



ASX ANNOUNCEMENT

22nd March 2017

Electronic lodgement

COMPANY SNAPSHOT

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CAPITAL STRUCTURE

Shares on Issue:
 453,318,328 (LSR)

Options on Issue:
 45,333,702 (listed)
 41,050,127 (unlisted)

ASX: LSR

PROJECTS

Peak Hill – Doolgunna:
Camel Hills – gold
Ned's Creek – gold
West Pinyrinny – gold
Marymia – gold



UPCOMING DIAMOND DRILLING OF BEDROCK GOLD TARGETS AT CONTESSA AND BRUMBY

- Western Australian Government co-funded diamond drilling at Contessa and Brumby scheduled for April.
- Results will provide critical information on interpreted structural controls of bedrock gold at both discoveries.
- New 3D model at Contessa supports interpretation that higher-grade gold mineralisation plunges north beneath Contessa granite.
- First fieldwork program at new Yowereena farm-in tenements to follow-up exciting historical drill results to begin later this week.
- Large aircore drilling program across multiple gold targets at Contessa, Brumby and Yowereena to start in mid-April ahead of diamond drilling.

West Australian gold explorer Lodestar Minerals Limited ("Lodestar" or the "Company", ASX: LSR) advises that the next round of drill testing of the Contessa and Brumby gold discoveries at Ned's Creek is expected to begin in April.

Lodestar's belief in the prospectivity of Contessa and Brumby and the interpreted intrusion-related gold mineralisation related to the Contessa granite has been supported by the recent awarding of a grant under the Western Australian Government's Exploration Incentive Scheme (EIS), administered by the Department of Mines and Petroleum. Funding of up to \$22,500 has been granted (which Lodestar will match) to test the Contessa and Brumby targets within the 100%-owned Ned's Creek project (see Figure 1).

The drilling will be the first diamond holes completed at Ned's Creek and will generate important structural data on potential controls on mineralisation to assist with the further development of geological models and improved drill targeting. Lodestar acknowledges and welcomes the support of the West Australian Government in co-funding the first diamond drilling in the Contessa area.

BACKGROUND

Following the completion of the most recent drilling at Contessa and Brumby in November 2016, Lodestar completed a program of comprehensive geological modelling to refine targets for the next stage of drilling. This work included collaborating with an external consultant to develop the first 3D model of gold distribution at Contessa to assist the ongoing process of identifying bedrock gold targets (see Appended Figures 6, 7 and 8).

The 3D model shows a clear east-west trending mineralised envelope dipping moderately to the north towards the sheared contact with the Contessa granite. This model correlates with Lodestar's geological interpretation that the granite contact is a key structural control of gold mineralisation in the region. The model will continue to be refined as more results are included.

The Company believes there is substantial potential for syenite-hosted gold mineralisation at Ned's Creek. Syenite-hosted deposits are well known in the Canadian Abitibi Greenstone Belt and more recently in Western Australia, through the success of Dacian Gold's exploration at the 1.5Moz Jupiter deposit. At Jupiter, brittle fracture systems related to shallow dipping shear zones can host significant gold, including major intersections of 133m at 2.4g/t gold and 139m at 1.2g/t gold¹. The ore-grade zones are commonly surrounded by extensive lower grade material, similar to that encountered in the limited drilling completed to date at Brumby.

