Lodestar Minerals Limited ABN 32 127 026 528
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ASX ANNOUNCEMENT

31 October 2012

COMPANY SNAPSHOT

LODESTAR MINERALS LIMITED
ABN: 32 127 026 528

CONTACT DETAILS
Bill Clayton, Managing Director
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Principal Office
Level 2, 83 Havelock Street
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CAPITAL STRUCTURE
Shares on Issue:
116,489,477(LSR)

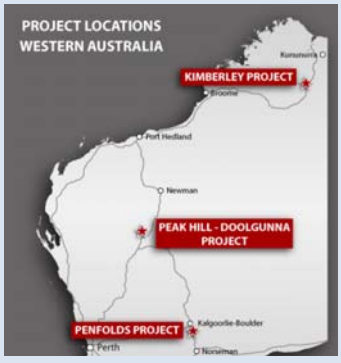
Options on Issue:
4,750,000 (Unlisted)

ASX: LSR

PROJECTS
Peak Hill – Doolgunna:
Base metals, gold

Penfold:
Nickel

Kimberley:
Nickel, copper, PGM's



SEPTEMBER 2012
QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **In-fill geochemistry defines large copper anomalies associated with major structures at Neds Creek**

- **Copper gossan discovery at Little Well (3.8km south east of the Thaduna Mine), represents a new greenfields target in the Thaduna district**

- **Drilling proposed to test geochemical and gossan targets commencing December quarter**

During the September quarter Lodestar extended the geochemical sampling programs across the Neds Creek tenements on the Company's Peak-Hill Doolgunna Project. The program is targeting earlier copper anomalies reported from regional lag sampling and first-pass drilling and is particularly focused on areas of anomalous copper geochemistry related to major east northeast and north northwest trending basin margin structures.

The geochemical sampling has identified four primary target areas in the McDonald Well area for follow up drilling, and led to the discovery of a new copper gossan at Little Well (Figure 1), where in-fill sampling is continuing. Further details will be announced once assay results are received. Drilling will commence as a priority as part of the program expected to commence in the December quarter.

Detailed geological mapping and geochemical sampling is continuing in the lead up to the drill program, with a number of new targets, in addition to the gossan, identified and progressively evaluated.

Planned exploration at Neds Creek for the next quarter will include target definition work ahead of the upcoming aircore/RC drilling program.

The first RC drilling program completed on Lodestar's Halls Creek project, in the Kimberley region of Western Australia, targeted nine electromagnetic (EM) conductors associated with a layered gabbro. Drilling intersected disseminated nickel sulphide mineralisation in three of the targets, each tested with only a single drill hole. These early results are encouraging and further work is required to determine the extent and geological setting of the mineralised zones. A detailed review of the recent drilling will be completed in the December quarter.

PEAK HILL-DOOLGUNNA
Neds Creek (E52/2440, E52/2444, E52/2456 & E52/2468)

The Neds Creek tenements extend over 830 square kilometres of the eastern Yerrida Basin. The tenements are located 170 kilometres north east of Meekatharra and 7 kilometres east of the Thaduna/Green Dragon copper mines, currently being evaluated by Ventnor Resources. The Neds Creek tenements cover a basin margin volcano-sedimentary sequence which is bounded by large scale structures, the Jenkin and McDonald Well Faults. This geological and structural setting has parallels in many of the world's major Proterozoic sediment-hosted base metal camps, highlighting the potential of this region to host large base metal deposits.

Exploration to date has included lag geochemical sampling, rock chip sampling, aircore/RAB drilling and geological mapping, resulting in the definition of four areas of immediate interest for follow up drilling at McDonald Well North, Breccia Hill, McDonald Well South and Little Well (Figure 1). The details of these anomalies were reported in an earlier announcement (see Lodestar's ASX announcement dated 10th October 2012).

Drilling is planned for the December quarter, following receipt of statutory approvals and heritage clearance surveys.

