ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Lodestar Minerals Limited

ABN 32 127 026 528

CONTENTS

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Lodestar Minerals Limited (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The names of the directors who held office during the whole of the financial year and up to the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

William Clayton	Managing Director	Appointed 02 November 2007
Ross Taylor	Non-executive Chairman	Appointed 30 June 2014
David McArthur	Non-executive Director	Appointed 13 August 2007 *Executive Director from 13 August 2007 to 3 September 2018*

PRINCIPAL ACTIVITIES

During the financial year the principal activities of the Group consisted of exploration and evaluation of the Group's exploration tenements situated in Western Australia.

OPERATING RESULTS

The loss for the financial year ended 30 June 2021 attributable to members of Lodestar Minerals Limited after income tax was $4,355,854 (2020: $729,797).

The Group has a working capital surplus of $851,071 (2020: deficit of $44,998) and had net cash inflows of $918,337 (2020: net cash outflow of $11,423).

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 30 June 2021 (2020: Nil).

REVIEW OF OPERATIONS

HIGHLIGHTS

PROJECT ACQUISITION EXPANDS AND DIVERSIFIES THE LODESTAR PORTFOLIO

- Significant expansion of exploration portfolio via the acquisition of private company Goldfellas Pty Ltd bringing a 20% interest in the advanced Nepean Nickel Project and 100% of the Bulong Gold Project. ASX-listed Auroch Minerals Limited (ASX: AOU) own the remaining 80% of the Nepean Nickel Project and are the operators of the joint venture ("JV").

- Subsequent acquisition of strategic tenement in the Laverton Tectonic Zone 8km along strike from AngloGold's 9Moz Sunrise Dam gold mine via purchase of private company Oro del Sur Pty Ltd.

- Land access agreement signed with the Birriliburu traditional owners within the emerging Earaheedy metallogenic province, custodians of the Earaheedy - Imbin Project tenements.

- Lodestar's expanded portfolio provides exposure to advanced nickel and gold opportunities in addition to copper, zinc, and lead focused projects in rapidly emerging mineral provinces within the jurisdiction of Western Australia.

Nepean Nickel Project (LSR-20%)

The Nepean Nickel Project (Nepean), site of the historic high-grade Nepean nickel mine, comprises 11 tenements that cover more than 10km of strike of under explored ultramafic greenstone extending south and north of the mine (see Figure 1). The Nepean mine (see Figure 2) operated between 1970 and 1987, producing 32,200t of Ni (11,108,457t at 2.99%Ni) that was trucked directly to the Kambalda concentrator for processing before the mine shut due to low nickel prices. In 2007-2008 the then owners, Focus Minerals, calculated a remnant resource and conducted trial mining in preparation for re-opening the mine but those plans were cancelled, once again due to a declining nickel price. From 2008 to the present there has been minimal exploration within the project.

Since acquiring the project in December 2020[1] Auroch have completed the first phase of exploration drilling across the tenements, testing near-mine and regional targets. RC drilling south and along strike from the Nepean mine reported significant high-grade, shallow intersections of nickel sulphide mineralisation[2], extending the mineralised zone within the mine sequence to at least 500m. Auroch is now assessing these results with the aim of advancing a potential open-pit development.

Auroch commenced a high-powered moving loop EM survey (MLEM) at Nepean[3] to define new regional targets and drill tested two of these targets during the first half of 2021.

The Nepean Nickel Project is an optimally located, former nickel-producing but underexplored greenstone belt. The project has major opportunities for creating value by

- Unlocking extensions to the high-grade Nepean orebody at depth, below the existing workings and flat-lying pegmatite intrusion ("Nepean Deeps").
- Confirming and upgrading of the remnant resource at Nepean, testing shallow extensions to mineralisation and the crown pillar as a potential open-pit development.
- Discovery along strike from the mine workings.

The market for nickel is set to grow significantly with the mass adoption of electric vehicles, battery storage and indications of global economic recovery. Nepean is advantageously positioned on a granted mining lease with existing underground access and the lead time to production will be significantly reduced under a development scenario. In addition, there is potential for gold and LCT pegmatites within the project.

[1] See Auroch's ASX announcement dated 17th December 2020.
[2] See Auroch's ASX announcement dated 31st March 2021.
[3] See Auroch's ASX announcement dated 18th February 2021.

To 30 June 2021 the Nepean JV completed 5,721m of RC drilling, 1,110m of aircore drilling and 730m of diamond drilling; significant results from the project includes:

Near mine RC drilling

- *8m at 4.30% Ni & 0.37% Cu from 35m, including 2m at 6.86% Ni & 0.62% Cu from 37m (NPRC053)*[4]
- *8m at 3.21% Ni & 0.13% Cu from 63m (NPRC052)*
- *16m at 1.42% Ni & 0.27% Cu from 49m (NPRC056)*

First-pass regional drilling

- *4m at 0.49% Ni from 25m (NPRC057)*
- *7m at 0.33% Ni from 86m (NPRC048) and*
- *39m at 0.44% Ni from 19m (NPRC040).*

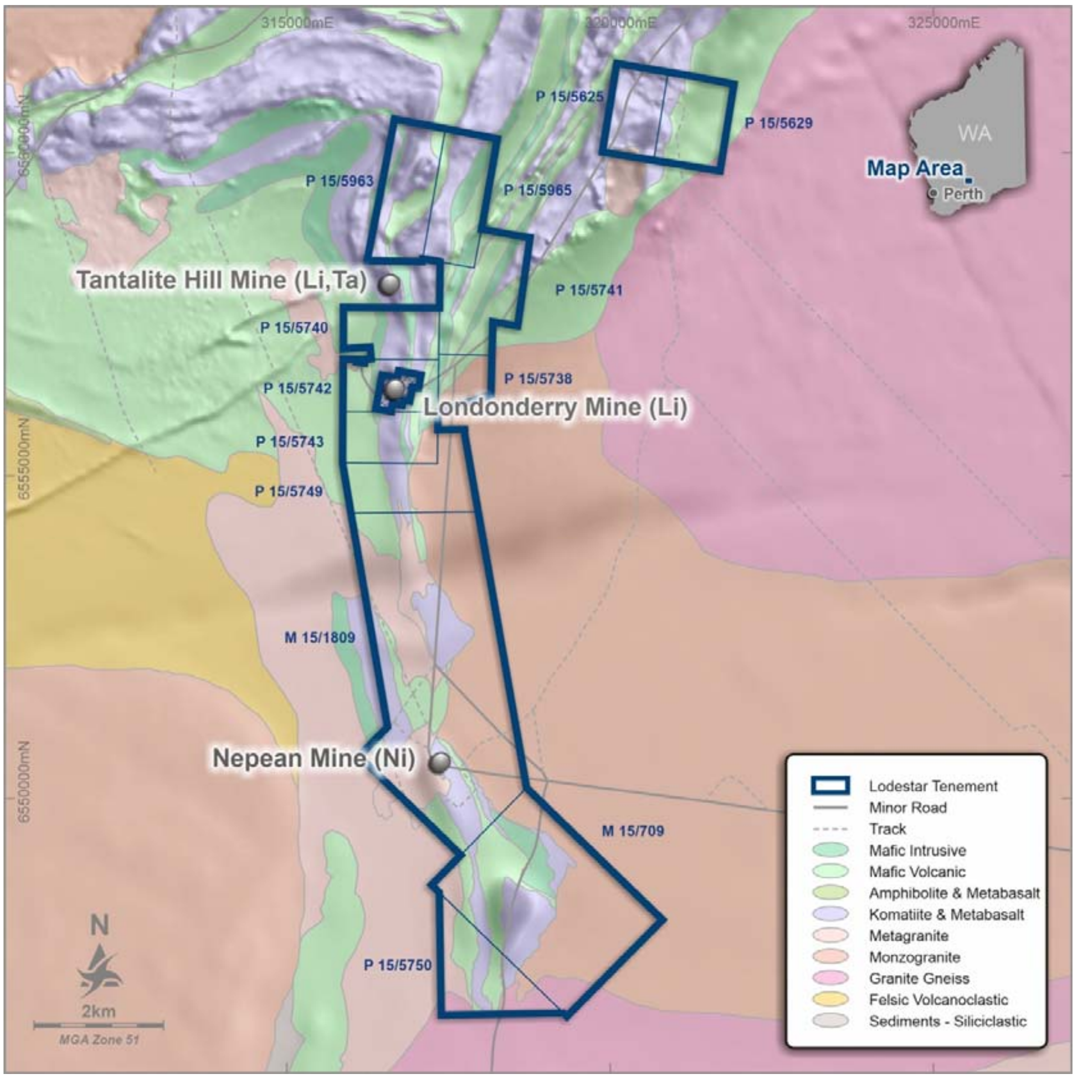

Figure 1 Nepean Nickel Project JV (AOU-80%: LSR -20%), 20km south of Coolgardie, Western Australia.

[4] See Auroch's ASX announcement dated 15th April 2021.

Figure 2 Headframe over the historic Nepean nickel mine.

Earaheedy-Imbin Base Metal Project (LSR-100%)

The Imbin Project comprises 900 sq. km of tenure on the northern margin of the Earaheedy Basin (see Figure 3), 70km northeast of Rumble Resource's major Zn-Pb discovery. The project includes approximately 20km of strike of the Yelma-Frere unconformity, host to Zn-Pb mineralisation at Rumble's Chinook discovery, and 50km of strike of folded metasediments intruded by mafic dykes and sills, a setting analogous to that of the DeGrussa Cu-Au deposit (10.67Mt at 5.6% Cu, 1.9g/t Au, 15g/t Ag) hosted by rocks of similar age in the Bryah Basin, 200km to the west on the same structural margin.

A land access and mineral exploration agreement was signed with the Birriliburu traditional owners of the Imbin region. The two tenement applications remaining are awaiting grant on signing of a State Deed agreement by the remaining one of the two representative native title parties with native title over the tenements.

In July 2021, Lodestar completed an 887-line kilometre NRG Xcite^{TM} heli-EM survey (see Lodestar's ASX announcement dated 8th July 2021 and Figure 4) over the Imbin corridor, site of the Main Gossan Cu-Ag-Au prospect and widespread Cu-Au anomalies in historic shallow drilling. The EM survey is intended to locate conductors representing potential massive sulphide bodies at depth in an area of extensive, yet shallow, sand cover that inhibits the use of surface geochemistry.