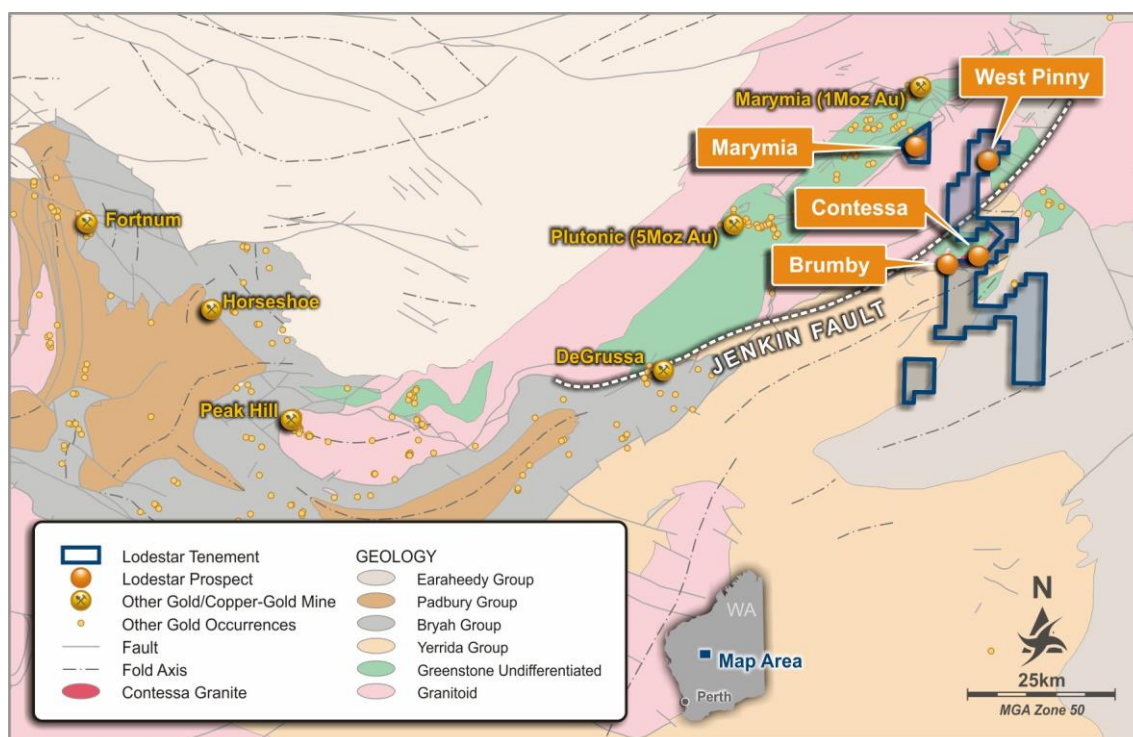


Figure 1: Ned's Creek project, showing the Contessa and Brumby gold prospects.

¹ See Dacian Gold's ASX announcement dated 1 August 2016.

FORWARD WORK PROGRAM

Diamond Drilling

Contessa (Lodestar 100%)

Aircore drilling completed at Contessa in November 2016 reported significant intersections of strongly anomalous gold in the transition zone (see Lodestar's ASX announcement dated 1 December 2016) between the shallower primary mineralisation and deeper bedrock mineralisation. The next phase of drilling will focus on targeting extensions to the transition zone and primary mineralisation which extend below the base of complete oxidation. The co-funded diamond drill hole will target the down-dip position of the transition zone and analysis of the distribution of alteration mineralogy will be used to further refine additional drill positions.

Brumby (Lodestar 100%)

As part of the EIS drilling program a single diamond drill hole is planned for Brumby. The hole will target mineralisation on the syenite contact to obtain important structural orientations of mineralised veining and alteration zones. This information will then be applied to guide exploration drilling at Brumby and in the wider Ned's Creek area.

The diamond drilling is expected to commence in April as part of an active 2017 exploration program to evaluate strong gold anomalies and associated primary gold mineralisation.

Systematic aircore drilling of the Brumby contact zone is currently being planned to follow-up significant gold intersections in LNR824, which reported:

- 20m at 0.53g/t gold from 16m and
- 3m at 1.6g/t gold from 40m to end of hole².

LNR824 was drilled adjacent to strongly sheared and altered rocks on the structurally modified contact of the Brumby syenite. In-fill drilling is required in this area as a priority, as well as along the 1,200m long western contact of the Brumby syenite.

Aircore Drilling

Five priority targets will be tested by up to 5,000m of aircore drilling in the next phase of work, expected to begin by mid-April. In parallel with this program, planning for new exploration over the Yowereena Hill tenements has commenced (subject to the terms of recently announced farm-in agreement with Vango Mining Limited³ (ASX: VAN)), with the first priority being a review of the Boundary Fence prospect, followed by verification drilling to confirm gold intersections in historic RAB drilling and extending geochemical sampling across the northern granite contact.

² See Lodestar's ASX announcement dated 1st December 2016.

³ See Lodestar's ASX announcement dated 14th March 2017.

Aircore drilling is expected to commence in April and will target mineralisation and strong gold anomalies at Brumby and within the Contessa trend, along the southern margin of the granite (see Figure 2).

