

LODESTONE EXPLORATION LIMITED
ABN 20 075 877 075

ANNUAL REPORT
FOR YEAR ENDED 30 JUNE 2008

Contents

Corporate Directory	1
The Chairman's Perspective	2
Operational Review	3
Directors' Report	10
Auditor's Independence Declaration	17
Corporate Governance Statement	18
Directors' Declaration	21
Financial Report	
Income Statement	22
Balance Sheet	23
Statement of Changes in Equity	24
Cash Flow Statement	25
Notes to the Financial Statements	26
Independent Auditor's Report to the Members	40
Shareholder Information	42

LODESTONE EXPLORATION LIMITED
ABN 20 075 877 075

CORPORATE DIRECTORY

Directors	Martin Ackland (Chairman) Greg Baynton Lance Grimstone John McCawley Bill Stubbs
Secretary	Leni Stanley
Principal registered office in Australia	Level 1, 101 Edward Street Brisbane QLD 4000 (07) 3229 6606
Share register	Link Market Services Limited Level 12, 300 Queen Street Brisbane QLD 4000 (02) 8280 7454
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 388 Queen Eagle Street Brisbane QLD 4000
Stock exchange listing	Lodestone Exploration Limited shares are listed on the Australian Securities Exchange.
Website address	www.lodestonex.com

Operational Review

The Chairman's Perspective

Since taking over as chairman of Lodestone at the AGM in 2008, a review of the operations since listing has been completed, and options for the future considered.

The company's focus will continue to be on exploration in Queensland, but widened to include energy targets.

I am pleased to note that we have strengthened the board with appointment during the year of Mr. Bill Stubbs and Mr. Lance Grimstone as independent directors. Both of these gentlemen have extensive experience, much of it related to the energy sector.

We have also commenced our first project in this area, namely the farm-in with Moreton Energy Pty Ltd into the Bromelton coal areas.

Our existing base metal projects in the Mount Morgan and Limestone Creek areas will continue to be pursued using the best exploration techniques applicable to each project's circumstance. Inevitably this will involve patient and systematic field work. The Botswana uranium areas field work is continuing with the aim of developing sufficient information for assessment of farm out or other options.

May I thank our patient long term shareholders and those who have recently joined the company in anticipation of their continued support.

