary shares and all options held by Taylor are exercised.

The Lodestar shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to gain control, to reduce or eliminate competition, to secure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. As the Proposed Transaction is a control transaction (as defined in RG 111), we have considered this factor in forming our opinion.

6.2 Reasonableness

We have assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to the non-associated shareholders of Lodestar.

6.3 Individual circumstances

We have evaluated the Proposed Transaction for Lodestar shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this Report. Accordingly, individual shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt, shareholders should consult an independent adviser.

6.4 Limitations and Reliance on Information

HLB's opinion is based on economic, share market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions contained in this Report could be different in these changed circumstances.

This Report is also based upon financial information and other information provided by Lodestar. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Lodestar. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of

information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the records of Lodestar for the purposes of this Report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information for Lodestar. Lodestar is responsible for this information. HLB has used and relied on this information for the purpose of analysis.

7. PROFILE OF LODESTAR

7.1 Company History

Lodestar Minerals Limited is an active West Australian exploration company focused on the discovery of gold (and base metals) to deliver shareholder value.

Lodestar's projects are located in a major, under-explored mineralised province within Western Australia that spans the northern margin of the Archaean Yilgarn Craton - the Capricorn Orogen. The Ned's Creek project, located adjacent to Sandfire Resource's DeGrussa copper-gold deposit forms the core of the Company's portfolio. The Camel Hills and Imbin projects (under application) cover areas of historic gold and copper exploration activity on the same tectonic margin that is prospective for volcanic-hosted massive sulphide, sediment-hosted copper and orogenic gold deposits. Large surface gold anomalies have been identified at Camel Hills and copper sulphide mineralisation has been reported from historic drilling at Imbin.

Lodestar holds a strategic land position across the Capricorn Orogen, with over 3,000 square kilometres of tenure.

The Capricorn Orogen represents a continental collision zone between the Pilbara and Yilgarn Cratons characterised by deep crustal structures, such as the Jenkin Fault, magmatic activity and the development of extensive volcano sedimentary basins. These features are commonly associated with the formation of major hydrothermal systems and ore deposits. The discovery of DeGrussa demonstrated the potential of this margin to host valuable, high-grade copper-gold deposits.

Lodestar's regional exploration and project generation activities indicate excellent geological criteria exist for both gold and base metal mineralisation.

Source: Lodestar Minerals Limited website, annual reports

7.2 Assets

The Company's assets comprise predominantly of mineral exploration properties. Extracts of the Company's audited financial report for the year ended 30 June 2016 and the reviewed half year report for the six months ended 31 December 2016 are shown at Sections 7.7 and 7.8 of this Report.

7.3 Legal Structure

Lodestar is a public company incorporated and domiciled in Australia. Lodestar has the following subsidiaries:

Name of subsidiary	Country of incorporation	% interest held by Lodestar
Audacious Resources Pty Ltd	Australia	100

7.4 Management and Personnel

The Company's current directors are:

Mr Ross Taylor	Non-Executive Chairman
Mr William Clayton	Managing Director
Mr David McArthur	Executive Director and Company Secretary

7.5 Capital Structure and Shareholders

At the date of this Report, Lodestar had the following securities on issue:

Shares:

	Number
Fully paid ordinary shares	453,318,328

Options:

At the date of this Report, the following options are on issue.

	Number
Exercisable at 15-30 cents on or before 8 May 2017	2,250,000
Exercisable at 5 cents on or before 16 December 2017	16,000,000
Exercisable at 5 cents on or before 31 December 2018	15,000,000
Exercisable at 6 cents on or before 30 December 2018	7,800,127
Exercisable at 3 cents on or before 31 October 2019 (<i>listed</i>)	45,333,702

Escrow provisions

At the date of this Report, no shares are held in escrow.

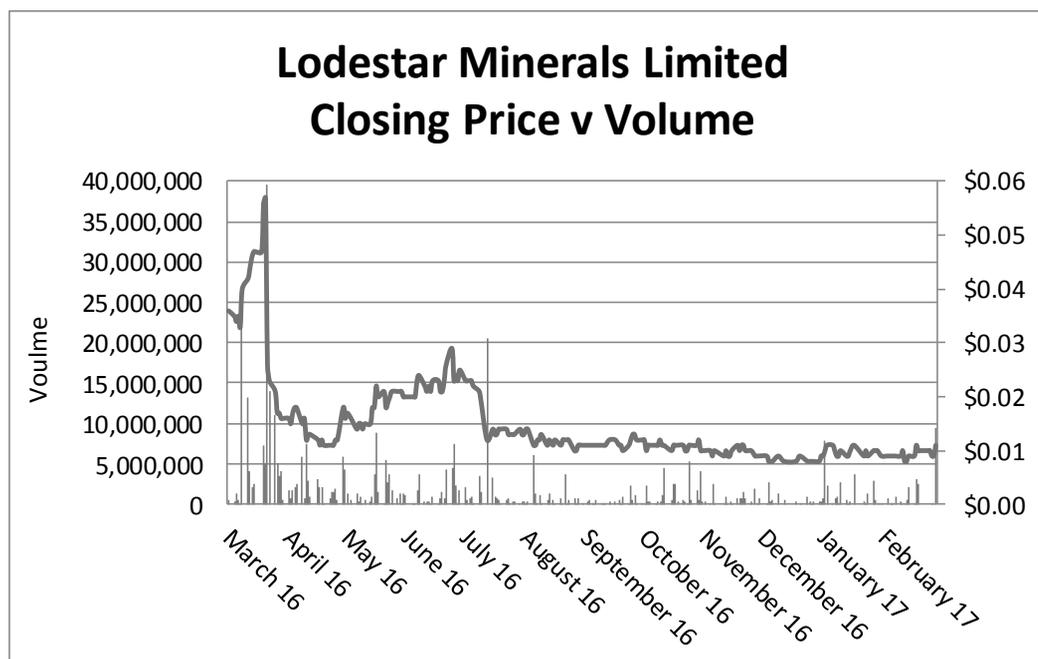
Top 20 shareholders

The top 20 shareholders as at 16 March 2017 are set out below.

Shareholder	Number of Shares	% of total shares on issue
MR ROSS JEREMY TAYLOR <JAMANARO A/C>	39,158,444	8.64
MR ROSS JEREMY TAYLOR + MRS NATASHA TANYA TAYLOR <JAMANARO SUPER FUND A/C>	27,987,403	6.17
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	18,397,983	4.06
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	15,851,452	3.50
DASMAC (WA) PTY LTD	9,931,577	2.19
MISS JULIA APRIL SINGLETON	8,341,665	1.84
HS SUPERANNUATION PTY LTD <HS SUPERANNUATION FUND A/C>	5,416,667	1.19
MS TERI CONWAY PATTERSON	4,400,000	0.97
MR NOEL JAMES STEWART	4,400,000	0.97
ASYMMETRIC ARBITRAGE LTD	4,197,843	0.93
ROBERT JOHN MCARTHUR ANDERSON	4,000,000	0.88
J MOODY NOMINEES PTY LTD <THE MOODY SUPER FUND A/C>	4,000,000	0.88
MS SHARON ANNE CLAYTON	3,963,427	0.87
MR MARK PHILLIP JONES	3,166,667	0.70
MR SAMUEL ROTSTEIN	3,097,550	0.68
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
MR BRUCE WILLIAM FAWCETT	3,000,000	0.66
MR GREGORY PETER WILSON	3,000,000	0.66
TOTAL	171,389,723	37.81

7.6 Share Price Performance

Lodestar's share price movements in the 12 months to the date of the announcement of the Proposed Transaction, together with volumes traded are presented in the graph below:



The Lodestar closing share price has fluctuated from a price of 3.6 cents at the beginning of the above period, to a low of 0.8 cents in January 2017, a high of 5.7 cents in March 2016 and to a closing price pre announcement of 0.9 cents (9 March 2017).

The following key announcements were made by the Company to the market during the above period:

Date	Announcement	Closing share price after announcement \$ (movement)	Closing share price three days after announcement \$ (movement)
10-Mar-17	December 2016 Interim Financial Report	0.011 (▲ 22%)	0.012 (▲ 9%)
10-Mar-17	Funding Facility	0.011 (▲ 22%)	0.012 (▲ 9%)
25-Jan-17	Dec 2016 Quarterly Activities and Cash Flow Report	0.010 (▲ 11%)	0.01 (▼ 0%)
01-Dec-16	Contessa - Brumby Aircore Drilling Results	0.011 (▼ 0%)	0.01 (▼ 9%)
07-Nov-16	Contessa Drilling Completed	0.011 (▼ 0%)	0.01 (▼ 9%)
31-Oct-16	Sept 2016 Quarterly Activities and Cash Flow Report	0.011 (▼ 0%)	0.011 (▼ 0%)
26-Oct-16	Drill Program Commences at Contessa Gold Prospect	0.011 (▲ 10%)	0.011 (▼ 0%)
18-Oct-16	Multiple gold targets identified at Marymia and Pinnyriny	0.011 (▼ 0%)	0.011 (▼ 0%)
05-Oct-16	Aircore Drill Program at Contessa	0.013 (▲ 8%)	0.012 (▼ 8%)
21-Sep-16	Entitlement Issue Prospectus	0.011 (▼ 0%)	0.012 (▲ 9%)
12-Sep-16	LSR Entitlements Issue	0.011 (▼ 0%)	0.011 (▼ 0%)
15-Aug-16	Final RC Drill Results from Contessa-Brumby	0.011 (▼ 21%)	0.012 (▲ 9%)
08-Aug-16	Gold Target Extended at Brumby	0.014 (▲ 8%)	0.014 (▼ 0%)
22-Jul-16	Initial Results from Contessa IP Target	0.012 (▼ 37%)	0.013 (▲ 8%)
14-Jul-16	June 2016 Quarterly Activities Report	0.023 (▼ 0%)	0.021 (▼ 9%)
05-Jul-16	Completion of RC Drilling at Contessa	0.023 (▼ 21%)	0.025 (▲ 9%)
29-Jun-16	RC Drilling Underway at Contessa	0.021 (▼ 0%)	0.029 (▲ 38%)
07-Jun-16	RC Drill Program Planned for Contessa	0.021 (▼ 0%)	0.020 (▼ 5%)
02-Jun-16	New Bedrock Gold Drill Target at Contessa	0.020 (▲ 5%)	0.021 (▲ 5%)
09-May-16	Contessa IP Survey Commences	0.018 (▲ 50%)	0.016 (▼ 11%)
28-Apr-16	March-16 Quarterly Activities and Cash Flow Report	0.012 (▲ 9%)	0.011 (▼ 8%)
20-Apr-16	Final Gold Results from Big Sky RC Drilling	0.012 (▼ 25%)	0.012 (▼ 0%)
31-Mar-16	Big Sky Initial RC Drilling Results	0.026 (▼ 54%)	0.017 (▼ 35%)
21-Mar-16	RC Drilling completed at Big Sky	0.042 (▲ 5%)	0.047 (▲ 12%)

Source: ASX company announcements

7.7 Financial Performance

Extracts of the Company's audited financial results for the year ended 30 June 2016 and the half year ended 31 December 2016 are set out below:

	Audited Year to 30 June 2016 \$	Reviewed Half Year to 31 December 2016 \$
Finance income	2,591	172
Exploration expenses through profit or loss	(1,034,310)	(496,078)
Exploration and evaluation expenditure impaired	(182,347)	(182,347)
Site restoration	(27,917)	(14,000)
Personnel expenses	(509,434)	(208,983)
Administrative expenses	(99,923)	(65,536)
Professional fees	(171,922)	(73,352)
Depreciation	(13,644)	(4,578)
Finance expenses	(30,398)	(1,427)
Other expenses	(1,151)	(24)
Loss before income tax	(2,068,455)	(1,046,153)
Income tax benefit	-	-
Loss for the period	(2,068,455)	(1,046,153)

7.8 Financial Position

Extracts of the Company's audited financial position as at 30 June 2016 and 31 December 2016 are set out below:

	Audited 30 June 2016 \$	Reviewed 31 December 2016 \$
Current Assets		
Cash and cash equivalents	375,702	91,697
Trade and other receivables	30,463	17,786
Prepayments	1,452	53,460
Total Current Assets	407,617	162,943
Non Current Assets		
Capitalised exploration and evaluation expenditure	749,612	567,265
Property and equipment	23,367	18,789
Total Non Current Assets	772,979	586,054
Total Assets	1,180,596	748,997
Liabilities		
Current Liabilities		
Trade and other payables	133,127	62,486
Employee benefits	43,278	38,316
Site restoration provision	-	14,000
Total Current Liabilities	176,405	114,802
Non-Current Liabilities		
Deferred tax liability	33,095	35,512
Total Non-Current Liabilities	33,095	35,512
Total Liabilities	209,500	150,314
Net Assets	971,096	598,683

7.9 Tax Losses

At 30 June 2016, the Company had a net unrecognised deferred tax asset attributable to tax losses of \$6,416,496. This asset is not included in the statement of financial position in Section 7.8 of this Report.

8. VALUATION OF LODESTAR PRIOR TO THE PROPOSED TRANSACTION

8.1 Valuation Summary

HLB has assessed the fair market value of Lodestar to be 1.22 cents per share. This is based on our assessment of the fair market value on a control basis prior to incorporating the effects of the Proposed Transaction.

For the purpose of our opinion, fair market value is defined as the amount at which the shares would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have considered the aspect of a premium for control in forming our opinion.

In determining this amount, we assessed the fair market value of Lodestar after considering the various valuation methods, which are discussed in further detail at Section 8.2 of this Report.

8.2 Valuation Methodology

Methodologies commonly used for valuing assets and businesses are as follows:

8.2.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on a business by estimating the likely future maintainable earnings, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

This method is not appropriate for use in mining exploration companies.

8.2.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present values at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

The DCF methodology is not considered appropriate to use in the valuation of Lodestar as the Company is in the exploration phase and does not have reliable cash flow forecast information based on JORC reserves.

8.2.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The *orderly realisation of assets method* estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The *liquidation method* is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Where wind up or liquidation of the entity is not being contemplated, these methods in their strictest form are generally not appropriate. The *net assets on a going concern method* estimates the market values of the net assets of an entity but does not take into account any realisation costs.

The *net assets on a going concern method* is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

8.2.4 Quoted Market Price Basis

Another valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

8.2.5 Methodology Adopted

We consider that the most appropriate methods for the valuation of Lodestar shares are the net assets on a going concern method and the quoted market price basis.

8.3 Valuation

8.3.1 Net assets on a going concern method of valuation of Lodestar (prior to incorporating the effects of the Proposed Transaction)

Our valuation of Lodestar on a going concern method of valuation is set out in our valuation calculations below. We have considered the valuation of Lodestar prior to incorporating the effects of the Proposed Transaction.