Preliminary results from the heli-EM indicate numerous discrete conductors. Several discrete conductors show a spatial relationship to mapped, geochemically anomalous gossanous outcrops and mafic rocks intersected in drilling, and these are likely to represent walk up drill targets. The review of the preliminary EM data is on-going, and results will be verified on receipt of the final survey data.

In addition to Cu-Au exploration, first-pass surface sampling over a 10km expanse of the Frere unconformity (host to the major Zn-Pb mineralisation on the southwestern margin of the Earaheedy Basin) commenced in August 2021.

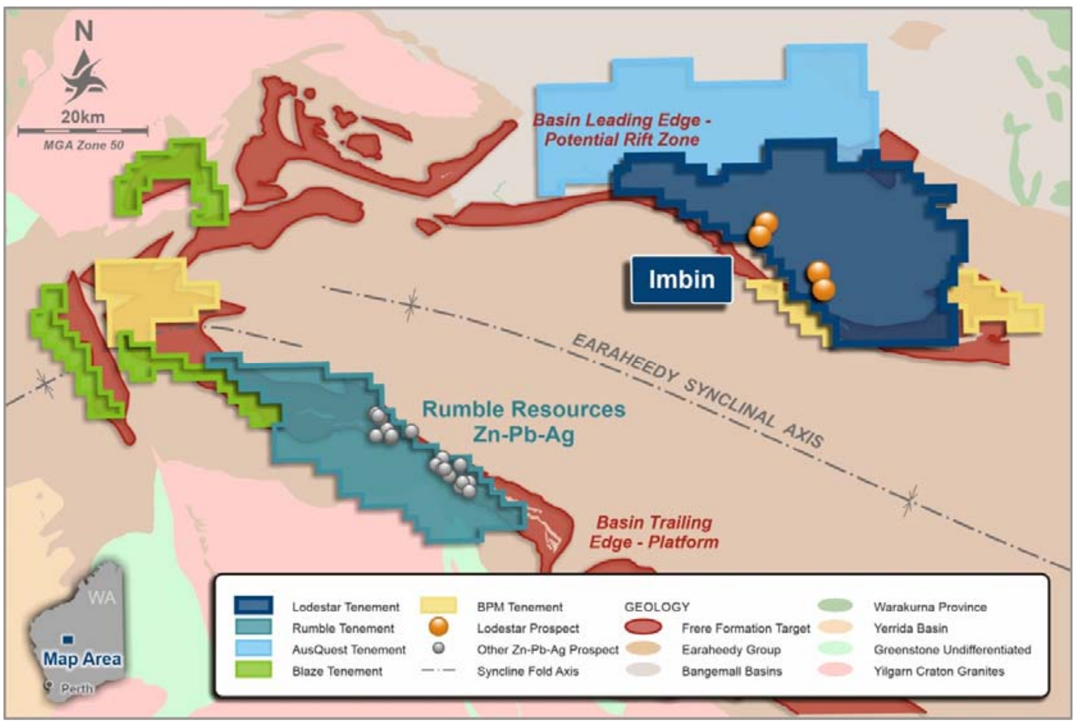

Figure 3 Location Plan - Imbin Project on northern margin of the Yilgarn Craton.

Figure 4 NRG Xcite™ helicopter on site at Granite Peak to commence airborne EM survey over the Imbin project.

Jubilee Well Gold Project (LSR-100%)

The Jubilee Well Project is located within the Laverton Tectonic Zone, 8.6km north of the 9Moz Au Sunrise Dam mine and 18km south of the 8moz Au Granny Smith mine (see Figure 5). The Laverton Tectonic Zone includes the world-class Sunrise Dam, Granny Smith and Wallaby deposits and numerous smaller gold deposits that have a spatial relationship to a series of major north north-west trending shears that continue through the tenement. The Golden Delicious deposit, being developed by AngloGold, is located along strike and less than 2km south of the tenement boundary.

The geological sequence within the tenement is like that at Sunrise Dam and exploration drilling by previous explorers has targeted BIF-hosted, supergene and palaeochannel hosted gold mineralisation in the western and central areas of the tenement and intrusion-hosted "Golden Delicious" style mineralisation in the eastern area.

A zone of alteration and primary gold mineralisation intersected in historic RC drilling directly north of the Golden Delicious deposit represents a walk-up drill target[5] and POW approval for a program of RC drilling has been received. Lodestar is negotiating an access agreement with representatives of the traditional owners to allow drilling to commence.

[5] See Lodestar's ASX announcement dated 9th April 2021.

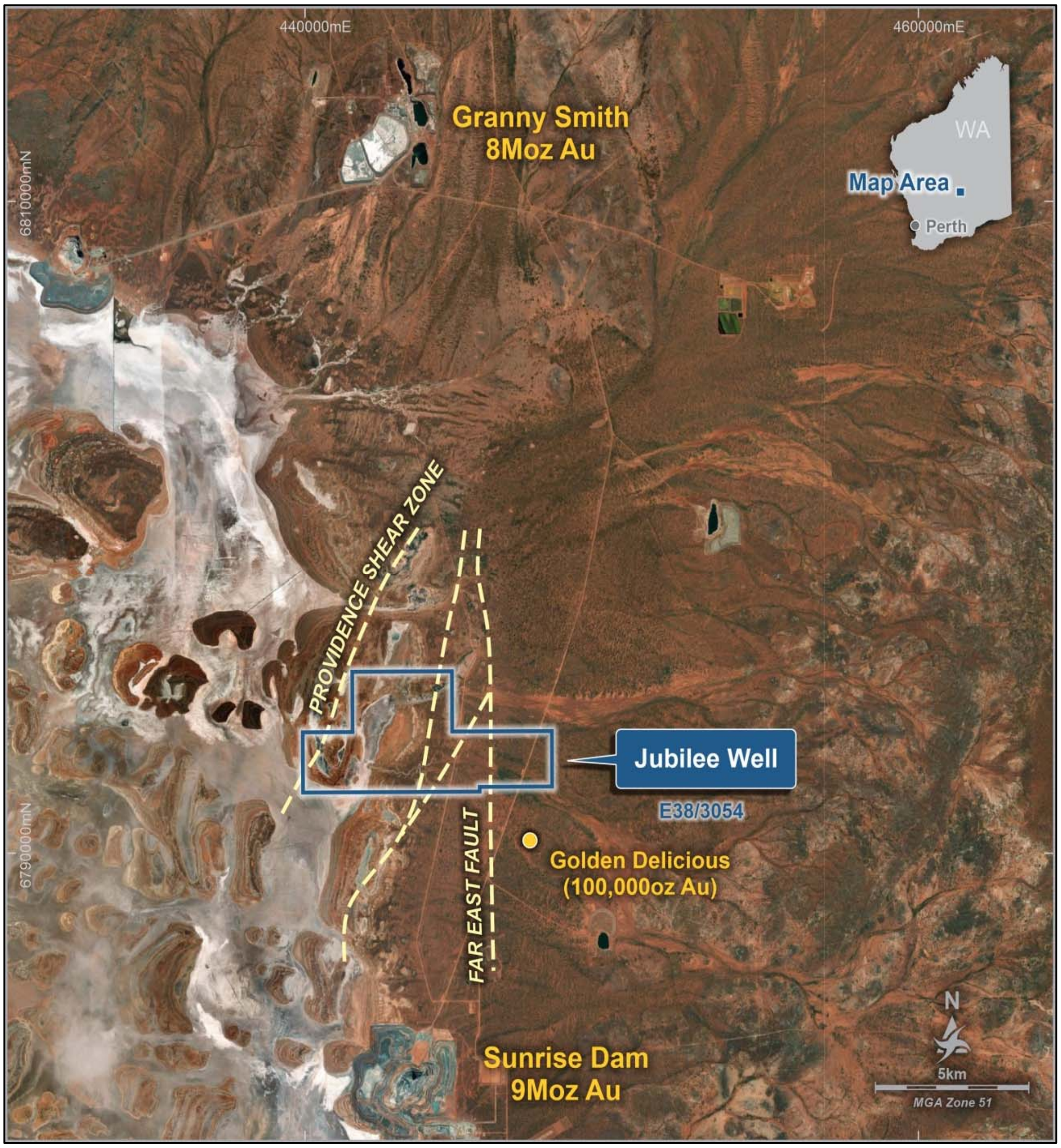

Figure 5 Jubilee Well Project, 30km south of Laverton.

Bulong Gold Project (LSR-100%)

Lodestar acquired the Bulong project as part of the Goldfellas transaction. The Bulong project consists of 8 prospecting licences located on the western margin of Lake Yindarlgooda; 40km east of Kalgoorlie (see Figure 6).

The project has had little exploration drilling and covers the down-plunge continuation of a mineralised, folded, layered mafic intrusion beneath Lake Yindarlgooda. The area immediately south of the project tenements contains several old workings and was explored by Western Mining Corporation (WMC) and AngloGold Ashanti as the Glandore project. RC and diamond drilling intersected significant gold mineralisation on the southern boundary of P25/2626 (one of the Bulong tenements) and shallow RC drilling north of the boundary reported numerous anomalous intersections in saprolite and the underlying basement rocks (see Lodestar's ASX announcement dated 21st April 2021). Lodestar has planned a 5,000m reconnaissance aircore drilling program targeting major structural boundaries under the lake. A POW approval has been received for the planned drilling and Lodestar is negotiating a land access agreement with representatives of the traditional owners to allow the program to proceed.