Brumby (Lodestar 100%)

Lodestar has identified extensive surface gold anomalies at Brumby and “proof of concept” reconnaissance drilling in 2016 successfully intersected significant gold mineralisation related to the syenite contact. Lodestar intends to target this zone with several traverses planned around hole LNR824 – 20m at 0.53g/t gold from 16m and ended in mineralisation with 3m at 1.6g/t gold from 40m (see Lodestar’s ASX announcement dated 25 January 2017). The initial hole spacing of 50m will be closed to 25m and the holes extended with hammer drilling to test the contact and underlying bedrock for stockwork mineralisation.

A second target, at the location where a strong gold anomaly, defined by lag sampling, is interpreted to intersect the granite contact will be tested by drilling. This anomaly is believed to continue into adjoining Vango tenement M52/781 and this area will be assessed as work on the Yowereena tenements commences.

Gidgee Flat (Lodestar 100%)

Reconnaissance drilling outlined significant gold intersections beneath a 10ppb gold anomaly in auger sampling. The best result of 10m at 1.89g/t Au from 40m in LNR747⁴ occurs with numerous anomalous intersections of greater than 0.1g/t Au that are associated with elevated Ag, Bi, Mo and Te. The Gidgee Flat target occurs within a window of older bedrock surrounded by Proterozoic sediments and the strike extent of the system has not been defined by drilling.

Contessa (Lodestar 100%)

Significant gold anomalies were reported in reconnaissance drilling targeting the granite contact 1.3km southwest of Contessa. On a single traverse of three holes, two holes reported significant mineralisation⁵:

LNR757 – 5m at 2.15g/t Au from 29m; and

LNR758 – 5m at 8.90g/t Au from 30m.

Planned follow up drilling will in-fill and extend coverage of the target contact.

Drilling is also planned to test an area to the northeast of Contessa within a significant 10ppb Au auger anomaly where earlier reconnaissance drilling intersected granitic rocks similar to those at Brumby. The initial drilling was terminated at blade refusal and did not penetrate the basement to any significant depth. Hole LNR764 reported a weak, 64ppb gold anomaly in the interval 50m to 55m with syenite basement intersected in the last 0.5m of the hole.

⁴ See Lodestar’s ASX announcement dated 24 November 2014.

⁵ See Lodestar’s ASX announcement dated 24 November 2014.

Follow up drilling will target the granite basement. The objective is to confirm a mineralised syenite intrusion and if successful, the drilling will provide conclusive evidence for the composite intrusion model, confirming the potential for significant discovery along the entire length of the contact.

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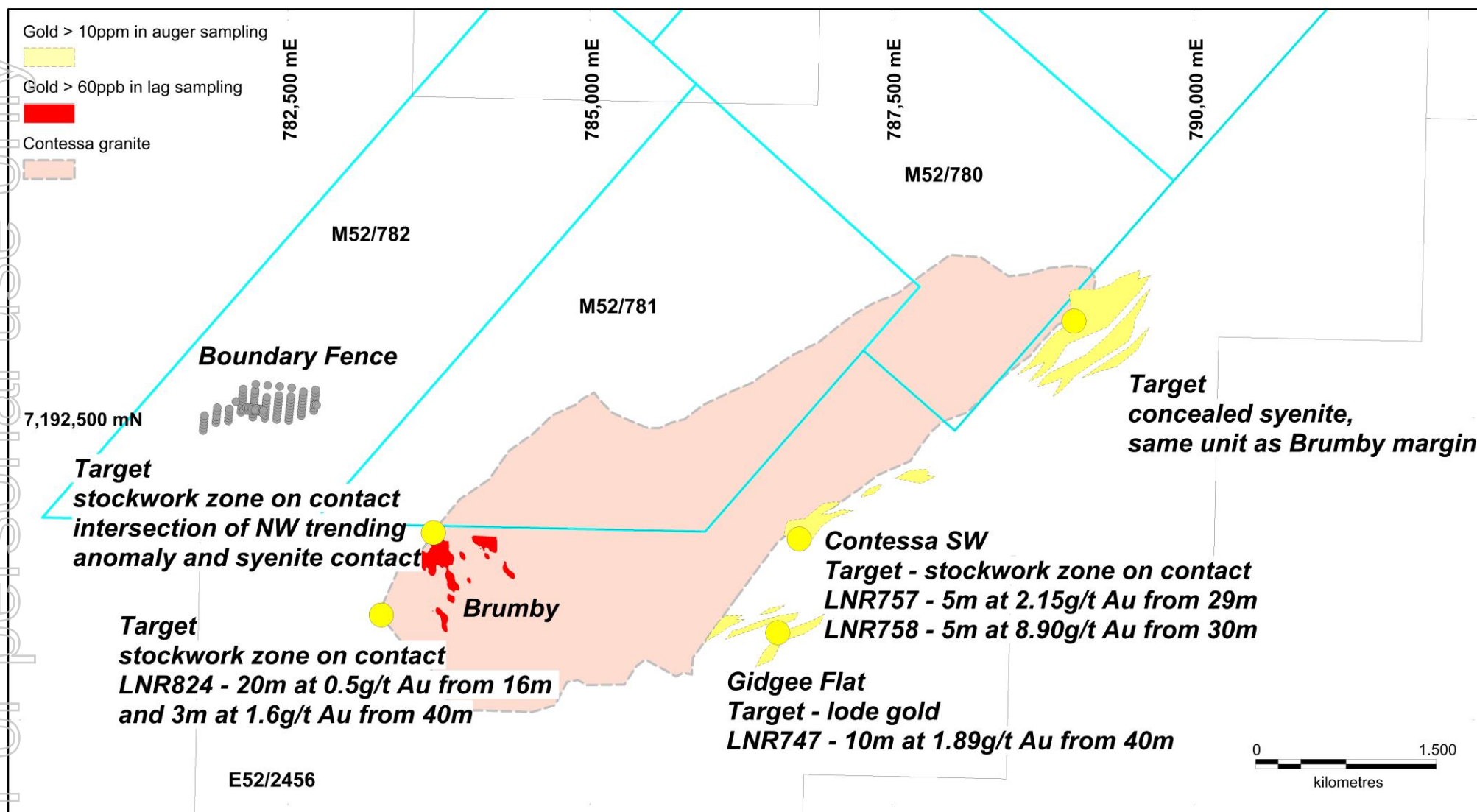


