



ASX ANNOUNCEMENT

12th September 2016

Electronic lodgement

FULLY UNDERWRITTEN RIGHTS ISSUE TO FUND FOCUSED GOLD EXPLORATION PROGRAM AT NED'S CREEK

- **Fully underwritten rights issue to raise approximately \$643,000 before costs.**
- **Shareholders to be offered 1 new share priced at 1c for every 6 shares held, plus a free attaching one for three option, exercisable at 3 cents, for each new share subscribed for.**
- **Funds to advance 10,000m aircore drill campaign with focus on Contessa and Brumby gold targets at Ned's Creek. Aircore has proved very successful in identifying significant gold targets in previous first-pass drilling.**
- **Aircore program expected to be followed by targeted RC drilling campaign in 2017**

Lodestar Minerals Limited ("Lodestar") is pleased to advise it has entered into an underwriting agreement for a non-renounceable entitlements offer to raise approximately \$643,000 before costs to fund a high priority exploration campaign at the Ned's Creek project.

Following a detailed review of its project areas and corporate strategy, the Board of Directors of Lodestar have determined to prioritise a comprehensive 10,000m aircore drilling program at the Contessa and Brumby prospects within the Ned's Creek project area in order to more effectively target the source of gold mineralisation encountered in the limited RC drilling previously undertaken at both project areas.

The results from the upcoming aircore drill program will then be used to determine the location of an expected RC drill program at Brumby and Contessa in 2017. Lodestar believes both project areas have excellent potential to yield a major gold discovery with further drilling and accordingly the two areas have been prioritised as the Company's near-term focus.

An aircore drilling program will also be undertaken along the granite contact at Ned's Creek, southwest of Contessa, to follow-up promising earlier drilling results. Field work to advance the Marymia and West Pinyriny gold targets will also be conducted.

Entitlement Offer

Lodestar is undertaking a pro rata non-renounceable Entitlements Offer whereby eligible shareholders will be able to subscribe for one (1) new fully paid ordinary share priced at 1 cent per share for every six (6) ordinary shares held to raise up to \$643,707 before costs. One (1) option exercisable at 3 cents on or before 31 October 2019 will be issued for nil consideration for every three (3) shares applied for in the Entitlements Offer.

New shares issued under the Entitlements Offer will rank equally with all ordinary shares on issue. The Company will issue up to a maximum of 64,370,705 new ordinary shares and 21,456,901 new options pursuant to the Entitlements Offer (subject to rounding).

The Entitlements Issue is fully underwritten. The underwriter is to be paid a fee of 6% of the total amount to be raised, plus the issue of 5 million options on the same terms and conditions as the options issued pursuant to the Entitlements Issue.



It is the current intention of the Directors of Lodestar to take up their full entitlement in the Entitlement Offer.

The timetable and Offer Documents setting out further details of the Entitlement Offer will be issued in the near future accompanied by a personalised entitlement and acceptance form and instructions on how eligible shareholders may accept their entitlement.

Use of Funds

Funds raised in the Entitlement Offer will be used to advance Lodestar's high value gold targets at Contessa – Brumby on the Capricorn tectonic margin, an orogenic belt with an endowment of more than 10Moz gold.

10,000m of aircore drilling is planned to in-fill and extend drilling over the Contessa-Brumby area, which since discovery by Lodestar in 2013, has consistently produced anomalous and locally ore-grade aircore drill intercepts over a distance of 5 kilometres. Brumby is an emerging, prospective gold zone located 5 kilometres southeast of Contessa and has only been subject to one RC drill hole by Lodestar. Lodestar believes that the Contessa-Brumby area represents a large gold mineralising system, with potential for a major discovery.

Contessa

Contessa is a greenfield gold discovery made by Lodestar in 2013. Gold is hosted by an extensively altered diorite located on the southern margin of a composite granite intrusion. RC drilling has intersected grades of up to 6g/t gold associated with Ag-As-Mo-Te within zones of pyritic alteration. Specimens of gold in quartz recovered at surface suggest that the area hosts vein or stockwork style mineralisation that will be the target of in-fill drilling.