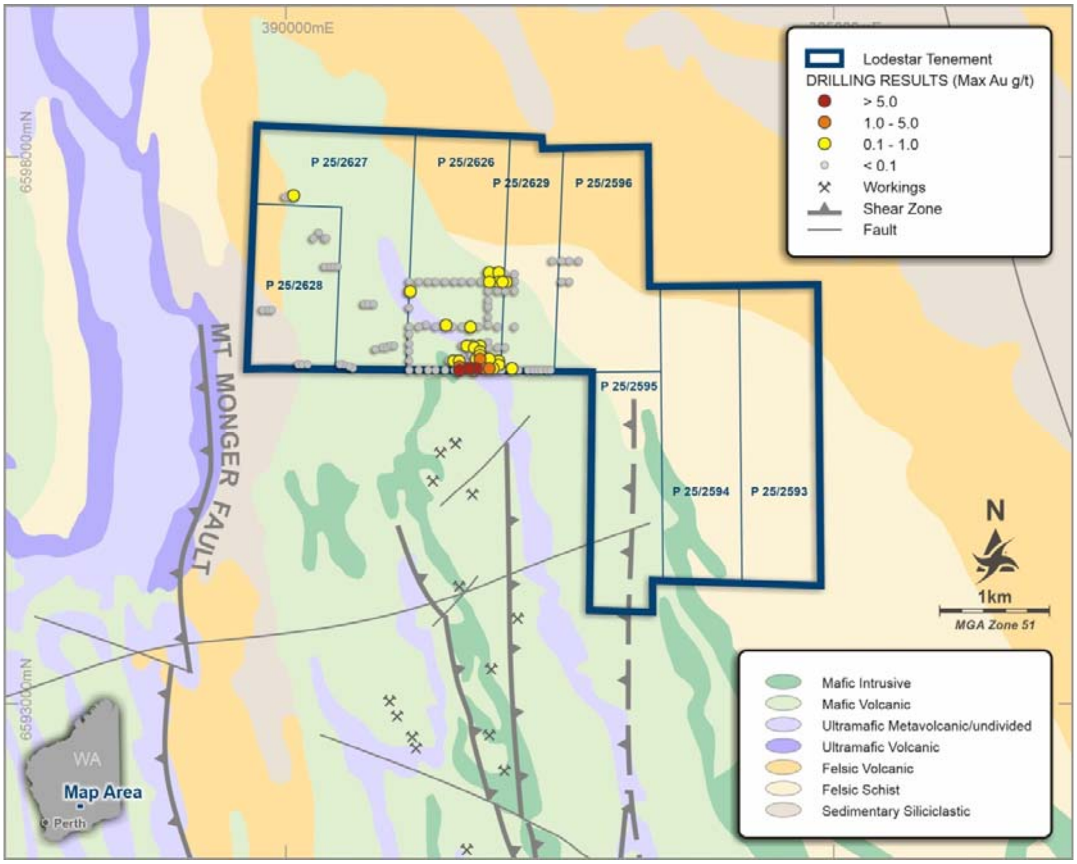

Figure 6 Bulong Gold Project geology, 40km east of Kalgoorlie.

Ned's Creek JV (Vango Mining earning 51%)

Vango Mining (ASX: VAN) is earning a 51% interest in the Ned's Creek Project by funding $4.5M of exploration expenditure to 16 July 2022.

Assay results were received for four diamond drill holes (1028.5m of RC and diamond drilling) completed by Vango Mining. Three holes were completed at the Contessa prospect, targeting extensions to high grade gold mineralisation intersected in LNRC026, and a single exploratory hole was drilled northeast of the Gidgee Flat prospect, targeting a fault – offset between the Gidgee Flat and Central Park prospects.

At Contessa, VCTRCD0011, drilled north and directly below the high-grade intersection in LNRC026, intersected the target 30m down dip from LNRC026. VCTRCD0011 reported a maximum 1m at 3.18g/t Au from 183m, within a zone of sub-1g/t Au extending from 180m to 186m (see Lodestar's ASX announcement dated 17 February 2021).

VCTRDC0006 and VCTRDC0007 were step out drill holes located 40m along strike and northeast of LNRC026. VCTRDC0006 reported an intersection of 4m at 2.08g/t Au from 144m, including 1m at 6.52g/t Au from 147m whilst VCTRDC0007, drilled 25m down-dip from VCTRCD0006 intersected multiple, narrow zones of low grade (sub-1g/t Au) mineralisation. Close spaced drilling continues to indicate a moderate to steep northerly dip to discrete mineralised structures at Contessa within a large alteration system. The granite-greenstone contact has not yet been recognised in drilling and remains a key structural target for additional drilling.

At Gidgee Flat diamond drilling intersected a wedge of metasediments and chlorite-albite altered mafics between faulted and silica altered syenite–related granites. Several zones of low grade (<1g/t Au) gold, up to 12m down hole thickness, were intersected within the granite confirming the fault zone as a potential site for significant mineralisation. The hole terminated in granite at 299.9m, before it reached the granite-mafic contact equivalent to the Gidgee Flat mineralised zone.

Coolgardie Tenement Acquisition (LSR-100%)

Lodestar has signed an agreement to acquire exploration licence E15/1813, located 20km north of the Nepean Nickel Project JV with Auroch Minerals (see Lodestar's ASX announcement dated 21st June 2021). The tenement application includes a 5km strike length of Coolgardie greenstone belt on the western side of the Calooli Monzogranite. The greenstone stratigraphy, mapped as basalt, ultramafic and mafic intrusives (see Figure 1) is known to host prolific gold mineralisation on the well explored eastern margin of the monzogranite and multiple ultramafic-hosted nickel sulphide prospects and the former high-grade Nepean nickel mine, south of the tenement. Historic exploration activity within the tenement appears to be minimal.

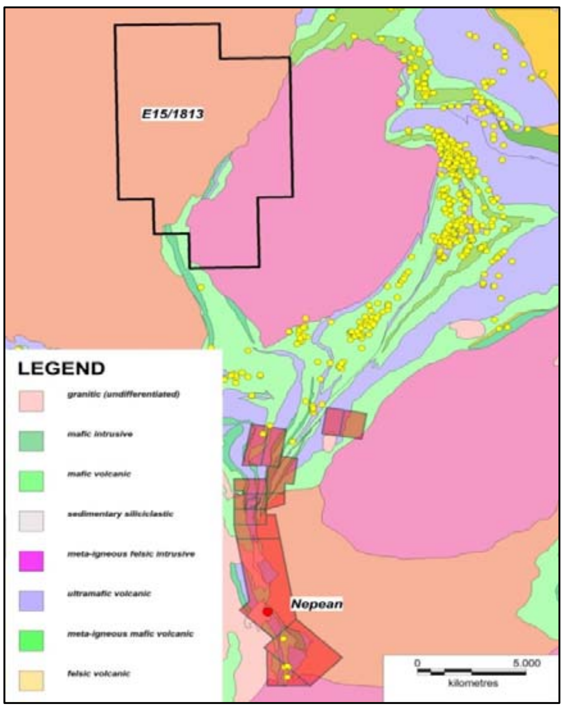

Figure 7 Coolgardie tenement location and geology, showing Nepean nickel mine and distribution of gold occurrences (yellow circles).

Camel Hills Project (LSR-100%)

Geochemical sampling over a 5km strike of the northern contact of the Camel Hills magnetic zone, including the area where a significant intersection of 3m at 1.54g/t Au was reported from an end of hole sample in reconnaissance drilling[6], is planned for the second half of 2021. The program will comprise 300+ samples collected on a 200m by 50m grid to identify gold anomalies for follow up drilling. Concurrently, a program of drainage sampling will be completed on the southern side of the Camel Hills magnetic zone to identify potential gold anomalies on the southern magnetic contact.

[6] See Lodestar's ASX announcement dated 22nd December 2020.

TRADITIONAL OWNERS

Lodestar Minerals would not be able to operate successfully without the support of the Traditional Owners and the local communities in which we operate. We continue to build trust and respect between Lodestar Minerals and our key stakeholders through transparency, listening, acting on concerns, and looking for innovative and sustainable ways of ensuring that the Traditional Owners are participating in the journey to explore and develop, responsibly and sensitively. We are working closely with our Native Title holders to identify mutually supportive initiatives which will see a growing range of business and employment opportunities being developed and importantly ensuring that the local community has the capability and opportunity to grow with the Company.

CORPORATE

Lodestar raised a total of $2,159,350 in two tranches to fund the project acquisition and working capital requirements:

- $839,350 was raised by the issue of 59,953,574 shares at $0.014 per share with a free-attaching unlisted option exercisable at 3 cents each before 31 December 2022, for every two shares applied for[7], and
- $1,320,000 was raised by the issue of 120,000,000 shares at $0.011 per share[8].

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.

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

- *22nd December 2020 "Camel Hills Aircore Drilling Results".*
- *17th February 2021 "Ned's Creek Drilling Results and Forward Program".*
- *9th April 2021 "Jubilee Well Acquisition – Along Strike from Sunrise Dam".*
- *21st April 2021 "Investor Presentation – General Meeting Update".*
- *21st June 2021 "Lodestar Adds to Coolgardie Nickel-Gold Position".*
- *8th July 2021 "Landmark Airborne EM Survey Commences at Imbin Project".*

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.

[7] See Lodestar's ASX announcement dated 14th January 2021.
[8] See Lodestar's ASX announcement dated a 17th February 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no matters that significantly affected the affairs of the Group during the financial year, other than those matters referred to in the Review of Operations above.

LIKELY DEVELOPMENTS

The Group is focussed on exploration within its current portfolio of base metals tenement interests and will also continue to assess other opportunities which may offer value enhancing opportunities for shareholders.

ENVIRONMENTAL REGULATIONS

The Group is required to carry out the exploration and evaluation of its exploration tenements in accordance with various Government laws and regulations.

The Group conducts its exploration activities in an environmentally sensitive manner and in compliance with all relevant laws and regulations. The Group is not aware of any significant breaches of these laws and regulations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 6.8 of the notes to the consolidated financial statements, 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 Group, the results of these operations, or the state of affairs of the Group in future financial years.

