



LODESTAR MINERALS LIMITED
ABN 32 127 026 528

PROSPECTUS

For an offer of 25,000,000 Shares at an issue price of \$0.20 each to raise \$5,000,000.



Underwriter

DJ Carmichael Pty Limited
ABN 26 003 058 857

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.
The Shares offered by this Prospectus should be considered highly speculative.

IMPORTANT NOTICE

This Prospectus is dated 8 November 2007 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Shares may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

MATERIAL RISKS – NICKEL RIGHTS

The Company has acquired the Nickel Rights which entitles it to explore for and mine nickel on the Tenements and Locations. The Company will not hold legal title to any of the Tenements and Locations. The Company is reliant on Dioro, as the legal holder of the Tenements and Locations, to comply with the conditions attaching to the Tenements and Locations. Should Dioro breach the conditions attaching to the Tenements and Locations, the Company's rights may be adversely affected.

The Board considers the Tenements and Locations to be prospective for nickel. Please refer to Section 5 and the Independent Geologist's Report in Section 7 for more information on the prospectivity of the Tenements and Locations. Additionally, please refer to the Solicitor's Report on Tenements and Locations in Section 10 for full information regarding the tenure in respect of the Nickel Rights. The Solicitor's Report on Tenements and Locations sets out every Tenement and Location over which the Company has Nickel Rights and details the agreement through which the Nickel Rights are obtained.

As the Company is not recorded as being registered as the holder of a legal interest in the Tenements and Locations, the Company may lodge a caveat to protect its interest. If the Company does not lodge a caveat or delays in lodging a caveat, the Company's rights over a particular Tenement or Location may be detrimentally affected. The Directors refer investors to paragraph 2 of the Solicitor's Report on Tenements and Locations in Section 10 where the Company's solicitors have specifically advised the Company to lodge caveats over the Tenements and Locations.

The Board notes that as at the date of this Prospectus, the Company had not lodged caveats in respect its rights over any of the Tenements and Locations. However, the Board accepts this advice and is in the process of arranging lodgement of caveats to protect its Nickel Rights. It is anticipated that registration of those caveats will occur before the Closing Date.

Investors should refer to Section 11 for a more comprehensive summary of the risks associated with an investment in the Company.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at www.lodestarminerals.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

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View of the terrain over the Horseshoe Mafic-Ultramafic Sequence

1. CORPORATE DIRECTORY

Directors

Bill Clayton (Managing Director)
Rhod Grivas (Non-Executive Chairman)
David McArthur (Executive Director)
Mark Pitt (Non Executive Director)

Company Secretary

David McArthur

Underwriter

DJ Carmichael Pty Limited
Level 11, Allendale Square
77 St George's Terrace
Perth WA 6000

Telephone: (08) 9263 5200
Facsimile: (08) 9263 5289

Independent Geologist

Peter F Robinson and Associates Pty Ltd
22 Honey Tree Place
Mandurah WA 6210

Telephone: (08) 9534 4777
Facsimile: (08) 9534 4888

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: 1300 557 010

Registered Office

Level 2, 45 Stirling Hwy,
Nedlands WA 6009

Telephone: (08) 9389 8799
Facsimile: (08) 9389 8327

Website: www.lodestaminerals.com.au

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
Perth WA 6000

Auditor

KPMG
152-158 St Georges Terrace
Perth WA 6000

Telephone: (08) 9263 7171
Facsimile: (08) 9263 7129

Investigating Accountant

KPMG
152-158 St Georges Terrace
Perth WA 6000

Telephone: (08) 9263 7171
Facsimile: (08) 9263 7129

2. MANAGING DIRECTOR'S LETTER

7 November 2007

Dear Investor

On behalf of the Directors of Lodestar Minerals Limited (**Company**), I am delighted to invite you to subscribe to the offer of 25,000,000 Shares at an issue price of \$0.20 each to raise \$5,000,000.

The Company has acquired the Nickel Rights to the highly prospective Penfolds Project. This project covers 3 nickel belts, and is only 12 kilometres from Kambalda, a world class nickel province in Western Australia.

The project area has had no nickel exploration undertaken in the last 15 years, due to the previous project owners focussing on the area's gold potential.

Nickel has already been discovered on the project, with 3 metres @ 3.1% nickel reported from the Abattoir prospect.

There is a lack of modern geophysical data in relation to the project area with no documented evidence of any previous airborne, surface or down hole geophysical techniques having been used over the area. These techniques have led to the discovery of numerous nickel deposits in recent times.

Due to the significant advances in drilling and geophysical techniques, many areas under cover can now be assessed to depths of 200-300 metres.

For these reasons, the Board are of the belief that the area is largely underexplored for nickel, and that the area's location offers an excellent opportunity for exploration success.

The Offer presents investors with the opportunity to share in the future of the Company. Before making any decision on this investment, I recommend that you read this Prospectus carefully. Should you have any questions, please contact Bill Clayton or David McArthur on (08) 9389 8799.

On behalf of the Directors, I commend this investment opportunity to you and look forward to welcoming you as a shareholder.

Mr B Clayton
Managing Director

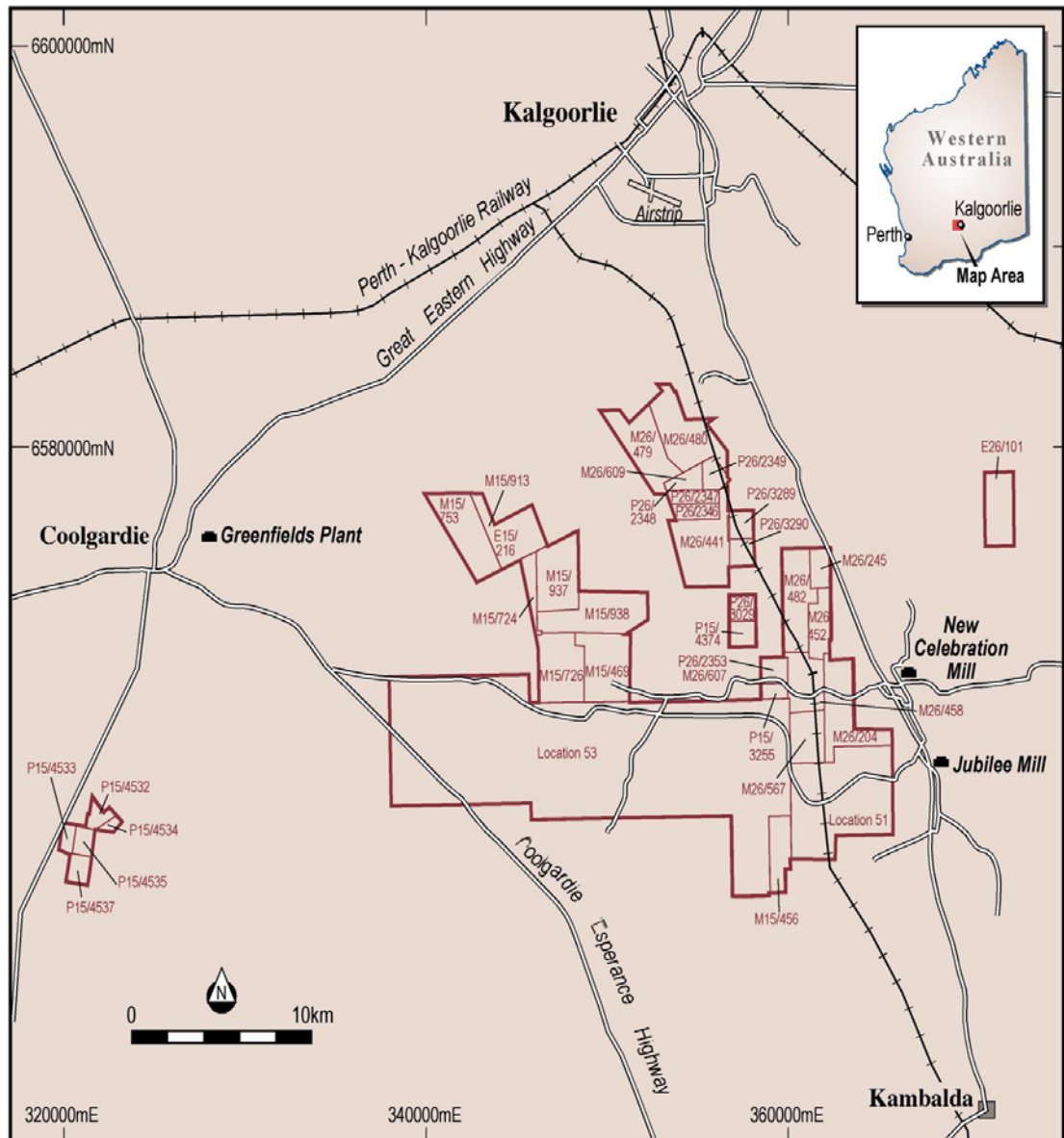
3. INVESTMENT OVERVIEW

3.1 Important Notice

This section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 Investment Highlights

Project Location



- The Company owns 100% of the Nickel Rights in the Penfolds Project - acquired from Dioro Exploration NL.
- Covers an area of approximately 332 square kilometres of highly prospective ground in the Eastern Goldfields Province between Kalgoorlie and Kambalda – a world class nickel province in WA.
- Limited exploration for nickel in last 15 years due to previous owners being gold focused.

- Previous geological work conducted on the Abattoir prospect has identified nickel mineralisation, including one intersection of 3m at 3.1% Ni from 85m.
- Independent Geologist has concluded that there is considerable potential for exploration success - given geological similarities with adjacent sequences, evidence of mineralisation at the Abattoir prospect and the limited effectiveness of previous exploration techniques.
- Appointment of Mr Bill Clayton as Managing Director – over 16 years experience in exploration and evaluation of Archaen nickel sulphide deposits in Western Australia.
- Highly experienced board [management and geological team] from Dioro Exploration NL with track record of major resource discovery.
- Close to infrastructure, including rail, highway and the regional and mining centre of Kalgoorlie.
- Offer is fully underwritten by DJ Carmichael Pty Limited.

3.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	8 November 2007
Record Date	5:00 pm WDST on 12 November 2007
Opening Date	16 November 2007
Closing Date of Pro-rata Priority Offer	5:00 pm WDST on 30 November 2007
Closing Date of General Offer	5:00 pm WDST on 3 December 2007
Despatch of Holding Statements	7 December 2007
Expected date for listing on ASX	12 December 2007

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

3.4 Objectives

The area over which Lodestar has the Nickel Rights is strategically located and largely underexplored using modern techniques. The Company aims to identify and develop an economic orebody through a program of geophysics and drilling.

In the short to medium term, the Company intends to undertake the following steps to achieve this objective:

- Detailed mapping and re-interpretation of local stratigraphy;
- Geophysics over the area, particularly under transported cover and/or deeper mineralisation occurring below the depth of weathering; and
- Follow up drilling of known areas of nickel discovery, and new areas identified through geophysics.

On completion of the Offer, the Board believes the Company will have sufficient working capital to carry out these objectives.

3.5 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 11 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 11 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

3.6 Purpose of the Offer and Use of Proceeds

The purpose of the Offer is:

- to provide the Company with the funding required to advance the exploration for Nickel on the Penfolds Project in accordance with the objective set out in Section 3.4 above;
- to facilitate the listing of the Company on the ASX; and
- to provide funds for general working capital purposes.

If the full subscription of \$5,000,000 is raised from the Offer, the Company intends to apply funds raised from the Offer as follows:

	Year 1 (\$)	Year 2 (\$)	Total (\$)
Evaluation and exploration (refer to Section 5.4)	1,450,000	1,600,000	3,050,000
Acquisition costs (including stamp duty)	215,000	Nil	215,000
Expenses of Offer	400,000	Nil	400,000
Administration Costs	500,000	500,000	1,000,000
Project Generation	50,000	50,000	100,000
Unallocated working capital	50,000	185,000	235,000
Total	2,665,000	2,335,000	5,000,000

3.7 Effect of the Offer

The principal effect of the Offer if fully subscribed will be to:

- (a) increase cash reserves by approximately \$4,600,000 after deducting estimated expenses of the Offer; and
- (b) increase the number of Share on issue from 25,000,003 as at the date of this Prospectus to 50,000,003 Shares.

3.8 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below¹:

Shares	Number
Shares on issue at date of Prospectus	25,000,003
Shares now offered ¹	25,000,000
Total Shares on issue at completion of the Offer	50,000,003

Options	Number
Options on issue at date of Prospectus ²	4,500,000
Total Options on issue at completion of the Offer	4,500,000

Notes:

¹ Refer to the Financial Information and Investigating Accountant's Report in Sections 8 and 9 of the Prospectus respectively for further information. The rights attaching to the Shares are summarised in Section 12.1 of this Prospectus.

² The terms and conditions of the Options are summarised in Section 12.2 of this Prospectus.

3.9 Restricted securities

Subject to the Company being admitted to the Official List, certain of the Shares and Options issued to the related parties or promoters of the Company prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow.

4. DETAILS OF THE OFFER

4.1 The Offer

Pursuant to the Offer, the Company invites applications for 25,000,000 Shares at an issue price of \$0.20 each to raise \$5,000,000. The Offer is underwritten by DJ Carmichael Pty Limited.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

4.2 Pro-rata Priority Offer and General Offer

Pro-rata Priority Offer

Of the 25,000,000 Shares being offered, 20,000,000 Shares are being offered as a pro-rata priority entitlement to Dioro Shareholders registered as at the Record Date.

All Eligible Dioro Shareholders will be sent a copy of the Prospectus together with a copy of a Pro-rata Priority Offer Application Form.

Allocation of Shares applied for under the Pro-rata Priority Offer will be made pro-rata to the number of Dioro Shares held by each Eligible Dioro Shareholder. However, where the number of Dioro Shares held by an Eligible Dioro Shareholder results in an Entitlement of less than 10,000 Shares, such investors are encouraged to apply for further Shares by completing the space provided on the Pro-rata Priority Offer Application Form to round up their application to a minimum parcel of 10,000 Shares.

Shares applied for in excess of an Entitlement will be considered as part of the General Offer.

The Underwriter has undertaken to endeavour to ensure as many Shareholders as possible receive a minimum parcel of 10,000 Shares. However, the Board and Underwriter retain absolute discretion when deciding whether or not to accept, in part or in full, any particular Application made in excess of an Entitlement and will not be liable to any Dioro Shareholder who is not allocated further Shares in excess of their Entitlement.

General Offer

The General Offer will be a minimum of 5,000,000 Shares, with the balance of any Shares not applied for by Eligible Dioro Shareholders under the Pro-rata Priority Offer also forming part of the pool for the General Offer.

Shortfall Offer

That part of the Pro-rata Priority Offer and General Offer not taken up will form part of the Shortfall and will revert to the Underwriter (and/or its nominees).

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Shares offered pursuant to the Shortfall Offer shall be \$0.20 each, being the price at which the Offer has been offered pursuant to this Prospectus. The Shortfall shall be placed at the direction of the Underwriter and an application should only be made under the Shortfall Offer if directed to do so by the Underwriter.

The Underwriter reserves the right to allot to a Shortfall Applicant a lesser number of Shares than the number for which the Shortfall Applicant applies, or to reject an application, or to not proceed with placing the Shortfall (pursuant to the Underwriting Agreement).

4.3 Applications

Applications for Shares under the **Pro-rata Priority Offer** must be made using the blue **Pro-rata Priority Offer Application Form**.

Applications under the Pro-rata Priority Offer will only be accepted if made in the same name as the registered Dioro Shareholder.

In addition, applications made for Shares in excess of an Entitlement in order to increase an application to a minimum parcel of 10,000 Shares may be made using the Pro-rata Priority Offer Application Form by completing the space provided on the Pro-rata Priority Offer Application Form.

Applications for Shares under the **General Offer** must be made using the white **General Offer Application Form** attached to this Prospectus. Applications under the General Offer must be for a minimum of 10,000 Shares and thereafter in multiples of 500 Shares.

Applications for Shares under the **Shortfall Offer** must be made using the **Shortfall Offer Application Form** attached to this Prospectus but only if directed to do so by the Underwriter.

Payment for the Shares must be made in full at the issue price of \$0.20 per Share.

Completed Pro-rata Priority Offer Application Forms and accompanying cheques must be mailed to:

Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

Completed General Offer Application Forms and Shortfall Application Forms and accompanying cheques must be mailed or delivered to:

DJ Carmichael Pty Limited
Level 11, Allendale Square
77 St Georges Terrace
PERTH WA 6000

Cheques should be made payable to "Lodestar Minerals Limited – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms in respect of the Pro-rata Priority Offer must reach the above address by no later than the Pro-rata Priority Offer Closing Date. Completed Application Forms in respect of the General Offer must reach the above address by no later than the General Offer Closing Date.

The Company reserves the right to extend the offer or close the Offer early.

4.4 Oversubscriptions

No oversubscriptions will be accepted by the Company.

4.5 Allotment

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the General Offer Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors, in consultation with the Underwriter, reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application, except in relation to Shares applied for under the Pro-rata Priority Offer. The terms of the Underwriting Agreement provide that the Company must not allot any Shares pursuant to the General Offer if so directed by the Underwriter. The effect of this term of the Underwriting Agreement is that the Underwriter has the discretion to require the Company to reject an Application for Shares.

Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the Applicant within seven (7) days of the allotment date.

4.6 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not admit the Shares to Official Quotation within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

4.7 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

4.8 Underwriter

The Offer is underwritten in full by DJ Carmichael Pty Limited (refer to Section 12.3(b) for full details). Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting fee of 5.5% of the amount to be raised under this Prospectus, along with reimbursement of expenses.

4.9 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, holders of Shares will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

4.10 Privacy Statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4.11 Queries

This Prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your stockbroker, financial planner, accountant, lawyer or independent financial adviser.

5. COMPANY AND PROJECT OVERVIEW

5.1 Background

The Company was incorporated on 13 August 2007 as a wholly owned subsidiary of Dioro Exploration NL (**Dioro**), a company listed on ASX.

In consideration for Dioro granting the Company the Nickel Rights over the Tenements and Locations, (refer to Section 5.3) the Company issued Dioro 25,000,000 Shares (**Consideration Shares**).

Dioro Shareholders approved a pro rata in specie distribution of the Consideration Shares to Dioro Shareholders at Dioro's general meeting held on 12 October 2007. Following this distribution, completed on 29 October 2007, the Company is no longer a wholly owned subsidiary of Dioro and the Company and Dioro now carry on separate business activities.

5.2 Details on the Company's Projects

Lodestar has acquired the Nickel Rights over the Penfolds Project which is located 12 kilometres from Kambalda, a world class nickel province in Western Australia. The Tenements and Locations have historical sulphide nickel intercepts at the Abattoir prospect, and remain largely underexplored using modern geophysical and drilling techniques.

The Penfolds Project is considered highly prospective due to:

- its location covering three nickel belts, 12 kilometres from Kambalda, a world class nickel province in Western Australia;
- its dormant exploration status with no nickel exploration undertaken on the project in the last 15 years due to the projects ownership by large gold-focussed explorers;
- its historical sulphide nickel intercepts including 3m @ 3.1% Ni at the Abattoir prospect; and
- the lack of modern geophysics with no documented evidence of any previous airborne, surface or down hole geophysical techniques. These techniques have led to the discovery of numerous nickel deposits in recent times.

The Penfolds Project covers an estimated 48 strike kilometres of mafic-ultramafic stratigraphy within the Coolgardie and Kambalda tectono-stratigraphic domains. Both the Coolgardie and Kambalda domains have demonstrable endowment of komatiite - hosted nickel sulphides, with the Kambalda domain being the type example of this style of mineralisation and having produced more than 1 million tonnes of Ni metal.

The ultramafic sequences within the Penfolds Project have close similarities in komatiite composition, stratigraphic relationships and age to the adjacent mineralised camps at Kambalda, Widgiemooltha and the Nepean deposit south of Coolgardie. The Penfolds Project tenements fall largely within the Coolgardie domain where tight upright folding and strike parallel shearing have probably combined to attenuate and alter local zones of thickening (troughs) within the ultramafic on the fold limbs, in effect making identification of these targets more difficult.

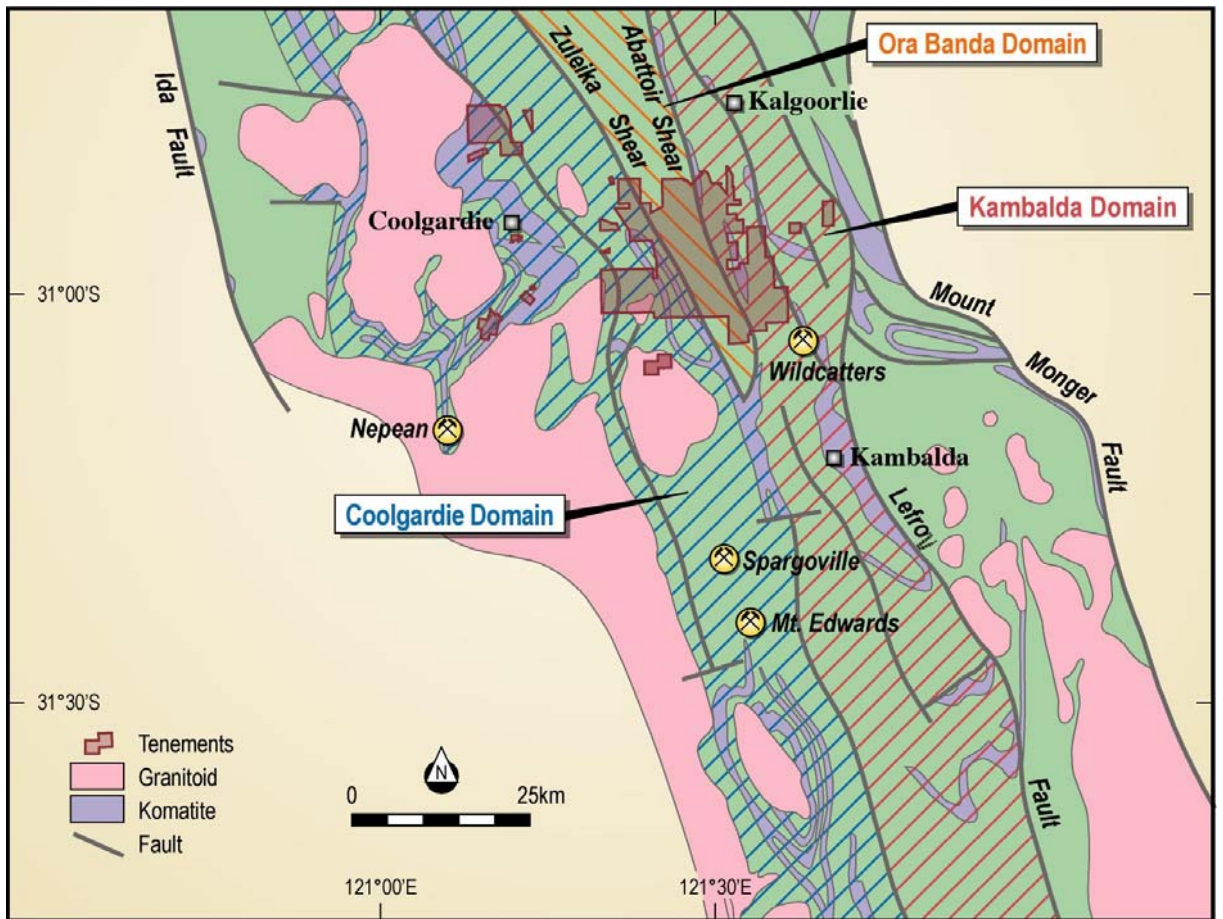


Figure 1 – Geological domains, nickel deposits and project area

Given the evident similarities in age, stratigraphic relationships and composition of the project ultramafic sequences to those of proximal, renowned nickel camps there is high potential for the project having similar nickel sulphide occurrences.

The enigmatic Abattoir Prospect, on Location 53, remains the obvious target for immediate exploration. The effectiveness and intensity of previous nickel exploration also requires critical assessment. Clearly, in areas of outcrop, surface exploration techniques such as geological mapping and prospecting, costeaming and geochemical sampling, have been highly effective in identifying mineralisation that extends into the zone of weathering.

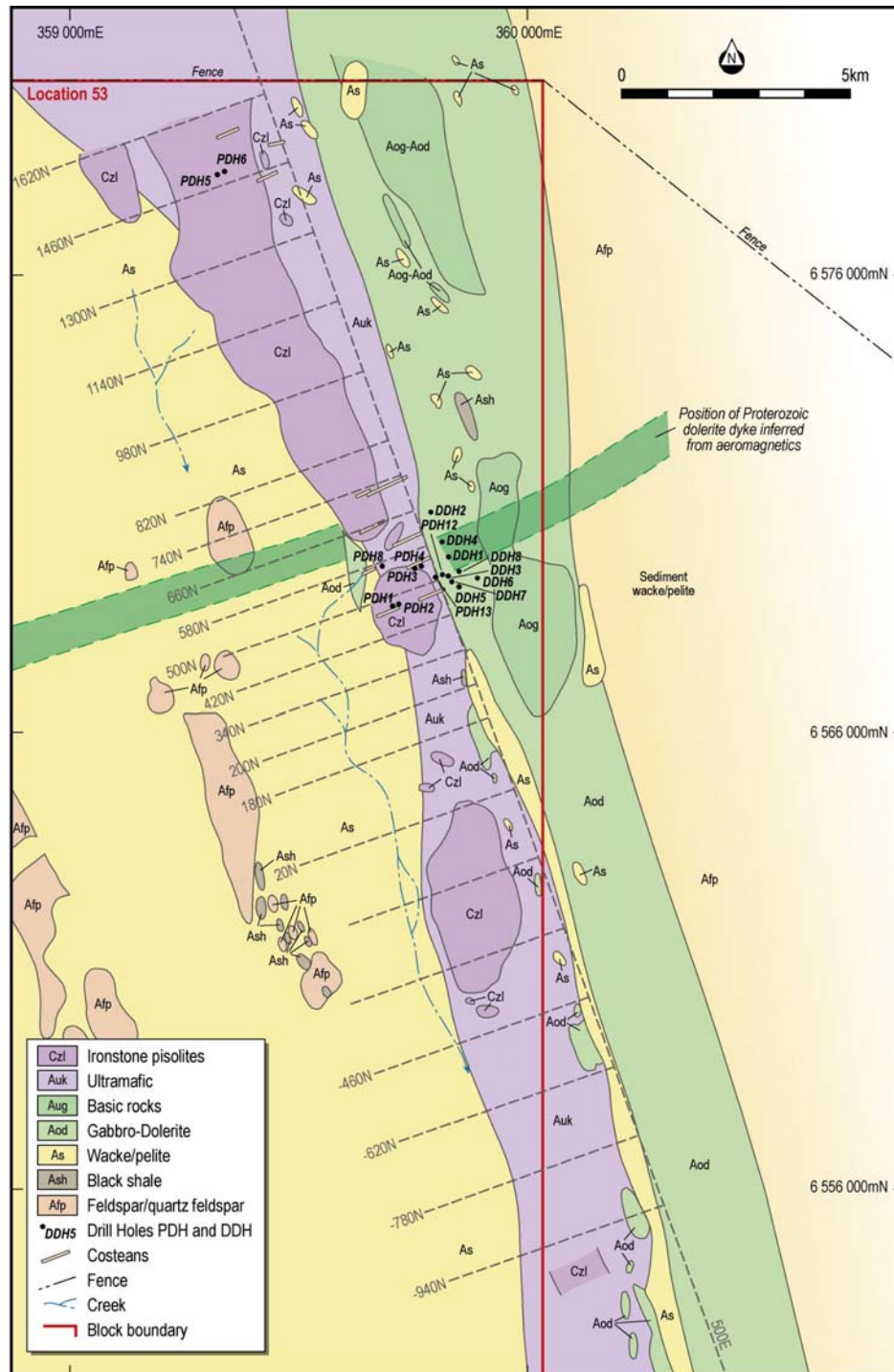


Figure 2 – Geology of the Abattoir Prospect

The main phase of nickel exploration in the 1960's and 1970's identified all areas where these techniques were likely to be effective. The ultramafic sequences are known to extend under cover along strike from outcrops (from the aeromagnetic data), where the techniques employed by earlier explorers were less effective due to the lack of geochemical indicators in transported surface material and where drilling was employed, the common inability of the drilling

methods to provide meaningful samples in areas of high water table, soft clays or broken, indurated zones within the regolith.

