



LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2019

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CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretaries

Mr David McArthur
Mr Jordan McArthur

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Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000

ASX Codes

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

Country of Incorporation and Domicile

Australia

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the six months ended 31 December 2019

DIRECTORS' REPORT

Your Directors submit the Interim Report of the Group for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

1. DIRECTORS

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Name	
Non-Executive	
Ross Taylor	Chairman and non-executive director Chairman of the Remuneration & Nomination Committee
David McArthur	Non-executive Director Company Secretary Chairman of the Audit & Risk Management Committee
Executive	
William Clayton	Managing Director

2. OPERATING AND FINANCIAL REVIEW

Overview

Ned's Creek (Gold & base metals)

- Vango farm in: Vango earning 51% by spending \$5M over 3 years
- First drilling under the agreement intersects significant gold and base metal mineralisation at Contessa
- Follow up drill programs in place

Camel Hills (Gold)

- 14km long +1 ppb Au BLEG drainage anomaly to be targeted with BLEG, surface geochemistry and drilling
- Similar regional footprint to the 1Moz Glenburgh gold project

Imbin (Gold & base metals)

- Geophysical data processing, target generation prior to commencing field work
 - Two tenements under native title negotiations
-

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the six months ended 31 December 2019

Lodestar Minerals Limited is listed on the Australian Securities Exchange (ASX: LSR) and has approximately 852.8 million shares on issue. Lodestar is a West Australian junior gold and base metal explorer with operations on three main project areas across the northern Yilgarn margin having a combined area of 1,550 square kilometres. Lodestar's Camel Hills and Ned's Creek gold projects are located in the Gascoyne and Peak Hill Mineral Fields, respectively and the Imbin gold-copper project is located 160 kilometres north east of Wiluna (see Figure 1).

Lodestar has made significant greenfields gold discoveries at Ned's Creek (2013 and 2017-2018) and at Camel Hills (Big Sky, in 2015). The Ned's Creek tenements are located within a major gold producing district some 35km south east from the 5Moz Plutonic gold mine and 25km south of the 1Moz Marymia Gold Project. In July 2019, Vango Mining Limited ("Vango", ASX: VAN), operators of the Marymia Gold Project, executed an option agreement to farm into Lodestar's Ned's Creek tenements. Vango aims to fast-track mine development on the Marymia Project, creating a stand-alone mining and processing operation adjacent to the Ned's Creek tenements. The agreement requires Vango to spend \$5M over three years to earn a 51% interest in the tenements with a minimum spend of \$1M per annum. Upon Vango earning a 51% interest Lodestar may elect to contribute for its pro-rata 49% interest or revert to a 20% free-carried interest.

Significant results were reported from the first Vango-funded drilling program at the Contessa prospect and the northern granite contact. This work will continue into 2020.

A review of Lodestar's 100%-owned Camels Hills project highlighted a large drainage gold anomaly extending over 14km, showing similarity to the regional footprint of the 1Moz Glenburgh gold project 60km to the north west. The Big Sky prospect and soil geochemistry anomalies identified by Lodestar sit within this larger anomaly. Additional geochemistry was completed at the Duval prospect where historic drilling and drainage sampling was reported to have encountered visible gold. The target at Duval was extended beyond the area of historic drilling and follow up work is planned.

At Imbin the key tenements are subject to native title negotiations and discussions with the native title representatives are continuing in a constructive manner. Preliminary work at Imbin has included a targeted aeromagnetic survey flown by Lodestar. This data will be incorporated into an updated aeromagnetic interpretation, together with gravity data, to assist the first phase of target selection and on-ground exploration following the granting of tenements.

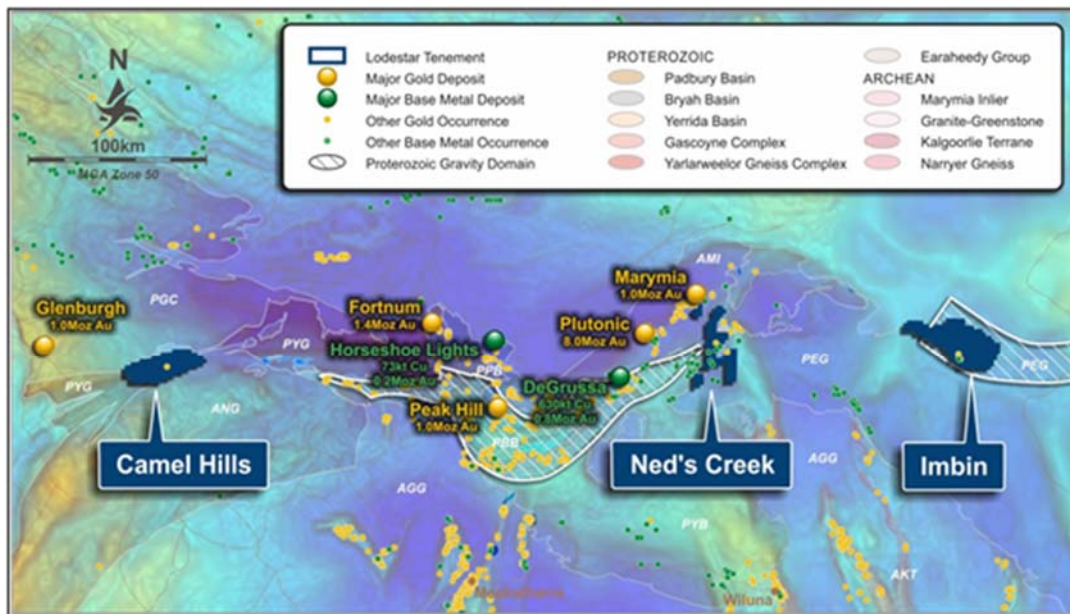


Figure 1 Lodestar's projects located on the mineralised northern Yilgarn Craton margin. Background gravity image.

