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30 January 2009

ASX Limited

Dear Sir / Madam

The following summarises the activity of Lodestar Minerals Limited for the quarter ended 31 December 2008:

EXPLORATION ACTIVITIES

Mt Marion North - Summary

A total of six RC drill holes (1242m) were completed during the December quarter. The drilling program was intended to be an initial test of three discrete moving loop EM conductors identified in the September quarter 2008 and a nearby aeromagnetic feature and coincident geochemical anomaly reported in historic RAB drill hole FRA_7200_07 (5m @ 5000ppm Ni and 900ppm Cu).

The program was completed successfully, with all holes drilled to the target depth. However none of the holes testing the geophysical conductors intersected significant sulphide-bearing intervals. Down hole EM surveys carried out on two drill holes targeting the C6 conductor identified weak conductive off-hole sources in one of the holes.

Lodestar believes that the Mt Marion conductors have not been tested conclusively by the November drilling campaign and they remain high priority drill targets. Following further interpretation of the geophysical data, limited follow-up RC drilling will be scheduled at an appropriate time.

Drilling Program – Results

The drilling program was completed in November 2008. All holes were sampled comprehensively as 4m composite samples (collected from 1m sample piles) adjusted to conform to geological boundaries. Samples were submitted for analysis for a suite of base and precious metals by ICP-OES and fire assay, lead collection, respectively.

LMPC001 targeted EM anomaly C8, a west-dipping conductor of significant strike length, located on the eastern contact of the ultramafic sequence. The hole traversed the mafic amphibolite "footwall" to the ultramafic sequence, including units with distinctive feldspar porphyritic textures, possibly after differentiated intrusive phases. Minor pyrite mineralisation was noted throughout the mafic sequence. There was no anomalism in base metals, including nickel, within the mafic sequence

Drilling Program – Results (continued)

LMPC002 was intended to test a discrete EM conductor (C4) located west of the main ultramafic sequence. RAB drilling in the area indicates that the geology consists of felsic volcanic/sediments with minor intercalated units of fractionated komatiite. The EM conductor is coincident with a narrow zone of elevated magnetic susceptibility, possibly related to an ultramafic unit. LMPC002 intersected felsic volcanics and gabbro – dolerite with minor disseminated pyrite mineralisation noted in the felsic sequence. The hole was not anomalous in nickel or other base metal elements.

LMPC003 and LMPC004 were designed as an initial test of multiple conductors (C6) located on the western contact of the Mt Marion ultramafic sequence. The area is characterised by intense shearing of the ultramafic, with dextral offset evident in the aeromagnetic data, and a zone of demagnetisation probably related to local talc-carbonate alteration. LMPC003 and LMPC004 both intersected wide intervals of fractionated and talc-altered ultramafic lithologies, no anomalous mineralised zones were encountered within the ultramafic.

LMPC005 and LMPC006 tested a Ni-Cu anomaly in a sequence of weathered ultramafic rocks intersected by FRA_72200_07. LMPC006 intersected a hangingwall sequence of felsic volcanic/sediments and tremolite - dominant ultramafic with elevated Cu values and terminated in a footwall sequence of high magnesian basalt. Assays from the RC drilling indicate that the ultramafic sequence is fractionated, with low Ni and Mg, relatively high Al and Cr values and is not a favourable host rock for magmatic nickel sulphide mineralisation. Dispersion and local enrichment of bedrock - derived Ni and Cu in the weathering profile is responsible for the RAB geochemical anomaly in FRA_72200_07. Cu-As enrichment occurs on the contact between the felsic volcanic and ultramafic sequences and dispersion from this zone is believed responsible for the anomalous Cu reported from the regolith in FRA_7200_07 and LMP006.

Discussion

The drilling program failed to satisfy the primary objective of testing the EM conductors, however it has provided information on the geology/geochemistry in an area where drilling at depths greater than 60m is lacking.

To date the supporting evidence for a nickel sulphide target at Mt Marion has included

- Contact – associated discrete EM conductors, consistent with basal contact accumulation of nickel sulphides in the “Kambalda model” komatiite – hosted deposit
- Anomalous Cu in auger sampling over the Mt Marion ultramafic sequence although not confined to contact zones or conductors (i.e. displaced from the geophysical anomalies)

Hole_ID	East_GDA_Z51	North_GDA_Z51	Total_Depth (m)	Dip	Azimuth (mag)
LMPC001	345896.6	6575555.4	276	-55	045
LMPC002	347025.1	6572434.2	222	-60	090
LMPC003	346684.2	6573793.7	252	-60	060
LMPC004	346887.7	6573890.5	252	-60	240
LMPC005	346254.1	6572357.3	102	-60	270
LMPC006	346199.6	6572358.7	138	-60	270