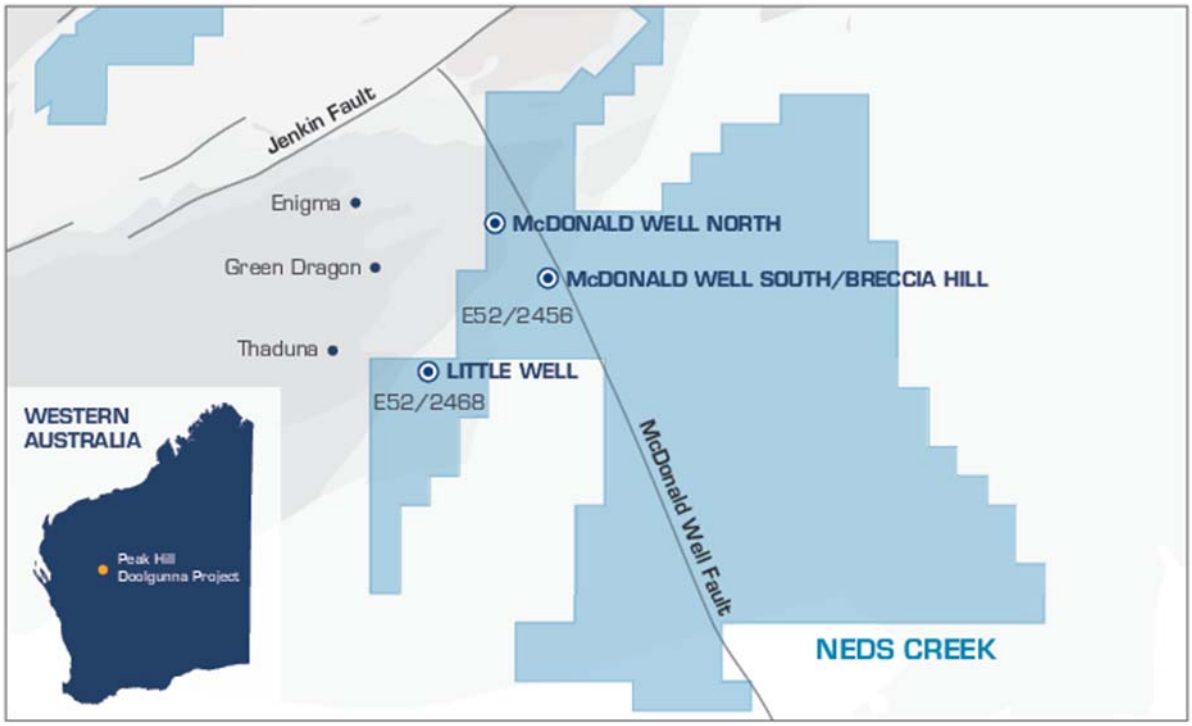


Figure 1 Location of Lodestar's Neds Creek Copper Anomalies

McDonald Well North

The McDonald Well North target comprises a 1600m x 800m copper, tellurium and coincident lead-arsenic-antimony lag anomaly, within an area of widespread copper anomalism defined by regional (800m line spacing) RAB drilling (Figure 2). The axis of the peak RAB copper anomaly defined by drilling extends over 1000m and includes wide intercepts of elevated copper, including 16m at 928ppm Cu, and a maximum value of 1290ppm Cu. Geological observations suggest a structural control parallel to the northwest trending tectonic basin margin.