LODESTAR MINERALS LIMITED

DIRECTORS' REPORT

For the six months ended 31 December 2019

Significant Events during the Period

Ned's Creek

On 17th July 2019 Vango Mining Limited entered a farm-in agreement to earn a 51% interest in the Ned's Creek tenements by spending \$5M over three years (see Lodestar's ASX announcement dated 17th July 2019).

Lodestar's exploration has identified significant bedrock gold mineralisation over distance of 2.5km along the southern contact of a syenogranite intrusion, with advanced exploration targets defined at the Contessa, Central Park and Gidgee Flat prospects. The agreement with Vango will expedite further drill testing of these targets with the aim of defining a maiden resource, in parallel with exploration of the wider area of prospective greenstone surrounding the intrusion.

The first Vango-funded drilling program, partially completed prior to year's end, comprised 5 RC holes at Contessa and 14 shallow, reconnaissance RC holes targeting the northern granite contact for a total of 1,661m. Significant results reported from the Contessa drilling included:

- **16m at 2.16g/t Au from 84m, including 4m at 9.63g/t Au in VCTRC0003 and**
- **5m at 2.42g/t Au from 46m, including 2m at 4.94g/t Au in VCTRC0002** (see Lodestar's ASX announcement dated 10th February 2020).

Vango's drilling was targeting extensions to primary and oxide mineralisation southwest and up-plunge of the bonanza (4m at 74g/t Au) gold intersection reported from Lodestar drill hole LNRC026 (see Lodestar's ASX announcement dated 22nd May 2016). The Contessa mineralisation is thought to comprise a shallow, sub-horizontal zone of supergene mineralisation linked to a north easterly plunging, northwest dipping primary system that is open down-dip and down-plunge to the north east. Additional drilling of this target is planned with the aim of defining open pit and underground resources.

In addition to the gold intersections above, significant base metal mineralisation associated with a sulphidic black shale unit was identified by pXRF analysis in drill hole VCTRC0003. This intersection highlights potential for volcanic hosted massive sulphide (VHMS) copper-lead-zinc or other base metal mineralisation at Ned's Creek.

Tenements

The following changes to the Company's Imbin project tenement status occurred:

- E69/3590 was granted on 12 December 2019; and
- An application for E69/3699 was lodged based on aeromagnetic data that included a continuation of prospective sedimentary terrane below sand cover.

These tenements are peripheral to the two main tenements awaiting grant that host historic copper-gold anomalies and drill intersections.

EXPLORATION

Ned's Creek (Vango earning 51%)

Contessa

Vango commenced their initial drilling program targeting supergene and high-grade bedrock gold at Contessa and the undrilled northern contact of the syenogranite; 2km north of Contessa (see Figure 2) in December 2019. A total of 1,661m was completed prior to the end of year when drilling was interrupted by cyclone-related weather events.

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT

For the six months ended 31 December 2019

The drilling was designed to:

- a) Test the oxide and primary zone at Contessa, 40m south west of very high-grade gold intersected in LNRC026 (see Figures 3 and 4). 5 RC holes for 786m were completed immediately south west of LNRC026 and reported significant intersections that, in combination with the existing drill hole information, indicate a north east plunging geometry to the system:
 - o **16m at 2.16g/t Au from 84m, including 4m at 9.63g/t Au in VCTRC0003 and**
 - o **5m at 2.42g/t Au from 46m, including 2m at 4.94g/t Au in VCTRC0002**

These intersections appear to represent the up-plunge position of the mineralised system, linking the sub-horizontal supergene and deeper transition zone with the north east plunging zone of bedrock mineralisation. This high-grade target remains open down-dip to the north-west and down-plunge to the north east.

- b) Test the northern contact of the granite with three traverses of widely spaced reconnaissance type drilling. 14 shallow RC holes for 875m were completed, targeting historic multi-element geochemical anomalies. The contact zone and pathfinder element association is very prospective for syenite-related gold systems and significant early results from the program included anomalous gold together with a co-incident nickel-copper anomaly within ultramafic rocks that suggests potential for nickel sulphides (see Lodestar's ASX announcement dated 10th February 2020).

A resumption of drilling, to in-fill and expand the recent program, is planned.