Figure 2: Exploration targets to be tested by upcoming aircore drilling (MGA94).

Yowereena (Lodestar earning 80%)

Earlier this month, Lodestar advised of an agreement with Vango Mining Limited ("Vango", ASX: VAN) whereby Lodestar could earn up to an 80% interest in the Vango's Yowereena tenements³. The Yowereena tenements contain the Boundary Fence gold prospect and a number of untested gold intercepts in historic reconnaissance drilling (see Figure 3). In addition, the 7km long northern extension of the Contessa granite contact along the Jenkin Fault is a priority target for repetitions of syenite-hosted mineralisation encountered at Ned's Creek. Extensive surface gold anomalies in the Brumby area are also believed to continue into the Yowereena tenements, where there has been no significant exploration.

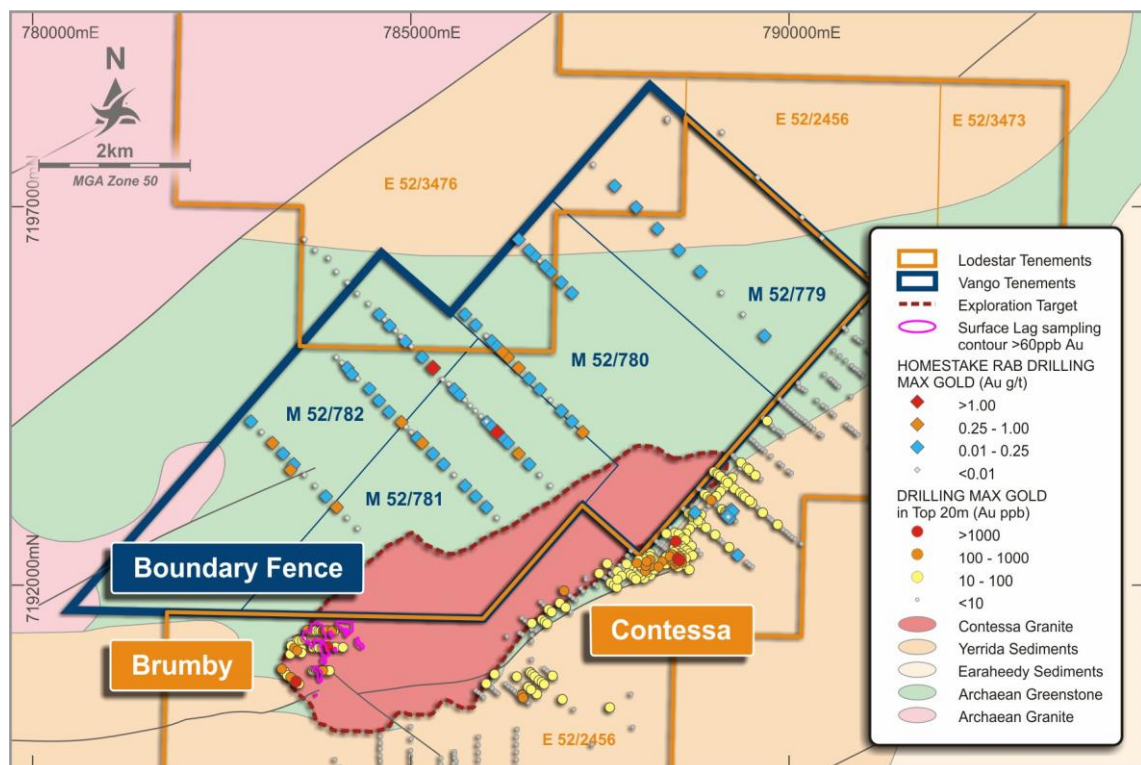


Figure 3: Location of the Boundary Fence gold prospect.