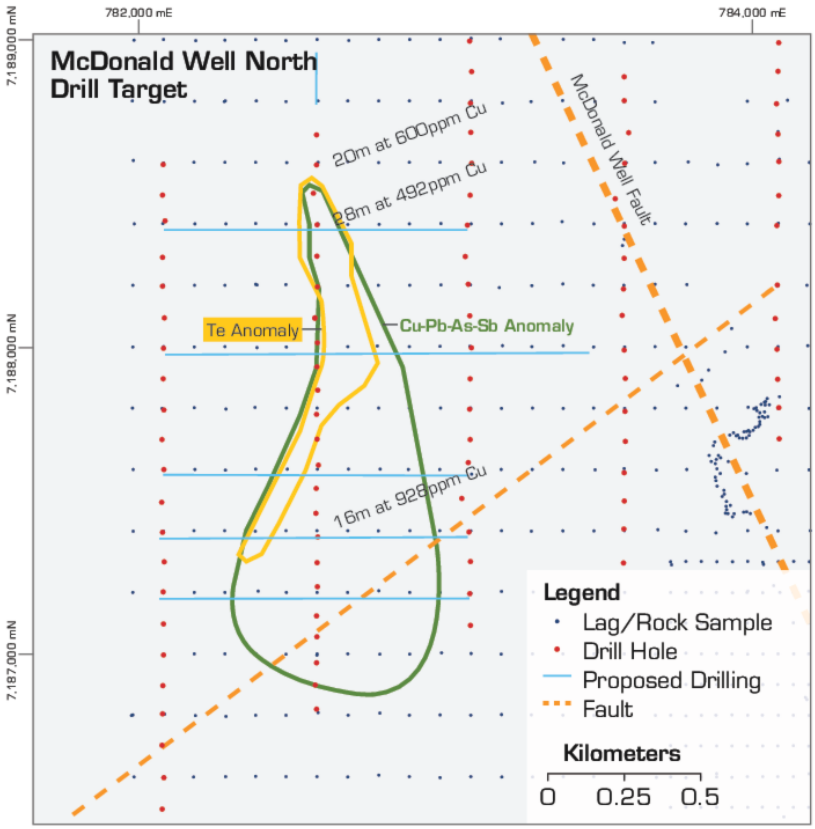


Figure 2 McDonald Well North – multi-element lag anomaly within structural break and broader copper anomaly defined by RAB drilling

Breccia Hill

A 800m x 200m copper-zinc and tellurium anomaly in soil lag sampling defines a northwest trending zone extending up to 1 kilometre from the McDonald Well Fault (Figure 3). Within this anomaly outcropping veined and brecciated ferruginous shale reporting up to 345ppm copper and 681ppm zinc has been mapped.

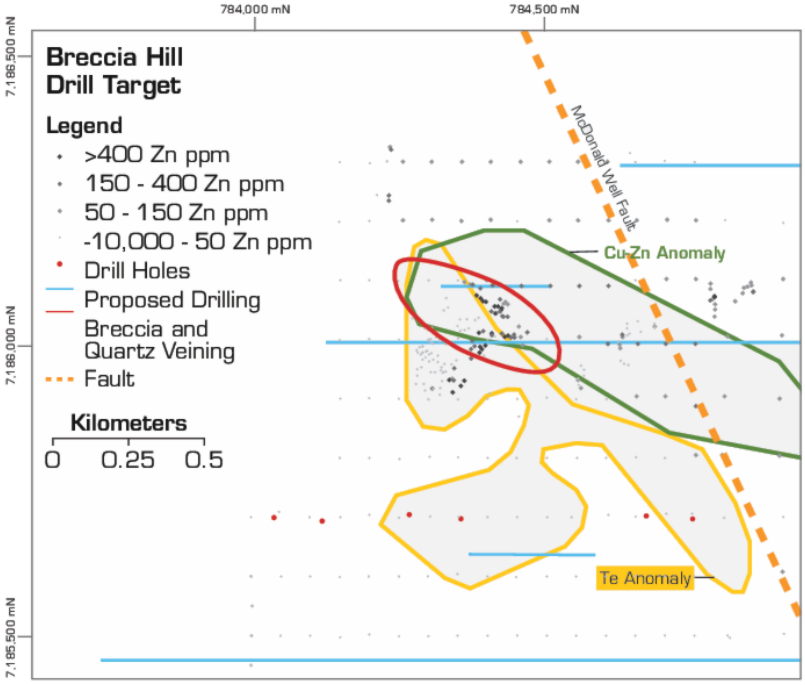


Figure 3 Breccia Hill – Extensive Copper – Zinc anomaly extending from area of outcropping veined shale to the McDonald Well Fault

McDonald Well South

A 2000m x 800m copper - zinc anomaly defined by drilling and soil lag sampling extends across a discrete magnetic anomaly and straddles the stratigraphic sequence west of the McDonald Well Fault (Figure 4). The anomaly overlies a sequence of shale, black shale and dolomite.

