LODESTAR MINERALS LIMITED

ABN 32 127 026 528

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2018

CONTENTS

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

Shares: LSR
Options: LSROA

Country of Incorporation and Domicile

Australia

DIRECTORS' REPORT

The Directors of Lodestar Minerals Limited ("the Company") present their report together with the consolidated interim financial report for the six months ended 31 December 2018 and the auditor's report thereon.

1. DIRECTORS

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

Name	Period of Directorship
Non-Executive	
Mr Ross Taylor *Chairman of the Board, Non-Executive Director and Chairman of the Remuneration & Nomination Committee*	Appointed 30 June 2014
Mr David McArthur *Non-Executive Director, Company Secretary & Chairman of the Audit & Risk Management Committee*	Appointed 13 August 2007
Executive	
Mr William Clayton *Managing Director*	Appointed 2 November 2007

2. OPERATING AND FINANCIAL REVIEW

Overview

Lodestar Minerals Limited is listed on the Australian Securities Exchange (ASX: LSR) and has approximately 749.2 million shares on issue. Lodestar is a Western Australian junior gold and base metal explorer with operations on three main project areas across the northern Yilgarn margin having a combined area of 1,700 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. Lodestar has made significant gold discoveries at Ned's Creek (in 2013 and 2017-2018) and at Camel Hills (Big Sky, in 2015). Throughout 2018 exploration was directed towards defining and testing bedrock gold targets beneath extensive supergene and oxide mineralisation at the Contessa, Central Park and Gidgee Flat prospects and completing first-pass drilling over geochemical anomalies on the adjoining Yowereena mining leases held in joint venture with Vango Mining Limited (ASX : VAN, see Figure 1).

Significant events during the period

Ned's Creek

Follow up exploration drilling at the main prospects included diamond drill twin holes at Contessa and Gidgee Flat to verify high-grade primary gold intersections in RC drilling and provide information on the structural setting of mineralisation. Diamond drilling was followed by a second phase of RC drilling that targeted strike extensions to mineralisation at Contessa and Gidgee Flat and targeted the granite contact at Central Park for the first time.

Significant results from the drilling programs continue to indicate high potential for the discovery of economic gold mineralisation and include;

Contessa

- ***5.1m at 28g/t Au from 143m in diamond drill hole LND003, confirming high-grade mineralisation in LNRC026 (targeting intersection 4m at 74g/t Au from 140m in LNRC026).***
- ***12m at 1.5g/t Au from 126m in LNRC048***

Gidgee Flat

- ***6m at 2.0g/t Au from 206.4m, including 1.01m at 6.9g/t Au from 211.4m in diamond drill hole LND004 (targeting intersection 11m at 5.8g/t Au from 195m in LNRC039)***
- ***6.6m at 2.0g/t Au from 203.7m in diamond drill hole LND005***
- ***6m at 2.4g/t Au from 97m in LNRC052***
- ***6m at 2.8g/t Au from 163m in LNRC053***
- ***4m at 5.6g/t Au from 96m and 6m at 1.7g/t Au from 205m in LNRC055***
- ***6m at 3.7g/t Au from 191m in LNRC056***
- ***4m at 3.7g/t Au from 32m in LNRC057 and***
- ***8m at 2.0g/t Au from 72m and 4m at 6.7g/t Au from 195m in LNRC059***

Central Park

- ***7m at 1.4g/t Au from 107m, including 1m at 3.1g/t Au from 112m in LNRC70***
- ***13m at 0.7g/t Au from 71m, including 1m at 1.8g/t Au from 73m and 1m at 2.9g/t Au from 79m in LNRC069***
- ***LNRC071, on the northern drill traverse, intersected low grade gold mineralisation (0.1g/t-0.5g/t Au) from 152m to end of hole at 180m.***

Boundary Fence

A heritage survey was completed over M52/780, M52/781 and M52/782 under the guidance of the Yugunga-Nya traditional owners.

A program of aircore drilling commenced in December in M52/781 and M52/782, near the northern granite-greenstone contact. The reconnaissance drilling was targeting untested multi-element geochemical anomalies generated from historic shallow drilling completed by Homestake in 2001.

The program was cut short due to the rig being unsuited to the ground conditions and is expected to resume in the coming field season. The 11 holes completed reported strong As-Bi-Cu-Mo-Pb anomalies in the regolith that closely resemble the pathfinder elements associated with gold mineralisation on the southern granite-greenstone contact.

Tenements

- Partial surrender E52/3064 (Camel Hills)
- Application E69/3590 (Imbin)