Statement of Financial Position	Note	Reviewed 31 December 2016 \$	Valuation Low \$	Valuation Preferred \$	Valuation High \$
Current Assets					
Cash and cash equivalents	1	91,697	91,701	91,701	91,701
Trade and other receivables		17,786	17,786	17,786	17,786
Prepayments		53,460	53,460	53,460	53,460
Total Current Assets		162,943	162,947	162,947	162,947
Non-Current Assets					
Capitalised exploration and evaluation expenditure		567,265	898,000	1,464,000	2,170,000
Property and equipment		18,789	18,789	18,789	18,789
Total Non-Current Assets		586,054	919,789	1,482,789	2,188,789
Total Assets		748,997	1,079,736	1,645,736	2,351,736
Liabilities					
Current Liabilities					
Trade and other payables		62,486	62,486	62,486	62,486
Employee benefits		38,316	38,316	38,316	38,316
Site restoration provision		14,000	14,000	14,000	14,000
Total Current Liabilities		114,802	114,802	114,802	114,802
Non-Current Liabilities					
Employee benefits		35,512	35,512	35,512	35,512
Total Non-Current Liabilities		35,512	35,512	35,512	35,512
Total Liabilities		150,314	150,314	150,314	150,314
Net Assets		598,683	929,422	1,495,422	2,201,422

		Number	Number	Number	Number
Shares on issue	1	453,318,192	453,318,328	453,318,328	453,318,328
Value per share (cents)		0.13	0.21	0.33	0.49

We have made the following adjustments to the net assets of Lodestar as at 31 December 2016 in determining our valuation. These adjustments relate to matters which have effect prior to the effects of the Proposed Transaction.

1. Included in the cash balances are the proceeds from the issue of 136 ordinary shares resulting from the exercise of options post 31 December 2016.
2. We instructed Ravensgate International Pty Ltd as trustee for Ravensgate Unit Trust ("Ravensgate") to provide an independent market valuation of the mineral assets currently held by Lodestar. Ravensgate considered a number of different valuation methods when valuing these mineral assets. A copy of the report prepared by Ravensgate is attached to this Report as Appendix 2.

The range of values for Lodestar's exploration assets as assessed by Ravensgate is set out below. We have incorporated these valuation amounts in the above table as the "Valuation Low", "Valuation High" and "Valuation Preferred" amounts.

	Low Value \$'000	Preferred Value \$'000	High Value \$'000
Company mineral assets (as valued by Ravensgate):			
Ned's Creek	541	858	1,176
Camel Hills	357	606	994
Total	898	1,464	2,170

8.3.2 Quoted Market Price Basis - Shares

To provide a comparison to our assessed valuation of Lodestar in Section 8.3.1, we have also assessed the value of Lodestar on the quoted market price basis.

The quoted market value of a company's shares is reflective of its value on a minority interest basis. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of section 611 of the Corporations Act 2001, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain control of another company. These advantages include the following:

- control over policy, decision making and strategic direction;
- access to cash flows;
- control over dividend policies; and
- potentially, access to tax losses.

Whilst Taylor will not be obtaining 100% of Lodestar, RG 111 states that the expert should calculate the value of a "target's" (i.e. Lodestar) shares as if 100% control was being obtained. RG 111.3 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. We have considered reasonableness in Section 11 of this Report.

Our valuation calculation has been prepared in two parts. First, we have calculated the quoted market price on a minority interest basis. Secondly, we have added a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

A chart of the share price movement of Lodestar over the 12 month period prior to the date of announcement of the Proposed Transaction is included in Section 7.6 of this Report.

The Lodestar closing share price has fluctuated from a price of 3.6 cents at the beginning of the above period, to a low of 0.8 cents in January 2017, a high of 5.7 cents in March 2016 and to a closing price pre announcement of 0.9 cents (9 March 2017).

To provide further analysis of the market prices for a Lodestar share, we have also calculated the volume weighted average market price for 10, 30, 60 and 90 day periods of recent trading, immediately prior to the announcement of the funding agreement is as follows:

	10 March 2017 cents	10 Days cents	30 Days cents	60 Days cents	90 Days cents
Closing price	1.1				
Volume weighted average		1.08	1.03	1.02	0.99

For the quoted market price basis to be reliable there needs to be an adequately liquid and active market for the securities. A deep market is a market with a high trading volume where a relatively large trade cannot impact the price of a security. We consider the following characteristics to be representative of a liquid and active or "deep" market:

- Regular trading in a company's securities;
- At least 50% of a company's securities are traded on an annual basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant and unexplained movements in the company's share price.

A company's shares should meet all of the above criteria to be considered as trading in a "deep" market, however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares determined on this basis cannot be considered relevant.

An analysis of the volume of trading in Lodestar shares for the 12 months prior to the date of announcement of the Proposed Transaction (10 March 2017) is set out below:

	Low cents	High cents	Cumulative Volume Traded No	As a % of issued capital as at 10 March 2017
10 days	0.90	1.10	12,074,000	2.7%
30 days	0.80	1.10	20,592,789	4.5%
60 days	0.80	1.10	46,063,480	10.2%
90 days	0.80	1.10	54,802,599	12.1%
180 days	0.80	1.30	104,844,552	23.1%
365 days	0.80	5.70	420,355,802	92.7%

This table indicates, at face value that the Company's shares display a reasonable level of liquidity, with 92.7% of the Company's issued capital at 10 March 2017 being traded in the 12 month period to the date of announcement of the Proposed Transaction, but noting that only 12.1% of the Company's issued capital was traded over the last 3 months.

We note that the majority of trading in the Company occurred in the 4 months between July and March 2016, with the month of March 2016 in particular accounting for 22% of the yearly trade. Significant volatility in the share price as shown in the share price performance in Section 7.6 also occurred during this period. This volatility can be correlated to announcements regarding drilling programs and the results from these drilling programs.

In our opinion a range of values for Lodestar shares based on market pricing, after disregarding post-announcement pricing, is between 0.8 cents and 1.3 cents per share, with a preferred pricing of 1.02 cents.

Control Premium

Share prices from share market trading do not reflect the market value for control of a company as they are in respect of minority interest holdings. Traditionally, the premiums required to obtain control of companies range between 15% and 25% of the minority interest values.

Quoted market price including control premium

Applying these control premiums to Lodestar's quoted market share price results in the following quoted market price values including a premium for control:

	Low cents	Preferred cents	High cents
Quoted market price value	0.8	1.02	1.3
Control premium	15%	20%	25%
Quoted market price value inclusive of a control premium	0.92	1.22	1.63

Therefore, our valuation of a Lodestar share based on the quoted market price method and including a premium for control is between 0.92 cents and 1.63 cents with a preferred value of 1.22 cents.

8.4 Assessment on the Fair Market Value of a Lodestar Share

The results of the net asset and quoted market price valuations performed are summarised in the table below:

	Low cents	Preferred cents	High cents
Net assets (Section 8.3.1)	0.21	0.33	0.49
Quoted market price (Section 8.3.2)	0.92	1.22	1.63

As it is our opinion that the trading in Lodestar shares is illiquid, we believe the most appropriate method of valuation of Lodestar shares in accordance with RG 111 is the net assets method.

We note that the value obtained under the net assets methodology is lower than the values obtained under the quoted market price methodology. The difference between the two methodologies can be explained by the following:

- i) The net asset value method includes an independent market valuation of Lodestar's exploration assets performed by Ravensgate (Appendix 1). The valuation methodology applied by Ravensgate have taken into account current market, locality, technical and other factors all of which have an impact on the evaluation a project and therefore value of these projects. Additionally, no value was placed on the Company's Imbin project due to project tenure being under application only. The quoted market price value may be higher than the net asset value due to the market assessing growth potential to the Company's projects and/or management team;

- ii) Our analysis of Lodestar share trading on the ASX indicates that over the three (3) month period up until the announcement of the Proposed Transaction, Lodestar shares traded between a high of 1.1 cent and a low of 0.8 cents with 12.1% of the Company's current issued capital being traded during this period. This level of trading is above the preferred value (and high value) determined under the net asset method;
- iii) During September 2016, the company issued an Entitlement offer to existing shareholders to subscribe for shares at 1 cent. The offer was fully underwritten and taken up by 86.9% of eligible shareholders. The issue price of 1 cents is substantially higher than the values determined under the net asset method and consistent with the quoted market price method, before applying a control premium. This supports the use of quoted market price as a primary valuation approach.

Based on the above factors, we consider that both the net asset method and the quoted market price method are appropriate valuation techniques in determining the value of a Lodestar share prior to the Proposed Transaction Based.

The net asset method takes into account the independent valuation by Ravensgate, whilst the quoted market price method is supported by the Entitlements Issue in September 2016.

In the three (3) months prior to the announcement of the Proposed Transaction, Lodestar's share price has not traded below 0.8 cents (on a minority basis).

Therefore in our opinion, the quoted market price method best reflects the value of a Lodestar share to a shareholder.

Given that Lodestar is an exploration company, part of its value lies in the future potential of its projects. The net asset method may understate the value of a Lodestar share as it does not fully capture the market's perception of the Company's potential. It is, however a valid secondary valuation approach. For these reasons, we have therefore adopted the quoted market price method as our primary valuation approach.

Based on the results above we consider the value of a Lodestar share to be between 0.92 cents and 1.63 cents per share, with a preferred value of 1.22 cents per share.

9. VALUATION OF LODESTAR SUBSEQUENT TO THE PROPOSED TRANSACTION

The shares proposed to be issued to Taylor (if Taylor elects to convert the convertible notes), would be issued at 1.0 cents per share.

Additionally, as outlined in the Notice if any note is converted to ordinary shares, then Taylor will be issued with one (1) option for every five (5) shares, exercisable at 3 cents each.

Whilst we acknowledge that under Australian Accounting Standards the correct treatment would be to allocate a portion of the face value to equity (being the present value of the risk premium), for the purposes of this valuation and comparison the face value has been used as this will be the liability that is converted. In our opinion, any difference would not be material to the overall valuation.

As described in Section 6.1 of this Report, we have assumed the following scenarios to evaluate the Proposed Transaction:

Scenario 1 - all notes are held to maturity and converted to ordinary shares.

Scenario 2 - all notes are held to maturity and converted to ordinary shares and all 3 cent options are exercised.

Scenario 3 - all notes are converted to ordinary shares and all options held by Taylor are exercised.

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
<u>Scenario 1</u>				
Value of Lodestar - pre-transaction (based on quoted market price)	Section 8.3	4,170,529	5,530,484	7,389,089
Proceeds from the issue of the notes		1,200,000	1,200,000	1,200,000
Net assets (\$)		5,370,529	6,730,484	8,589,089
Shares on issue - pre-transaction		453,318,328	453,318,328	453,318,328
Issue of shares on conversion of notes		120,000,000	120,000,000	120,000,000
Total shares on issue (Number)		573,318,328	573,318,328	573,318,328
Net assets per share (cents)		0.94	1.17	1.50
Minority interest discount ^(Note 1)		20%	17%	13%
Value post transaction (cents)		0.75	0.97	1.30

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
<u>Scenario 2</u>				
Value of Lodestar - pre-transaction (based on quoted market price)	Section 8.3	4,170,529	5,530,484	7,389,089
Proceeds from the issue of the notes		1,200,000	1,200,000	1,200,000
Proceeds from the exercise of options		2,080,011	2,080,011	2,080,011
Net assets (\$)		7,450,540	8,810,495	10,669,100
Shares on issue - pre-transaction		453,318,328	453,318,328	453,318,328
Issue of shares on conversion of notes		120,000,000	120,000,000	120,000,000
Issue of shares on the exercise of options		69,333,702	69,333,702	69,333,702
Total shares on issue (Number)		642,652,030	642,652,030	642,652,030
Net assets per share (cents)		1.16	1.37	1.66
Minority interest discount ^(Note 1)		20%	17%	13%
Value post transaction (cents)		0.93	1.14	1.44

	Report Reference	Valuation Low	Valuation Preferred	Valuation High
<u>Scenario 3</u>				
Value of Lodestar - pre-transaction (based on quoted market price)	Section 8.3	4,170,529	5,530,484	7,389,089
Proceeds from the issue of the notes		1,200,000	1,200,000	1,200,000
Proceeds from the exercise of options		1,469,869	1,469,869	1,469,869
Net assets (\$)		6,840,397	8,200,352	10,058,957
Shares on issue - pre-transaction		453,318,328	453,318,328	453,318,328
Issue of shares on conversion of notes		120,000,000	120,000,000	120,000,000
Issue of shares on the exercise of options		43,662,284	43,662,284	43,662,284
Total shares on issue (Number)		616,980,612	616,980,612	616,980,612
Net assets per share (cents)		1.11	1.33	1.63
Minority interest discount ^(Note 1)		20%	17%	13%
Value post transaction (cents)		0.89	1.10	1.42

Note 1:

The above net assets per share of a Lodestar share have been determined on a controlling interest basis. If the Proposed Transaction is approved, Taylor has the potential to gain effective control of the Company due to the size of his holding and the lack of another blocking stake and conversely the non-associated shareholders would become minority interest shareholders.

We have adjusted our valuation of a Lodestar share to reflect a minority interest holding. As noted in Section 8.3.2 of this Report, we assessed an appropriate premium for control to range from 15% to 25%. We have therefore assessed a range for an appropriate minority interest discount (which is the inverse of a premium for control) of 13% to 20%.

10. ASSESSMENT OF WHETHER THE PROPOSED TRANSACTION IS FAIR

RG 111 defines an offer as being fair if the value of the offer price (price of the shares proposed to be issued to Taylor) is equal to or greater than the value of the securities being the subject of the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Lodestar share prior to the Proposed Transaction on a control basis with the value of a Lodestar share subsequent to the Proposed Transaction on a minority basis (assuming the maximum number of shares that are able to be issued to Taylor are issued).

	Report Reference	Low cents	Preferred cents	High cents
Value of a Lodestar share pre-transaction	8.3	0.92	1.22	1.63
Value of a Lodestar share post-transaction:				
Scenario 1	9	0.75	0.97	1.30
Scenario 2	9	0.93	1.14	1.44
Scenario 3	9	0.89	1.10	1.42

As the preferred value of a Lodestar share on a pre-transaction basis is lower than the preferred value post transaction on a minority basis, it is our opinion that the Proposed Transaction is **fair**.