There has been a lapse of thirty years in systematic exploration for nickel sulphide mineralisation within the project area (a period during which gold was the commodity of interest), during which time exploration technology has enjoyed significant advances in drilling and geophysical techniques, and many areas under cover can now be effectively assessed to depths of 200-300m.

Further, there is now an awareness of the importance of regolith interpretation when analysing geochemical surveys and a willingness to drill to bedrock in areas where reliable geochemical information is required. The greatest opportunities for exploration success are believed to exist where ultramafic sequences under cover remain under-explored; in these areas shallow mineralisation, extending into the regolith may have gone unrecognised.

Similarly, deeper targets, represented by mineralisation below the base of weathering and having no surface geochemical expression are also likely to have been overlooked.

The main features of the Penfolds Project assessment are:

- The ultramafic sequences have the same age, stratigraphic association and composition as ultramafics hosting the Kambalda - Widgiemooltha nickel camps and the Nepean nickel deposit. The Penfolds Project also includes the strike extension of the ultramafic sequence hosting the Wildcatters Prospect. On this basis the potential for nickel mineralisation occurring within the Penfolds Project must be considered high;
- Historic exploration concentrated around areas of outcrop, ultramafic sequences under cover were generally not as effectively explored due to limitations in drilling equipment and geophysical surveying;
- Nickel sulphide mineralisation identified in an unusual setting at the Abattoir Prospect has not been explored conclusively; and
- The greatest potential remains for the discovery of mineralisation under transported cover and/or deeper mineralisation occurring below the depth of weathering.

Detailed mapping and re-interpretation of local stratigraphic younging directions since the nickel boom era indicates opportunities exist for further testing of basal contact positions. In some areas the basal contact may have been previously mis-interpreted by earlier explorers as a hangingwall contact.

Further details in relation to the nickel prospects are contained in the Independent Geologist's Report at Section 7 of this Prospectus.

5.3 Nickel Rights

On 12 October 2007, the Company entered into a sale agreement with Dioro Exploration NL to acquire the sole and exclusive right to explore for and mine nickel on the Tenements and Locations (**Nickel Rights**) (**Sale Agreement**).

Dioro is to hold the Nickel Rights on trust for the Company as title is not capable of being legally transferred. The Company is in the process of arranging lodgement of caveats to protect its Nickel Rights. It is anticipated that registration of those caveats will occur before the Closing Date.

The Tenements have been separated into three categories of priority – nickel priority, gold priority and equal priority. The rights and obligations for both the Company and Dioro with respect to each priority area of Tenements are different. A special lease will be entered into between the Company and Dioro (or an associated company) in relation to the Nickel Rights relating to the Locations.

The Sale Agreement also documents the rights and obligations of the Company and Dioro with respect to Royalties that exist on the Tenements insofar as they relate to Nickel Rights as well as the priority if either party confirms a defined resource as that term is defined under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, with more than 25% in the measured and indicated category.

A detailed explanation is provided in the material contract summary contained in Part II of the Solicitor's Report on Tenements and Locations contained in Section 10 of the Prospectus.

5.4 Exploration Expenditure

Lodestar will implement a focused exploration program to assess the nickel potential of the Penfolds Project. Exploration work plans and budgets are detailed in the Independent Geologist's Report in Section 7 with expenditure of \$3,050,000 proposed for the 2008 and 2009 calendar years. The program includes 14,000m of drilling in 2008 and a further 16,600m in 2009. Initial exploration will be targeted at the Abattoir prospect whilst evaluation and compilation of the historic information proceeds. In addition Lodestar will commence a regional surface moving loop EM program with an initial focus on the Abattoir and adjacent ultramafic sequences within the Kambalda domain. The aim is to rapidly evaluate the Abattoir prospect whilst generating further targets within the adjacent ultramafic sequences and sequentially extending the EM program to cover the Saddle Hills and Horseshoe ultramafics.

Proposed exploration expenditure for 2008 – 2009

Ultramafic Sequence	Calendar 2008	Calendar 2009
Abattoir-Moorebar East	Geological Mapping Data Compilation Drilling: 3000m RC, 1000m diamond coring Geophysics: Moving loop EM, Down hole EM \$600,000	Drilling: 3000m RC, 1600m diamond coring Geophysics: down hole EM, Fixed loop EM \$600,000
Saddle Hills	Data Compilation Drilling: 10000m RAB Geophysics: Moving loop EM \$700,000	Drilling: 5000m RAB, 5000m RC Geophysics: down hole EM, Fixed loop EM \$750,000
Horseshoe	Data Compilation Geophysics: Moving loop EM \$150,000	Drilling: 2000m RC Geophysics: down hole EM \$250,000
TOTAL	\$1,450,000	\$1,600,000

The above exploration programs and budgets will be subject to modification on an ongoing basis depending on the results from exploration activities as they are carried out.

Depending on market conditions, the results from activities carried out, the development of new opportunities and/or any number of factors (including the risk factors set out in Section 11 of this Prospectus), actual expenditure levels may differ from the estimates above. The Company may also capitalise on other resource opportunities as they arise which may result in costs being incurred that are not detailed in the above estimates.

5.5 Nickel Market

Introduction

Nickel was first isolated in the 18th century as a separate element, but at that time there was no distinct use for the ore. In later years it was discovered that primary nickel resists corrosion, can maintain its physical properties under extreme temperatures and has a melting point of 1452°C, almost as high as that for iron.

With these properties recognised, the mining, smelting and development of nickel began in earnest. It was then subsequently discovered that by combining nickel with steel, the durability and strength of steel was increased enormously, along with the corrosive resistance. This combination remains to the present day, and provides the largest consumer of primary nickel, with the end result being stainless steel.

Supply and Demand

In the present market, 65% of nickel is used in stainless steel applications, followed by 12% in non-ferrous alloys, 10% by other steel alloys, 8% in electroplating and 5% in other applications including chemicals.

While nickel demand world wide declined in 2002 and 2003 before recovering throughout the Americas in 2004, and Europe in 2005, during the same period demand for the metal rose strongly in Asia, as demonstrated by 2006's 35% increase in consumption compared to 2002. In 2006 the largest nickel producing continent was Europe, producing 512,400 tonnes, followed by America and then Asia with 324,000 and 303,600 tonnes respectively. In the same year the primary users of nickel were Asia and Europe, using 681,800 and 489,000 tonnes each. These figures are illustrated in the tables below (Figures 1 and 2).

Despite record levels of production in 2006, world demand for nickel continues to rise with growth concentrated in China. This trend is expected to continue given the rapid industrialisation of China, where nickel plays a large role in building and infrastructure construction.

Primary Nickel Production (000 tonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Africa	52,5	53,9	53,4	50,2	52,9	55,0	54,0	54,8	55,5	56,1
America	257,5	264,1	238,5	253,0	274,1	290,5	281,4	313,1	307,6	324,2
Asia	178,3	175,1	187,7	221,8	213,5	220,3	238,9	249,5	271,0	303,6
Europe	411,3	424,5	419,2	403,1	445,5	433,7	451,4	468,5	485,2	512,4
Oceania	117,9	124,1	124,7	154,5	174,0	180,7	166,5	166,3	177,4	165,7
World Total	1017,6	1041,7	1023,5	1082,5	1160,0	1180,2	1192,2	1252,1	1296,7	1362,0

Figure 1

Primary Nickel Usage (*000 tonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Africa	31,0	31,2	33,2	32,2	31,2	35,9	45,5	45,5	32,0	42,0
America	185,3	183,2	193,4	193,3	170,7	159,7	159,0	164,6	174,1	180,4
Asia	409,2	377,0	430,4	465,0	441,5	501,2	550,4	579,6	590,8	681,8
Europe	389,0	415,7	422,5	430,1	458,4	476,0	461,0	454,3	447,2	489,0
Oceania	1,9	2,1	2,1	2,0	2,0	2,0	2,7	2,0	2,8	2,9
World Total	1016,4	1009,2	1081,6	1122,6	1103,8	1174,8	1218,6	1245,9	1246,9	1399,1

Figure 2

Price Movements

Up until 2003, the price of nickel remained below \$10,000 per tonne, though with an increasing appetite for nickel in Asia the price of the metal rose through \$14,000 per tonne in 2005 until it reached a peak of \$52,179 per tonne in May 2007. The decline in the nickel cash price between May 2007 and August 2007 is likely to be attributed to the notion that the sharp spike in price was due to speculative investment rather than being based upon market fundamentals. The nickel price between 2002 and 2007 is demonstrated below in Figure 3.

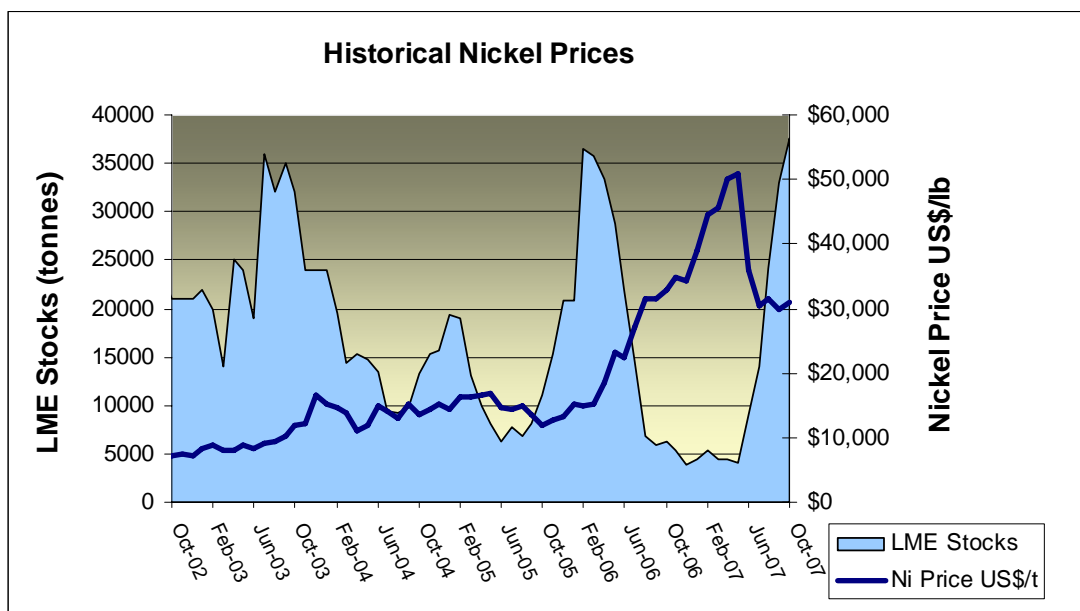


Figure 3

ABARE (The Australian Bureau of Agricultural and Resource Economics) forecasted in June 2007 that nickel production would continue to increase towards the end of 2008 as growth in mine production continues to rise along with growth in demand. The nickel price is likely to then settle around the US\$35,000 per tonne as the supply and demand situation becomes an increasingly level playing field.

6. BOARD & MANAGEMENT

6.1 Directors

Mr William (Bill) Clayton, Managing Director

B.Sc (Hons), M.Sc., MBA (Mineral Economics)

Mr Clayton, aged 51, has more than 16 years experience in exploration and evaluation of Archaean nickel sulphide deposits in Western Australia. Following project geologist roles supervising drilling programs on the Mount Keith and Goliath-Yackabindie nickel sulphide deposits he joined Outokumpu Australia in 1992 as exploration geologist and carried out regional mapping and drilling campaigns throughout the Forrestania greenstone belt, later moving to the role of underground mine geologist. In 1996 he joined Forrestania Gold and shortly after participated in the discovery of the Emily Ann deposit. This led to key supervisory roles with LionOre in the evaluation of the Maggie Hays, Emily Ann and Waterloo - Amorarac deposits. He completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for the geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.

Mr Rhod Grivas, Non-Executive Chairman

Mr Grivas, aged 40, is a geologist with over 19 years experience in all technical aspects of exploration from grassroots through to resource estimation and feasibility. He held a number of director and management positions with junior resource companies and worked at Gilt- Edged Mining NL prior to its takeover by Goldfields Limited (now Barrick(PD) Australia Limited), as the Kundana exploration manager during the discovery by Gilt Edged Mining of a one million ounce gold resource.

Mr David McArthur, Executive Director

Mr McArthur, aged 49, is a chartered accountant, with over 28 years experience in the accounting and finance profession. During this time he has focussed on the mining industry and has been involved in the financial and corporate management of a large number of public listed company, both in an executive and non-executive board capacity

Mr Mark Pitt, Non-Executive Director

Mr Pitt, aged 58, is a mining engineer with extensive experience in mining projects. Mr Pitt has had a strong background in nickel development in Australia. He worked as a mining engineer in the development of the Nepean mine at Coolgardie, the Redross mine at Widgiemooltha and Yabulu in Queensland. During his extensive career Mr Pitt has provided mining engineering services to several public companies. Work experience includes mine management, mine planning and permitting, feasibility studies and mine financing.

6.2 Corporate Governance

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Company's main corporate governance policies and practices are outlined below:

6.2.1 The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (d) developing initiatives for profit and asset growth;
- (e) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (f) acting on behalf of, and being accountable to, the Shareholders; and
- (g) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

6.2.2 Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

6.2.3 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

6.2.4 Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$250,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

6.2.5 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

6.2.6 Audit committee

The Company will not have a separate constituted audit committee.

6.2.7 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

6.2.8 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

7. INDEPENDENT GEOLOGIST'S REPORT



Peter F Robinson & Associates Pty Ltd
MINERAL EXPLORATION CONSULTANTS AND MANAGERS

ABN 51 009 224 695

22 Honeytree Place, MANDURAH, WA 6210. Phone 95344777, Fax 95344888, Mob 0419 901 980

5 November 2007

The Directors
Lodestar Minerals Ltd
PO Box 985,
Nedlands WA 6909

Dear Sirs,

Lodestar Minerals Limited (“Lodestar”) commissioned Peter F Robinson and Associates Pty Ltd (“PFR”) to prepare an Independent Technical Report on mineral exploration properties located in the Kalgoorlie Region of Western Australia in which Lodestar has an interest. Dioro Exploration NL (“Dioro”) signed a heads of agreement with Harmony Gold in July 2006 to purchase the Penfold Project and sold the nickel rights of the project to Lodestar Minerals Limited on 12 October 2007.

This report forms part of a prospectus to be lodged with the Australian Securities Commission (“ASIC”) on or about 6 November 2007 for the issue of 25,000,000 million shares at an issue price of 20 cents each to raise \$5 million. The funds raised will be used for the purpose of exploration and evaluation of the mineral properties plus working capital.

PFR has based its review of the properties on information supplied by Lodestar, including a detailed geological report written by CSA Australia in February 2007, along with technical reports by government agencies and previous tenement holders, and other published and unpublished data. The information sources are listed in the bibliography attached to this report. PFR visited the project during October 2007 and confirmed the field evidence of previous historical exploration including drilling in the vicinity of the Abattoir prospect. PFR has relied on this information with independent investigation to make the conclusions and recommendations in this report

The legal status of the properties including native title considerations are the subject of a separate Solicitors Report which appears in Section 10 of the prospectus. The status of the tenements has not has not been independently verified by PFR. The present status of tenements shown in this report is based on information supplied by Lodestar and this report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation. References to tenements or licences in this report include applications for tenements and licences as the case may be.

This report has been prepared in accordance with the Code of Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (“The Valmin Code”) which is binding upon Members of the Australasian Institute of Mining and

Metallurgy (AUSIMM), and the rules and guidelines issued by such bodies as ASIC and Australian Stock Exchange (ASX), which pertain to Independent Expert Reports.

The mineral properties which Lodestar is exploring or intends to explore are considered to be "Exploration Projects" which are inherently speculative in nature. PFR considers on the basis of this assessment that the projects have been acquired on the basis of sound technical merit. The properties are considered to be sufficiently prospective, subject to varying degrees of exploration risk, to warrant new or further exploration and assessment of their economic potential, consistent with the proposed programs which are set out in this report.

Exploration and evaluation programs for the granted tenements summarised in this report amount to a total expenditure for the first two years of approximately \$3,050,000 of which Lodestar plans to spend \$1,450,000 in the first year of assessment. PFR understands that Lodestar will have sufficient working capital to carry out its stated objectives, satisfying the requirements of ASX Listing Rule 1.3.3 (a). PFR at the request of Lodestar, has prepared staged exploration and evaluation programs for the project and budgets for the properties, specific to the potential of the properties. PFR considers that the relevant areas have sufficient technical merit to justify the proposed programs and associated expenditure satisfying the requirements of ASX Listing Rule 1.3.3(a).

This report has been prepared from information available up to and including 11 October 2007. PFR has provided consent for the inclusion of this report in section 7 of the Prospectus and has not withdrawn that consent before the lodgement of the Prospectus with ASIC.

The author of this report and the Principal of PFR, Mr Peter Robinson has over 37 years experience in mineral exploration in Australia. He is a Fellow of the Australasian Institute of Mining and Metallurgy, Member of the Mining Industry Consultants Association and a Chartered Professional Geologist. PFR has provided mineral exploration consultancy, advice and management to various Australian and international companies via Mr Peter Robinson since early 1984. Mr Peter Robinson has the appropriate qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided by the Valmin Code (2005).

Neither PFR nor the author of this report have or have previously had any material interest in Lodestar or the mineral properties in which Lodestar has an interest. However, the author Peter Robinson holds 7,407 ordinary shares in Lodestar. The relationship with Lodestar is one of professional association between client and consultant. This report was prepared in return for professional fees based on an agreed commercial rates and the payment of fees is in no way contingent upon the results of this report.

Yours Faithfully

A handwritten signature in blue ink, appearing to read 'Peter F Robinson', is written over a light blue horizontal line.

Peter F Robinson
BSc., FAusIMM, MMICA, CPGeo.

Dated 5 /11 /2007



Peter F Robinson & Associates Pty Ltd

MINERAL EXPLORATION CONSULTANTS AND MANAGERS

ABN 51 009 224 695

Date: 5 November 2007
Report No. PFR 010 - 2007

Independent Geologist's Report for

LODESTAR MINERALS LIMITED

Technical Assessment Report

PENFOLD NICKEL PROJECT

WESTERN AUSTRALIA

By

Peter Robinson

BSc., FAusIMM, MMICA, CPGeo.

For:
Lodestar Minerals Limited
Level 2, 45 Stirling Highway
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Western Australia 6009

By:
Peter F Robinson and Associates Pty Ltd
22 Honeytree Place
Mandurah
Western Australia 6210



EXECUTIVE SUMMARY

This report was prepared by Peter F Robinson and Associates Pty Ltd (“PFR”) at the request of Mr Rhod Grivas, Chairman of Lodestar Minerals Limited (“Lodestar”). Dioro Exploration NL sold the nickel rights of the recently acquired Penfold Project to Lodestar to be listed under this prospectus on the Australian Stock Exchange.

The Penfold Nickel Project is located 12 kilometres north of Kambalda (Western Australia) centre to the ‘world class’ Kambalda Domain nickel province. Lodestar has acquired 100% of the nickel rights of three exploration licences, nineteen mining leases, thirteen prospecting licences and two Exempted East Locations having a total area of approximately 332 square kilometres.

The ultramafic sequences within the Penfold Nickel Project are believed to be of similar age, composition and tectono-stratigraphic setting to the adjacent mineralised Kambalda and Widgiemooltha sequences. The Abattoir ultramafic sequences in the eastern part of the Penfold Nickel Project lie within the Kambalda Domain.

The Abattoir Prospect discovered in the 1970’s has reported nickel sulphide mineralisation including 3m at 3.1% Ni. The adjacent ultramafic sequence is host to the Wildcatters prospect, that is located 1.2 kilometres south of the project boundary. The Penfold Nickel Project has been held by gold producers in a low price nickel environment and therefore neither of these sequences, with a combined strike length of approximately 20 kilometres, has been systematically tested by modern exploration methods.

The Saddle Hills ultramafic sequence, with a strike length of 15 kilometres, is located 25 kilometres north of the Spargoville nickel deposits has had only minimal nickel exploration the majority completed during the 1970’s.

The author has reviewed available historic exploration data including a recent report on the project by CSA Australia, 2007 (see references), which assessed the scope, methodology and results of previous nickel exploration. With the exception of the Abattoir prospect, neither CSA Australia nor the author was able to verify most of the historic geochemical and drilling data due to the destruction of samples over time and the lack of any reliable survey control for the historic data. Much of the historic data is preserved in historical reports, tables of results, plans and geological cross-sections owned by Lodestar.

The author visited the principal historical prospects including Abattoir and Roper prospects during October 2007 to verify the existence of the ultramafic sequences and evidence of previous exploration.



Historic exploration during the 1970's involved geological mapping of outcropping ultramafics and geochemical testing of nickel gossans, however ultramafics concealed beneath transported cover and/or a deep weathering profile, which comprise the majority of the target ultramafic sequences, have been less effectively explored due to limitations in earlier drilling and geophysical techniques. The author agrees with CSA Australia's (February 2007) conclusion that:

- There is considerable potential for exploration success in areas of transported cover where surface geochemistry has been ineffective and also in areas where mineralisation exists below the base of weathering and drilling has failed to penetrate to this depth.
- There is further potential in areas of recorded historical exploration including areas of outcropping ultramafic sequences as previous exploration has under explored these sequences particularly in the light of modern exploration techniques being successfully used in other previously explored nickel provinces in Western Australia.
- The exploration potential for komatiite-hosted nickel sulphide mineralisation within the Penfold Nickel Project is high, based on geological similarities with adjacent mineralised ultramafic sequences, evidence of primary nickel sulphide mineralisation at the Abattoir prospect and the limited effectiveness of historic exploration techniques and coverage over areas of transported cover and below the base of weathering.



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1 INTRODUCTION

This report is an independent technical assessment for inclusion in a prospectus to be issued by Lodestar Minerals Limited (“Lodestar”) to support a proposed listing on the Australian Stock Exchange (“ASX”). It was prepared by Peter F Robinson and Associates Pty Ltd (“PFR”) at the request of Mr Rhod Grivas, Chairman of Lodestar. Lodestar has acquired the nickel rights to prospective nickel tenements comprising the Penfold Project, purchased from Dioro Exploration NL (“Dioro”) in October 2007. The nickel rights within these tenements are referred to hereafter as the Penfold Nickel Project. This report has used available historic exploration data including a recent report on the project by CSA Australia, February 2007 (see references). This is an Independent Technical Assessment - it is not a Valuation Report and does not express an opinion as to the value of mineral assets, nor to the “fairness and reasonableness” of any transactions.

Dioro signed a heads of agreement with Harmony Gold in July 2006 to purchase the Penfold project for a consideration of 45 million Dioro shares, the agreement was finalised on the 29th June 2007. The Penfold Nickel Project consists of three exploration licences, nineteen mining leases, thirteen prospecting licences and two Exempted East Locations having a total area of 332 square kilometres.

The Penfold Nickel Project is an early-stage exploration project. No mineral resources have yet been identified. The potential of the properties is speculative and involves significant exploration and financial risk. However PFR believes that the project is sufficiently prospective to justify exploration at the budgetary levels indicated, using the techniques and programs as described to author during this assessment.

2 PROJECT DESCRIPTION

The Penfold Project is located 540 kilometres east of Perth and 30 kilometres south of Kalgoorlie (population 30,000), in the Eastern Goldfields Province of Western Australia (Figure 2). The project is bounded by the Coolgardie - Kalgoorlie highway to the northwest, the Coolgardie - Esperance highway to the west and the Kalgoorlie - Kambalda highway to the east. The Penfold Nickel Project is within 20 kilometres of the Nickel West (BHP-Billiton) nickel concentrator at Kambalda.

Access within the project area is by bitumen government road, mine haulage roads and numerous pastoral station and exploration tracks. The project tenements lie on the Kalgoorlie (3136), Kanowna (3236), Lake Lefroy (3235) and Yilmia (3135) government 1:100 000 scale geological and topographic map sheets and the Kalgoorlie (SH51-9), Kurnalpi (SH51-10), Boorabbin (SH51-13) and Widgiemooltha (SH51-14) 1:250 000 scale map sheets.

