

ANNUAL REPORT
2004



LODESTONE EXPLORATION LIMITED

ABN 20 075 877 075

Exploring the Mount Morgan metals
district with advanced technologies



CORPORATE DIRECTORY

DIRECTORS	John Shaw (Chairman) Martin Ackland Greg Baynton John McCawley (Executive director)
SECRETARY	Leni Stanley
PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	Level 1, 101 Edward Street Brisbane QLD 4000 (07) 3229 6606
SHARE REGISTER	ASX Perpetual Registrars Limited Level 22, 300 Queen Street Brisbane QLD 4000 (07) 3228 4000
AUDITOR	Pitcher Partners Level 21, 300 Queen Street Brisbane QLD 4000 (07) 3228 4000
SOLICITORS	Corrs Chambers Westgarth 1 Eagle Street Brisbane QLD 4000 (07) 3228 9424
BANKERS	Westpac Banking Corporation Cnr Queen and Eagle Streets Brisbane QLD 4000
STOCK EXCHANGE LISTING	Lodestone Exploration Limited shares are listed on the Australian Stock Exchange.
WEBSITE ADDRESS	www.lodestonex.com



LODESTONE EXPLORATION LIMITED

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Operational review

The Chairman's perspective

On behalf of your Board of Directors, I have pleasure in presenting the company's eighth annual report, and its second since listing on the Australian Stock Exchange in March 2003.

Lodestone's main objective, for which it was formed, is to "discover another Mount Morgan".

We are now in our second year of a properly resourced search, and the past year's program has added to our knowledge, helped us narrow our focus, and reinforced our hopes of success.

Mount Morgan South, the Mine Corridor, the Mount Victoria-Mt Battery and the Cracow South project areas are now distinct projects that will be advanced separately under largely independent technical leadership.

Mount Morgan South. Since listing in March 2003 we have drilled 8 geophysical targets south of Mount Morgan, including 4 in the past financial year, and have 4 yet to test.

The belt between New Chum Station, 11 km south of Mount Morgan, and Pomegranate Station, 30 km south of Mount Morgan is harder to explore than first envisaged. Cover rocks are thicker and the prospective horizon deeper than anticipated.

Airborne electro-magnetics have not delivered us a prize in that terrain, and the company has now turned to gravity tools in its search for massive sulphides. The company's first gravity target, 1105, is outlined on page 5 of this report.

Mine Corridor. The prospective belt between the Hamilton prospect, 7 kms south of Mount Morgan and the Midas prospect, 3 kms north of Mount Morgan, is less challenging, in terms of cover rocks, than the New Chum – Pomegranate belt.

Tenements acquired since listing allow Lodestone to move its focus northward into the "mine corridor" as distinct from its inferred southern extensions.

This belt will be explored intensively, with two potential drill targets already recognised.

Mount Victoria – Mount Battery. The newly optioned Mount Victoria – Mount Battery project area, just west of Mount Morgan, is prospective for epithermal and breccia-hosted style gold. An outline of the most immediate of several areas of interest is shown on page 6.

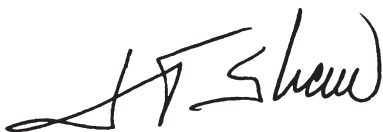
Cracow South. Lodestone is also targeting epithermal style gold between 20 kms and 50 kms south of Cracow.

These targets are overlain by Jurassic sandstone cover that makes exploration difficult, but easier than the search south of New Chum Station; under volcanic cover rocks.

Lodestone will continue to assess new opportunities in Central Queensland, to take advantage of its presence in the region.

As for risk and reward, the search for "another Mount Morgan" remains high risk, with the potential for considerable reward. This is especially so, in a climate of historically strong metals prices. The search for epithermal gold, though probably less risky, offers worthwhile rewards as recent successes in Queensland have shown.

May I acknowledge and thank those shareholders who have been with us since the float in March 2003, and welcome those of you who have joined us in the past twelve months.



John Shaw
Chairman

Operational Review

Where it all began – Overview

Lodestone Exploration (LOD) is an Australian listed junior explorer, with a tenement area of more than 1700 square kilometers in Central and Northern Queensland.

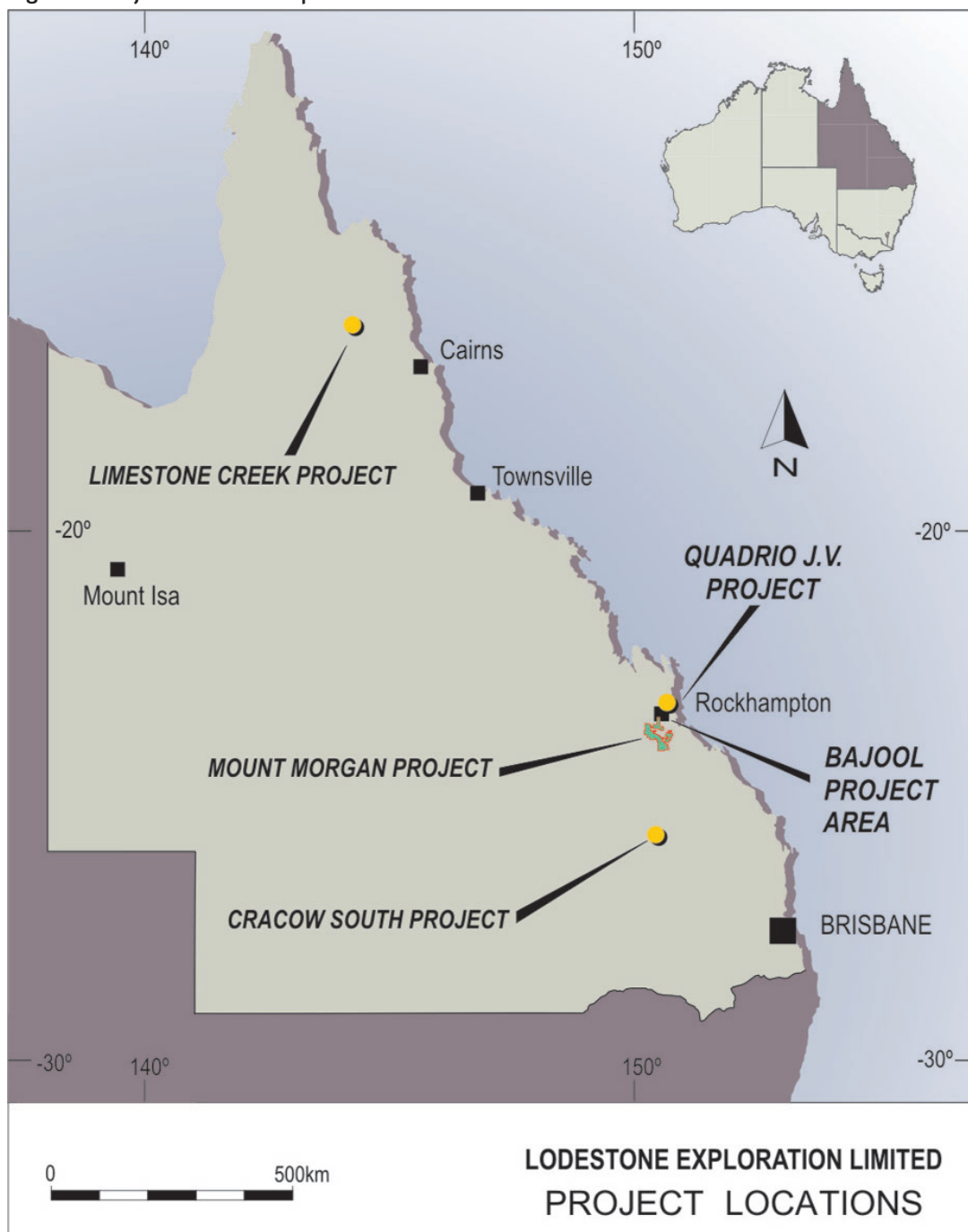
The Company was established in 1996 to identify and investigate potential economic blind ore bodies in a prospective gold-copper region south of Mount Morgan in Central Queensland.

The Mount Morgan ore deposit was Australia’s premier volcanic-hosted massive sulphide deposit. The former mine yielded 9.4 million ounces of gold and 360,000 tonnes of copper and was described as one of the “largest mountains of gold ever discovered”.