11. ASSESSMENT OF WHETHER THE PROPOSED TRANSACTION IS REASONABLE

In accordance with RG 111, an offer can be reasonable even though it is not fair. In determining whether the Proposed Transaction is reasonable, we have also considered the advantages and disadvantages of the Proposed Transaction, as follows:

Advantages

- the issue of the Convertible Note to Mr Taylor (and subsequent conversion of the Convertible Note and issue of Conversion Securities), if approved by Shareholders, will mean the Company may not have to repay the loan funds, which would decrease the Company's cash position;
- the Convertible Note will be unsecured, which is favourable to the Company as there will be no security registered over the assets of the Company;
- the issue of the Convertible Note to Mr Taylor will complete the Company's obligations under the Convertible Loan Agreement, and will allow repayment of the principal to be delayed for 24 months, if repaid at all; and

- The non-associated directors of have advised the Proposed transaction is less dilutive than any alternative placements.

Disadvantages

- The Proposed Transaction is considered to be not fair
- the issue of the Convertible Note to Mr Taylor, and subsequent potential issue (and exercise) of the Conversion Securities will increase the voting power of Mr Taylor from 18.76% to a maximum 40.31%, reducing the voting power of non-associated Shareholders in aggregate from 81.24% to 59.69%;
- existing Shareholders may have their current Shareholdings diluted by up to 21.55% (assuming exercise of the Conversion Options), meaning existing Shareholders will receive less distribution of the Company's profits (if any); and
- There is no guarantee that the Company's share price will not fall as a result of the approval of the Proposed Transaction.
- The approval of the Proposed Transaction will potentially result in Taylor gaining a controlling interest in the Company which may deter a takeover offer for the Company. Should that occur, the non-associated shareholders may be denied the ability to receive a premium that would likely result from a takeover offer for the Company.

We have considered the above factors. We consider that, on balance, the advantages of the Proposed Transaction outweigh the disadvantages. We are therefore of the view that the position of non-associated shareholders if the resolution giving rise to the Proposed Transaction is passed, would be more advantageous than if the resolution was not passed.

Accordingly, we are of the opinion that the Proposed Transaction is reasonable to the non-associated shareholders.

12. SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Draft notice of annual general meeting and explanatory statement concerning the Proposed Transaction;
- Lodestar's Annual audited financial report for the year ended 30 June 2016 and reviewed half year report for the six months ended 31 December 2016;
- Discussions with officers of Lodestar;
- Publicly available information;
- Share registry information;
- ASX Announcements concerning the Proposed Transaction;
- Valuation report of Lodestar's current mineral assets, namely the Ned's Creek and Camel Hills projects prepared by Ravensgate;
- Binding Converting Loan Agreement between Lodestar and Taylor.

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representative of HLB responsible for this Report has not provided financial advice to Lodestar.

The author of this Report is Norman Neill. He is a Fellow of Chartered Accountants Australia and New Zealand, holds a Bachelor of Business, and has considerable experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors.

Prior to accepting this engagement, HLB considered its independence with respect to Lodestar with reference to ASIC Regulatory Guide 112 and APES 225. In HLB's opinion, it is independent of Lodestar.

This Report has been prepared specifically for the shareholders of Lodestar. It is not intended that this Report be used for any other purpose other than to accompany the Notice of Meeting to be sent to the Lodestar shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Lodestar. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by Lodestar and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it for the purposes of the preparation of this Report.

In accordance with the Act, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fee based on time involvement at normal professional rates, for the preparation of this Report. This fee, estimated to be in the range of \$15,000 to \$20,000 excluding GST, is not contingent on the conclusion, content or future use of the Report.
- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- HLB and its directors and associates do not have any interest in Lodestar.
- HLB and its directors and associates do not have any relationship with Lodestar or any associate of Lodestar.

Yours faithfully

HLB MANN JUDD CORPORATE (WA) PTY LTD

Licensed Investment Advisor (AFSL Licence number 250903)

A handwritten signature in black ink, appearing to read 'Norman Neill', written in a cursive style.

N G NEILL

Authorised Representative

APPENDIX 1

Appendix 1 - Glossary of Terms

TERM	DEFINITION
Agreement	Binding Converting Loan Agreement between Lodestar and Taylor (undated)
Announcement Date	Date the event giving rise to the Proposed Transaction was announced to ASX being 10 March 2017
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Taylor	Mr Ross Taylor
Conversion Securities	120,000,000 Shares and the Conversion Options, to be issued on conversion of the Convertible Note.
DCF	Discounted cash flows
Directors	Directors of Lodestar
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FME	Future maintainable earnings
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
JORC Code	Code of the Joint Ore Reserves Committee of the AIMM, AIG and MCA
Lodestar or the Company	Lodestar Minerals Ltd
Notice of General Meeting	The Notice of General Meeting and Explanatory Statement for the meeting to be held on or about 25 June 2017
Proposed Transaction	The entering into the Agreement with Taylor on the terms and conditions set out in the Explanatory Statement
Ravensgate	Ravensgate International Pty Ltd as trustee for Ravensgate Unit Trust
Report	Independent expert's report prepared by HLB
Non-associated shareholders	Existing shareholders in Lodestar who are not associated with Taylor
Non-associated directors	Existing directors of Lodestar who are not associated with Taylor

APPENDIX 2

Appendix 2 – Independent valuation of mineral assets prepared by Ravensgate.



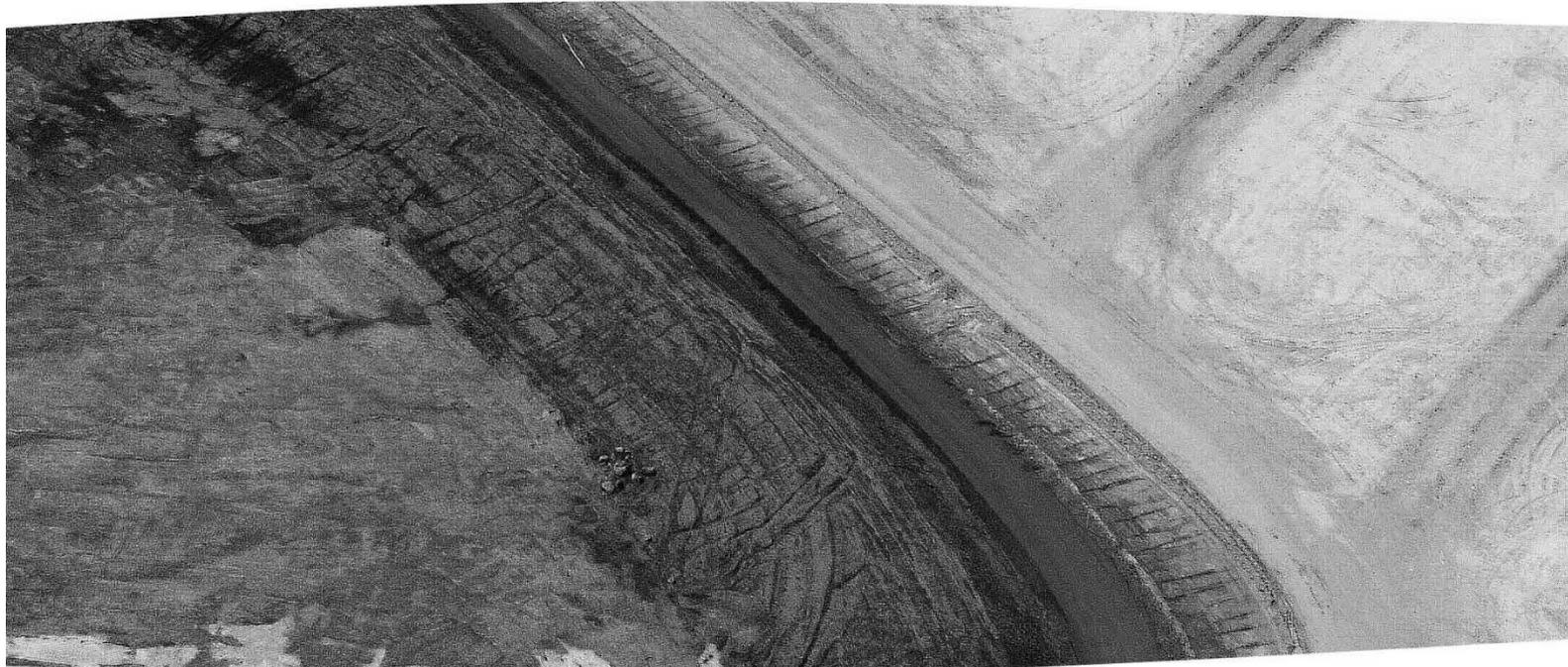
INDEPENDENT VALUATION REPORT

LODESTAR MINERALS LIMITED'S AUSTRALIAN MINERAL PROJECTS

for

HLB MANN JUDD CORPORATE (WA) PTY LTD

5 April 2017



RESOURCEFUL

TECHNICAL

PARTNERS



INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

HLB Mann Judd Corporate (WA) Pty Ltd

Author:	Sam Ulrich	Principal Consultant	BSc (Hons) Geology, MAusIMM, MAIG GDipAppFin, FFin
Reviewer:	Alan Hawkins	Principal Consultant	BSc (Hons) Geology, MSc (Ore Deposit Geology) MAIG RPGeo, FSEG

Valuation Date: 30 March 2017

Report Date: 5 April 2017

Copies: Lodestar Minerals Ltd (1)
Ravensgate (1)

Project No. LOD001
File Name: LOD001_VAL_5_APR_2017_FINAL



Sam Ulrich
For and on behalf of:
RAVENSGATE

This report has been commissioned from and prepared by Ravensgate for the exclusive use of HLB Mann Judd Corporate (WA) Pty Ltd.

Each statement or opinion in this report is provided in response to a specific request from HLB Mann Judd Corporate (WA) Pty Ltd to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.

Each statement or opinion contained within this report is based on information and data supplied by Lodestar Minerals Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.



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1. EXECUTIVE SUMMARY

Ravensgate International Pty Ltd ATF Ravensgate Unit Trust (Ravensgate) has been commissioned by HLB Mann Judd Corporate (WA) Pty Ltd (HLB) to provide an Independent Technical Valuation on Lodestar Minerals Limited's (Lodestar) Western Australian Mineral Assets. This Independent Valuation Report was prepared by Ravensgate for inclusion in the Independent Experts Report (IER) prepared by HLB. The effective date of this Independent Valuation Report prepared by Ravensgate is the 30 March 2017.

The projects included in this report and Lodestar's ownership is listed below.

<u>Mineral Asset</u>	<u>Lodestar's Ownership %</u>
Ned's Creek Project	100%
Imbin Project	100%
Camel Hills Project	100%

Further exploration work remains to be carried out in order to help improve geological understanding, to generate exploration targets, to investigate Exploration Targets, to estimate Mineral Resources and to undertake economic studies (where defined and as further work progresses) within the licence areas. Ravensgate's considered opinion is that the projects are of merit and worthy of further exploration.

Ravensgate did not carry out a site visit to the project areas. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the project area at this stage. Ravensgate has concluded that Lodestar's projects are of technical merit and worthy of conducting further review and exploration.

The valuation presented in this report was completed on behalf of HLB. The valuation has been completed with information provided by, and with the full support of Lodestar. The applicable valuation date is 30 March 2017 and is derived from using the Comparable Transactions valuation method. As the technical valuations of Lodestar's projects are based on comparable market transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).

Lodestar's Western Australian projects are located across the northern margin of the Yilgarn Craton, spanning the collision zone of the Yilgarn and Pilbara Cratons, known as the Capricorn Orogen. The Ned's Creek project is located approximately 200km north-northeast of Meekatharra and approximately 40km from the Plutonic gold mine. The Camel Hills project tenements are located 170km northwest of Meekatharra and 60km south and east of Gascoyne Resources Limited's Glenburgh gold deposits. The Imbin project is located 170km northeast of Wiluna.

The Ned's Creek, Imbin and Camel Hills projects can be classified as Exploration Area Mineral Assets. A Mineral Resource and/or Exploration Target as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been defined within any of the project areas.

To derive appropriate values for the tenure within Lodestar's Western Australian projects, Ravensgate reviewed the exploration data and prospectivity for the tenements. The preferred value thus determined for each tenement was based upon a review of the prospectivity of each tenement and the number of Exploration Targets on each tenement as described in Section 3.5.

Ravensgate has concluded that Lodestar's projects are of merit and worthy of further exploration. A summary of Lodestar's Western Australian project valuation in respective ownership percentage terms is provided in Table 1. No value was assigned to the Imbin project due to all tenure being under application as at the valuation date. The value of Lodestar's 100% equity interest in their Western Australian projects is considered to lie in a range from \$0.898M to \$2.170M, within this range Ravensgate has selected a preferred value of \$1.464M, which is approximately the middle of the range.



Table 1 Lodestar's Project Valuation in Equity Ownership Percentage Terms

Project	Mineral Asset	Equity %	Area km ²	Valuation		
				Low \$M	Preferred \$M	High \$M
Ned's Creek	Exploration Area	100	300	0.541	0.858	1.176
Camel Hills	Exploration Area	100	777.2	0.357	0.606	0.994
Total	Exploration Area	100	1077.2	0.898	1.464	2.170

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

As the technical valuation of Lodestar's projects is based on comparable market transactions, it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN Code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).



2. INTRODUCTION

The objectives of this report are to provide an Independent Valuation of Lodestar’s Western Australian projects in which Lodestar has a 100% equity interest in accordance with the guidelines of the VALMIN Code. This work has been commissioned by HLB for inclusion in an IER prepared by HLB.

This report does not provide a valuation of Lodestar as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Independent Valuation are valid as at the Valuation Date (30 March 2017). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

2.1 Terms of Reference

Ravensgate International Pty Ltd ATF Ravensgate Unit Trust (Ravensgate) has been commissioned by HLB to provide an Independent Valuation on Lodestar’s Western Australian projects.

This report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code 2015 Edition) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves - 2012 Edition (JORC Code 2012 Edition). The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Independent Valuation report has been compiled based on information available up to and including the date of this report.

2.2 Tenement Status Verification

Ravensgate has not independently verified the status of the tenements that are referred to in this report as set out in the project Tenement Schedules in Table 3 and Table 5 of this report, which is a matter for independent tenement specialists or legal experts. Lodestar commissioned an independent review of Lodestar’s exploration licence status. Tenement specialists Western Tenement Services Pty Ltd (WTS) supplied Ravensgate with the required information.

Ravensgate is satisfied based on WTS’ review that the tenements are in good standing and the values assigned to the tenements correctly reflect Lodestar’s ownership.

2.3 Site Investigation

Ravensgate did not carry out a site visit to the project area. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through a site visit to the project areas at this stage. Ravensgate has concluded that Lodestar’s Western Australian projects are of technical merit and worthy of conducting further review and exploration.

2.4 Qualifications, Experience and Independence

Ravensgate has been consulting to the mining industry since 1997 with its services that include valuations, independent technical reporting, exploration management and resource estimation. Our capabilities include reporting for all the major securities exchanges and encompass a diverse variety of commodity types.