Widespread strongly anomalous copper was reported from numerous RAB holes surrounding the magnetic anomaly with the maximum value of 1980ppm copper reported from shallow drilling within a dolomite unit. The dolomite unit is equated with the dolomitic sandstone unit that hosts secondary copper mineralisation at Sipa Resource's Enigma prospect and is a priority for deeper drilling.

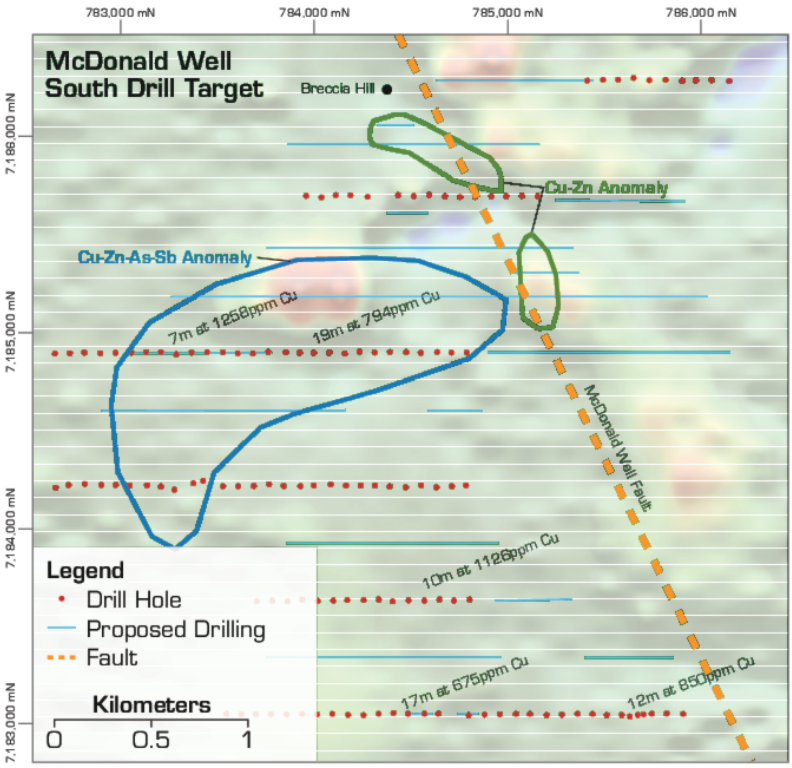


Figure 4 McDonald Well South – Large Copper-Zinc anomalies extend across magnetic anomalies (RTP aeromagnetic image)

Little Well

An iron-rich gossan, bearing visible secondary copper mineralisation, was discovered approximately 3.8 kilometres south east of the Thaduna copper mine (Figure 5). The gossan occurs in an area of minimal outcrop along an interpreted shear zone. Lodestar is currently extending detailed sampling throughout the gossan area and will provide further information once assay results are available. Lodestar intends to test this target during the upcoming drill program.

Two soil anomalies occur 1300m and 2700m to the east of gossan along a major structure (Figure 6):

- a 900m x 400m copper anomaly (maximum copper 320ppm) enclosing an outcrop of quartz veined and brecciated silica dolomite
- A 1200m x 1500m copper-zinc anomaly centred on faulted silica dolomite and extending south of the structure in an area of no outcrop (maximum copper 116ppm)