Lodestar will commence exploration with a field visit later this week, in preparation for an initial aircore drill program to verify historic RAB drill intersections at Boundary Fence. Historic drilling identified a shallow to moderate north-dipping mineralised zone characterised by high-grade near surface gold mineralisation (see Figures 4 and 5). The mineralisation was interpreted to be associated with quartz veining within strongly sheared chloritic schists. The geological model and historic drill intersections require confirmation before additional RC drilling is planned.

Significant historic intersections reported from Boundary Fence include (see Lodestar's ASX announcement dated 14 March 2017):

- *13m at 10.52g/t Au from 45m in YHR-54*
- *7m at 2.08g/t Au from 8m in YHR-61*
- *7m at 2.42g/t Au from 29m in YHR-63*
- *12m at 8.47g/t Au from 0m in YHR-15*
- *19m at 3.32g/t Au from 5m in YHR-90*

This program will be expanded to include testing of specific geochemical anomalies and the northern contact zone, once heritage approvals are in place.

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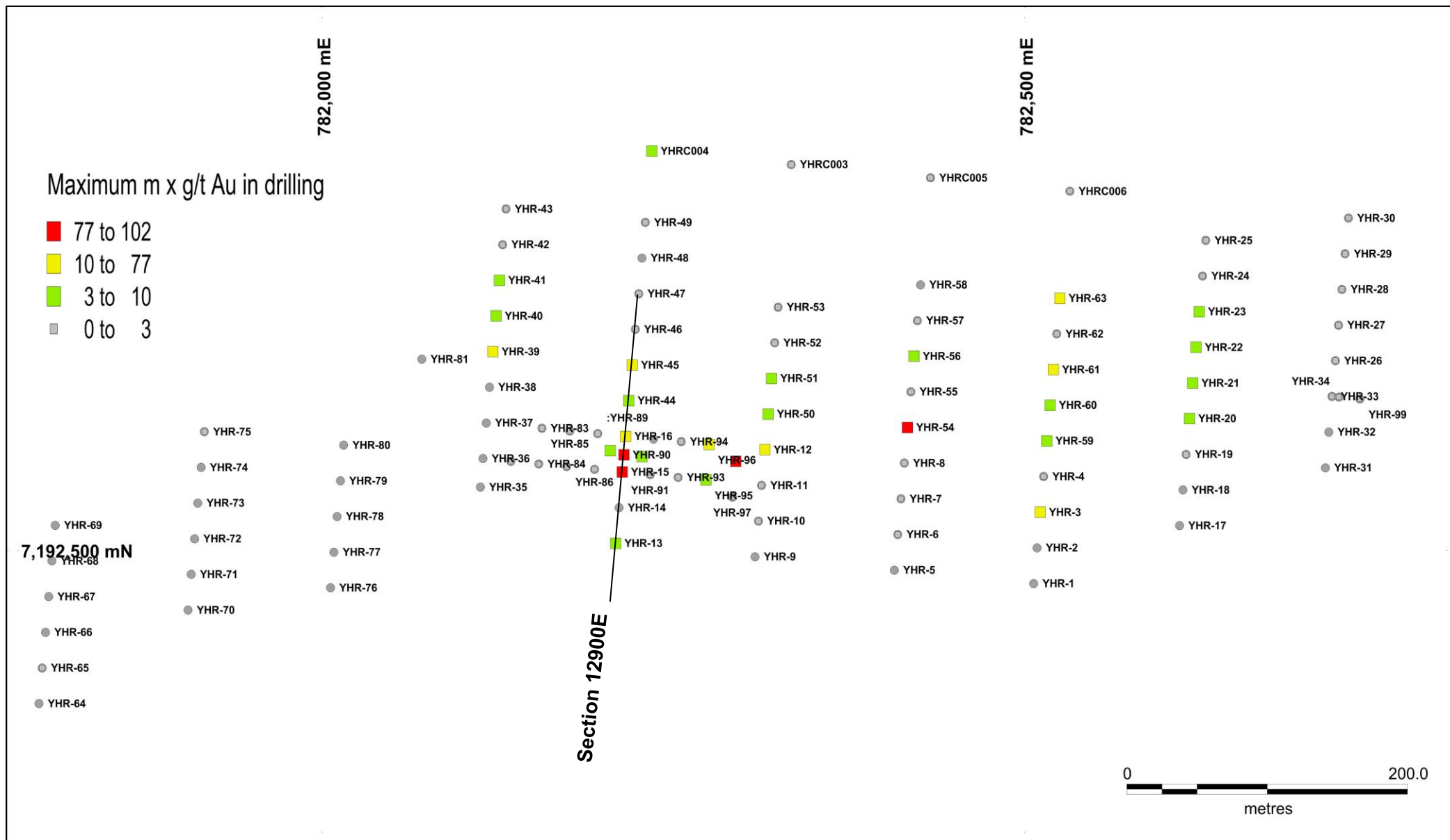