In other countries, satellite deposits have been discovered around similar ore bodies. Until recently, the limitations of available technologies meant that the detection of conductors that might include similar satellite deposits under thick cover rocks in the Mount Morgan area was extremely difficult.

Lodestone is applying the advances made in airborne geophysical survey techniques to conduct large-scale exploration of the region. The Company has deployed modern airborne electromagnetic survey equipment, specifically GEOTEM, HOISTEM and TEMPEST systems and in addition has utilized advanced ground gravity tools.

Figure 1. Project Location Map

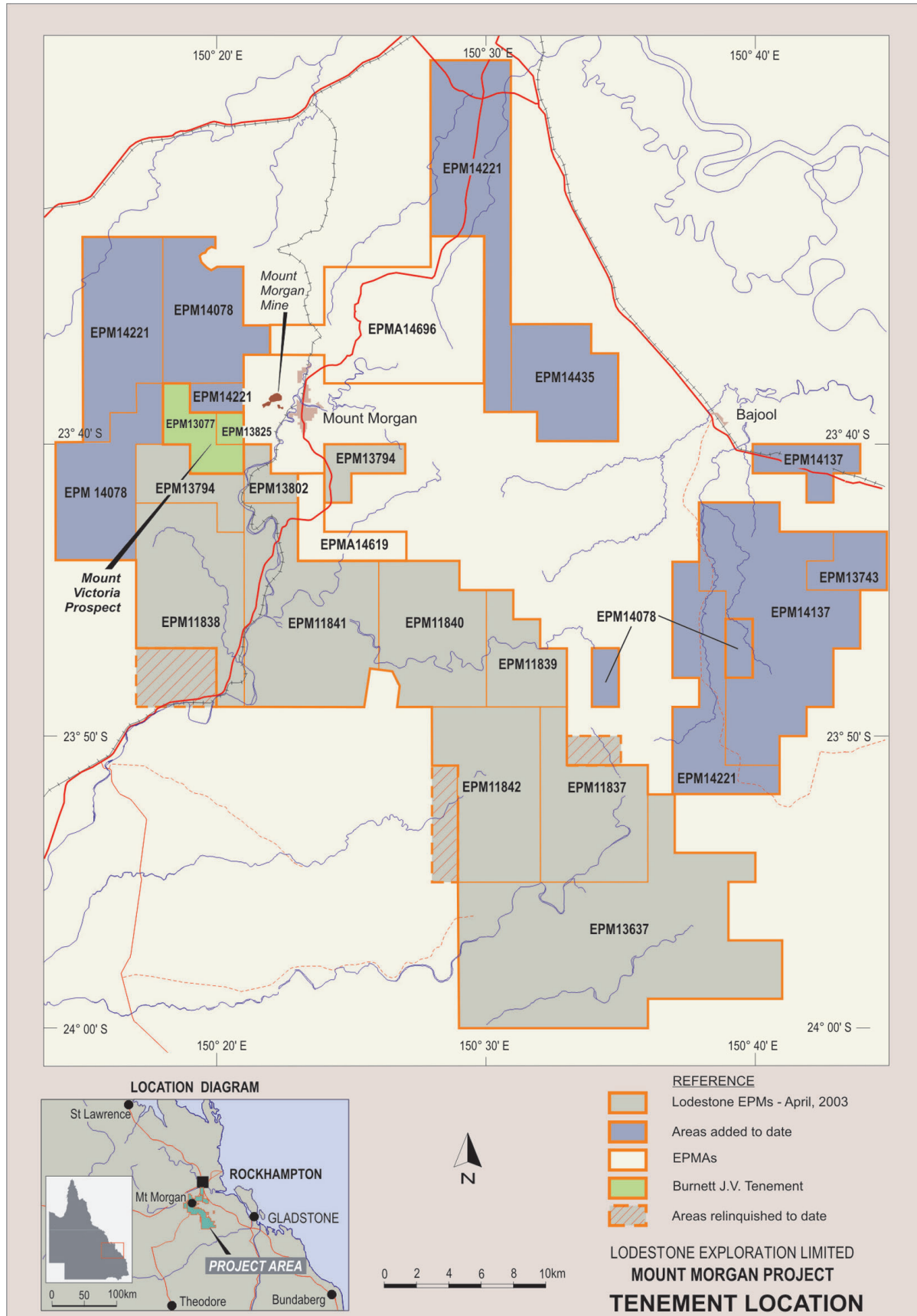


Operational Review

MOUNT MORGAN PROJECT

Drilling on the Mount Morgan Project (Figure 2) (EPM 11840, 11841, 13794) since July 2003 has tested three electromagnetic and one magnetic target. Seven airborne electromagnetic and one magnetic target have now been drilled in total. Only minor copper and gold anomalism was revealed in two drillholes and four anomalies remain undrilled, subject to confirmation as targets.

Figure 2. Mount Morgan Project

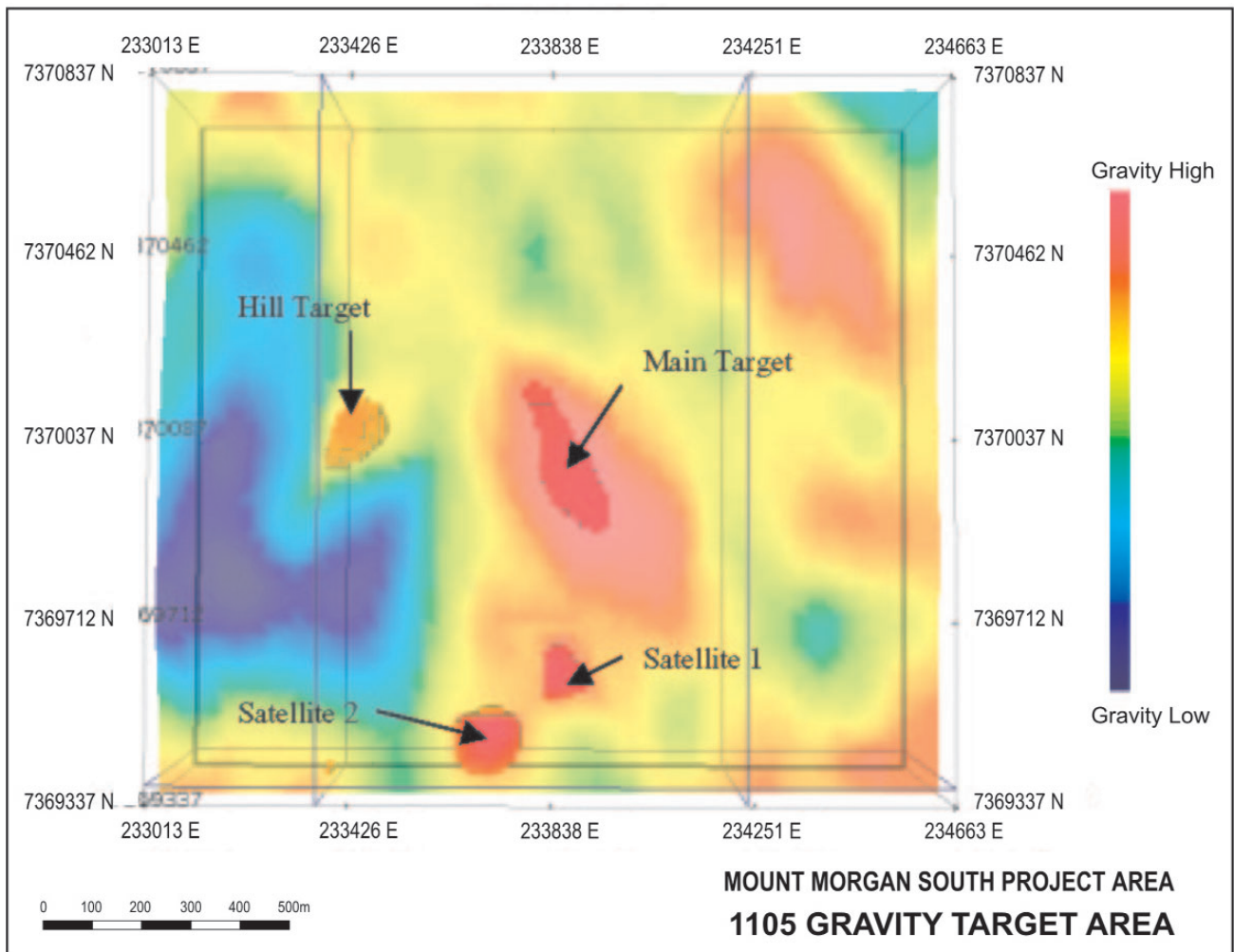


The project has nine granted exploration permits that are the subject of an exploration alliance with BHP Billiton. Lodestone's interest in these granted permits (and in the alliance established between the parties) is initially 100%. BHP Billiton may earn a 70% interest in the granted permits if BHP Billiton incurs exploration expenditure of \$8 million or completes a bankable feasibility study within five years, and defines a mineral resource of not less than \$750 million in-ground value. The rights to smaller deposits would remain with Lodestone.

