

**LODESTONE EXPLORATION LIMITED**  
**ABN 20 075 877 075**

**HALF-YEAR REPORT – 31 DECEMBER 2003**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Lodestone Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## **DIRECTORS' REPORT**

Your directors present their report on the company for the half-year ended 31 December 2003.

### **Directors**

The following persons were directors of Lodestone Exploration Limited during the whole of the half-year and up to the date of this report:

J T Shaw - Chairman  
G A J Baynton  
J L McCawley – Executive Director  
M Ackland

### **Review of Operations**

The operating loss after income tax of the company for the half-year was \$109,285 (2002: loss \$44,632). The loss reflects the nature of the company's principal activity, being mineral exploration.

During the half year to 31 December 2003 the company incurred \$443,579 on exploration expenditure, which when compared with the 2002 half year, reflects the increased tempo of the company's exploration activities since listing on the Australian Stock Exchange.

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

A handwritten signature in black ink, appearing to read 'J T Shaw', is positioned above the printed name and title.

**J T Shaw**  
**Chairman**  
**3 March 2004**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	2003 \$	Half-year 2002 \$
Revenue from ordinary activities	35,855	11
Professional services expenses	(40,526)	(26,850)
Exploration related expenses	-	-
Corporate overhead expenses	(29,906)	(16,752)
Depreciation expenses	(600)	(1,041)
Directors' remuneration	(74,108)	-
	<hr/>	<hr/>
Profit/(loss) from ordinary activities before income tax	(109,285)	(44,632)
Income tax expense	-	-
	<hr/>	<hr/>
Net profit/(loss)	(109,285)	(44,632)
	<hr/>	<hr/>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>(109,285)</b> =====	<b>(44,632)</b> =====
	 <b>Cents</b>	 <b>Cents</b>
Basic earnings per share	(0.35)	(0.26)
Diluted earnings per share	(0.35)	(0.26)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2003**

	<b>31 December 2003 \$</b>	<b>30 June 2003 \$</b>
<b>Current assets</b>		
Cash	1,344,496	1,957,043
Receivables	28,500	42,269
Other	20,760	13,260
	-----	-----
Total current assets	1,393,756	2,012,572
	-----	-----
<b>Non-current assets</b>		
Plant and equipment	6,533	7,133
Exploration expenditure	1,136,117	692,538
	-----	-----
Total non-current assets	1,142,650	699,671
	-----	-----
<b>Total assets</b>	2,536,406	2,712,243
	=====	=====
<b>Current liabilities</b>		
Payables	28,504	96,056
	-----	-----
Total current liabilities	28,504	96,056
	-----	-----
<b>Total liabilities</b>	28,504	96,056
	=====	=====
<b>Net assets</b>	2,507,902	2,616,187
	=====	=====
<b>Equity</b>		
Contributed equity	2,826,159	2,825,159
Accumulated profits/(losses)	(318,257)	(208,972)
	-----	-----
<b>Total equity</b>	2,507,902	2,616,187
	=====	=====

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Half-year	
	2003	2002
	\$	\$
	Inflows / (Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	56,803	16,800
Payments to suppliers (inclusive of goods and services tax)	(220,709)	(76,524)
Interest received	37,303	11
<b>Net cash outflows from operating activities</b>	<u>(126,603)</u>	<u>(59,713)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration	(479,377)	(233,580)
Payment for security deposit	(7,500)	-
<b>Net cash outflows from investing activities</b>	<u>(486,877)</u>	<u>(233,580)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	1,000	245,851
Payment of share issue costs	-	(72,000)
<b>Net cash inflows from financing activities</b>	<u>1,000</u>	<u>173,851</u>
<b>Net increase in cash held</b>	(612,480)	(119,442)
Cash at the beginning of the financial year	1,957,043	134,004
<b>Cash at the end of the financial year</b>	<u>1,344,563</u> =====	<u>14,562</u> =====

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

### Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Lodestone Exploration Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Note 2 Segment information

The company operates solely within one business segment, being the mineral exploration industry in Australia.

### Note 3 Equity securities issued

	Half-year		Half-year	
	2003 Shares	2002 Shares	2003 \$	2002 \$
<b>Issues of ordinary shares during the half-year</b>				
Shares issued	-	1,816,154	-	272,423
Exercise of options issued under the prospectus	5,000	-	1,000	-

### Note 4 Events occurring after reporting date

There have been no matters or circumstances, that have arisen since the end of the half-year, that have significantly affected, or may affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

## DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 2 to 5:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the company's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Lodestone Exploration Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink, appearing to read 'J T Shaw', written in a cursive style.

J T Shaw  
Chairman

Brisbane  
3 March 2004



# PITCHER PARTNERS

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## **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF LODESTONE EXPLORATION LIMITED**

### **Scope**

#### *The Financial Report and Directors' responsibilities*

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for Lodestone Exploration Limited ("the company") for the half-year ended 31 December 2003.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review Approach*

We have conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with Accounting Standard AASB 1029 : Interim Financial Reporting, other mandatory professional reporting requirements in Australia and the Corporations Act 2001, a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our review procedures were limited to:

- i) inquiries of the company's personnel of certain internal controls, transactions, significant accounting estimates and individual items; and
- ii) analytical procedures applied to financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF  
LODESTONE EXPLORATION LIMITED  
(continued)**

**Review Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Lodestone Exploration Limited is not in accordance with:

- a) the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 1029 : Interim Financial Reporting and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

Pitcher Partners



R C Brown  
Partner

Brisbane, 3 March 2004