INFORMATION ON DIRECTORS

Information on Directors	
Name:	Ross Taylor
Title:	Non-Executive Chairman
Qualifications:	BCom (UQ), SIA, ACA.
Experience and expertise:	Mr Taylor is a Chartered Accountant and an investment banking consultant with a thorough knowledge of international financial markets gained whilst working in Australia, London, New York, and Tokyo. He has extensive experience in the global investment banking sector and has held senior positions with Deutsche Bank, Bankers Trust and Barclays Capital.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee Member of the Audit and Risk Management Committee
Interests in shares:	216,856,035
Interests in options:	30,000,000
Name:	William Clayton
Title:	Managing Director
Qualifications:	BSc, MSc, MBA
Experience and expertise:	Mr Clayton has more than 30 years' experience in exploration evaluation of Archaean nickel sulphide deposits, precious metals, and other commodities, working with Outokumpu Australia, Forrestania Gold and LionOre. Mr Clayton completed an MBA, specialising in mineral economics, from Curtin University in 2005 and subsequently worked for geological consultancy CSA Australia Pty Ltd in project evaluation and generation roles in Australia and Africa.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	None
Interests in shares:	4,103,427
Interests in options:	30,000,000

INFORMATION ON DIRECTORS (continued)

Name	Experience, qualifications and other directorships
Name: Title: Qualifications:	David McArthur Non-Executive Director BCom, ACA
Experience and expertise:	Mr McArthur has a Bachelor of Commerce Degree from the University of Western Australia. Mr McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of numerous public listed companies over the past 30 years. Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.
Other current directorships:	Non-Executive Director of Xstate Resources Limited Appointed: 3 September 2013 Resigned: 15 July 2019 Reappointed: 26 November 2019 Non-Executive Director of Sacgasco Limited Appointed: 15 November 2016 Resigned: 1 February 2017 Reappointed: 17 August 2020 Resigned: 1 June 2021 Non-Executive Director of Delorean Corporation Limited Appointed: 2 December 2020
Former directorships (past 3 years):	Non-Executive Director of Harvest Technology Limited (formerly Smart Marine Systems Limited) from 29 January 2016 until 3 September 2019.
Special responsibilities:	Chair of the Audit and Risk Management Committee Member of the Remuneration and Nomination Committee
Interests in shares: Interests in options:	13,550,007 30,000,000

'Other current directorships' stated above are current directorships for listed entities only and exclude directorships of all other types of entities.

'Former directorships' stated above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities.

COMPANY SECRETARIES

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 13 August 2007. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

Jordan McArthur is a Chartered Accountant and was appointed to the position of joint Company Secretary on 17 April 2018. Mr McArthur has ten years corporate and financial experience in Australia and the United Kingdom

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director was:

	Full board		Audit and risk management committee	
	Attended	Held	Attended	Held
Ross Taylor	5	5	2	2
Bill Clayton	5	5	2	2
David McArthur	5	5	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The small size of the Board means that members of the Board meet informally on a regular basis to discuss company operations, risks, and strategies, and as required formalise key actions through circular resolutions.

The audit and risk management, finance and environmental functions are handled by the full board of the Company.

In addition to the meetings held above, a number of decisions of the Board were undertaken via three circular resolutions.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all Directors and Company Secretaries against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director or Company Secretary of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is $14,375 (2020: $17,205) to insure the Directors and Company Secretaries of the Company.

INDEMNITY AND INSURANCE OF AUDITOR

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

SHARES UNDER OPTION

Unissued ordinary shares of Lodestar Minerals Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price cents	Number under option
30-Nov-2018	31-Dec-2021	10.0	15,000,000
04-Dec-2019	30-Dec-2021	2.0	3,800,000
16-Dec-2019	30-Dec-2021	2.0	34,523,809
18-Jan-2021	31-Dec-2022	3.0	29,976,789
21-Apr-2021	15-Apr-2024	2.5	82,750,000
			166,050,598

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Lodestar Minerals Limited were issued during the year ended 30 June 2021, and up to the date of this report, on the exercise of options granted:

NON-AUDIT SERVICES

No non-audit services were provided during the year from the auditor of the Company, HLB Mann Judd.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 23.

AUDITOR

HLB Mann Judd (WA) continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the Directors of Lodestar Minerals Limited for the year ended 30 June 2021. There were no other key management personnel during the year. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001* and its Regulations.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

Remuneration philosophy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors. The performance of the Group depends on the quality of its key management personnel. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interest. The Board has considered that it should seek to enhance shareholders' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

<u>Non-Executive Directors' Remuneration</u>
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

Remuneration structure (continued)

Non-Executive Directors' Remuneration (continued)
ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held in 2008, where the shareholders approved a maximum annual aggregate remuneration of $250,000.

On 16 February 2021, the Board resolved to cease the temporary reduction in fees imposed during COVID, whereby each Director's fee was reduced to 80% as a cost saving measure. Director fees were reinstated to 100% with effect from 1 March 2021:

- Non-Executive Directors — Increased from $32,000 p.a. to $40,000 p.a. plus superannuation
- Chairman — Increased from $48,000 p.a. to $60,000 p.a. plus superannuation

Executive Remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

There are three components to the executive remuneration and reward framework:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long-service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration
Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Nomination and Remuneration Committee has access to external, independent advice where necessary.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentive scheme
The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of key management. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPIs") being achieved. At this stage, the Group does not award any STIs.

Long-term incentive scheme
The long-term incentives ("LTIs") include share-based payments. Share options are awarded to executives based on long-term incentive measures. These include increase in shareholder's value relative to the entire market and the increase compared to similar companies. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives for executives during the year ended 30 June 2021.

The Group has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Group eligible employees and consultants to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however the Board determines appropriate vesting periods to provide rewards over time.

Remuneration structure (continued)

Options granted as compensation

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Number of options granted	Grant date	Value per option at grant date cents	Value of options at grant date $	Vesting and first exercise date	Exercise Price Per option cents	Expiry date
Ross Taylor	25,000,000	21-Apr-21	1.06	265,500	21-Apr-21	2.5	15-Apr-24
Bill Clayton	25,000,000	21-Apr-21	1.06	265,500	21-Apr-21	2.5	15-Apr-24
David McArthur	25,000,000	21-Apr-21	1.06	265,500	21-Apr-21	2.5	15-Apr-24

All options were granted over unissued fully paid shares in the Company. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

No options granted as compensation in prior years were exercised, forfeited, lapsed, or cancelled (2020: nil).

Group performance and link to remuneration

The remuneration of the Group's key management personnel, including any component of remuneration that consists of securities in the Company, is not formally linked to the prior performance of the Group. The rationale for this approach is that the Group is in the exploration phase, and it is currently not appropriate to link remuneration to factors such as profitability or share price.

	2021	2020	2019	2018	2017
Other income ($)	73,805	239,675	265,926	-	172
Loss before income tax ($)	(4,355,854)	(729,797)	(1,896,090)	(2,092,895)	(1,329,256)
Net loss attributable to equity holders ($)	(4,355,854)	(729,797)	(1,896,090)	(2,092,895)	(1,329,256)
Share price at year end (cents)	0.80	0.90	0.80	2.50	0.90
Number of listed ordinary shares	1,290,937,348	852,801,994	749,218,328	725,788,328	453,318,328
Weighted average number of shares	966,088,725	805,256,797	747,612,629	620,627,451	431,403,002
Basic loss per share EPS (cents)	(0.45)	(0.09)	(0.25)	(0.34)	(0.31)
Listed options	-	-	96,533,702	119,983,702	45,333,702
Unlisted options	166,050,598	53,323,809	15,000,000	27,800,127	41,050,127
Market capitalisation ($)	10,327,499	7,675,218	5,993,747	18,144,708	4,079,865
Net tangible assets / (liabilities) (NTA) ($)	1,393,609	3,436	(49,179)	978,946	(410,130)
NTA Backing (cents)	0.11	-	(0.01)	0.14	(0.09)

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to shareholders.

Use of remuneration consultants

No remuneration consultants provided services during the year.

Remuneration structure (continued)

Voting and comments made at the Company's 2020 Annual General Meeting ("AGM")
At the 2020 AGM, 99.67% of the votes received, supported the adoption of the remuneration report for the year ended 30June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Employment contracts

Remuneration and other terms of employment of the Managing Director is formalised in an employment contract. The major provisions of the agreement related to remuneration are set out below.

Name	Terms of agreement	Employee notice period	Employer notice period	Base salary *	Termination Benefit **
Bill Clayton	Ongoing from 1 September 2018	Three months	Three months	$175,000	Twelve months' base salary

* Base salary is exclusive of the superannuation guarantee charge rate applicable at the time, currently 10% (2020: 9.50%).

On 16 February 2021, the Board resolved to cease the temporary reduction in fees imposed during COVID, whereby each Director's salary was reduced to 80% as a cost saving measure. Director salaries were reinstated to 100% with effect from 1 March 2021, an increase from $140,000 to $175,000.

** Termination benefits are payable upon early termination by the Company, other than for gross misconduct. They are equal to base salary for the notice period.

Details of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits		Post employment benefits	Long-term Benefits	Share-based payments	Total
2021	**Cash salary and fees** **$**	**D&O insurance premiums** **$**	**Super-annuation** **$**	**Long service leave** **$**	**Equity-settled options (A)** **$**	**$**
Non-executive Directors						
Ross Taylor	52,000	4,792	4,940	-	265,500	**327,232**
David McArthur	34,667	4,792	3,293	-	265,500	**308,252**
Executive Directors						
Bill Clayton	170,347	4,791	14,409	10,319	265,500	**465,366**
	257,014	**14,375**	**22,642**	**10,319**	**796,500**	**1,100,850**

Details of remuneration (continued)

	Short-term benefits		Post employment benefits	Long-term Benefits	Share-based payments	Total
	Cash salary and fees	D&O insurance premiums	Super-annuation	Long service leave	Equity-settled options (A)	
2020	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors						
Ross Taylor	57,000	5,735	5,415	-	-	**68,150**
David McArthur	38,000	5,735	3,610	-	-	**47,345**
Executive Directors						
Bill Clayton	160,357	5,735	15,794	(4,486)	-	**177,400**
	255,357	**17,205**	**24,819**	**(4,486)**	**-**	**292,895**

(A) The fair value of options granted was determined using the Black-Scholes option pricing model

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - LTI	
Name	**2021 %**	**2020 %**	**2021 %**	**2020 %**
Non-executive Directors				
Ross Taylor	19	100	81	-
David McArthur	14	100	86	-
Executive Directors				
Bill Clayton	43	100	57	-

No cash bonuses were granted during the year (2020: Nil).

Additional disclosures relating to key management personnel

Shareholdings
The number of shares in the company held during the financial year by each director, including their personally related parties, is set out below:

	Held at 30 June 2020	Purchased	Held at 30 June 2021
Ross Taylor	216,456,035	400,000	216,856,035
David McArthur	13,550,007	-	13,550,007
Bill Clayton	4,103,427	-	4,103,427
	234,109,469	400,000	234,509,469

Option holdings
The number of options over ordinary shares in the company held during the financial year by each director, including their personally related parties, is set out below:

	Held at 30 June 2020	Granted	Held at 30 June 2021	Vested and exercisable at 30 June 2021
Ross Taylor	5,000,000	25,000,000	30,000,000	30,000,000
David McArthur	5,000,000	25,000,000	30,000,000	30,000,000
Bill Clayton	5,000,000	25,000,000	30,000,000	30,000,000
	15,000,000	75,000,000	90,000,000	90,000,000

Share-based remuneration granted as compensation
Refer to note 6.1 for the terms and conditions of each grant of options over ordinary shares affecting remuneration of directors in this financial year or future reporting years.