Figure 4: Boundary Fence drill collar plan showing gold distribution and section 12900E (MGA94 Zone 50).

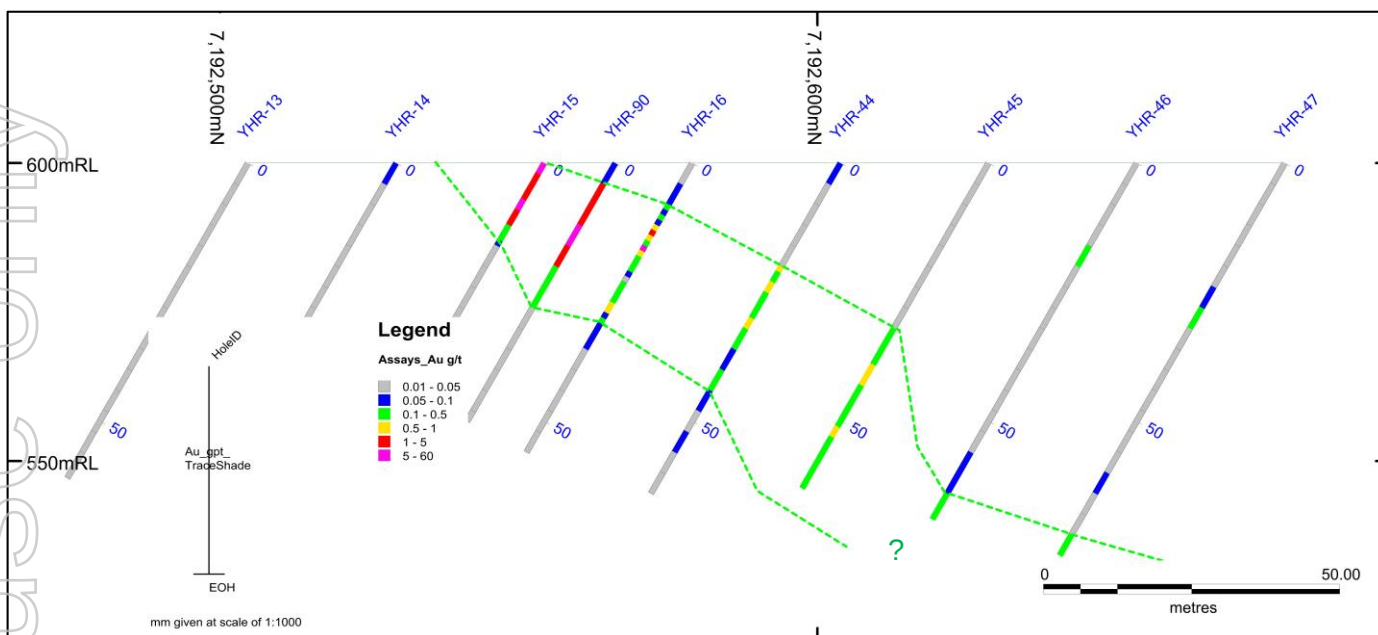


Figure 5: Section 12900E showing north-dipping mineralisation in historic RAB drilling.