3 TENEMENT HOLDINGS

The Penfold Nickel Project form a largely contiguous block 20 kilometres long and 17 kilometres wide of approximately 332 square kilometres. The package, contains 3 exploration



licences, 19 mining leases and 13 prospecting licences and having a total annual expenditure commitment of AU\$1,163,000 (Table 1). Lodestar under the sale agreement has committed a minimum expenditure of approximately \$500,000 per year on the project. The project also includes two Exempted East Locations - Location 51 and Location 53, having a total area of 167 square kilometres or approximately 50% of the project area. The Exempted East Locations form part of the freehold Hampton Plains Estate lands and are free of the state gold royalty and DOIR minimum expenditure and annual reporting conditions.

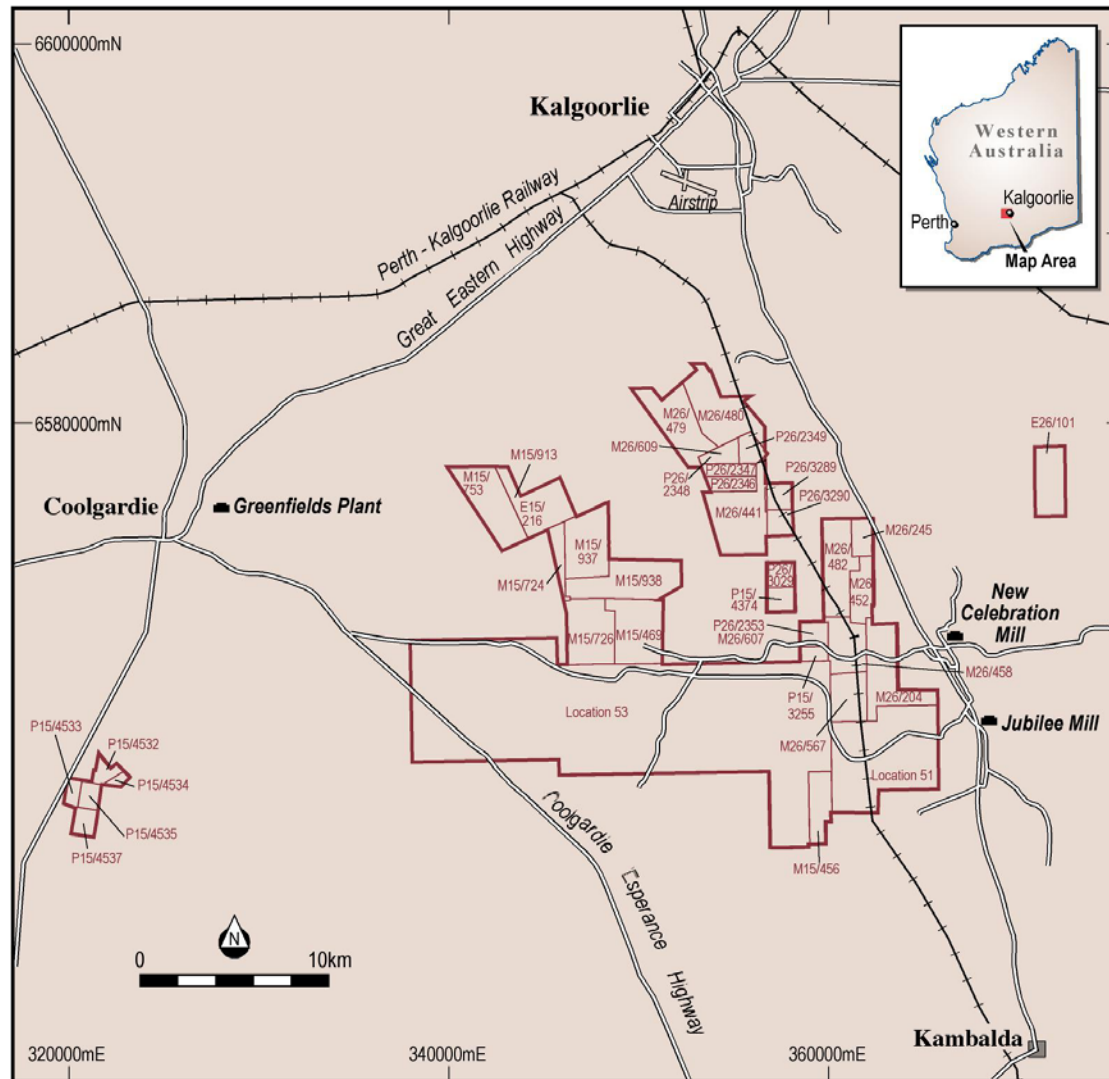


Figure 1 Tenement Location Plan Penfold Nickel Project

**Table 1 Penfold Nickel Project Tenement List**

Tenement	Status	Tenement Name	Area	Rent	Commitment
			(Ha)	\$	\$
M15/753	Granted	Brown Lake	850	11,781	85,000
M26/458	Granted	Celebration	560	7,775	56,100
M26/607	Application	Celebration	301	-	-
M26/482	Granted	East Location	783	10,852	78,300
P26/2353	Converted	East Location 53 (North of)	196	388	7,840
M15/469	Granted	Ellen Dam	901	12,488	90,100
M15/938	Granted	Ellen Dam	997	13,818	99,700
M15/724	Granted	Ellen Dam West	213	2,952	21,300
M15/726	Granted	Ellen Dam West	840	11,656	84,100
P26/3289	Granted	Feysville	196	388	7,840
P26/3290	Granted	Feysville	196	388	7,840
M26/245	Granted	Halfway Dam	240	3,326	24,000
M26/452	Granted	Halfway Dam	404	5,599	40,400
P26/3029	Granted	Headquarter Tank	192	380	7,680
P15/3255	Granted	Celebration	105	219	4,200
P15/4374	Granted	Headquarter Tank	192	380	7,680
P15/4532	Granted	Londonderry	129	269	5,160
P15/4533	Granted	Londonderry	112	234	4,480
P15/4535	Granted	Londonderry	143	298	5,720
P15/4537	Granted	Londonderry	186	388	7,440
E15/216	Converted	New Celebration	750	1,087	100,000
E26/101	Granted	New Celebration	-	210	15,000
M26/204	Granted	New Celebration	957	13,264	95,700
M15/913	Application	Quondong Tank	750	-	-
M15/937	Granted	Quondong Tank	836	11,587	83,600
M26/567	Granted	Scrubby Tank	492	6,819	49,200



Tenement	Status	Tenement Name	Area (Ha)	Rent \$	Commitment \$
M26/441	Granted	Smith Dam	1,000	13,860	100,000
M26/479	Application	Smith Dam	846	-	-
M26/480	Application	Smith Dam	973	-	-
M26/609	Application	Smith Dam	752	-	-
P26/2346	Converted	Smith Dam	200	396	8,000
P26/2347	Converted	Smith Dam	190	376	7,600
P26/2348	Converted	Smith Dam	182	360	7,280
P26/2349	Converted	Smith Dam	180	356	7,200
M15/456	Granted	Woolibar	435	6,043	43,600
LOC51	N/A	New Celebration	2,590	N/A	N/A
LOC53	N/A	New Celebration	14,135	N/A	N/A

4 GEOLOGY

4.1 Regional Geology

The Penfold Nickel Project tenements cover part of the extensive Late Archaean granite-greenstone terrane of the southern Eastern Goldfields Province (EGP). The greenstone successions of the EGP form elongate NNW-trending arcuate belts separated by granite-gneiss terranes and an anastomosing series of NNW-trending, crustal-scale faults that define and segment the tectonic-stratigraphic domains and individual greenstone belts. Williams (1969, 1970) and Gemuts and Theron (1975) proposed a model of regional stratigraphy based on repeating patterns of cyclic ultramafic-mafic-felsic volcanism and sedimentation. This model was developed during much of the early period of nickel exploration. Advances in geochronology and detailed geological mapping subsequently led to a re-interpretation of regional stratigraphic relationships that, unlike the original model, proposes that the greenstone belts are contemporaneous and have undergone the same history of deposition, plutonism and deformation (Swager et al., 1995; Swager, 1997).

The Penfold Nickel Project tenements are located within the Kalgoorlie Terrane within the southern EGP. The stratigraphy is characterised by relatively abundant komatiitic volcanism and rare banded iron formations (BIF) in contrast to adjacent greenstone terranes (Swager et al., 1995). Swager et al., (1995) divided the Kalgoorlie Terrane into six fault-bounded geological domains displaying a consistent regional stratigraphy consisting of a lower basalt, komatiite and komatiitic basalt, and overlying felsic volcanic and volcanoclastic rocks.



Repetition of the cyclic volcanic successions is attributed to structural processes rather than repeated cycles of magmatism, eruption and sedimentation. This finding has important implications for nickel exploration because the ultramafic volcanic sequence hosting the globally significant Kambalda nickel deposits is believed to have formed at the same time as the ultramafic sequences within the adjacent Coolgardie and Ora Banda domains. Within the Kalgoorlie Terrane all ultramafic units are considered to be coeval and the key to the development of nickel sulphide mineralisation is therefore likely to be the magma composition and the occurrence of suitable local conditions rather than a particular “fertile,” ultramafic unit located at the correct stratigraphic position.

4.2 Project Geology

The Penfold Nickel Project tenements include ultramafic sequences assigned to the Coolgardie, Ora Banda and Kambalda geological domains (Figure 2). The ultramafic sequences can be broadly divided into three geographic groups (Figure 3). From west to east, these are

- The Yillara or Horseshoe Ultramafics
- The Saddle Hills or Yilmia Ultramafics and
- The Abattoir or Moorebar East Ultramafics

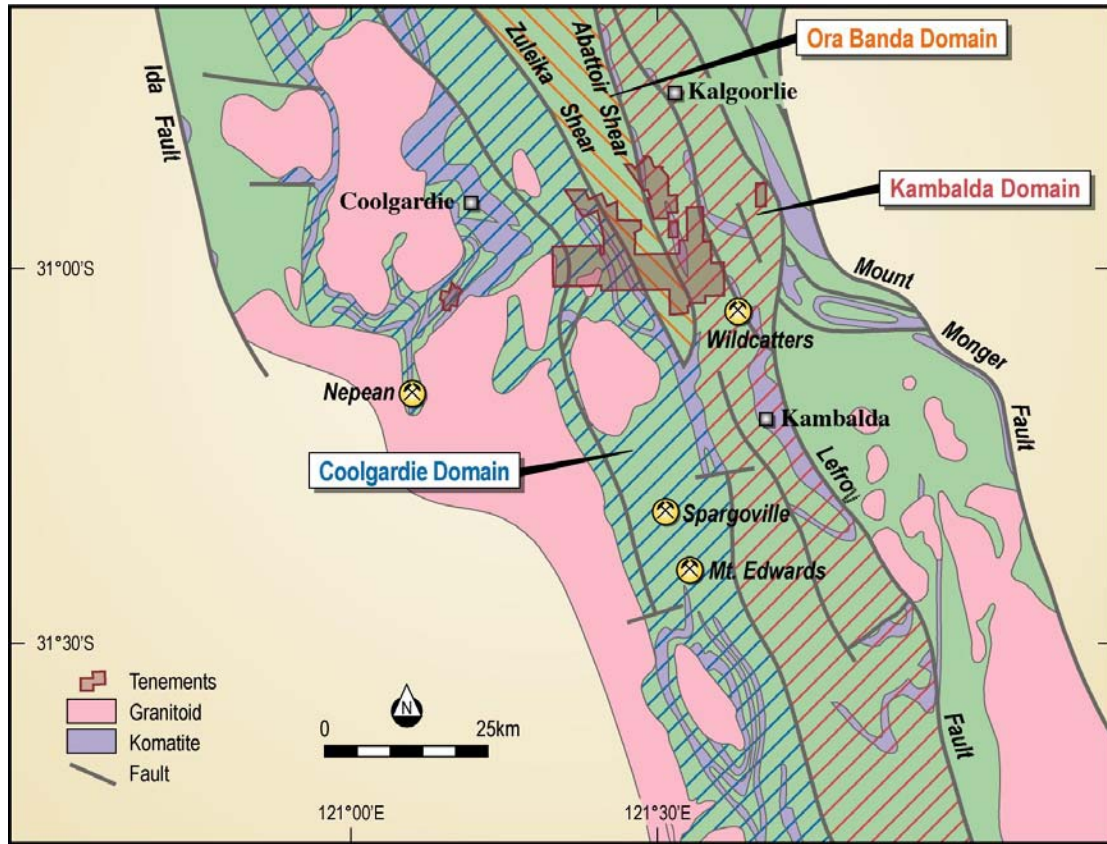


Figure 2 Geological domains, nickel deposits and project area

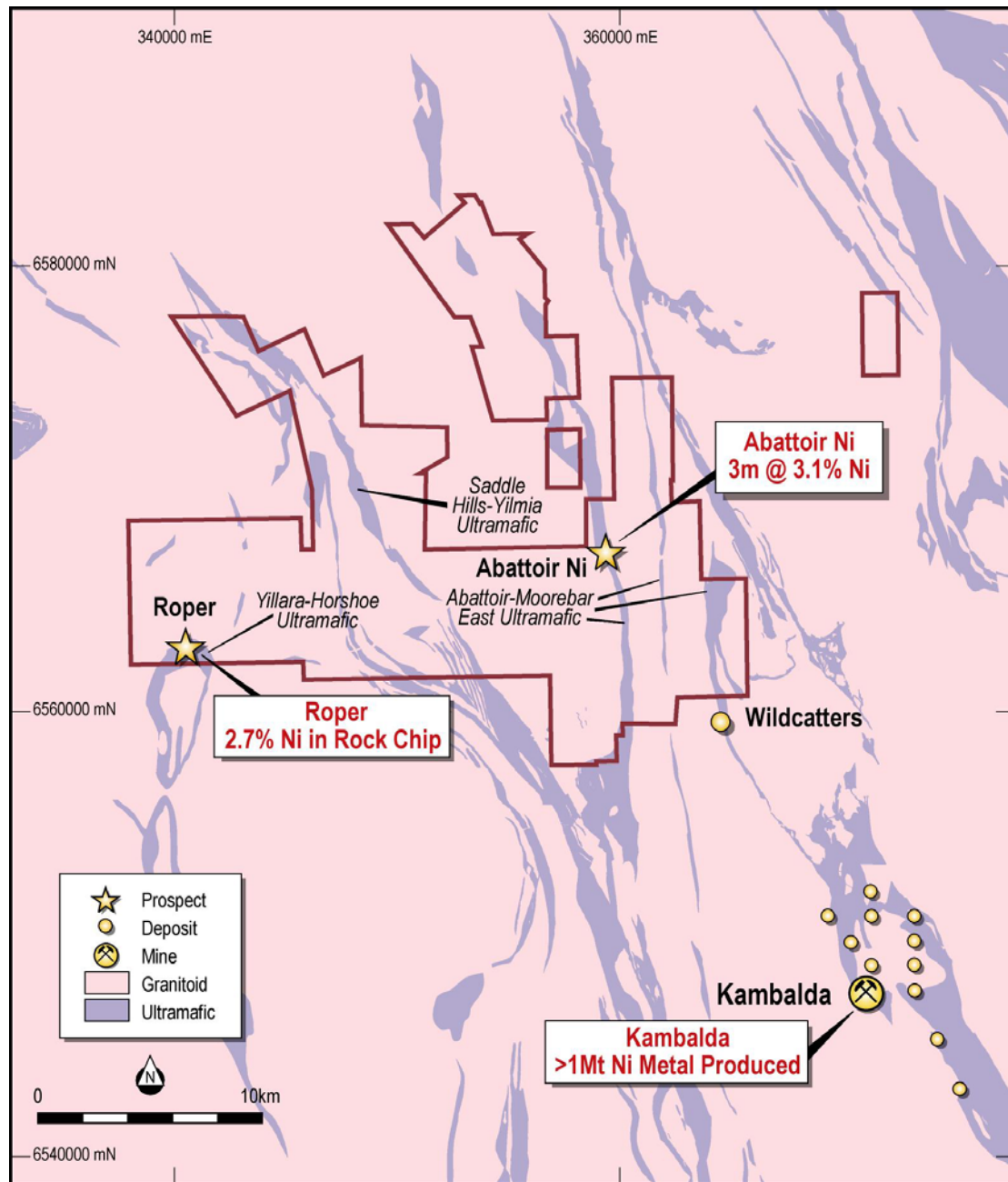


Figure 3 Penfold Nickel Project ultramafic sequences



The Penfold Project includes segments of the Coolgardie, Ora Banda and Kalgoorlie domains, with the Yillara - Horseshoe and Saddle Hills - Yilmia sequences falling into the Coolgardie Domain and the Abattoir - Moorebar East sequence falling into the Kambalda Domain (see Figure 2). Archibald (1985) describes the structural style within the Kambalda domain as thrust dominated with generally shallow dips whereas the adjacent Coolgardie domain is dominated by tight to isoclinal upright folds and steep dips. Metamorphism reached mid - to upper greenschist facies in both domains.

Within the Coolgardie domain the mafic-ultramafic sequences form north to north northwest - trending anticlinal folds. The elongate greenstone stratigraphy is intruded by east northeast trending Proterozoic dolerite dykes of the Binneringie-Jimberlana dyke swarm and repeatedly off-set by late north northeast trending dextral faults. Individual mafic-ultramafic belts are frequently separated by corresponding synclinal folds of overlying felsic volcanic and volcanoclastic rocks or granitoid intrusions. Ultramafic contacts are sheared by strike-parallel or slightly transgressive faults that strongly attenuate the folded western and eastern limbs of the mafic-ultramafic sequences.

The Yillara - Horseshoe ultramafic outcrops for approximately 2 kilometres inside the project boundary and the recognition of facing directions and tight folding of the sequence indicates that more than 4 kilometres of prospective basal contacts may be present within the fold hinge. The Saddle Hills - Yilmia ultramafic sequence outcrops intermittently for 20 kilometres within the project and again the recognition of tight folding suggests that up to 40 strike kilometres of prospective contact may be present.

The Abattoir - Moorebar East ultramafic sequence is relatively poorly exposed and occurs as two elongate and attenuated belts east of the Abattoir Fault. The structural relationships within this area are poorly understood due to extensive Cainozoic transported sedimentary cover. The project may include up to 16 strike kilometres of prospective ultramafic which is adjacent to and directly along strike from the Wildcatters Prospect. Gole (1997) briefly describes the composition and distribution of komatiite and mafic-ultramafic sequences within Locations 51, 53 and 59 (the report excludes the Abattoir ultramafic sequence). Gole (1997) concludes that **“the komatiites have a moderate to high potential to host nickel sulphide mineralisation”** due to the development of channel facies rocks within a thin flow environment and their association with similar mineralised komatiites in proximal nickel camps.

4.3 Ore Deposit Models

The Kambalda district forms one of the world's significant komatiite - hosted nickel sulphide camps with 12 mined deposits having a total production exceeding 1 million tonnes of nickel metal. A large body of academic research and mining data exists for the Kambalda deposits; the main summary papers include early publications by Ross and Hopkins (1975) and Gresham and Loftus-Hills (1981). More recent reviews include Lesher (1989), Barnes et al., (1999) and Stone et al., (2005). Komatiite-hosted nickel sulphide deposits most commonly occur at or near the basal contact of komatiitic dunite “troughs” and form narrow, elongate zones of disseminated/matrix/massive Fe-Ni sulphides that occupy linear embayments within the underlying substrate (Figure 4). Gresham and Loftus-Hills (1981) noted diagnostic features that distinguish the ore environment from the non-ore environment:



Structural complexity of the basalt-komatiite contact. Within the Kambalda ore environment the basal contact is highly irregular due to post-ore deformation. Away from the ore zone the basal contact appears to be relatively undisturbed.

Linear embayment-“trough” structures. Basal contact mineralisation occurs within elongate embayments within the footwall basalt. The embayments vary from deeply incised, very narrow and linear trough structures to very broad dish-shaped structures with only several metres of relief over several hundred metres strike and/or dip extent.

Sediment distribution. An antithetic relationship between the distribution of sedimentary rock and contact ores is observed. Sedimentary rocks are generally absent within the ore environment. However laterally along strike from the ore shoots sedimentary rocks may be present at the komatiite/basalt basal contact and at komatiite interflow boundaries. This relationship suggests that assimilation of sediments into the overlying komatiite lavas has occurred.

Nature and thickness of the basal komatiite unit. Fe-Ni sulphide mineralisation is associated with thick (>30m) basal komatiites having a highly magnesian (to 45% MgO) composition. The thick basal flows are largely confined to the structurally modified trough structures whereas the flanking environment is characterised by thin, differentiated, laterally extensive basal komatiite flows of relatively low magnesian (16-30% MgO) composition.

Ore types can be generally classified as

Contact Ore. Ore occurring at the base of the lowermost komatiite flow, lying directly on the underlying substrate. Contact ore is often zoned, with a basal massive sulphide layer grading upwards into matrix sulphides which, in turn, grades upwards into disseminated sulphides. In some cases only matrix or disseminated sulphides may be present.

Stratiform hangingwall ore. Sometimes occurs at the base of a second, or more rarely a third, komatiite flow unit.

Offset or remobilised ore. Ore which is structurally displaced from either contact or hangingwall positions. Ore may be remobilised into the footwall or laterally along shear planes for tens of metres or more. Offset ore may consist of massive, matrix or disseminated sulphides. Massive ores tend to be much more intensely deformed and are commonly brecciated.

The distribution of ore types is controlled by the characteristics of the komatiite lava flow environment (volcanology) and the subsequent structural-metamorphic history of the komatiite sequence. Where the ore has not been subjected to high strain deformation and high temperature dynamic metamorphism the primary ore distribution pattern of the deposit and mineral textures characteristic of komatiite volcanology will be preserved. In this case the dominant ore types would be in-situ contact and hangingwall mineralisation. Where the ore is subjected to high strain the massive/matrix ore will tend to be remobilised and komatiite textures and lithological relationships will be overprinted and modified or destroyed. In other words, in a high strain environment the exploration target may bear little resemblance to the model outlined above and recognition of the strain/metamorphic history is equally important as the recognition of komatiite composition and volcanology.

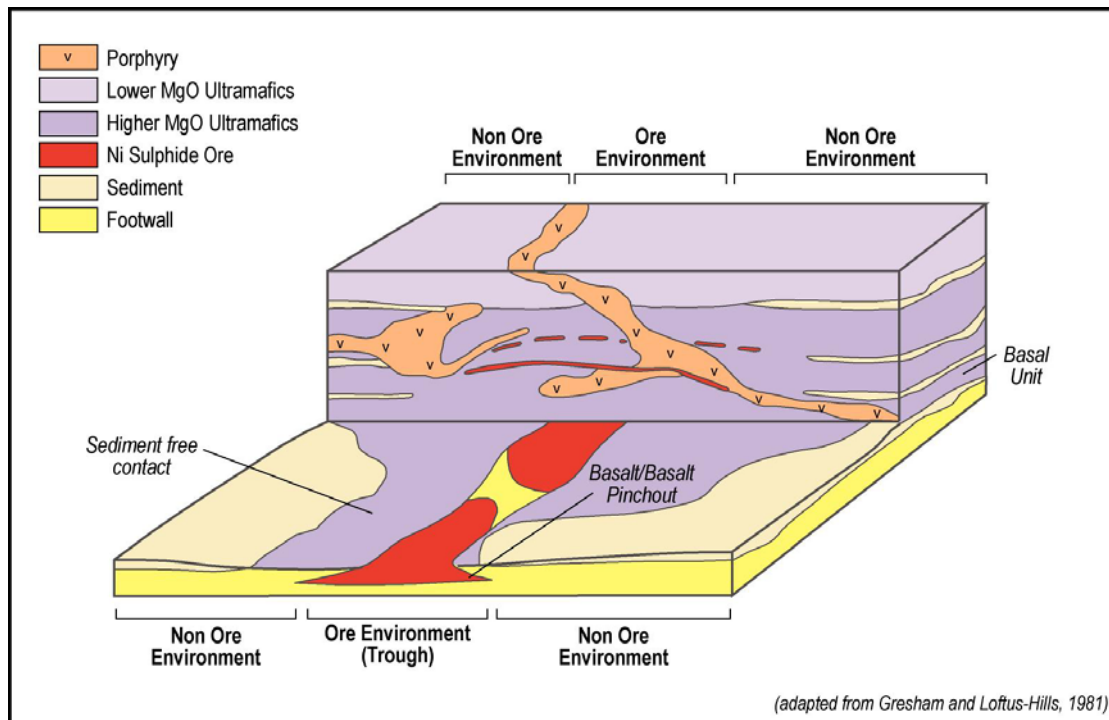


Figure 4 Model of komatiite-hosted nickel sulphide deposit

5 NICKEL MINERALISATION *(After CSA Australia. Feb 2007)*

5.1 Kambalda

The Kambalda Nickel District in Western Australia is one of the world's great nickel provinces. Since its discovery by WMC Resources Ltd in 1968 it has produced over 40 million tonnes of ore, containing more than 1.2 million tonnes of nickel metal in over 12 deposits. The District has consistently generated more than 35,000 tonnes of nickel metal per annum. Current nickel producers in the district include ASX listed Mincor Limited, Sally Malay Limited, Independence Group and ConsMin Limited.

During the ensuing "nickel boom" in the period 1966 to 1976, the Penfold project area was explored by a number of local and international mining companies. Several significant discoveries, in addition to the Kambalda nickel camp, resulted from exploration during this era. These are listed below to provide an indication of the size and geological characteristics of deposits in proximity to the Penfold project tenements.

5.2 Spargoville

The Spargoville group of four deposits occur 25 kilometres south of the Saddle Hills - Yilmia ultramafic sequence. The Spargoville deposits are located along the limbs of a north-trending mafic-ultramafic sequence that has been folded into a doubly-plunging anticline. Generally the host ultramafic flow unit doesn't exceed 50m in thickness and mineralisation, consisting



of massive to disseminated sulphides, is confined to the lower 30m of the ultramafic. The main deposit (Location 3) occupies a shallow embayment structure that plunges steeply to the south for at least 350m and has a strike length of 300m. Within the embayment, mineralisation is distributed as three sub-parallel shoots with massive sulphides developed intermittently. The footwall is deformed by sub-horizontally plunging flexural folds and is locally overturned. The historic resource estimates for these deposits are published in Marston (1984) and they are reproduced here as a guide to the expected size and grade of exploration targets within the Penfold Nickel Project.