Other transactions with key management personnel
Details of other transactions with key management personnel not involving direct remuneration are disclosed in note 6.4.

END OF AUDITED REMUNERATION REPORT

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors.

WILLIAM CLAYTON
Managing Director

30 September 2021
Perth, WA

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lodestar Minerals Limited for the year ended 30 June 2021, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2021

N G Neill
Partner

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	2021 $	2020 $
Other income	2.2	73,805	239,675
Exploration expenditure expensed through profit or loss		(595,351)	(261,437)
Exploration expenditure expensed on asset acquisition	1.7	(2,287,222)	-
Personnel expenses	2.4	(965,837)	(176,315)
General and administration		(232,189)	(92,773)
Professional fees		(250,442)	(155,824)
Depreciation		(7,823)	(10,624)
Amortisation – right of use assets		(15,312)	(15,243)
Other losses	2.6	(65,218)	(242,300)
Finance costs	2.3	(10,265)	(14,956)
Loss before income tax		(4,355,854)	(729,797)
Income tax expense	2.5	-	-
Loss for the year		**(4,355,854)**	**(729,797)**
Total comprehensive loss for the year		(4,355,854)	(729,797)
Total comprehensive loss attributable to owners of the Company		**(4,355,854)**	**(729,797)**
Loss per share (cents per share)			
Basic and diluted	2.8	(0.45)	(0.09)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 30 June 2021

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	4.1	930,481	12,144
Trade and other receivables	4.2	7,281	15,231
Prepayments		99,803	4,756
Other financial assets	4.3	164,706	242,694
Total current assets		1,202,271	274,825
Property, plant, and equipment	3.1	24,894	32,402
Right of use assets	3.2	30,778	13,973
Other financial assets	4.3	502,059	2,059
Total non-current assets		557,731	48,434
Total assets		**1,760,002**	**323,259**
Liabilities			
Trade and other payables	4.4	240,594	126,647
Borrowings	5.2	-	112,531
Lease liabilities	5.3	15,297	14,336
Employee benefits	2.4	88,909	59,909
Site restoration provision		6,400	6,400
Total current liabilities		351,200	319,823
Lease liabilities	5.3	15,193	-
Total non-current liabilities		15,193	-
Total liabilities		366,393	319,823
Net assets		**1,393,609**	**3,436**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of 30 June 2021

	Note	2021 $	2020 $
Equity			
Share capital	5.1	32,338,741	27,471,519
Reserves		1,059,978	181,173
Accumulated losses		(32,005,110)	(27,649,256)
Total equity		**1,393,609**	**3,436**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

	Issued capital $	Options reserves $	Accumulated losses $	Total equity $
Balance on 1 July 2019	26,703,737	367,453	(27,120,369)	(49,179)
Loss after income tax expense for the year	-	-	(729,797)	(729,797)
Total comprehensive loss for the year	-	-	(729,797)	(729,797)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs (note 5.1)	767,782	-	-	767,782
Transfer to accumulated losses on expiry of options	-	(200,910)	200,910	-
Share-based payments	-	14,630	-	14,630
Balance on 30 June 2020	**27,471,519**	**181,173**	**(27,649,256)**	**3,436**
Balance on 1 July 2020	27,471,519	181,173	(27,649,256)	3,436
Loss after income tax expense for the year	-	-	(4,355,854)	(4,355,854)
Total comprehensive loss for the year	-	-	(4,355,854)	(4,355,854)
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs (note 5.1)	4,867,222	-	-	4,867,222
Share-based payments	-	878,805	-	878,805
Balance on 30 June 2021	**32,338,741**	**1,059,978**	**(32,005,110)**	**1,393,609**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Cash received from PAYG cash flow boost		36,199	27,281
Cash paid to suppliers and employers		(413,920)	(382,175)
Interest paid		(11,150)	(10,337)
Receipts from farm-out		50,000	-
Payments for exploration and evaluation		(290,448)	(274,794)
Net cash used in operating activities	4.1(b)	(629,319)	(640,025)
Cash flows from investing activities			
Proceeds from sale of financial assets at fair value through profit or loss		211,175	448,271
Cash held on acquisition of subsidiary		15,201	-
Loan to subsidiary prior to acquisition		(389,256)	-
Proceeds from sale of property, plant, and equipment		-	1,818
Payments for property, plant, and equipment		-	(203)
Net cash (used in) / from investing activities		(162,880)	449,886
Cash flows from financing activities			
Proceeds from issue of shares and options		1,959,350	200,000
Proceeds from exercise of options		-	367
Repayment of premium funding facility		(15,675)	(18,815)
Proceeds from related party loans		38,000	197,000
Repayment of loans from related parties		(148,000)	(167,000)
Repayment of right of use lease liability		(15,962)	(14,881)
Payment of capital raising costs		(107,127)	(17,955)
Payment of transaction costs related to loans		(50)	-
Net cash from financing activities		1,710,536	178,716
Net increase / (decrease) in cash and cash equivalents		918,337	(11,423)
Cash and cash equivalents on 1 July 2020		12,144	23,567
Cash and cash equivalents on 30 June 2021	4.1(a)	930,481	12,144

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

SECTION 1 ABOUT THESE FINANCIAL STATEMENTS

The financial statements of Lodestar Minerals Limited ("the Company") and it's controlled entities (collectively known as "the Group") for the year ended 30 June 2021 were authorised for issue on 30 September 2021 in accordance with a resolution of the Directors. The directors have the power to amend and reissue the financial statements.

The Company is:

- a company limited by shares.
- incorporated and domiciled in Australia.
- a listed public company
- a for-profit entity for the purpose of preparing the financial statements.

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

Its principal and registered office are located at First floor, 31 Cliff Street, Fremantle, WA, 6160.

The financial report is a general-purpose financial report, which:

- has been prepared in accordance, and complies, with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- has been prepared on a historical cost basis, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.
- is presented in Australian dollars ($).
- presents reclassified comparative information if required for consistency with the current year's presentation.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective from reporting periods beginning on or before 1 July 2020. Refer to note 6.9 for further details.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

1.1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability, to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.2 PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 6.6.

1.3 GOING CONCERN

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. For the year ended 30 June 2021, the Group incurred an operating loss of $4,355,854 and had net cash outflows from operating activities of $1,018,575 (including $290,448 of exploration payments). The Group had a net asset position of $1,393,609 on 30 June 2021.

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 Group's cash flow forecast for the period to 30 September 2022, reflects the Group's ability to meet its working capital requirements and its planned exploration commitments for tenements held. The directors are aware that the Group's ability to continue as a going concern, and thereby pay its debts as and when they fall due, is contingent on the Group securing further working capital from one or more of the following alternatives:

- Capital raising such as:
  - Private placement
  - Entitlement issue
  - Share purchase plan
- Borrowings from related or third parties
- Farming out assets to reduce exploration expenditures

Given the financial position of the Group and its demonstrated ability to raise funds, the Directors have reviewed the Groups' financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds to meet future costs and satisfy its business plans for at least the next 12 months. If necessary, the Group will delay discretionary expenditure including administration costs, exploration programs and development expenditure that are not contractually committed. The timing of raising additional capital will depend on the investment markets, current and future planned exploration activities.

1.3 GOING CONCERN (continued)

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Notwithstanding this assessment, there is material uncertainty regarding the outcomes of the future funding alternatives.

In the event the Group is unable to raise additional funds to meet the Group's planned development expenditure when required, there exists circumstances that give rise to a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

1.4 FOREIGN CURRENCIES

The primary economic environment in which the Group operates is Australia. The financial statements are therefore presented in Australian dollars.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the attached conditions. In respect of COVID related government grants receiving during the year, the Group was deemed to be eligible to receive the grants under the conditions attached to the grants and have complied with the relevant conditions in order to recognised them as income during the year.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to nature of exploration activities and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer note 2.5.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 6.1.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is place in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 6.2.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Asset acquisition

Differentiating a business combination from an asset acquisition is key to applying the appropriate accounting treatment involving significant judgement and a detailed analysis of the inputs and processes acquired. When an asset acquisition does not constitute a business combination under AASB 3, the assets and liabilities are assigned a carrying value amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. Refer to note 1.7.

1.6 CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting date, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settle within 12 months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

1.7 ASSET ACQUISITION

Accounting Policy

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree. On acquisition of a business, the Group assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Business combinations are initially accounted for on a provision basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition, or (ii) when the acquirer receives all the information possible to determine fair value.

To be considered a business, an acquired set of activities and assets must include inputs and a substantive process that together significantly contribute to the ability to create outputs.

To be substantive, the inputs acquired include both an organised workforce that has skills, knowledge, or expertise to perform the process, and other inputs that an organised workforce could develop and convert into outputs.

If the assets acquired are not a business, the Group shall account for the transaction or other event as an asset acquisition.

Summary of Acquisitions

<u>Goldfellas Pty Ltd</u>
On 19 February 2021, the Company signed an agreement to acquire 100% of the shares held in Goldfellas Pty Ltd ("Goldfellas"), free from encumbrances. Goldfellas holds a 20% working interest in the Nepean Nickel project with the balance of 80% being held by Auroch Minerals Limited who is the operator of the project via Eastern Coolgardie Minerals Pty Ltd.

Consideration for the acquisition, was the issue of 250,000,000 fully paid ordinary shares in the Company plus transaction costs for facilitating the introduction. A further 2,750,000 shares will be issued to Goldfellas shareholders should the Nepean project reach a JORC compliant economic proven reserve status. The shares will be issued at 80% of the market price of Lodestar shares at the time this milestone is reached and will be subject to shareholder approval at that time.

Shareholders approved the acquisition on 30 April 2021.