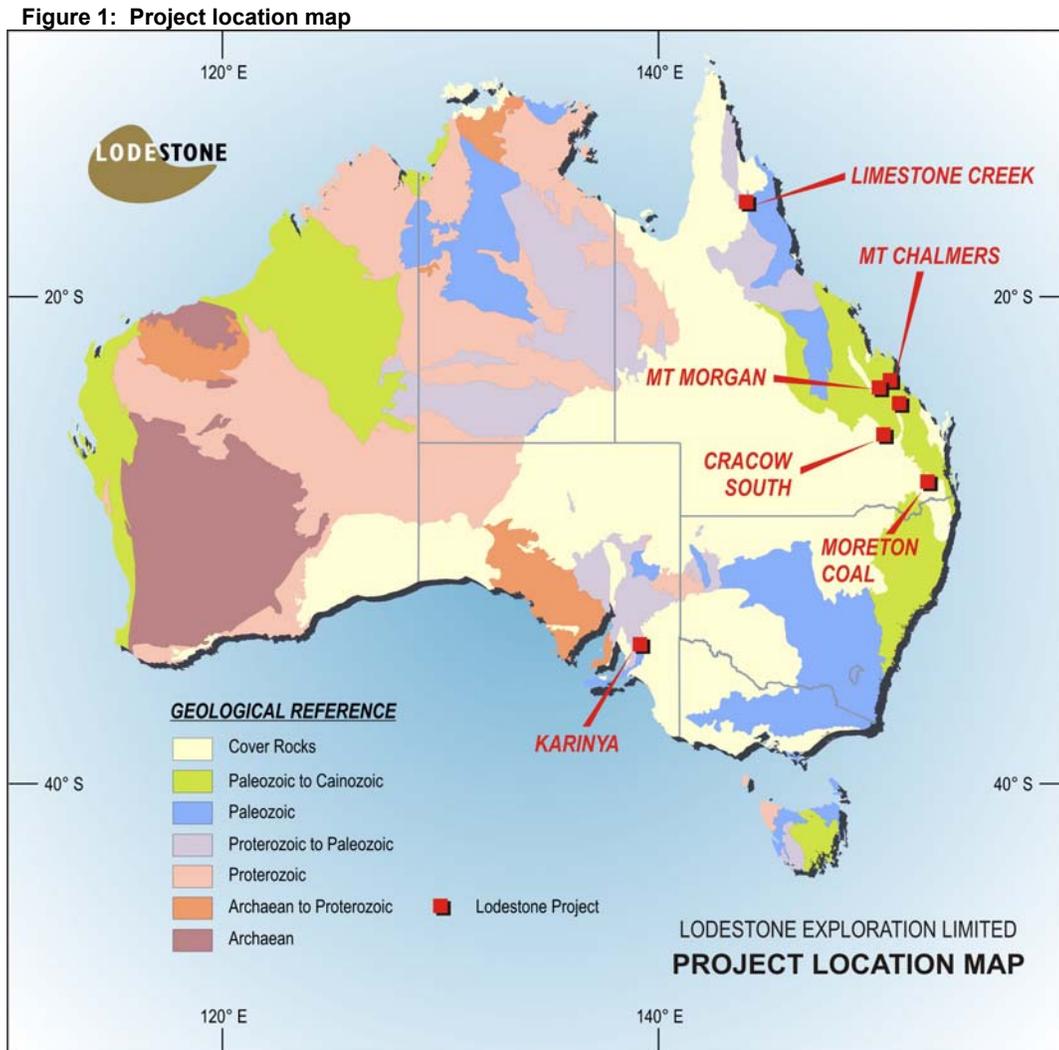
A handwritten signature in blue ink, appearing to read 'M. C. Ackland', is positioned above the printed name.

M C Ackland
Chairman

Operational Review

Introduction:

Lodestone Exploration Limited (Lodestone) is an Australian-listed junior explorer, searching with modern techniques for new orebodies in two richly endowed historic gold fields in Central and North Queensland, optioned base and precious metals projects near Rockhampton and Adelaide, optioned coal projects near Beaudesert in Southern Queensland, and wholly-owned uranium prospecting licences in Botswana.



History in Brief:

The company was established in 1996, and listed on the Australian Stock Exchange in 2003, to search for blind orebodies south of Mount Morgan, an iconic former gold mine, in Central Queensland. Lodestone has deployed modern airborne electromagnetic survey equipment, high-resolution aeromagnetic systems, and advanced ground gravity tools, in an ongoing search of this district.

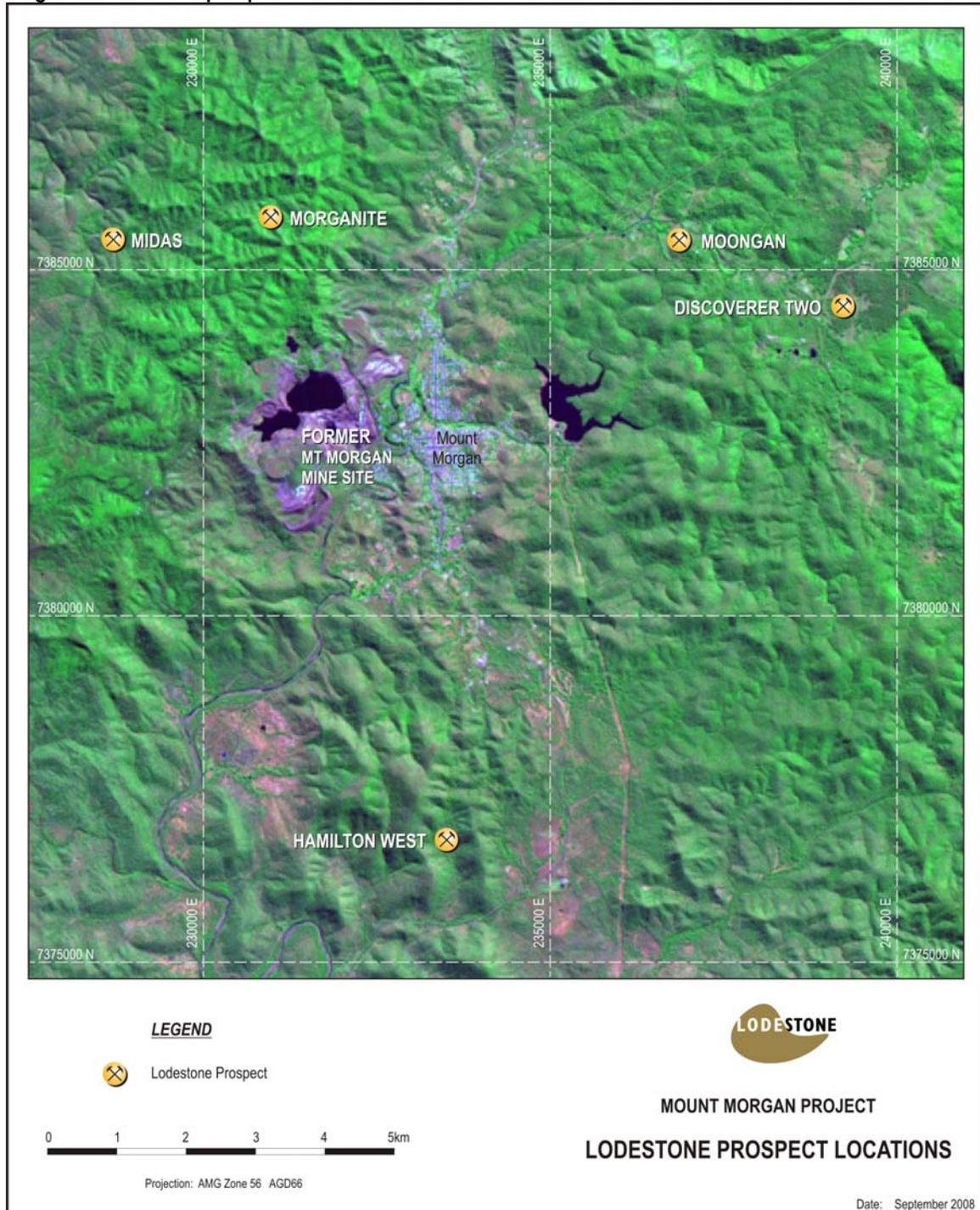
Lodestone acquired tenements south of Cracow in 2004, and optioned ground east of Mount Chalmers in 2004. Both townships were founded on historic gold fields.

Lodestone was granted tenements at Limestone Creek, some 20 kilometres west of the historic Maytown gold field in North Queensland, in 2005.

Lodestone farmed into the Bocoilima gold-copper project near Gladstone in Central Queensland, and the Karinya zinc-lead-silver Project near Eudunda, South Australia, in 2006.

This year has seen Lodestone acquire uranium prospecting licences in Botswana and farm into thermal coal projects in the Moreton Basin in Southern Queensland. Outlines of these activities follow.

Figure 2: Lodestone prospect locations



Mount Morgan District Project: This wholly-owned project is centred on the historic gold mining town of the same name, and is situated 50 kilometres south-west of Rockhampton, Queensland. Lodestone is exploring for gold, copper, and molybdenum.

The Mount Morgan orebody 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 from operations spanning almost a century.

In Tasmania (Australia), Canada and Spain, satellite deposits have been discovered around similar types of orebodies.