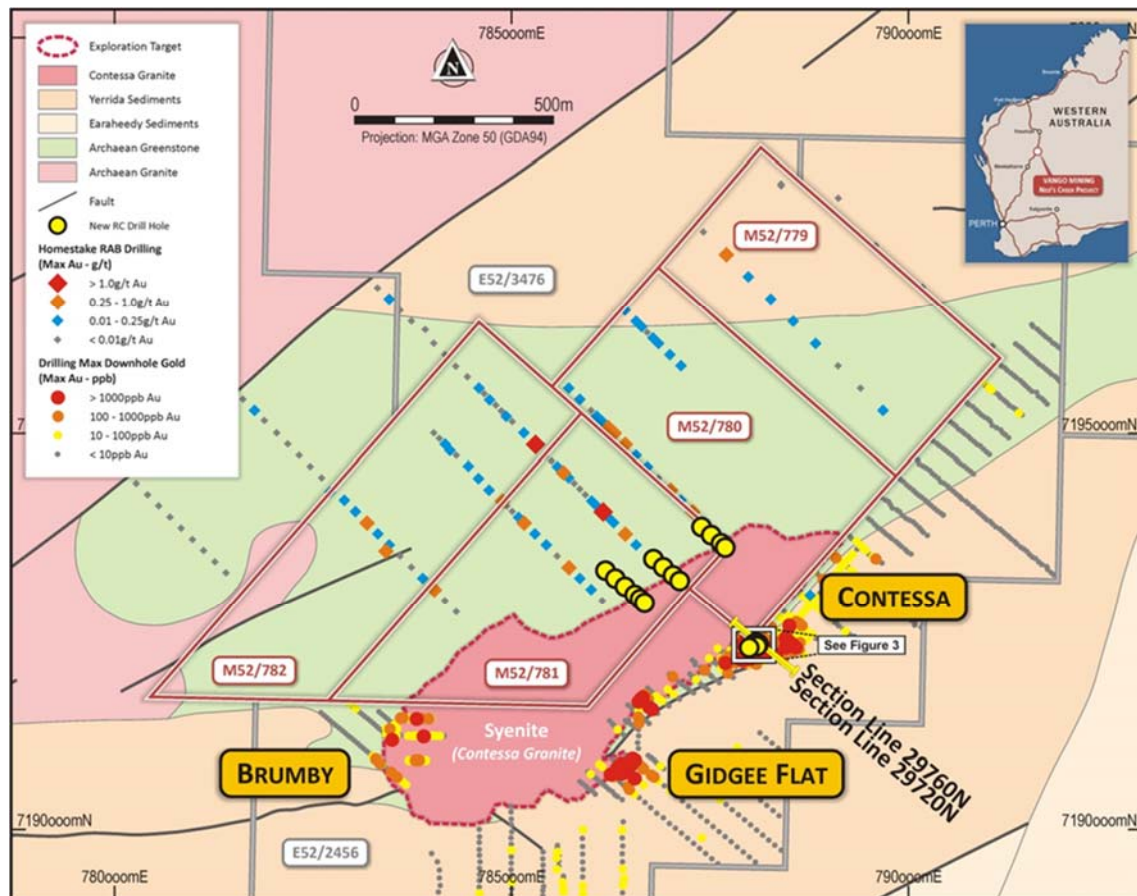


Figure 1 Drill hole location plan.

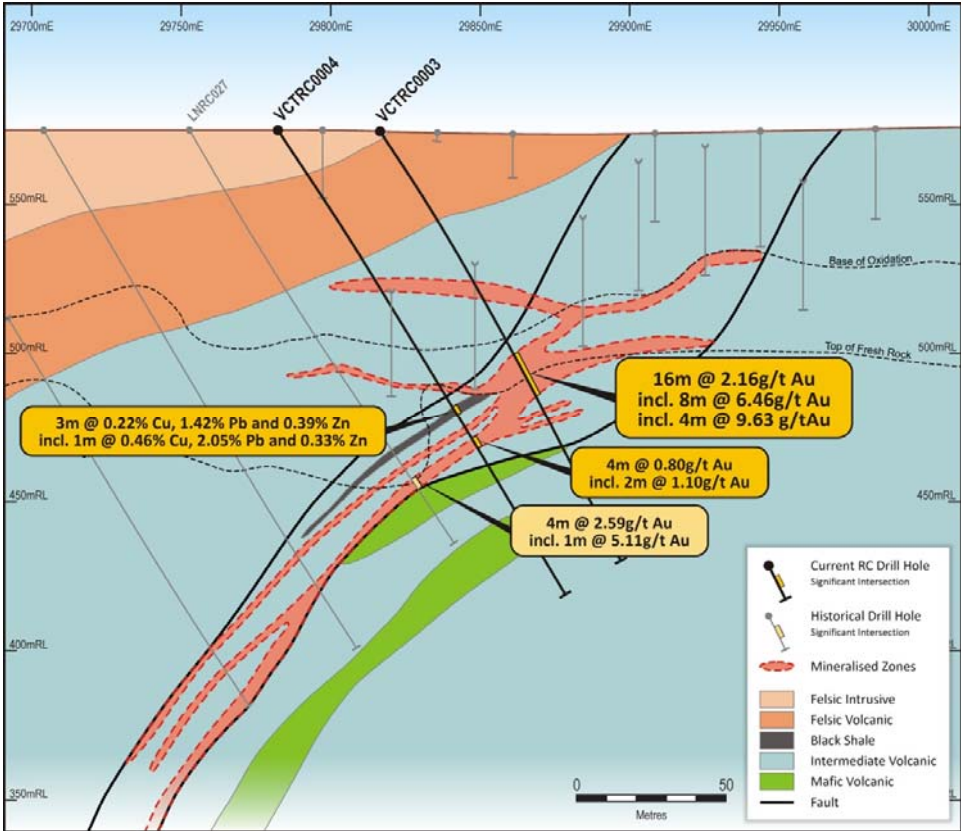


Figure 2 Drill section 29720N geological interpretation and drill intersections.