<u>Oro Del Sur Pty Ltd</u>
On 12 March 2021, the Company signed an agreement to acquire a 100% interest in the Jubilee Well tenement E38/3054 through the purchase of the assets of Oro Del Sur Pty Ltd for a cash consideration of $50,000.

As both of these acquisitions did not meet the definition of a business, they have been accounted for as asset acquisitions utilising the principles in AASB 2.

1.7 ASSET ACQUISITION (continued)

Details of the fair value of the assets and liabilities of Goldfellas Pty Ltd acquired on 30 April 2021 are as follows:

	$
Purchase consideration comprises:	
250,000,000 ordinary shares at 1.1 cent each (refer note 5.1)	2,750,000
Facilitation fee (refer note 5.1)	65,000
Total consideration	2,815,000
Net assets acquired	
Cash at bank	15,201
Other receivables	20,114
Prepayments	483,228
Investment in Nepean project (refer to note 4.3)	500,000
Property, plant, and equipment	315
Trade and other payables	(441,080)
Exploration expenditure expensed on asset acquisition	2,237,222
	2,815,000

Details of the fair value of the assets and liabilities of Oro Del Sur Pty Ltd acquired on 12 March 2021 are as follows:

	$
Purchase consideration comprises:	
Cash consideration	50,000
Net assets acquired	
Exploration expenditure expensed on asset acquisition	50,000
	50,000
Summary of exploration expenditure expensed on asset acquisition:	
Goldfellas Pty Ltd	2,237,222
Oro Del Sur Pty Ltd	50,000
	2,287,222

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating loss, income tax, and loss per share.

2.1 OPERATING SEGMENTS

Accounting Policy

Operating segments are presented using the ‘management approach’, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (‘CODM’). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Lodestar Minerals Limited.

The Group is organised into one operating segment, being base minerals exploration and evaluation in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the CODM) in assessing performance and determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a quarterly basis.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2020.

2.2 OTHER INCOME

Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

	Note	2021 $	2020 $
Other income	(i)	50,000	200,000
PAYG cash flow boost		23,805	39,675
		73,805	**239,675**

(i) As announced on 11 August 2020, the Company entered into a farm-out agreement with Goldfellas Pty Ltd (“Goldfellas”) to earn up to 49% interest in the Camel Hills tenements by spending up to $800,000 on exploration. Goldfellas were granted exclusive right to earn a 25% interest in the tenements on receipt of $50,000 cash and sole funding $250,000 of exploration agreed by both parties, over the tenements within six months. On 30 April 2021, the Company acquired Goldfellas as disclosed in note 1.7.

2.3 FINANCE COSTS

Accounting Policy

Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

	Note	2021 $	2020 $
Interest expense on financial liabilities measured at amortised cost			
Interest expense on loans received from related parties	5.2	7,490	9,619
Interest expense on premium funding	5.2	611	722
Interest on right of use lease liabilities	5.3	518	1,168
Other finance charges		1,646	3,447
Total finance costs		**10,265**	**14,956**

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual and long service leave, not expected to settle within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2.4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

Accounting Policy (continued)

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

The table below sets out personnel costs expensed during the year.

	Note	2021 $	2020 $
Directors' remuneration	6.4	1,100,850	292,895
Other associated personnel expenses		1,778	1,601
		1,102,628	294,496
Expensed in exploration and evaluation		136,791	118,181
Expensed in personnel expenses		965,837	176,315
		1,102,628	**294,496**

The table below sets out employee benefits at the reporting date.

	2021 $	2020 $
Current		
Liability for annual leave	48,981	30,300
Liability for long service leave	39,928	29,609
	88,909	59,909

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the Group does not have an unconditional right to defer settlement. However, based on prior experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2021 $	2020 $
	75,448	49,140

2.5 INCOME TAX EXPENSE

Accounting Policy

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in as transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits, or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probably that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the tax authority, are presented as operating cash flows.

Commitments and commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.5 INCOME TAX EXPENSE (continued)

(a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Deferred tax benefit	-	-
Loss for the period	(4,355,854)	(729,797)
Total income tax benefit / (expense)	-	-
Profit / (loss) excluding income tax	(4,355,854)	(727,797)
Income tax using the Group's domestic tax rate of 26% (2020: 27.5%)	(1,132,522)	(200,694)
Non-deductible expenses	135,556	101,435
Non-assessable income	(6,189)	(65,911)
Change in income tax rates from 27.5% to 26%	411,069	-
Adjustment for prior periods	(663)	6,028
Timing differences	87,837	(24,457)
Tax losses utilised not previously brought to account	504,912	183,599
Income tax expense	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to $8,260,428 (2020: $7,535,611) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised
ii) the conditions for deductibility imposed by tax legalisation continue to be complied with
iii) no changes in tax legislation adversely affect the Group in realising the benefit, and
iv) satisfaction of either the continuity of ownership or the same business test.

2.5 INCOME TAX EXPENSE (continued)

(c) Unrecognised deferred tax assets and liabilities

Deferred tax liabilities have not been recognised in respect of the following items:

	2021 $	2020 $
Deferred tax liabilities		
Prepaid expenditure	(25,949)	(1,308)
Property, plant, and equipment	(914)	(1,161)
Income tax expense	(26,863)	(2,469)
Deferred tax assets		
Capital raising costs – s40-880	43,957	35,581
Right of use assets	7,944	5,088
Intangible assets	22	31
Trade and other payables	4,940	-
Employee benefits	23,116	16,475
Provisions	1,760	1,760
Carry forward tax losses	8,260,428	7,535,611
	8,342,071	7,594,546
Net unrecognised deferred tax assets	8,315,208	7,592,077

2.6 OTHER LOSSES

	Note	2021 $	2020 $
Fair value loss on revaluation of financial asset	4.3	35,294	209,684
Loss on sale of financial asset		29,924	32,311
Loss on sale of property, plant, and equipment		-	305
		65,218	242,300

2.7 EXPLORATION AND EVALUATION EXPENDITURE

The exploration and evaluation accounting policy expenses all exploration and evaluation expenditure as incurred. Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure prior to securing legal rights to explore an area, is expensed to profit or loss as incurred.

2.8 LOSS PER SHARE

Accounting Policy

Basic earnings per share
Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of Lodestar Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to accounts for the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2021 $	2020 $
Basic and diluted loss per share		
Loss after income tax attributable to owners of Lodestar Minerals Limited	(4,355,854)	(729,797)
	Cents	**Cents**
Basic loss per share	(0.45)	(0.09)
Diluted loss per share	(0.45)	(0.09)
	Number	**Number**
Weighted average number of ordinary shares		
Issued ordinary shares on 1 July	852,801,994	749,218,328
Effect of shares issued	113,286,731	56,038,469
Weighted average number of ordinary shares on 30 June	966,088,725	805,256,797

SECTION 3 ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation as well as capital and other commitments existing at the year end.

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on diminishing balance basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

Mobile equipment and motor vehicles	8 years
Field equipment	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings / accumulated losses.

3.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	2021 $	2020 $
Field equipment – at cost	35,799	35,799
Less: accumulated depreciation	(30,739)	(29,474)
	5,060	6,325
Communication and computer equipment – at cost	33,694	33,242
Less: accumulated depreciation	(33,418)	(33,242)
	276	-
Mobile equipment and motor vehicles – at costs	66,981	66,981
Less: accumulated depreciation	(47,423)	(40,904)
	19,558	26,077
	24,894	32,402

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Field equipment $	Mobile equipment & motor vehicles $	Computer & comms equipment $	Total $
Balance on 1 July 2019	4,380	34,769	-	**39,149**
Depreciation write-back on disposals	3,877	-	-	**3,877**
Depreciation expense	(1,932)	(8,692)	-	**(10,624)**
Balance on 30 June 2020	6,325	26,077	-	32,402
Additions (Goldfellas acquisition)	-	-	315	**315**
Depreciation expense	(1,265)	(6,519)	(39)	**(7,823)**
Balance on 30 June 2021	**5,060**	**19,558**	**276**	**24,894**

3.2 RIGHT-OF-USE ASSETS

Accounting Policy

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except when included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

	2021 $	2020 $
Land and buildings – right of use	43,094	20,660
Less: accumulated depreciation	(21,595)	(10,779)
	21,499	9,881
Field equipment – right of use	18,239	8,556
Less: accumulated depreciation	(8,960)	(4,464)
	9,279	4,092
	30,778	13,973

Additions to the right-of-use assets during the year were $32,117.

The Group leases land and buildings for its office, a storage facility for its field equipment and has various exploration tenement leases under agreements of between five and fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalent also includes, bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2021 $	2020 $
Cash and cash equivalents in the statement of cash flows	930,481	12,144

(b) Reconciliation of cash flows from operating activities

	2021 $	2020 $
Cash flows from operating activities		
Loss for the period	(4,355,854)	(729,797)
Adjustments for:		
Exploration expenditure expensed on asset acquisition (equity portion)	2,237,222	-
Equity-settled share-based payment transactions	878,805	-
Finance expense	1,646	3,448
Depreciation and amortisation	23,135	25,867
Loss on sale or revaluation of listed shares	65,218	241,995
Loss on sale of property, plant, and equipment	-	305
Other income	-	(200,000)
Change in other receivables	27,307	(13,820)
Change in prepayments	388,181	(972)
Change in trade and other payables	62,878	23,400
Change in interest bearing liabilities	13,144	19,927
Change in employee benefits provision	28,999	(10,378)
Net cash used in operating activities	(629,319)	(640,025)

4.1 CASH AND CASH EQUIVALENTS

(c) Non-cash investing and financing activities

	2021 $	2020 $
Additions to the right-of-use assets	59,340	153,281

(d) Changes in liabilities arising from financing activities

	Related party loans $	Right of use assets $	Premium funding $	Total $
Balance on 1 July 2019	81,359	-	-	81,359
Net cash from / (used in) financing activities	30,000	(14,881)	(18,815)	(3,696)
Premium funding facility	-	-	18,815	18,815
Interest on related party loans	1,172	-	-	1,172
Right of use lease liabilities	-	29,217	-	29,217
Balance on 30 June 2020	112,531	14,336	-	126,867
Net cash from / (used in) financing activities	(110,000)	(15,962)	(15,675)	(141,637)
Premium funding facility	-	-	15,675	15,675
Interest on related party loans	(2,531)	-	-	2,531
Right of use lease liabilities	-	32,116	-	32,116
Balance on 30 June 2021	-	30,490	-	30,490

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	2021 $	2020 $
Current		
Other receivables	7,281	15,231

Other receivables are non-interest bearing.