Table 2 Summary of Qualifications, Professional Memberships and Responsibilities

Name	Qualifications	Professional Memberships	Sections Responsible
Sam Ulrich	BSc(Hons), GDipAppFin	MAusIMM, MAIG, FFin	All Sections
Alan Hawkins	BSc(Hons), MSc	MAIG RPGeo, FSEG	Peer Review All Sections



Author: Sam Ulrich, Principal Consultant, BSc (Hons) Geology, GDipAppFin, MAusIMM, MAIG, FFin.

Sam Ulrich is a geologist with over 20 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd, a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101. Sam is a VALMIN Practitioner with the minimum five years valuation experience in conjunction with relevant technical assessment and geology experience to meet VALMIN 2015 compliance as a Specialist.

Peer Reviewer: Alan Hawkins, Principal Consultant, BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG RGeo, FSEG

Alan Hawkins is a geologist with over 20 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams.

Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz gold Westside deposit, before joining Newmont's regional exploration team. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101 and is a Registered Professional Geoscientist in the field of Mineral Exploration with the Australian Institute of Geoscientists.

2.5 Disclaimer

The author of this report, and Ravensgate, have no prior association with Lodestar in regard to the Mineral Assets and have no interest in the outcome of the technical assessment.

Ravensgate is independent of Lodestar, its directors, senior management and advisors, has no economic or beneficial interest (present or contingent) in any of the Mineral Assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of \$12,000.

The relationship with Lodestar is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of Lodestar or any group, holding or associated companies of Lodestar.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 30 March 2017 and



could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.6 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by Lodestar and their partners or consultants, publicly available information such as ASX releases, government reports and discussions with Lodestar's technical and corporate management personnel. With the consent of Lodestar, other general report contents describing the regional geology, historical exploration and current exploration have been reproduced verbatim from a number of Lodestar's internal and publicly available reports. A listing of the principal sources of information is included in the references attached to this report.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to Lodestar prior to finalisation by Ravensgate, requesting that Lodestar identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

2.7 Competent Persons Statement

The information in this report that relates to Exploration Results is based on information that has been previously reported under JORC 2012 and Ravensgate considers that there has been no material change since it was released and the Competent Persons statements associated with those releases are still current. Lodestar's ASX announcements are available from <http://www.lodestarminerals.com.au/Investor-Centre/Announcements>.

2.8 Specialist Declarations and Consent

The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Sam Ulrich, who is a Member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

Sam Ulrich is not a permanent employee of Lodestar.

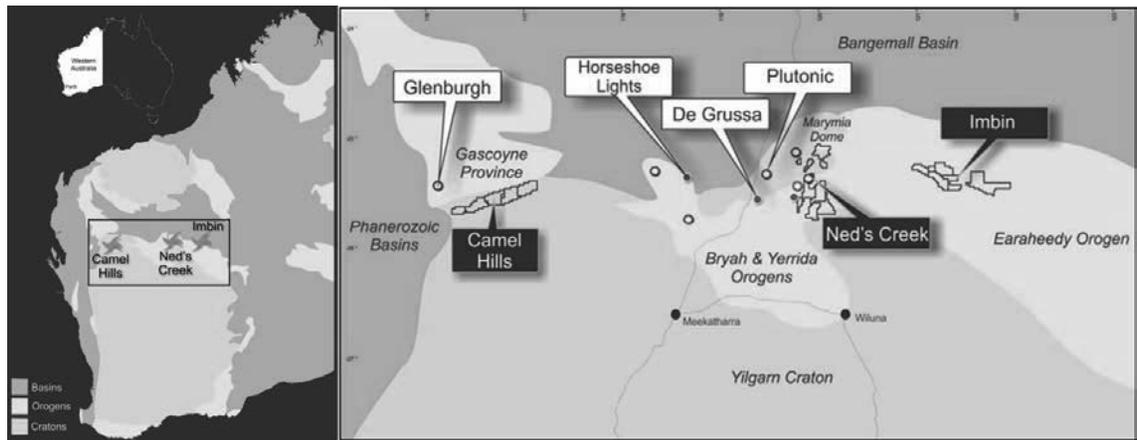
Sam Ulrich has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the 'Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets'. Sam Ulrich consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

2.9 Background Information

The projects discussed in this report are located in the State of Western Australia. A locality map of the projects is presented in Figure 1 below. Ravensgate understands that the project tenements are held in good standing. A brief overview of the projects are outlined in Sections 3 and 4. The Independent Valuation of the tenements is outlined in Section 5. No description is provided for the Imbin project due to all tenure being under application. Report file references and a glossary of terms are also included at the end of this report.



Figure 1 Location of Lodestar's Western Australian Projects



Source: Lodestar's Annual Report 2016.



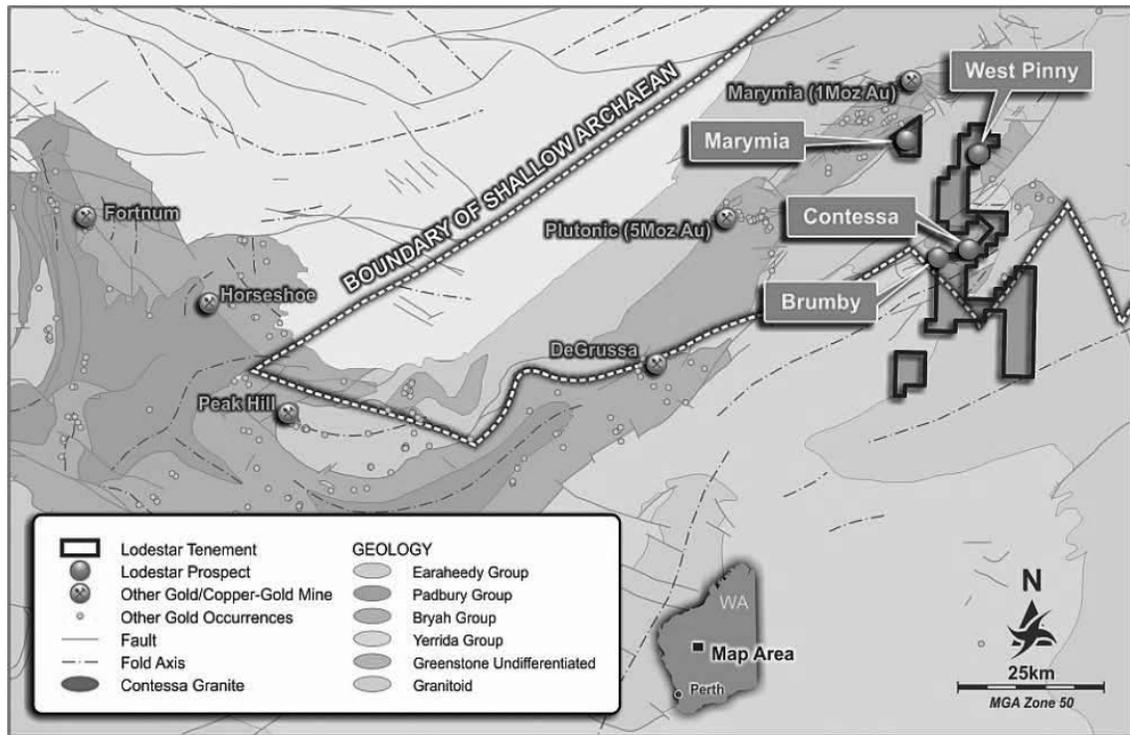
3. NED'S CREEK PROJECT, WESTERN AUSTRALIA

3.1 Introduction

3.1.1 Project Location

The Ned's Creek project in Western Australia (Figure 1 and Figure 2), lies within the Peak Hill and Nabberu 1:250,000 Geological Survey of Western Australia (GSWA) Sheets (SG50-08 and SH51-05).

Figure 2 Location of Ned's Creek Project



Source: Clayton 2016a.

3.1.2 Access

The project area is accessed via the sealed Great Northern Highway, the Wiluna North Road and then by station and exploration tracks within the tenure.

3.1.3 Supporting Infrastructure

The Ned's Creek project is located 37km east of the 5Moz Au Plutonic Gold Mine owned by Superior Gold Inc., which has a 2.5Mtpa processing facility. The gas pipeline is located 20km east of the project area.

3.1.4 Geopolitical Environment

Australia is a politically stable, liberal democracy. According to Control Risks Group Limited on the SNL Metals and Mining website, Political risk, Security risk and Terrorism risk ratings are all categorised as low risk, with Operational risk rating categorised as insignificant risk.

3.2 Ownership and Tenure

3.2.1 Project Ownership and Relevant Interests

The Ned's Creek project consists of five granted exploration licences and two exploration licences under application. The granted tenements are either held 100% by Lodestar or Audacious Resources Pty Ltd a wholly owned subsidiary of Lodestar, the details of which are listed in Table 3.



Table 3 Ned's Creek Project Granted Tenement Details

Exploration Licence	Area (km ²)	Grant Date	Expiry Date	Owner and Equity
E52/2440	89.9	20-Aug-2010	19-Aug-2020	Audacious Resources Pty Ltd 100%
E52/2456	108	17-Sep-2010	16-Sep-2020	Audacious Resources Pty Ltd 100%
E52/2468	31	17-Sep-2010	16-Sep-2020	Audacious Resources Pty Ltd 100%
E52/2493	67.9	17-Sep-2010	16-Sep-2020	Audacious Resources Pty Ltd 100%
E52/2734	3.2	24-Aug-2012	23-Aug-2017	Lodestar Minerals Limited 100%

Notes: Audacious Resources Pty Ltd is a wholly owned subsidiary of Lodestar.

3.2.2 Agreements

Lodestar has native title heritage agreements with the Gingirana and Yugunga-Nya Claim Groups over the Ned's Creek tenements.

3.2.3 Royalties and Taxes

There are no royalties applicable to the tenements of the Ned's Creek project.

3.3 History

3.3.1 Ownership History

The ownership history is described in Section 3.3.2 below.

3.3.2 Exploration History

The exploration history of the Ned's Creek area is summarised in Table 4 below.

Table 4 Ned's Creek Project Area Summary Exploration History

Previous Explorer	Year	Exploration Activity
Resolute Resource Limited	1991	Surface sampling and RAB drilling
CRA Exploration	1994	Aircore drilling of magnetic anomaly
Resolute Resources Ltd	1995	Aircore drilling of magnetic anomaly
Homestake Gold of Australia	2000-2001	Surface sampling, RAB drilling and aircore drilling of magnetic anomaly

Modified after Clayton 2016a.

3.3.3 Previous Mineral Resource Estimates

No previous Mineral Resources or Ore Reserves as defined in the JORC Code (2004 or 2012 Editions) have been reported over the current tenements of the Ned's Creek project.

3.3.4 Previous Production

No commercial production has been recorded in the tenements.

3.4 Geological Setting

The northern margin of the Yerrida Basin formed in a back-arc rift environment prior to collision and suturing of the Yilgarn and Pilbara Cratons during the Glenburgh and Capricorn orogenic events. Data from a magnetotellurics survey revealed a series of north-dipping thrust faults,

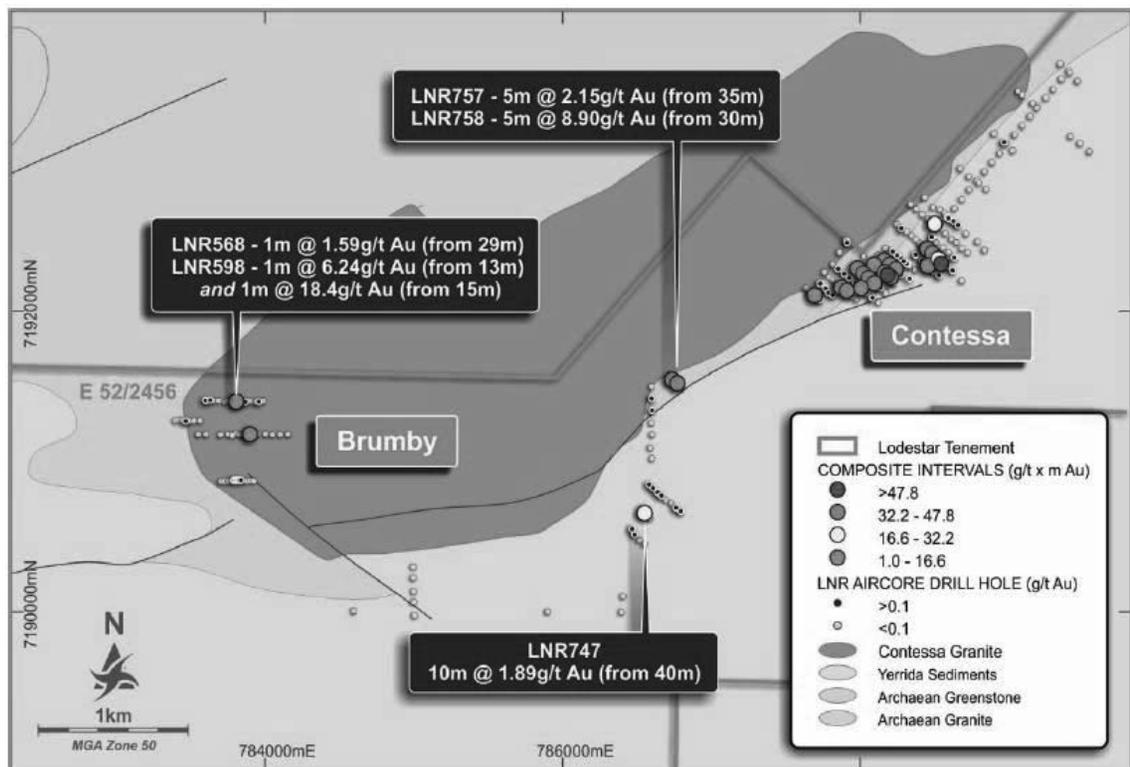


resulting from thrust-stacking of the Marymia Inlier over the Yilgarn Craton margin during the Glenburgh Orogeny. The margins of the Marymia Inlier itself are defined by deep crustal faults that appear to be displaced by the Jenkin Fault on the southern margin of the inlier.

The Contessa prospect is located on the southern margin of the Marymia Inlier adjacent to reactivated crustal-scale faults; these faults are a key feature of world-class gold camps, where favourable structural architecture is believed to facilitate emplacement of mantle-derived magma, mafic intrusives and multiple phases of hydrothermal fluids during episodic reactivation. The Plutonic Gold mine (>5Moz Au), shows evidence of multiple mineralising events at 2100 Ma; ~1850 Ma and ~1680Ma, indicating prolonged mineralising episodes related to the orogenic cycle on the northern Yilgarn margin (Hawke *et al.*, 2015).