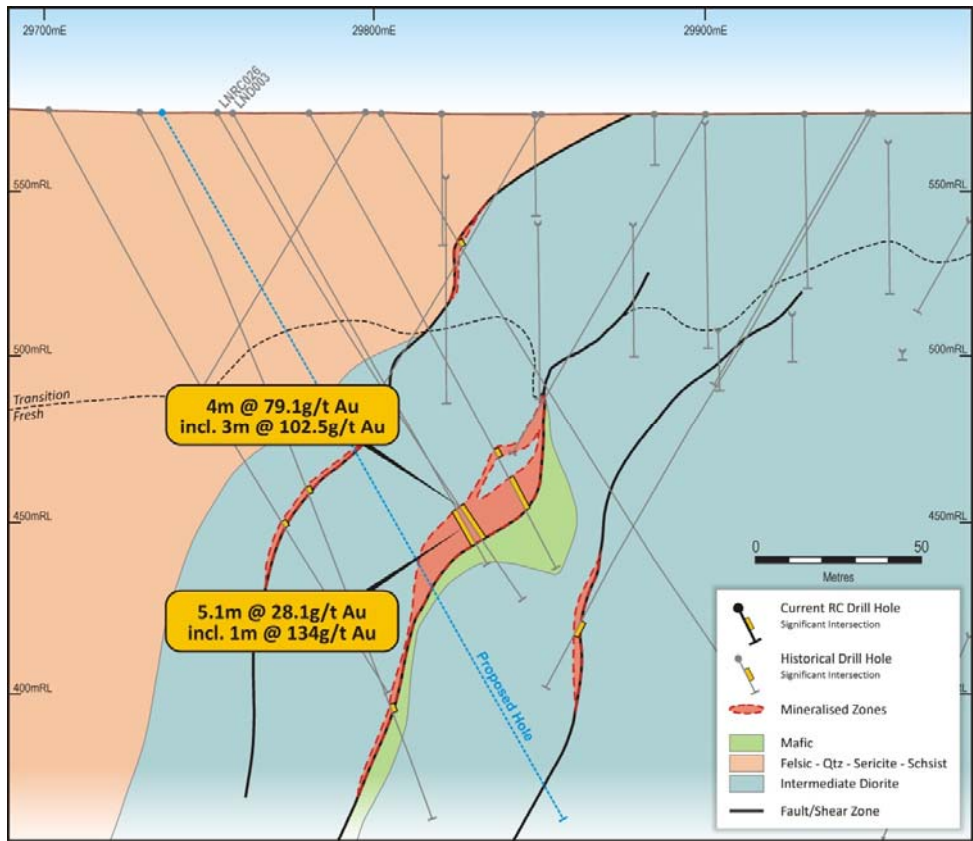


Figure 3 Drill section 29760N geological interpretation, high-grade target and drill intersections, showing proposed drill hole.

Camel Hills (Lodestar – 100%)

A review of historic regional drainage sampling programs completed between 1989 and 1995 demonstrated a close correlation between previously completed bulk leach extractable gold (BLEG) surveying and Lodestar’s soil geochemistry. The first program, conducted by Newmont¹, consisted of 96 samples collected within an area of 34km by 16km and reported maximum gold values of 0.45ppb Au. A second program, conducted by Peregrine², covered a much larger area of the Earabiddy Shear Zone (89km by 31km) and partially overlapped the Newmont survey area. The Peregrine program consisted of 389 samples, reporting a maximum 21.2ppb Au within a 14km long primary target. This target includes the Big Sky prospect and a large gold-in soil anomaly located 3.5km west of Big Sky that extends over 1600m and reported a maximum of 133ppb Au from surface geochemistry.

The 1Moz Glenburgh gold deposits 60km northwest of Camel Hills were discovered after following up >1ppb Au BLEG drainage anomalies³. Drainage samples from similar terrane in the Camel Hills area reporting greater than 1ppb Au are therefore considered significant.

¹ See DMIRS open file report A28679
² See DMIRS open file report A44628
³ See DMIRS open file report A45084

LODESTAR MINERALS LIMITED
DIRECTORS' REPORT
For the six months ended 31 December 2019

The Newmont and Peregrine data were levelled and combined to assist in the interpretation of Lodestar's regional soil sampling. The combined data indicate a good correlation between soil geochemistry anomalies and the historic BLEG data and confirm that an area extending over 14km strike, corresponding to the area of main magnetic anomalies, is the primary target for future exploration. The eastern end and southern margin of this zone has been subject to only sporadic soil geochemistry. One of the historic prospects, the Duval grid area, 10km northeast of Big Sky (Figure 6), represents a secondary target for follow up work and a total of 31 BLEG samples, reporting a maximum 7.7ppbAu, have been collected in the area of historic drilling. Significantly, low-level gold anomalies continue upslope, south of the Duval drill holes (Figure 7). This area has not been tested by geochemistry and follow-up sampling is planned.

Planned work programs to include:

- a) Follow up drainage and surface geochemistry within areas where there has been no effective follow up to refine historic BLEG drainage anomalies and locate a primary source.
- b) Drilling of the 1,600m long surface geochemical anomaly identified by Lodestar's sampling.