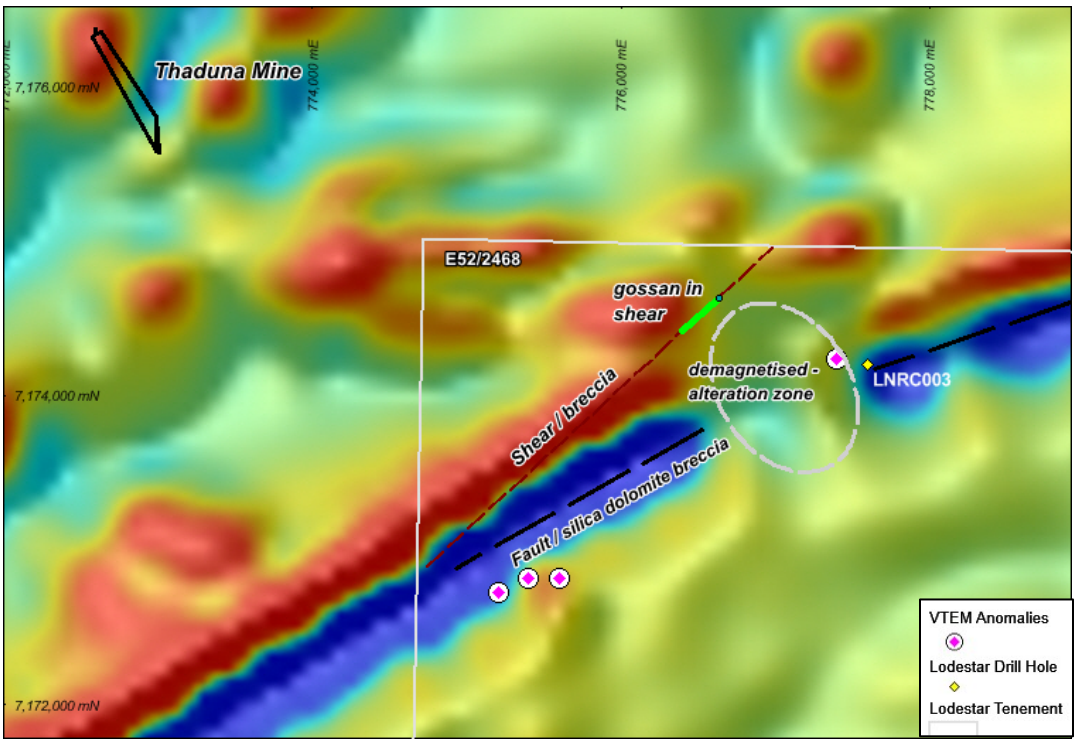


Figure 5 Location of copper gossan and structures shown on 1VD aeromagnetic image.