The Contessa gold target is located between sedimentary units of the Finlayson Member and the 7km long Contessa granite complex, to the north (Figure 3). The major structural trend defined by limited outcrop and aeromagnetic imagery, is east northeast, in contrast to the dominant north-northwest trend within Archaean greenstone to the south, but consistent with structural trends within the Proterozoic basins to the south and west and the Marymia Inlier to the north.

Figure 3 Contessa Prospect Geology



Source: Lodestar AGM Presentation dated 23 November 2016.

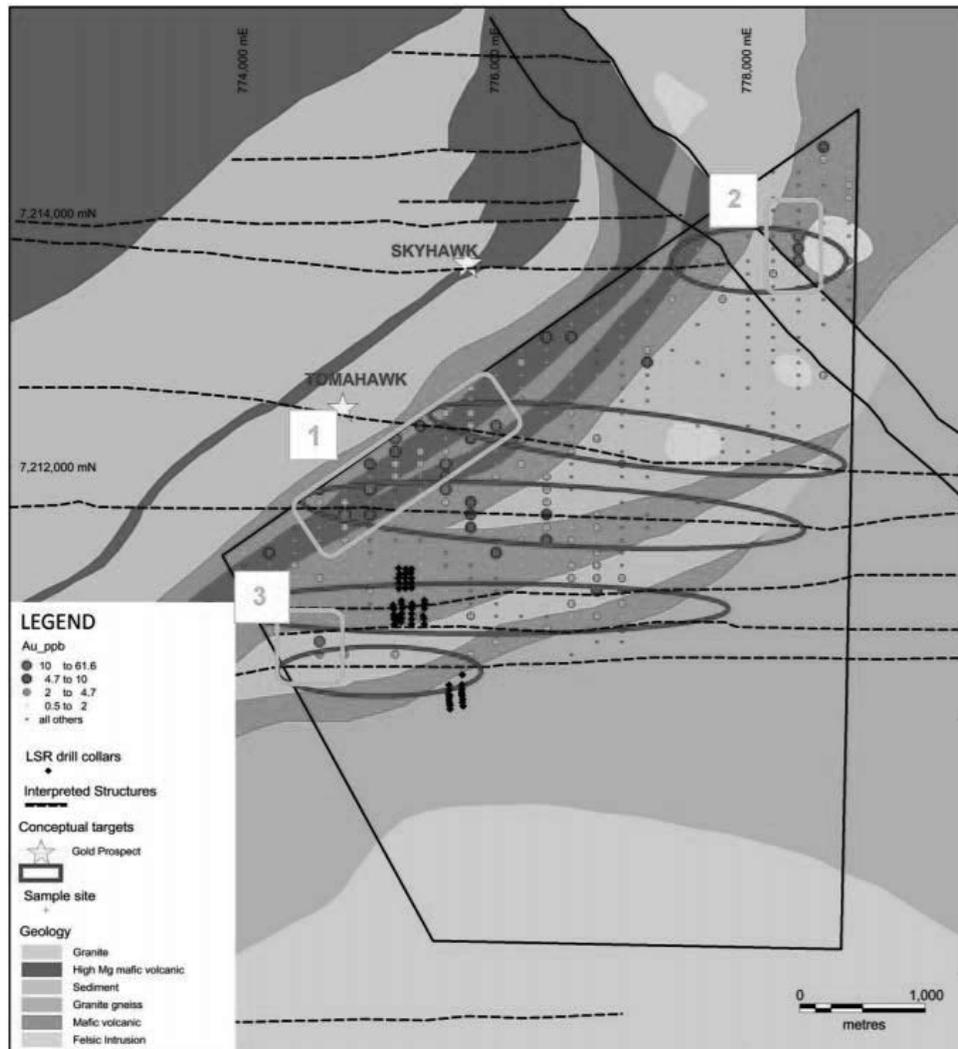
The supracrustal and intrusive rocks at the base of the Yerrida Group are poorly exposed and have not been mapped or systematically explored previously; the sequence is dominated by a large composite diorite intrusion. The diorite is variably altered and contains local concentrations of pyrite mineralisation associated with gold. The diorite is described as a composite intrusion including massive to porphyritic textures and fine to coarse grained, comprising feldspar (plagioclase), biotite and leucoxene. The northern margin of the diorite grades into a shear zone that intensifies towards a granite contact, the rocks in the shear zone are strongly foliated, fine grained, bleached and silicified; and commonly consist of quartz and sericite. The southern contact is concealed beneath Proterozoic sedimentary units and the dimensions of the intrusion have not been determined.

The Marymia area is located within the Marymia Inlier on the southern boundary of the Archaean Plutonic Well greenstone belt. At Marymia, the tenements include east-northeast striking units



of high Mg basalt, tholeiitic basalt and metasedimentary units (Figure 4). At West Pinyrinny the geology comprises metabasalts and minor ultramafic units intercalated with chlorite-sericite-quartz schists and minor chert units.

Figure 4 Marymia Prospect Geology and Exploration Results with Targets



Source: Lodestar ASX Announcement 18 October 2016

3.5 Exploration Results and Potential

3.5.1 Recent Exploration Activities

Lodestar has concentrated its exploration activities primarily along the Contessa trend, which includes the Contessa and Brumby prospects, additional exploration has been undertaken at the Marymia and West Pinyrinny prospects. A summary of Lodestar's recent exploration is provided below.

In 2013-2014 (Clayton, 2015b), regional drilling targeted the Contessa gold trend, which is a north easterly trending anomalous gold zone extending for at least 5km along the southern margin of a granite body on the northern boundary of E52/2456.

Drilling consisted of widely spaced, shallow aircore and RAB drilling for geochemical sampling purposes, which was followed by wide-spaced aircore drilling over specific gold anomalies. A five hole RC drill program was completed at the Contessa prospect to test beneath saprolite gold anomalies. Numerous gold intersections of greater than 1g/t Au were reported from aircore



and RC drilling and extensive alteration and pyrite mineralisation was observed in the RC drill holes completed at Contessa.

In 2014-2015 (Clayton, 2015a), further RAB and aircore drilling tested the Contessa trend. An additional four RC holes were drilled outside the Contessa area.

In 2015-2016 (Clayton, 2016a), Lodestar completed a detailed aeromagnetic survey to assist with geological interpretation and a gradient array IP survey designed to locate concentrations of disseminated pyrite related to gold mineralisation. The IP survey was followed by a four hole RC drill program, testing the diorite unit to depths of up to 250m.

At Marymia, geological mapping, surface sampling and aircore drilling was completed to test an area where prospecting had located gold near the surface within ferricrete on E52/2734 and E52/2493.

Geochemical anomalies in an area known as West Pinyrinny, on E52/2493, had been identified from Lodestar's regional lag sampling. This area was selected for a detailed aeromagnetic survey and systematic surface sampling.

Lodestar has also engaged the services of Dr Walter Witt to undertake a prospect review at Contessa (Witt, 2015a), geological mapping and sampling at Brumby (Witt, 2016a) and interpretation of aircore drilling at Marymia (Witt, 2016b).

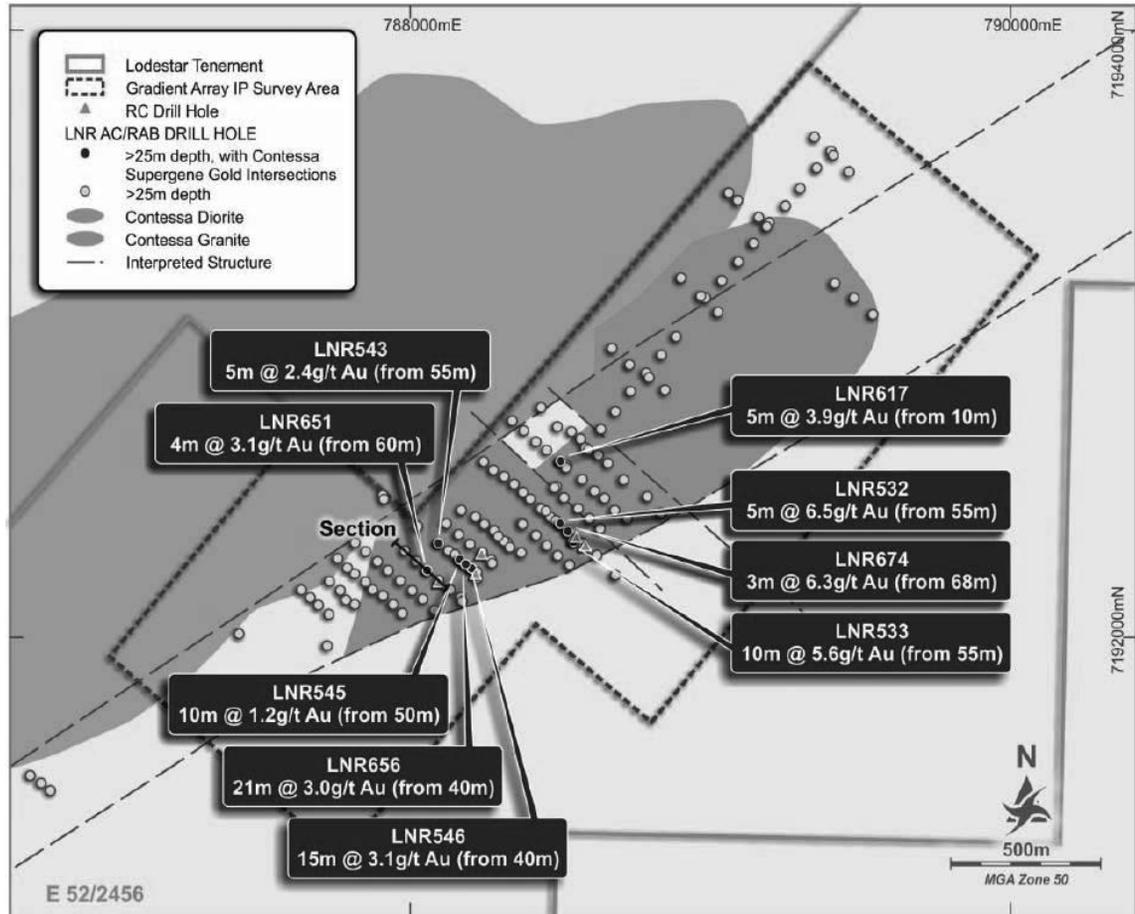
3.5.2 Exploration Potential

The exploration potential of the Ned's Creek project varies depending on the tenement and the prospectivity of the geology within it to host gold mineralisation. A brief summary of the potential by tenements is provided below.

- E52/2440 - This tenement is an early stage greenfields exploration tenement. Based on geophysical surveys, the Archaean basement is interpreted to be quite deep below cover and the tenement presently has no defined mineralisation. Still to be investigated, is whether the geology that hosts the recently identified Dixon gold prospect, by Australian Mines Limited, continues onto this tenement;
- E52/2468 - This is an early stage greenfields exploration tenement, where low levels of copper mineralisation has been identified, requiring follow-up;
- E52/2456 - This tenement, although still at an early exploration stage, has defined gold targets ready for follow-up exploration at the Contessa (Figure 5) and Brumby prospects. Lodestar's model for the gold mineralisation at Contessa and Brumby is an intrusion related gold mineralisation style (Figure 6) analogous to the cause of mineralisation at Wallaby;
- E52/2493 - This tenement is at an early exploration stage, containing two early stage gold targets ready for follow-up exploration at the Marymia (see targets on Figure 4) and West Pinyrinny prospects; and
- E52/2734 - This tenement is at an early exploration stage, but contains an extension of the Marymia prospect gold target.



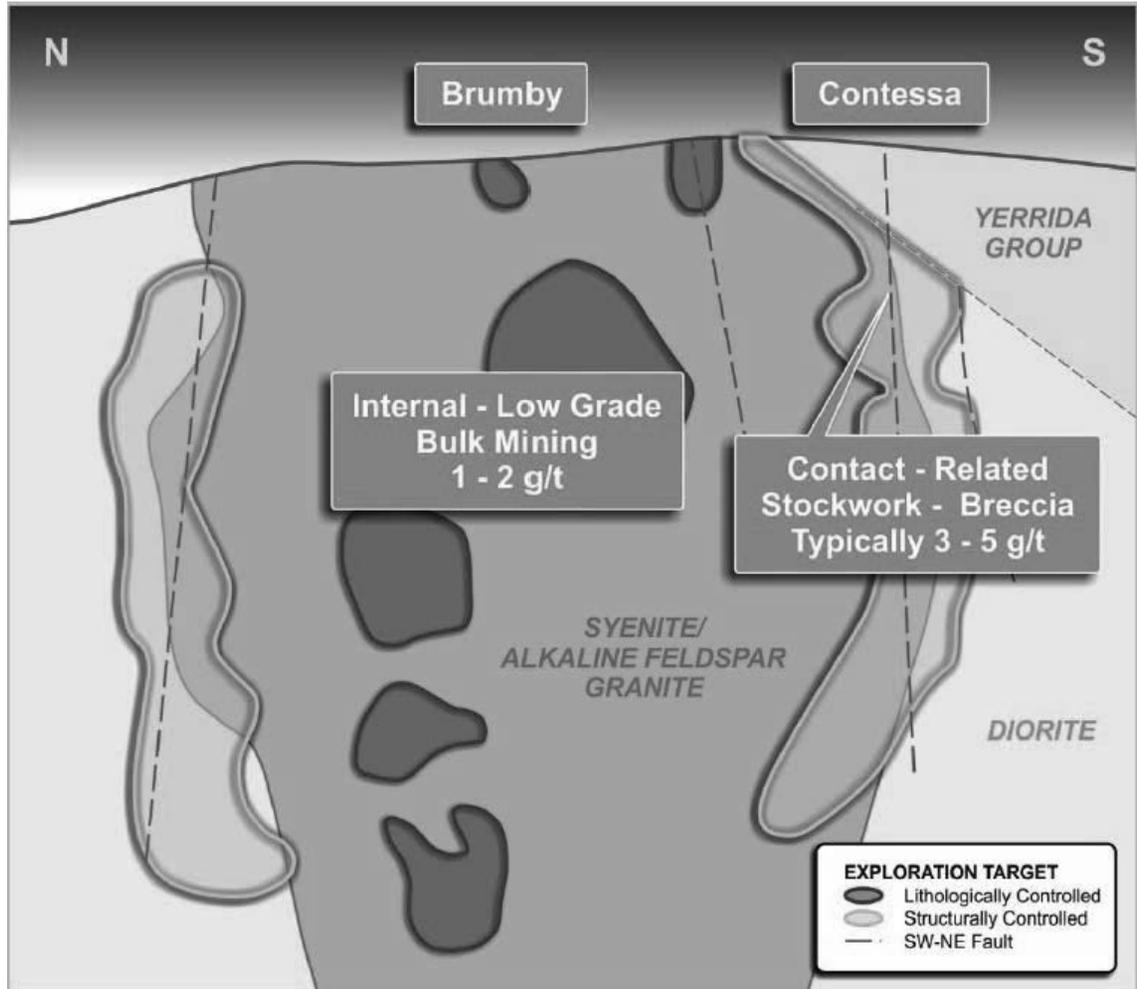
Figure 5 Contessa Prospect



Source: Lodestar AGM Presentation dated 23 November 2016.