The drilling program has provided additional geochemical data that has assisted in clarifying the geological environment. The ultramafic sequence intersected by LMPC003 and LMPC004 is highly modified by structural and metamorphic overprinting due to the proximity to major shear zones. Therefore it is not possible to interpret the geology of the komatiite sequence with confidence, by visual observation alone. Multi-element analysis indicates that the sequence intersected by LMPC004 has a composition dominated by fractionated, former spinifex – textured komatiites, interlayered with thinner intervals of former cumulate-textured, B-zone, komatiite. This is a “flanking flow” environment, marginal to komatiite “lava channel” sequences that potentially host nickel ore deposits. Maximum Ni contents are approximately 2000ppm, although widely – spaced historic RAB drilling in the Mt Marion area has returned values in excess of 3000 – 4000ppm Ni. These areas will be evaluated in more detail in coming months.

The drilling program is summarised in Tables 1 and 2. Table 1 Summary of the Mt Marion drilling program

Table 2 Mt Marion Drill Targets – Summary

Hole_ID	Target	Characteristics	Outcome
LMPC001	Conductor C8B	Moderate conductor of large areal extent on eastern flank of UM sequence	Fine grained amphibolites after differentiated mafic. No visual sulphides or graphitic intervals.
LMPC002	Conductor C4	Moderate conductor on western flank of UM sequence	Felsic volcanic to 85m with disseminated pyrite from 32-62m. Dolerite to end of hole (222m).
LMPC003	Conductor C6A	Moderate conductor within UM sequence – demagnetised zone	Felsic volcanic to 132m; high Mg basalt to 164m; chloritic ultramafic to 202m; dolerite (minor sulphides in fractures 204-220m) to 237m and chloritic UM to 252m. Weak off-hole conductor.
LMPC004	Conductor C6B	Low – moderate conductor within demagnetised zone (<i>6A & 6B have opposite dips</i>) <i>Stronger conductors indicated at depth</i>	Tremolite-chlorite-talc-carbonate altered UM intersected to end of hole at 252m. Shear zone noted at 159m.
LMPC005	Geochem anomaly in FRA_72200_07	Failed to intersect target UM, abandoned	Slow drilling through felsic volcanic sequence
LMPC006	Geochem anomaly in FRA_72200_07	Intersected UM, drilled into footwall	Deeply weathered to 54m; tremolite-chlorite-talc – carbonate altered UM to 83m; felsic volcanic to 97m; tremolite-chlorite-carbonate UM with up to 5% disseminated sulphide (pyrite?) to 115m; high Mg basalt to 138m.

CORPORATE UPDATE

Lodestar remains mindful of the need to conserve funds through the current period of depressed commodity prices and economic uncertainty. Consequently the budget for 2009 will maintain exploration expenditure at a level necessary to satisfy Lodestar's obligations under the Sale Agreement with Dioro, to meet minimum expenditure commitments on Mining Act tenements and the Exempted East Locations (freehold). The current annual in-ground expenditure commitment is approximately \$430,000.

PLANNED ACTIVITIES FOR NEXT QUARTER

The main activities to be completed in the next quarter will include

- Additional RC drilling to conclusively test the Mt Marion EM conductors

Yours faithfully

A handwritten signature in blue ink, appearing to read 'B. Clayton', is positioned above the typed name and title.

LODESTAR MINERALS LIMITED

Bill Clayton

Managing Director

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Bill Clayton, Managing Director, who is a Member of the Australasian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

LODESTAR MINERALS LIMITED

ACN or ARBN

127 026 528

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(225)	(540)
(b) development	-	-
(c) production	-	-
(d) administration	(191)	(308)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	62	101
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(354)	(747)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(7)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – payment of refundable deposit	-	500
Net investing cash flows	(1)	493
1.13 Total operating and investing cash flows (carried forward)	(355)	(254)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(355)	(254)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(355)	(254)
1.20	Cash at beginning of quarter/year to date	3,218	3,117
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,863	2,863

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	104
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes salaries paid to directors, as well as superannuation paid on behalf of directors. Also included are office rent and office running expenses.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	75
4.2 Development	-
Total	75

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.2	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,863	3,218
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,863	3,218

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	50,000,003	49,316,245	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Listed options	0	0	N/A	N/A
7.8 Issued during quarter	N/A	N/A	N/A	N/A
7.9 Exercised during quarter	0	0	N/A	N/A
7.10 Expired during quarter	Nil	N/A	N/A	N/A
7.11 Debentures (totals only)	Nil	N/A		
7.12 Unsecured notes (totals only)	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2009
Director

Print name: David McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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