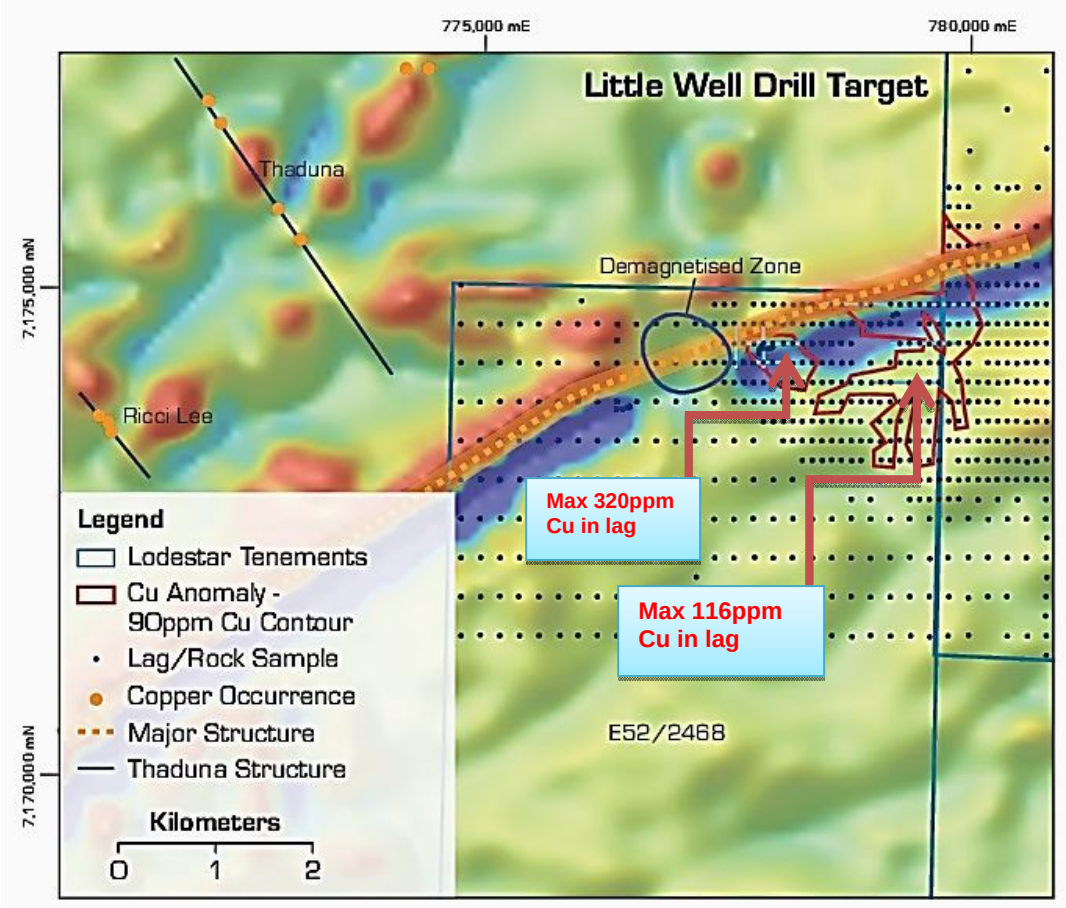


Figure 6 Little Well geochemical targets showing major structures and 90ppm copper contour on 1VD aeromagnetic image.

KIMBERLEY PROJECT
(E80/4287, E80/4288, E80/4289, E80/4302 & E80/4563)

The Kimberley Project is located 50 kilometres north of Halls Creek, Western Australia and covers an area of 220 square kilometres over Proterozoic mafic-ultramafic intrusives that are prospective for Ni-Cu and PGM mineralisation. Historic reports note the occurrence of gossans after sulphide mineralisation within the tenements but there has been very little drilling throughout the project area.

As reported in Lodestar's ASX announcement of 13th September 2012, first drilling of the electromagnetic (EM) conductors within the mafic-ultramafic Corridor Gabbro intersected nickel-bearing disseminated sulphide mineralisation in three widely spaced drill holes.

- SV38-DH1 with **1m at 0.76% Ni from 56m**
- SV32-DH1 with **1m at 0.60% Ni and 0.11% Cu from 38m and 1m at 0.1% Ni and 0.99% Cu from 46m**
- SV45-DH1 with **2m at 0.66% Ni and 0.20% Cu from 121m**

These intersections represent single drill hole tests of EM conductors and zones of mineralisation of unknown extent. There is potential for massive sulphide style mineralisation associated with more extensive zones of disseminated mineralisation. The discovery of widely dispersed disseminated mineralisation in near-contact positions, within an otherwise poorly explored mafic-ultramafic sequence is very encouraging. Further evaluation of the geological setting and the geophysical characteristics of the EM targets is required in order to assess the potential for massive sulphide style mineralisation.

Pindan Exploration Limited (a wholly – owned subsidiary of ASX-listed Panoramic Resources Limited) advised Lodestar of its intention to withdraw from the Farm-In Agreement and Lodestar is awaiting receipt of the final EM geophysical data before carrying out a review of all information and deciding on the next phase of exploration.