Figure 6 Schematic Representation of Syenite-Related Gold Targets



Source: Lodestar Quarterly Activities Report dated 25 January 2017

3.5.3 Constraints to Further Exploration Success

Ravensgate sees few constraints to future exploration, any deposits identified in the future will have to be of a scale to overcome the lack of immediate infrastructure in the area.



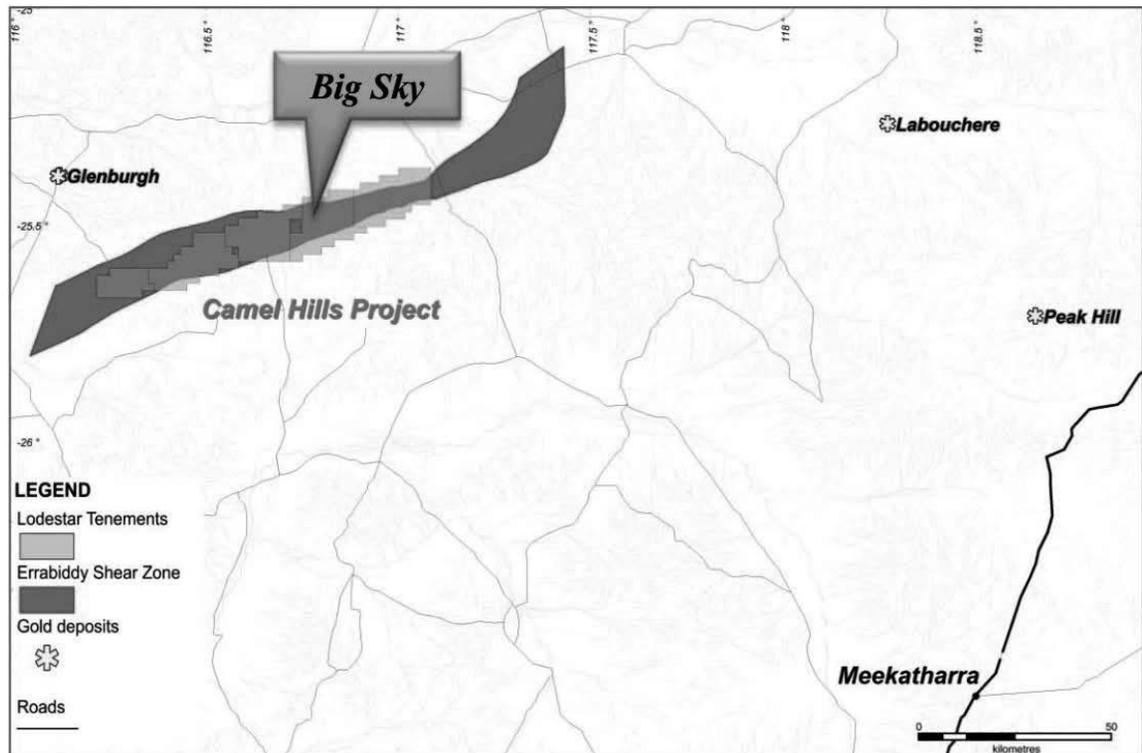
4. CAMEL HILLS PROJECT, WESTERN AUSTRALIA

4.1 Introduction

4.1.1 Project Location

The Camel Hills tenements are located 170km northwest of Meekatharra, Western Australia and 60km south and east of Gascoyne Resources Limited's Glenburgh gold deposits (Figure 1 and Figure 7). The project is located on the Glenburgh 1:250,000 GSWA Sheet (SH50-06).

Figure 7 Camel Hills Project Tenure



Source: Lodestar Annual Report 2016

4.1.2 Access

The Camel Hills tenements are accessed from Meekatharra via Mount Gould, Beringarra Road and the Erong Road or via the Murchison Settlement via the Byro-Beringarra and Erong Roads. Pastoral tracks lead off the Erong Road into the project tenements.

4.1.3 Supporting Infrastructure

There is no significant supporting infrastructure (mining operations, bitumen roads, power, water) in the Camel Hills project area.

4.1.4 Geopolitical Environment

See Section 3.1.4.

4.2 Ownership and Tenure

4.2.1 Project Ownership and Relevant Interests

The Camel Hills project consists of five granted exploration licences and one exploration licence under application. The granted tenements are held 100% by Lodestar. Tenement details are listed in Table 5 and a map of the tenement is provided in Figure 7.



Table 5 Camel Hills Project Granted Tenement Details

Exploration Licence	Area (km ²)	Grant Date	Expiry Date	Owner and Equity
E09/2099	217	21-May-2015	20-May-2020	Lodestar Minerals Limited 100%
E09/2100	198	21-May-2015	20-May-2020	Lodestar Minerals Limited 100%
E09/2138	198	21-Jul-2016	20-Jul-2021	Lodestar Minerals Limited 100%
E09/2139	89.8	21-Jul-2016	20-Jul-2021	Lodestar Minerals Limited 100%
E52/3064	74.4	22-May-2015	21-May-2020	Lodestar Minerals Limited 100%

4.2.2 Agreements

Lodestar has native title heritage agreements with the Wajarri Yamatji Claim Group over the Camel Hills tenements.

4.2.3 Royalties and Taxes

There are no royalties applicable to the tenements of the Camel Hills project.

4.3 History

4.3.1 Ownership History

The ownership history is detailed in Table 6 and in Section 4.3.2 below.

4.3.2 Exploration History

The exploration history of the Camel Hills area is summarised in Table 6 below.

Table 6 Camel Hills Project Area Summary Exploration History

Previous Explorer	Year	Exploration Activity
Newmont	1989	Stream sediment sampling
Peregrine Resources	1995	Stream sediment and rock chip sampling
Hampton Hill Mining	1998	Soil, stream sediment and rock chip sampling
WMC Resources	2003-2004	Soil, lag and rock chip sampling
Aurora Minerals	2008-2010	Soil, rock chip and stream sediment sampling
Aurora Minerals/Desert Mines	2011	Soil, stream sediment, BLEG and rock chip sampling
Athena Resources	2012	No on ground activities
Desert Mines	2009-2013	Soil, stream sediment, BLEG, rock chip sampling and RC drilling

Modified after Clayton 2016b.



4.3.3 Previous Mineral Resource Estimates

No previous Mineral Resources or Ore Reserves as defined in the JORC Code (2004 or 2012 Editions) have been reported over the current tenements of the Camel Hills project.

4.3.4 Previous Production

No commercial production has been recorded at the Camel Hills project.

4.4 Geological Setting

The geological description has been modified after Clayton, 2016b.

The Camel Hills gold project is located on the east northeast-trending Errabiddy Shear Zone (Figure 8), which separates the Archaean Narryer Domain of the Youanmi Terrane from the Paleoproterozoic to Mesoproterozoic Gascoyne Province to the north.

The Errabiddy Shear Zone is 5 to 20km wide and includes medium to high-grade metasedimentary rocks of the Camel Hills Metamorphics. The Camel Hills Metamorphics are subdivided into the Quartpot Pelite and the Petter Calc-silicate.

- The Quartpot Pelite consists of pelitic (quartz-feldspar-biotite-garnet) schist and migmatitic pelitic gneiss, with minor amounts of interlayered quartzite, calc-silicate schist and gneiss; and amphibolite.
- The Petter Calc-silicate is composed of calc-silicate schist or gneiss, interlayered quartzite, minor pelitic schist or migmatitic pelitic gneiss and amphibolite.

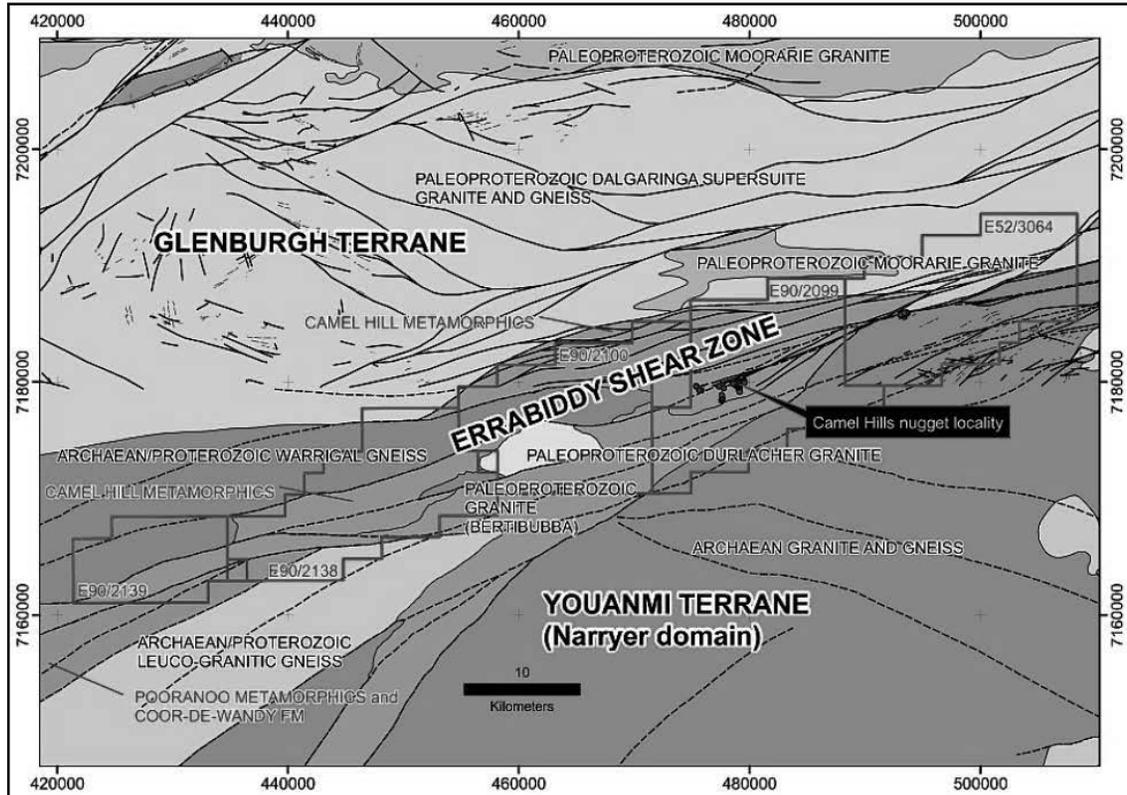
There are no historic gold workings in the Camel Hills area.

Historic sampling in the Big Sky area reported extensive gold in soil anomalies with up to 970ppb (0.97g/t) Au, rock chip samples up to 2.8g/t Au and 0.36g/t Au over 2m (with wide intercepts of weakly elevated gold) in drilling. The gold anomalies are associated with the strongly sheared, east-northeast trending, northern contact between the magnetic (Petter Calc-silicate) and non-magnetic (Quartpot Pelite) sequence, with potential to host structurally-controlled lode gold mineralisation.

Gold occurs sporadically within a zone up to 20m wide, between a magnetic marker unit and a series of pegmatite dykes.



Figure 8 Camel Hills Project Geology



Source: Clayton, 2016b.

4.5 Exploration Results and Potential

4.5.1 Recent Exploration Activities

Lodestar has undertaken rock chip, lag and soil sampling. The Initial rock chip sampling program extended beyond the Big Sky prospect area, however with the discovery of a quartz vein (bearing high-grade gold at surface) within the Big Sky area, Lodestar completed an intensive follow-up work program centred on the immediate area of the vein. This area had been the focus of exploration completed by past explorers Aurora and Desert Mines and known to them as Main Grid.

Lodestar completed an orientation soil and lag sampling survey around the main anomaly identified by Aurora. As the anomaly area is located along the base of a ridge where the slope is covered by shallow colluvium of varying depth, Lodestar undertook costeaning to test the underlying, weakly weathered basement.

Lodestar undertook a program of close-spaced, shallow RAB drilling, along with costeaning to test the magnetic Petter Calc-silicate and Quartpot Pelite contact over a distance of approximately 600m. Many RAB holes unexpectedly encountered a shallow water table, compromising the effectiveness of the sampling from the RAB drilling.

The costeaning identified a significant gold anomaly (5m at 12.6g/t Au) in composite sampling of grab samples from the floor and wall of the costeans. Lodestar tested this anomaly and the high-grade gold bearing vein with a program of shallow RC drilling. The costean anomaly was not verified by the RC drilling and is thought to be a result of contamination from gold within the colluvial cover. Two RC holes drilled under the high-grade vein intersected shallow high-grade gold down-dip from the outcrop;

- 6m at 6.6g/t Au, from 13m in LCC011 (including 1m at 33.3g/t Au, from 13m); and
- 6m at 20.3g/t Au, from 21m in LCC012 (including 1m at 105g/t Au, from 21m).



The vein has a steep northerly / sub-vertical dip and the true thickness of the downhole intersections is approximately 3m. Lodestar followed up the RC drilling program with a tightly-spaced auger sampling program to determine the potential extent of the gold system at surface. The auger sampling was carried out on a 5m x 5m grid with hole positions fixed by differential GPS.

The auger sampling reported high gold values in the vicinity of the original gold discovery within a zone of elevated values (using a threshold of 20ppb Au) extending 150m to the southwest of the vein. Lodestar comprehensively tested this zone with a second phase of RC drilling on 10m or 20m spaced traverses. The RC drilling did not repeat the initial high-grade gold intersections reported in the earlier RC drilling, lower grade values, to a maximum of 4m @ 3g/t Au occur along the length of the contact tested by the RC drilling. The RC drilling confirmed that the Big Sky vein system, although highly enriched in gold locally, has limited extent.

4.5.2 Exploration Potential

The Camel Hills project is an early stage exploration project. Gold mineralisation was identified at the Big Sky prospect, but was considered to have limited extent. It did however demonstrate the ability for the Errabiddy Shear Zone to host gold mineralisation at the contact of the magnetic Petter Calc-silicate and Quartpot Pelite. Approximately 7km of this contact along the Errabiddy Shear Zone remains untested, which is primarily located in E09/2099.

4.5.3 Constraints to Further Exploration Success

Ravensgate views the lack of infrastructure in the area as the greatest impediment to exploration success, any deposits identified in the future will have to be of a scale to overcome this lack of infrastructure.



