



Lodestar Minerals Limited ABN 31 127 026 528

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41 Stirling Highway
Nedlands WA 6009

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Website
www.lodestarminerals.com.au

28 February 2012

ASX Limited

Electronic lodgement

Dear Sir / Madam

**RE: INTERIM REPORT FOR THE HALF YEAR
ENDED 31 DECEMBER 2011**

We attach the interim financial report for Lodestar Minerals Limited for the six months ended 31 December 2011.

Yours faithfully

LODESTAR MINERALS LIMITED

A handwritten signature in black ink that reads "D McArthur".

DAVID McARTHUR

Director

LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

31 DECEMBER 2011

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COMPANY DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Rhod Grivas

Non-executive Chairman
Appointed 13 August 2007

David McArthur

Executive director / Company Secretary
Appointed 13 August 2007

Bill Clayton

Managing Director
Appointed 2 November 2007

Mark Pitt

Non-executive director
Appointed 13 August 2007

REGISTERED AND PRINCIPAL OFFICE:

41 Stirling Highway PO Box 985
NEDLANDS NEDLANDS
WA 6009 WA 6909

Telephone: +61 8 9423 3200
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SHARE REGISTRY:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

BANKERS:

ANZ Banking Group Limited
31 Broadway
NEDLANDS
WA 6009

AUDITORS:

KPMG
Level 8
235 St George's Terrace
PERTH WA 6000

SOLICITORS:

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

WEBSITE AND EMAIL:

www.lodestarminerals.com.au
info@lodestarminerals.com.au

SECURITIES EXCHANGE:

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

DIRECTORS' REPORT

The directors present their report together with the financial report for the six months ended 31 December 2011 and the audit review thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of Directorship
Executive	
William Clayton	Director since 2007
David McArthur	Director since 2007
Non-executive	
Rhod Grivas	Director since 2007
Mark Pitt	Director since 2007

PRINCIPAL ACTIVITIES

The principal activity of the Group during the interim period was exploration and evaluation of nickel, copper / gold and other base metal interests.

RESULTS

The net loss of the Group for the interim period after income tax expense was \$1,222,668 (2010 loss: \$244,985).

DIVIDENDS

No dividend was paid during the interim period and the directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

Lodestar Minerals Limited is a Perth-based explorer with projects in the Peak Hill-Doolgunna, Kimberley and Kalgoorlie regions of Western Australia. 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 tenement holding of 2,200 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 is embarking on an aggressive exploration program to assess the excellent potential of this emerging and under-explored base metal province.

Other than exploration activities over its copper / gold, nickel and other base metal tenements as detailed in the quarterly exploration reports released to the market, there have been no other significant operations by the Group during the six months to 31 December 2011.

DIRECTOR'S REMUNERATION

On 5 January 2012 it was resolved to increase the executive remuneration of Mr David McArthur from \$40,000 p.a. plus superannuation to \$50,000 p.a. plus superannuation, effective 1 January 2012.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Lodestar Minerals support and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained within the 30 June 2011 Annual Report and on the Company's web site.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the next page and forms part of the directors' report, for the six months ended 31 December 2011.

Dated at Perth this 28th day of February 2012.

Signed in accordance with a resolution of the directors.



WILLIAM F CLAYTON
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Lodestar Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.


KPMG


Grant Robinson
Partner

Perth

28 February 2012

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	31 December 2011 \$	30 June 2011 \$
Assets			
Cash and cash equivalents		2,237,963	1,596,099
Other receivables		44,282	24,187
Prepayments		14,588	9,228
Total current assets		2,296,833	1,629,514
Property, plant and equipment		16,314	13,500
Exploration and evaluation	6	9,332,775	9,093,821
Total non-current assets		9,349,089	9,107,321
Total assets		11,645,922	10,736,835
Liabilities			
Trade and other payables		80,209	78,310
Employee benefits		42,774	40,477
Total current liabilities		122,983	118,787
Total liabilities		122,983	118,787
Net assets		11,522,939	10,618,048
Equity			
Share capital	7	15,767,077	13,706,527
Reserves	7	420,552	353,543
Accumulated losses		(4,664,690)	(3,442,022)
Total equity attributable to equity holders of the Company		11,522,939	10,618,048

The condensed notes on pages 12 to 18 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	Notes	31 December 2011 \$	31 December 2010 \$
Continuing operations			
Other income		25,235	-
Administrative expenses		(303,347)	(203,136)
Exploration expenditure written off	6	(869,988)	(19,603)
Other expenses		(105,699)	(64,505)
Results from operating activities		(1,253,799)	(287,244)
Finance income		31,131	42,259
Net finance income		31,131	42,259
Loss before income tax		(1,222,668)	(244,985)
Income tax expense		-	-
Loss from continuing operations		(1,222,668)	(244,985)
Loss for the period		(1,222,668)	(244,985)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		(1,222,668)	(244,985)
Loss attributable to owners of the Company		(1,222,668)	(244,985)
Total comprehensive loss attributable to owners of the Company		(1,222,668)	(244,985)
Loss per share			
Basic and diluted (cents per share)		(1.30)	(0.33)

The condensed notes on pages 12 to 18 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	Notes	Attributable to equity holders of the Company			Total \$
		Share capital \$	Equity-based benefits reserve \$	Accumulated losses \$	
Balance at 1 July 2011		13,706,527	353,543	(3,442,022)	10,618,048
Total comprehensive income for the year					
Loss for the year		-	-	(1,222,668)	(1,222,668)
Total other comprehensive expense			-	-	-
Total comprehensive expense for the period		-	-	(1,222,668)	(1,222,668)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares		2,200,000	-	-	2,200,000
Capital raising costs		(139,450)	-	-	(139,450)
Share-based payment transactions		-	67,009	-	67,009
Total contributions by and distributions to owners		2,060,550	67,009	-	2,127,559
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		2,060,550	67,009	-	2,127,559
Balance at 31 December 2011		15,767,077	420,552	(4,664,690)	11,522,939

The condensed notes on pages 12 to 18 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Notes	Attributable to equity holders of the Company			Total \$
		Share capital \$	Equity-based benefits reserve \$	Accumulated losses \$	
Balance at 1 July 2010		11,585,003	323,828	(2,884,492)	9,024,339
Total comprehensive income for the year					
Loss for the year		-	-	(244,985)	(244,985)
Total other comprehensive expense		-	-	-	-
Total comprehensive expense for the period		-	-	(244,985)	(244,985)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares		2,240,250	-	-	2,240,250
Capital raising costs		(118,726)	-	-	(118,726)
Share-based payment transactions		-	532	-	532
Total contributions by and distributions to owners		2,121,524	532	-	2,122,056
Total changes in ownership interests in subsidiaries		-	-	-	-
Total transactions with owners		2,121,524	532	-	2,122,056
Balance at 31 December 2010		13,706,527	324,360	(3,129,477)	10,901,410

The condensed notes on pages 12 to 18 are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

Notes	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities		
Cash receipts from customers	23,433	-
Cash paid to suppliers and employees	(389,475)	(303,256)
Net cash used in operating activities	(366,042)	(303,256)
Cash flows from investing activities		
Interest received	28,625	35,109
Acquisition of property, plant and equipment	(5,117)	(300)
Payments for exploration, evaluation and development	(1,076,152)	(293,563)
Net cash used in investing activities	(1,052,644)	(258,754)
Cash flows from financing activities		
Proceeds from issue of shares	2,200,000	2,207,750
Capital raising costs	(139,450)	(118,726)
Net cash from financing activities	2,060,550	2,089,024
Net increase in cash and cash equivalents	641,864	1,527,014
Cash and cash equivalents at 1 July	1,596,099	1,302,616
Cash and cash equivalents at 31 December	2,237,963	2,829,630

The condensed notes on pages 12 to 18 are an integral part of these financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2011 comprises the Company and its subsidiary (together referred to as the “Group”).

The consolidated financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company’s registered office at 41 Stirling Highway, Nedlands, Western Australia, 6009 and is available for review on the Company’s web site.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual consolidated financial report of the Group as at and for the year ended 30 June 2011.

The condensed consolidated interim financial report was approved by the Board of Directors on 28 February 2012.

(b) 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 and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

(c) Going concern

The condensed consolidated interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has recorded a net loss after tax for the six months ended 31 December 2011 of \$1,222,668, (31 December 2010: loss \$244,985) and experienced net cash inflows of \$641,864 (31 December 2010: \$1,527,014), primarily due to the capital raising during the year of \$2,200,000 (31 December 2010: \$2,207,750).

Management have prepared and the directors have approved a Group cash flow forecast supporting the Company having adequate cash flows for a period of 12 months from the date of this financial report.

2. BASIS OF PREPARATION (CONTINUED)

(c) Going concern (continued)

The directors believe after consideration of the following matters, there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable and is a going concern because of the following funding alternatives available:

- the ability of the Group to scale down its exploration activities to conserve cash, if required (i.e. discretionary spend);
- the ability to issue securities to raise additional capital; and
- the sourcing of joint venture partners to fund planned exploration activities.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. Should the Group be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The condensed consolidated interim financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Group was not to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the condensed consolidated interim financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2011.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these condensed consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2011.

5. OPERATING SEGMENTS

At the reporting date the Group had two reportable segments, being nickel and copper / gold exploration and evaluation in Western Australia.

Information about reportable segments

	Copper / Gold		Nickel		Total	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	\$	\$	\$	\$	\$	\$
Reportable segment loss before income tax	-	-	(869,988)	(19,603)	(869,988)	(19,603)
Other material non-cash items:						
Impairment loss on exploration and evaluation	-	-	(869,988)	(19,603)	(869,988)	(19,603)

	Copper / Gold		Nickel		Total	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011
	\$	\$	\$	\$	\$	\$
Reportable segment assets	4,736,105	3,637,941	4,596,670	5,455,880	9,332,775	9,093,821
Other material non-cash items:						
Capitalised exploration & evaluation expenditure						
- acquired	-	61,453	-	-	-	61,453
- additions	1,098,164	1,117,509	10,778	127,866	1,108,942	1,245,375

5. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment loss and assets

	31 December 2011 \$	31 December 2010 \$
Loss		
Total loss for reportable segments	(869,988)	(19,603)
Unallocated amounts: other corporate expenses	(383,811)	(267,641)
Finance income	31,131	42,259
	(1,222,668)	(244,985)
Assets		
Total assets for reportable segments	9,332,775	9,093,821
Other assets	2,313,147	1,643,014
	11,645,922	10,736,835
Liabilities		
Total liabilities for reportable segments	(46,287)	(13,498)
Other liabilities	(76,696)	(105,289)
	(122,983)	(118,787)

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2011.

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2011 \$	30 June 2011 \$
Costs carried forward in respect of areas of interest:		
Exploration and evaluation expenditure	9,332,775	9,093,821
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	9,093,821	7,806,641
Acquisitions	-	61,453
Additions	1,108,942	1,245,375
Written off	(869,988)	(19,648)
	9,332,775	9,093,821

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The ultimate recovery of exploration and evaluation phase expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

7. CAPITAL AND RESERVES

(a) Share capital

On 23 November 2011 the Company issued 12,876,500 shares at an issue price of 8 cents each.

On 30 November 2011 the Company issued 14,623,500 shares at an issue price of 8 cents each.

The number of shares on issue at 31 December 2011 was 116,489,477 (31 December 2010: 88,989,477).

(b) Reserves

The equity-based benefits reserve arises on the grant of equity instruments to key management personnel.

8. CONTINGENCIES

The Company has no contingent assets or liabilities.

9. COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2011 \$	31 December 2010 \$
<i>Mineral exploration</i>		
Not later than one year	1,084,000	1,122,650

10. SHARE BASED PAYMENTS

At the 2011 AGM on 28 November 2011, shareholders approved the issue of 2,500,000 options to Mr Bill Clayton to replace the 1,500,000 options that were cancelled on 11 March 2011. A true-up adjustment for the fair value on the revised grant date has resulted in an additional expense of \$67,009 being recognised in employee expenses.

12. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards (where applicable). Key management personnel received total compensation of \$277,769 for the six months ended 31 December 2011 (six months ended 31 December 2010: \$153,882).

(b) Other related party transactions

	Transactions value		Balance outstanding	
	Six months ended		31 December 2011 \$	30 June 2011 \$
	31 December 2011 \$	31 December 2010 \$		
<i>Key management person</i>				
David McArthur Management fee	*37,500	37,500	6,250	12,500
Total and current liabilities			6,250	12,500

* This fee is paid to a company associated with Mr McArthur for the completion of the accounting and corporate compliance functions for the Group.

All outstanding balances with these related parties are to be settled in cash within 1 month of the balance sheet date. None of the balances are secured.

13. SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

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

- (1) the financial statements and notes set out on pages 7 to 18 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance, for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (2) 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:



WILLIAM F CLAYTON

Director

Dated at Perth this 28th day of February 2012.



Independent auditor's review report to the members of Lodestar Minerals Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Lodestar Minerals Limited which comprises the condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lodestar Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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*.



Conclusion

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 Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG
KPMG

Grant Robinson
Grant Robinson
Partner

Perth

28 February 2012