Bill Clayton
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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 1st December 2016 "Contessa – Brumby Aircore Drilling Results; 14th March 2017 "Farm-in Agreement Enhances Gold Potential at Ned's Creek; 25th January 2017 December 2016 Quarterly Activities and Cash Flow Report and 24th November 2014 "LSR Contessa Drilling Update". 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 announcements. 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.



APPENDIX

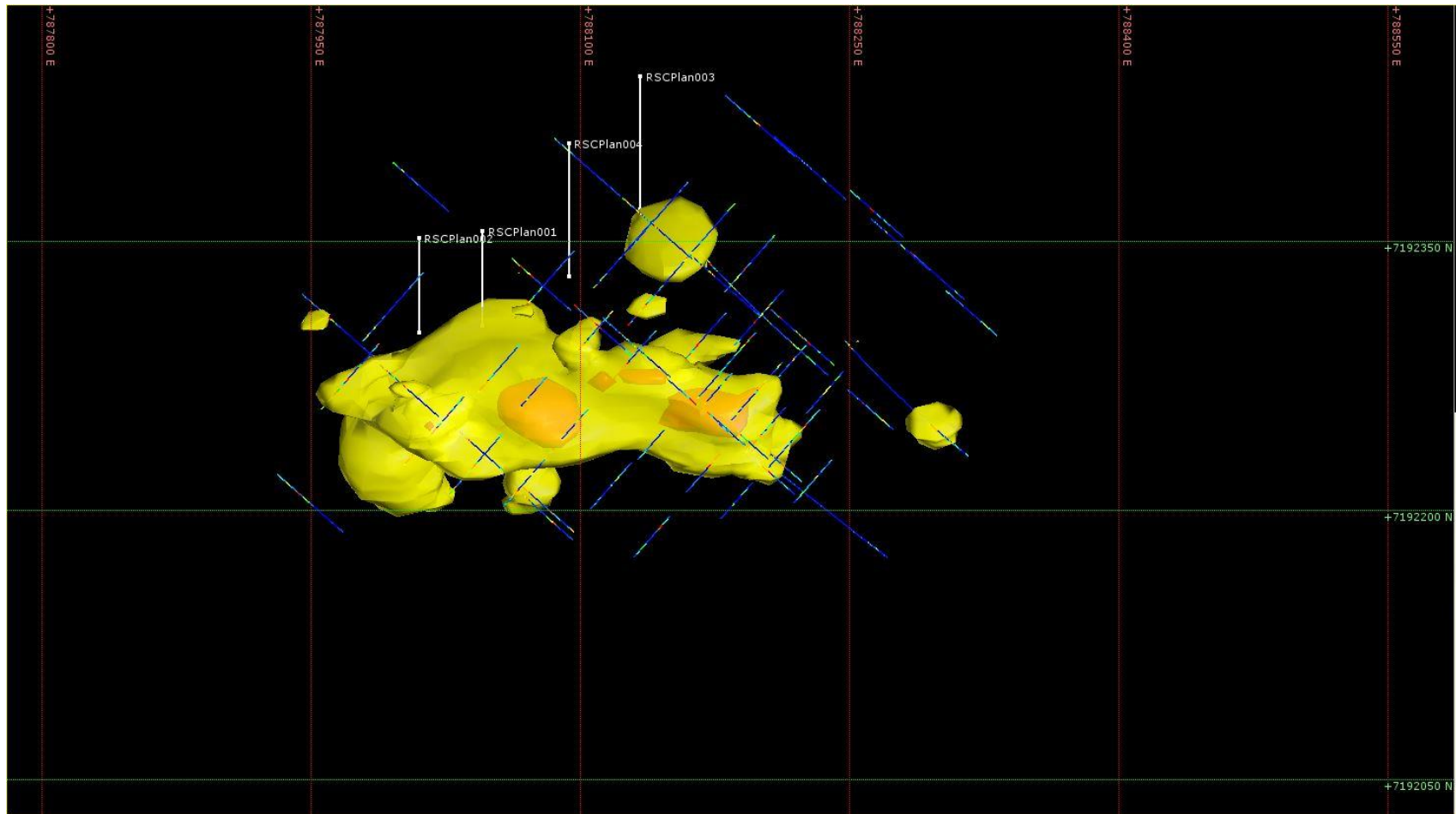


Figure 6: Plan view of Contessa 0.1g/t gold envelope model (yellow) showing postulated drill holes (white) targeting the down-dip position (GDA94).