Table 2 *Summary of Spargoville Resource (Marston, 1984 and Reeve, 2004)*

Deposit Name	Tonnage (Mt)	Grade Ni%	Geological Domain
Location 3	0.650	2.47	Coolgardie
Location 1A	0.365	2.53	Coolgardie
<i>Production¹ (1A-underground)</i>	<i>0.064</i>	<i>2.10</i>	
Location 2	0.119	2.32	Coolgardie
Location 5A	0.043	4.74	Coolgardie
<i>Production (5A-opencut)</i>	<i>0.020</i>	<i>2.50</i>	

¹*Production figures in italics*

5.3 Mt Edwards

The Mount Edwards group of deposits occurs approximately 36 kilometres south along strike from the Saddle Hills - Yilmia ultramafic sequence and 12 kilometres south of the Spargoville deposits. The geological setting of the Mount Edwards deposits is similar to that of the Spargoville group, with individual deposits occurring along the basal contact of an ultramafic sequence folded about an anticline (the Mount Edwards anticline). Marston (1984) describes the deposits as irregular, multiple lenses - shaped concentrations of mainly disseminated sulphides. The largest deposit (26N, or Mt Edwards) also recorded development of massive ore above the footwall contact, remobilised ore within the footwall basalt and breccia ore where massive ore overlaps sulphidic metasedimentary horizons. Mineralisation occurs within the lower 100m of the ultramafic sequence in flow units varying from 10m to 60m thick.

**Table 3** *Summary of the Mount Edwards Resource (Marston, 1984; Reeve, 2004 and Minedex)*

Deposit Name	Tonnage Mt	Grade Ni%	Geological Domain
26N (Mt Edwards)	1.7	2.5	Coolgardie
<i>Production (26N-underground)</i>	<i>0.954</i>	<i>2.72</i>	
132N	0.396	1.54	Coolgardie
<i>Production 132N-opencut</i>	<i>0.032</i>	<i>3.54</i>	

5.4 Nepean

The Nepean deposit was discovered in 1968 during drill testing of an electrical conductor associated with an ultramafic sequence. The hole was continued below the sulphidic metasediments that represented the target conductor and intersected a second ultramafic unit which was mineralised on its eastern contact. Nepean represents one of the few “blind” discoveries of this era. The deposit is located 26 kilometres south of Coolgardie, and lies within a remnant mafic-ultramafic sequence largely stoped out by granite. Contacts and foliations are steeply dipping and the sequence may be isoclinally folded.

The mine sequence consists of four recognised ultramafic units. The two central units appear to be more magnesian and host matrix ore, predominantly on their eastern contacts. Ore surfaces are gently folded about sub-horizontal flexures in the footwall contact and are intruded by pegmatite dykes. The deposit has a strike length of 730m and plunges sub-vertically (Marston, 1984).

Table 4 *Summary of Nepean Resource (Marston, 1984; Focus Minerals, 2007)*

Deposit Name	Tonnage Mt	Grade Ni%	Geological Domain
Nepean	0.45	4.0	Coolgardie
<i>Production (underground)</i>	<i>1.1</i>	<i>3.0</i>	



5.5 Wildcatters Prospect

The Wildcatters Prospect occurs 1.2 kilometres south of Location 51 within the Kambalda domain. The Wildcatters Prospect occurs within an elongate fragment of mafic-ultramafic stratigraphy bounded by major shear zones (the Wildcatters Shear). The ultramafic sequence, which is rarely more than 50m thick, is folded into an anticline and intruded by a biotite-feldspar porphyry, which forms the core of the fold. Massive to disseminated nickel sulphides occur within the eastern ultramafic, forming a steeply south-plunging shoot extending over a strike length of 100m (Harmony, 2006). An ultramafic sequence outcrops within the Penfold Nickel Project some 1.2 kilometres along strike to the north of the Wildcatters Prospect. The aeromagnetic data indicate continuity between the ultramafics within the Penfold Project and those hosting the Wildcatters mineralisation.

A synopsis of the exploration history of each of the Penfold ultramafic sequences is given below. The summary is derived from a large number of historic reports relating to the project tenements that comprehensively detail exploration programs in written descriptions, tables, maps and cross-sections. However it has not been possible to verify most of the historic geochemical and drilling data due to the destruction of samples over time and the difficulty in locating accurate positions from unsurveyed historic data. The work programs and main conclusions of previous explorers are presented and it is emphasised that advances in geological knowledge and exploration techniques since the nickel boom era reveal significant limitations on the effectiveness of the historic exploration data.

6 PREVIOUS EXPLORATION (*After CSA Australia. Feb 2007*)

6.1 Yillara - Horseshoe Ultramafics

The Horseshoe ultramafic is an isoclinally folded ultramafic-basalt sequence abutting the western margin of the Depot Granodiorite. The structurally thickened hinge zone of ultramafic lithologies, represented by re-folded cumulate and spinifex - textured flow sequences, is located in the south-western corner of Location 53. To the south, the western and eastern fold limbs are sheared and highly attenuated. Previous nickel exploration includes work by Carpentaria Exploration Company Pty Ltd (1969-1972), Kennecott Explorations (Australia) Pty Ltd (1970-1973), Australian Selection Pty Ltd (1972-1974) and most recently by Mining Project Investors Pty Ltd (MPI) (1994-1995).

Carpentaria explored the northern, thickened portion of the exposed fold hinge which they termed the Roper Project. The initial work included gridding, geological mapping, ground magnetics, costeaning and auger geochemistry. Areas considered geochemically anomalous were further explored by percussion drilling and IP surveys. One diamond drillhole was completed to test an IP anomaly on the interpreted footwall contact. The drilling intersected a pyritic metasediment believed responsible for the anomaly (Guj, 1971).



Kennecott Explorations (Australia) Pty Ltd explored the area south of the fold nose. The work included gridding, geological mapping, magnetics and soil geochemistry. Geochemical anomalies were tested by costeaning and shallow auger drilling only.

Australian Selection Pty Ltd also explored the thickened fold hinge area, the work included gridding, geological mapping, magnetics, soil geochemistry and auger drilling.

MPI carried out geological mapping, RAB drilling, petrography and a SiroTEM survey. MPI interpreted the western fold limb to be west-facing and the eastern limb to be east-facing and therefore that the folded sequence represents a south-plunging synformal anticline and further, that earlier exploration had targeted the hangingwall rather than the footwall ultramafic contact. The SiroTEM survey generated a number of weak anomalies; however, these were not considered indicative of massive sulphide mineralisation (Vesanto, 1994) and after re-assaying selected RAB samples for the platinum group metals, platinum and palladium, MPI withdrew from the joint venture.

6.2 Saddle Hills - Yilmia Ultramafics

The Saddle Hills - Yilmia ultramafics form a series of tightly folded, elongate to lenticular, north to north northwest trending ultramafic-mafic sequences that are well exposed in the Saddle Hills area within the Penfold Nickel Project. The southern extension of the Saddle Hills - Yilmia ultramafic sequence includes the Mt. Edwards, Spargoville and Andrews nickel deposits. Regional exploration was carried out between 1966 and 1973 by Selcast/Australian Selection, Inco and Carpentaria Exploration Company Pty Ltd.

Selcast completed a program of geological mapping, costeaning, soil geochemistry, auger, percussion and diamond drilling and IP and VLF-TEM surveys.

Inco completed geological mapping, magnetic surveys, soil geochemistry, IP surveys, rotary percussion and diamond drilling. A diamond drillhole from the Smith and Ellen Dam area, north of Saddle Hills, intersected ultramafic lithologies bearing minor amounts of disseminated sulphides (Laing, 1972). The intersections returned low nickel assays (around 0.1%) however the geology log records positive reaction to DMG, (dimethylglyoxime) indicating that these results should be reviewed.

Carpentaria Exploration Company Pty Ltd completed geological mapping, costeaning and auger drilling together with 227 percussion drill holes drilled across prospective contact positions.

6.3 Abattoir - Moorebar East Ultramafics

The Abattoir ultramafics include the Abattoir nickel sulphide occurrence and a parallel ultramafic sequence that hosts the Wildcatters Prospect located immediately south of the Penfold Nickel Project southern boundary. The Abattoirs prospect nickel mineralisation was discovered by Placer Prospecting Pty Ltd in 1970. The only description of the mineralisation is found in Marston, (1984, p219). Placer drilled 9 inclined and vertical diamond drill holes into the eastern contact of the ultramafic over a strike distance of 180m, intersecting a zone of sulphide mineralisation of variable thickness adjacent to the eastern ultramafic contact.



Exploration was carried out over a limited area (Moorebar East) by Inco during 1970 -1972. Inco completed soil geochemistry, magnetic surveys, IP surveys and 20 percussion drill holes. Additional work was completed over the northern extension of the Abattoir ultramafic sequence by Sons of Gwalia/MPI and Newcrest between 1989 and 1999. Although the focus of this work was gold exploration, regional soil geochemistry and drillhole assays revealed low level Pt and Pd anomalism (0.19-0.29g/t Pt+Pd) within fresh differentiated mafic intrusives in this area (Miller, 1992).7 roject geology

The Penfold Project includes segments of the Coolgardie, Ora Banda and Kalgoorlie domains, with the Yillara - Horseshoe and Saddle Hills - Yilmia sequences falling into the Coolgardie Domain and the Abattoir - Moorebar East sequence falling into the Kambalda Domain (see Figure 3). Archibald (1985) describes the structural style within the Kambalda domain as thrust dominated with generally shallow dips whereas the adjacent Coolgardie domain is dominated by tight to isoclinal upright folds and steep dips. Metamorphism reached mid - to upper greenschist facies in both domains. Within the Coolgardie domain the mafic-ultramafic sequences form north to north northwest - trending anticlinal folds. The greenstone stratigraphy is intruded by east northeast trending Proterozoic dolerite dykes of the Binneringie-Jimberlana dyke swarm and repeatedly off-set by late north northeast trending dextral faults. Individual mafic-ultramafic belts are frequently separated by corresponding synclinal folds of overlying felsic volcanic and volcanoclastic rocks or granitoid intrusions. Ultramafic contacts are sheared by strike-parallel or slightly transgressive faults that strongly attenuate the folded western and eastern limbs of the mafic-ultramafic sequences. The high magnesian Yillara - Horseshoe ultramafic sequence outcrops for approximately 2 kilometres inside Exempted East Location 53. The Saddle Hills - Yilmia ultramafic sequence outcrops intermittently for 19 kilometres within the project area and the recognition of tight upright folding and repetition of the stratigraphy suggests that up to 40 strike kilometres of prospective ultramafic may be present. The Abattoir - Moorebar East ultramafic sequence is relatively poorly exposed and occurs as two elongate and attenuated belts east of the Abattoir Fault. The structural relationships within this area are poorly understood due to extensive Cainozoic transported sedimentary cover. Swager et al., (1995, p13) have indicated that the Abattoir succession may represent another repetition of the Kambalda stratigraphy. The project may include more than 20 strike kilometres of prospective ultramafic which is adjacent to and directly along strike from the Wildcatters Prospect.

7 KNOWN NICKEL MINERALISATION WITHIN THE PENFOLDS PROJECT

7.1 Location 53 Abattoirs Prospect

The Abattoirs Prospect occurs within the Abattoir ultramafic in the Kambalda domain. The Abattoir Prospect was discovered by Placer in 1970 in an area where the ultramafic is intruded by a cross-cutting Proterozoic gabbro dyke. No nickel exploration/evaluation has been carried out since 1976 and the historic work is either poorly documented or unavailable due to the lack of statutory reporting requirements on the Exempted East Locations. Sulphide mineralisation is reported to occur over a strike length of 180m and drilling reported a best intersection of **3m @ 3.1% Ni + Cu** (Marston, 1984). The best intersections reported from



the prospect are 3m at 3.1% Ni + Cu from 85m vertical depth in DDH-7 and 1m at 2.7% Ni from 128m in DDH-6. Drill hole cross-sections record assays of up to 2.45% Ni over the standard assay interval of 5 feet (1.52m). The mineralisation is hosted by a serpentinite within a range of 15m of the contact with an intrusive microgabbro and occurs as very fine grained Fe-Ni-Cu sulphides enclosed in aggregates of magnetite. The mineralised serpentinite is described as having the appearance of a hornfels i.e. is contact metamorphosed. A cross-cutting Proterozoic dolerite dyke (the Celebration dyke) is a prominent feature of the Abattoirs prospect. The dyke is mainly concealed but is conspicuous on aeromagnetic data and crosses the ultramafic sequence in the area of the mineralisation with a minor offset of the dyke. The dyke may contain minor disseminated pyrite and chalcopyrite and therefore can potentially enrich Cu within the weathering environment, thus contributing to any local geochemical anomaly generated by weathering of nickel sulphides within the ultramafic sequence. The geology of the Abattoirs prospect is presented in cross-section in Figure 5. Geological and assay information has been taken from the surviving Placer/Hampton Areas Australia Pty Ltd drill hole cross-sections to depict a simple geological model. None of this information can be independently verified due to the lapse of time and the loss of drill core; however, a number of drill hole collars have been located in the field and their positions correlate well with location information provided in historic plans and more recent aeromagnetic survey data.

The conclusion is that mineralisation appears to be open both along strike and at depth. That the strike extent of this prospect has not been fully tested, the mineralisation occurs within a prospective high Mg ultramafic sequence and the ultramafic-microgabbro contact is unlikely to be the true footwall contact to the ultramafic sequence. It is possible that the microgabbro has preferentially intruded along the eastern contact and partially stopped/modified a zone of pre-existing magmatic sulphides. This prospect remains a high priority for follow up exploration.

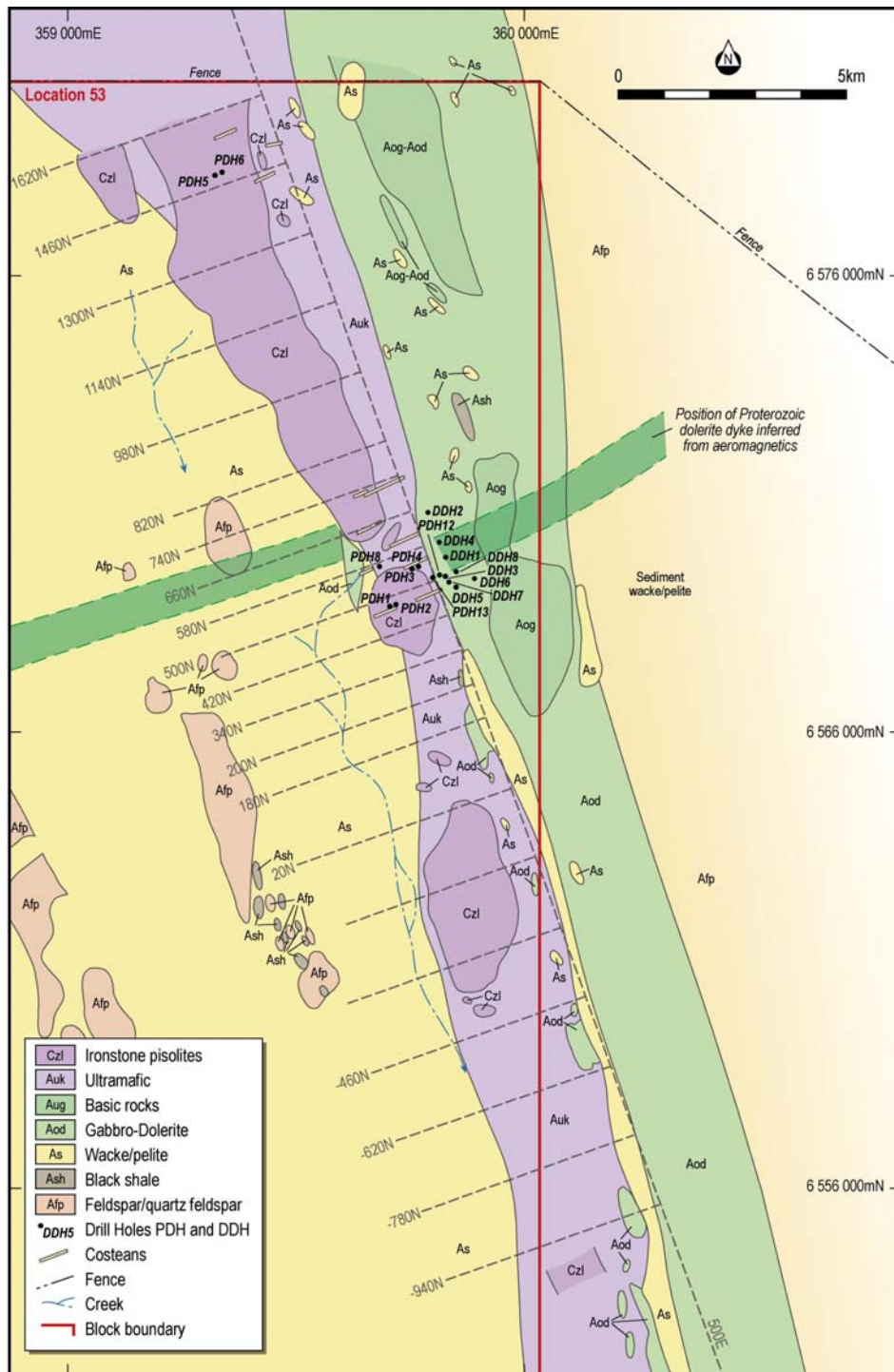


Figure 5 Geology of the Abattoir Prospect

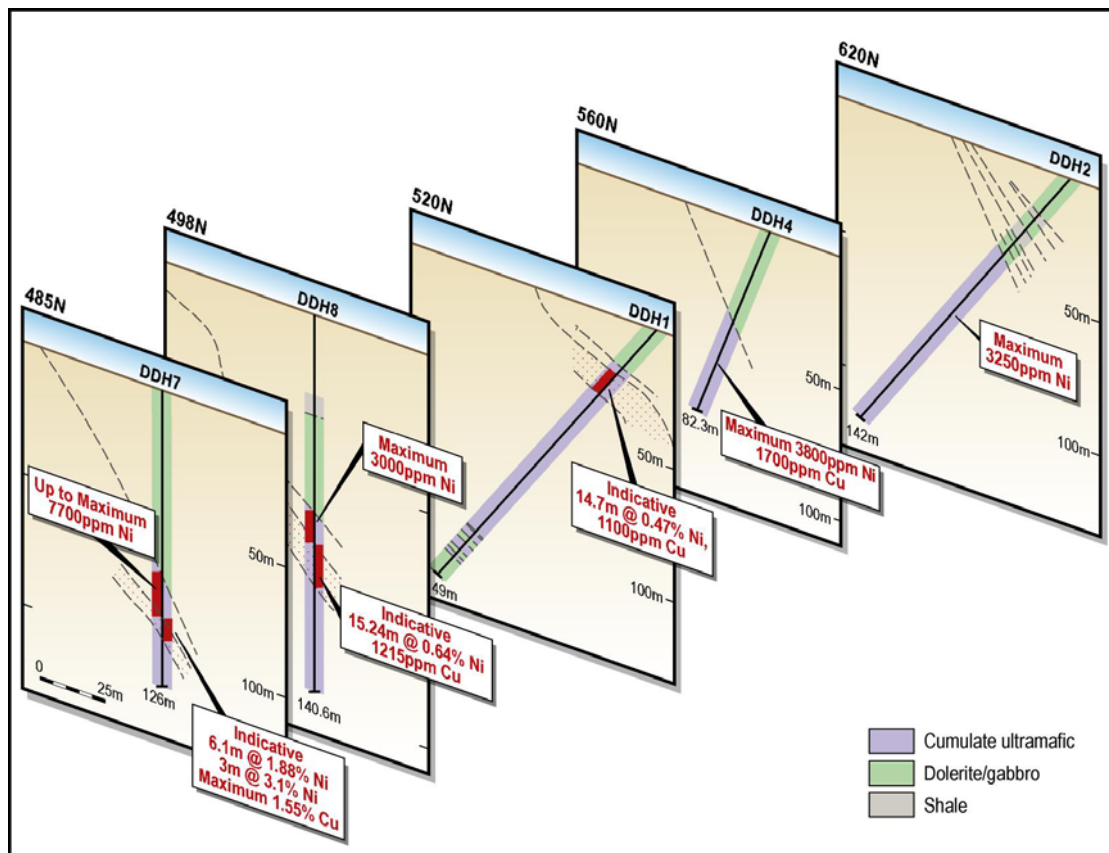


Figure 6 Stacked cross-section of Abattoir Prospect showing overturned contact and mineralised ultramafic (Sections for DDH3, DDH5 and DDH6 could not be located)

7.2 Roper Prospect

The Roper Prospect lies within the Yallara - Horseshoe ultramafics characterised by sparsely outcropping north north-west-trending ultramafic sequence located within the broader Coolgardie Domain. An historic rock chip sampled from a low ridge of silicified ultramafics with possible cumulate textures, contained 2.7% Ni.



8 DATA COMPILATION AND EXPLORATION PROGRAM

Not all historic data has been compiled into an electronic database. Therefore the process of data compilation will form an important part of the initial work program. Several Placer drill hole collars have been accurately located at the Abattoirs prospect and thus exploration of the Abattoirs prospect can commence at an early stage.

Lodestar's proposed exploration program is shown in Table 5. Exploration will initially focus on the Abattoir prospect whilst evaluation and compilation of the historic information proceeds. Geophysical surveys will also be initiated by Lodestar with a regional surface moving loop EM program scheduled to begin at the Abattoir prospect and adjacent ultramafic sequences within the Kambalda domain. Lodestar will aim to promptly evaluate the Abattoir prospect whilst generating further targets within the adjacent ultramafic sequences. The EM surveying will successively extend to other ultramafic belts within the project area with priority given to the Saddle Hills and Horseshoe ultramafics.

Table 5 *Proposed exploration program for calendar years 2008 - 2009*

Ultramafic Sequence	2008	2009
Abattoir-Moorebar East	Geological Mapping Data Compilation Drilling: 3000m RC, 1000m diamond coring Geophysics: Moving loop EM, Down hole EM \$600,000	Drilling: 3000m RC, 1600m diamond coring Geophysics: down hole EM, Fixed loop EM \$600,000
Saddle Hills	Data Compilation Drilling: 10000m RAB Geophysics: Moving loop EM \$700,000	Drilling: 5000m RAB, 5000m RC Geophysics: down hole EM, Fixed loop EM \$750,000
Horseshoe	Data Compilation Geophysics: Moving loop EM \$150,000	Drilling: 2000m RC Geophysics: down hole EM \$250,000
TOTAL	\$1,450,000	\$1,600,000



9 REVIEW AND CONCLUSIONS

The Penfold Project covers an estimated 48 strike kilometres of under explored mafic-ultramafic stratigraphy within the Coolgardie and Kambalda domains. Both the Coolgardie and Kambalda domains have demonstrable endowment of komatiite - hosted nickel sulphides, with the Kambalda domain having produced more than 1 million tonnes of Ni metal.

The ultramafic sequences within the Penfold Nickel Project have close similarities in komatiite composition, stratigraphic relationships and age to the adjacent nickeliferous camps at Kambalda, Widgiemooltha and the Nepean deposit south of Coolgardie. Given the evident geological similarities of the Penfold Project ultramafic sequences to these of proximal nickel camps, there is a high probability of the project having similar nickel sulphide occurrences.

The Abattoir Prospect on Location 53 remains the obvious target for immediate exploration. The effectiveness of previous nickel exploration also requires critical assessment. In areas of outcrop, surface exploration techniques (such as geological mapping and prospecting, costeaning and geochemical sampling) have been effective in identifying outcropping mineralisation. The main phase of nickel exploration in the 1960's and 1970's identified areas where these techniques were likely to be effective. The ultramafic sequences are known to extend under cover along strike from outcrops (from the aeromagnetic data), where surface sampling techniques employed by earlier explorers were less effective due to the lack of geochemical indicators in transported surface material. Where drilling was employed, the drilling methods were often ineffective at providing meaningful samples in areas of high water table, soft clays or broken, indurated zones within the regolith.

There has been a lapse of thirty years in systematic exploration for nickel sulphide mineralisation within the project area (a period during which gold was the commodity of interest), during which time exploration technology has enjoyed significant advances in drilling and geophysical techniques, and many areas under cover can now be effectively assessed to depths of 200-300m. Further, there is now a greater awareness of the importance of the regolith environment when analysing geochemical surveys and a willingness to drill to bedrock in areas where reliable geochemical information is required. The author agrees with the following conclusions drawn by CSA Australia (February 2007) that the greatest opportunities for exploration success is where ultramafic sequences are situated under transported cover. In these areas shallow mineralisation, extending into the regolith may have gone unrecognised. Similarly, deeper targets, represented by mineralisation below the base of weathering and having no surface geochemical expression are also likely to have been overlooked.

In summary, the main features of the Penfold Nickel Project assessment are:

- The ultramafic sequences are believed to have the same age, stratigraphic association and composition as ultramafics hosting the Kambalda - Widgiemooltha nickel camps and the Nepean nickel deposit. On this basis the potential for nickel mineralisation occurring within the Penfold Project must be considered high.
- Historic exploration concentrated around areas of outcrop; ultramafic sequences under cover were generally not as effectively explored due to limitations in drilling equipment and geophysical surveying techniques.



- Nickel sulphide mineralisation identified in an unusual setting at the Abattoir Prospect has not been explored conclusively.
- The greatest potential remains for the discovery of mineralisation under transported cover and/or deeper mineralisation occurring below the depth of weathering.
- Detailed mapping and re-interpretation of local stratigraphic younging directions since the nickel boom era indicate that opportunities exist for further testing of basal contact positions. For example, the basal contact of the Horseshoe ultramafic sequence may have been mis-interpreted by earlier explorers as a hangingwall contact.



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8. FINANCIAL INFORMATION

Introduction

This Section sets out the Historical Financial Information and Pro Forma Financial Information. The basis for preparation and presentation is set out below.

The financial information has been prepared by management and adopted by the Directors. The Directors are responsible for the inclusion of all financial information in the Prospectus. KPMG has prepared an Investigating Accountant's Report in respect of the Historical and Pro Forma Financial Information. A copy of the report is set out on page 33.

The Historical and Pro Forma Financial Information has been prepared in accordance with measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies set out in Note 1 to the financial information.

The Historical and Pro Forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

Historical Financial Information

The Historical Financial Information for Lodestar Minerals Limited set out on the following pages comprises:

- the unaudited Balance Sheet as at 31 October 2007;
- selected notes to the unaudited Balance Sheet as at 31 October 2007.

