



Lodestar Minerals Limited ABN 31 127 026 528

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41 Stirling Highway
Nedlands WA 6009

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Nedlands WA 6909

Tel: +61 8 9423 3200
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Website
www.lodestarmaterials.com.au

4 February 2011

ASX Limited

Electronic lodgement

Dear Sir / Madam

**RE: INTERIM REPORT FOR THE HALF YEAR
ENDED 31 DECEMBER 2010**

We attach the half year report for Lodestar Minerals Limited for the six months ended 31 December 2010.

Yours faithfully
LODESTAR MINERALS LIMITED

A handwritten signature in black ink that reads "D McArthur".

DAVID McARTHUR
Director

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

31 DECEMBER 2010

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COMPANY DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Rhod Grivas

Non-executive Chairman
Appointed 13 August 2007

David McArthur

Executive director / Company Secretary
Appointed 13 August 2007

Bill Clayton

Managing Director
Appointed 2 November 2007

Mark Pitt

Non-executive director
Appointed 13 August 2007

REGISTERED AND PRINCIPAL OFFICE:

41 Stirling Highway PO Box 985
NEDLANDS NEDLANDS
WA 6009 WA 6909

Telephone: +61 8 9423 3200
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SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

BANKERS:

ANZ Banking Group Limited
31 Broadway
NEDLANDS
WA 6009

AUDITORS:

KPMG
Level 8
235 St George's Terrace
PERTH WA 6000

SOLICITORS:

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

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

WEBSITE AND EMAIL:

www.lodestarminerals.com.au
info@lodestarminerals.com.au

SECURITIES EXCHANGE:

Lodestar Minerals Limited shares are listed on the
Australian Securities Exchange (ASX) – code LSR

DIRECTORS' REPORT

The directors present their report together with the financial report for the six months ended 31 December 2010 and the audit review thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
William Clayton	Director since 2007
David McArthur	Director since 2007
Rhod Grivas	Director since 2007
Mark Pitt	Director since 2007

PRINCIPAL ACTIVITIES

The principal activity of the Group during the interim period was exploration and evaluation of nickel, copper / gold and other base metal interests.

RESULTS

The net loss of the Group for the interim period after income tax expense was \$244,985 (2009 loss: \$192,964).

DIVIDENDS

No dividend was paid during the interim period and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

Lodestar Minerals Limited is a Perth-based explorer with projects in the Peak Hill-Doolgunna, Kimberley and Kalgoorlie regions. Lodestar acquired the Peak Hill – Doolgunna project in March 2010. The Peak Hill – Doolgunna project forms the core of Lodestar's project portfolio and represents a strategic tenement holding of 2,000 square kilometres covering 120 kilometres of the Jenkin Thrust Belt, a regional fault system that is adjacent to the recently discovered DeGrussa Cu-Au deposit. Lodestar is embarking on an aggressive exploration program to assess the excellent potential of the emerging and under-explored north Murchison base metal province.

Other than exploration activities over its nickel, copper / gold and other base metal tenements as detailed in the quarterly exploration reports released to the market, there have been no other significant operations by the Group during the six months to 31 December 2010.

DIRECTOR'S REMUNERATION

On 29 September 2010 it was resolved to increase the executive remuneration of Mr Bill Clayton from \$150,000 p.a. (including superannuation) to \$180,000 p.a. (including superannuation), effective 1 October 2010. On 15th December 2010, the remuneration committee of the board approved an increase in Mr Clayton's executive remuneration to \$200,000 pa, plus superannuation, effective 1 January 2011.

On 14 December 2010, the remuneration committee of the board approved an increase in director's fees from \$30,000 to \$45,000 pa, plus superannuation to recognise additional roles on the Remuneration and Audit and Risk Management Committees, effective 1 January 2011.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Lodestar Minerals support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 30 June 2010 Annual Report.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the next page and forms part of the directors' report, for the six months ended 31 December 2010.

Dated at Perth this 4th day of February 2011.

Signed in accordance with a resolution of the directors.



DAVID McARTHUR
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG

Grant Robinson
Grant Robinson
Partner

Perth

4 February 2011

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Notes	31 December 2010 \$	30 June 2010 \$
Assets			
Cash and cash equivalents		2,829,630	1,302,616
Other receivables		22,082	11,140
Prepayments		11,731	10,433
Total current assets		2,863,443	1,324,189
Property, plant and equipment		7,797	8,849
Exploration and evaluation	7	8,135,249	7,806,641
Total non-current assets		8,143,046	7,815,490
Total assets		11,006,489	9,139,679
Liabilities			
Trade and other payables		80,870	96,208
Employee benefits		24,209	19,132
Total current liabilities		105,079	115,340
Total liabilities		105,079	115,340
Net assets		10,901,410	9,024,339
Equity			
Share capital	8	13,706,527	11,585,003
Reserves	8	324,360	323,828
Accumulated losses		(3,129,477)	(2,884,492)
Total equity attributable to equity holders of the Company		10,901,410	9,024,339

The condensed notes on pages 12 to 16 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

Notes	31 December 2010 \$	31 December 2009 \$
Continuing operations		
Administrative expenses	(203,136)	(143,417)
Exploration expenditure written off	7 (19,603)	(518)
Other expenses	(64,505)	(81,450)
Results from operating activities	(287,244)	(225,385)
Finance income	42,259	32,421
Net finance income	42,259	32,421
Loss before income tax	(244,985)	(192,964)
Income tax expense	-	-
Loss from continuing operations	(244,985)	(192,964)
Loss for the period	(244,985)	(192,964)
Other comprehensive income for the period, net of income tax	-	-
Total comprehensive loss for the period	(244,985)	(192,964)
Loss attributable to owners of the Company	(244,985)	(192,964)
Total comprehensive loss attributable to owners of the Company	(244,985)	(192,964)
Loss per share		
Basic and diluted (cents per share)	(0.33)	(0.39)

The condensed notes on pages 12 to 16 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Attributable to equity holders of the Company			Total \$
	Share capital \$	Equity-based benefits reserve \$	Accumulated losses \$	
Balance at 1 July 2010	11,585,003	323,828	(2,884,492)	9,024,339
Total comprehensive income for the year				
Loss for the period	-	-	(244,985)	(244,985)
Total other comprehensive expense	-	-	-	-
Total comprehensive expense for the period	-	-	(244,985)	(244,985)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Issue of ordinary shares	2,240,250	-	-	2,240,250
Capital raising costs	(118,726)	-	-	(118,726)
Share-based payment transactions	-	532	-	532
Total contributions by and distributions to owners	2,121,524	532	-	2,122,056
Total transactions with owners	2,121,524	532	-	2,122,056
Balance at 31 December 2010	13,706,527	324,360	(3,129,477)	10,901,410

The condensed notes on pages 12 to 16 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Attributable to equity holders of the Company			Total \$
	Share capital \$	Equity-based benefits reserve \$	Accumulated losses \$	
Balance at 1 July 2009	9,725,003	320,230	(1,743,172)	8,302,061
Total comprehensive expense for the year				
Loss for the year	-	-	(192,964)	(192,964)
Total other comprehensive expense	-	-	-	-
Total comprehensive expense for the year	-	-	(192,964)	(192,964)
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Share-based payment transactions	-	2,534	-	2,534
Total contributions by and distributions to owners	-	2,534	-	2,534
Total transactions with owners	-	2,534	-	2,534
Balance at 31 December 2009	9,725,003	322,764	(1,936,136)	8,111,631

The condensed notes on pages 12 to 16 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

Notes	31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(303,256)	(214,225)
Net cash from / (used in) operating activities	(303,256)	(214,225)
Cash flows from investing activities		
Interest received	35,109	31,383
Acquisition of property, plant and equipment	(300)	-
Payments for exploration, evaluation and development	(293,563)	(208,397)
Repayment / (payment) of deposit for investment	-	(120,000)
Net cash from / (used in) investing activities	(258,754)	(297,014)
Cash flows from financing activities		
Proceeds from issue of shares	2,207,750	-
Capital raising costs	(118,726)	-
Net cash from financing activities	2,089,024	-
Net decrease in cash and cash equivalents	1,527,014	(511,239)
Cash and cash equivalents at 1 July	1,302,616	2,544,204
Cash and cash equivalents at 31 December	2,829,630	2,032,965

The condensed notes on pages 12 to 16 are an integral part of these financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiary (together referred to as the “Group”).

The consolidated financial report of the Group as at and for the year ended 30 June 2010 are available upon request from the Company’s registered office at 41 Stirling Highway, Nedlands, Western Australia, 6009.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual consolidated financial report of the Group as at and for the year ended 30 June 2010.

The condensed consolidated interim financial report was approved by the Board of Directors on 4 February 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the condensed consolidated interim financial report is the same as those applied by the Group in its financial report as at and for the year ended 30 June 2010.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these condensed consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS9 *Financial Instruments*, which becomes mandatory for the Group’s 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

5. FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

6. OPERATING SEGMENTS

At the reporting date the Group had two reportable segments, being nickel and copper / gold exploration and evaluation in Western Australia.

Information about reportable segments

	Nickel		Copper / Gold		Total	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	\$	\$	\$	\$	\$	\$
Reportable segment loss before income tax	(19,603)	(518)	-	-	(19,603)	(518)
Other material non-cash items:						
Impairment loss on exploration and evaluation	(19,603)	(518)	-	-	(19,603)	(518)

	Nickel		Copper / Gold		Total	
	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010
	\$	\$	\$	\$	\$	\$
Reportable segment assets	5,380,373	5,333,014	2,754,876	2,473,627	8,135,249	7,806,641
Other material non-cash items:						
Capital expenditure	-	245,348	348,211	2,473,627	348,211	2,718,975

6. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment loss and assets

	31 December 2010 \$	31 December 2009 \$
Loss		
Total loss for reportable segments	(19,603)	(518)
Unallocated amounts: other corporate expenses	(267,641)	(224,867)
Finance income	42,259	32,421
	<u>(244,985)</u>	<u>(192,964)</u>
	31 December 2010 \$	30 June 2010 \$
Assets		
Total assets for reportable segments	8,135,249	7,806,641
Other assets	2,871,240	1,333,038
	<u>11,006,489</u>	<u>9,139,679</u>
Liabilities		
Total liabilities for reportable segments	(34,508)	(12,360)
Other liabilities	(70,571)	(102,980)
	<u>(105,079)</u>	<u>(115,340)</u>

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2010.

7. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2010 \$	30 June 2010 \$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	8,135,249	7,806,641
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	7,806,641	5,827,282
Acquisitions	61,453	2,083,374
Additions	286,758	635,601
Written off	(19,603)	(739,616)
	8,135,249	7,806,641

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

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

8. CAPITAL AND RESERVES

(a) Share capital

On 20 September 2010 the Company issued 9,250,000 shares at an issue price of 9.5 cents each.

On 29 October 2010 the annual general meeting of shareholders approved the issue of 13,989,474 ordinary shares at an issue price of 9.5 cents per share. These shares were issued on 5 November 2010.

On 15 December 2010 250,000 shares were issued at an issue price of 13 cents per share for the acquisition of tenements.

The number of shares on issue at 31 December 2010 was 88,989,477 (31 December 2009: 50,000,003).

(b) Reserves

The equity-based benefits reserve arises on the grant of equity instruments to key management personnel.

9. CONTINGENCIES

The Company has no contingent assets or liabilities.

10. COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2010 \$	31 December 2009 \$
<i>Mineral exploration</i>		
Not later than one year	1,122,650	380,138

11. SHARE BASED PAYMENTS

On 15 December 2010, 250,000 ordinary shares were issued at the market value of 13 cents per share fully paid, being consideration for the acquisition of two tenements in the Peak Hill – Doolgunna district. The cost of \$32,500 was capitalised as exploration.

12. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards (where applicable). Key management personnel received total compensation of \$153,882 for the six months ended 31 December 2010 (six months ended 31 December 2009: \$132,554).

(b) Other related party transactions

		Transactions value Six months ended		Balance outstanding	
		31 December 2010 \$	31 December 2009 \$	31 December 2010 \$	30 June 2010 \$
<i>Key management person</i>	<i>Transaction</i>				
	David McArthur	37,500	37,500	6,875	18,750
	Management fee			6,875	18,750
	Total and current liabilities			6,875	18,750

All outstanding balances with these related parties are to be settled in cash within 1 month of the balance sheet date. None of the balances are secured.

13. SUBSEQUENT EVENTS

There have been no matters of circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

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

- (1) the financial statements and notes set out on pages 7 to 16 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance, for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



DAVID McARTHUR
Director

Dated at Perth this 4th day of February 2010.



Independent auditor's review report to the members of Lodestar Minerals Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Lodestar Minerals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 13 and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of Lodestar Minerals Limited are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lodestar Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Lodestar Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG
KPMG

Grant Robinson
Grant Robinson
Partner

Perth

4 February 2011