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

4.3 OTHER FINANCIAL ASSETS

Accounting Policy

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part, or all, of a financial asset, the carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

4.3 OTHER FINANCIAL ASSETS (continued)

Accounting Policy (continued)

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increase significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, as 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired, or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measure on the probably weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

	Note	2021 $	2020 $
Listed ordinary shares – designated at fair value through profit or loss	(i)	164,706	242,694
Working interest in Nepean Nickel project – designated at fair value through profit or loss	(ii)	500,000	-
Deposits and bonds		2,059	2,059
		666,765	244,753
Current		164,706	242,694
Non-current		502,059	2,059
		666,765	**244,753**

(i) On 21 January 2021, as part of its strategic investment in Lodestar, Vango issued 2,352,941 shares at 8.5 cents per share in exchange for 14,285,715 shares in the Company at 1.4 cents per share.

On 30 June 2021, Lodestar held 2,352,941 shares in Vango.

(ii) On 16 November 2020, Goldfellas acquired a 20% joint venture working interest in Eastern Coolgardie Goldfields Pty Ltd ("ECG") with Auroch Minerals Limited. Under the agreement, Goldfellas purchased 20% of the sale shares in ECG for a total consideration of $500,000. AASB 128 *Investments in Associates and Joint Ventures* does not apply as Goldfellas does not have significant influence with Auroch being the operator of the project, as a result the investment is accounted for as fair value through profit or loss.

4.3 OTHER FINANCIAL ASSETS (continued)

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Listed shares $	Unlisted shares $	Deposits and bonds $	Total $
Balance on 1 July 2019	89,197	-	2,059	91,256
Additions	800,000	-	-	800,000
Disposals	(436,819)	-	-	(436,819)
Revaluation	(209,684)	-	-	(209,684)
Balance on 30 June 2020	242,694	-	2,059	244,753
Additions	200,000	-	-	200,000
Additions on acquisition of Goldfellas	-	500,000	-	500,000
Disposals	(242,694)	-	-	(242,694)
Revaluation	(35,294)	-	-	(35,294)
Balance on 30 June 2021	164,706	500,000	2,059	666,765

Refer to note 6.2 for further information on fair value measurement.

4.4 TRADE AND OTHER PAYABLES

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

	2021 $	2020 $
Current		
Trade payables	31,512	106,035
Other payables and accrued expenses	209,082	20,612
	240,594	126,647

Refer to note 6.2 for further information on financial instruments.

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2021	2020	2021	2020
Balance on 1 July	**852,801,994**	**749,218,328**	**27,471,519**	**26,703,737**
Issue of fully paid shares for cash	165,667,862	28,571,429	1,959,350	200,000
Issue of shares in lieu of shares received from Vango	14,285,715	75,000,000	200,000	600,000
Issue of shares in satisfaction of service provider fees	2,272,727	-	25,000	-
Issue of shares to acquire Goldfellas (refer note 1.7)	249,999,960	-	2,750,000	-
Issue of shares as facilitation fee to acquire Goldfellas (refer note 1.7)	5,909,090	-	65,000	-
Issue of fully paid shares on exercise of options	-	12,237	-	367
Capital raising costs	-	-	(132,128)	(32,585)
Balance on 30 June	**1,290,937,348**	**852,801,994**	**32,338,741**	**27,471,519**

5.2 LOANS AND BORROWINGS

Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

	Book value 2021 $	Fair value 2021 $	Book value 2020 $	Fair value 2020 $
Current				
Loans received from a related party	-	-	112,531	112,531
Premium funding	-	-	-	-

	Loans from a director [2] $	Premium funding $
Balance on 1 July 2019	81,359	-
Loans and borrowings received	200,000	-
Financing of premium funding facility	-	18,755
Interest charged	9,619	722
Less: repaid	(178,447)	(19,477)
Balance on 30 June 2020	112,531	-
Loans and borrowings received	38,000	-
Financing of premium funding facility	-	15,675
Interest charged	7,490	611
Less repaid [1]	(158,021)	(16,286)
Balance on 30 June 2021	**-**	**-**

(1) amounts repaid include interest and loan establishment costs

(2) refer to note 6.4 for further details.

5.2 LOANS AND BORROWINGS (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2021 $	2020 $
Total facilities		
Related party loans	-	150,000
Used at the reporting date		
Related party loans	-	110,000
Unused at the reporting date		
Related party loans	-	40,000

5.3 LEASE LIABILITIES

Accounting Policy

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that to not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index, or a rate used
- residual guarantee
- lease term, or
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

5.3 LEASE LIABILITIES (continued)

	2021 $	2020 $
Current		
Opening balance	14,336	-
Recognition of lease liabilities	31,725	29,217
Interest charged	518	1,168
Less principal repayments	(16,089)	(16,049)
Lease liabilities included in the consolidated statement of financial position	**30,490**	**14,336**
Current	15,297	14,336
Non-current	15,193	-
	30,490	**14,336**

Refer to note 6.2 for further information on financial instruments

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 SHARE-BASED PAYMENTS

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that considers the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase inequity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vet and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met or not, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee, and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

6.1 SHARE-BASED PAYMENTS (continued)

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2021 $	2020 $
Expensed in personnel expenses (director remuneration)		
Options issued to directors	796,500	-
Options issued to consultants of the Company	82,305	-
Capital raising costs within equity		
Options issued to a consultant	-	14,630

Share-based payment programme

The Company has adopted an Employee Share Option Scheme ("ESOS"). Under the ESOS, the Company may grant options and rights to Company eligible employees to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash.

Options will not be transferable and will not be listed on the ASX unless the offer provides otherwise or the Board in its absolute discretion approves.

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

On 30 June 2021, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
30-Nov-18	05-Dec-18	31-Dec-21	10.0	15,000,000	-	-	-	15,000,000	15,000,000
04-Dec-19	16-Dec-19	30-Dec-21	2.0	3,800,000	-	-	-	3,800,000	3,800,000
21-Apr-21	21-Apr-21	15-Apr-24	2.5	-	82,750,000	-	-	82,750,000	82,750,000
Total				**18,800,000**	**82,750,000**	**-**	**-**	**101,550,000**	**101,550,000**
Weighted average exercise price (cents)				8.38	2.5	-	-	3.59	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2.37 years.

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	**Exercise Price (cents)**	**Grant date**	**Expiry Date**	**Life of the Options (years)**	**Volatility**	**Risk free Rate**	**Fair value at grant date (cents)**	**Share price at grant date (cents)**
Tranche 1	15,000,000	10.0	30-Nov-18	31-Dec-21	3.09	178.70%	2.04%	1.11	1.50
Tranche 2	3,800,000	2.0	04-Dec-19	30-Dec-21	2.07	148.23%	0.79%	0.39	0.70
Tranche 3	82,750,0000	2.5	21-Apr-21	15-Apr-24	2.99	153.95%	0.10%	1.06	1.40

6.1 SHARE-BASED PAYMENT PLANS (continued)

Options (continued)
On 30 June 2020, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
10-Sep-16	23-Nov-16	31-Oct-19	3	900,000	-	-	(900,000)	-	-
21-Sep-16	27-Oct-16	31-Oct-19	3	5,000,000	-	-	(5,000,000)	-	-
23-Nov-16	23-Nov-16	31-Oct-19	3	18,000,000	-	-	(18,000,000)	-	-
15-Sep-17	15-Sep-17	31-Oct-19	3	13,200,000	-	-	(13,200,000)	-	-
20-Nov-17	20-Nov-17	31-Oct-19	3	6,800,000	-	-	(6,800,000)	-	-
30-Nov-18	05-Dec-18	31-Dec-21	10	15,000,000	-	-	-	15,000,000	15,000,000
04-Dec-19	16-Dec-19	30-Dec-21	2	-	3,800,000	-	-	3,800,000	3,800,000
Total				**58,900,000**	**3,800,000**	**-**	**(43,900,000)**	**18,800,000**	**18,800,000**
Weighted average exercise price (cents)				4.78	2.00	-	3.00	8.38	

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 1.5 years.

6.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition

Financial assets and 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 risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

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).

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

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

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.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

6.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category. The Group does not have any material expected credit losses.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

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

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

6.2 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

There has been no change to the Group's exposure to market risks or the manner it manages and measures the risk from the previous period.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

<u>Interest rate risk sensitivity analysis</u>

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by $4,652.

The Group's sensitivity to interest rates has increased during the year mainly due to the increase in cash held.

6.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Non-derivative financial liabilities
The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months $	6 months to 1 year $	1 – 5 years $
30 June 2021				
Trade and other payables	n/a	240,594	-	-
Borrowings (including right of use lease liabilities)	5.40	7,525	7,772	15,193
		248,119	**7,772**	**15,193**
30 June 2020				
Trade and other payables	n/a	126,647	-	-
Borrowings (including right of use lease liabilities)	9.46	7,735	119,132	-
		134,382	**119,132**	**-**

6.2 FINANCIAL INSTRUMENTS (continued)

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the levels within hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis:

	2021 Fair value $	Fair value hierarchy	Valuation technique
Equity investments designated at fair value through profit or loss	164,706	Level 1	Quoted market prices in an active market
Investment in ECG designated at fair value through profit or loss	500,000	Level 2	Fair value

The basis of the valuation of the investment in ECG is fair value. The investment is revalued annually based on observable data received from the JV partner Auroch Minerals Limited who is the operator and holds 80% of this project. The directors do not believe there has been a material movement in fair value since acquisition.

Transfers

There have been no transfers between the levels of the fair value hierarchy during the year ended 30 June 2021.

Not measured at fair value

The Group has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

6.3 CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

To maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the requirements specified by the State Government. These obligations are not provided for in the financial statements and are payable as follows:

6.3 CAPITAL AND OTHER COMMITMENTS (continued)

	2021 $	2020 $
Mineral exploration		
Less than one year (1)	348,880	75,000

(1) Ned's Creek and Yowereena are omitted from the above as these commitments have been taken up by the JV agreement with Vango to spend a minimum of $4.5m over three years.