The Historical Financial Information has been prepared on the basis detailed above, and in accordance with the accounting policies set out in Note 1. The Historical Financial Information has been extracted from the management accounts of Lodestar Minerals Limited for the period ended 31 October 2007. Historical Financial Information does not include an Income Statement or Statement of Cash Flows. During the period ended 31 October 2007 the Company incurred minimal expenditure and therefore presentation of the Income Statement and Statement of Cash Flows is not considered appropriate.

Pro Forma Financial Information

The Pro Forma Financial Information set out on the following pages comprises:

- the unaudited pro forma Balance Sheet as at 31 October 2007;
- notes to the unaudited pro forma Balance Sheet as at 31 October 2007.

The unaudited pro forma Balance Sheet has been derived from the unaudited Balance Sheet as at 31 October 2007 adjusted for the following transactions as if they had occurred at 31 October 2007:

- The issue of 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000, before expenses of the Offer. This pro forma adjustment assumes that the Offer is fully subscribed. All Shares issued pursuant to this Prospectus will be issued as fully paid and will rank equally in all respects with the Shares already on issue.
- Total costs expected to be incurred directly recognised in equity in connection with the preparation of the Prospectus of approximately \$325,490.

- Total costs expected to be incurred directly recognised in retained earnings in connection with the preparation of the Prospectus of approximately \$74,510.
- The total stamp duty payable on the assets acquired of \$215,000 is deemed to have been paid.

Pro Forma Balance Sheet as at 31 October 2007

	Note	Historical 31 October 2007 \$	Pro Forma 31 October 2007 \$
Current Assets			
Cash assets	2	3	4,385,003
Non Current Investments			
Right over mineral tenements		5,215,000	5,215,000
Total Assets		5,215,003	9,600,003
Current Liabilities			
Payables		215,000	-
Total Liabilities		215,000	-
Net Assets		5,000,003	9,600,003
Equity			
Share capital	3	5,000,003	9,674,513
Reserves	4	309,259	309,259
Accumulated losses	5	(309,259)	(383,769)
Total Equity		5,000,003	9,600,003

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Lodestar Minerals Limited (the "Company") is a company domiciled in Australia.

(a) Statement of compliance

The financial information has been prepared in accordance with Australia Standards ("AASBs") adopted by the Australian Accounting Standard Board ("AASB") and Corporations Act 2001. The company's financial information also complies with the international financial reporting standards ("IFRS") and interpretations adopted by the International Accounting Standard Board.

(b) Basis of preparation

The pro-forma balance sheet is presented in Australian dollars.

The pro-forma balance sheet is prepared on the historical cost basis except for available-for-sale financial assets. These assets are stated at their fair value.

The preparation of a pro-forma balance sheet requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and

associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following accounting policies have been applied consistently by the Company.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash in banks.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its assets other than deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease, to the extent of the previous revaluation with any excess recognised through profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(f) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Exploration and evaluation

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, exploration costs, including costs of acquiring licences, are capitalised in respect of each separate area of interest. Costs incurred before the company has obtained the legal rights to explore an area are recognised in the income statement. Exploration and evaluation expenditure are carried forward at cost where the rights of tenure are current and either:

- (i) Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

- (ii) Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed annually for impairment in accordance with AASB 6, and where impairment indicators exist, recoverable amounts of these assets are estimated based on discounted cash flows from their associated cash generating units. The income statement will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets with property, plant and equipment.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(h) Share based payment transactions

The grant date fair value of options granted is recognised as an expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

The fair value of stock options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument (based on option holder behaviour and escrow periods), expected dividends, and the risk free interest rate (based on government bonds). Service and non-market conditions attached are not taken into account in determining fair value.

(i) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

2. CASH

	Historical 31 October 2007 \$	Pro Forma 31 October 2007 \$
Cash at bank	<u>3</u>	<u>4,385,003</u>

Adjustments arising in the preparation of the pro forma cash balance are summarised as follows:

Balance as at 31 October 2007	3
Proceeds from Issue of 25,000,000 shares pursuant to this prospectus	5,000,000
Payment of stamp duty on acquisition	(215,000)
Payment of total estimated costs of the offer	<u>(400,000)</u>
Pro Forma balance as at 31 October 2007	<u>4,385,003</u>

3. SHARE CAPITAL

	Historical 31 October 2007 \$	Pro Forma 31 October 2007 \$
Fully paid ordinary shares	<u>5,000,003</u>	<u>9,674,513</u>

Adjustments arising in the preparation of the pro forma share capital are summarised as follows

Balance as at 31 October 2007	5,000,003
Issue of 25,000,000 shares pursuant to this prospectus	5,000,000
Estimated costs of the offer recognised in equity	<u>(325,490)</u>
Pro Forma balance as at 31 October 2007	<u>9,674,513</u>

4. RESERVES

	Historical 31 October 2007 \$	Pro Forma 31 October 2007 \$
Equity settled benefits reserve	<u>309,259</u>	<u>309,259</u>

5. ACCUMULATED LOSSES

	Historical 31 October 2007 \$	Pro Forma 31 October 2007 \$
Accumulated losses	<u>(309,259)</u>	<u>(383,769)</u>

Adjustments arising in the preparation of the pro forma accumulated losses are summarised as follows

Balance as at 31 October 2007	(309,259)
Estimated costs of the offer recognised in the profit and loss	<u>(74,510)</u>
Pro Forma balance as at 31 October 2007	<u>(383,769)</u>

6. SHARE BASED PAYMENTS

On 12 October 2007 the Company granted 4,500,000 unlisted options. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Number	Exercise price	Grant date	Vesting date	Expiry date	Name
1,500,000	40 cents	12 Oct 2007	12 Oct 2007	31 Aug 2012	David McArthur
1,500,000	40 cents	12 Oct 2007	12 Oct 2007	31 Aug 2012	Rhod Grivas
1,500,000	40 cents	12 Oct 2007	12 Oct 2007	31 Aug 2012	Mark Pitt

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Expected volatility	75%
Risk-free interest rate	6.25%
Expected Life of option	2.9 years
Exercise price	40 cents

Based on these inputs, the 4,500,000 options that have vested have been valued at \$309,259. All options remain unexercised as at 31 October 2007.

7. SUBSEQUENT EVENTS

There have been no significant events subsequent to the reporting date that requires disclosure.

8. COMMITMENTS

As per the sale agreement made between Dioro Exploration NL (Vendor) and Lodestar Minerals Limited (Purchaser), the purchaser is liable to meet 100% of the expenditure commitments, rents and rates in respect of Nickel Priority Tenements and the purchaser also liable to meet 50% of the expenditure commitments, rents and rates in respect of equal priority tenements.

Accordingly the expenditure commitments of the company's properties are as follows:

Minimum exploration expenditure year 1- \$ 488,210

Minimum exploration expenditure year 2- \$ 488,210

9. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Royalties

Under the terms of the "New Celebration Royalty Deed dated 11 February 1998" and the " Sale and Royalty Agreement- M 15/726- Karramindie", the company may become liable to pay royalties in respect of future production from some tenements. At present the directors are unable to ascertain the amount of such royalties.

9. INVESTIGATING ACCOUNTANT'S REPORT

10. SOLICITOR'S REPORT ON TENEMENTS AND LOCATIONS



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7 November 2007

The Board of Directors
Lodestar Minerals Limited
Level 2
45 Stirling Highway
NEDLANDS WA 6009

Dear Sirs

SOLICITOR'S REPORT ON TENEMENTS AND LOCATIONS

This report is prepared for inclusion in a prospectus to be issued by Lodestar Minerals Limited (**Lodestar** or **Company**) on or about 7 November 2007 for the issue of 25,000,000 shares in the capital of the Company at an issue price of 20 cents per share to raise \$5,000,000 (**Prospectus**).

1. ASSETS

As at the date of this report, Lodestar, has entered into an agreement with Dioro Exploration NL (**Dioro** or **Vendor**), pursuant to which the Vendor has agreed to sell and the Company has agreed to acquire the rights to explore for and mine nickel on a number of granted mining tenements, applications for the grant of mining tenements and two feehold mining "Locations" located in Western Australia. The granted mining tenements, applications for mining tenements and Locations are collectively referred to in this report as the **Tenements and Locations**.

A schedule of the Tenements and Locations is attached to and forms part of this report (**Schedule**). Part I of the Schedule contains a list of the Tenements and Locations. Part II of the Schedule contains a summary of the material terms of the agreement relating to the Tenements and Locations. Part III of the Schedule contains a summary of the status of the native title claims existing over the Tenements.

The Locations are subject to different laws and regulations to the Tenements. Refer to Section 5 for a summary of the history and law as it relates to the Locations.

2. SEARCHES

For the purposes of this report, we have conducted searches and made enquiries in respect of all of the Tenements as follows:

- (a) we have reviewed searches of the Tenements in the registers maintained by the Western Australian Department of Industry and Resources (**DIR**). These searches were conducted on 19 and 25 October 2007 and 2 November 2007;
- (b) we have obtained a register of extracts from the Register of Native Title Claims maintained by the National Native Title Tribunal (**NNTT**) in respect of native title claims identified by the NNTT in searches of the Tenements. This material was obtained on 25 October 2007 and 2 November 2007;
- (c) we have reviewed searches of the Locations in the registers maintained by Landgate. These searches were conducted on 25 October 2007; and
- (d) we have reviewed the material agreement relating to the Tenements (**Agreement**) and summarised the material terms (details of which are set out in Part II of the Schedule); and

The Company's rights in respect of the Tenements and Locations depends on the enforceability of the Agreement and the parties to the Agreement complying with and fulfilling the terms and conditions of such Agreement. We have advised the Company to lodge a caveat in respect of any Tenements and Locations where the Company is not recorded as the registered holder to protect its equitable interest in the Tenements and Locations.

On the basis of the searches conducted and our review of the Agreement, subject to the enforceability of such Agreement, we consider that this report (and the Schedule) provides an accurate statement as to the status of the Tenements and Locations as at the date the relevant searches were obtained.

3. OPINION

As a result of our searches and enquiries, but subject to the assumptions and qualifications set out below, we are of the view that, as at the date of the relevant searches:

- (a) the details of the Tenements and Locations included in this report are accurate as to the status of the Tenements and Locations and the Company's interest in the Tenements and Locations;
- (b) where title to a Tenement has not been granted or an application for extension of a term of a Tenement is pending, that fact is disclosed in the Schedule;
- (c) all applicable rents due under the *Mining Act 1978 (WA)* (**Mining Act**) in respect of the Tenements have been paid, unless otherwise noted in the Schedule; and
- (d) the valid grant of the current application for one of the Tenements which may affect native title will require compliance with the

applicable processes of the *Native Title Act 1993* as amended by the *Native Title Amendment Act 1998 (Cth)* (which are together referred to as the **NTA**).

4. TENEMENTS

The Tenements comprise an exploration licence, prospecting licences and mining leases granted and applied for under the Mining Act.

4.1 Exploration Licence

The holder of an exploration licence is entitled to enter the land and undertake operations for the purposes of exploration for minerals. An exploration licence granted or applied for before 10 February 2006 remains in force for a term of 5 years. The Minister for State Development (**Minister**) may extend the term by a further period or periods of 1 or 2 years. Exploration licences granted or applied for after 10 February 2006 have a term of 5 years and may be extended for a further 5 years followed by a further period or periods of 2 years.

An exploration licence, or a legal or equitable interest in or affecting an exploration licence, cannot be assigned during the first year of its term without the prior written consent of the Minister. Thereafter, there is no restriction on assignment.

Exploration licences are described by graticular blocks, which range in area from approximately 2.8 square kilometres to 3.3 square kilometres. The holder of an exploration licence granted or applied for before 10 February 2006 must relinquish not less than half of the blocks comprising the licence at the end of the third year. A further relinquishment of not less than half of the remaining blocks is required at the end of the fourth year. The holder of an exploration licence granted or applied for after 10 February 2006 must relinquish not less than 40% of the blocks comprising the licence at the end of the fifth year.

Prior to the expiration of the term of any of the exploration licences set out in the Schedule, an application can be made to convert it to one or more mining leases providing the application is accompanied by a notice of intent to commence productive mining operations or a "mineralisation report" prepared by a qualified person and a statement setting out information about proposed mining operations. A mining lease accompanied by a "mineralisation report" will only be approved where the Director Geological Survey considers that there is a reasonable prospect that the mineralisation identified will result in a mining operation.

A mining lease remains in force for a period of 21 years and may be renewed for successive periods of 21 years. The underlying exploration licence will continue in force beyond its term if the holder has made an application for a mining lease over the area of the licence.

4.2 Prospecting Licence

A prospecting licence remains in force for a period of 4 years and does not carry a right of renewal. Pursuant to Sections 49(1) and 75(7) of the Mining Act, the holder of a prospecting licence may apply for and, subject to the Mining Act and the conditions of the licence, has the right to have granted one or more mining leases over any of the land within the area of the prospecting licence. Applications have been made to convert a number of prospecting licences set out in the Schedule to mining leases. Prior to the terms of the other prospecting licences set out in the Schedule expiring, applications may be made to convert them to mining leases. Where an application is made to convert a prospecting

licence to a mining lease, Section 49 of the Mining Act provides that the prospecting licence remains in force until the application for the mining lease is determined. There is no restriction on assignment of a prospecting licence.

4.3 Mining Lease

The rights of the holder of a mining lease are set out in Section 85 of the Mining Act and include the right for the holder to do all acts and things necessary to carry out mining operations effectively. A mining lease remains in force for a period of 21 years and may be renewed for successive periods of 21 years. It is a breach of a condition of a mining lease to assign it without the prior written consent of the Minister. In the case of a mining lease application which is a conversion from an exploration licence or prospecting licence, if the underlying licence is transferred, the mining lease application continues in the name of the transferee.

4.4 Generally applicable conditions

The Tenements are granted subject to various conditions prescribed by the Mining Act including payment of rent, compliance with minimum expenditure and meeting reporting requirements. The Tenements are also subject to statutory requirements of certain other Acts, including Aboriginal heritage legislation, environmental protection legislation and rights in water legislation. These standard conditions are not detailed in the Schedule.

5. LOCATIONS

From 1899, all grants of freehold contained a reservation of minerals to the State. However, as the Locations were alienated by the State prior to 1899, the owners of the Locations own minerals in the land, with the exception of gold and silver. Any transfer of land alienated prior to 1899 automatically includes minerals unless expressly excluded or previously and separately transferred. There is no relevant exclusion in relation to the Locations.

The Mining Act regulates exploration and mining in the State, except on land alienated prior to 1899. This means that the owner of the Locations may mine or deal with any minerals (other than gold and silver) as it wishes, free from the requirements of the WA Mining Act and may explore for and mine minerals without:

- (a) applying for and holding a mining tenement;
- (b) paying any rents or royalties; or
- (c) obtaining the consent of the Minister prior to commencing mining operations.

The owner of the Locations is also free to commence exploration and mining (other than for gold or silver) without being subject to other limitations in the Mining Act, such as the right of any other person to object to an application for a mining tenement and to render a mining tenement liable to forfeiture. As such, the owner of the Locations has wide discretion to develop exploration programmes and mining projects for minerals other than gold or silver.

The Locations are governed by the Hampton Gold Mining Regulations (1920) which regulates the rights with respect to gold mining operations on the Locations. The Hampton Gold Mining Regulations do not impact on the owner of the freehold title with respect to the mining of nickel.

6. ABORIGINAL HERITAGE

There may be areas or objects of Aboriginal heritage located on the Tenements.

We have not undertaken searches to ascertain if any Aboriginal sites or objects have been registered in the vicinity of the Tenements as there is no obligation under the relevant legislation to register sites or objects. Further, the exact location of Aboriginal sites can not be ascertained from these searches.

The Company must ensure that it is in compliance with the Commonwealth and Western Australian legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, the Company would need to conduct heritage surveys to determine if any Aboriginal areas or objects exist within the area of the Tenements. Any interference with these sites must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

6.1 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

6.2 Western Australian Legislation

Granted Tenements are subject to an endorsement requiring the holder to comply with the requirements of the *Aboriginal Heritage Act 1972 (WA)* (**WA Heritage Act**).

The WA Heritage Act makes it an offence to alter or damage sacred ritual or ceremonial Aboriginal sites and areas of significance to Aboriginal persons.

The Minister's consent is required where any use of land is likely to result in the excavation or other alteration of or damage to an Aboriginal site or any objects on or under that site.

Aboriginal sites may be registered under the WA Heritage Act. However, there is no requirement for a site to be registered and the WA Heritage Act protects all registered and unregistered sites.

7. NATIVE TITLE – LEGISLATION

7.1 Generally

On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (no.2)* (1992) 175 CLR 1 (**Mabo #2**) that the common law of Australia recognises a form of native title which reflects the entitlements of Aboriginal people to their traditional lands in accordance with their traditional laws and customs. In order

to succeed in a native title claim the persons making such claim must show that they enjoy certain customary rights and privileges in respect of a particular area of land and that by these rights and privileges they have a connection with that land.

In *Mabo #2*, the High Court held that native title could be extinguished through loss of traditional connection with the land or by legislative or executive actions which are inconsistent with the continued right to enjoy native title. In particular, native title may be extinguished by the State:

- (a) granting a title or interest in land, such as a freehold or leasehold title; or
- (b) appropriating or reserving and using land for a public purpose such as public works,

which is inconsistent with the continued right to enjoy native title in respect of the same land. Extinguishment may be whole or partial depending upon the nature of the State's action. The principles concerning extinguishment have been developed in subsequent High Court and Federal Court decisions.

As the Locations are a freehold interest in the land, the native title rights over the Locations has been extinguished, however, the grant of a mining tenement only partially extinguishes native title rights and interests. Under Section 44H of the NTA and at common law, the rights held under mining tenements will prevail over any inconsistent native title rights. In the case of exploration licences, recent court decisions have held that there is considerable scope for the co-existence of native title rights and the exploration licensee's rights.

The Commonwealth Parliament responded to the *Mabo* decision by passing the *Native Title Act 1993 (Cth)*. This Act enabled a State Parliament to validate any mining tenements granted prior to its commencement which might otherwise have been invalid. The *Native Title Act 1993* was extensively amended by the *Native Title Amendment Act 1998 (Cth)*.

7.2 Western Australia

The Western Australian Parliament has enacted the *Titles (Validation) and Native Title (Effect of Past Acts) Act 1995 (WA)* which adopts the NTA.

The majority of the High Court concluded in the recent *Ward* decision (8 August 2002) that, among other things:

- (a) native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous "exclusive possession" acts, and in respect of minerals and petroleum which are vested in the Crown, as well as various other grants and vestings; and
- (b) native title has been partially extinguished as a result of the grant of "non-exclusive possession" pastoral leases and mining leases, and also as a result of the creation of certain reserves.

We have not researched the underlying land tenure in respect of the Tenements in order to determine the extent of extinguishment for the purposes of this report.

8. NATIVE TITLE – CLAIMS

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Court will then refer the application to the Native Title Registrar for the registration test.

If the Native Title Registrar is satisfied that the lodged claim meets the registration requirements set out in the NTA (**Registration Test**), it will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal (**Register**). Claimants of registered claims are afforded certain procedural rights under the NTA including the “right to negotiate”.

Claims which fail to meet the Registration Test are recorded on the Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test. If a claim fails to meet the Registration Test, this only means that the native title claimants do not have access to the future act procedures under the NTA. It does not mean that the claim has been dismissed or discontinued. An unregistered claim must still be heard and determined by the Federal Court.

The Tenements relate to land which is currently the subject of both registered and unregistered native title claims. These claims are identified in Part III of the Schedule. The fact that a claim has been lodged does not necessarily mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists over that area.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that existing claims may be successful, or the possibility of any further native title claims being made in the future.

In any event, the existence of native title is not the main issue for the Company as the purchaser of the Tenements. The main issue is the existence of a registered native title claim. That effectively requires the Company to observe the provisions of the NTA in proceeding with its applications for Tenements. The reason for this is that an act which affects native title rights such as the grant of a mining tenement may be invalid unless there has been compliance with the provisions of the NTA. Until the native title claim has been determined by the Federal Court the existence of native title will be uncertain. Prudence dictates that native title should be assumed to exist over all claimed land other than freehold, “exclusive possession” leasehold or vested reserve until the claim has been determined.

9. NATIVE TITLE – VALIDITY OF TITLES

9.1 Tenements granted prior to 1 January 1994

The following Tenements have been granted prior to 1 January 1994:

Holder	Tenements
South Kal Mines Pty Ltd	E15/216, M15/469, M26/204, M26/245, P15/3255, P26/2346, P26/2347, P26/2348, P26/2349, P26/2353,
New Hampton Goldfields Ltd	M15/456

Prior to 1 January 1994, the grant of mining tenements over land other than freehold, “exclusive possession” leasehold or vested reserve is an act that is capable of affecting native title and could have been invalid under the *Racial Discrimination Act 1975 (Cth)* (**RDA**). However, the NTA and State legislation has validated any such mining tenements.

To the extent that any mining tenements granted prior to 1 January 1994 may have been invalid by reason of native title and the operation of the RDA, those mining tenements were validated by the Titles Validation Act 1995 (WA) (now called the Titles (Validation) and Native Title (Effect of Past Acts) Act) enacted pursuant to Section 19 of the NTA.

9.2 Tenements granted between 1 January 1994 and 23 December 1996

The following Tenements have been granted between 1 January 1994 and 23 December 1996:

Holder	Tenements
South Kal Mines Pty Ltd	M15/724, M15/726, M15/753, M26/441, M26/452, M26/458, M26/482,

The grant of a mining tenement over land other than freehold, "exclusive possession" leasehold or vested reserve is an act that is capable of affecting native title and could have been invalid had the applicable processes prescribed by the NTA not been complied with.

The State Government granted some mining tenements during the period between 1 January 1994 and 23 December 1996 without complying with the requirements of the NTA. Accordingly, there was a risk that some of the tenements granted during this period may have been invalid as a result of the failure to comply with the NTA.

This risk has been removed by amendments to the NTA (and corresponding State legislation, the Titles (Validation) and Native Title (Effect of Past Acts) Amendment Act 1999) so far as the tenements were granted over land which is the subject of a pastoral lease or other prescribed leasehold land.

9.3 Tenements granted since 23 December 1996

The following Tenements have been granted since 23 December 1996:

Holder	Tenements
South Kal Mines Pty Ltd	E26/101, M15/937, M15/938, M26/567, P15/4532, P15/4533, P15/4535, P15/4537, P26/3289, P26/3290
New Hampton Goldfields Ltd	P15/4374, P26/3029

Mining tenements granted since 23 December 1996 may be invalid if they were granted over land other than freehold, "exclusive possession" leasehold or vested reserve and the applicable processes prescribed by the NTA were not complied with.

So in summary, on the basis that the procedural requirements of the NTA were complied with prior to its grant, this Tenement is valid so far as native title is concerned.

9.4 Future Tenement Grants

The following Tenements are current applications:

Holder	Tenements
South Kal Mines Pty Ltd	MLA 15/913, MLA26/479, MLA26/480, MLA26/607, MLA26/609

The Right to Negotiate

The valid grant of the current application for Tenement which may affect native title requires compliance with the provisions of the NTA.

The NTA regulates all future actions (such as the grant of a mining tenement) which affect native title rights. These actions are known as “future acts”. A future act will be valid if it falls within one of a number of categories of land dealings specified in the NTA provided that there is compliance with the applicable procedural requirements: NTA Part 2, Division 3, Subdivisions B-P.

Accordingly, if the grant of the current application for Tenement affects native title, the grant will be a future act and will be valid only if there has been compliance with the relevant requirements of the NTA. In order to determine whether the grant of the current application will affect native title, a determination must be made as to whether native title exists in the area. This will require a hearing by the Federal Court (or a consent determination) as to the existence of native title, which could take years. However, in the interim, the validity of the grant of the current application for Tenement can be assured if the State and the applicant for the Tenement comply with the requirements of the NTA on the assumption that native title does in fact exist in the area.

These requirements are known as the “right to negotiate procedures”. They are contained in Part 2 Division 3 Subdivision P of the NTA. They involve the notification and advertising of a proposed grant, negotiation by the State and the applicant for the Tenement with any registered native title claimants and, if agreement cannot be reached, determination by the National Native Title Tribunal.

Western Australia

The valid grant of the Tenement which may affect native title requires full compliance with the usual procedures under the State’s mining legislation in addition to compliance with the provisions of the NTA.

The NTA provides that, in relation to the grant of mining tenements in certain areas, a State law can operate in lieu of the right to negotiate process of the NTA. These areas are principally areas covered by pastoral leases. The Western Australian State Government has not yet introduced such a law.

In the case of low impact mining tenements, the State may nominate that the NTA expedited procedure applies. As a general practice, the State of Western Australia nominates the expedited procedure in relation to exploration licences. If the registered native title claimants do not object to the expedited procedure within four months after receiving notification of the proposed act, the grant may proceed. If they do object and the objection is upheld by the National Native Title Tribunal, the right to negotiate procedure applies.

The DIR has also released a policy to facilitate the grant of exploration licence applications outside the right to negotiate procedure. The DIR has indicated its intention to grant exploration licences where the applicant is willing to enter into a standard Aboriginal heritage protection agreement (**HPA**). HPA's have been negotiated between the State, mining and exploration representative bodies, and Aboriginal representative bodies. The policy appears to be effective in achieving the grant of exploration licences.

10. QUALIFICATIONS

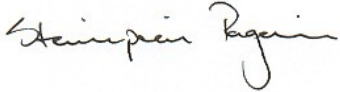
While the status of the Tenements and Locations is dealt with in the Schedule, we point out, by way of summary, that:

- (a) we have assumed the accuracy and completeness of all searches in relation to the Tenements and Locations and other information or responses which were obtained from the relevant department or authority. We cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the searches of the Tenements and Locations;
- (b) the holding of the Tenements and Locations is subject to compliance with the terms and conditions and the provisions of the applicable state mining legislation;
- (c) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (d) with respect to the application for the grant of a Tenement, we express no opinion as to whether such application will ultimately be granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed;
- (e) where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance;
- (f) references in the Schedule to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey;
- (g) where Ministerial consent to any agreement or dealing referred to in Part II of the Schedule is being or will be sought, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we have no reason to believe that any application for consent will be refused; and
- (h) the information in the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements and Locations between the date of the searches and the date of the Prospectus.

11. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully

A handwritten signature in black ink, appearing to read "Steinpreis Paganin". The signature is written in a cursive style with a large, looped initial 'S'.