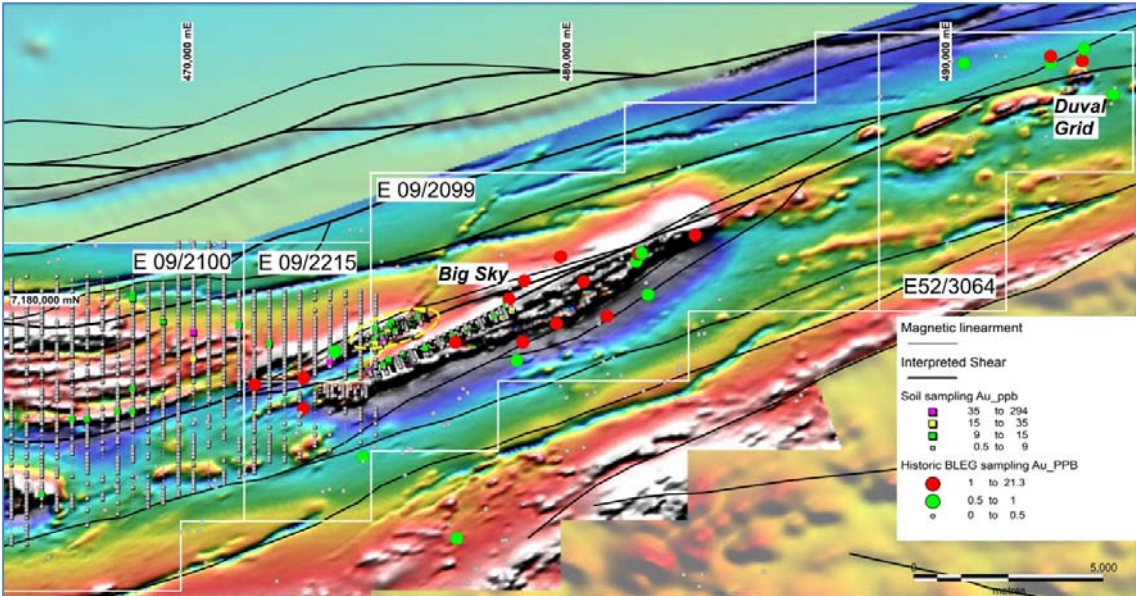


Figure 4 Camel Hills Project tenements: Earabiddy Shear Zone showing 14km anomalous gold in BLEG and target gold in soil anomaly. Background TMI magnetic image.

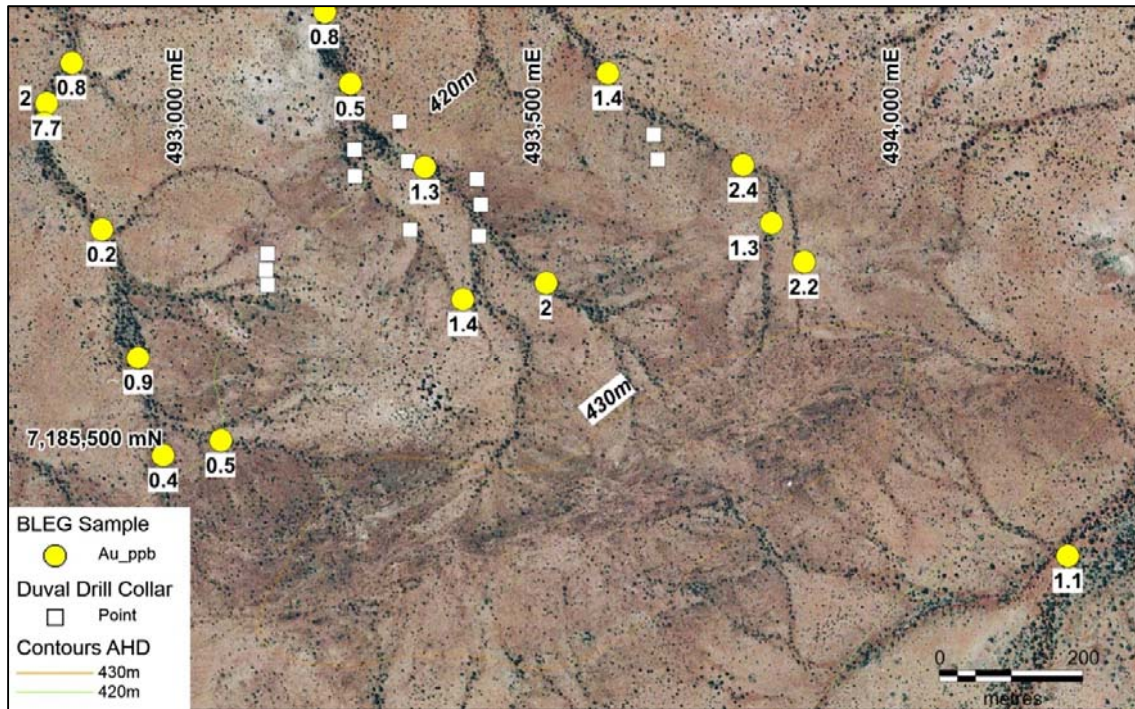


Figure 5 Duval prospect area with showing BLEG sample gold (Au ppb), target area in relation to historic drilling.

Financial Position

For the six months ended 31 December 2019, the Group incurred a loss of \$276,992 (31 December 2018: loss \$1,787,459) and had a net working capital surplus of \$399,128 (30 June 2019: a deficit of \$96,184).