6.4 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2021 $	2020 $
Short-term employee benefits	271,389	272,562
Long-term employee benefits	10,319	(4,486)
Post-employment benefits	22,642	24,819
Share-based payments – options	796,500	-
	1,100,850	292,895

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

6.4 RELATED PARTIES (continued)

David McArthur

Susan McArthur, a related party to David McArthur, provided cash loans to the Company, accruing interest at 10% per annum, pro rata, repayable within six months, if, and when, the company was in a financial position to do so. Interest expense to 30 June 2021 was $7,490 (2020: $9,619) and the balance outstanding on 30 June 2021 was $nil (2020: $112,531).

Broadway Management (WA) Pty Ltd, a company for which Mr McArthur is a Director, received $85,000 (2020: $68,000) in repayment for commercial, arms-length consulting services. The balance outstanding on 30 June 2021 was $8,500 (2020: $34,000).

DAS (Australia) Pty Ltd, a company for which Mr McArthur is a Director, received $39,000 (2020: $42,750) in repayment for company secretarial services. The balance outstanding on 30 June 2021 was $3,750 (2020: $16,500).

6.5 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiary in accordance with the accounting policy described in section 1:

Name of subsidiary	Place of incorporation	Equity Interest	
		2021 %	2020 %
Audacious Resources Pty Ltd	Australia	100	100
Goldfellas Pty Ltd	Australia	100	-
Oro Del Sur Pty Ltd	Australia	100	-

Balances and transactions between the Company and its subsidiary, which is a related party of the Company, have been eliminated on consolidation.

6.6 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which has been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

As at, and throughout the financial year ended 30 June 2021, the parent entity of the Group was Lodestar Minerals Limited.

	2021 $	2020 $
Result of the parent entity		
Loss for the year	(4,918,566)	(729,797)
Total comprehensive loss for the year	**(4,918,566)**	**(729,797)**
Financial position of parent entity at year end		
Current assets	1,104,728	274,825
Total assets	**1,162,184**	**323,259**
Current liabilities	(309,694)	(313,423)
Total liabilities	**(324,887)**	**(313,423)**
Total equity of the parent entity comprising of:		
Share capital	32,338,741	27,471,519
Equity-settled benefits reserve	1,059,978	181,173
Accumulated losses	(32,561,422)	(27,642,856)
Total equity	**837,297**	**9,836**

6.7 AUDITORS' REMUNERATION

	2021 $	2020 $
HLB Mann Judd		
Audit and other assurance services		
Audit and review of financial reports	29,343	30,750
Total Auditor's Remuneration	**29,343**	**30,750**

6.8 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than as disclosed above, no other matters or circumstances have arisen since the end of the financial year 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.

6.9 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for an accounting period on or after 1 July 2020. New and revised standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia*

6.10 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however, further analysis will be performed when the relevant standards are effective.

DIRECTORS' DECLARATION

In the directors' opinion:

(A) the financial statements and notes are in accordance with the Corporations Act 2001 including:

- (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements,
- (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

(B) there are reasonable grounds to believe that the Company will be able to pays its debts as and when they become due and payable.

Section 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

Bill Clayton
Managing Director

30 September 2021
Perth

INDEPENDENT AUDITOR'S REPORT
To the members of Lodestar Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lodestar Minerals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1.3 in the 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Acquisition of Goldfellas Pty Ltd Refer to Note 1.7	
During the period the Group completed the acquisition of Goldfellas Pty Ltd on 30 April 2021 for consideration of $2.75 million through the issue of 250,000,00 Lodestar ordinary shares. The acquisition was accounted for as an asset acquisition. As a share based payment transaction, the assets and liabilities were recognised at fair value as at the date of acquisition. Per the groups accounting policy the fair value of the acquired exploration and evaluation assets were expensed through the statement of profit or loss. The determination of the fair value of assets and liabilities acquired involves judgement which impacts on the net assets of the group. Consequently, this was considered a key audit matter.	Our procedures included but were not limited to the following: - We considered the appropriateness of the accounting for the acquisition of Goldfellas Pty Ltd as an asset acquisition. - We considered the Group's calculation of the purchase consideration for the acquisition. - We assessed the appropriateness of the methodologies, inputs and assumptions used by the Group in determining the fair values of acquired assets and liabilities. - We considered the appropriateness of the disclosures within the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Lodestar Minerals Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
30 September 2021

SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable on 13 September 2021:

DISTRIBUTION OF ORDINARY SHARES

Range	Total holders	Ordinary shares	% of issued capital
1 – 1,000	80	22,675	-
1,001 – 5,000	51	127,174	0.01
5,001 – 10,000	24	192,223	0.01
10,001 – 100,000	656	31,859,628	2.47
100,001 and over	715	1,258,735,648	97.51
Total	**1,526**	**1,290,937,348**	**100.00**

There were 598 holders of less than a marketable parcel of ordinary shares.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders are set out below:

	Number of shares
Ross Jeremy Taylor	216,856,035
Vango Mining Limited	89,285,715

VOTING RIGHTS

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options and rights

No voting rights.

UNLISTED OPTIONS

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
30-Nov-18	15,000,000	3	31-Dec-21	10.0
04-Dec-19	3,800,000	5	30-Dec-21	2.0
16-Dec-19	34,523,809	19	30-Dec-21	2.0
18-Jan-21	29,976,789	24	31-Dec-22	2.0
21-Apr-21	82,750,000	8	15-Apr-24	2.5

TWENTY LARGEST SHAREHOLDERS

	Ordinary shares	
Shareholders	Number held	% of issued shares
Ross Jeremy Taylor <Jamanaro A/C>	160,044,588	12.40
Vango Mining Limited	89,285,715	6.92
Motte & Bailey Pty Ltd <Bailey Super Fund A/C>	50,000,000	3.87
Mr Ross Jeremy Taylor & Mrs Natasha Tanya Taylor <Jamanaro Super Fund A/C>	40,050,103	3.10
Albert Wueweera	32,500,000	2.52
Black Prince Pty ltd <Black Prince Super Fund A/C>	30,000,000	2.32
Dungay Resources Pty Ltd <Dungay Consulting A/C>	16,925,786	1.31
Hemsby Super Pty Ltd <Hemsby Super Fund A/C>	16,000,000	1.24
Merrill Lynch (Australia) Nominees Pty Ltd	15,665,368	1.21
Matori Pty Ltd	14,498,880	1.12
Andrew Ross Childs	13,102,040	1.01
Alan George Brooks & Philippa Claire Brooks <AG & PC Brooks S/Fund A/C>	12,102,040	0.94
Skiffington Super Pty Ltd <The Mark Skiffington S/F A/C>	10,252,721	0.79
Magaurite Pty ltd <Peter Nelson Super Fund A/C>	10,000,000	0.77
David Maxwell McArthur	9,931,577	0.77
Cove Street Pty Ltd <The Cove Street A/C>	9,352,040	0.72
Matthew David Bell	9,264,729	0.72
Fivemark Capital Pty Ltd	9,157,610	0.71
Julia April Singleton	8,696,784	0.67
Bru Boy Pty Ltd <Bru Boy Investment A/C>	8,102,040	0.63

TENEMENTS LISTING

Tenement description	Tenement number	Status	Percentage interest
Ned's Creek			**Subject to JV: Vango Mining earning 51%**
7 Mile Well	E52/2440	Granted	100% - Audacious Resources
Yowereena Hill	E52/2456	Granted	100% - Audacious Resources
Little Well	E52/2468	Granted	100% - Audacious Resources
Yowereena Hill	E52/2493	Granted	100% - Audacious Resources
Yowereena Hill	E52/2734	Granted	100% - Lodestar Minerals
Yowereena Hill	E52/3473	Granted	100% - Lodestar Minerals
Yowereena Hill	E52/3476	Granted	100% - Lodestar Minerals
Yowereena Hill	M52/779	Granted	80% - Lodestar Minerals - 20% Vango Mining
Yowereena Hill	M52/780	Granted	80% - Lodestar Minerals - 20% Vango Mining
Yowereena Hill	M52/781	Granted	80% - Lodestar Minerals - 20% Vango Mining
Yowereena Hill	M52/781	Granted	80% - Lodestar Minerals - 20% Vango Mining
Ned's Creek			**Not Subject to JV**
Pinyrinny	E52/3798	Application	
Earaheedy-Imbin			
Ingebong Hills	E69/3483	Granted	100% - Lodestar Minerals
Ingebong Hills	E69/3532	Application	
Ingebong Hills	E69/3533	Application	
Ingebong Hills	E69/3590	Granted	100% - Lodestar Minerals
Ingebong Hills	E69/3699	Granted	100% - Lodestar Minerals
Camel Hill / Mt Erong			
Meekatharra	E09/2099	Granted	100% - Lodestar Minerals
Meekatharra	E09/2100	Granted	100% - Lodestar Minerals
Meekatharra	E09/2215	Granted	100% - Lodestar Minerals

TENEMENTS LISTING (continued)

Tenement description	Tenement number	Status	Percentage interest
Nepean			
	M15/709	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	M15/1809	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5738	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5740	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5741	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5742	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5743	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5749	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5750	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5963	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
	P15/5965	Granted	Nepean JV: Auroch Minerals – Lodestar Minerals (80:20)
Jubilee Well			
	E38/3054	Granted	100% - Lodestar Minerals
Bulong			
	P25/2593	Granted	100% - Lodestar Minerals
	P25/2594	Granted	100% - Lodestar Minerals
	P25/2595	Granted	100% - Lodestar Minerals
	P25/2596	Granted	100% - Lodestar Minerals
	P25/2626	Granted	100% - Lodestar Minerals
	P25/2627	Granted	100% - Lodestar Minerals
	P25/2628	Granted	100% - Lodestar Minerals
	P25/2629	Granted	100% - Lodestar Minerals
Coolgardie			
	E15/1813	Application	

CORPORATE DIRECTORY

Directors

Mr Ross Taylor
Mr William Clayton
Mr David McArthur

Secretaries

Mr David McArthur
Mr Jordan McArthur

Registered and Principal Office

Level 1, 31 Cliff Street
Fremantle WA 6160

Telephone: +61 8 9435 3200

Postal Address

PO Box 584
Fremantle WA 6959

Auditor

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

Share Registry

Computershare Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Shares: ASX Code LSR

Website and Email

Website: www.lodestarminerals.com.au
Email: admin@lodestarminerals.com.au