Figure 7: Contessa 0.1g/t gold envelope model, looking south.

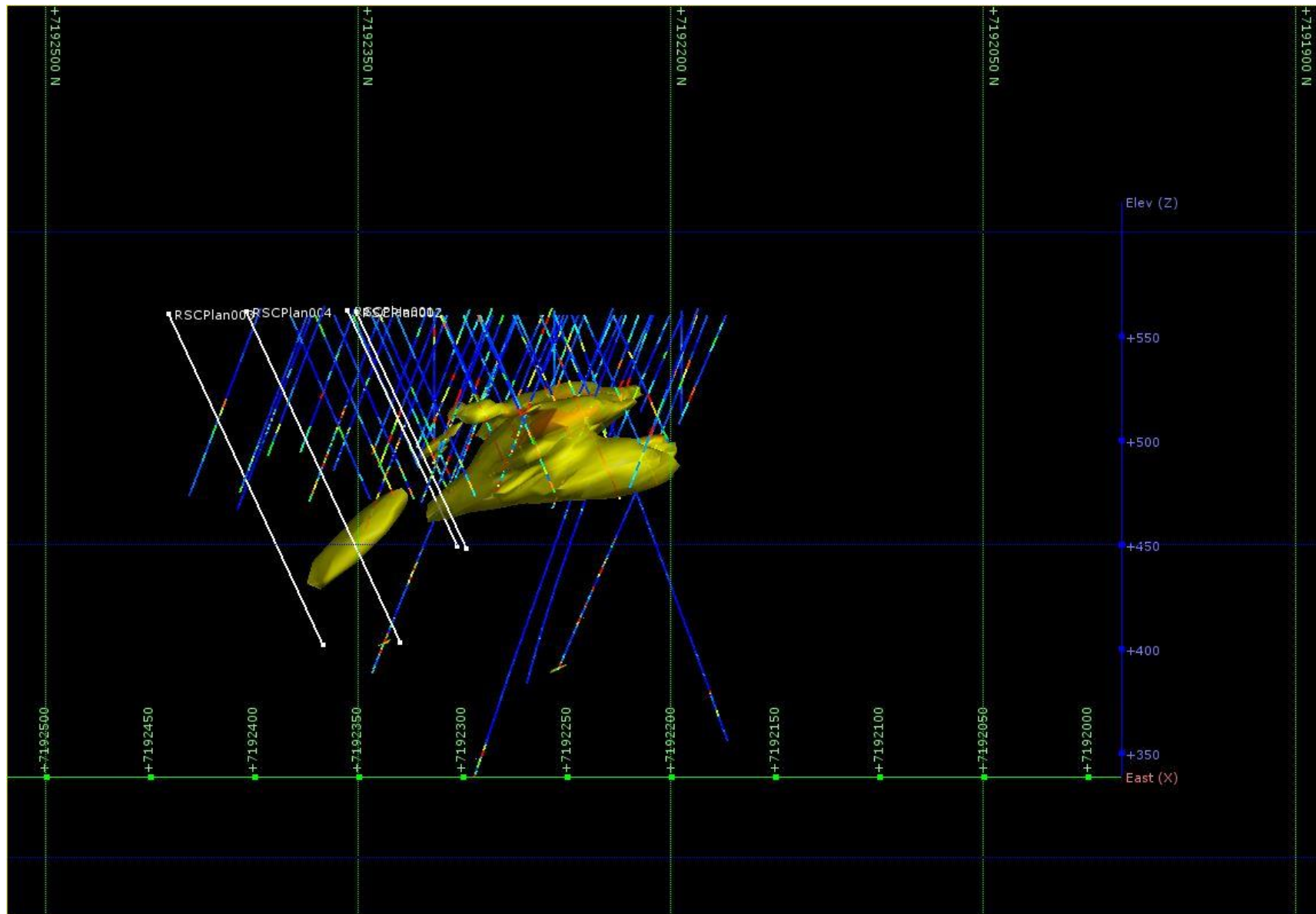


Figure 8: Contessa 0.1g/t gold envelope model, looking east.