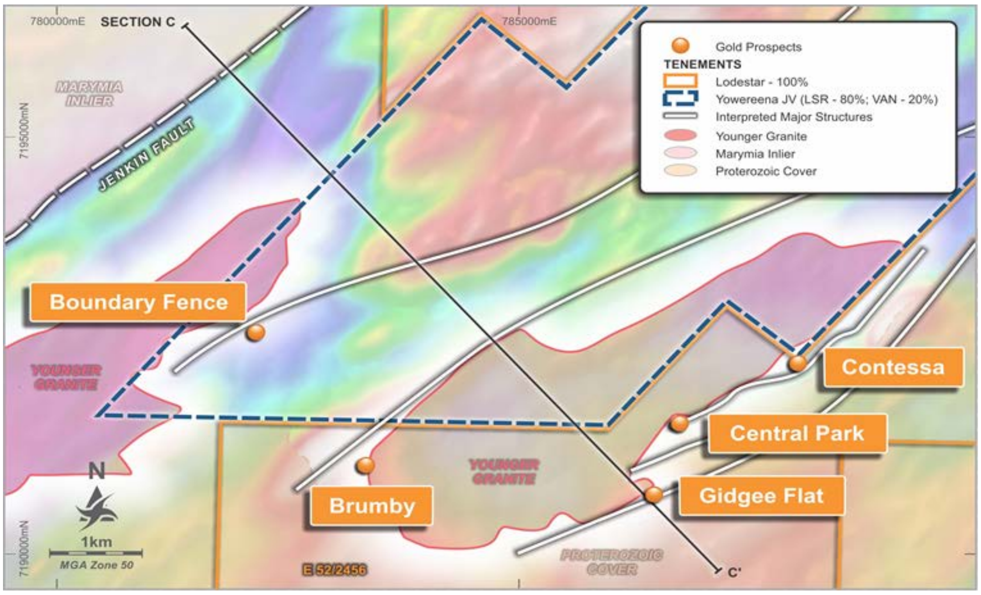

Figure 1 Prospect location plan, Ned's Creek project on background TMI magnetic image.

Exploration

Ned's Creek (E52/2456 – LSR 100%)

Contessa

The second phase of RC drilling targeted gold mineralisation above and below high grade gold intersections in LND003/LNRC026 and also extended drilling 80m along strike to the northeast of the high-grade intersection (summarised in Table 1).

On section, LNRC048, drilled 20m up-dip from LNRC026, intersected 12m at 1.5g/t Au from 126m, including 1m at 9.2g/t Au from 135m (see Lodestar's ASX announcements dated 9th October 2018 and 16th November 2018). No significant intersections were reported from drilling northeast of the LND003/LNRC026 drill section.

Core photographs (see Figure 2) of the high-grade mineralisation from LND003 show partly oxidised altered diorite, without obvious lithological variation or control such as a geological contact or lode system. The gold appears to be related to the distribution of oxidised pyrite in late fractures that may be deposited in irregular zones along diffuse fluid pathways or adjacent to major structures yet to be identified. Selective mineralogical analysis of this hole indicates that very high-grade gold is associated with strong phyllic alteration (sericite mica) whereas intervals of lower grade gold mineralisation are dominantly albite and/or chlorite altered.

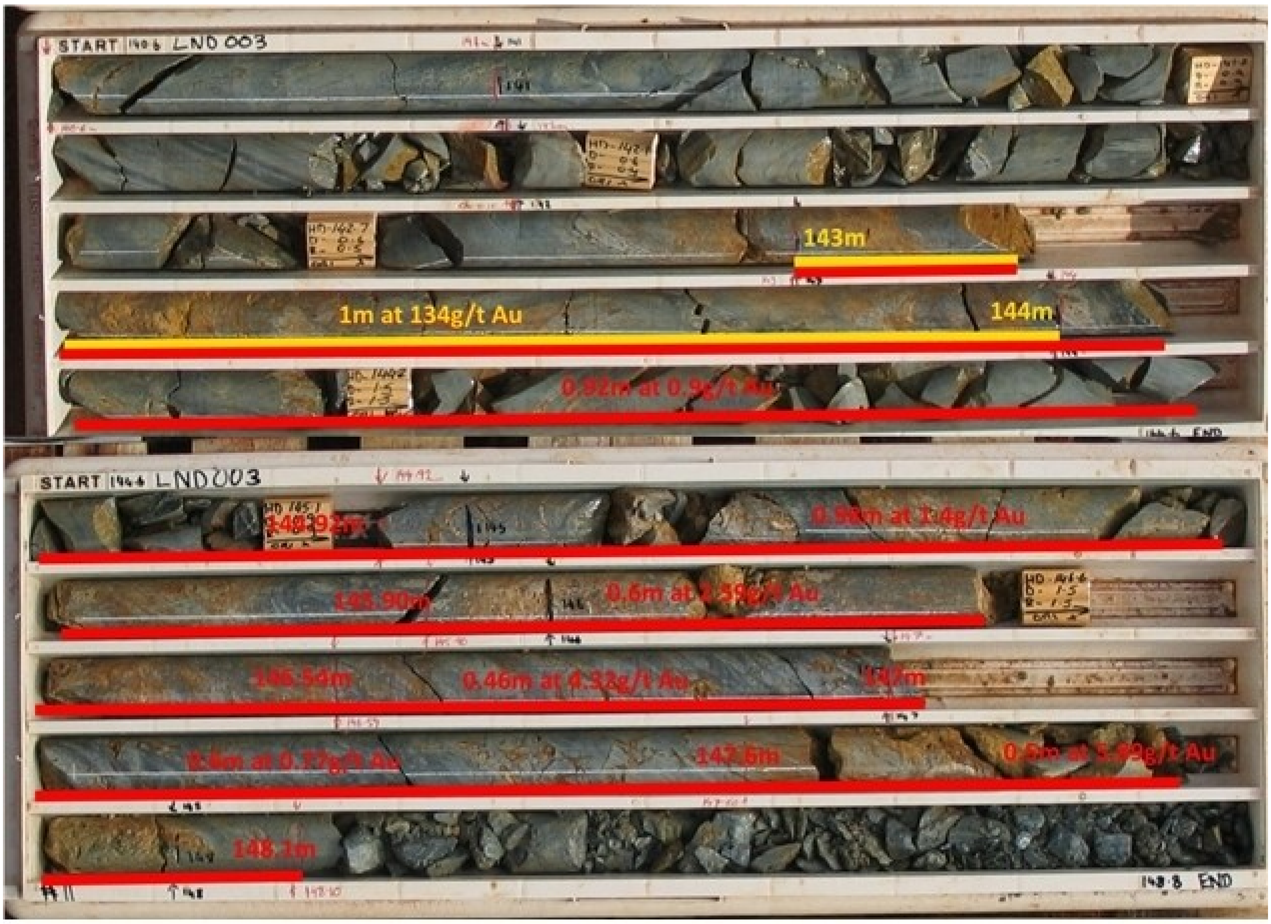

Figure 2 Contessa drill core from LND003 reporting high-grade gold mineralisation. Sample intervals and reported gold grades shown.