5. VALUATION

5.1 Introduction

There are a number of recognised methods used in valuing Mineral Assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the Mineral Asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

The VALMIN Code, which is binding upon Experts and Specialists involved in the valuation of mineral assets and mineral securities, classifies Mineral Assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a mineral resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A Mineral Resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified mineral resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (MEE) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (EB) through application of a Prospectivity Enhancement Multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a *grass roots* project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.

Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably arm's length in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of valuation. This method (termed



Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at *arm's length* between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company's cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D} \left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

- V_{100} = Value of 100% equity in the project (\$)
- D = Deemed equity of the farminor (%)
- CP = Cash equivalent of initial payments of cash and/or stock (\$)
- CE = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
- EE = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
- I = Discount rate (% per annum)
- t = Term of the Stage (years)
- P = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where Mineral Resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances, it is considered appropriate to use the *in-situ* Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the mineral resource.

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated Mineral Resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code, 2012), sets out minimum standards, recommendations and guidelines. A mineral resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral resources are sub-divided into Inferred, Indicated and Measured to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological



knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

5.2 Previous Mineral Asset Valuations

Ravensgate is not aware, nor have we been made aware, of any VALMIN valuations over Lodestar's Western Australian projects. Exploration tenements have not been included in the valuation where tenure or permits have not been granted to the relevant company and the company does not therefore have any ownership over tenement Mineral Assets or any exploration value within the tenements. Whilst ground is under application, there are uncertainties as to whether the tenement will be granted in its entirety or only part due to specific exclusions or if at all, due to environmental, Native Title or other considerations. There could be competing applications for the same ground with no guarantee that Lodestar would be successful in its application.

5.3 Material Agreements

Ravensgate has been commissioned by HLB to provide an Independent Valuation Report. The Valuation report encompasses Lodestar's Western Australian projects. The Valuation report provides an assessment of Lodestar's ownership interest in the Exploration Area Mineral Assets listed below.

<u>Mineral Asset</u>	<u>Lodestar's Ownership %</u>
Ned's Creek Project	100%
Imbin Project	100%
Camel Hills Project	100%

Ravensgate understands all granted exploration permits at this point in time and are in good standing.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the Mineral Assets, and on this basis, have made no adjustments on this account.

5.4 Selection of Valuation Method

The Ned's Creek and Camel Hills projects can be classified as Exploration Area Mineral Assets as defined in Section 5.1. Mineral Resources or Ore Reserves as defined in the JORC Code (2012 Edition) have not been reported for any of these projects.

Multiples of Exploration (MEE) and other cost based methods are only suitable for very early stage projects without Mineral Resources. MEE and other cost based methods with prospectivity multipliers are very subjective and in Ravensgate's experience can easily over value projects where considerable expenditure has been undertaken and do not provide a good indication of market value.

The use of the DCF/NPV valuation method is only appropriate for mining projects that are operating or in development and expected to be in production in the short term. As a minimum they should contain Ore Reserves estimated in accordance with the JORC Code, which have determined appropriate cost inputs and outgoings. Ravensgate considers all of Lodestar's projects to be of too early stage to apply the DCF/NPV valuation method.

The Comparable Transactions valuation method is appropriate for a mineral asset at any stage from early stage (green fields) through to operating mines. It should always be considered taking into account the limitations of this method (see Section 5.5).

Ravensgate does not consider the 'Yardstick' valuation method appropriate. It may have been relevant at the time it was first proposed in the economic market conditions at that time, but the economics affecting mineral projects change with commodity prices, foreign exchange rates and general market sentiment, quickly making such rules of thumb obsolete. In Ravensgate's experience the Yardstick values proposed significantly overvalue projects compared to transaction multiples in the last three to five years.



Ravensgate has elected to apply the Comparable Transaction method to value Lodestar's equity interest in the Ned's Creek, and Camel Hills projects based on the prospectivity of the granted tenements after consideration of the various valuation methods outlined in Section 5.1.

5.5 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving gold exploration projects without Mineral Resources from Western Australia. Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the Mineral Assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per metal unit or dollar per square kilometre of tenement holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 5.5.1 by commodity and region.

Publicly available market transactions have been separated to reflect transactions on a dollar per square kilometre of licence holding. This was undertaken to reflect the varying levels of geological exploration carried out within the various project licences. In general terms, exploration projects may start with a relatively large licence holding where a lack of detailed geological sampling and knowledge renders the use of the in-situ yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these particularly early-stage exploration areas, comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, licence areas tend to decrease to match a narrowing focus on more prospective areas.

5.5.1 Reported Market Transactions

Ravensgate's analysis of Western Australian market transactions for Exploration Area Mineral Assets prospective for gold and or other commodities primarily on exploration licences without Mineral Resources from Western Australia (Table 7) indicates an implied value between \$56 and \$76,723 per km² for Exploration Area Mineral Assets. The implied value per km² is dependent on the existence of gold, how much exploration has been conducted and whether that exploration was successful. The implied value was also affected by the strategic importance of the licences and the presence of known mineralisation or historical mining activities upon them and the grade of the respective mineralisation present.



Table 7 Market Transactions Involving Nickel, Copper and Gold Projects at the Exploration Stage in Western Australia

Date	Project Name	Vendor	Purchaser/Farminee	Transaction Type	Prospective Commodities ¹	Value ² \$M	Area km ²	Cost per km ² A\$
6-Mar-17	Laverton	Empire Resources Limited	Victory Mines Limited	Acquisition	Au-Ni-Cu	0.002	36	56
7-Feb-17	Higginsville	Loded Dog Prospecting Pty Ltd	Argonaut Resources NL	Joint Venture	Au-Ni	0.891	171	5,212
1-Dec-16	Defiance & Mt Howe	Private Vendors	Western Mining network Limited	Acquisition	Au	0.057	8	7,155
18-Nov-16	Lyndon	Latitude Consolidated Limited	Private Buyers	Acquisition	Au	0.020	60	334
12-Oct-16	Doolgunna	Enterprise Metals Limited	Sandfire Resources NL	Joint Venture	Cu-Au	2.218	975	2,275
27-Jul-16	Monument	Syndicated Minerals Limited	Private Buyer	Acquisition	Au	0.250	210	1,190
31-May-16	Mt Gill & Kurrajong	Breaker Resources Limited	Gold Road Resources Limited	Acquisition	Au	0.050	221	226
11-Mar-16	Doolgunna	Tasex Geological Services Pty Ltd	DGO Gold Limited	Joint Venture	Au-Cu	0.170	68	2,499
10-Dec-15	Great Western	Wildviper Pty Ltd	Terrain Minerals Limited	Acquisition	Au	0.005	21	240
4-Nov-15	Duffy Well	Mithril Resources Limited	Doray Minerals Limited	Joint Venture	Au	0.579	98	5,910
15-Oct-15	Kurnalpi	Mithril Resources Limited	Chesser Resources Limited	Joint Venture	Ni-Au	0.301	53	5,677
8-Sep-15	Jillewarra	Zebina Minerals Pty Ltd	Timpetra Resources Limited	Joint Venture	Au	0.731	223	3,275
14-Jul-15	Duketon	Duketon Mining Limited	Regis Resources Limited	Joint Venture	Au	1.345	373	3,607
2-Jul-15	Fraser Range	Creasy Group Companies	Legend Mining Limited	Acquisition	Ni-Cu-Au	4.286	2,530	1,694
22-May-15	Lyndon	Latitude Consolidated Limited	Shine Resources Pty Ltd	Acquisition	Au-BM	0.050	57	877
15-Oct-14	Triumph	Coxrocks Pty Ltd	Nexus Minerals Limited	Joint Venture	Au	0.602	24	25,072
16-Jul-14	Gnaweeda	Archaean Star Resources Australia Pty Ltd	Doray Minerals Limited	Acquisition	Au	0.568	178	3,190
23-Jun-14	Fraser Range South	Tasex Geological Services Pty Ltd	MRG Metals Limited	Option to Acquire	Ni-Au	0.153	149	1,027

Date	Project Name	Vendor	Purchaser/Farminnee	Transaction Type	Prospective Commodities ¹	Value ² \$M	Area km ²	Cost per km ² A\$
18-Jun-14	Bulloo Downs	Atlas Iron Limited	Aruma Resources Limited	Joint Venture	Cu-Au	0.296	896	331
23-May-14	Horse Well	Alloy Resources Limited	Doray Minerals Limited	Joint Venture	Au	3.045	850	3,583
30-Apr-14	Marymia	Australian Mines Limited	Riedel Resources Limited	Joint Venture	Cu-Au	2.628	425	6,182
9-Apr-14	Plumridge	International Goldfields Limited	Segue Resources Limited	Acquisition	Ni-Cu-Au	0.571	832	687
26-Mar-14	Plumridge	Fraser Range Metals Group Limited	Segue Resources Limited	Joint Venture	Ni-Cu-Au	2.176	641	3,395
25-Mar-14	Turner River	De Grey Mining Ltd	Rugby Mining Limited	Joint Venture	Au	2.292	798	2,872
10-Mar-14	Telfer Area	Ram Resources Ltd	Newcrest Operations Limited	Acquisition	Au-Cu	0.646	77	8,418
7-Mar-14	Mystique Gold	Black Fire Minerals Limited & Entree Gold Inc.	Parmelia Resources Limited	Acquisition	Au	0.306	205	1,494
7-Mar-14	Jumbulyer	Mount Magnet South NL	Australian Mines Limited	Joint Venture	Au-Cu	1.515	129	11,745
13-Feb-14	Zanthus	Blackham Resources Limited	Rumble Resources Limited	Joint Venture	Ni-Cu-Au	0.300	370	811
16-Jan-14	Charteris Creek	Riedel Resources Limited	Fortescue Metals Group	Joint Venture	Au-BM-Fe	0.340	131	2,595
24-Dec-13	Supernova	Caeneus Minerals Pty Ltd	Matrix Metals Limited	Acquisition	Au-Ni-Cu	0.065	6	11,168
20-Dec-13	Copper Hills	Doray Minerals Limited	Mithril Resources Limited	Joint Venture	Au-BM	1.033	160	6,457
20-Dec-13	Doolgunna	Talisman Mining Limited	Sandfire Resources NL	Joint Venture	Cu-Au	16.205	323	50,170
4-Dec-13	Beatty Park	Northern Star Resources Limited	Resource and Investment NL	Joint Venture	Cu-Au	0.850	123	6,909
28-Nov-13	Cue	Private Vendor	Parker Resources NL	Joint Venture	Au	0.091	42	2,165
25-Nov-13	Darlot	Enterprise Metals Limited	Independence Group NL	Joint Venture	Au-BM	2.885	760	3,796

Date	Project Name	Vendor	Purchaser/Farminnee	Transaction Type	Prospective Commodities ¹	Value ² \$M	Area km ²	Cost per km ² A\$
9-Oct-13	Plumridge	Various	Segue Resources Limited	Acquisition	Ni-Cu-Au	1.100	2,706	407
3-Sep-13	Patterson Province, Telfer	Yandal Investments Pty Ltd	Antipa Minerals Limited	Acquisition	Au-Cu	0.550	3,367	163
12-Aug-13	Cuddingwarra	Plasia Pty Ltd	Gleneagle Gold Limited	Acquisition	Au	0.020	115	174
4-Jul-13	Valley Floor (Kambalda Area)	Valley Floor Resources Pty Ltd	Eros Mining Limited	Acquisition	Au	0.150	6	27,273
1-Jul-13	Spargoville Gold	Ramelius Resources Limited	Eros Mining Limited	Acquisition	Au-Ni	0.400	114	3,497
25-Jun-13	Lyons	Ninghan Exploration Pty Ltd	Erongo Energy Limited	Acquisition	Au-BM	0.130	1,248	104
21-Jun-13	Plumridge	Fraser Range Resources Pty Ltd	International Goldfields Limited	Joint Venture	Au-Ni	1.552	832	1,865
13-Jun-13	Mooloogool	Dourado Resources Limited	Proto Resources Limited	Joint Venture	Au-Cu	1.294	1,461	886
20-May-13	Cunyu Copper	Glencore Xstrata	Great Western Exploration Limited	Joint Venture	Au-Cu	2.814	780	3,608
1-May-13	Long Horse	Barrambie Minerals Limited	Carnavale Resources Limited	Joint Venture	Ni-Au	0.535	255	2,096
22-Mar-13	Cundeelee	Kamax	Orion Gold NL	Acquisition	Ni-Au	2.215	1,582	1,400
5-Mar-13	Mt Ridley	XTL Energy Limited	AXG Mining Limited	Acquisition	Ni-Cu-Au	0.878	878	1,000
15-Jan-13	West Pilbara - Radio Hill Area	Pilbara Minerals Limited	Fox Resources Limited	Joint Venture	BM-Au-Pt	2.321	998	2,326
10-Dec-12	Mission Cables	Interglobal Investments Ltd	Leopard Resources NL	Acquisition	Au	0.390	102	3,809
6-Dec-12	Kookynie	Laconia Resources Limited	Rubianna Resources Limited	Acquisition	Cu-Au	0.098	162	601
8-Nov-12	Marvel Loch	Urban Minerals Pty Ltd	Ferrowest Limited	Acquisition	Au-Ni	0.102	156	652
10-Oct-12	Meekatharra North	Mindax Limited	Mr Chenfei Zhuang	Joint Venture	Au	4.249	55	76,723

Date	Project Name	Vendor	Purchaser/Farminnee	Transaction Type	Prospective Commodities ¹	Value ² \$M	Area km ²	Cost per km ² A\$
9-Oct-12	Fairwater	National Minerals Pty Ltd	Pioneer Resources Limited	Acquisition	Au-Ni	0.667	338	1,972
19-Sep-12	Horse Well	Phosphate Australia Limited	Alloy Resources Limited	Joint Venture	Au	0.088	56	1,582
7-Sep-12	Spargos Reward	Breakaway Resources Limited	Mithril Resources Limited	Acquisition	Au	0.200	10	19,139
6-Aug-12	Salmon Gums	Triton Gold Limited	Matsa Resources Limited	Joint Venture	Au	0.136	1,300	105
10-Jul-12	Golden Ridge	Australian Mines Limited	Pioneer Resources Limited	Acquisition	Au-Ni	2.061	120	17,178
2-Jul-12	Darlot North	Interglobal Investments Ltd	Stratos Resources Limited	Acquisition	Au	0.800	104	7,692
25-Jun-12	Holleton Gold	Independence Group NL	Evolution Mining Limited	Acquisition	Au	0.743	650	1,142
12-Apr-12	Leonora South	Cazador Resources Limited	Midas Resources Limited	Joint Venture	Au	0.002	156	3,704

1. Commodities: Au = Gold, BM = Base metals, Cu = Copper, Fe = Iron, Ni = Nickel, Pt = Platinum

2. Value is on a 100% equity basis.

5.5.2 Analysis of Comparable Transactions

Ravensgate’s analysis of the Western Australian gold market transactions in Table 7 indicates that the implied value of exploration projects prospective for gold without Mineral Resources generally range from \$56 and \$76,723 per km² for exploration Mineral Assets. Analysing the transactions in Table 7 in more detail, the value ranges differ on their tenement type, stage of exploration, prospectivity, how strategic the tenement is to the purchaser and the type of tenement. A breakdown of ranges for exploration and prospecting tenure based on their prospectivity and strategic value are shown in Table 8 below.