Aircore drilling in 2013 returned numerous higher grade supergene results, including:

- 21m at 3.01g/t gold from 40m in LNR656
- 10m at 5.6g/t gold from 55m in LNR533
- 10m at 1.2g/t gold from 50m in LNR545 and
- 15m at 3.1g/t gold from 40m in LNR546

Since the discovery, Lodestar has completed two programs of RC drilling for 9 holes. These programs were successful in confirming the presence of primary gold mineralisation within extensively altered diorite, including:

LNRC013

- 1m at 1.76g/t gold from 153m
- 1m at 2.4g/t gold from 169m and
- 1m at 6.13g/t gold from 195m

LNRC014

- 1m at 2.18g/t gold from 180m and
- 1m at 1.35g/t gold from 186m

The existing drill traverse spacing at Contessa varies between 60m and 100m (averaging 80m) and is insufficient to delineate the distribution of supergene mineralisation. A program of 4,700m of aircore drilling on 40m traverses will be conducted to in-fill the area hosting high-grade supergene zones with sufficient drill density to test the potential for a structurally-controlled, high-grade primary zone within the current drill pattern. Drilling is scheduled to begin in October-November.



Brumby

The Brumby prospect is hosted by a composite intrusion. The prospect area is defined by a 600m by 400m >50ppb surface gold anomaly where Lodestar's reconnaissance, shallow aircore drilling has intersected high-grade primary gold mineralisation, including:

- 1m at 6.24g/t gold from 13m and 1m at 18.4g/t gold from 15m in LNR598

Recent RC drilling has confirmed the host to the mineralisation as a syenite intrusion. Hole LNRC019 was drilled to a depth of 99m and reported anomalous gold (>0.1g/t) in 37 of 99 samples, to a maximum 1m at 1.87g/t gold from 50m. The extensive development of low grade mineralisation within the syenite mandates further testing of the intrusion and its margins for internal and structurally controlled, contact-related styles of mineralisation characteristic of syenite-hosted deposits.

A program of 2,500m of aircore drilling at Brumby is designed to:

- In-fill existing aircore reconnaissance traverses, targeting quartz-pyrite stockwork mineralisation;
- Complete first-pass drilling of a 400m long surface gold anomaly, east of current drilling, where rock chip samples reporting 1-2g/t gold have been recovered; and
- Complete first-pass drilling of auger gold anomalies, reporting up to 216ppb from end of hole samples, on the western contact of the intrusion.

Granite Contact

Confirmation of a syenite host to mineralisation at Brumby and comparison with well-documented Archaean syenite-hosted gold deposits in the Abitibi greenstone belt of Canada suggests that fault-controlled, contact mineralisation is potentially an important target on the southern margin of the Contessa granite. Reconnaissance drilling along the granite contact south west of Contessa has returned strongly gold anomalous results in several holes, including:

- 5m at 8.89g/t gold from 30m in LNR758
- 5m at 2.15g/t gold from 35m in LNR757
- 10m at 1.89g/t gold from 40m in LNR747
- 5m at 1.4g/t gold from 60m and 5m at 1.56g/t gold from 80m in LNR741
- 5m at 1.83g/t gold from 45m in LNR732 and
- 5m at 1.02g/t gold from 90m in LNR731

Follow up drilling around these significant intersections is planned.

Marymia and West Pinnyriny

Both prospects are located on gold-bearing Archaean greenstone sequences within the Ned's Creek area. Marymia is located on the southern boundary of the Plutonic Well Greenstone Belt and due to fragmented ownership, has not been subjected to historic drilling.

Lodestar has completed surface geochemical sampling over both areas with assay results due in September. Marymia and West Pinnyriny have reported anomalous gold from Lodestar's rock chip sampling and it is very likely that additional anomalies requiring first-pass drilling will be identified by the geochemical program. Some of the funds raised in the current capital raising may be spent on advancing the Marymia and West Pinnyriny areas.

**Camel Hill Project**

Geochemical exploration along the continuation of the gold-hosting structure, south west from the Big Sky prospect, is required to assess historic anomalous gold in drainage sampling. A program of cost effective auger sampling is planned and Lodestar expects that some of the funds raised in the current capital raising will be spent on advancing the Camel Hill project.

For and on behalf of the Board.

Ross Taylor
Chairman
LODESTAR MINERALS LIMITED

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Bill Clayton, who is a Competent Person and a Member of the Australian Institute of Geoscientists. Bill Clayton is Managing Director and a full-time employee of Lodestar Minerals Limited. Mr Clayton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for the reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Clayton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

- 18th March 2013 "Significant Gold Results from Contessa".
- 30th April 2013 "March 2013 Quarterly Activity and Cash Flow Report".
- 15th July 2014 "Contessa Gold Results and Neds Creek Copper Targets".
- 29th December 2014 "RC Drilling intersects Significant Gold in Alteration Zone".
- 15th August 2016 "Final RC Results from Contessa – Brumby".

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.