STEINPREIS PAGANIN

PART I

TENEMENTS

Part A – Nickel Priority Tenements

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
M26/441	South Kal Mines Pty Ltd	100/100	21/09/1994	20/09/2015	1,000 Hectares	\$14,520.00	\$100,000 (No Expenditure Lodged Year End 20/09/2007)	-	1, 2, 3, 4, 5, 17, 29, 30, 31, 95, 96 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiā Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
MLA26/479	South Kal Mines Pty Ltd	100/100	(20/03/1995)	N/A	846 Hectares	N/A	No expenditure required yet	Conversions 259283, 256938 and 257775	103,104,105 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiā Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
MLA26/480	South Kal Mines Pty Ltd	100/100	(20/03/1995)	N/A	973 Hectares	N/A	No expenditure required yet	Conversion 259283, 257776, 257778 and 257780	103, 106, 107, 108 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiā Kabu(d)n

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
										People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
MLA26/607	South Kal Mines Pty Ltd	100/100	(26/11/1996)	N/A	301 Hectares	N/A	No expenditure required yet	Conversions 257505 and 256936	131, 132 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
MLA26/609	South Kal Mines Pty Ltd	100/100	(26/11/1996)	N/A	752 Hectares	N/A	No expenditure required yet	Conversion 259283 and 257779	133, 134 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P15/3255	South Kal Mines Pty Ltd	100/100	12/01/1993	11/01/1995	105 Hectares	\$219.45	\$4,200	Conversion 28009	1, 2 ,3, 4, 5, 187 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
										WC99/29 Central West Goldfields People (Unregistered)
P15/4374	New Hampton Goldfields Ltd	100/100	15/07/2004	14/07/2008	192 Hectares	\$401.28	\$7,680	-	2, 3, 4, 5, 16, 17, 44	- WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
P26/2346	South Kal Mines Pty Ltd	100/100	04/12/1992	03/12/1994	200 Hectares	\$418.00	\$8,000	Conversion 27998	1, 2, 3, 4, 5, 159 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P26/2347	South Kal Mines Pty Ltd	100/100	04/12/1992	03/12/1994	190 Hectares	\$397.10	\$7,600	Conversion 27998	1, 2, 3, 4, 5, 159 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
P26/2348	South Kal Mines Pty Ltd	100/100	04/12/1992	03/12/1994	182 Hectares	\$380.38	\$7,280	Conversion 27998	1, 2, 3, 4, 5, 159 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiab Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P26/2349	South Kal Mines Pty Ltd	100/100	04/12/1992	03/12/1994	180 Hectares	\$376.20	\$7,200	Conversion 27998	1, 2, 3, 4, 5, 95, 96, 159 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiab Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P26/2353	South Kal Mines Pty Ltd	100/100	08/01/1993	07/01/1995	196 Hectares	\$409.64	\$7,840	Conversion 28009	1, 2, 3, 4, 5, 160 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiab Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
P26/3029	New Hampton Goldfields Ltd	100/100	08/06/2004	07/06/2008	192 Hectares	\$401.28	\$7,680	-	2, 3, 4, 5, 16, 17, 44	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiab Kabu(d)n

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
										People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
P26/3289	South Kal Mines Pty Ltd	100/100	16/12/2005	15/12/2009	196 Hectares	\$409.64	\$7,840	-	1, 2, 3, 4, 5, 16, 17, 161, 162-178	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P26/3290	South Kal Mines Pty Ltd	100/100	16/12/2005	15/12/2009	196 Hectares	\$409.64	\$7,840	-	1, 2, 3, 4, 5, 16, 17, 161, 162- 178	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)

Part B – Gold Priority Tenements

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
E15/216	South Kal Mines Pty Ltd	100/100	06/09/1990	05/09/1995	7.5 km ²	\$1,138.72	\$100,000 (No Expenditure Lodged Year End)	Conversions 63756 and 58212	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12	-

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
							05/09/2007)		NCR	
M15/469	South Kal Mines Pty Ltd	100/100	28/11/1989	27/11/2010	900.8 Hectares	\$13,082.52	\$90,100	Bond 273268	1, 2, 3, 4, 5, 6, 29, 30, 31, 33, 34, 35, 36, 37, 39, 40, 41, 43 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M15/724	South Kal Mines Pty Ltd	100/100	10/02/1995	09/02/2016	212.7 Hectares	\$3,092.76	\$21,300	Agreement 101H/001 Mortgage 26H/023 Bond 273271	2, 3, 4, 5, 17, 29, 30, 31, 44, 45, 46, 47, 48, 49 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
M15/726	South Kal Mines Pty Ltd	100/100	21/09/1994	20/09/2015	840.25 Hectares	\$12,211.32	\$84,100 (No Expenditure Lodged Year End 20/09/2008)	Bond 273272	2, 3, 4, 5, 6, 17, 29, 30, 31, 33, 34, 35, 37, 40, 44, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68 KR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
M15/753	South Kal Mines Pty Ltd	100/100	31/01/1995	03/01/2016	850 Hectares	\$12,342.00	\$85,000	-	2, 3, 4, 5, 17, 29, 30, 31, 44 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
MLA15/913	South Kal Mines Pty Ltd	100/100	(01/02/1996)	N/A	750 Hectares	N/A	No expenditure required yet	Conversions 259283, 259299 and 259300	69, 70, 71 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
M15/937	South Kal Mines Pty Ltd	100/100	07/05/2003	06/05/2024	835.65 Hectares	\$12,138.72	\$83,600 (Underexpended \$5,096 Year End 06/05/2007)	Bond 273274	2, 3, 4, 5, 17, 29, 31, 44, 72, 73, 74, 75, 76, 77, 78, 79, 180, 181 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/9 Maduwongga People (Unregistered) WC99/29 Central West Goldfields

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
										People (Unregistered)
M15/938	South Kal Mines Pty Ltd	100/100	08/05/2003	07/05/2024	996.5 Hectares	\$14,476.44	\$99,700 (Underexpended \$24,443 Year End 07/05/2007)	Bond 273275	2, 3, 4, 5, 6, 17, 31, 33, 34, 35, 36, 37, 40, 44, 72, 73, 74, 75, 80, 81, 82, 83, 84, 85, 86, 87, 182 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)

Part C – Equal Priority Tenements

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
E26/101	South Kal Mines Pty Ltd	100/100	03/03/2006	02/03/2011	2 Blocks	\$220.22	\$15,000 (Underexpended \$7,103 Year End 02/03/2007)	Bond 263063	2, 3, 4, 5, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 179	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M15/456	New Hampton Goldfields Ltd	96/96	03/08/1990	02/08/2011	435.13 Hectares	\$6,330.72	\$43,600	-	1, 2, 3, 4, 5, 6, 7, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered)

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
										WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/204	South Kal Mines Pty Ltd	100/100	22/04/1988	21/04/2009	956.6 Hectares	\$13,895.64	\$95,700 (Underexpended \$5,332 Year End 21/04/2007)	Bond 273269	1, 2, 6, 29, 30, 31, 33, 34, 35, 36, 37, 40, 88, 89, 90, 91, 92, 93, 183 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/245	South Kal Mines Pty Ltd	100/100	29/03/1989	28/03/2010	240 Hectares	\$3,484.80	\$24,000	Agreement 158H/890	1, 2, 4, 5, 29, 30, 31, 94 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/452	South Kal Mines Pty Ltd	100/100	14/12/1994	13/12/2015	404 Hectares	\$5,866.08	\$40,400	-	1, 2, 3, 4, 5, 17, 29, 30, 31, 97 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/458	South Kal Mines Pty Ltd	100/100	21/08/1996	20/08/2017	560.45 Hectares	\$8,145.72	\$56,100	Bond 273277	1, 2, 3, 4, 5, 17, 29, 30, 31, 75, 95,	WC95/27 Gubrun (Unregistered)

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
									96, 97, 98, 99, 100, 101, 102 NCR	WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/482	South Kal Mines Pty Ltd	100/100	21/08/1996	20/08/2017	783 Hectares	\$11,369.16	\$78,300 (Underexpended \$19,652 Year End	-	2, 3, 4, 5, 16, 17, 30, 31, 44, 73, 95, 96, 109, 184, 185 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
M26/567	South Kal Mines Pty Ltd	100/100	07/05/2003	06/05/2024	491.65 Hectares	\$7,143.84	\$49,200	Bond 273278	2, 3, 4, 5, 16, 17, 30, 44, 72, 73, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130 NCR	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC98/27 Widji People WC99/29 Central West Goldfields People (Unregistered)
P15/4532	South Kal Mines Pty Ltd	100/100	19/08/2004	18/08/2008	129 Hectares	\$269.61	\$5,160	-	2, 3, 4, 5, 16, 17, 44, 135, 136, 137, 138, 139	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaiia Kabu(d)n People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)

TENEMENT	HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	ENCUMBRANCES/ DEALINGS	NOTES	NATIVE TITLE CLAIMS
P15/4533	South Kal Mines Pty Ltd	100/100	19/08/2004	18/08/2008	112 Hectares	\$234.08	\$4,480	-	2, 3, 4, 5, 16, 17, 44, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P15/4535	South Kal Mines Pty Ltd	100/100	19/08/2004	18/08/2008	143 Hectares	\$298.87	\$5,720	-	2, 3, 4, 5, 44, 140, 144, 145, 146, 147, 148,	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)
P15/4537	South Kal Mines Pty Ltd	100/100	19/08/2004	18/08/2008	186 Hectares	\$388.74	\$7,440 (Underexpended \$1,920 year End 18/08/2007)	-	2, 3, 4, 5, 16, 17, 44, 140, 145, 146, 147, 155, 156, 157, 158, 186	WC95/27 Gubrun (Unregistered) WC97/100 Kalamaia Kabu(d)n People (Unregistered) WC99/29 Central West Goldfields People (Unregistered)

Key to Tenements

E - Exploration Licence

ELA - Exploration Licence Application

M - Mining Lease

P - Prospecting Licence

PLA – Prospecting Licence Application

All of the native title claims listed in the Schedule have been accepted and entered on the Register of Native Title Claims. Please refer to Part III of this Report for the status of the native title claims.

Unless otherwise indicated, capitalised terms have the same meaning given to them in the Prospectus.

References to numbers in the “Notes” column refers to the notes following this table.

Royalties

NCR – 1998 New Celebration Royalty

KR – Karramindie Royalty

LOCATIONS

LOCATION	LOT	PLAN	VOLUME	FOLIO	REGISTERED HOLDER	ENCUMBRANCES
51 ^{1,2}		11513 & 11514	1546	51	Hampton Gold Mining Areas Ltd	Easement resumed and vested in Southern Cross Pipelines Australia Pty Ltd (G999952) – registered 12/01/1999 Caveat by Dioro Exploration NL – registered 02/07/2007
53 ²	101	40372	2625	387	Hampton Gold Mining Areas Ltd	Notice of Intention to Take for the purpose of the Coolgardie-Esperance Highway – registered 19/05/2006 Caveat by Dioro Exploration NL – registered 02/07/2007

1. Excludes area resumed by the State of Western Australia to a depth of 30.48 metres and outlined on a separate Certificate of Title Volume 404 Folio 4.
2. Pursuant to the Tenement and Location Sale Agreement (Zuleika South and Rose Hill) dated 26 October 2006, Location has been sold to Dioro Exploration NL.

Notes:

1. Compliance with the provisions of the Aboriginal Heritage Act, 1972 to ensure that no action is taken which is likely to interfere with or damage any Aboriginal site.
2. All surface holes drilled for the purpose of exploration are to be capped, filled or otherwise made safe after completion.
3. All Costeans and other disturbances to the surface of the land made as a result of exploration, including drill pads, grid lines and access tracks, being backfilled and rehabilitated to the satisfaction of the Environmental Officer, Department of Industry and Resources (DoIR). Backfilling and rehabilitation being required no later than 6 months after excavation unless otherwise approved in writing by the Environmental Officer, DoIR.
4. All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary building being removed from the mining tenement prior to or at the termination of exploration program.
5. Unless the written approval of the Environmental Officer, DoIR is first obtained, the use of scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface clearing or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion of operations.
6. The development and operation of the project being carried out in such a manner so as to create the minimum practicable disturbance to the existing vegetation and natural landform.
7. At the completion of operations, or progressively where possible, all access roads and other disturbed areas being covered with topsoil, deep ripped and revegetated with local native grasses, shrubs and trees to the satisfaction of the State Mining Engineer.
8. The licensee submitting a plan of proposed operations and measures to safeguard the environment to the Director, Environment, DoIR for his assessment and written approval prior to commencing any developmental or productive mining or construction activity.
9. The rights of ingress to and egress from Miscellaneous Licence 15/154 being at all times [reserved to the licensee and no interference with the purpose or installations connected to the licence.
10. Conversion 63756 – lodged 10 Aug 1994 – M15/753 applied for pursuant to Section 67. Recorded on 10 Aug 1994 – Granted 31 Jan 1995.
11. Extension/Renewal of Term C36/956 on 21 Aug 1995 for a further period of 1 year. Recorded 21 Aug 1995 - REFUSED by the Minister for Mines on 21 Mar 1996.
12. Conversion 58212 – lodged 1 Feb 1996 – M15/913 applied for pursuant to Section 67. Recorded on 1 Feb 1996.
13. Description of Land NOT included in the grant of the Licence – Late Prospecting Licence 26/2957, 26/2958 - Application for Prospecting Licence 26/2976.
14. The licensee's attention is drawn to the provisions of the Aboriginal heritage Act 1972 and any Regulations thereunder.
15. The licensee's attention is drawn to the Environmental Protection Act 1986 and the Environmental Protection (Clearing of Native Vegetation) Regulations 2004, which provides for the protection of all native vegetation from damage unless prior permission is obtained.
16. The Licensee notifying the holder of any underlying pastoral or grazing lease by telephone or in person, or by registered post if contact cannot be made, prior to undertaking airborne geophysical surveys or any ground disturbing activities utilising equipment such as scrapers, graders, bulldozers, backhoes, drilling rigs: water carting equipment or any other mechanised equipment.

17. The Licensee of transferee, as the case may be, shall within thirty (30) days of receiving written notification:-
- the grant of the Licence; or
 - registration of a transfer introducing a new Licensee;
- Advice, by registered post, the holder of any underlying pastoral or grazing lease details of the grant or transfer.
18. The rights of ingress to and egress from Miscellaneous Licence 26/77 being at all times preserved to the licensee and no interference with the purpose or installations connected to the licence.
19. The holder of Miscellaneous Licence 26/77 ("the Miscellaneous Licence"), its employees, agents, and contractors being allowed at all times to enter and pass through or over the area of Exploration Licence 26/101 together with any vehicles, machinery or equipment and to conduct any activities associated with the Miscellaneous Licence.
20. Prior to the licensee undertaking drilling within 400 metres of an existing bore, the holder of the Miscellaneous Licence shall be consulted and if considered necessary appropriate measure shall be taken by the licensee to ensure that the operational concerns of the holder of the Miscellaneous Licence are satisfied.
21. The activities of the licensee shall be undertaken so as not to interfere or unduly affect any existing monitoring bore located on the Miscellaneous Licence.
22. Subject to conditions 9 and 10 above, the licensee is to use its reasonable endeavours to otherwise minimise inference with any activities conducted or proposed to be conducted by the holder of the Miscellaneous Licence, its employees, agents or contractors on the area of the Miscellaneous Licence.
23. The licensee shall not take any water from any monitoring bored located on the Miscellaneous Licence without prior consent of the holder of the Miscellaneous Licence.
24. All exploration drill holes on the Miscellaneous Licence drilled by the licensee shall be abandoned in such manner as to prevent entry of the surface water into the drill hole that could cause contamination of the aquifer.
25. In respect of the area covered by this licence if the Central West Goldfields people (being the applicant in Federal Court Application No. WAD 65 of 1998 (WC99/29) send a request by pre-paid post to the licensee's or agent's address, not more than ninety days after the grant of this licence, the licensee shall within thirty days of the request execute in favour of Central West Goldfields People the Regional Standard Heritage Agreement (RSHA) endorsed by peak industry groups and the Goldfields Land and Sea Council.
26. The construction and operation of the project and measure to protect the environment being carried out generally in accordance with the document titled:
- "Programme of Work Application for Exploration Licence 26/101 (EXP 5975)"* dated 18 January 2007 and signed by Ivan Henderson – Project Exploration Geologist and retained on Department of Industry and Resources File No. 8265-02.
27. The Licensee arranging lodgement of a Bond in favour of the Minister responsible for the Mining Act 1978 for due compliance with the environmental conditions of the lease in the sum of \$10,000.
28. Bond 263063 – lodged on 27 March 2007 for \$10,000 (security). Recorded on 20 Mar 2007.
29. The lesse's attention is drawn to the royalty provisions of the Mining Act and the requirement to submit production reports and royalty returns.
30. Survey.

31. No developmental or productive mining or construction activity being commenced until the tenement holder has submitted a plan of the proposed operations and measures to safeguard the environment to the Director, Environment, DoIR for assessment; until his written approval has been obtained.
32. Mining on any road or road reserve being confined to below a depth of 15 metres from the natural surface.
33. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the documents titled:
- *"Notice of Intent to develop the Samphire Prospect"* dated Aug 1992 and retained on Department of Minerals and Energy File No.2185/92;
 - *"Notice of Intent to Conduct Low Impact Mining – Samphire Prospect"* dated Aug 1992 and retained on Department of Mineral and Petroleum Resources File No.4320/01;
 - *"Notice of Intent to Conduct Low Impact Mining – Samphire South Mining Lease"* 15/456 (NOI 3889) and retained on Department of Mineral and Petroleum Resources File No.4323/01.

Where a difference exists between the above documents and the following conditions, then the following conditions shall prevail.

34. All topsoil being removed ahead of all mining operations from sites such as pit areas, waste disposal areas, ore stockpile areas, pipeline, haul roads and new access roads and being stockpiled for later respreading or immediately respread as rehabilitation progresses.
35. At the completion of operation all buildings and structures being removed from site or demolished and buried and the sites rehabilitated.
36. All rubbish and scrap being progressively disposed of in a suitable manner.
37. Any alteration or expansion of operations within the lease boundaries beyond that outlines in the above documents not commencing until a plan of operations and a program to safeguard the environment are submitted to the State Mining Engineer for his assessment and until his written approval to proceed has been obtained.
38. The lessee submitting to the State Mining Engineer, a brief annual report outlining the project operations, minesite environmental management and rehabilitation work undertaken in the previous 12 months and the proposed operations, environmental management plans and rehabilitation programmes for the next 12 months. This report to be submitted each year in June.
39. The Environmental Officer is to be notified in writing upon completion of all scraping and detecting activities so an inspection may be arranged.
40. The construction and operation of the project and measure to protect the environment being carried out generally in accordance with the documents titled:
- *"Notice of Intent to Commence Mining Operations, Penfold, Erebus and Greenback Open Pit Mines"* date 11 Jan 1994 and retained on Department of Minerals and Energy File No.2090/93;
 - *"Notice of Intent to Commence Mining Operations, Fuji Open Pit Mine"* dated 11 Jan 1994 and retained on Department of Minerals and Energy File No.2208/94;
 - *"Addendum to Approval Notice of intent"* dated 26 Oct 1994 and retained on Department of Minerals and Energy File No.2208/94;
 - *"Notice of Major Works to Expand Mining Operations, Greenback Open Pit Mine"* received by the Kalgoorlie Inspectorate Office on 1 Jun 1995 and retained on Department of Minerals and Energy File No.2090/93;
 - *"Notice of Intent to Commence Mining Operations of Steinway – St Helens Open Pit"* dated Dec 1995 and retained on Department of minerals and Energy File No.2088/96;

- "Ghost Crab Project M15/717 (NOI 2428)" dated 20 Apr 1998 and signed by Mr Steve Tombs – Open Pit Superintendent New Celebration Gold Mines and retained on Department of Minerals and Energy File No.2058/97;
- "Ghost Crab Project M15/717 Waste Dump Expansion and Dewatering" dated 29 Apr 1998 and signed by Mr Steve Tombs – Open Pit Superintendent New Celebration Gold Mine and retained on Department of Minerals and Energy File No.2058/97;
- "Ghost Crab Project M15/717" 1988 and signed by Mr Steve Tombs – Open Pit Superintendent New Celebration Gold Mines and retained on Department of Minerals and Energy File No.2058/97;
- "Mount Marion Underground Operation ML15/717 Mine Dewatering – Proposed Discharge to Penfolds Pit (ML15/469)" dated 2 Apr 2000 signed by Mr Jamie Dennis, General Manager, New Celebration Gold Mine (NOI 3338) and retained on Department of Minerals and Energy File No.2233/99;
- "Mount Marion Underground Operation ML15/717 Mine Dewatering – Proposed discharge to Penfolds Pit (ML15/469)" dated 6 Apr 2000 signed by My Jaime Dennis, General Manager, New Celebration Gold Mine (NOI 3338) and retained on page 42, on Department of Minerals and Energy File No.2233/99; and
- "Notice of Intent –Freddo" technically certified by Mr Greg Barrett and corporately endorsed by Mr Tim Blythe (NOI 3964) and retained on Department of Industry and Resources File No.4245/00.

Where a difference exists between the above documents(s) and the following conditions, then the following conditions shall then prevail.

41. At the completion of operations, or progressively where possible, all access road and other disturbed areas being covered with topsoil, deep ripped and revegetated with local native grasses, shrubs and trees to the satisfaction of the State Mining Engineer.
42. The lessee providing Unconditional Performance Bond (guaranteed by a Bank or other approved financial institution) in a favour of the Minister for Mines in the sum of \$ 280,500 for due compliance with the environmental conditions on the lease.
43. Bond 273268 – Lodged on 23 Aug 2007 for \$280,500. Recorded 23 Aug 2007.
44. The lessee's attention is drawn to the provisions of the Aboriginal Heritage Act, 1972.
45. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the document titled:

"Notice of Intent – Freddo" technically certified by Mr Greg Barret and corporately endorsed by Mr Tim Blythe (NOI 3964) and retained on Department of Industry and Resources File No.4245/00.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.

46. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Blank or other approved financial institution in favour of the Minister of State Development for dure compliance with the environmental conditions of the lease in the sum of \$165,000.
47. Agreement 101H/001 – Newcrest Mining Ltd, Newcrest Operations Ltd and Croesus Mining NL lodged on 12 Jun 2001. Registered on 12 Jun 2001.
48. Mortgage 26H/023 – Orion Resources NL in respect to 100/100ths shares in the name of South Kal Mines Pty Ltd – Lodged on 9 May 2003. Registered 9 May 2003.
49. Bond 273271 – Lodged 23 Aug 2007 for \$165,000. Recorded 23 Aug 2007.

50. The lessee's attention is drawn to the provisions of:
- the Conservation and Land Management Act, 1984 and the Regulations thereunder;
 - the Bush Fires Act, 1954 and Regulations; and
 - Wildlife Conservation Act, 1950 and Regulations thereunder.
51. No mining on State Forest No. 8 without the prior consent of the Minister for Mines.
52. No productive mining within 30 metres of the natural surface within the State Forest No. 8 (Karramindie).
53. The lessee paying to the Executive Director, Department of Conservation and Land Management (CALM), compensation for all areas cleared of vegetation for mining, in support of mining and degraded as a result of mining in association with this lease. Provided that the Executive Director and the lessee may agree from time to time that land shall be transferred or works undertaken by the lessee in lieu of payment under this condition. The rate of compensation being \$1579.74 per hectare and being adjusted annually by the Executive Director. The C.P.I. for Perth providing the basis of such adjustments. The Executive Director issuing a notice for the amount of compensation due and the lessee paying the amount within 2 months of the date of such notice. A penalty of interest at the Commonwealth bond rate being charged for late payment. The lessee providing detailed surveys of areas cleared in conjunction with annual mining proposals.
54. The lessee paying royalty at current rates to the Executive Director for any forest product obtained from Crown land in connection with mining operations on the lease.
55. Lessee taking all such necessary precaution as may be indicated by the Regional Manager, CALM to prevent the occurrence or spread and undertake suppression of any fire within or adjacent to the leased area.
56. The lessee at his expense rehabilitating all areas affected by mining or operations associated with mining conducted during the term of the lease. Rehabilitation being to the satisfaction of the State Mining Engineer and in agreement with the Regional Manager, CALM and in accordance with CALM Policy No.10 (Rehabilitation of Disturbed Lands).
57. The lessee submitting a Notice of Intent (N.O.I) for the proposed operations, including measures to safeguard the environment, to the Director, Mining Operations Divisions for assessment and written approval, subject to the agreement of the Executive Director, CALM prior to commencing any development or productive mining. The approved NOI (as amended) then becoming a condition of this lease and the lessee providing a bond in favour of the Minister for Mines for the sum specified in the NOI approval for due compliance with the environmental conditions of the lease.
58. Each year on the anniversary date of the approval of the NOI, the lessee consulting with the District Mining Engineer and District Manager to review past programs and within one (1) month of this review the lessee to prepare and submit detailed annual mining proposals and management programs for approval to the Director, Mining Operations Division in agreement with the Regional Manager, CALM.
59. The lessee designating to the Regional Manager, CALM a responsible officer to direct and control the rehabilitation program.
60. Exploration programs involving vegetation disturbance are subject to the approval of the State Mining Engineer in consultation with the Regional Manager, CALM.
61. The lessee not establishing any camp, base work or area, fuelling depot or similar establishment on the reserve, unless the site and access has received prior approval of the Regional Manager, CALM.
62. The lessee providing an Unconditional Performance Bond guaranteed by a Bank or other approved financial institution in favour of the Minister for Mins in the sum of \$10,000 dor due compliance with the environmental conditions of the lease.

63. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the document titled:

"Amendment to the Freddo (NOI 4750)" dated 23 Jul 2004 – signed by Jamie Gerrard – Environmental Manager, "Amendment to the Freddo NOI, Topsoil and Water Management" dated 12 Nov 2004 – signed by Jamie Gerrard – Environmental Manager and retained on Department of Industry and Resources File No.E2680/200303.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.
64. Any alteration or expansion of operations within the lease boundaries beyond that outlined in the above document(s) not commencing until a plan of operations and a programme to safeguard the environment are submitted to the Director, Environment DoIR for his assessment until his written approval to proceed has been obtained.
65. Any saline water spills or environmental incidents are to report to the Regional Environmental Officer, Department of Industry and Resources within 48 hours of occurrence.
66. The lessee taking all reasonable and practicable measure to prevent or minimise the generation of dust from all materials handling operations, stockpiles, open areas and transport activities.
67. Where saline water is used for dust suppression, all reasonable measure being taken to avoid any detrimental effects to surround vegetation.
68. Bond 273272 – Lodged on 23 Aug 2007 for \$10,000. Recorded 23 Aug 2007.
69. Conversion 259283 – Lodged on 29 Jan 2007 – E15/985 applied for pursuant to Section 120AA.
70. Conversion 259299 – Lodged on 5 Feb 2007 – P15/5130 applied for pursuant to Section 120AA.
71. Conversion 259300 – Lodged on 5 Feb 2007 – P15/5131 applied for pursuant to Section 120AA.
72. This mining lease authorises the mining of the land for all minerals as defined in Section 8 of the mining Act 1978 with the exception of:
- Uranium ore; and
 - Iron ore, unless specifically authorised under Section 111 o the Act.
73. Persons claiming native title to the land the subject of this mining tenement entered into a deed under the Native Title Act 1993 with the State of Western Australia, the Minister for State Development and the tenement holder agreeing to the grant of the tenement. Copies of the deed were given to the National Native Title Tribunal pursuant to Section 34 of the Native Titles Act and filed at the Department of Industry and Resources.
74. The lessee submitting a plan of proposed operations and measures to safeguard the environment to the Director, Environment, DoIR for his assessment and written approval prior to commencing any developmental or productive mining or construction activity.
75. The lessee notifying the holder of any underlying pastoral or grazing lease by telephone or in person, or but registered post if contact cannot be made, prior to undertaking airborne geophysical surveys or any ground disturbing activities utilising equipment such as scrapers, graders, bulldozers, backhoes, drilling rigs; water carting equipment or other mechanised equipment.
76. The rights of ingress to egress from Miscellaneous Licence 15/232 being at all time preserved to the licensee and no inference with the purpose or installations connect to the licence.
77. The construction and operation of the project and measure to protect the environment being carried out generally in accordance with the document titled:

"Notice of Intent – Freddo" technically certified by Mr Greg Barret and corporately endorsed by Mr Tim Blythe (NOI 3964) and retained on Department of Industry and Resources File No.4245/00.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.

78. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Bank or other approved financial institution in favour of the Minister for State Development for due compliance with the environmental conditions of the lease in the sum of \$48,000.
79. Bond 273274 – Lodged 23 Aug 2007 for \$48,000. Recorded 23 Aug 2007.
80. The prior written consent of the Minister for State Development being obtained before commencing mining on State Forest No.8.
81. The rights of ingress to egress from Miscellaneous Licence 15/232 being at all times preserved to the licensee and no interference with the purpose or installations connected to the licence.
82. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the document titled:

"Notice of Intent – Freddo" technically certified by Mr Greg Barret and corporately endorsed by Mr Tim Blythe (NOI 3964) and retained on Department of Industry and Resources File No.4245/00.

"Amendment to the Freddo (NOI 4750)" dated 23 Jul 2004, signed by Jamie Gerrard – Environmental Manager, "Amendment to the Freddo NOI, Topsoil and water Management" (NOI 4846) dated 12 Nov 2004, signed by Jamie Gerrard – Environmental Manager and retained on Department of Industry and Resources File No.E2680/200303.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.

83. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Bank or other approved financial institution in favour of the Minister for State Development for due compliance with the environmental conditions of the lease in the sum of \$24,000.
84. Any saline water spills or environmental incidents are to be reported to the Regional Environmental Officer, Department of Industry and Resources within 48 hours of occurrence.
85. The lessee taking all reasonable and practicable measures to prevent or minimise the generation of dust from all materials handling operations, stockpiles, open areas and transport activities.
86. Where saline water is used for dust suppression, all reasonable measure being taken to avoid any detrimental effects to surrounding vegetation.
87. Bond 273275 – Lodged on 23 Aug 2007 for \$24,000. Recorded on 23 Aug 2007.
88. No mining on Explosives Reserve 17512 without prior written consent of the Minister for Mines.
89. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the documents titled:

"Notice of Intent to commence mining operations on Mining Lease 23/204, Butterfly East Tenement Western Australia" stamped 16 Apr 1992 and retained on Department of Minerals and Energy file No.170/88;

"Notice of Intent to Recomence mining operations on Mining Lease 26/204-Butterfly East Tenement Western Australia" stamped 16 Apr 1992 and retained on Department of Minerals and Energy File No.170/88;

"Notice of Intent to Recommence mining operations of Painted Lady Gold Mine, Butterfly East Operations Western Australia" stamped 25 Jan 1996 and retained on Department of Minerals and Energy File No.2186/95;

"Notice of Intent – Scrubby Tank Open Pit" technically certified by Mr Keith Lindbeck (NOI 4182) and corporately endorsed by Mr Geoff Eyers. General Manager and retained on Department of Industry and Resources File No.5273/02;

"Programme of work Application for Mining Lease 26/328 and 26/204" (exp 5967) dated 18 Jan 2007 and signed by Ivan Henderson – Project Exploration Geologist and retained on Department of Industry and Resources File No.8119/89.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.

90. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Bank or other approved financial institution in favour of the Minister for Mines for the due compliance with the environmental conditions of the lease in the sum of \$346,000.
91. At completion of operations the lessee to submit a report to the Regional Mining Engineer detailed operations and rehabilitation completed.
92. In the event of Explosive Reserve 17512 Location 26 being utilized for storage and/or manufacture of explosives:
 - Mining on the reserve being confined to below a depth a 15 metres from the natural surface;
 - No mining whatsoever being conducted within such distance of the explosives storage area within the reserve as may be determined by the Chief Inspector of Explosives; and
 - All excavations and other disturbances to the surface of the land within the reserve made in the course of prospecting being filled in to the satisfaction of the Regional Mining Engineer.
93. Bond 273269 – Lodged on 23 Aug 2007 for \$346,000. Recorded 23 Aug 2007.
94. Agreement 158H/890 – Newmont Holdings Pty Ltd, HTA Pty Ltd and Hampton Areas Australia Pty Ltd - Lodged 1 Nov 1989.
95. No mining on a strip of land 60 metres wide with Kalgoorlie-Esperance Railway Line as the centreline and no materials being disposed or machinery or buildings erected on such strip of land.
96. Blasting operations being controlled so that no damage or injury can be caused by fly rock, concussion, vibration or other means.
97. In the event of Explosives Reserve 17512 Location 26 being utilized for storage and/or manufacture of explosive;
 - Mining on the reserve being confined to below a depth a 15 metres from the natural surface;
 - No mining whatsoever being conducted within such distance of the explosives storage area within the reserve as may be determined by the Chief Inspector of Explosives; and
 - All excavations and other disturbances to the surface of the land within the reserve made in the course of prospecting being filled in to the satisfaction of the Regional Mining Engineer.
98. No mining on Explosive Reserve 17512 pt26 without the prior written consent of the Minister for Mines.

99. No prospecting, exploration or mining activities being conducted that will interfere with or endanger the construction or operations of the Gas Pipeline and associate facilities under the Agreement (as amended from time to time) ratified by the Goldfields Gas Pipeline Agreement Act 1994 and rights of ingress to and egress from the areas being at all times preserved to the Joint Ventures under that Agreement and their employees, agents and contractors.
100. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with document titled:

"Notice of Intent – Scrubby Tank Open Pit" technically certified by Mr Keith Lindbeck (NOI 4182) and corporately endorsed by Mr Geoff Eyers. General Manager and retained on Department of Industry and Resources File No.5273/02.

Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.
101. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Bank or other approved financial institution in favour of the Minister for State Development for due compliance with the environmental conditions of the lease in the sum of \$5,000.
102. Bond 273277 – Lodged on 23 Aug 2007. Recorded 23 Aug 2007.
103. Conversion 259283 – lodged on 29 Jan 2007 – E15/985 applied for pursuant to Section 120AA.
104. Conversion 256938 – lodged on 31 Jan 2007 – P26/3500 applied for pursuant to Section 120AA.
105. Conversion 257775 – lodged on 2 Feb 2007 – P26/3529 applied for pursuant to Section 120AA.
106. Conversion 257776 – lodged on 2 Feb 2007 – P26/3530 applied for pursuant to Section 120AA.
107. Conversion 257778 – lodged on 2 Feb 2007 – P26/3531 applied for pursuant to Section 120AA.
108. Conversion 257780 – lodged on 2 Feb 2007 – P26/3533 applied for pursuant to Section 120AA.
109. "In respect to the area shown as TENGRAPH FNA 274 or areas within that FNA the following condition shall apply:

"No prospecting, exploration or mining activities being conducted that will interfere with or endanger the construction or operation of the Gas Pipeline and associated facilities under the Agreement (as amended from time to time) ratified by the Goldfields Pipeline Agreement Act 1994 and rights of ingress to and egress from the are being at all times preserved to the Joint Ventures under that Agreement and their employees, agent and contractor."
110. No mining within 25 metres of either side of the Goldfields Gas Pipeline.
111. No surface excavation approaching closer to the boundary of the Safety Zone established by condition 9 hereof than a distance equal to three (3) times the depth of the excavation without the prior written approval of the Sate Mining Engineer.
112. No interference with the drainage pattern, and no parking, storage or movement of equipment or vehicles used in the course of mining within the Safety Zone established by condition 9 hereof, without the prior approval of the operators of the Gas Pipeline.
113. The lessee shall not excavate, drill, install, erect, deposit or permit to be excavated, drilled, installed, erected or deposited within the safety zone established in condition 9 hereof, any pit, well, pavement, foundation, building, or other structure or installation, or material of any nature whatsoever without prior written consent of the State Mining Engineer.
114. No explosives being used or stored within one hundred and fifty feet (150) metres of the Gas Pipeline without the prior written consent of the State Mining Engineer.

115. Mining on the Safety Zone established in condition 9 hereof being confined to below a depth of 50 metres from the natural surface unless otherwise approved by the State Mining Engineer.
 116. The rights of ingress to and egress from the pipeline easement established in condition 9 hereof being at all time preserved for employees, contractors and agents of the operators of the gas pipeline.
 117. Such further conditions as may from time to time be imposed by the minister for state development for the purpose of protecting the gas pipeline.
 118. No mining within 30 metres of either side of the rail corridor land (RCL10 as shown in TENGRAPH).
 119. No surface excavation approaching closer to the boundary of the safety zone established by condition 17 hereof than a distance equal to three (3) times the depth of the excavation without the prior written approval of the state mining engineer.
 120. Mining below the surface of the Safety Zone established in condition 17 hereof being approved by the state mining engineer in consultation with the operator of the railway on corridor land.
 121. No interference with the drainage pattern, and no parking, storage or movement of equipment or vehicles used in the course of mining within the safety zone established by condition 17 hereof without the prior approval of the operator of the railway on corridor land.
 122. The lessee not excavating, drilling, installing, erecting, depositing or permitting to be excavated, drilled, installed, erected or deposited within the Safety Zone established in condition 17 hereof, any pit, well, pavement, foundation, building, or other structure of installation, or material of any nature whatsoever without the prior written consent of the State Mining Engineer.
 123. No explosives being used or stored within 150 metres of the rail corridor land without the prior written consent of the State Mining Engineer.
 124. The rights of ingress to and egress from the rail corridor land being at all times preserved to the employees, contractor and agents of the operator of the railway on corridor land, the Rail Corridor Minister.
 125. Such further conditions as may from time to time be imposed by the Minister for State Development for the purpose of protecting the rail corridor land.
 126. The prior written consent of the Minister for State Development being obtained before the commencing mining on Unnumbered Land Act Reserve 11.
 127. The Construction and operation of the project measures to protect the environment being carried out generally in accordance with the document titled:
 - "Notice of Intent – Scrubby Tank Open Pit" technically certified by Mr Keith Lindbeck (NOI 4182) and corporately endorsed by Mr Geoff Evers, General Manager and retained on Department of Industry and Resources File No.5273/02;
 - "Low Impact Mining – Notice of intent for Scraping and Detecting on M26/567 (EMP3670)" dated 3 Oct 2005 and signed by Mr F Smith and retained on the Department of Industry and Resources File No.T0954/200301.
 - Faxed, signed note from Mr F Smith, dated 14 Oct 2005, and retained on Department of Industry and Resources File No. T0951/200301.
- Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.
128. The lessee arranging lodgement of an Unconditional Performance Bond executed by a Bank or other approved financial institution in favour of the Minister for State Development for due compliance with the environmental conditions of the lease in the sum of \$68,000.

129. Bond 273278 – Lodged on 23 Aug 2007 for \$68,000. Recorded 23 Aug 2007.
130. Conversion 257505 – Lodged 29 Jan 2007 – P15/5051 applied for pursuant to Section 120AA.
131. Conversion 256936 – Lodged 31 Jan 2007 – P26/3499 applied for pursuant to Section 120AA.
132. Conversion 259283 – Lodged 29 Jan 2007 – E15/985 applied for pursuant to Section 120AA.
133. Conversion 257779 – Lodged 2 Feb 2007 – P26/3532 applied for pursuant to Section 120AA.
134. Access to the surface of land within Londonderry Townsite for mining purposes being subject to the approval of the local Authority or relevant reserve vestees, and mining activities within the first 100 metres below the surface of the land being limited to such exploration activities as may be approved by the State Mining Engineer.
135. No activities taking place to the detriment of a roads, streets, or verges.
136. Minimum disturbance being made to natural vegetation.
137. Adequate dust suppression control methods and practices being used.
138. All mining, excavation or drilling operations being backfilled and the ground reinstated and revegetated at the completion of operations to the satisfaction of the District Mining Engineer in consultation with the Shire of Coolgardie.
139. The grant of this licence does not include any private land referred to in Section 29(2) of the Mining Act 1978 except that below 30 metres from the natural surface land.
140. The grant of this licence not inferring automatic approval to mine or the subsequent grant of a mining lease in accordance with Section 75 of the Mining Act.
141. The licensee's attention is drawn to the provisions of:
- The Conservation and Land Management Act, 1984 and the Regulations thereunder;
 - The Bush Fires Act, 1954 and the Regulations thereunder; and
 - The Wildlife Conservation, 1950, as amended and the Regulations thereunder.
142. The rights of ingress to and egress from Miscellaneous Licence 15/51 and 15/189 being at all times preserved to the licensee and no interference with the purpose installations connected to the licence.
143. Access to the surface of land within Londonderry Townsite and Recreation Reserve 4772 for mining purposes being subject to the approval of the local Authority or relevant reserve vestees, and mining activities within the first 100 metres below the surface of the land being limited to such exploration activities as may be approved by the State Mining Engineer.
144. No activities taking place to the detriment of any roads, streets or verges.
145. Minimum disturbance being made to natural vegetation.
146. Adequate dust suppression control methods and practices being used.

147. All mining, excavation or drilling operations being backfilled and the ground reinstated and revegetated at the completion of operations to the satisfaction of the District Mining Engineer in consultation with the Shire of Coolgardie.
148. Prior to any disturbance to vegetation the licensee preparing a detailed program for each phase of proposed exploration for written approval of the State Mining Engineer in agreement with the Regional/District Manager, Department of Conservation and Land Management (CALM). This programs to include:
- Maps and/or aerial photographs showing the proposed locations of all ground activities and disturbances;
 - The purpose, specifications and extent of each activity and disturbance;
 - Details on proposals which may disturb sensitive terrestrial habitats including any declared rare flora and fauna; and
 - Techniques, prescriptions and timetable for the rehabilitation of all proposed disturbances and historic ground disturbances the licensee has agreed to rehabilitate.
149. The licensee, at his/her expense, rehabilitating all areas clears, explored or otherwise disturbed during the term of the licence to the satisfaction of the State Mining Engineer in agreement with the Regional/District Manager (CALM). Such rehabilitation as is appropriate and may include:
- Stockpiling and return of topsoil;
 - Backfilling all holes, trenches and costeans;
 - Ripping;
 - Contouring to the original landform;
 - Revegetation with seed and
 - Capping and backfilling of all drill holes.
150. Prior to the cessation of exploration/prospecting activity the licensee notifying the Regional Environmental Officer, Department of Mineral and Petroleum Resources and Regional/District Manager, CALM and arranging an inspection as required.
151. In consultation with the Regional/District Manager, CALM, machinery or equipment being clean of all soil, mud and plant propagules prior to entering the reserve.
152. Access to from and the movement of vehicles within the Reserve being restricted to roads and tracks approved under the program or otherwise agreed by the Regional/District Manager, CALM.
153. The licensee taking all reasonable precautions not to unnecessarily destroy or damage vegetation on the licence area.
154. No firearms being used or taken into the licence area.
155. The licensee not establishing any camp, base works or area, fuelling depot or similar establishment on the reserve unless the site and access has received the prior approval of the Regional/District Manager, CALM.

156. The rights of ingress to and egress from Miscellaneous Licence 15/189 at all times preserved to the licensee and no interference with the purpose or installations connected to the licence.
157. Access to the surface of land within Londonderry Townsite for mining purposes being subject to the approval of the local Authority or relevant reserve vestees, and mining activities within the first 100 metres below the surface of the land being limited to such exploration activities as may be approved by the State Mining Engineer.
158. The prior written consent of the Minister for State Development being obtained before commencing mining on Kangaroo Hills Timber Reserve 198/25.
159. Conversion 27998 – Lodged on 26 Nov 1996 – M26/609 applied for pursuant to Section 49. Recorded 26 Nov 1996.
160. Conversion 28009 – Lodged 26 Nov 1996 M26/607 applied for pursuant to Section 49. Recorded 26 Nov 1996.
161. The licensee's attention is drawn to the Environmental Protection Act 1986 and the Environmental Protection (Clearing of Native Vegetation) Regulations 2004, which provides for the protection of all native vegetation from damage unless prior permission is obtained.
162. The prior written consent of the Minister for State Development being obtained before commencing mining on Unnumbered Land act Reserve 11.
163. No mining within 30 metres of either side and to a depth of 15 metres of the Rail Corridor Land (RCL 10) as shown in TENGRAPH.
164. No surface excavation approaching closer to the boundary of the Safety Zone established by Condition 8 hereof than a distance equal to three times the depth of the excavation without the prior written approval of the State Mining Engineer, DoCEP.
165. Mining below 15 metres from the natural surface of the land in the Safety Zone established in Condition 8 hereof being approved by the State Mining Engineer, DoCEP in consultation with the operator of the railway on corridor land.
166. No interference with the drainage pattern, and no parking, storage or movement of equipment or vehicles used in the course of mining within the Safety Zone established by Condition 8 hereof without the prior approval of the operator of the railway on corridor land.
167. The licensee shall not excavating , drilling, installing, erecting, depositing or permitting to be excavated, drilled, installed, erected or deposited within the Safety Zone established in Condition 8 hereof, any pit, well, pavement, foundation, building, or other structure or installation, or material of any nature whatsoever without the prior written consent of the State Mining Engineer, DoCEP.
168. No explosives being used or stored within one hundred and fifty (150) metres of the rail corridor land without the prior written consent of the Director, Dangerous Goods Safety Branch, DoCEP.
169. The rights of ingress to and egress from the rail corridor land being a all time preserved to the employees, contractors and agents of the operator of the railway on corridor land, and the Public Transport Authority of WA.
170. Such further conditions as may from time to time be imposed by the Minister for State Development for the purpose of protecting the rail corridor land.
171. No mining within 25 metres of either side of the Pipeline Licence 27.
172. No surface excavation approaching closer to the boundary of the Safety Zone established by condition 16 hereof than a distance equal to three times the depth of the excavation without the prior written approval of the State Mining Engineer, DoCEP.

173. No interference with the drainage pattern, and no parking, storage or movement of equipment or vehicles used in the course of mining within the Safety Zone established by Condition 16 hereof without the prior written approval of the operators of the Pipeline Licence 27.
174. The licensee shall not excavating , drilling, installing, erecting, depositing or permitting to be excavated, drilled, installed, erected or deposited within the Safety Zone established in Condition 8 hereof, any pit, well, pavement, foundation, building, or other structure or installation, or material of any nature whatsoever without the prior written consent of the State Mining Engineer, DoCEP.
175. No explosives being used or stored within one hundred and fifty (150) metres of the Pipeline Licence 27 without the prior written consent of the State Mining Engineer, DoCEP.
176. Mining on the Safety Zone established in Condition 16 hereof being confined to below a depth of 50 metres from the natural surface unless otherwise approved by the State Mining Engineer, DoCEP.
177. The rights of ingress to and egress from the pipeline easement established in condition 16 hereof being at all time preserved for employees, contractors and agents of the operators of the Pipeline Licence 27.
178. Such further conditions as may from time to time be imposed by the minister for state development for the purpose of protecting the pipeline licence 27.
179. Expenditure Exemption for year 2007 – Expenditure Lodged 27/04/2007 \$7,897- Exemption amount \$15,000 lodged 30/04/2007- Number KA759/067 Recorded- Grant of exemption yet to be determined.
180. Expenditure Exemption for year 2007 – Expenditure Lodged 29/06/2007 \$78,504 - Exemption amount \$13,370 lodged 27/06/2007- Number CO429/067 Recorded- Grant of exemption yet to be determined.
181. Expenditure Exemption for year 2006 – Expenditure Lodged 29/06/2006 \$53,927 - Exemption amount \$83,600 lodged 03/07/2006 - Number CO2/067 Recorded- Grant of exemption yet to be determined.
182. Expenditure Exemption for year 2007 – Expenditure Lodged 29/06/2007 \$75,257- Exemption amount \$34,298 lodged 27/06/2007- Number CO229/045 Recorded- Grant of exemption yet to be determined.
183. Expenditure Exemption for year 2007 – Expenditure Lodged 07/06/2007 \$95,368- Exemption amount \$95,700 lodged 12/06/2007- Number KA899/067 Recorded- Grant of exemption yet to be determined.
184. Expenditure Exemption for year 2007 – Expenditure Lodged 27/09/2007 \$58,648 - Exemption amount \$19,652 lodged 09/10/2007- Number 276078 Recorded- Grant of exemption yet to be determined.
185. Expenditure Exemption for year 2006 – Expenditure Lodged 27/04/2007 \$18,538- Exemption amount \$78,600 lodged 06/10/2006- Number KA225/067 Recorded- Grant of exemption yet to be determined.
186. Expenditure Exemption for year 2007 – Expenditure Lodged 27/09/2007 \$5,520- Exemption amount \$1,920 lodged 03/10/2007- Number 275771 Recorded- Grant of exemption yet to be determined.
187. Conversion 28009 – Lodged 26 November 1996 M26/607-applied for pursuant to section 49 – Recorded 26 November 1996.

MATERIAL CONTRACT SUMMARY – Sale Agreement – Mineral Rights

On 12 October 2007, the Company entered into a sale agreement with Dioro Exploration NL (**Vendor**) to acquire the sole and exclusive right to explore for and mine nickel on the Tenements and Locations (**Nickel Rights**) (**Sale Agreement**).

The Sale Agreement is subject to conditions precedent, including the receipt by the Company of all necessary government, regulatory and third party approvals required to complete the transactions contemplated by the Sale Agreement.

The consideration payable by the Company to the Vendor under the Sale Agreement is the issue of 25,000,000 fully paid ordinary shares in Lodestar Minerals Limited at a deemed issue price of \$0.20 each.

The Vendor is to hold the Nickel Rights on trust for the Company as title is not capable of being legally transferred.

Locations

A special lease in relation to the Locations shall be granted to the Company. Under the terms of the special lease the Company will be required to meet a combined minimum annual expenditure commitment of \$100,000 and pay 30% of rents and rates on the Locations. The Company will also be required to lodge a bond with the Vendor in a special purpose trust account for the purpose of environmental rehabilitation of the Locations, with the bond being calculated in a manner equivalent to the Mining Act in relation to mining tenements.

Nickel Priority Tenements

The Company has an exclusive right to explore and mine for nickel within the Nickel Priority Tenements (as set out in Part A of the Schedule of Tenements in Part I above) and is liable for 100% of the expenditure commitments, rents and rates over this area. The Vendor may explore and mine for minerals (other than nickel) in this area provided such activity does not interfere with the Company's activities. In the event both the Company and the Vendor wish to explore the same target area within the Nickel Priority Tenements they agree to negotiate in good faith to agree on co-ordinated exploration programmes and if no agreement is reached within 60 days because the Company is conducting exploration or mining activities then the Company has priority.

Gold Priority Tenements

The Vendor has the exclusive right to explore and mine for minerals (other than nickel) within the Gold Priority Tenements (as set out in Part B of the Schedule of Tenements in Part I above) and is liable for 100% of the expenditure commitments, rents and rates over this area. The Company may explore and mine for nickel in this area provided such activity does not interfere with the Vendor's activities. In the event both the Company and the Vendor wish to explore the same target area within the Gold Priority Tenements they agree to negotiate in good faith to agree on co-ordinated exploration programmes and if no agreement is reached within 60 days because the Vendor is conducting exploration or mining activities then the Vendor has priority.

Equal Priority Tenements

Both the Company and Vendor are liable for 50% of the expenditure commitments, rents and rates over the Equal Priority Tenements (as set out in Part C of the Schedule of

Tenements in Part I above). The Company may explore and mine for nickel and the Vendor may explore and mine for minerals (other than nickel) in this area provided such activity does not interfere with the other party's activities. In the event both the Company and the Vendor wish to explore the same target area within the Equal Priority Tenements they agree to negotiate in good faith to agree on co-ordinated exploration programmes and if no agreement is reached within 60 days the Vendor has priority.

Resource Areas

Irrespective of any rights in relation to the three priority areas and the Locations, if either party has confirmed a defined resource as that term is defined under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, with more than 25% in the measured and indicated category (**the Resource Party**) and the other party wants to explore the same area then the Company and Vendor shall negotiate in good faith with the view to agreeing on co-ordinating their activities in that area, and if the Company and Vendor are unable to agree within a period of 60 days then the Resource Party has priority.

Royalty

The Company has agreed to make payment of amounts that would be due and owing under the 1998 New Celebration Royalty and the Karramindie Royalty (together the **Royalties**) from the Effective Date (as defined in the Sale Agreement) insofar as the Royalties relate to the Nickel Rights (**Royalty Payments**). At the direction of the Vendor, the Royalty Payments may be made to the Vendor or the holder under the Royalties.