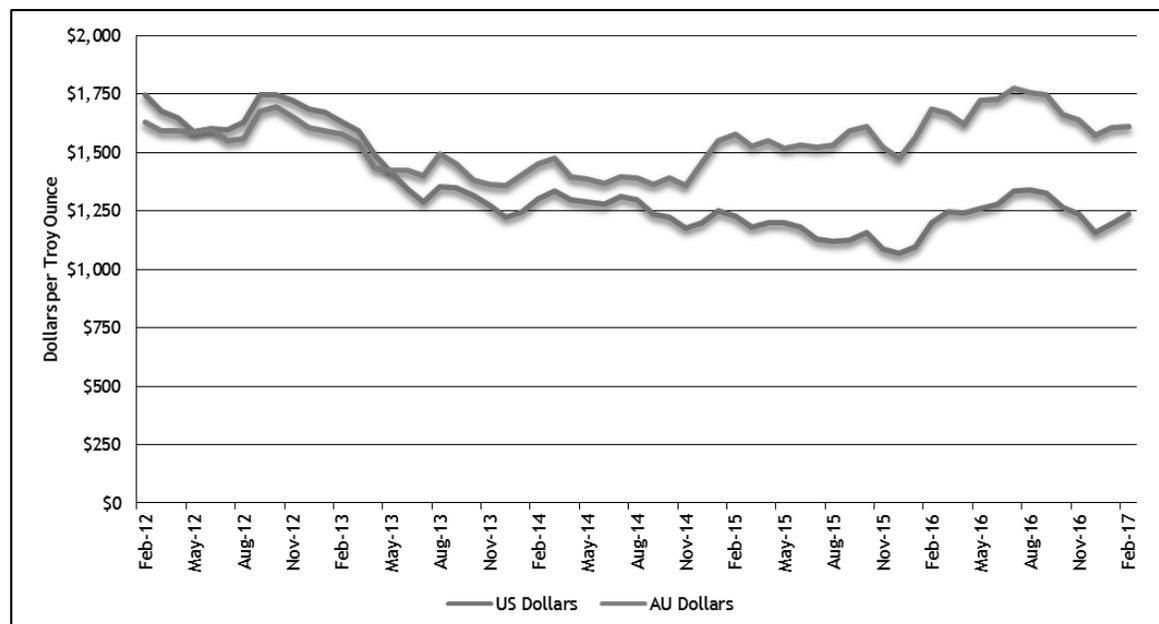
Table 8 Gold Exploration Tenement Value Ranges Breakdown

Cost per km ² Range	Comments
\$50 - \$1,000	Grass roots early stage exploration, with limited work or limited exploration potential.
\$1,000 - \$3,500	Average exploration stage, some defined targets for follow up. Mature exploration ground that has been well explored.
\$3,500 - \$8,000	Advanced stage exploration with good potential, defined targets ready for resource drilling.
\$8,000 - \$20,000	Advanced stage exploration with excellent potential, defined targets ready for resource drilling.
\$20,000+	Strategic to the purchaser and/or additionally advanced stage exploration with excellent potential, defined targets ready for resource drilling.

5.6 Commodity Prices

Ravensgate has examined the historical commodity charts for gold in Figure 9 for general trends over time. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.

Figure 9 Gold Five Year Monthly Average Price Chart to February 2017



Source: *Indexmundi.com (Gold, 99.5% fine, London afternoon fixing)*



5.7 Mineral Asset Valuation

5.7.1 Ned's Creek Project

Ravensgate has valued the Ned's Creek project based on the prospectivity of its exploration tenements. Ravensgate has derived implied ranges and preferred values varying on the tenements prospectivity per km² to apply to the area of the granted licences (see Table 9) which have a total combined area of 300km². These values relate to approximately \$0.541M to \$1.176M for Lodestar's 100% equity interest in the Ned's Creek project. From this range a preferred value of \$0.858M has been selected, which reflects the outcome of successful exploration to date and the quality of the exploration ground.

To derive appropriate values for the various tenements, Ravensgate reviewed the exploration data and prospectivity for the various licences and selected an appropriate range based on Table 8. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 3.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

- E52/2440 - This tenement is an early stage greenfields exploration tenement, based on geophysical surveys the Archaean basement is interpreted to be quite deep below cover, the tenement presently has no defined mineralisation;
- E52/2468 - This is an early stage greenfields exploration tenement, where some low level copper mineralisation has been identified, requiring follow-up;
- E52/2456 - This tenement, although still at an early exploration stage, has defined gold targets ready for follow-up exploration at the Contessa and Brumby prospects;
- E52/2493 - This tenement is at an early exploration stage, containing two early stage gold targets ready for follow-up exploration at the Marymia and West Pinyrinny prospects.; and
- E52/2734 - This tenement is at an early exploration stage, but contains an extension of the Marymia prospect gold target.

Table 9 Comparative Transactions Valuation for the Ned's Creek Project

Tenement	Mineral Asset	Area km ²	Value per km ²			Equity %	Valuation		
			Low \$	Preferred \$	High \$		Low \$M	Preferred \$M	High \$M
E52/2440	Exploration Area	89.9	250	500	750	100	0.022	0.045	0.067
E52/2456	Exploration Area	108	4,000	6,000	8,000	100	0.432	0.648	0.864
E52/2468	Exploration Area	31	500	750	1,000	100	0.016	0.023	0.031
E52/2493	Exploration Area	67.9	1,000	2,000	3,000	100	0.068	0.136	0.204
E52/2734	Exploration Area	3.2	1,000	2,000	3,000	100	0.003	0.006	0.010
TOTAL	Exploration Area	300	1,804	2,861	3,919	100	0.541	0.858	1.176

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.



Ravensgate also investigated using the MEE valuation method as providing a secondary valuation method for the Ned's Creek project. Exploration expenditure by Lodestar recorded over the project tenure on exploration activities according to the Department of Minerals and Petroleum's Mineral Titles Online website totalled \$5.162M. Previous companies' expenditure details are not known. Some of this expenditure (~\$3.776M) has been very successful at Contessa and Brumby in E52/2456 and less so in tenement E52/2468 (~\$0.748M). Ravensgate considers it not appropriate to value the project using the MEE valuation method as applying a positive prospectivity multiple to E52/2456's expenditure will generate a large value for this tenement, which Ravensgate does not believe would be reflective of current market value.

5.7.2 Imbin Project

Due to all Imbin project tenure being under application, it has not been valued.

5.7.3 Camel Hills Project

Ravensgate has valued the Camel Hills project based on the prospectivity of its exploration tenements. Ravensgate has derived implied ranges and preferred values varying on the tenements prospectivity per km² to apply to the area of the granted licences (see Table 10) which have a total combined area of 777.2km². These values relate to approximately \$0.357M to \$0.994M for Lodestar's 100% equity interest in the Camel Hills project. From this range a preferred value of \$0.606M has been selected, which reflects the outcome of successful exploration to date and the quality of the exploration ground.

To derive appropriate values for the various tenements Ravensgate reviewed the exploration data and prospectivity for the various licences and selected an appropriate range based on Table 8. The values attributed to each tenement were based upon a review of the prospectivity and quality of exploration targets on each tenement as described in Section 4.5. A brief description of the factors that have been taken into account in determining the value range and preferred value for the tenements are as follows:

- E09/2099 - This tenement contains most of the prospective contact of the magnetic Petteer Calc-silicate and Quartpot Pelite, which was shown to host gold mineralisation at the Big Sky prospect; and
- E09/2100, E09/2138 and E09/2139 are very early stage exploration tenements with little or no demonstrated mineralisation.

Table 10 Comparative Transactions Valuation for the Camel Hills Project

Tenement	Mineral Asset	Area km ²	Value per km ²			Equity %	Valuation		
			Low \$	Preferred \$	High \$		Low \$M	Preferred \$M	High \$M
E09/2099	Exploration Area	217	1,000	1,500	2,000	100	0.217	0.326	0.434
E09/2100	Exploration Area	198	250	500	1,000	100	0.050	0.099	0.198
E09/2138	Exploration Area	198	250	500	1,000	100	0.050	0.099	0.198
E09/2139	Exploration Area	89.8	250	500	1,000	100	0.022	0.045	0.090
E52/3064	Exploration Area	74.4	250	500	1,000	100	0.019	0.037	0.074
TOTAL	Exploration Area	777.2	459	779	1,279	100	0.357	0.606	0.994

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.



Ravensgate also investigated using the MEE valuation method as providing a secondary valuation method for the Camel Hills project. Exploration expenditure by Lodestar recorded over the project tenure on exploration activities according to the Department of Minerals and Petroleum's Mineral Titles Online website totalled \$0.473M, with some tenure recording no expenditure as they were only recently granted. Previous companies' expenditure details are not known. Due to the lack of expenditure details Ravensgate has chosen not to attempt a secondary valuation using the MEE valuation method.

5.8 Summary Valuation

Ravensgate has concluded that the Lodestar's Western Australian projects are of merit and worthy of further exploration or development. A summary of Lodestar's project valuation in respective ownership terms is provided in Table 11. The applicable valuation date is 30 March 2017 and is derived from using the Comparable Transactions valuation method. The value of Lodestar's Western Australian projects are considered to lie in a range from \$0.898M to \$2.170M, within this range Ravensgate has selected a preferred value of \$1.464M.

Table 11 Lodestar's Project Technical Valuation in Equity Ownership Percentage Terms

Project	Mineral Asset	Equity %	Area km ²	Valuation		
				Low \$M	Preferred \$M	High \$M
Ned's Creek	Exploration Area	100	300	0.541	0.858	1.176
Camel Hills	Exploration Area	100	777.2	0.357	0.606	0.994
Total	Exploration Area	100	1,077.2	0.898	1.464	2.170

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

As the technical valuation for Lodestar's Western Australian projects are based on comparable market transactions it can be considered to also be the market value. The definition of market value that Ravensgate adopts is that used in the VALMIN code, which is the market value definition as defined by the International Valuation Standards Committee (IVSC).



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7. LIST OF ABBREVIATIONS

<i>A\$</i>	Australian dollar(s)
<i>AC</i>	Aircore (drill hole)
<i>ASX</i>	Australian Securities Exchange
<i>Au</i>	Gold
<i>Azi</i>	Azimuth
<i>g/t</i>	Grams per tonne
<i>IP</i>	Induced polarisation (geophysical survey)
<i>JORC Code</i>	2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<i>K</i>	Thousand(s)
<i>km</i>	kilometre(s)
<i>km²</i>	Square kilometre(s)
<i>m</i>	Metre(s)
<i>M</i>	Million(s)
<i>MAIG</i>	Member of the Australian Institute of Geoscientists
<i>MAusIMM</i>	Member of the Australasian Institute of Mining and Metallurgy
<i>mm</i>	Millimetre(s)
<i>Mt</i>	Million Tonnes.
<i>NPV</i>	Net present value
<i>oz</i>	Ounce (Troy ounce measure of weight)
<i>ppb</i>	Parts per billion; a measure of concentration
<i>ppm</i>	Parts per million; a measure of concentration
<i>QA/QC</i>	Quality Assurance / Quality Control
<i>RAB</i>	Rotary Air Blast (drill hole)
<i>RC</i>	Reverse circulation (drill hole)
<i>t</i>	Tonne(s)



8. GLOSSARY

<i>aircore drilling</i>	A relatively inexpensive drilling technique similar to RC drilling, in that the drill cuttings are returned to surface inside the rods.
<i>aeromagnetic</i>	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the Earth's magnetic field.
<i>anomalies</i>	An area where exploration has revealed results higher than the local background level.
<i>Archaean</i>	The oldest rocks of the Precambrian era, older than about 2,500 million years.
<i>assayed</i>	The testing and quantification metals of interest within a sample.
<i>bedrock</i>	Any solid rock underlying unconsolidated material.
<i>diamond drilling</i>	Drilling method employing a (industrial) diamond encrusted drill bit for retrieving a cylindrical core of rock.
<i>dolerite</i>	A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
<i>fault</i>	A wide zone of structural dislocation and faulting.
<i>geochemical</i>	Pertains to the concentration of an element.
<i>geophysical</i>	Pertains to the physical properties of a rock mass.
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
<i>greenschist</i>	A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite.
<i>greenstone belt</i>	A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies.
<i>magnetite</i>	A mineral comprising iron and oxygen which commonly exhibits magnetic properties.
<i>metamorphic</i>	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids
<i>outcrop</i>	Surface expression of underlying rocks.
<i>Precambrian</i>	A period of geological time older than 570 million years before present.
<i>Proterozoic</i>	An eon of geological time spanning the period from 2,500 million years to 570 million years before present
<i>RAB drilling</i>	Rotary Air Blast. A relatively inexpensive and less accurate drilling technique involving the collection of sample returned by compressed air from outside the drill rods.
<i>RC drilling</i>	Reverse Circulation. A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination.
<i>resource</i>	In situ mineral occurrence from which valuable or useful minerals may be recovered.
<i>rock chip sampling</i>	The collection of rock specimens for mineral analysis.
<i>sedimentary</i>	A term describing a rock formed from sediment.
<i>soil sampling</i>	The collection of soil specimens for mineral analysis.
<i>stratigraphic</i>	Composition, sequence and correlation of stratified rocks.
<i>strike</i>	Horizontal direction or trend of a geological structure.
<i>volcanics</i>	Rocks formed or derived from volcanic activity.



PROXY FORM

LODESTAR MINERALS LIMITED
ACN 127 026 528

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10.30 AM (WST), on 22 June 2017 at Level 1, 31 Cliff Street, Fremantle, Western Australia, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

Resolution 1 Conversion of Convertible Loan and Approval to Acquire Relevant Interest

FOR

AGAINST

ABSTAIN

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 Shareholder(s):

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Lodestar Minerals Limited, Level 1, 31 Cliff Street, Fremantle, WA, AUSTRALIA, 6959;
or
 - (b) facsimile to the Company on facsimile number +61 8 64447408,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.
