



ASX ANNOUNCEMENT

31 October 2016

Electronic lodgement

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED
ABN: 32 127 026 528

CONTACT DETAILS

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CAPITAL STRUCTURE

Shares on Issue:
450,594,938 (LSR)

Options on Issue:
43,550,127 (unlisted)
26,457,092 (listed)
ASX: LSR

PROJECTS

Peak Hill – Doolgunna:
Camel Hills – gold
Neds Creek – gold
Marymia – gold
Imbin – gold and base metals



SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

NED'S CREEK – CONTESSA

- Assay results from a four hole RC program targeting a gradient array IP anomaly returned low gold values from zones of pyritic alteration¹.
- Aircore drilling around significant supergene gold mineralisation underway, targeting a local, structurally-controlled primary source.

NED'S CREEK – BRUMBY

- A single RC hole targeted a high grade gold intersection in RAB drilling and reported extensive low grade gold within a syenite host².
- Syenite-related targets include large, irregular internal zones and higher grade contact-related styles of gold mineralisation on the margins of the intrusion.
- Follow up aircore drilling of extensive surface lag and auger geochemical anomalies is planned as a priority.

NED'S CREEK – MARYMIA AND WEST PINNYRINY

- Surface geochemical sampling completed over the Marymia and West Pinnyriny tenements and results received in October.
- Multiple gold targets reporting up to 61ppb gold at Marymia, within highly prospective greenstone adjacent to major producing region³.
- Gold, arsenic and antimony anomaly extending over 600m defined at West Pinnyriny³.
- Neither area has been subjected to significant historic drilling.

CORPORATE

- Completion of fully underwritten rights issue to raise approximately \$643,000 before costs.
- Funds to be used on an upcoming aggressive aircore drilling program at Contessa and Brumby.

¹ See Lodestar's ASX announcements dated 22 July 2016 and 15 August 2016.

² See Lodestar's ASX announcement dated 15 August 2016.

³ See Lodestar's ASX announcement dated 18 October 2016.

NED'S CREEK (LSR – 100%) CONTESSA (E52/2456)

Assay results from a four hole RC program designed to test a gradient array IP chargeable anomaly adjacent to significant supergene gold mineralisation reported low grade or background gold mineralisation from variably altered and pyritic diorite.

A program of aircore drilling commenced in October to in-fill the existing 80m to 100m traverse spacing and more effectively test the potential for primary, structurally-controlled mineralisation as a source of the extensive supergene anomalies.

Lodestar has applied for two new tenements over areas that are interpreted to include the north eastern extension of the Contessa intrusive complex and surrounding Archaean terrane to the north. Both tenements are prospective for gold mineralisation and have limited previous exploration.

BRUMBY (E52/2456)

An RC drill hole testing a previous shallow gold intersection of 1m at 6.24g/t Au from 13m; 1m at 18.4g/t gold from 15m and 7m at 0.46g/t gold from 18m in reconnaissance RAB drilling (see Lodestar's ASX announcement dated 30 April 2013) reported anomalous (>0.1g/t) gold from 37m of the 99m hole. The best intersection was 7m at 0.51g/t gold from 45m, including 1m at 1.87g/t gold from 50m (see Lodestar's ASX announcement dated 15 August 2016). Although lower grade, this intersection is significant as it confirms an extensive mineralising event within a previously unrecognised syenite host rock, in an area of very limited and shallow drilling.

Brumby and Contessa form part of a large intrusive complex and, based on analogies with syenite associated gold deposits, show potential for both internal and contact-related styles of mineralisation (see Figure 1).

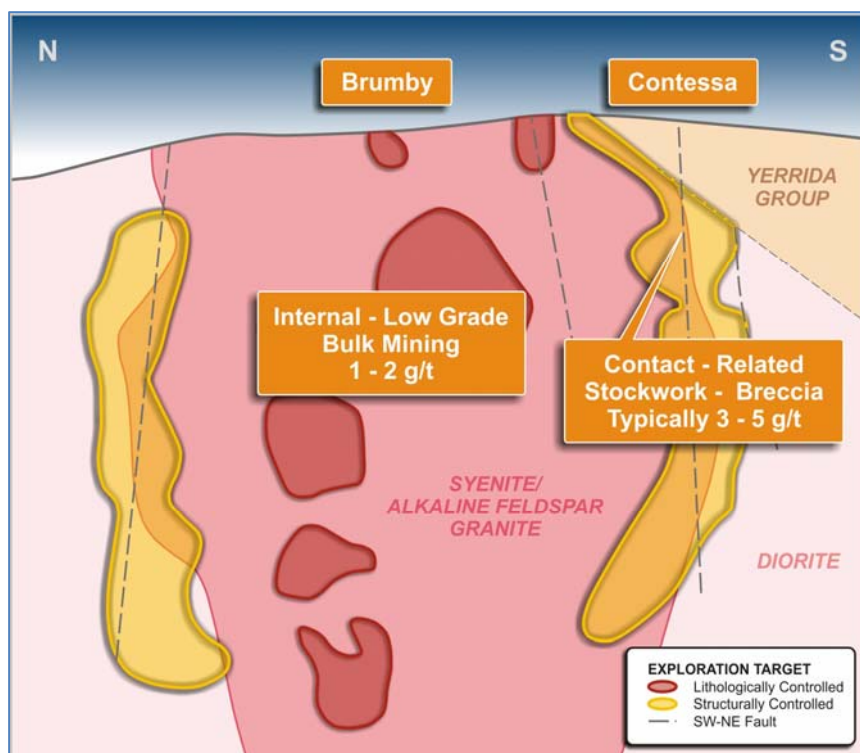


Figure 1: Exploration model for syenite and intrusion-related gold system.

Planned aircore drilling at Brumby will target gold anomalies in auger sampling adjacent to the syenite contact and will extend first-pass drilling over areas of anomalous surface lag and rock chip sampling.

MARYMIA AND WEST PINNYRINY (E52/2493 & E52/2734)

A geochemical sampling program of 1,000 samples was completed following the acquisition of detailed aeromagnetic data on which revised geological and structural interpretations were based. Assay results for the program were received in October (see Lodestar's ASX announcement dated 18 October 2016).

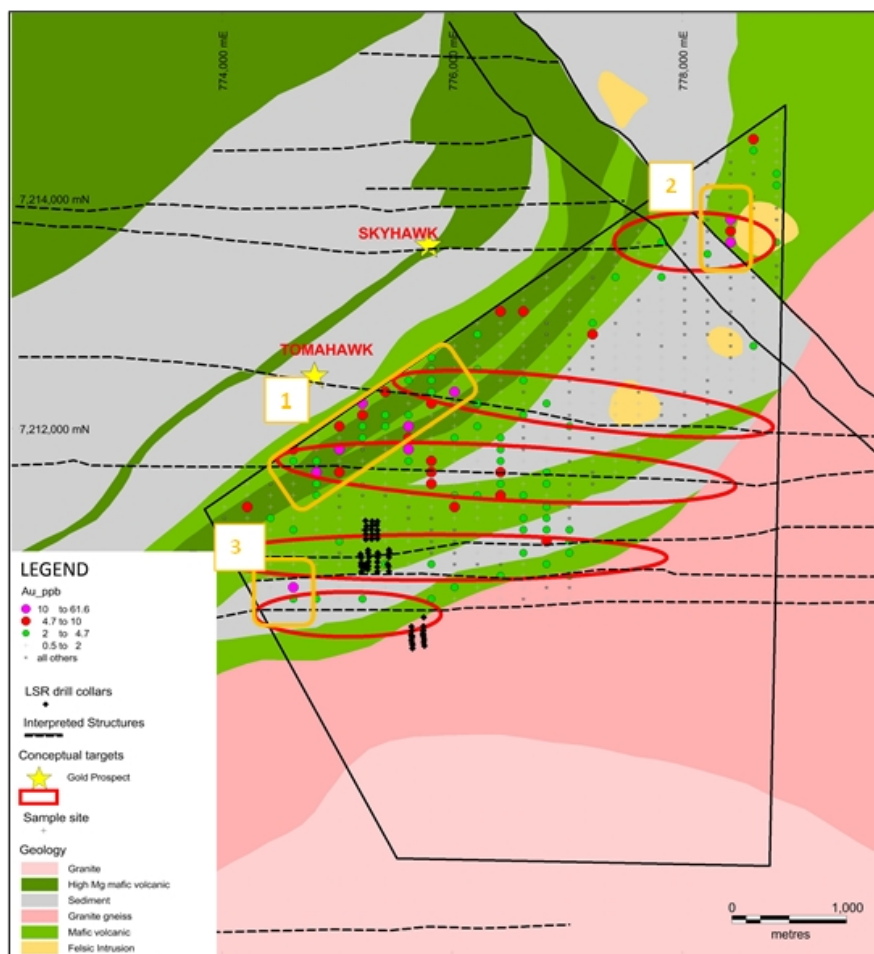


Figure 2: Soil geochemistry results showing anomalies and conceptual targets (red ellipses) interpreted from aeromagnetic data (MGA94 Zone 50).