The Company had a net cash inflow of \$186,572 (31 December 2018: outflow of \$872,768), including payments for exploration of \$101,162 and an inflow of \$261,835 from the sale of shares held in Vango.

Competent Person Statement

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

**LODESTAR MINERALS LIMITED
DIRECTORS' REPORT**

For the six months ended 31 December 2019

3. DIVIDENDS

The Directors recommend that no dividend be provided for the six months ended 31 December 2019.

4. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lodestar Minerals Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 30 June 2019 Annual Report and can be viewed on the Company's website.

5. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 10 to the financial statements, there have been no other matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6. AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 11 and forms part of this Directors' Report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



WILLIAM CLAYTON

Managing Director

Dated at Perth, Western Australia this 6th day of March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Lodestar Minerals Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
6 March 2020



N G Neill
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	Note	31 December 2019 \$	31 December 2018 \$
Other income	3	200,000	15,926
Exploration expensed		(97,782)	(1,267,647)
Site rehabilitation		-	(5,080)
Other operating expenses		(1,381)	(28,430)
General and administrative expenses		(49,735)	(89,945)
Professional fees		(74,200)	(95,201)
Personnel expenses		(130,161)	(284,619)
Depreciation		(13,554)	(7,221)
Marketing and business development		(318)	(32,218)
Other gains / (losses)	4	(101,629)	-
Results from operating activities		(268,760)	(1,794,435)
Finance income		-	7,078
Finance expenses		(8,232)	(102)
Net finance (costs) / income		(8,232)	6,976
Loss before income tax		(276,992)	(1,787,459)
Income tax expense		-	-
Loss for the period		(276,992)	(1,787,459)
Total comprehensive loss for the period		(276,992)	(1,787,459)
Total comprehensive loss attributable to owners of the Company		(276,992)	(1,787,459)
Loss per share			
Basic and diluted (cents per share)		(0.04)	(0.24)

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 \$	30 June 2019 \$
Assets			
Cash and cash equivalents		210,139	23,567
Trade and other receivables		-	48,562
Prepayments		24,865	3,784
Other current assets	4	570,904	89,197
Total current assets		805,908	165,110
Property and equipment		39,130	44,946
Right-of-use assets	5.1	21,925	-
Other non-current assets		2,059	2,059
Total non-current assets		63,114	47,005
Total Assets		869,022	212,115
Liabilities			
Trade and other payables		181,207	103,247
Loans and borrowings	6	119,943	81,359
Lease liabilities	5.2	16,330	-
Employee benefits		82,900	70,288
Site restoration provision		6,400	6,400
Total current liabilities		406,780	261,294
Lease liabilities	5.2	6,001	-
Total non-current liabilities		6,001	-
Total liabilities		412,781	261,294
Net assets / (deficiency)		456,241	(49,179)
Equity			
Issued capital	7	27,471,519	26,703,737
Reserves		181,173	367,453
Accumulated losses		(27,196,451)	(27,120,369)
Total equity / (deficiency)		456,241	(49,179)

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	Attributable to equity holders of the Company			Total
		Share Capital	Share-based Payments reserve	Accumulated Losses	
		\$	\$	\$	\$
Balance at 1 July 2019		26,703,737	367,453	(27,120,369)	(49,179)
Total comprehensive loss for the period					
Loss for the period		-	-	(276,992)	(276,992)
Total comprehensive loss for the period		-	-	(276,992)	(276,992)
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Issue of ordinary shares		800,000	-	-	800,000
Exercise of options	7	367	-	-	367
Transfer to accumulated losses on expiry of options		-	(200,910)	200,910	-
Share-based payment transactions	8	-	14,630	-	14,630
Capital raising costs	7	(32,585)	-	-	(32,585)
Total contributions by and distributions to owners		767,782	(186,280)	200,910	782,412
Balance at 31 December 2019		27,471,519	181,173	(27,196,451)	456,241

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

LODESTAR MINERALS LIMITED
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	Share Capital	Share-based Payments reserve	Accumulated Losses	Total
		\$	\$	\$	
Balance at 1 July 2018		26,002,315	543,667	(25,567,036)	978,946
Total comprehensive loss for the period					
Loss for the period		-	-	(1,787,459)	(1,787,459)
Total comprehensive loss for the period		-	-	(1,787,459)	(1,787,459)
Transactions with owners, recorded directly in equity:					
Contributions by and distributions to owners					
Exercise of options	7	702,900	-	-	702,900
Transfer to accumulated losses on expiry of options		-	(342,757)	342,757	-
Share-based payment transactions		-	166,543	-	166,543
Capital raising costs	7	(1,478)	-	-	(1,478)
Total contributions by and distributions to owners		701,422	(176,214)	342,757	867,965
Balance at 31 December 2018		26,703,737	367,453	(27,011,738)	59,452

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Cash paid to suppliers and employees		(180,712)	(382,025)
Interest received		-	7,078
Interest paid		(3,373)	-
Payments for exploration and evaluation		(101,162)	(1,199,582)
Net cash used in operating activities		(285,247)	(1,574,529)
Cash flows from investing activities			
Net proceeds from sale of financial assets at fair value through profit or loss		261,835	-
Net cash from investing activities		261,835	-
Cash flows from financing activities			
Proceeds from issue of shares and options	7	200,000	-
Proceeds from conversion of options		367	702,900
Proceeds from related party loans	6	60,000	-
Repayment of related party loans		(30,000)	-
Repayment of borrowings		(12,991)	-
Repayment of right of use lease liabilities	5.2	(7,332)	-
Payment of capital raising costs		-	(1,139)
Payment of transaction costs related to borrowings		(60)	-
Net cash from financing activities		209,984	701,761
Net (decrease) / increase in cash and cash equivalents		186,572	(872,768)
Cash and cash equivalents at 1 July		23,567	1,066,826
Cash and cash equivalents at 31 December		210,139	194,058

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim consolidated financial statements (the interim financial statements) are a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”). Compliance with AASB 134 ensures compliance with IAS 34 ‘Interim Financial Reporting’.