Insofar as the Royalties relate to the Nickel Rights the Company will be required to pay:

- a 2.25% net smelter return from the relevant tenements associated with the 1998 New Celebration Royalty; and
- 2.5% net smelter return from the relevant tenement associated with the Karramindie Royalty.

Expenditure and Bond Obligations

Unless both the Company and the Vendor agree in writing not to meet the minimum annual expenditure commitments, rents and rates on the Tenements and Locations and if applicable the bonds for environmental rehabilitation on the Locations, if in any calendar year a party fails to meet its obligations that party automatically surrenders 10% of its mineral rights (Nickel in the case of the Company and all other minerals in the case of the Vendor) to the other party who shall receive a free carried in interest in those rights to the completion of a feasibility study. If in any subsequent calendar year a party fails to meet its expenditure and bond obligations it automatically surrenders its remaining rights to the other party.

Tenement Committee

The Company and Vendor will form a tenement committee comprising one representative each to meet quarterly to discuss tenement, environmental and expenditure issues in relation to each sub-group of Tenements and the Locations.

Reporting Obligations

The Company is required to forward quarterly reports to the Vendor summarising exploration, mining and Form 5 expenditures made in the preceding quarter as well as a proposed program of exploration and mining (if any) for the ensuing quarter in relation to the Tenements and Locations. Additionally, the Company is required to provide annual

Form 5 expenditure documents and annual reports to the standard required by the Department of Industry and Resources within specified time periods to enable the Vendor to meet the reporting requirements and deadlines applicable as holder of the Tenements and Locations.

The Company and the Vendor have provided each other with standard representations and warranties (effective as at the execution date and the settlement date).

PART III

STATUS OF NATIVE TITLE CLAIMS

TRIBUNAL NUMBER	FEDERAL COURT NUMBER	APPLICATION NAME	STATUS	RNTC STATUS	IN MEDIATION
WC95/27	WAD2/98	Gubrun	Active	Unregistered	No
WC97/100	WAD6216/98	Kalamaia Kabu(d)n people	Active	Unregistered	Yes
WC98/27	WAD6243/98	Widji People	Active	Registered	Yes
WC99/9	WAD76/97	Maduwongga People	Active	Unregistered	No
WC99/29	WAD65/98	Central West Goldfields People	Active	Unregistered	No

11. RISK FACTORS

11.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

Risks Specific to the Company

11.2 Exploration Success

The mineral tenements of the Company as described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Tenements and Locations, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company described in the Independent Geologist's Report are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

11.3 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated on 13 August 2007, the Company does not have any operating history, although it should be noted that the Company's directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

11.4 Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

11.5 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

11.6 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the Department of Industry & Resources in Western Australia from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

11.7 Title Risks and Native Title

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance.

The Company has acquired the Nickel Rights which entitles it to explore for and mine nickel on the Tenements and Locations. As such, the Company will not hold legal title to any of the Tenements and Locations. The Company is reliant on Dioro, as the legal holder of the Tenements, to comply with the conditions attaching to the Tenements and Locations. Should Dioro breach the conditions attaching to the Tenements and Locations, the Company's rights may be adversely affected.

As the Company is not recorded as being registered as the holder of a legal interest in the Tenements and Locations, the Company may lodge a caveat to protect its interest. If the Company does not lodge a caveat or delays in lodging a caveat, the Company's rights over a particular Tenement or Location may be detrimentally affected. The Directors refer investors to paragraph 2 of the Solicitor's Report on Tenements and Locations in Section 10 where the

Company's solicitors have specifically advised the Company to lodge caveats over the Tenements and Locations.

The Board notes that as at the date of this Prospectus, the Company had not lodged caveats in respect its rights over any of the Tenements and Locations. However, the Board accepts this advice and is in the process of arranging lodgement of caveats to protect its Nickel Rights. It is anticipated that registration of those caveats will occur before the Closing Date.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

11.8 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

11.9 Contractual Risks

The Company has entered into the Sale Agreement as summarised in the Solicitor's Report on Tenements and Locations contained in Section 10 of this Prospectus. The ability of the Company to achieve its objectives will depend on the performance by Dioro of its obligations under the Sale Agreement. If Dioro defaults in the performance of its obligations it may be necessary for the Company to approach a court to seek a legal remedy. Legal action can be costly and there can be no guarantee that a legal remedy will be ultimately granted on the appropriate terms.

General Risks

11.10 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

11.11 Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

11.12 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

11.13 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

12. ADDITIONAL INFORMATION

12.1 Ordinary Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to Shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other Shares.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the Shares of that class.

12.2 Options

As at the date of this Prospectus, the Company has 4,500,000 Options on issue. The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5:00 pm (WST) on 31 August 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.40 (**Exercise Price**).

- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) A Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

12.3 Material Contracts

- (a) **Sale Agreement – Mineral Rights**

Refer to the summary set out in Part II of the Solicitor's Report on Tenements and Locations in Section 10 of this Prospectus.

(b) **Underwriting Agreement**

By an agreement between DJ Carmichael Pty Limited as Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to fully underwrite the Offer for 25,000,000 Shares (**Underwritten Shares**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee of 5.5% of the value of the Underwritten Shares, plus \$15,000 in legal fees.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- (a) the Company is in breach of any provision of the Underwriting Agreement (whether or not the same is expressed to be a condition) and such failure is not remedied to the satisfaction of the Underwriter (acting reasonably) prior to the issue of the Shortfall Notice;
- (b) any of the representations, warranties or undertakings given on the Company's part cease to be, or are found not to have been, true and correct in all material respects;
- (c) there is a misstatement or inaccuracy in, or omission from, the Prospectus, or any statement in the Prospectus (including, but not limited to, any representation with respect to any future matter) is or becomes misleading or deceptive in a material respect;
- (d) there is a change in the financial position, performance, profits, losses or prospects of the Company which has a Material Adverse Effect;
- (e) any Relevant Company (as defined in the Underwriting Agreement) suspends payments of its debts generally;
- (f) there is a change in the composition of the Board or the senior management of the Company before completion of the Prospectus;
- (g) there is a material change in the major or controlling shareholdings of a Relevant Company;
- (h) an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a Relevant Company;
- (i) a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs;
- (j) the Company withdraws the Prospectus;
- (k) the occurrence of an event as defined in Section 652C of the Corporations Act in relation to the Company, as though the Company were a target company other than any allotment or issue of securities, and any grant of security contemplated in the Prospectus;

- (l) an application is made by ASIC for an order under Section 1324B of the Corporations Act in relation to the Prospectus and that application has not been dismissed or withdrawn;
- (m) the Prospectus does not comply with Sections 710, 711, 713 or any other relevant provision of the Corporations Act;
- (n) before midnight WDST on the Exposure Date, ASIC notifies the Company of any deficiency of any kind in the Prospectus as lodged on the Lodgement Date or ASIC gives any notice, whether written or oral, to the Company extending (or further extending) the Exposure Date or giving notice of its intention to so extend;
- (o) a contravention by a Relevant Company of any provision of its constitution, the Corporations Act or any other applicable legislation or any requirement of ASIC or ASX;
- (p) it transpires that any of the results of the due diligence investigations was false, misleading or deceptive or that there was an omission from them;
- (q) a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (r) without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus;
- (s) there is a refusal or omission to lodge a supplementary or replacement prospectus in relation to the Prospectus which, in the reasonable opinion of the Underwriter, is required to be lodged in accordance with Part 6D.2 of the Corporations Act;
- (t) any supplementary prospectus is lodged with ASIC in relation to the Prospectus which:
 - (i) in the reasonable opinion of the Underwriter may have a material adverse effect on the Offer; or
 - (ii) is lodged without the prior written approval of the Underwriter;
- (u) any party withdraws its written consent to the inclusion of statements made by it in the Prospectus pursuant to Section 716 of the Corporations Act;
- (v) a stop order or interim stop order or notice of intention to hold a hearing being issued by ASIC in relation to the Prospectus or any supplementary prospectus relating thereto, in accordance with Section 739 of the Corporations Act;
- (w) ASIC commences, or the Company or the Underwriter becomes aware of, the intention to commence an investigation under the Australian Securities and Investments Commission Act 2001 into all or any part of the Company;

- (x) an inspector is appointed pursuant to the Corporation Act to investigate all or any part of the affairs of the Company;
- (y) the Company or an officer of the Company is charged with or convicted of an offence in relation to the Company's constituent documents or any law relating to companies or securities or ASX Listing Rules;
- (z) if without the prior consent of the Underwriter a material contract is terminated (whether by breach or otherwise), rescinded, altered or amended or any such contract is found to be void, voidable, or unenforceable;
- (aa) the Company alters or announces an intention to alter its capital structure or its Constitution;
- (bb) ASX refuses, does not grant, on terms acceptable to the Underwriter, or withdraws approval for the granting of Official Quotation for the Shares comprising the Offer or ASX makes a statement to that effect to the Company, the Underwriter or any other person;
- (cc) ASX withdraws approval for the Company to be listed on the Official List or ASX makes a statement to that effect to the Company, the Underwriter or any other person;
- (dd) a judgment in an amount exceeding \$100,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (ee) a director or a senior manager of a Relevant Company is charged with an indictable offence;
- (ff) litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (gg) any Authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (hh) there is a delay in any specified date in the Timetable which is greater than 3 Business Days;
- (ii) the Company does not receive conditional approval to be admitted to the official list of ASX on or before 14 December 2007;
- (jj) a Force Majeure (as defined in the Underwriting Agreement) event affecting the Company's business lasting in excess of 7 days occurs;
- (kk) the S&P/ASX All Ordinaries 200 Index of ASX falls by 5% or more below the level at which it is on the date of lodgement of the prospectus;

- (ll) the nickel price falls by 7.5% or more below the level at which it is on the date of lodgement of the prospectus;
- (mm) the adoption of or announcement by or on the authority of the United States of America or Australian Governments of the following:
 - (A) any change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investment in stocks and options generally including but not limited to any change which is likely to materially affect interest rates; or
 - (B) any law or prospective law or other measure having the effect or restraining capital issues, corporate profits or foreign investment;
- (nn) there occurs any fundamental change in Australian economic or political conditions;
- (oo) there is an outbreak of hostility (whether war has been declared or not) involving any one of Australia, the United Kingdom, the United States of America, the Commonwealth of Independent States (excluding hostilities within the Commonwealth of Independent States), the Peoples Republic of China, Indonesia (excluding hostilities in East Timor during the presence of the United Nations peace keeping in East Timor), Malaysia or Japan;
- (pp) the directors of Diaro Exploration NL do not fully meet their commitments in respect of sub-underwriting \$400,000 of the Offer;
- (aq) completion does not occur under the Sale Agreement for the transfer of Nickel Rights to the Company; or
- (rr) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

(c) **Executive Services Agreement – Managing Director**

The Company has agreed terms with Mr Bill Clayton for his appointment as Managing Director effective as from 29 October 2007.

Mr Clayton is to be paid an annual remuneration of \$200,000 inclusive of statutory superannuation (**Remuneration**). Mr Clayton will also be reimbursed for reasonable expenses incurred in carrying out his duties.

In addition to the remuneration the Company proposes to seek Shareholder approval for the issue of the following Options to Mr Clayton at the first general meeting of the Company following listing on ASX:

- 750,000 Options exercisable at 40 cents each on or before 31 August 2012;
- 750,000 Options exercisable at 60 cents each on or before 31 August 2012 (vesting after 12 months service); and
- 750,000 Options exercisable at 80 cents each on or before 31 August 2012 (vesting after 24 months service).

The Company will enter into a formal executive services agreement with Mr Clayton in due course (**Services Agreement**). It is intended that the Services Agreement will operate on a rolling 12-month basis, unless terminated in accordance with the relevant provisions of the Service Agreement.

The Services Agreement will contain standard termination provisions under which the Company must give notice of termination, or alternatively, payment in lieu of service. In addition, Mr Clayton will be entitled to all unpaid remuneration and entitlements up to the date of termination. Mr Clayton must provide three months written notice to the Company.

(d) **Deeds of Indemnity, Insurance and Access**

The Company has entered into, or will enter into, a Deed of Indemnity, Insurance and Access with each of its Directors.

Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

12.4 **Employee Share Option Plan**

The Board adopted the Employee Share Option Plan on 12 October 2007 to provide an incentive for eligible employees to participate in the future growth of the Company and, upon becoming Shareholders, to participate in the Company's profits and development. No options (**Plan Options**) are proposed to be granted under the Employee Share Option Plan either before or on Official Quotation.

Eligibility

The Board may grant Plan Options to any full or part time employee or director of the Company.

Plan Options are personal and are not transferable except with the written approval of the Board.

Exercise Price

The price payable upon exercise of a Plan Option will, unless otherwise determined by the Board, be the weighted average closing sale price of Shares recorded on ASX over the last 5 trading days on which sales were recorded preceding the day on which the Board resolves to grant Plan Options.

Expiry Date

The Board will determine at grant the exercise period or periods of Plan Options and any appropriate performance criteria that must be satisfied before the Plan Options are permitted to be exercised. The exercise period must not be more than 5 years from the date of grant.

Exercise or Lapse

Plan Options will lapse 30 days after an eligible employee ceases to be an employee or director of the Company, unless the Board otherwise determines.

Plan Options may be exercised during an offer period in the event of a takeover bid as defined in the Corporations Act.

Limits

The maximum number of shares to be made available under the Employee Share Option Plan by the Company shall not exceed 5% of the Company's issued ordinary share capital in any 5 year period when added to any other options granted under all Company employee share schemes but disregarding offers made:

- To a person situated outside Australia;
- Where disclosure was not required under the Corporations Act; and
- Where disclosure was made under the Corporations Act.

Variation of Share Capital

On the alteration of the ordinary share capital of the Company by pro-rata issue, bonus issue, consolidation, subdivision, reduction, return or pro-rata cancellation or other alteration the number of Plan Options to which each holder is entitled and/or the exercise price will be reconstructed in a manner in compliance with the Listing Rules.

Amendments

The Board may alter, delete or add to the rules of Employee Share Option Plan at any time but no amendment may be made which reduces the rights of a holder of Plan Options granted prior to the date of amendment other than where the purpose of the amendment is to comply with present or future legislation, correct any manifest error or mistake, or to take into consideration adverse taxation implications arising from adverse rulings from the Commissioner of Taxation.

Any eligible employee affected by any such amendments must be notified in writing as soon as is reasonably practicable.

12.5 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares as set out in the table below:

Director	Shares	Options	Pro-rata Priority Offer
Bill Clayton	Nil	Nil ¹	Nil
Rhod Grivas	22,115	1,500,000 ²	17,692
David McArthur	463,490	1,500,000 ²	370,793
Mark Pitt	42,225	1,500,000 ²	33,780

Notes:

¹ The Company proposes to seek Shareholder approval for the issue of the following Options to Bill Clayton at the first general meeting of the Company following listing on ASX:

- 750,000 Options exercisable at 40 cents each on or before 31 August 2012;
- 750,000 Options exercisable at 60 cents each on or before 31 August 2012 (vesting after 12 months service); and
- 750,000 Options exercisable at 80 cents each on or before 31 August 2012 (vesting after 24 months service).

² The terms and conditions of the Options are summarised in Section 12.2 of this Prospectus.

The Directors intend to participate in the Pro-rata Priority Offer as Dioro Shareholders in the amounts set out in the table above.

Each of the Dioro Directors has sub-underwritten 500,000 Shares under the Offer. A sub-underwriting fee of 2.75% will be paid to each of those Dioro Director.

12.6 Remuneration

The Company's Constitution provides that the remuneration of Directors (excluding salaries of Executive Directors) will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for Directors has been set at an amount not to exceed \$250,000 per annum.

The proposed remuneration to be paid to each of the Directors on an annual basis excluding superannuation is as follows:

Director	Remuneration
Bill Clayton	\$200,000
Rhod Grivas	\$40,000
David McArthur	\$40,000
Mark Pitt	\$40,000

The remuneration of executive directors will be determined from time to time by the Board having regard to the nature and extent of their responsibilities.

12.7 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director or proposed Director;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Peter F Robinson and Associates Pty Ltd has acted as Independent Geologist and has prepared an Independent Geologist's Report which is included in Section 7 of this Prospectus. The Company estimates it will pay Peter F Robinson and Associates Pty Ltd a total of \$10,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Peter F Robinson and Associates Pty Ltd has not received any other fees from the Company.

KPMG has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay KPMG a total of \$7,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, KPMG has not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has prepared an Independent Solicitor's Report on Tenements and Locations which is included in Section 10 of this Prospectus. The Company estimates it will pay Steinepreis Paganin \$40,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin have not received any fees for legal services.

12.8 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in this Prospectus is based other than specifically as mentioned below where a statement or report is included in this Prospectus with the consent of that party; and
- (b) has not caused or authorised the issue of the Prospectus and to the maximum extent permitted by law, expressly disclaims all liability in respect of, and makes no representation regarding, and take no responsibility for any statements or material in, or omissions from, any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Peter F Robinson and Associates Pty Ltd has given its written consent to being named as Independent Geologist in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 7 of this Prospectus in the form and context in which the report is included. Peter F Robinson and Associates Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

KPMG has given and not withdrawn prior to the lodgement of this Prospectus its written consent to being named as Investigating Accountant in this Prospectus in the form and context which it is so named and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the report is included.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements Locations in Section 10 of this Prospectus in the form and context in which the report is included. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd (**Computershare**) has given its written consent to being named as the Company's share registry in this Prospectus. Computershare has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

DJ Carmichael Pty Limited (**Carmichael**) has given its written consent to being named as Underwriter to the Offer in this Prospectus. Carmichael has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

12.9 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$400,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC fees	2,010
Share Registry fees	10,000
ASX fees	32,010
Underwriting Fees	275,000
Legal Fees	40,000
Investigating Accountant's Fees	7,500
Independent Geologist's Fees	10,000
Printing	15,000
Miscellaneous	8,480
TOTAL	400,000

12.10 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

12.11 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@lodestarminerals.com.au and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.lodestarminerals.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

12.12 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

12.13 Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mr David McArthur
For and on behalf of
LODESTAR MINERALS LIMITED

14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Applicant means an applicant to the Pro-rata Priority Offer and/or the General Offer.

Application Form means the Pro-rata Priority Offer Application Form or the General Offer Application Form as the case determines attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors as constituted from time to time.

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

Closing Date means the closing date of the Offer as set out in Section 3.2 of this Prospectus (subject to the Closing Date being extended or the Offer being closed early).

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Dioro means Dioro Exploration NL (ACN 009 271 532).

Dioro Directors means the directors of Dioro at the date of this Prospectus.

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

Dioro Shareholder means a holder of Dioro Shares.

Directors means the directors of the Company at the date of this Prospectus.

Eligible Dioro Shareholder means a Dioro Shareholder registered as at the Record Date.

Employee Share Option Plan means the employee share option plan as adopted by the Company with the terms and conditions as set out in Section 12.4 of this Prospectus.

Entitlement means that number of Shares an Eligible Dioro Shareholder is entitled to under the Pro-rata Priority Offer.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

General Offer means the offer to the public to apply for Shares set out in Section 4.2 of this Prospectus.

General Offer Application Form means the general offer application form accompanying this Prospectus relating to the General Offer.

General Offer Closing Date means the closing date for receipt of application forms under this Prospectus, being 5:00 pm (WDST) on 30 November 2007 or an extended date set by the Board.

Listing Rules means the official listing rules of ASX.

Locations means the locations set out in Part I of the Solicitor's Report on Tenements and Locations in Section 10 of this Prospectus.

Nickel means nickel and any accessory ore mineral (excluding gold) occurring in conjunction with nickel which is recovered as part of the Nickel ore.

Nickel Rights means the sole and exclusive right to explore for and mine Nickel on the Tenements (subject to the terms of the Tenements) and the Locations.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 4 of this Prospectus incorporating the Pro-rata Priority Offer and the General Offer.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to acquire a Share.

Plan Option means an option to acquire a Share issued under the Employee Share Option Plan.

Pro-rata Priority Offer means the offer of 20,000,000 Shares to Dioro Shareholders on the Record Date, on the terms set out in Section 4.2 of this Prospectus.

Pro-rata Priority Offer Application Form means the blue pro-rata priority offer application form accompanying this Prospectus relating to the Pro-rata Priority Offer.

Pro-rata Priority Offer Closing Date means the closing date for receipt of a Pro-rata Priority Offer Application Form under this Prospectus, being 5:00 pm (WDST) on 29 November 2007 or an extended date set by the Board.

Prospectus means this prospectus.

Record Date means the record date for determining an entitlement to participate in the Pro-rata Priority Offer being 5:00 pm (WDST) on 12 November 2007.

Sale Agreement means the Agreement for Sale Mineral Rights between the Company and Dioro dated 12 October 2007.

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

Share Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Shareholder means a holder of Shares.

Shortfall means that part of the Pro-rata Priority Offer and General Offer not taken up by investors.

Shortfall Applicant means an applicant under the Shortfall Offer.

Shortfall Offer means the offer of that portion of Shares not taken up by investors under the Pro-rata Priority Offer and General Offer, on the terms set out in Section 4.2 of this Prospectus.

Tenements means the tenements set out in Part I of the Solicitor's Report on Tenements and Locations in Section 10 of this Prospectus.

Underwriter means DJ Carmichael Pty Limited (ACN 008 058 857).

WDST means Western Daylight Saving Time observed in Perth, Western Australia.

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

Application Form/s

PRIORITY ACCEPTANCE FORM

Priority Pro-Rata Issue Closing 5.00pm WDST on 30 November 2007

Priority Pro-Rata Issue of 20,000,000 Shares to Dioro Exploration NL Shareholders registered and entitled to participate at the record date at an issue price of A\$0.20 per Share.

Important

- This document is of value and requires your immediate attention. If you do not understand it, or are in doubt as to how to deal with it, you should consult your accountant, stockbroker, solicitor or other professional adviser immediately.
- This Acceptance Form should not be relied upon as evidence of the current entitlement of the person named in this Form.
- Receipt of this form by 5.00pm WDST on 30 November 2007 with your payment will constitute acceptance in accordance with the terms of the Prospectus dated 8 November 2007.

A Securityholder Priority details	
Subregister	<input type="text"/>
Existing Dioro Exploration NL Shareholders entitled to participate at Record Date on 12 November 2007.	<input type="text"/>
Entitlement to Shares on a Pro-rata basis.	<input type="text"/>
Amount payable on full acceptance at A\$0.20 per Share	<input type="text"/>
Entitlement Number	<input type="text"/>

I/We enclose my/our payment for the amount shown below being payment of A\$0.20 per Share. I/We hereby authorise you to register me/us as the holder(s) of the Shares allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

Do not detach form
Acceptances can only be accepted in the name printed on this form

See back of form for completion guidelines

LODESTAR MINERALS LIMITED
 ABN 32 127 026 528

Pin cheque(s) here. Do not staple.

Entitlement Number:

Entitlement	Payable	<input type="text"/>
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B Number of Shares Applied for

C Number of additional Shares applied for to round application up to a marketable parcel of 10,000 shares

D Amount enclosed at A\$0.20 per Share

A\$	<input type="text"/>
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E Payment Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to Lodestar Minerals Limited – Share Offer Account

F Enter your contact details

Contact Name

Telephone Number – Business Hours / After Hours
 ()

How to complete the Priority Acceptance Form

Please complete all relevant sections of the Priority Acceptance Form using BLOCK LETTERS in black ink. Note that photocopies will not be accepted. These instructions are cross-referenced to each section of the Priority Acceptance Form.

<p>A Details of your Entitlement based on your Securityholding at 5.00pm WDST on 12 November 2007 are shown in box A on the front of this Acceptance Form.</p>	<p>D Acceptance Monies Enter the amount of Acceptance Monies. To calculate the amount payable, multiply the number of Shares applied for by the issue price.</p>
<p>B Securities Applied for You can apply to accept either all, or part of, your Entitlement. Enter in box B the number of Shares you wish to accept from your Entitlement.</p> <ul style="list-style-type: none">To accept your Entitlement in full, write in box B the number of Shares shown in box A as your Entitlement.To accept part of your Entitlement only, write in box B the number of Shares for which you wish to apply. <p>Please ensure you complete Section B on the bottom of the form.</p>	<p>Please ensure you complete Section D on the bottom of the form.</p>
<p>Additional Securities Applied for</p> <p>C Enter the number of Additional Shares applied for if you wish to round your application up to a marketable parcel of 10,000 shares. No eligible Securityholder is assured of receiving any additional shares applied for in excess of their Entitlement, with the absolute discretion to issue additional shares held by the Underwriter to the issue.</p> <p>Please ensure you complete Section C on the bottom of the form.</p>	<p>E Payment Details Make your cheque or bank draft payable to Lodestar Minerals Limited – Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance being rejected. Pin (do not staple) your cheque(s) to the Priority Acceptance Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.</p>
	<p>F Contact Details Enter your contact details. These are not compulsory but will assist us if we need to contact you.</p>

The directors reserve the right to make amendments to this form where appropriate.

This form may not be used to effect an address change. Please contact Computershare Investor Services Pty Limited on 1300 850 505 for an appropriate form, or download a Change of Address Notification form from www.computershare.com.

Lodgement of Acceptance

Acceptance Forms must be received at the Perth office of Computershare Investor Services Pty Limited no later than 5.00pm WDST on 30 November 2007.

Return the Priority Acceptance Form with cheque(s) attached to:

Lodestar Minerals Limited
C/- Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitation distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au.

If you have any queries concerning your entitlement, please contact Computershare Investor Services Pty Limited on (08) 9323 2000.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed General Application Form together with a cheque to Underwriter of the Company. If an Applicant has any questions on how to complete this General Application Form, please telephone DJ Carmichael Pty Limited on **(08) 9263 5200**. The Form must be received by DJ Carmichael Pty Limited.

A. Application for Shares

The General Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the General Application Form.

F. CHESSE HIN or existing SRN Details

The Company participates in CHESSE. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESSE HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "Lodestar Minerals Limited – Entitlement Offer Account" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

H. Declaration

By completing the General Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The General Application Form does not need to be signed.

If a General Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a General Application Form, and how to construe, amend or complete it, shall be final. A General Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

Lodestar Minerals Limited – Entitlement Offer Account
C/- DJ Carmichael Pty Limited
Level 11, Allendale Square
77 St Georges Terrace
Perth WA 6000

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. General Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. General Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

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C. Name of Joint Applicants or Account Designation

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D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

F. CHESSE HIN or existing SRN Details

The Company participates in CHESSE. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESSE HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

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Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
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Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund