

LODESTONE EXPLORATION LIMITED
ABN 20 075 877 075

HALF-YEAR REPORT – 31 DECEMBER 2007

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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 2007 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 2007.

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:

G A J Baynton
J L McCawley – Executive Director
M Ackland

J T Shaw was a director from the beginning of the period until his resignation on 30 November 2007.

Review of Operations

The operating loss after income tax of the company for the half-year was \$797,132 (2006: loss \$234,905). The loss reflects the nature of the company's principal activity, being mineral exploration.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the company's auditors, Pitcher Partners, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half-year ended 31 December 2007. The Auditor's Independence Declaration is attached and forms part of this Directors' Report.

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



J L McCawley
Director
14 March 2008



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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LODESTONE EXPLORATION LIMITED**

In relation to the review of Lodestone Exploration Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*, and
- (b) no contraventions of any applicable code of professional conduct.

Pitcher Partners

PITCHER PARTNERS

S A Green
Partner

Brisbane, 14 March 2008

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	2007	Half-year	2006
	\$		\$
Revenue from operations	-		-
Other income	16,635		46,732
Professional services expenses	(53,144)		(44,087)
Exploration abandoned	(594,353)		(109,063)
Corporate overhead expenses	(91,945)		(51,380)
Depreciation expenses	(6,200)		(6,257)
Directors' remuneration	(68,125)		(70,850)
	<hr/>		<hr/>
Profit / (Loss) before income tax	(797,132)		(234,905)
Income tax expense	-		-
	<hr/>		<hr/>
Profit attributable to members of Lodestone Exploration Limited	(797,132)		(234,905)
	<u>=====</u>		<u>=====</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(0.7)	(0.2)
Diluted earnings per share		(0.7)	(0.2)

The above income statement should be read in conjunction with the accompanying notes.

**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	31 December 2007 \$	30 June 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	368,681	1,102,491
Receivables	28,092	70,406
	<hr/>	<hr/>
Total current assets	396,773	1,172,897
	<hr/>	<hr/>
Non-current assets		
Plant and equipment	24,733	30,933
Exploration expenditure	299,184	548,325
Other	41,680	39,180
	<hr/>	<hr/>
Total non-current assets	365,597	618,438
	<hr/>	<hr/>
Total assets	762,370 =====	1,791,335 =====
LIABILITIES		
Current liabilities		
Payables	30,946	262,779
	<hr/>	<hr/>
Total current liabilities	30,946	262,779
	<hr/>	<hr/>
Total liabilities	30,946 =====	262,779 =====
Net assets	731,424 =====	1,528,556 =====
EQUITY		
Contributed equity	6,259,815	6,259,815
Reserves	60,063	60,063
Accumulated losses	(5,588,454)	(4,791,322)
	<hr/>	<hr/>
Total equity	731,424 =====	1,528,556 =====

The above balance sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	2007	Half-year	2006
	\$		\$
Total equity at the beginning of the half-year	1,528,556		652,119
	<u> </u>		<u> </u>
Profit / (Loss) for the half-year	(797,132)		(234,905)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs (note 4)	-		2,335,725
	<u> </u>		<u> </u>
Total equity at the end of the half-year	<u>731,424</u>		<u>2,752,939</u>
	<u> </u>		<u> </u>

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

**CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	2007 \$	Half-year 2006 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	75,847	22,986
Payments to suppliers (inclusive of goods and services tax)	(263,973)	(221,887)
Interest received	19,854	38,227
Net cash outflow from operating activities	<u>(168,272)</u>	<u>(160,674)</u>
Cash flows from investing activities		
Payments for exploration	(563,038)	(127,767)
Payments for fixed assets	-	-
Payment for security deposit	(5,000)	1,000
Refund of security deposit	2,500	-
Net cash outflow from investing activities	<u>(565,538)</u>	<u>(126,767)</u>
Cash flows from financing activities		
Proceeds from share issue	-	2,352,025
Payment of share issue costs	-	(266,300)
Net cash inflow from financing activities	<u>-</u>	<u>2,085,725</u>
Net increase (decrease) in cash and cash equivalents	(733,810)	1,798,284
Cash and cash equivalents at the beginning of the half-year	1,102,491	112,109
Cash and cash equivalents at the end of the half-year	<u>368,681</u> =====	<u>1,910,393</u> =====

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* 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 2007 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 Profit / (Loss) for the half-year

	2007	Half-year	2006
	\$		\$

Profit / (Loss) for the half-year includes the following items that are unusual because of their nature, size or incidence:

Expenses

Profit before income tax includes the following specific expenses:

Exploration abandoned	594,353		109,063
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Note 4 Equity securities issued

	Half-year		Half-year	
	2007	2006	2007	2006
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Shares issued	-	66,894,820	-	2,602,025
Share issue expenses			-	(266,300)
Net increase in contributed equity	-	66,894,820	-	2,335,725

Note 5 Commitments for expenditure

	2007 \$	Half-year	2006 \$
Exploration commitments			
Commitments as at 31 December 2007 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	1,629,490		837,930
Later than one year but not later than 5 years	3,524,960		708,990
Later than 5 years	-		-
	<hr/>		<hr/>
Commitments as at 31 December 2007 not recognised in the financial statements	5,154,450		1,546,920
	<hr/>		<hr/>

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, work program deferred or Joint Venture Agreement concluded.

Exploration commitments total \$5,154,450. They extend over 21 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 6 Events occurring after the balance sheet 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 1 to 8:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory financial reporting requirements, and
- (b) give a true and fair view of the company's financial position as at 31 December 2007 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.



J L McCawley
Director

Brisbane
14 March 2008



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LODESTONE EXPLORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lodestone Exploration Limited. The half-year financial report comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors of Lodestone Exploration Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Lodestone Exploration Limited's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lodestone Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lodestone Exploration Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Lodestone Exploration Limited's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PITCHER PARTNERS



S A Green
Partner

Brisbane, 14 March 2008