The drilling has intersected bedrock gold mineralisation over a strike of 180m in an area approximately 200m south of the granite contact. At Gidgee Flat and Central Park the structural margin of the granite exerts a fundamental control on mineralisation. At Contessa this contact has not been targeted by bedrock drilling and additional drilling is required.

Table 1 WORK COMPLETED

Drill Type	No. of holes	Metres Drilled
RC	8	1,464
Diamond	1	156.2

Gidgee Flat – Central Park

Two diamond drill holes were completed; one to twin a high-grade gold intersection in LNRC039 (see Lodestar's ASX announcement dated 22nd May 2018) and one to extend LNRC034 to intersect the interpreted position of mineralisation.

LND004, the twin hole to LNRC039, reported 6m at 2.0g/t Au from 206.4m with a higher-grade interval of 1.01m at 6.9g/t Au from 211.4m (see Figure 3 and Lodestar's ASX announcement dated 9th October 2018). LND004 intersected a banded and locally brecciated silica-pyrite-haematite-carbonate shear within chlorite altered mafic rocks. The mineralised zone and associated alteration extends from 195.8m to 212.46m. A number of mineralised syenite intrusives occur within the mafic sequence.

Figure 3 Gidgee Flat mineralisation in drill core from LND004. The gold mineralisation has the same pyrite association and probably the same origin but clearly differs in style from that at Contessa.

A second diamond drill hole (LND005) was completed as a tail to LNRC034, extending the hole from 167m to 225.8m. LND005 is located 60m along strike and north east of LND004. LND005 intersected the predicted mineralised zone, reporting 6.6m at 2.0g/t Au from 203.7m, including 1.6m at 4.8g/t Au from 208.1m (see Lodestar's ASX announcement dated 9th October 2018).

The second phase of RC drilling completed at Gidgee Flat targeted the granite contact along strike from the discovery area and in-filled selected areas of mineralisation. 14 holes were completed, extending bedrock drilling to a strike of 320m.

The results of the drilling are reported in Lodestar's ASX announcements dated 16th November 2018, 28th November 2018 and 19th December 2018. Bedrock mineralisation has been intersected over a strike of 300m and appears to be offset by faulting at the north eastern limit defined by drilling.

Wide haloes of low grade disseminated gold mineralisation were reported from adjacent holes LNRC053 and LNRC056 (see Figures 4 & 5), providing further evidence that Gidgee Flat may be part of a substantial gold system; (using a 0.1g/t cut off and up to 3m internal dilution) LNRC053 reported ***20m at 1.2g/t Au from 159m*** and ***13m at 1.0g/t Au from 186m*** whilst LNR056 reported ***30m at 1.0g/t Au from 190m***. The 100m zone separating LNRC53 from the nearest RC drill hole to the southwest (LNRC072), requires follow up drilling.

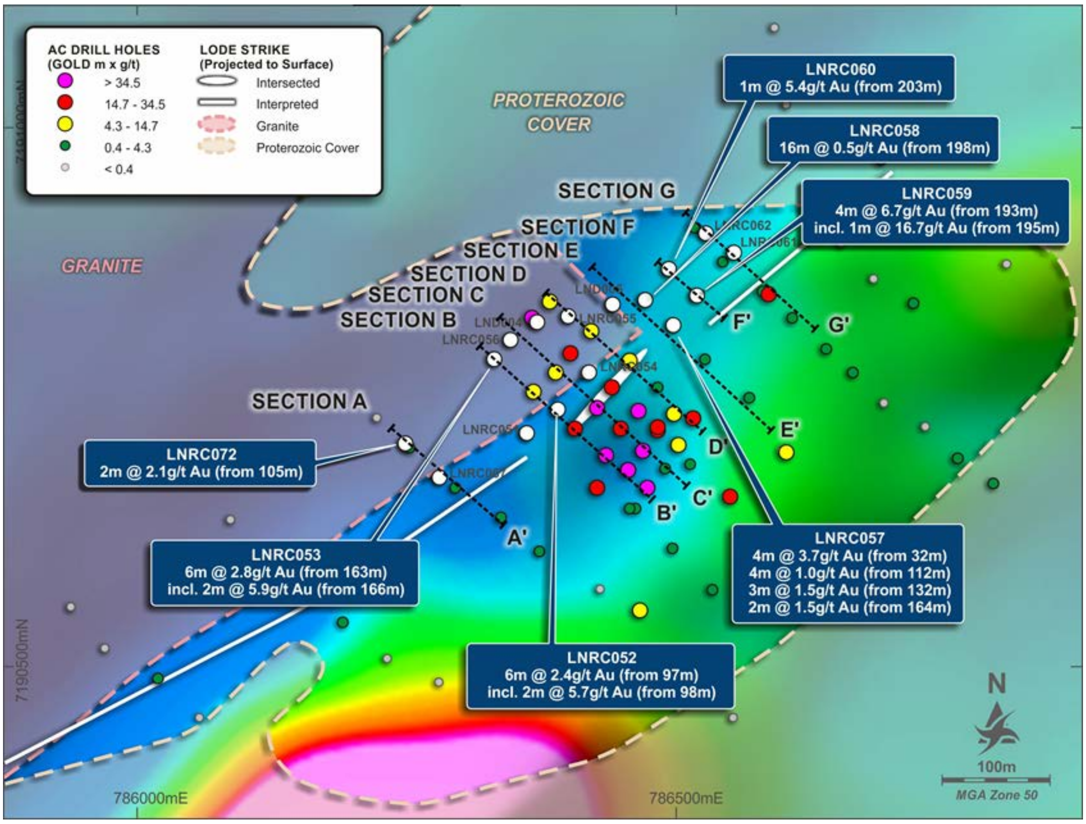

Figure 4 Gidgee Flat collar location plan showing LNRC053.