The interim financial statements comprise the interim financial statements of the Group. For the purposes of preparing the interim financial statements, the Company is a for-profit entity. The Group is primarily involved in mineral exploration and evaluation.

The interim financial statements do not include the full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2019 and any public announcements made by Lodestar Minerals Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules. This information is available upon request from the Company’s registered office at Level 1, 31 Cliff Street, Fremantle, Western Australia, 6160, and on the Company’s website at www.lodestarminerals.com.au.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations described in note 1.4 below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

In preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

1.2 Statement of Compliance

The interim financial report was approved by the Board of Directors on 6 March 2020.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

1.3 Significant accounting judgements and estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2019, except for the impact of the new Standards and Interpretations effective 1 July 2019 as disclosed in note 1.4.

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 Adoption of New and Revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2019

For the period ended 31 December 2019, the Directors have reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those that have a material impact on the Group are set out below.

AASB 16 Leases

Change in accounting policy

AASB 16 *Leases* supersedes AASB 117 *Leases*. The Group had adopted AASB 16 from 1 July 2019 which has resulted in changes in classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating' and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Consolidated Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on retained earnings and comparatives have not been restated.

The Group leases an office and a storage facility. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement of the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of extension options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are not included in the property leases held by the Company.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 Adoption of New and Revised Accounting Standards (continued)

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 5.2%.

On initial application, right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 30 June 2019.

In the Consolidated Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets and lease liabilities of \$29,663 in respect of all operation leases, other than short-term leases and leases of low-value assets.

The net impact on retained earnings on 1 July 2019 was \$nil.

Reconciliation of operating lease commitments previously disclosed as lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

	2019
	\$
Operating lease commitments as disclosed in the 2019 Annual Report	35,991
Discounted using the lessee's incremental borrowing rate at the date of initial application	34,213
Add: incremental lease increase, not included in commitment note at 30 June 2019	411
Add: adjustment for amounts not included in commitment note at 30 June 2019	3,027
Less: variable outgoings assessed as service agreements	(7,988)
Lease liabilities as at 1 July 2019	29,663

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

LODESTAR MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.4 Adoption of New and Revised Accounting Standards (continued)

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Group, and, therefore, no change is necessary to Group accounting policies.

1.5 Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the period ended 31 December 2019, the Group incurred an operating loss of \$276,992 and had net cash outflow from operating activities of \$285,247 (including \$101,162 of exploration payments). The Group had a net asset position of \$456,241 as at 31 December 2019.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group's cash flow forecast for the period to 31 March 2021, reflects the Group's ability to meet its working capital requirements and its planned exploration commitments for tenements held. The directors are aware that the Group's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Group securing further working capital from one or more of the following alternatives:

- Capital raising such as:
 - Private placement
 - Entitlements issue
 - Share purchase plan
- Borrowings from related or third parties
- Farming out assets to reduce exploration expenditures

Given the financial position of the Group and its demonstrated ability to raise funds, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. If necessary, the Group will delay discretionary expenditure including administration costs, exploration programs and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration and development activities.

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment, there is material uncertainty regarding the outcomes of the future funding alternatives.

In the event the Group is unable to raise additional funds to meet the Group's planned development expenditure when required, there exists circumstances that give rise to a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.6 Operating Segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being mineral exploration and evaluation. Accordingly, under management's approach outlined, only one operating segment has been identified and no further disclosure is required in the financial statements.

1.7 Exploration and Evaluation Expenditure

The exploration and evaluation accounting policy is to expense all exploration and evaluation expenditure as incurred. Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure prior to securing legal rights to explore an area, is expensed to profit or loss as incurred.

2 LOSS PER SHARE

2.1 Basic and diluted loss per share

		31 December 2019	31 December 2018
Basic and diluted loss per share	(cents)	(0.04)	(0.24)
Loss used in the calculation of basic and diluted loss per share	\$	(276,992)	(1,787,459)

2.2 Weighted average number of ordinary shares

The weighted average number of shares for the purposes of the calculation of diluted loss per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	31 December 2019 Number	31 December 2018 Number
Weighted average number of ordinary shares for the purpose of basic loss per share	758,228,397	746,033,111
Shares deemed to be issued for no consideration in respect of:		
Options *	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	758,228,397	746,033,111

* the options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

3 OTHER INCOME

As announced on 17 July 2019, Vango Mining Limited ("Vango") exercised its option to earn 51% of Ned's Creek. The \$200,000 option exercise fee payable by Vango was satisfied via the issue of 1,142,857 fully paid ordinary shares at a value of 17.5 cents per share.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 OTHER CURRENT ASSETS

	31 December	30 June
	2019	2019
	\$	\$
Listed shares at market fair value through profit and loss	570,904	89,197

On 9 December 2019, as part of its strategic investment in Lodestar, Vango issued 3,529,411 fully paid ordinary shares to the Company at a deemed price of \$0.17 per share.

