



LODESTAR MINERALS LIMITED

ABN 31 127 026 528

INTERIM REPORT

31 DECEMBER 2008

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONTENTS

	<u>Page</u>
Directors' Report.....	3
Auditor's Independence Declaration.....	5
Interim Income Statement	6
Interim Balance Sheet.....	7
Interim Statement of Changes in Equity.....	8
Interim Statement of Cash Flows	9
Condensed Notes to the Interim Financial Statements	10
Directors' Declaration	16
Auditor's Independent Review Report.....	17

LODESTAR MINERALS LIMITED
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DIRECTORS' REPORT

The Board of Directors present their report together with the financial report for the six months ended 31 December 2008 and the audit report thereon.

DIRECTORS

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

Name	Period of Directorship
William (Bill) Clayton <i>Managing Director</i>	Appointed 2 November 2007
Rhod Grivas <i>Non-executive chairman</i>	Appointed 13 August 2007
David McArthur <i>Executive Director</i>	Appointed 13 August 2007
Mark Pitt <i>Non-executive Director</i>	Appointed 13 August 2007

Unless otherwise indicated, all Directors held their position as a Director throughout the entire financial interim period and up to the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the interim period was exploration and evaluation of mineral interests.

RESULTS

The net loss of the Company for the interim period after income tax expense was \$401,057 (2007: \$439,729).

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Other than exploration activities over its nickel tenements as detailed in the quarterly exploration reports released to the market, there have been no other significant operations by the Company during the six months to 31 December 2008.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the six months ended 31 December 2008.

Dated at Perth, Western Australia this 13th day of February 2009.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'D M McArthur', written in a cursive style.

D M McARTHUR
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 2008 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


J G Robinson
Partner

Perth

Dated: 13/2/09

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INTERIM INCOME STATEMENT
FOR THE SIX MONTH ENDED 31 DECEMBER 2008

	31 December 2008 \$	31 December 2007 \$
Personnel expenses	(121,447)	(376,384)
Administration expenses	(78,471)	(30,769)
Other expenses	(295,203)	(55,827)
Results from operating activities	(495,121)	(462,980)
Financial income	94,064	23,251
Net financing income	94,064	23,251
Loss before income tax	(401,057)	(439,729)
Income tax expense	-	-
Loss for the period	(401,057)	(439,729)
Loss attributable to equity holders	(401,057)	(439,729)
Loss per share		
Basic and diluted loss per share (cents)	(0.80)	(1.65)

The condensed notes on pages 10 to 15 are an integral part of these interim financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents		2,863,324	3,116,747
Other receivables		36,535	535,949
TOTAL CURRENT ASSETS		2,899,859	3,652,696
NON-CURRENT ASSETS			
Property, plant and equipment	8	9,983	3,854
Exploration and evaluation expenditure	9	5,641,193	5,327,114
TOTAL NON-CURRENT ASSETS		5,641,176	5,330,968
TOTAL ASSETS		8,551,035	8,983,664
CURRENT LIABILITIES			
Trade and other payables		69,010	112,148
Employee benefits		12,180	7,831
TOTAL CURRENT LIABILITIES		81,190	119,979
TOTAL LIABILITIES		81,190	119,979
NET ASSETS		8,469,845	8,863,685
EQUITY			
Issued capital	10(a)	9,725,003	9,725,003
Other reserves	10(b)	316,226	309,009
Accumulated losses		(1,571,384)	(1,170,327)
TOTAL EQUITY		8,469,845	8,863,685

The condensed notes on pages 10 to 15 are an integral part of these interim financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2008

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
At 1 July 2008	9,725,003	(1,170,327)	309,009	8,863,685
Income and expense recognised directly in equity	-	-	-	-
Loss for the period	-	(401,057)	-	(401,057)
Total recognised income and expense	-	(401,057)	-	(401,057)
Cost of share-based payment	-	-	7,217	7,217
At 31 December 2008	9,725,003	(1,571,384)	316,226	8,469,845

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
At 13 August 2007	-	-	-	-
Capital raising costs	(275,000)	-	-	(275,000)
Income and expense recognised directly in equity	(275,000)	-	-	(275,000)
Loss for the period	-	(439,729)	-	(439,729)
Total recognised income and expense	-	(439,729)	-	(439,729)
Issue of ordinary shares	10,000,003	-	-	10,000,003
Cost of share-based payment	-	-	309,009	309,009
At 31 December 2007	9,725,003	(439,729)	309,009	9,594,283

The condensed notes on pages 10 to 15 are an integral part of these interim financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2008

	31 December 2008 \$	31 December 2007 \$
Cash flows from operating activities		
Payments to suppliers and employees	(307,499)	(52,617)
Net cash used in operating activities	(307,499)	(52,617)
 Cash flows from investing activities		
Interest received	101,391	1,077
Payments for exploration, evaluation and development	(540,138)	(2,840)
Payments for property, plant and equipment	(7,177)	-
Repayment of investment deposit	500,000	-
Net cash from/ (used in) investing activities	54,076	(1,763)
 Cash flows from financing activities		
Proceeds from issue of shares	-	4,978,827
Payments for capital raising costs	-	(275,000)
Net cash provided by financing activities	-	4,703,827
 Net (decrease)/ increase in cash & cash equivalents	(253,423)	4,649,447
 Cash and cash equivalents at the beginning of the interim period	3,116,747	-
 Cash and cash equivalents at the end of the interim period	2,863,324	4,649,447

The condensed notes on pages 10 to 15 are an integral part of these interim financial statements.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

1. REPORTING ENTITY

Lodestar Minerals Limited (the “Company”) is a company domiciled in Australia.

The annual financial report of the Company as at and for the year ended 30 June 2008 is available upon request from the Company’s registered office at Level 2, 45 Stirling Highway, Nedlands, Western Australia, 6009.

2. STATEMENT OF COMPLIANCE

The 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.

The 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 annual financial report of the Company as at and for the period ended 30 June 2008.

The interim financial report was approved by the board of Directors on 13 February 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2008.

4. 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 interim financial report, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the period ended 30 June 2008.

5. COMPARATIVE INFORMATION

The comparative interim financial statements are prepared for the period from 13 August 2007 (date of incorporation) to 31 December 2007.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

6. FINANCIAL RISK MANAGEMENT

The company's financial risk management objective and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2008.

7. SEGMENT REPORTING

The company operates predominately in the mineral exploration industry in Australia.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2008 the Company acquired assets with a cost of \$7,177.

9. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008 \$	30 June 2008 \$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation expenditure - at cost	5,641,193	5,327,114
Movements for the period:		
Exploration and evaluation expenditure		
Opening balance	5,327,114	-
Acquisitions	-	5,000,000
Additions	539,646	461,828
Written off	(225,567)	(134,714)
Balance at end of period	5,641,193	5,327,114

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

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

	31 December 2008 \$	30 June 2008 \$
10. CAPITAL AND RESERVES		
(a) Issued and paid-up capital:		
Fully paid ordinary shares	9,725,003	9,725,003
	<u>9,725,003</u>	<u>9,725,003</u>
Reconciliation of movements in issued capital:		
Balance at the beginning of the period financial year	9,725,003	-
Placement of 3 shares on incorporation at \$1.00 each	-	3
Placement of 25,000,000 shares at 20 cents each pursuant to the Nickel rights	-	5,000,000
Issue of 25,000,000 shares at 20 cents each for the acquisition of the Penfolds nickel rights	-	5,000,000
Capital raising costs	-	(275,000)
	<u>9,725,003</u>	<u>9,725,003</u>
(b) Reserves		
Employee equity-settled benefits reserve	316,226	309,009
	<u>316,226</u>	<u>309,009</u>
Reconciliation of movements in reserves:		
Balance at the beginning of the financial year	309,009	-
Cost of share-based payment	7,217	309,009
	<u>316,226</u>	<u>309,009</u>
Balance at end of period	<u>316,226</u>	<u>309,009</u>

The employee equity-settled benefits reserve arises on the grant of equity instruments to employees and key management personnel. Refer to Note 11 for further details.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

11. SHARE-BASED PAYMENTS

Unlisted options

A share option plan has been established which entitles key management personnel and senior employees of the Company options over the ordinary shares of Lodestar Minerals Limited. The options, issued for nil consideration, are issued in accordance with guidelines established by the Directors of Lodestar Minerals Limited. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares. All options are granted at the discretion of the Directors.

Options – 26 November 2013

On 26 November 2008 1,500,000 options were granted to William Clayton. These options were issued as an incentive to secure his ongoing commitment to the continued growth of the Company. The options were issued for nil consideration.

The options have been granted on the following terms and conditions:

Tranche	Number	Exercise price	Vesting date	Expiry date
1	500,000	20 cents	26 November 2008	26 November 2013
2	500,000	30 cents	26 November 2009	26 November 2013
3	500,000	40 cents	26 November 2010	26 November 2013

The fair value of the equity-settled options was estimated using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

	Tranche 1	Tranche 2	Tranche 3
Expected volatility	70%	70%	70%
Risk-free interest rate	6.75%	6.75%	6.75%
Life of option	5 years	5 years	5 years
Exercise price	\$0.20	\$0.30	\$0.40
Fair value of options	1.3 cents	1.0 cents	0.8 cents

The value of each tranche of options is amortised over their vesting period. For the period ended 31 December 2008 \$7,217 was expensed in personnel expenses.

All options remain unexercised at 31 December 2008.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

12. CONTINGENCIES AND COMMITMENTS

Contingencies

Under the terms of the “New Celebration Royalty Deed dated 11 February 1998” and the “Sale and Royalty Agreement – M15/726 – Karramindie”, the Company may become liable to pay royalties in respect of future production from some tenements. At present the directors are unable to ascertain the amount of such royalties.

Therefore the directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Commitments

31 December
2008
\$

(a) Commitments for the mineral exploration expenditure are scheduled as follows:

Not later than one year	410,540
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LODESTAR MINERALS LIMITED
ABN 31 127 026 528

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

13. RELATED PARTIES

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and may receive share-based payments (see note 11).

Other related party transactions

	Transaction value		Balance outstanding	
	Six month ended			
	31 December	31 December	31 December	30 June
	2008	2007	2008	2008
	\$	\$	\$	\$
Expenses				
Company controlled by a director – management fee	37,500	-	6,875	-

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

14. SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the interim financial period that has 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 the future financial years.

LODESTAR MINERALS LIMITED
ABN 31 127 026 528

DIRECTORS' DECLARATION

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

1. the financial statements and notes set out on pages 6 to 15, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2008 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.

Dated at Perth this 13th day of February 2009.

Signed in accordance with a resolution of the Directors.



D M McARTHUR
Director



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 interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 14 and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 Company's financial position as at 31 December 2008 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 Company's financial position as at 31 December 2008 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*.




J G Robinson
Partner

Perth

Dated: 13/2/09