At Central Park 4 RC holes were completed in the first test of the granite contact position. The position of this key structural target had not been clearly defined by earlier aircore drilling and RC drilling was planned as a first-pass test over a strike of 120m. The drilling demonstrated an extensive gold system in a setting similar to Gidgee Flat, and the mineralisation remains open along strike and down-dip (see Lodestar's ASX announcement dated 28th November 2018).

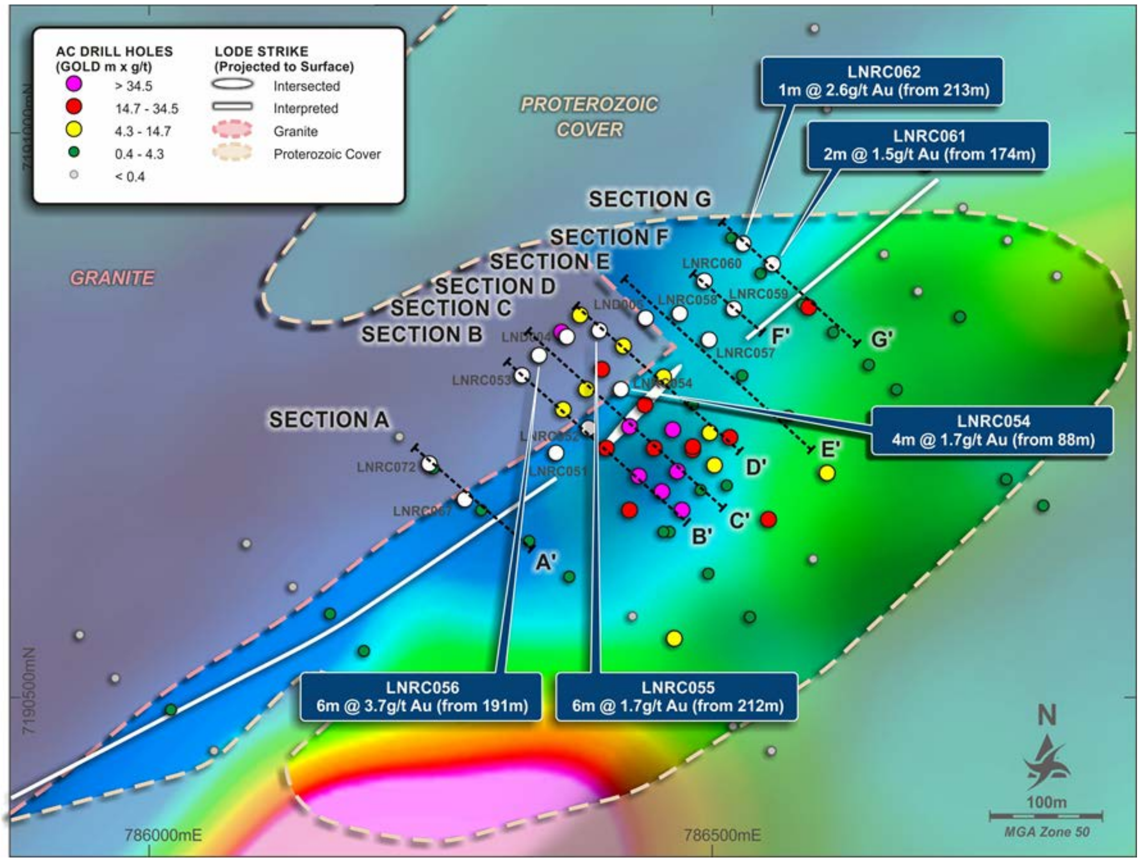

Figure 5 Gidgee Flat collar location plan showing LNRC056.

Table 2 WORK COMPLETED

Prospect	Drill Type	No. of Holes	Metres Drilled
Gidgee Flat	Diamond	2	279.8
Gidgee Flat	RC	14	3,248
Central Park	RC	4	678

Targeting a Big System

It is evident that Central Park and Gidgee Flat display a similar style of gold mineralisation. The area between these prospects is off-set by faulting and it is believed there is potential for a large gold system extending along the granite contact. Interpretation of high resolution aeromagnetic data and recent drilling indicates that the granite contact hosting the Gidgee Flat and Central Park mineralisation is displaced by an east northeast trending fault that off-sets the contact 300m to the west immediately north of Gidgee Flat. The position of the interpreted fault is concealed by Proterozoic sediments (Figure 6).

This interpretation would suggest that Gidgee Flat and Central Park form part of the same mineralised system separated by approximately 700m of untested granite contact between the two areas. The area of the fault and the 700m gap are therefore priority targets for exploration drilling (see Figure 6).