At the reporting date, Vango's share price was \$0.145, resulting in a loss on fair value of \$101,629 on revaluation of the 3,937,268 shares held by the Company.

Equity instruments consist of investments in ordinary shares and have no fixed maturity date or coupon rate.

5 LEASES

5.1 Right-of-use assets

AASB 16 Leases has been adopted during the period.

The Group leases an office and store which are categorised within property. Information about the leases is presented below:

	31 December	30 June
	2019	2019
	\$	\$
Recognised on 1 July 2019 on adoption of AASB 16	29,663	-
Depreciation expense	(7,738)	-
Closing balance	21,925	-

Right-of-use assets are depreciated on a straight-line basis over the life of the lease.

5.2 Lease liabilities

	31 December	30 June
	2019	2019
	\$	\$
Recognised on 1 July 2019 on adoption of AASB 16	29,663	-
Principal repayments	(7,332)	-
Lease liabilities included in the consolidated statement of financial position	22,331	-
Current	16,330	-
Non-current	6,001	-

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 LOANS AND BORROWINGS

	Premium funding \$	Loans from Director ⁽¹⁾ \$	Total \$
Balance at 1 July 2018	102	-	102
Loans & borrowings received ⁽¹⁾	-	131,100	131,100
Interest charged	-	2,589	2,589
Less loan extinguished through issue of shares	(102)	(52,330)	(52,432)
Balance at 30 June 2019	-	81,359	81,359
Loans & borrowings received	18,755	60,000	78,755
Interest charged	643	4,858	5,501
Less repaid ⁽¹⁾	(13,634)	(32,038)	(45,672)
Balance at 31 December 2019	5,764	114,179	119,943

⁽¹⁾ David McArthur, a director of the Company, provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months, if, and when, the Company is in a financial position to do so.

7 ISSUED CAPITAL

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
Movement in ordinary shares on issue:				
On issue at 1 July	749,218,328	725,788,328	26,703,737	26,002,315
Shares issued and expensed during the period:				
Issue of fully paid shares for cash	28,571,429	-	200,000	-
Issue of fully paid shares on conversion of Options	12,237	23,430,000	367	702,900
Issue of fully paid ordinary shares in consideration for shares received from Vango *	75,000,000	-	600,000	-
Capital raising costs	-	-	(32,585)	(1,478)
Balance at 31 December	852,801,994	749,218,328	27,471,519	26,703,737

* As announced on 9 December 2019, Vango settled its strategic investment in the Company via Vango issuing 3,529,411 ordinary fully paid shares at a deemed price of \$0.17 to Lodestar.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 SHARE-BASED PAYMENTS

The following share-based payment arrangements were in place during the period:

	Number	Grant date	Expiry date	Exercise price cents	Fair value at grant date cents	Vesting date
Tranche 1	15,000,000	30-Nov-18	31-Dec-21	10	1.11	5-Dec-18
Tranche 2 ⁽¹⁾	3,800,000	04-Dec-19	30-Dec-21	2	3.85	16-Dec-19

⁽¹⁾ On 4 December 2019, the board approved the issue of 3,800,000 unlisted options to a consultant of the Company in satisfaction of capital raising costs.

Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.

Expensed in capital raising costs

Options issued to a consultant

	30 June 2019 \$	30 June 2018 \$
Options issued to a consultant	14,630	-

The fair value of the equity-settled share options granted during the period, is estimated at the date of grant using the Black-Scholes model accounting for the terms and conditions upon which the options were granted. The key valuation assumptions made at valuation date are summarised below:

	Tranche 1	Tranche 2
Expected volatility (%)	178.70	148.23
Risk-free interest rate (%)	2.04	0.79
Expected life of option (years)	3.09	2.12
Exercise price (cents)	10.00	2.00
Grant date share price (cents)	1.50	0.70

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

These options do not entitle the holder to participate in any share issue of the Company.

43,900,000 options expired during the reporting period (during the six months ended 31 December 2018: 20,000,000 options expired).

At the reporting date, there are 53,323,809 options on issue in Lodestar Minerals Limited. 38,323,809 options are exercisable at 2 cents per share, expiring on 30 December 2021. 15,000,000 options have an exercise price of 10 cents per share and expire on 31 December 2021.

LODESTAR MINERALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCIAL INSTRUMENTS

Fair value measurement

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Measured at fair value on recurring basis

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the levels within hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis:

	31 December 2019		
	Fair value	Fair value hierarchy	Valuation technique
	\$		
Equity investments designated at fair value through profit or loss	570,904	Level 1	Quoted market prices in an active market

Transfers

There have been no transfers between the levels of the fair value hierarchy during the half year ended 31 December 2019.

Not measured at fair value

The Group has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

10 SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the reporting period and the date of this report which significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

LODESTAR MINERALS LIMITED
DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

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

- (a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Dated at Perth this 6th day of March 2020.



WILLIAM CLAYTON
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lodestar Minerals Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lodestar Minerals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1.5 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
6 March 2020



N G Neill
Partner