

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

**HALF-YEAR REPORT – 31 DECEMBER 2005**

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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 2005 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 2005.

### 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

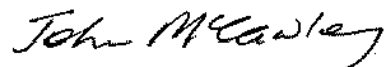
### Review of Operations

The operating loss after income tax of the company for the half-year was \$806,130 (2004: loss \$432,718). 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 2005. 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  
21 February 2006



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

In relation to our review of Lodestone Exploration Limited, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lodestone Exploration Limited for the half-year ended 31 December 2005.

PITCHER PARTNERS

S A Green  
Partner

Brisbane, 21 February 2006

**INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Half-year	
	2005	2004
	\$	\$
Revenue from operations	-	-
Other income	7,435	17,096
Professional services expenses	(43,510)	(34,048)
Exploration abandoned	(646,808)	(308,823)
Corporate overhead expenses	(60,429)	(31,099)
Depreciation expenses	(4,380)	(3,531)
Directors' remuneration	(58,438)	(72,313)
	<hr/>	<hr/>
Profit before income tax	(806,130)	(432,718)
Income tax expense	-	-
	<hr/>	<hr/>
Profit attributable to members of Lodestone Exploration Limited	(806,130)	(432,718)
	=====	=====
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	(2.02)	(1.35)
Diluted earnings per share	(2.02)	(1.35)

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

**BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	<b>31 December 2005 \$</b>	<b>30 June 2005 \$</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	277,074	294,431
Receivables	46,291	21,270
	<hr/>	<hr/>
Total current assets	323,365	315,701
	<hr/>	<hr/>
<b>Non-current assets</b>		
Plant and equipment	49,820	25,026
Exploration expenditure	873,327	1,030,814
Other	50,180	48,180
	<hr/>	<hr/>
Total non-current assets	973,327	1,104,020
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,296,692</b>	<b>1,419,721</b>
	=====	=====
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	18,976	43,055
	<hr/>	<hr/>
Total current liabilities	18,976	43,055
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>18,976</b>	<b>43,055</b>
	=====	=====
<b>Net assets</b>	<b>1,277,716</b>	<b>1,376,666</b>
	=====	=====
<b>EQUITY</b>		
Contributed equity	3,923,589	3,216,409
Accumulated losses	(2,645,873)	(1,839,743)
	<hr/>	<hr/>
<b>Total equity</b>	<b>1,277,716</b>	<b>1,376,666</b>
	=====	=====

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 2005**

	2005 \$	Half-year 2004 \$
<b>Total equity at the beginning of the half-year</b>	1,376,666	1,896,892
	<u>          </u>	<u>          </u>
Contractor share options	-	-
Profit for the half-year	(806,130)	(432,718)
	<u>          </u>	<u>          </u>
Total recognised income and expense for the year	(806,130)	(432,718)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs (note 4)	707,180	390,250
	<u>          </u>	<u>          </u>
<b>Total equity at the end of the half-year</b>	1,277,716	1,854,424
	<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 2005**

	2005 \$	Half-year 2004 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	30,333	30,965
Payments to suppliers (inclusive of goods and services tax)	(226,659)	(219,426)
Interest received	7,370	17,866
<b>Net cash outflow from operating activities</b>	<u>(188,956)</u>	<u>(170,595)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration	(504,407)	(454,978)
Payments for fixed assets	(29,174)	-
Payment for security deposit	(2,000)	(7,500)
<b>Net cash outflow from investing activities</b>	<u>(535,581)</u>	<u>(462,478)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	744,400	410,250
Payment of share issue costs	(37,220)	(20,000)
<b>Net cash inflow from financing activities</b>	<u>707,180</u>	<u>390,250</u>
<b>Net decrease in cash and cash equivalents</b>	(17,357)	(242,823)
Cash and cash equivalents at the beginning of the half-year	294,431	894,166
<b>Cash and cash equivalents at the end of the half-year</b>	<u>277,074</u> =====	<u>651,343</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 2005

### Note 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 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 2005 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.

#### (a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

This interim financial report is the first Lodestone Exploration Limited interim financial report to be prepared in accordance with AIFRS's. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Lodestone Exploration Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Lodestone Exploration Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS's on the Company's equity and its net income are given in note 7.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### (b) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognized in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

## **Note 1 Summary of significant accounting policies (continued)**

### **(c) 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.

### **(d) 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 incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

### **(e) Impairment of assets**

Assets that have an indefinite life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **(f) Property, plant and equipment**

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	5 – 10 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(e))

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### **(g) 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.

### **(h) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **Note 1 Summary of significant accounting policies (continued)**

### **(i) Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half year.

#### *(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.

### **(j) Website 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.

### **(k) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**Note 2 Segment information**

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

**Note 3 Profit for the half-year**

	2005	Half-year	2004
	\$		\$

Profit 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	646,808		308,823
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**Note 4 Equity securities issued**

	Half-year		Half-year	
	2005	2004	2005	2004
	Shares	Shares	\$	\$
<b>Issues of ordinary shares during the half-year</b>				
Shares issued	11,452,311	4,000,000	744,400	400,000
Exercise of options issued under the prospectus	-	51,250	-	10,250
Share issue expenses			(37,220)	(20,000)
Net increase in contributed equity	11,452,311	4,051,250	707,180	390,250

**Note 5 Commitments for expenditure**

	2005	Half-year	2004
	\$		\$
<b>Exploration commitments</b>			
Commitments as at 31 December 2005 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	881,000		900,000
Later than one year but not later than 5 years	971,000		1,300,000
Later than 5 years	-		-
Commitments as at 31 December 2005 not recognised in the financial statements	1,852,000		2,200,000

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 \$1,852,000. They extend over 18 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**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.