Anomalous gold results from the Marymia program are closely correlated with conceptual targets developed from the aeromagnetic interpretation (see Figure 2). These targets include:

- Zone 1 is 1,200m long and contains the majority of anomalous results reported from the program. These anomalies correspond to the intersection of mafic contacts and east-west faults (identified from aeromagnetic interpretation) and cluster around the interpreted high Mg and high Fe units within the mafic sequence that are a preferred host for gold mineralisation. There is no historic drilling in this area.

- Zone 2 contains the maximum anomalous sample (61ppb Au) and is located adjacent to a magnetic anomaly interpreted to represent a felsic intrusive. This target has not been drill tested and may be analogous to the Mercuri and Venus deposits located to the east.
- Zone 3 is located on the faulted contact between mafic rocks and sediments, on an east-west structure and 600m west of the area where Lodestar's aircore drilling intersected low-level gold mineralisation (e.g. 5m at 0.1g/t Au in LMR046 and 5m at 0.45g/t Au in LMR047, see Lodestar's ASX announcement dated 27 January 2016).

WEST PINNYRINY

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

The sampling program identified numerous gold anomalous samples located on the margins of mafic volcanic units (interpreted from aeromagnetic data) and concentrated within an extensive zone of anomalous arsenic in the central part of the prospect (see Figure 3). The mafic units are poorly exposed and may have been repeated by thrust stacking and/or folding. Mafic units are separated by sediments comprising minor chert and quartz mica schists. Resolute Resources RAB drilled an area of anomalous rock samples (Au-As-Cu-Pb) and a low-level (2-4ppb Au) soil anomaly, intersecting anomalous gold at shallow depth (best intersection 10m at 0.34g/t Au).⁴ There has been no further drilling in this area. Lodestar's sampling demonstrates that a multi-element anomaly extends well beyond the area targeted by Resolute, around the margins of west and northwest trending mafic units, and is confirmation of a regional anomaly first identified by Lodestar's lag sampling. This area has no historic drilling and is a priority for follow up exploration.

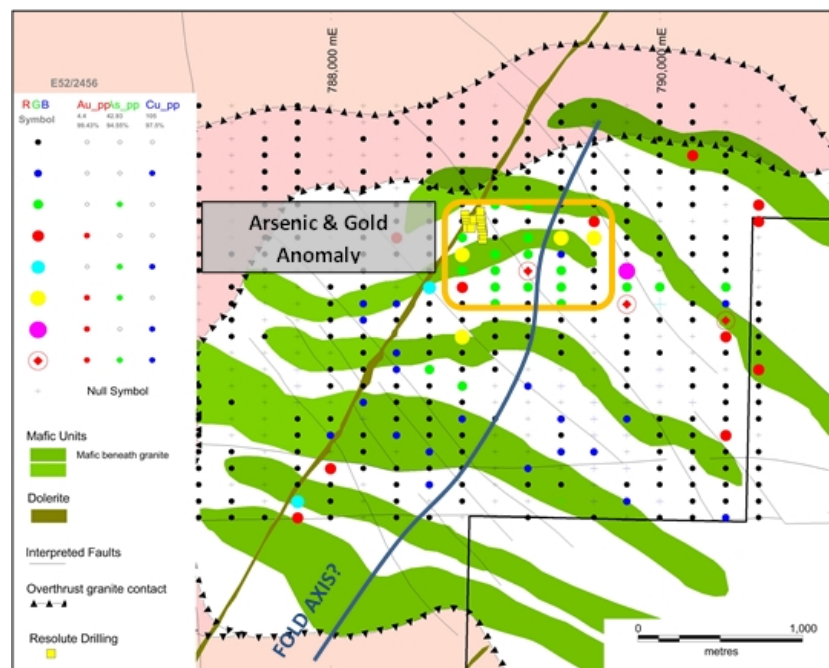


Figure 3: West Pinnyriny soil geochemistry multi-element (As-Au-Cu) anomaly (MGA94 Zone 50).

⁴ See Resolute Resource's annual report for E52/322, WA Department of Mines and Petroleum open file report no. A32637.

CAMEL HILLS (E09/2099)

A program of surface sampling is planned over the six kilometres of prospective contact of the Petter Calc-silicate unit, south west of Big Sky, targeting areas where regional drainage sampling by previous explorers has identified anomalous gold samples.

Big Sky

The interval 29m to 36m in RC drill hole LCC034 was submitted for screen fire assay gold analysis as 1m samples. Screen fire assay is a check assay method for the presence of coarse gold particles that may influence gold grades due to sample inhomogeneity, i.e. the “nugget effect”.

LCC034 was drilled immediately down-dip from the high grade gold intersections reported from LCC011 and LCC012 (see Lodestar’s ASX announcements dated 31 March 2016 and 20 April 2016). The screen fire assay did report the presence of a coarse gold fraction in the interval 35m to 36m, the interval returning an average grade of 3.64g/t gold. The remaining samples all reported insignificant coarse gold and sub-1g/t average grades, which is consistent with the initial assay results. The screen fire assay results indicate that coarse gold is not prevalent and therefore the results reported from the initial assays are a reflection of sparse mineralisation.

Drilling and surface exploration have demonstrated that the Petter-calcsilicate contact is regionally (and locally, strongly) anomalous in gold and this zone remains a prospective target for regional exploration.

Bill Clayton
Managing Director

Competent Person Statement

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

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the following ASX announcements:

- *“Big Sky Initial RC Drill Results” dated 31 March 2016*
- *“Final Gold Results from Big Sky RC Drilling” dated 20 April 2016*
- *“Initial Results from Contessa IP Target” dated 22 July 2016*
- *“Final RC Results from Contessa – Brumby” dated 15 August 2016 and*
- *“Multiple Gold Targets identified at Marymia and Pinnyriny” dated 18 October 2016*

These announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Table 1 Tenement Status at 30 September 2016

Tenement No.	Project	Expiry	Ownership	Status
E 5202734	Ned's Creek	23/08/2017	Lodestar 100%	
E 5202456	Ned's Creek	16/09/2020	Lodestar 100%	
E 5202468	Ned's Creek	16/09/2020	Lodestar 100%	
E 5202493	Ned's Creek	16/09/2020	Lodestar 100%	
E 5203473	Ned's Creek		Lodestar 100%	Application
E 5202440	Ned's Creek	19/08/2020	Lodestar 100%	58% partial surrender
E 69/3254	Imbin	26/05/2020	Lodestar 100%	
E 69/3255	Imbin	26/05/2020	Lodestar 100%	
E 69/3261	Imbin	26/05/2020	Lodestar 100%	
E 69/3263	Imbin	26/05/2020	Lodestar 100%	
E 69/3265	Imbin	20/07/2020	Lodestar 100%	
E 69/3271	Imbin	26/05/2020	Lodestar 100%	
E09/2099	Camel Hills	20/05/2020	Lodestar 100%	
E09/2100	Camel Hills	20/05/2020	Lodestar 100%	
E52/3064	Camel Hills	21/05/2020	Lodestar 100%	
E09/2138	Camel Hills	20/07/2021	Lodestar 100%	
E09/2139	Camel Hills	20/07/2021	Lodestar 100%	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LODESTAR MINERALS LIMITED

ABN

32 127 026 528

Quarter ended ("current quarter")

30 SEPTEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(276)	(276)
(b) development	-	-
(c) production	-	-
(d) staff costs	(74)	(74)
(e) administration and corporate costs	(50)	(50)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(400)	(400)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(21)	(21)
3.5 Proceeds from borrowings	100	100
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	79	79

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	375	375
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(400)	(400)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	79	79
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	54	54

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	54	375
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	54	375

Subsequent to the end of the quarter, the company raised \$643,707 through an Entitlements Issue.

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	71
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.1 - Includes salaries paid to directors, as well as superannuation paid on behalf of directors. A percentage of the Managing Director's salary has been expensed to exploration activities. Also, includes corporate and accounting services paid to a company associated with one of the directors.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	200	100
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

David McArthur, a director of the company, has provided the company with a draw down loan facility of up to \$200,000 for a period of 12 months or until a capital raising by the company. The loan is unsecured with interest payable at 10% per annum, quarterly in arrears.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	250
9.2 Development	-
9.3 Production	-
9.4 Staff costs	53
9.5 Administration and corporate costs	75
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	378

9.7 – On 19 October 2016, the company announced the successful completion of a rights issue to raise \$643,707 before costs.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
Director and Company Secretary

Date: 31 October 2016

Print name: David M McArthur

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.