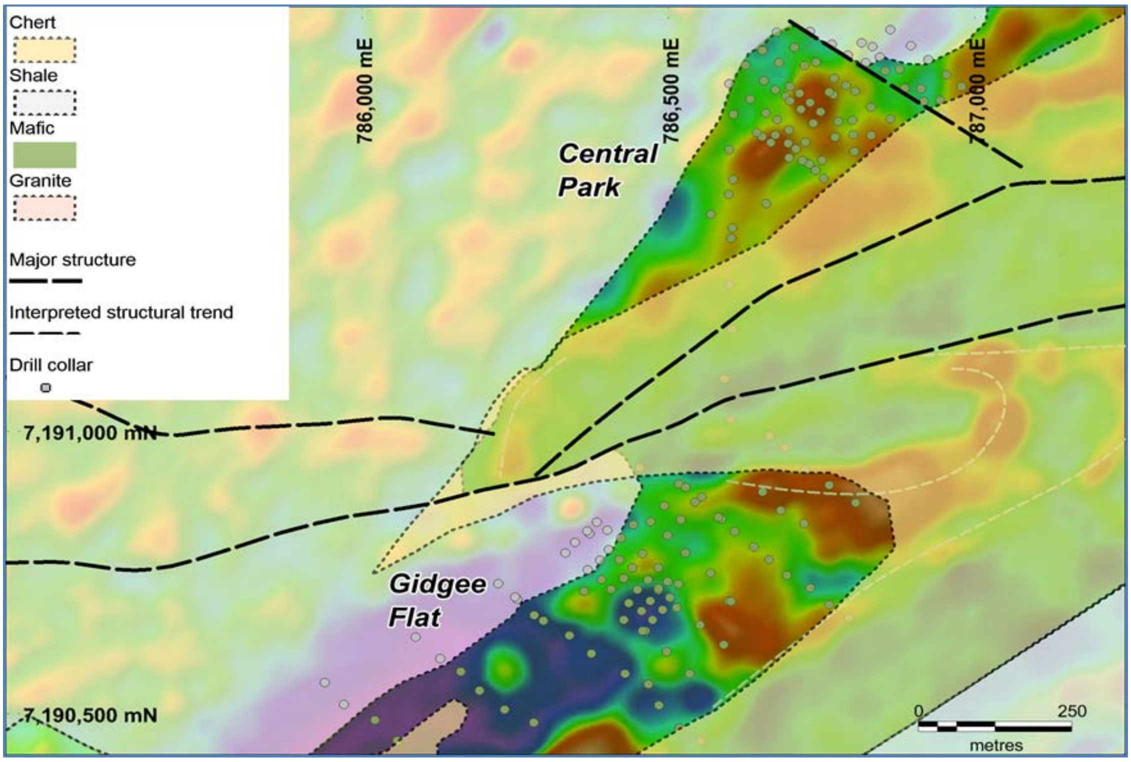

Figure 6 Interpretation of the Central Park to Gidgee Flat area showing target areas in red. Background RTP 1VD magnetic image.

Yowereena JV (M52/779, M52/780, M52/781 & M52/782 - LSR 80%)

An aircore drill program designed to test large multi-element geochemical anomalies on the northern margin of the granite contact commenced in December (see Figure 7). As only two of the twelve planned drill traverses were completed the anomalies remain untested. Drilling is planned to resume in the coming field season.

The partly completed program demonstrated that anomalous gold pathfinder elements As, Cu Pb ±Bi, ±Mo are widespread in the regolith (see Lodestar's ASX announcements dated 19th December 2018 and 31 January 2019), supporting Lodestar's belief that the northern granite margin has potential to host significant gold mineralisation.

Table 3 WORK COMPLETED

Drill Type	No. of Holes	Metres Drilled
Aircore	11	699

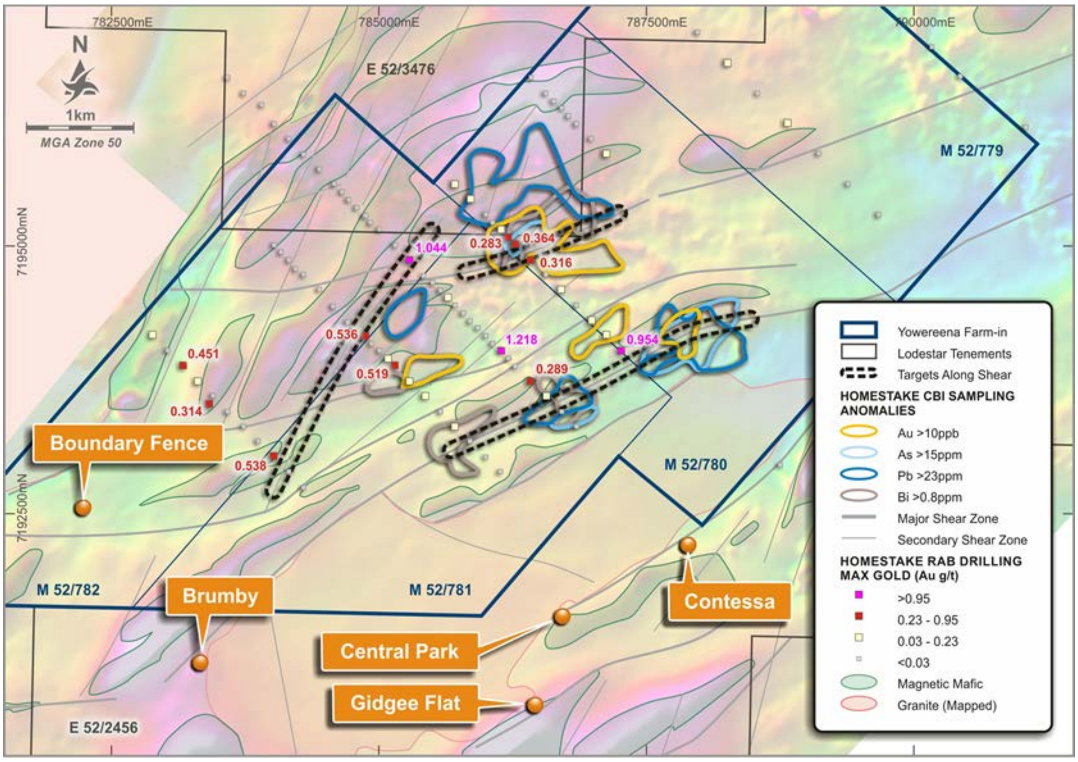

Figure 7 Yowereena JV tenements showing the extensive multi-element anomalies being tested by aircore drilling. Background RTP magnetic image.

Financial Position

For the six months ended 31 December 2018, the Group incurred a loss of $1,787,459 (31 December 2017: loss $947,563) and had a net working capital surplus of $5,091 (30 June 2018: $917,364).

The Company had a net cash outflow of $872,768 (31 December 2017: inflow $149,595), including payments for exploration of $1,199,582 and cash inflows from conversion of listed options totaling $702,900.

Conversion of Options by Chairman

On 26 July 2018, Ross Taylor exercised 23,400,000 listed options to fully paid ordinary shares at $0.03 per share for a total of 23,400,000 ordinary shares and a cash inflow of $702,000.

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.

Competent Person Statement

The information in this announcement that relates to previously released exploration results was disclosed under JORC 2012 in the following ASX announcements;

- 9th October 2018 "Diamond Drilling Returns High Grades – Contessa/Gidgee Flat".
- 16th November 2018 "First RC Results from Gidgee Flats Extend Strike 50%".
- 28th November 2018 "Gidgee and Central Park Gold Discoveries Continue to Grow".
- 19th December 2018 "Final RC Results Extend Gidgee Discovery".
- 31st January 2019 "December 2018 Quarterly Activities & Cash Flow Report".

These announcements are available to view on the Lodestar website. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

3. DIVIDENDS

The Directors recommend that no dividend be provided for the six months ended 31 December 2018.

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 2018 Annual Report and can be viewed on the Company's website.

5. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 4.4 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. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in the Directors' Report.

This report is made in accordance with a resolution of the Directors.

WILLIAM CLAYTON

Managing Director

Dated at Perth, Western Australia this 11th day of March 2019.

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 2018, 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	**N G Neill**
11 March 2019	**Partner**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
Assets			
Cash and cash equivalents		194,058	1,066,826
Trade and other receivables		94,467	72,683
Prepayments		27,178	3,767
Total Current Assets		**315,703**	**1,143,276**
Property and equipment		52,302	59,522
Other non-current assets		2,060	2,060
Total Non-Current Assets		**54,362**	**61,582**
Total Assets		**370,065**	**1,204,858**
Liabilities			
Trade and other payables		232,889	160,304
Employee benefits		71,324	59,208
Site restoration provision		6,400	6,400
Total Current Liabilities		**310,613**	**225,912**
Total Liabilities		**310,613**	**225,912**
Net Assets		**59,452**	**978,946**
Equity			
Issued capital	**3.1**	26,703,737	26,002,315
Reserves		367,453	543,667
Accumulated losses		(27,011,738)	(25,567,036)
Total Equity		**59,452**	**978,946**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Note	31 December 2018 $	31 December 2017 $
Revenue			
Finance income		7,078	1,070
Other income		15,926	18,000
Expenses			
Exploration expensed through profit or loss		(1,267,647)	(698,164)
Site restoration		(5,080)	-
Other operating expenses		(28,430)	(1,840)
Personnel expenses	**4.2**	(284,619)	(93,315)
General and administrative expenses		(89,945)	(60,667)
Professional fees		(95,201)	(64,704)
Marketing and business development		(32,218)	(26,664)
Depreciation		(7,221)	(9,433)
Finance expenses		(102)	(11,846)
Net loss for the period from continuing operations		**(1,787,459)**	**(947,563)**
Loss before income tax		**(1,787,459)**	**(947,563)**
Income tax expense		-	-
Loss for the period		**(1,787,459)**	**(947,563)**
Total comprehensive loss for the period		**(1,787,459)**	**(947,563)**
Loss per share			
Basic and diluted loss per share (cents per share)		(0.24)	(0.17)

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

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

	Note	Attributable to equity holders of the Company			
		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	**3.1**	702,900	-	-	**702,900**
Transfer to accumulated losses on expiry of options		-	(342,757)	342,757	**-**
Share-based payment transactions	**4.1**	-	166,543	-	**166,543**
Capital raising costs	**3.1**	(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 CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Note	Share Capital	Share-based Payments reserve	Equity component of convertible notes	Accumulated Losses	Total
		$	$		$	
Balance at 1 July 2017		22,588,553	603,110	24,348	(23,058,876)	**157,135**
Total comprehensive loss for the period						
Loss for the period		-	-	-	(947,563)	**(947,563)**
Total comprehensive loss for the period		**-**	**-**	**-**	**(947,563)**	**(947,563)**
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Issue of ordinary shares	**3.1**	1,699,700	-	-	-	**1,699,700**
Transfer to accumulated losses on expiry of options		-	(152,000)	-	152,000	**-**
Share-based payment transactions		-	46,800	-	-	**46,800**
Capital raising costs	**3.1**	(168,325)	-	-	-	**(168,325)**
Conversion of convertible note		-	-	(24,348)	-	**(24,348)**
Total contributions by and distributions to owners		**1,531,375**	**(105,200)**	**(24,348)**	**152,000**	**1,553,827**
Balance at 31 December 2017		**24,119,928**	**497,910**	**-**	**(23,854,439)**	**763,399**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Receipts from customers	-	18,000
Cash paid to suppliers and employees	(382,025)	(265,048)
Interest received	7,078	1,070
Interest paid	-	(20,211)
Payments for exploration and evaluation	(1,199,582)	(774,803)
Net cash used in operating activities	**(1,574,529)**	**(1,040,992)**
Cash flows from investing activities		
Payments for property, plant and equipment	-	(5,122)
Net cash used in investing activities	**-**	**(5,122)**
Cash flows from financing activities		
Proceeds from issue of shares and options	-	500,000
Proceeds from conversion of options	702,900	-
Proceeds from issue of convertible notes	-	800,000
Proceeds from related party loans	-	32,000
Repayment of related party loans	-	(32,000)
Repayment of premium funding facility	-	(8,590)
Payment of capital raising costs	(1,139)	(52,572)
Payment of transaction costs related to borrowings	-	(43,129)
Net cash from financing activities	**701,761**	**1,195,709**
Net (decrease) / increase in cash and cash equivalents	(872,768)	149,595
Cash and cash equivalents at 1 July	1,066,826	109,357
Cash and cash equivalents at 31 December	**194,058**	**258,952**

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

SECTION 1 BASIS OF PREPARATION

Lodestar Minerals Limited (the "Company") is a for-profit, listed public company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2018 comprises the Company and its subsidiary (together referred to as the "Group"). The Group is involved in the mineral exploration industry in Australia.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2018 which is available upon request from the Company's registered office at Level 1, 31 Cliff Street, Fremantle, WA, 6160 or at www.lodestarminerals.com.au.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018.

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 effective 1 July 2018 disclosed in Section 5. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

1.1 Statement of Compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report was approved by the Board of Directors on 11 March 2019.

1.2 Application of new and revised accounting standards

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018.

Due to the transition methods chosen by the Group in applying AASB 9 *Financial Assets* and AASB 15 *Revenue*, comparative information throughout these interim financial statements has not been restated to reflect the requirements of the new standards.

Details of AASB 9 have been disclosed in note 5.1.

Details of the application of AASB 15 have been disclosed in note 5.2.

Other than above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

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 2018. As a result of this review the Directors have determined that AASB 16 *Leases* may have a material effect on the application in future periods.

AASB 16 replaces AASB 117 *Leases* and related interpretations.

1.2 Application of new and revised accounting standards (continued)

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance lease. Most leases will be capitalised on the state of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expenses. There are exemptions for short-term leases and leases of low-value items.

The Group has commenced the process of evaluating the impact of the new Standard and notes that it currently does not have any operating lease commitments aside from an office rental lease. This will not have a material impact as at 30 June 2019 due to the current terms of the lease. Should circumstances change which see the Group enter into a leasing arrangement for any activity, it will be reflected according to the requirements of AASB 16. Additionally, lease costs in relation to tenements fall outside the scope of AASB 16 and therefore are not required to be assessed for a right of use asset.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

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 and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this 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 2018. Prior period groupings may have slightly changed to provide more useful information to users.

1.4 Going Concern

The Directors have prepared the consolidated interim financial report on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

For the period ended 31 December 2018, the Group incurred an operating loss of $1,787,459 and had net cash outflow from operating activities of $1,574,529 (including $1,199,582 of exploration payments). The Group had a net asset position of $59,452 as at 31 December 2018.

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 ability of the Group to continue as a going concern is dependent on securing additional funding through various potential means. The Directors acknowledge the need to raise additional funds in the coming year to meet its anticipated operating expenditures and planned exploration commitments for tenements held and are confident that this is achievable through either one or a combination of the following:

a) Via successful capital raising with either existing shareholders or a placement to sophisticated investors;
b) From borrowings with related or third parties; and/or
c) Through partial or full sale of tenement ownership rights held by the Group.

Should the Group be unsuccessful in raising funds, there is a material uncertainty that exists that may cast significant doubt as to whether the Group will be able 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.

SECTION 2 RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

This section focuses on the results and performance of the Group, with disclosures including segment information.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group currently operates in one operating segment being mineral exploration and evaluation.

Reconciliation of reportable segment loss, assets and liabilities and other material items

	6 Months to 31 December 2018 $	6 Months to 31 December 2017 $
Loss before income tax		
Total loss for reportable segments	(1,331,958)	(747,992)
Central administration and Directors' remuneration	(462,477)	(188,795)
Finance expense	(102)	(11,846)
Finance income	7,078	1,070
Consolidated loss before income tax	**(1,787,459)**	**(947,563)**

	31 December 2018 $	30 June 2018 $
Assets		
Total assets for reportable segments	121,977	130,059
Cash and cash equivalents	194,058	1,066,826
Other assets	54,030	7,973
Consolidated total assets	**370,065**	**1,204,858**
Liabilities		
Total liabilities for reportable segments	(197,209)	(122,522)
Employee benefits	(71,324)	(59,208)
Other liabilities	(42,080)	(44,182)
Consolidated total liabilities	**(310,613)**	**(225,912)**

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2018.

SECTION 3 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at period end.

3.1 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2018	2017	2018	2017
Balance at 1 July	**725,788,328**	**453,318,328**	**26,002,315**	**22,588,553**
Conversion of listed options to fully paid ordinary shares	23,430,000	-	702,900	-
Issue of fully paid ordinary shares as payment for consultancy services	-	2,970,000	-	29,700
Issue of fully paid ordinary shares for cash	-	62,500,000	-	500,000
Issue of fully paid ordinary shares converted from convertible note	-	117,000,000	-	1,170,000
Capital raising costs	-	-	(1,478)	(168,325)
Balance at 31 December	**749,218,328**	**635,788,328**	**26,703,737**	**24,199,928**

Options

On 26 July 2018, 23,400,000 listed options held by Chairman Ross Taylor were converted to ordinary shares at the exercise price of 3 cents per share, for a total payment of $702,000.

On 6 August 2018, a further 30,000 listed options held by shareholders had been converted to ordinary shares at the exercise price of 3 cents per share, for a total payment of $900.

On 7 December 2018, 15,000,000 options were issued to the Directors of Lodestar as market linked incentive remuneration. These options are exercisable at 10 cents each and expire on 31 December 2021.

On 30 December 2018, 7,800,127 options that were issued to sophisticated investors on 22 December 2015 as a free-attachment at a 1:2 ratio to the shares purchased at the time expired, unexercised.

On 31 December 2018, 20,000,000 options that were issued partially to Directors on 27 November 2015 and partially to a consultant on 28 February 2018, expired, unexercised.

At the date of this report, there are 111,553,702 (2017: 142,783,829) options on issue in Lodestar Minerals Limited. The exercise price ranges from 3 cents to 10 cents, and the exercise dates range from October 2019 to December 2021.

SECTION 4 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group and other mandatory disclosures, such as details of related party transactions.

4.1 SHARE-BASED PAYMENTS

At the annual general meeting on 30 November 2018, shareholders approved the issue of 15,000,000 options to be issued to Directors, exercisable at 10 cents each and expiring 31 December 2021.

The fair value of the options granted was based on the fair value on the date granted, measured using the Black & Scholes options pricing model.

The key valuation assumptions made at valuation date are summarised below:

Key valuation assumptions	
Exercise price (cents)	10
Grant date	30-Nov-18
Vesting date	7-Dec-18
Expiry date	31-Dec-21
Life of the options (years)	3.07
Volatility	178.70%
Risk free rate	2.04%
Fair value at grant date (cents)	1.11

The amount expensed to profit or loss as Directors' remuneration was $166,543.

	6 Months to 31 December 2018	**6 Months to 31 December 2017**
	$	**$**
Expensed in personnel expenses (Director remuneration)		
Options issued to Directors	166,543	-
Expensed in capital raising costs		
Options issued to a consultant	-	33,600

4.2 RELATED PARTIES

(a) Key management personnel compensation

Key management personnel compensation included in 'personnel expenses' and 'share-based payments' (note 4.1), comprises the following:

	Note	6 Months to 31 December 2018 $	6 Months to 31 December 2017 $
Short term employee benefits		165,158	134,638
Long term employee benefits		5,584	2,416
Post-employment benefits		13,511	12,825
Share-based payments – options	**4.1**	166,543	-
		350,796	**149,879**
Expensed in exploration and evaluation		(66,177)	(56,698)
		284,619	**93,181**

(b) Key management personnel transactions

Other than remuneration disclosed above, no other transactions have occurred with Key Management Personnel in the six-months to December 2018.

4.3 CAPITAL AND OTHER COMMITMENTS

Commitments for approved mineral exploration expenditure are scheduled as follows:

	31 December 2018 $	30 June 2018 $
Mineral exploration		
Not later than one year	986,560	990,560
Other commitments		
Office rent		
Not later than one year	21,540	19,745
Between one and five years	30,514	-
	52,054	**19,745**

4.4 CONTINGENCIES

There has been no change in contingent liabilities since the last annual reporting date.

4.4 SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since the end of the reporting period 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.

SECTION 5 ADOPTION OF NEW ACCOUNTING POLICIES

This section deals with the adoption of new accounting policies during the year ending 30 June 2019 and their impact upon the Group retrospectively and prospectively.

5.1 AASB 9 *FINANCIAL INSTRUMENTS*

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Cancellation and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

• Financial assets at amortised cost
• Financial assets at fair value through profit or loss (FVTPL)
• Debt instruments at fair value through other comprehensive income (FVTOCI)
• Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments for principal and interest and held within a business model of ‘hold to collect’ contractual cash flows are accounted for at amortised cost using the effective interest method. The Group’s other receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group’s financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group’s financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges reported in profit or loss are included within finance costs or finance income.

Borrowings classified as amortised cost under AASB 139 continue to be accounted for at amortised cost under AASB 9.

The application of this standard has not had a material impact on financial position or performance for the Group for the half-year ended 31 December 2018.

5.2 AASB 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018, however, there is no impact to the Group's historical financial results given the Group is currently not in production but rather the exploration phase and is such not creating a revenue stream.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on financial risk management of the Group and other mandatory disclosures, such as details of Joint Venture arrangements.

6.1 JOINT VENTURE AGREEMENT – YOWEREENA

On 1 August 2018 it was noted that the Company had earned an 80% interest in Vango Mining Limited's (ASX:VAN) Yowereena tenements, adjacent to the Company's Ned's Creed gold project. The Company was required to sole-fund exploration and satisfy the minimum annual expenditure commitment of $357,000 on four Mining Leases within a 12-month period to earn an 80% interest.

Since completion of the earn-in for the tenements at Yowereena, Vango has the right to elect to contribute to exploration activity performed on a pro-rata basis or dilute their interest according to the standard industry formula. As at 31 December 2018, there is an accrued receivable amount in relation to exploration contributions due from Vango for exploration work performed from the date of earn-in being achieved through to period-end totalling $70,021.

6.2 FINANCIAL INSTRUMENTS

The Group has a number of financial instruments which are not measured at fair value. The Directors consider that the carrying amount of these financial instruments approximate their fair value.

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 2018 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 11th day of March 2019.

WILLIAM CLAYTON
Managing Director

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018, 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 2018 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 1.4 in the half-year 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 Lodestar Minerals Limited 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 Lodestar Minerals Limited financial position as at 31 December 2018 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 Lodestar Minerals Limited, 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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 March 2019

Norman Glad

N G Neill
Partner