**Note 7 Explanation of transition to Australian equivalents to IFRSs**

**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)**

**(a) At the date of transition to AIFRS: 1 July 2004**

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	894,166	-	894,166
Receivables	27,567	-	27,567
Total current assets	921,733	-	921,733
<b>Non-current assets</b>			
Plant and equipment	32,037	-	32,037
Exploration expenditure	959,898	-	959,898
Other	28,260	-	28,260
Total non-current assets	1,020,195	-	1,020,195
<b>Total assets</b>	<b>1,941,928</b>	<b>-</b>	<b>1,941,928</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	45,036	-	45,036
Total current liabilities	45,036	-	45,036
<b>Total liabilities</b>	<b>45,036</b>	<b>-</b>	<b>45,036</b>
<b>Net assets</b>	<b>1,896,892</b>	<b>-</b>	<b>1,896,892</b>
<b>EQUITY</b>			
Contributed equity	2,826,159	-	2,826,159
Accumulated losses	(929,267)	-	(929,267)
<b>Total equity</b>	<b>1,896,892</b>	<b>-</b>	<b>1,896,892</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	651,343	-	651,343
Receivables	47,426	-	47,426
Other	35,760	-	35,760
	<hr/>		<hr/>
Total current assets	734,529	-	734,529
<b>Non-current assets</b>			
Plant and equipment	28,506	-	28,506
Exploration expenditure	1,105,325	-	1,105,325
	<hr/>		<hr/>
Total non-current assets	1,133,831	-	1,133,831
	<hr/>		<hr/>
<b>Total assets</b>	1,868,360	-	1,868,360
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13,936	-	13,936
	<hr/>		<hr/>
Total current liabilities	13,936	-	13,936
	<hr/>		<hr/>
<b>Total liabilities</b>	13,936	-	13,936
	<hr/>		<hr/>
<b>Net assets</b>	1,854,424	-	1,854,424
<b>EQUITY</b>			
Contributed equity	3,216,409	-	3,216,409
Accumulated losses	(1,361,985)	-	(1,361,985)
	<hr/>		<hr/>
<b>Total equity</b>	1,854,424	-	1,854,424
	<hr/>		<hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	294,431	-	294,431
Receivables	21,270	-	21,270
	<hr/>		<hr/>
Total current assets	315,701	-	315,701
<b>Non-current assets</b>			
Plant and equipment	25,026	-	25,026
Exploration expenditure	1,030,814	-	1,030,814
Other	48,180	-	48,180
	<hr/>		<hr/>
Total non-current assets	1,104,020	-	1,104,020
	<hr/>		<hr/>
<b>Total assets</b>	1,419,721	-	1,419,721
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	43,055	-	43,055
	<hr/>		<hr/>
Total current liabilities	43,055	-	43,055
	<hr/>		<hr/>
<b>Total liabilities</b>	43,055	-	43,055
	<hr/>		<hr/>
<b>Net assets</b>	1,376,666	-	1,376,666
<b>EQUITY</b>			
Contributed equity	3,216,409	-	3,216,409
Accumulated losses	(1,839,743)	-	(1,839,743)
	<hr/>		<hr/>
<b>Total equity</b>	1,376,666	-	1,376,666

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)**

**(a) Reconciliation of profit for the half-year ended 31 December 2004**

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Revenue	17,096	-	17,096
Other income	-	-	-
Professional services expenses	(34,048)	-	(34,048)
Exploration abandoned	(308,823)	-	(308,823)
Corporate overhead expenses	(31,099)	-	(31,099)
Depreciation expenses	(3,531)	-	(3,531)
Directors' remuneration	(72,313)	-	(72,313)
Profit before income tax	(432,718)	-	(432,718)
Income tax expense	-	-	-
Profit for the half-year	(432,718)	-	(432,718)

**(b) Reconciliation of profit for the year ended 30 June 2005**

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Revenue	27,739	-	27,739
Other income	-	-	-
Professional services expenses	(80,161)	-	(80,161)
Exploration abandoned	(650,919)	-	(650,919)
Corporate overhead expenses	(54,936)	-	(54,936)
Depreciation expenses	(7,011)	-	(7,011)
Directors' remuneration	(145,188)	-	(145,188)
Profit before income tax	(910,476)	-	(910,476)
Income tax expense	-	-	-
Profit for the half-year	(910,476)	-	(910,476)

**(3) Reconciliation of cash flow statement for the year ended 30 June 2005**

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

**(4) Notes to the reconciliations**

As can be seen from the reconciliations above the adoption of AIFRS has not resulted in any adjustments to the Balance Sheet or Income Statement.

## DIRECTORS' DECLARATION

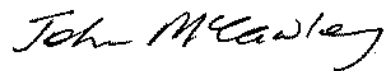
The directors declare that the financial statements and notes set out on pages 1 to 14:

- (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 2005 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  
21 February 2006



**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 income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for Lodestone Exploration Limited ("the company") for the half-year ended 31 December 2005.

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 134 : Interim Financial Reporting, other mandatory financial 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.

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

*Review Approach (continued)*

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.

**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 2005 and of its performance for the half-year ended on that date; and
  - ii) complying with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements.

PITCHER PARTNERS



S A Green  
Partner

Brisbane, 21 February 2006