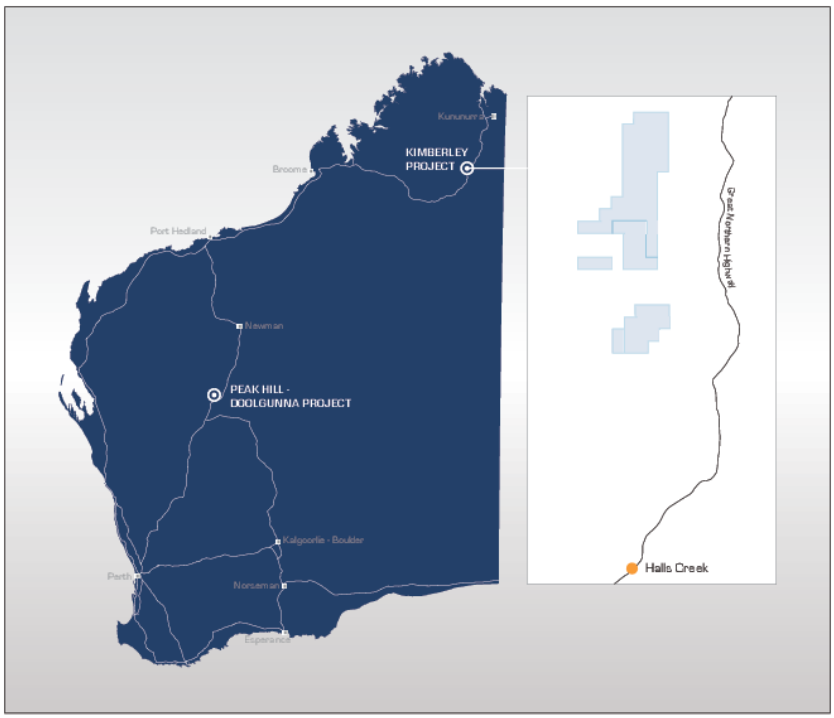


Figure 7 Location Plan - Kimberley Project

Planned Activities

- Preparation for planned drilling program across the McDonald Well and Little Well targets.
- In-fill lag geochemical sampling in the Little Well gossan area.
- Continue detailed mapping and sampling over geochemical anomalies beyond the primary targets identified to date.
- Review Kimberley Project data.

Bill Clayton
Managing Director

Contact:

Company
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Tel: +61 9388 0944

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.

About Lodestar Minerals

Lodestar Minerals Limited is a Perth-based explorer with projects in the Kimberley, Peak Hill and Kalgoorlie regions. Lodestar acquired the Peak Hill-Doolgunna project in March 2010. The Peak Hill-Doolgunna project forms the core of Lodestar's project portfolio and represents a strategic landholding of 2300 square kilometres covering 120 kilometres of the Jenkin Thrust Belt, a regional fault system that is adjacent to the recently discovered DeGrussa Cu-Au deposit. Lodestar believes the region has potential to host a number of styles of base metal deposit and is embarking on an aggressive exploration program to assess the potential of the under-explored north Murchison base metal province.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

LODESTAR MINERALS LIMITED

ABN	Quarter ended ("current quarter")
32 127 026 528	30 September 2012

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors		-	-
1.2	Payments for	(a) exploration and evaluation	(366)	(366)
		(b) development	-	-
		(c) production	-	-
		(d) administration	(239)	(239)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		5	5
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		(600)	(600)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	(7)	(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 (provide details if material)		-	-
	Net investing cash flows		(7)	(7)
1.13	Total operating and investing cash flows (carried forward)		(607)	(607)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(607)	(607)
	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 – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(607)	(607)
1.20	Cash at beginning of quarter/year to date	1,083	1,083
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	476	476

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	144
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.22 – On 26 October 2012, the Company announced it had received commitments for a private placement of $1.4 million and announced a 1:2 rights issue to raise up to a further $2.3 million.

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

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

N/A

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	498
4.2	Development	-
4.3	Production	-
4.4	Administration	148
	Total	646

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.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	476	1,083
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	476	1,083

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.

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 *(description)*	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 **	116,489,477	116,489,477	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 *(description)*	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 *(description and conversion factor)*	2,500,000 2,250,000	2,500,000 -	*Exercise price* Various Various	*Expiry date* 29 November 2016 8 May 2017
7.8	Issued during quarter	N/A	N/A	N/A	N/A
7.9	Exercised during quarter	N/A	N/A	N/A	N/A
7.10	Cancelled during quarter	4,500,000	4,500,000	40 cents	31 August 2012
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 Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2012

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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+ See chapter 19 for defined terms.