MOUNT MORGAN PROSPECT – “1105” TARGET

Two ground gravity surveys covered more than 100 sq. kms, delineated 10 anomalies, and generated the “1105” target shown in Figure 3. This target will be drilled as soon as a rig becomes available.

Figure 3. Mount Morgan South Project “1105” Target



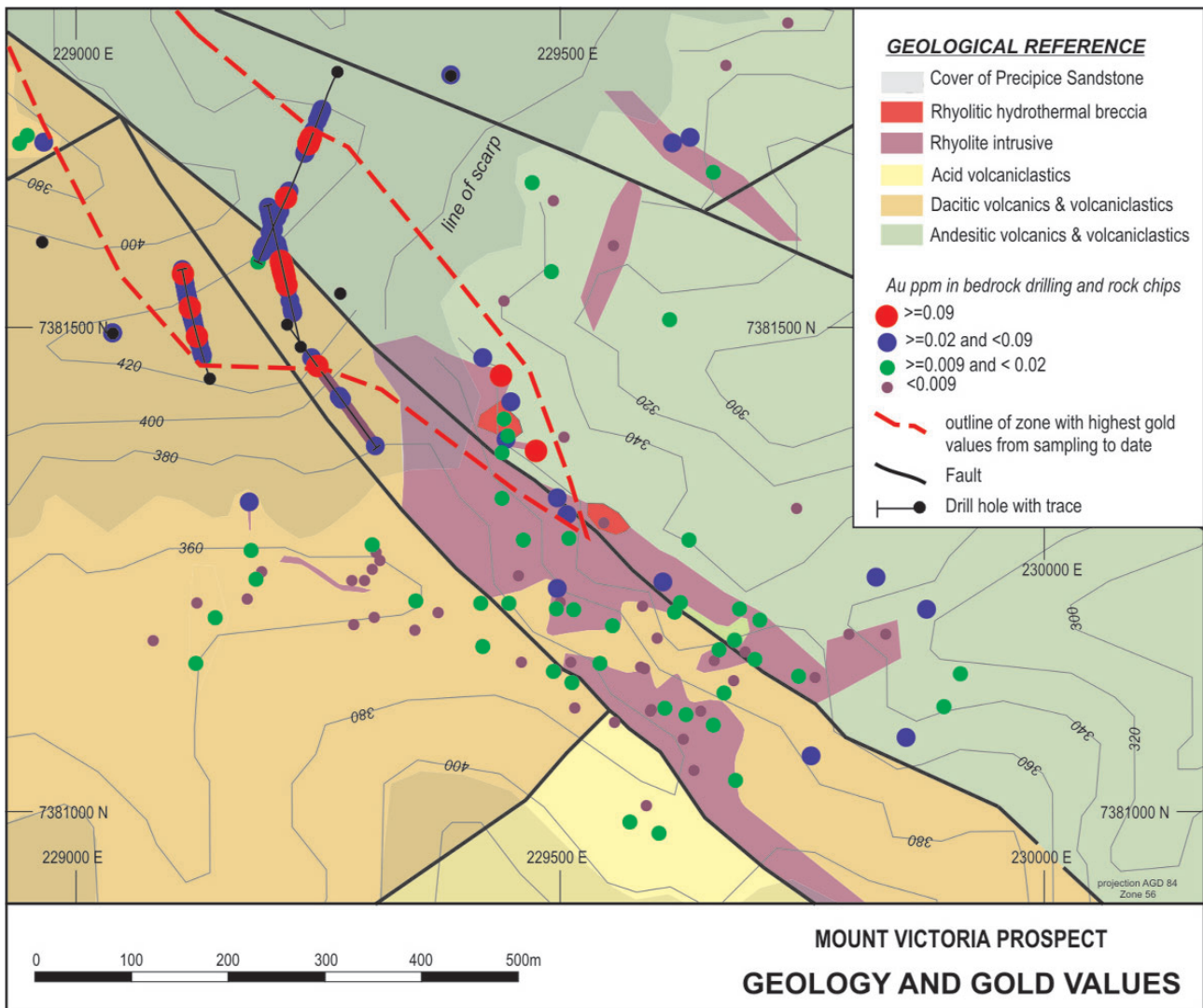
Lodestone engaged structural geologist, Dr. Tim Hopwood to review the characteristics of Mount Morgan type mineralisation and generate new target areas. Dr. Hopwood defined six potential targets in a belt that extends from one target area named Midas (3kms North of Mount Morgan) to Hamilton Creek (7kms South of Mount Morgan). Magnetic and gravity data will be collected over these targets prior to drilling to further define them.

In summary, work programs comprised follow-up ground electromagnetic surveys (Fugro) at three sites South of Mount Morgan, gravity surveys centred on Fletcher’s Hill (Daishsat) and Dr. Hopwood’s structural and stratigraphic study of the mine and mine corridor.

MOUNT MORGAN PROSPECT – MOUNT VICTORIA TARGET

A fourth program was initiated and advanced by Dr. Gary Arnold immediately west of the Mount Morgan Mine at the Mt Victoria Prospect (Figure 4). This ongoing program of geological mapping and geochemical sampling has defined two gold mineralised systems that appear to be centred on intrusive rhyolites.

Figure 4. Mount Victoria Prospect



Rhyolite in the larger system is intensely altered, quartz veined and brecciated, and has significant surface gold anomalism up to 0.4 ppm gold. The style of mineralisation is not yet well understood but could be similar to breccia-hosted mineralisation known elsewhere in Queensland.

OTHER CENTRAL QUEENSLAND PROJECTS

Lodestone’s field office is in Mount Morgan and the company is taking advantage of this location to extend Lodestone’s interests more widely in Central Queensland. Consequently, Lodestone has taken up new ground in the Cracow District 20 kms South of Newcrest’s Cracow Mine development comprising approximately 600 sq. kms, with 4 specific areas of interest.

The company has also farmed into ground held by Dominion Mining Limited, 25 kms east of Rockhampton, and is looking at other opportunities within easy reach of Mount Morgan.

FUTURE DIRECTION

Lodestone remains focused on finding ‘another Mount Morgan’ and will continue its methodical and determined campaign, using airborne magnetics and ground gravity. Focus remains centred on the Mount Morgan mine corridor volcanics and the search will move progressively northwards where the Hoopbound cover rocks are thinner or absent.

This northerly progression follows the grant of ground to Lodestone in its own right, as distinct from the original landholdings which are subject to an alliance with BHP Billiton and host the 1105 gravity anomaly, four untested electromagnetic anomalies and the Pomegranate breccias, all of which will be dealt with by year’s end.

Future planned work will comprise a third gravity survey to extend coverage by some 20 sq. kms and collect infill data from emergent areas of interest. A high-resolution aeromagnetic survey is to be flown in the northern areas to help define structure and stratigraphy within the ‘mine corridor’. Existing aeromagnetic data is between 10 and 20 years’ old and of little value. The aim of the next magnetic and gravity surveys is to trace favourable host volcanic horizons and to locate high density bodies that might be VMS deposits within these horizons.

The Mt Victoria mineralised system will be drill tested in October. One or two deep holes will intersect the system at depth and a third hole will be drilled through sandstone cover rocks in search of buried lateral extensions.

Additional ground will be captured and new joint ventures entered into as priority opportunities arise.

Tenement Schedule

Tenement	EPM Number	Area (sub-blocks) ³
MOUNT MORGAN ALLIANCE TENEMENTS¹		
Mount Gelobera	11837	18
Walmul West	11838	21
Hoopbound East	11839	4
Mount Hoopbound	11840	19
Walmul	11841	29
Gelobera West	11842	20
Black Mountain	13637	52
Mount Battery	13794	11
Mount Battery East	13802	3
MOUNT MORGAN TENEMENTS²		
Mount Battery North	14078	34
Morganite East**	14696	28
New Chum**	14619	6
BAJOOL TENEMENTS²		
Mount Kelly	14221	60
Station**	14435	14
Alphadale	14137	38
Queenslander	13743	5
NORTH QUEENSLAND TENEMENTS²		
Limestone Creek**	11980	18
CRACOW SOUTH TENEMENTS²		
Dawsonvale**	14495	100
Bungaban**	14636	98

** EPMA = Application for an exploration permit for minerals

Notes:

- 1 “Alliance Tenements” are included in the BHP Billiton Alliance.
- 2 Lodestone Exploration Limited has a 100% interest in these tenements.
- 3 Each sub-block approximates 3 sq. kms.

DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2004.

Directors

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

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

Principal Activities

During the year the principal continuing activity of the company was mineral exploration. No changes are expected in the principal activity of the company in subsequent years.

Lodestone Exploration Limited was admitted to the official list of the Australian Stock Exchange on 12 March 2003 and official quotation of the company's securities commenced on 17 March 2003. The company confirms that it used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Review of Operations

The operating loss after income tax of the company for the year was \$720,295 (2003: loss \$123,043). The loss reflects the nature of the company's principal activity.

Earnings per Share

	2004	2003
	Cents	Cents
Basic earnings per share	(2.33)	(0.57)
Diluted earnings per share	(2.33)	(0.57)

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the financial year.

Dividend

The directors do not recommend the payment of a dividend. No dividend was paid during the year.

Matters Subsequent to the End of the Financial Year

At the date of this report there are no matters or circumstances which have arisen since 30 June 2004 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

Likely Developments and Expected Results from Operations

There are no likely developments in the operations of the company which are expected to significantly affect the results of the company in subsequent years.

Environmental Regulation

The company is subject to significant environmental and other regulations in respect of its exploration activities in Australia and strives earnestly to undertake its operations in an environmentally responsible manner and to maintain compliance with the relevant regulations. Rehabilitation of individual field projects is completed progressively to ensure necessary environmental restoration is kept to a minimum at any particular time.

The directors are satisfied that no breaches of environmental legislation have occurred. No notices of any breaches have been received from any authority.

Information on Directors

Director	Experience	Special Responsibilities	Particulars of Directors' Interests in Shares and Options		
			Ordinary shares	Options	
				Expiry Date 30/09/07	Expiry Date 7/12/04
Chairman – Non-executive					
J T Shaw B.Sc (Geological Engineering) MCIM, FAusIMM, FAICD, SME	Independent Non-executive Director for 2 years. Chairman for 2 years. Age 64. Chairman of Tri Origin Minerals Limited and Gallery Gold Limited. Director of Kingsgate Consolidated Limited. He was formerly a director of a number of listed gold companies.	Chairman	100,000	400,000	–
Executive director					
J L McCawley B.Com (Hons)	Executive Director since November 2003. A Director for 8 years. Age 61.	Executive Director	5,097,147	–	–
Non-executive directors					
M Ackland B.App.Sc., M.AusIMM, SME, FAICD	Non-executive Director for 2 years. Age 58. Director of Mineral Deposits Limited and Sedimentary Holdings Limited. He was formerly a director of several major operating resource and engineering companies.	Chairman of the audit committee.	37,500	200,000	18,750
G Baynton M.Econ St, MBA, B.Bus (Accounting), ASIA, FAICD	Non-executive Director for 3 years. Age 35. Director of Tissue Therapies Limited and several private companies.	Member of the audit committee.	1,296,000	200,000	100,000

Company Secretary

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in 2002. Before joining Lodestone Exploration Limited she held a similar position with another company. She currently is a partner with a Chartered Accountants firm.

Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

	Full Meetings of Directors	Meetings of Audit Committee
Number of meetings held	10	2
Number of meetings attended by:		
J T Shaw	10	N/A
J L McCawley	10	N/A
M Ackland	9	2
G Baynton	9	2

Retirement, Election and Continuation in Office of Directors

Mr J Shaw and Mr M Ackland are the directors retiring by rotation who, being eligible, offers themselves for re-election.

Remuneration Report

Principles used to determine the nature and amount of remuneration

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$160,000 in aggregate plus statutory superannuation.

Executive pay

The combination of base pay and superannuation make up the executive directors total remuneration. Base pay for the executive director is reviewed annually to ensure the executive's pay is competitive with the market.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of Lodestone Exploration Limited for the year ended 30 June 2004 are set out in the following table.

Directors of Lodestone Exploration Limited

Name	Primary	Post-employment	Equity	Total
	Directors' fee \$	Superannuation \$	Options \$	
J T Shaw, <i>Chairman</i>	40,000	3,600	–	43,600
J L McCawley, <i>Executive director</i>	43,333	3,900	–	47,233
M Ackland	30,000	2,700	–	32,700
G Baynton	30,000	2,700	–	32,700

Share Options granted to Directors

There have been no options over unissued ordinary shares of Lodestone Exploration Limited granted during or since the end of the financial year to any of the directors of the company as part of their remuneration.

Shares under Option

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

Date options granted	Expiry date	Issue price of shares	Number under option
1 October 2002	30 September 2005	\$0.30	100,000
1 October 2002	30 September 2007	\$0.30	800,000
10 March 2003	7 December 2004	\$0.20	6,245,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Shares Issued on the Exercise of Options

The following ordinary shares of Lodestone Exploration Limited were issued during the year ended 30 June 2004 on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
10 March 2003	\$0.20	5,000

Insurance of Officers

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Agreement to Indemnify Officers

During the financial year, Lodestone Exploration Limited entered into an agreement to indemnify the directors and the general manager of the company.

The indemnity relates to any liability:

- incurred in connection with or as a consequence of the directors acting in the capacity including, without limiting the foregoing, representing the company on any body corporate, and
- for legal costs incurred in defending an action in connection with or as a consequence of the director acting in the capacity.

No liability has arisen under these indemnities as at the date of this report.

Proceedings on Behalf of Company

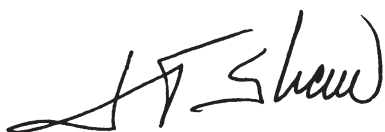
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Auditor

Pitcher Partners, Accountants Auditors & Advisors, continues in office in accordance with section 327 of the Corporations Act 2001.

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



J T Shaw
Chairman

14 September 2004

CORPORATE GOVERNANCE STATEMENT

This document sets out the principles of governance of Lodestone Exploration Limited (Lodestone) and the conduct of the Board. The Company has complied with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations which are considered appropriate to their circumstances given the size and maturity of the Company.

Lodestone's corporate governance policies are supported by the following specific code, policies and charter that are available on our website at www.lodestonex.com.

Code of Conduct
Continuous Disclosure Policy
Securities Trading Policy
Risk Management Policy
Audit Committee Charter

Commitment

The Company and the Board are committed to achieving the highest standards of integrity and governance in all aspects of Lodestone's activities. The principle obligation of Lodestone is to its shareholders through increasing shareholder wealth, and this is sought to be met while commensurately recognising the interests of employees, customers, creditors, the communities in which Lodestone operates, and other stakeholders.

Role of the Board

The key responsibilities of the Board are to:

- Review, advance and approve Lodestone's:
 - objectives and strategies,
 - exploration and development programmes, and
 - capital management.
- Monitor Lodestone's business activities, financial performance, and corporate governance.
- Oversee Lodestone's financial position.
- Report to shareholders.
- Ensure effective control systems are in place.
- Appoint, and appraise, the Executive Director.
- Oversee the senior management team in terms of:
 - performance evaluation;
 - succession planning; and
 - remuneration.
- Establish a culture of high ethical, environmental, health and safety standards.
- Ensure the Board is effective.

Directors' Independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a Director must be a Non-executive and:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years, not have been employed in an executive capacity by the company or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional advisor or a material consultant to the company, or an employee materially associated with the service provided
- not be a material supplier or customer of the company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must not have material contractual relationship with the company other than as a Director
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the individual directors' net worth is considered material for these purposes.

J Shaw, M Ackland and G Baynton hold shares and options in the Company. However, based upon the materiality guidelines noted above these holding are not considered to impact the directors' independence. The independent directors on the board are:

John Shaw – Independent Chairman
 Martin Ackland – Independent Non-executive Director

Due to his position of Executive Director and his substantial shareholding in the company John McCawley is not considered an independent director.

Greg Baynton is not considered independent as he is a director of Orbit Capital Pty Ltd. Orbit Capital Pty Ltd received management fees for the management of the company's initial public offering during the prior financial year.

Role of Management

The management of the business of Lodestone is conducted by the Executive Director, as appointed by the Board, and by those other officers and employees to whom the management function is properly designated by the Executive Director.

The Board sets authorities for the Executive Director which are reviewed and updated as required.

A position description for the Executive Director, and any other Executive Director, is being developed and will be agreed between the Board and Executive Director, along with periodic statements of the objectives of the Executive Director.

Board Membership

The following principles have been adopted for the membership of the Board:

- The Board has a majority of Non-executive Directors.
- The Chairman of Lodestone is a Non-executive Director.
- If the Chairman is a substantial shareholder of Lodestone, another Non-executive Director, who is not a substantial shareholder, is appointed as Lead Independent Director.
 - The Lead Independent Director takes over Chairmanship of the Board in any matter in which the Chairman may be perceived to have a conflict of interest with shareholders generally, and acts as the primary point of contact for any person who may have a concern in this regard.
- As required by law, the term of each Director (except the Executive Director) is limited to three years, with one-third of the Board being subject to re-election by shareholders at each Annual General Meeting.

Board Nomination

Nominations for the Board are considered by the Board as a whole. The Board aims to ensure that it always has an appropriate diversity of qualifications, experience and expertise, consistent with the objectives of Lodestone.

- Suitable candidates for the Board are identified for appointment having regard to the skills desired and skills represented.
- A formal letter of appointment is issued to all Directors.
- Annually the Chairman will conduct a performance review of the Board focused on:
 - the overall effectiveness and competencies of the Board,
 - the availability and contribution of each individual Director,
 - effectiveness of Directors' training and orientation, and
 - succession planning.

Board Procedures

- Each Director is expected to declare any actual or potential conflict of interest.
- Where conflicts may arise, affected Directors absent themselves from Board deliberation and decisions.
- Non-Executive Directors regularly meet in private.
- Where reasonably necessary, Directors may obtain independent advice with prior notification to the Chairman.
- Directors are expected to be familiar with Lodestone's strategy, operations, financing and risks; Lodestone must arrange suitable orientation and training.
- Directors may access continuing education to ensure their skills and knowledge are up to date.
- Directors have a right to expect all information relevant to Lodestone's business and performance to be presented at Board meetings, and can access further information on request.
- Directors must maintain confidentiality of information learned by virtue of their position as Director.
- Non-Executive Directors must confirm they are able to devote such time as is necessary to carry out their duties on the Board.
- Directors advise the Chairman prior to accepting new appointments.

Company Secretary

In recognition of the key role played by the Company Secretary:

- The appointment of the Company Secretary must be approved by the Board.
- All Directors have direct access to the Company Secretary.
- The Company Secretary is expected to monitor Lodestone's corporate governance procedures, and advise of possible improvements.

Standards and Code of Conduct

The Board's objective is to foster a culture of high ethical and compliance standards. To this end:

- Directors must act honestly, in good faith, with high standards of care, diligence and enquiry, and in the best interests of Lodestone as a whole.
- All Directors and employees must abide by Lodestone's Code of Conduct.
- Directors and senior management must not use their position to improperly trade in Lodestone's securities, with all transactions being in accordance with Lodestone's Securities Trading Policy.

Financial Standards

Lodestone is committed to high standards of financial integrity and reporting.

- Financial reports are required to present a true and fair view, in all material respects, of Lodestone's financial condition and operating results.
- A sound and effective system of risk management and internal control is required, consistent with Lodestone's Risk Management Policy.
- An Audit Committee has been appointed to assist the Board in its consideration of financial policy and reporting.

Remuneration Standards

Lodestone's overriding remuneration principle is to provide a fair and sufficient incentive to attract, motivate and retain a high quality Board and management team, based upon rewarding performance which enhances shareholder value.

- The remuneration of the senior management team may include the following components:
 - fixed salary and benefits,
 - a short term incentive based on individual performance, and
 - a long term incentive derived from consideration of the performance of both Lodestone and the individual.
- Since listing in March 2003 the remuneration of Non-Executive Directors consists solely of fixed fees.
 - Recognising the small capital base of Lodestone, and the high risk inherent in exploration and development, consideration may be given from time to time to equity based incentives for Non-Executive Directors, consistent with increasing shareholder wealth.

- Lodestone’s Annual Report discloses all components of the remuneration of Directors, including advice of any discretionary incentive payments, and the remuneration of executives in accordance with prevailing applicable rules.

Market Disclosure

In accordance with its obligations under relevant legislation:

- Lodestone keeps the market fully informed of information which may have a material effect on the price of Lodestone’s shares.
- Disclosures are to be:
 - timely;
 - factual;
 - comprehensive; and
 - understandable
- Lodestone’s Continuous Disclosure Policy sets the standards and procedures for information disclosure.

Shareholder Communications

Lodestone aims to ensure that shareholders are well informed of all major developments affecting Lodestone. This programme includes:

- Included in Lodestone’s website:
 - Annual, half yearly and quarterly reports and accounts
 - Notices of general meetings
 - All media and stock exchange releases
 - Key policies
 - Committee charters
 - General Lodestone profile
- Facilitating the full participation by shareholders at Lodestone’s Annual General Meeting.
- Requiring the attendance of Lodestone’s external auditor at the Annual General Meeting.



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LODESTONE EXPLORATION LIMITED

Scope

The financial report and directors' responsibility

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 year ended 30 June 2004.

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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

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

Independence

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

Audit opinion

In our opinion, the financial report of Lodestone Exploration Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PITCHER PARTNERS
Accountants Auditors & Advisors

Brisbane, 14 September 2004

R C Brown
Partner

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 18 to 30:

- (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 30 June 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial 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 the company 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.



J T Shaw
Chairman

Brisbane, 14 September 2004

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$	2003 \$
Revenue from ordinary activities	3	61,752	28,173
Exploration expenditure abandoned		(477,987)	–
Professional services expenses		(89,543)	(66,091)
Corporate overhead expenses		(54,713)	(38,696)
Depreciation expenses		(3,571)	(1,448)
Directors remuneration	15	(156,233)	(44,981)
<hr/>			
Loss from ordinary activities before income tax	4	(720,295)	(123,043)
Income tax expense	5	–	–
<hr/>			
Net loss		(720,295)	(123,043)
<hr/>			
Total changes in equity other than those resulting from transactions with owners as owners	13	(720,295)	(123,043)
<hr/>			
		Cents	Cents
Basic earnings per share	21	(2.33)	(0.57)
Diluted earnings per share	21	(2.33)	(0.57)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	2004 \$	2003 \$
Current assets			
Cash		894,166	1,957,043
Receivables	6	27,567	42,269
Other	7	28,260	13,260
Total current assets		949,993	2,012,572
Non-current assets			
Plant and equipment	8	32,037	7,133
Exploration expenditure	9	959,898	692,538
Total non-current assets		991,935	699,671
Total assets		1,941,928	2,712,243
Current liabilities			
Payables	10	45,036	96,056
Total current liabilities		45,036	96,056
Total liabilities		45,036	96,056
Net assets		1,896,892	2,616,187
Equity			
Contributed equity	11	2,826,159	2,825,159
Accumulated losses	12	(929,267)	(208,972)
Total equity	13	1,896,892	2,616,187

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		85,948	58,517
Payments to suppliers (inclusive of goods and services tax)		(397,613)	(198,355)
Interest received		65,218	21,309
Net cash outflows from operating activities	19	(246,447)	(118,529)
Cash flows from investing activities			
Payments for exploration		(773,955)	(455,351)
Payments for property, plant and equipment		(28,475)	(2,414)
Payment for security deposit		(15,000)	(10,760)
Net cash outflows from investing activities		(817,430)	(468,525)
Cash flows from financing activities			
Proceeds from share issue		1,000	2,745,851
Payment of share issue costs		–	(335,758)
Net cash inflows from financing activities		1,000	2,410,093
Net increase/(decrease) in cash held		(1,062,877)	1,823,039
Cash at the beginning of the financial year		1,957,043	134,004
Cash at the end of the financial year		894,166	1,957,043

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(b) Exploration expenditure

Exploration expenditure incurred by or on behalf of the entity is accumulated separately for each area of interest until such time as the area moves into development phase, or is abandoned or sold. The realisation of the value of expenditure carried forward depends upon any commercial results that may be obtained through successful development and exploitation of the area of interest or alternatively by its sale. If an area of interest is abandoned or is considered to be of no further commercial interest the accumulated exploration costs relating to the area are written off against income in the year of abandonment.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

(e) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	5 – 10 years
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(f) Trade and other creditors

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(h) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, 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.

Note 1. Summary of significant accounting policies (continued)

(h) Earnings per share (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account 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.

(i) Web site costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred. Costs in relation to the development of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses.

(j) International Financial Reporting Standards

The company has commenced investigating the transition from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Management has had initial discussions with its professional advisors to identify key areas that may be impacted. As the company has a 30 June year end, consideration will be given to the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the consolidated entity prepares its first fully IFRS compliant financial report for the year ending 30 June 2006. Set out below are the key areas identified at this time where accounting policies may change and have an impact on the financial report of the company.

Exploration and Evaluation Costs

The current accounting policy for exploration and evaluation costs is set out in note 1(b). Under the IASB's ED 6 Exploration for and Evaluation of Mineral Resources it was expected that a more rigorous impairment test would need to be performed in relation to recognised exploration and evaluation assets. However, in its July 2004 Action Alert the AASB advised that the IASB has decided to fully grandfather national GAAP such as Australia's existing area of interest method of accounting for exploration costs until such time as the IASB produces a comprehensive extractive industry IFRS. Accordingly, at this time it is expected that the current policy will continue under the grandfathering in the transition to Australian equivalents of IFRS. The policy will, however, be subject to possible future change under a more comprehensive extractive industry IFRS post 2005.

Equity-based Compensation Benefits

Under the new standard AASB 2 Share-based Payments, equity-based compensation to directors and employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy where no expense is recognised for equity-based compensation.

Income Tax

Under the new standard AASB 112 Income Taxes, there is a requirement that the company adopt a balance sheet approach to income tax accounting rather than the current income statement approach. Additionally, the tests for the recognition of deferred tax assets, such as future income tax benefits, will be based on where realisation of the benefit is "probable" rather than where realisation of the benefit can be regarded as being assured beyond any reasonable doubt or virtually certain. The company does not currently recognise deferred tax assets as these are not considered virtually certain. Adoption of the new standard may result in recognition of deferred tax assets earlier than under the current standard.

Note 2 Segment information

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

	2004	2003
	\$	\$

Note 3 Revenue

Revenue from outside the operating activities

Interest	61,752	28,173
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Note 4 Loss from ordinary activities

Loss from ordinary activities before income tax expense includes the following specific expenses:

Exploration expenditure abandoned	477,987	–
Depreciation	3,571	1,448

Note 5 Income tax

The income tax benefit for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:

Loss from ordinary activities before income tax expense	(720,295)	(123,043)
Income tax calculated at 30% (2003: 30%)	(216,089)	(36,913)
Tax effect of permanent differences:		
Business related capital costs	(21,557)	(20,848)
Other	–	1,835
Income tax expense / (benefit) adjusted for permanent differences	(237,646)	(55,926)
Future income tax benefits not brought to account	237,646	55,926
Income tax expense attributable to the loss	–	–

The directors estimate that the potential net future income tax benefit at 30 June 2004 amounts to \$355,810 (2003: \$188,452). The future income tax benefit, which has not been recognised as an asset, will only be obtained if:

- (i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefit.

No franking credits are available for the subsequent financial year.

Note 6 Current assets – Receivables

Interest receivable	3,398	6,864
Other debtors	24,169	35,405
	27,567	42,269

Note 7 Current assets – Other

Security deposit	28,260	13,260
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	2004 \$	2003 \$
Note 8 Non-current assets – Plant and equipment		
Motor vehicles – at cost	49,319	22,060
Less: Accumulated depreciation	(20,283)	(17,280)
	<u>29,036</u>	<u>4,780</u>
Plant and equipment – at cost	3,630	2,414
Less: Accumulated depreciation	(629)	(61)
	<u>3,001</u>	<u>2,353</u>
	<u><u>32,037</u></u>	<u><u>7,133</u></u>

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

	Motor vehicles \$	Plant and equipment \$	Total \$
Carrying amount at 1 July 2003	4,780	2,353	7,133
Additions	27,259	1,216	28,475
Depreciation expense	(3,003)	(568)	(3,571)
	<u>29,036</u>	<u>3,001</u>	<u>32,037</u>

	2004 \$	2003 \$
Note 9 Non-current assets – Exploration expenditure		
Exploration phase property costs		
Geological and exploration database expenditure – at cost	959,898	692,538
	<u>959,898</u>	<u>692,538</u>
The capitalised exploration expenditure carried forward above has been determined as follows:		
Opening balance	692,538	190,625
Expenditure incurred during the year	745,347	501,913
Exploration expenditure abandoned	(477,987)	–
	<u>959,898</u>	<u>692,538</u>

Note 10 Current liabilities – Payables

Trade creditors	45,036	96,056
	<u>45,036</u>	<u>96,056</u>

Note 11 Contributed equity

	2004 Shares	2004 Shares	2004 \$	2003 \$
(a) Share capital				
Ordinary shares				
Fully paid	30,916,154	30,911,154	2,826,159	2,825,159

(b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price	\$
30 June 2002	Opening balance	16,595,000		388,494
23 August 2002	Share issue	500,000	\$0.15	75,000
31 October 2002	Share issue	807,822	\$0.15	121,173
31 December 2002	Share issue	508,332	\$0.15	76,250
10 March 2003	Share issued under Prospectus	12,500,000	\$0.20	2,500,000
	Share issue expenses	–		(335,758)
30 June 2003	Balance	30,911,154		2,825,159
25 November 2003	Exercise of options issued under prospectus	5,000	\$0.20	1,000
30 June 2004	Closing balance	30,916,154		2,826,159

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

At balance date 7,145,000 options over ordinary shares of Lodestone Exploration Limited were on issue. 900,000 options were issued on 1 October 2002 with an exercise price of \$0.30. 800,000 of these options expire on 30 September 2007 and the remaining 100,000 expire on 30 September 2005. A further 6,250,000 options were issued under the Prospectus. These options are exercisable at \$0.20 and expire on 7 December 2004. During the financial year 5,000 options that were issued under the Prospectus were exercised.

	2004 \$	2003 \$
Accumulated losses at the beginning of the financial year	(208,972)	(85,929)
Net loss attributable to members of Lodestone Exploration Limited	(720,295)	(123,043)
Accumulated losses at the end of the financial year	(929,267)	(208,972)

Note 13 Equity

Total equity at the beginning of the financial year	2,616,187	302,565
Total changes in equity recognised in the statement of financial performance	(720,295)	(123,043)
Transactions with owners as owners:		
Contributions of equity net of transaction costs	1,000	2,436,665
Total equity at the end of the financial year	1,896,892	2,616,187

Note 14 Financial instruments

(a) Interest rate risk exposure

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Floating Interest Rate	Non-Interest Bearing	Total
2004			
Financial assets:	\$	\$	\$
Cash	885,000	9,166	894,166
Receivables	–	27,567	27,567
Other	–	28,260	28,260
	885,000	64,993	949,993
Weighted average interest rate	4.50 %		
Financial liabilities:			
Payables	–	45,036	45,036
	–	45,036	45,036
Weighted average interest rate	–		
Net financial assets/(liabilities)	885,000	19,957	904,957
	Floating Interest Rate	Non-Interest Bearing	Total
2003			
Financial assets:	\$	\$	\$
Cash	1,950,000	7,043	1,957,043
Receivables	–	42,269	42,269
Other	–	13,260	13,260
	1,950,000	62,572	2,012,572
Weighted average interest rate	4.25%		
Financial liabilities:			
Payables	–	96,056	96,056
	–	96,056	96,056
Weighted average interest rate	–		
Net financial assets/(liabilities)	1,950,000	(33,484)	1,916,516

(b) Fair net values

The company's financial assets and liabilities included in current assets and liabilities in the statement of financial position are carried out at amounts approximate net fair value.

(c) Credit risk exposures

The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Note 15 Director and executive disclosures

Directors

The following persons were directors of Lodestone Exploration Limited during the financial year:

Chairman – Non-executive

J T Shaw

Executive director

J L McCawley

Non-executive directors

M C Ackland

G A J Baynton

Remuneration of directors

Principles used to determine the nature and amount of remuneration

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$160,000 in aggregate.

Executive director

The executive directors' pay and reward framework has two components, base pay and superannuation. The combination of these comprises the executives total remuneration. The base pay for the executive director is reviewed annually.

Details of remuneration

Details of the remuneration of each director of Lodestone Exploration Limited are set out in the following table.

2004	Primary	Post-employment	Equity	
	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
J T Shaw	40,000	3,600	–	43,600
J L McCawley	43,333	3,900	–	47,233
M C Ackland	30,000	2,700	–	32,700
G A J Baynton	30,000	2,700	–	32,700
	143,333	12,900	–	156,233

Total remuneration of directors of Lodestone Exploration Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Directors and Executives Disclosures by Disclosing Entities.

2003	Primary	Post-employment	Equity	
	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
Total	41,268*	3,715*	47,977	92,960

*During the 2003 financial year directors were paid remuneration from 17 March 2003.

Equity instrument disclosures relating to directors and executives

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Lodestone Exploration Limited is set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
J T Shaw	405,000	–	–	–	405,000	405,000
M C Ackland	218,750	–	–	–	218,750	218,750
G A J Baynton	427,500	–	–	–	427,500	427,500

No options are vested and unexercisable at the end of the year.

Note 15 Director and executive disclosures (continued)

Shareholdings

The number of ordinary shares in the company held during the financial year by each director of Lodestone Exploration Limited is set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
J T Shaw	110,000	–	–	110,000
M C Ackland	37,500	–	–	37,500
G A J Baynton	1,599,333	–	5,000	1,604,333
J L McCawley	5,097,147	–	50,000	5,147,147

Other Transactions of Directors and Director-Related Entities

G Baynton is a director of Orbit Capital Pty Limited, which received commission in respect of equity raised during the prior financial year, such service being provided in the ordinary course of business to the company.

The wife of a director, Mr G Baynton, is a director of Nous Corporate Pty Ltd and has the capacity to significantly influence decision making of that company. Lodestone Exploration Limited has rented office space from Nous Corporate Pty Ltd during the prior year. Nous Corporate Pty Ltd has also provided professional services to Lodestone Exploration Limited during the financial year.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	2004	2003
	\$	\$
Commission	–	25,000
Rent of office space	–	6,000
Consulting fees	4,074	31,882

Aggregate amounts payable to directors and their director related entities at balance date:

Current liabilities	–	2,439
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Note 16 Remuneration of auditors

During the year the following services were paid to the auditor, its related practices and non-related audit firms:

Assurance services

1. Audit services

Fees paid to Pitcher Partners for audit and review of financial reports and other audit work under the Corporations Act 2001	18,750	10,000
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2. Other assurance services

Fees paid to Pitcher Partners for Prospectus Independent Accountant's Report	–	6,900
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Total remuneration for assurance services	18,750	16,900
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Taxation services

Fees paid to Pitcher Partners for tax compliance services, including review of company income tax returns	2,760	1,600
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Share registry services

Fees paid to Pitcher Partners for maintaining the company's share register	6,320	3,229
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It is the entity's policy to employ Pitcher Partners on assignments additional to their statutory audit duties where Pitcher Partners' expertise and experience with the company are important. These assignments are principally tax advice.

Note 17 Related parties

Directors

Disclosures relating to directors are set out in note 15.

Note 18 Events occurring after reporting date

There have been no matters or circumstances, that have arisen since the end of the financial 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.

Note 19 Reconciliation of loss from ordinary activities after income tax to net cash inflow from operating activities

	2004 \$	2003 \$
Loss from ordinary activities after income tax	(720,295)	(123,043)
Exploration abandoned	477,987	–
Depreciation	3,571	1,448
Change in operating assets and liabilities:		
(Increase)/decrease in other debtors	11,236	(30,073)
(Increase)/decrease in interest receivable	3,466	(6,864)
Increase/(decrease) in trade creditors	(22,412)	40,003
	<hr/>	<hr/>
Net cash outflow from operating activities	(246,447)	(118,529)

Note 20 Commitments for expenditure

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	2,890	2,890
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Exploration commitments

Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable are as follows:

Within one year	900,790	695,561
Later than one year but not later than 5 years	1,803,000	–
Later than 5 years	–	–

Commitments not recognised in the financial statements	<hr/> 2,703,790	<hr/> 695,561
--	-----------------	---------------

So as to maintain current rights to tenure of various exploration tenements, the company will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments total \$2,703,790. They extend over 22 exploration tenements and are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, and new capital raisings.

Note 21 Earnings per share

	2004 Cents	2003 Cents
Basic earnings per share	(2.33)	(0.57)
Diluted earnings per share	(2.33)	(0.57)
	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	30,914,132	21,683,540
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	30,914,132	21,683,540

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 September 2004.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	
	Shares	Options
1 – 1,000	2	–
1,001 – 5,000	27	173
5,001 – 10,000	182	68
10,001 – 100,000	256	152
100,001 and over	35	8
	502	401

There were 19 holders of less than a marketable parcel of ordinary shares and there were no holders of less than a marketable parcel of options.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
John Lachlan McCawley	5,097,147	16.48
Maria Julienne Barron	3,000,000	9.70
Foxcorp Holdings Limited	2,000,000	6.46
Allegro Capital Nominees Pty Limited	1,201,000	3.88
Talmetal Pty Limited	1,010,000	3.26
Noel Clarence White	1,000,000	3.23
TBIC Pty Limited	800,000	2.58
Nicola Maree Mullins	500,000	1.61
Lili Haas & Doug Price	500,000	1.61
Raul Used	485,000	1.56
Closemarket Pty Limited	387,500	1.25
Donald Julien Channer	375,000	1.21
William J Daffron	360,000	1.16
Carl Adolph Morawitz & Gail Josephine Morawitz	356,275	1.15
Deslie Dawn Brampton	250,000	0.80
Scott William Power	250,000	0.80
JJNA Pty Limited	222,500	0.71
Foligno Pty Limited	205,000	0.66
Badge Nominees Pty Limited	200,000	0.64
Bedel & Sowa Corp Pty Limited	200,000	0.64
	18,399,422	59.39

Name	Options	
	Number held	Percentage of issued options
Carnethy Investments Pty Limited	237,500	3.80
Closemarket Pty Limited	193,750	3.10
Donald Julien Channer	187,500	3.00
Benjamin James Cleary	161,250	2.58
Envoy Investments Limited	142,500	2.28
Berne No 132 Nominees Pty Limited	125,000	2.00
Blue Skies Investments Pty Limited	110,000	1.76
Foligno Pty Limited	102,500	1.64
Robert James Dougall	100,000	1.60
Allegro Capital Nominees Pty Limited	100,000	1.60
Hancroft Pty Limited	87,500	1.40
David Frederick Oakley	87,500	1.40
Talmetal Pty Limited	85,000	1.36
Nicola Maree Mullins	82,500	1.32
Capco Trust Jersey Limited	75,000	1.20
ANZ Nominees Limited	62,500	1.00
Lyndal Joy Peterson	57,500	0.92
Matthew Alan Baker	52,500	0.84
Grant Donald Peterson & Christine Myrtle Lane	52,500	0.84
Noel James Blake	50,000	0.80
	2,152,500	34.44

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
John Lachlan McCawley	5,097,147	16.48
Maria Julienne Barron	3,000,000	9.70
Foxcorp Holdings Limited	2,000,000	6.46

D. Voting rights

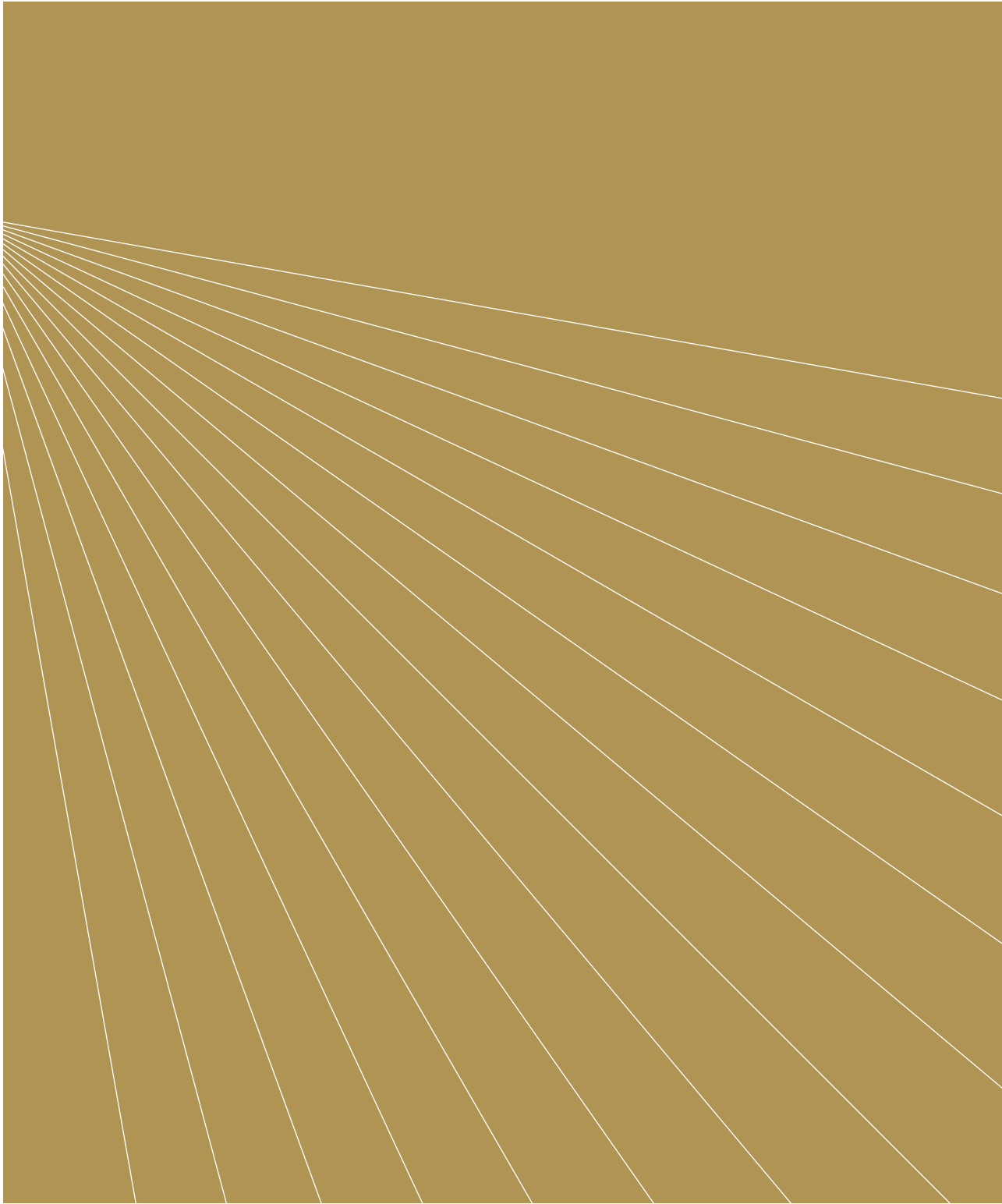
The voting rights attaching to each class of equity securities are set out below:

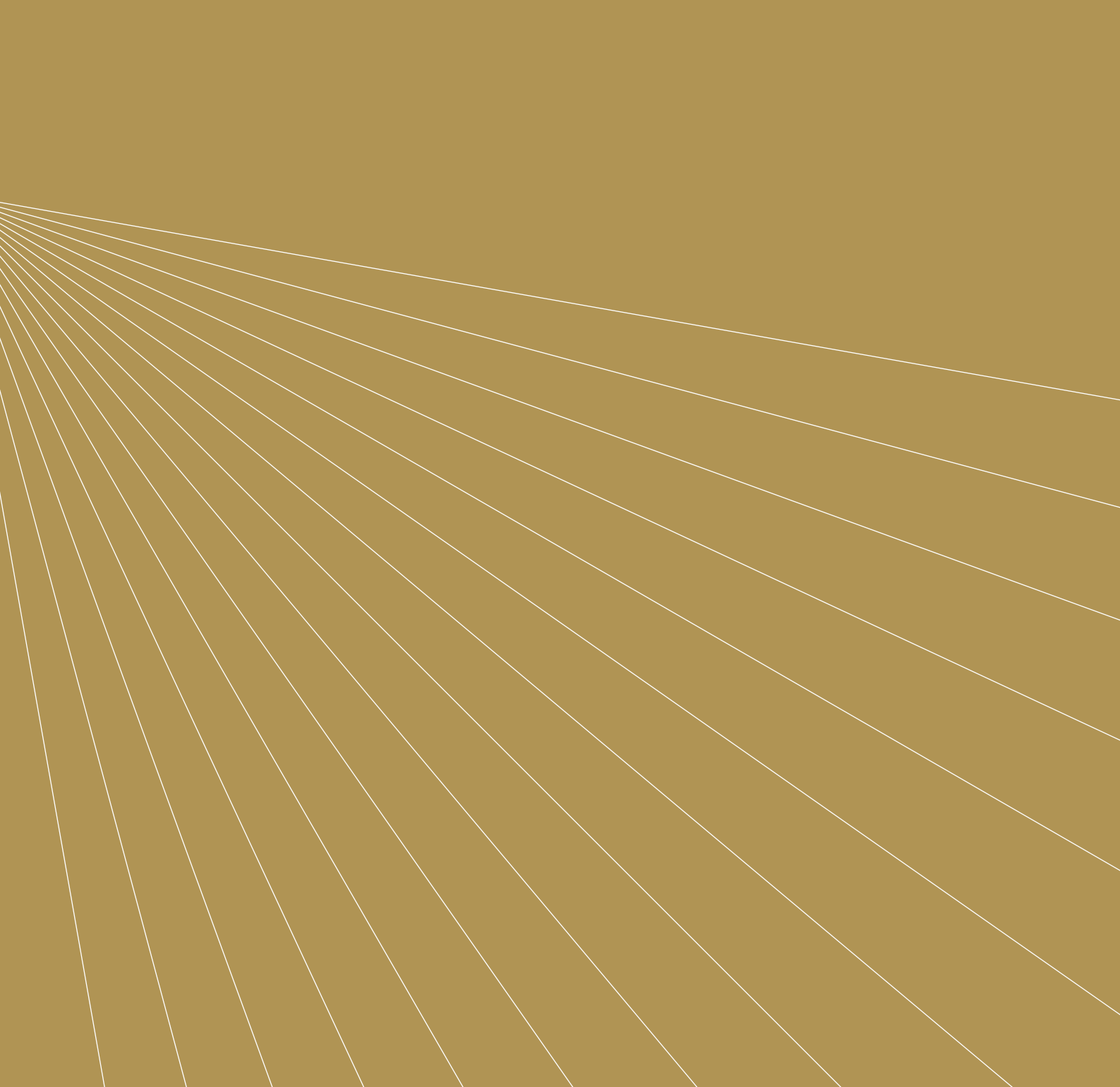
(a) Ordinary shares

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

(b) Options

No voting rights.





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