Lodestone's extensive geophysical program, detailed geological mapping, and other rigorous studies since 2003, have led to the current focus on the Discoverer Two Prospect, and an ongoing interest in the Midas, Morganite, Moongan, and Hamilton West Prospects; as outlined below.

The **Discoverer Two Prospect**, located seven kilometres east of Mount Morgan, is the priority target here.

An extensive copper in soil anomaly, covering more than 500 metres by 250 metres, and largely coinciding with a similarly extensive molybdenum anomaly, was only partly drilled by GeoPeko in the 1970s. Moreover, noteworthy/elevated copper and molybdenum values occur in drill core.

As reported in June, Lodestone's project consultant, Mr. Alex Taube, believes significant potential exists. Consequently, the Company is targeting Fortitude- type skarn deposits.

Geological and drill data published by GeoPeko Limited in the early 1970s, and Newcrest Mining Limited in 1995, have been digitised and integrated by www.ausmec.com.au with Lodestone's 2007 VTEM heliborne electromagnetic and magnetic data collected by www.geotechairborne.com and five drill sites nominated.

Lodestone hopes to conclude a farm-out agreement to fund the substantial drilling program required to fully test targets at depths of more than 350 metres.

All but one of Lodestone's Mount Morgan District prospects, the locations of which are shown in Figure 2, offer VMS-style targets that are the culmination of a decade's painstaking and determined exploration. Little more needs to be done, other than drill.

Lodestone has decided to farm out these prospects because the scale of the drilling program that is needed would require significant additional capital which, at the Company's current share price, would heavily dilute existing shareholders' equity in the Company.

Mount Chalmers Farm-in Project: The Mount Chalmers Project in Central Queensland is a farm-in arrangement with Quadrio, a subsidiary of Dominion Mining, under which Lodestone has earned a 50% interest.

Robust exploration opportunities exist north of the former mine site, but the district has become increasingly closely settled, with power lines and other culture making low-level heliborne electromagnetic surveys problematical. Consequently, Lodestone will probably exit this project this year.

Cracow South Project: Fieldwork has downgraded the potential of large areas of basement rocks that underlie Jurassic sandstone in Lodestone's project.

Consequently, most of Lodestone's ground has been relinquished, and the remainder will be allowed to expire in January 2009.

Limestone Creek Project: This wholly-owned project is situated 130 kilometres north of the Chillagoe township in North Queensland. Exploration is aimed at locating gold and base metals within the Chillagoe Formation that hosts the Red Dome and Mungana deposits near Chillagoe.

Mike Seed, an experienced and successful independent geologist with considerable experience in the Mungana area, was engaged by Lodestone in 2006. Mr Seed made and confirmed a promising new copper discovery at Limestone Creek in June and October 2007. The discovery has been named Leane's Prospect.

Copper mineralisation can be traced along a 1200 metre contact between limestone, chert, and volcanics.

There is little outcrop, but a primary breccia, ironstone, and strongly elevated copper values occur within this zone.

Width and dip of the mineralisation is uncertain because of scree cover, but will be better understood when detailed field mapping and drilling are carried out.

This year's work program at Leane's Prospect will begin with heritage clearance, followed by geological mapping to focus a drilling program and optimise drill sites.

Bocoolima Farm-in Project: Lodestone has withdrawn from this farm-in after completing nine shallow drill holes and an induced-polarisation geophysical survey in 2006 and 2007.

A review of results did not favour the size of commitment needed to undertake a stage two drilling program.

Karinya Farm-in Project: This zinc-lead-silver project, located 80 kilometres north-east of Adelaide, is optioned from Sedex Minerals Pty Ltd. Lodestone has earned a 51% equity.

Lodestone targeted stratabound mineralisation within the Karinya Shale; part of the Lower Kanmantoo Group. This group hosts the Aclair, Talisker and Angus lead-zinc deposits, and the Kanmantoo copper deposit. These deposits are 70 kilometres to 90 kilometres south of Sedex's ground.

Each of the geophysical targets at the Frankton Prospect has now been drill tested.

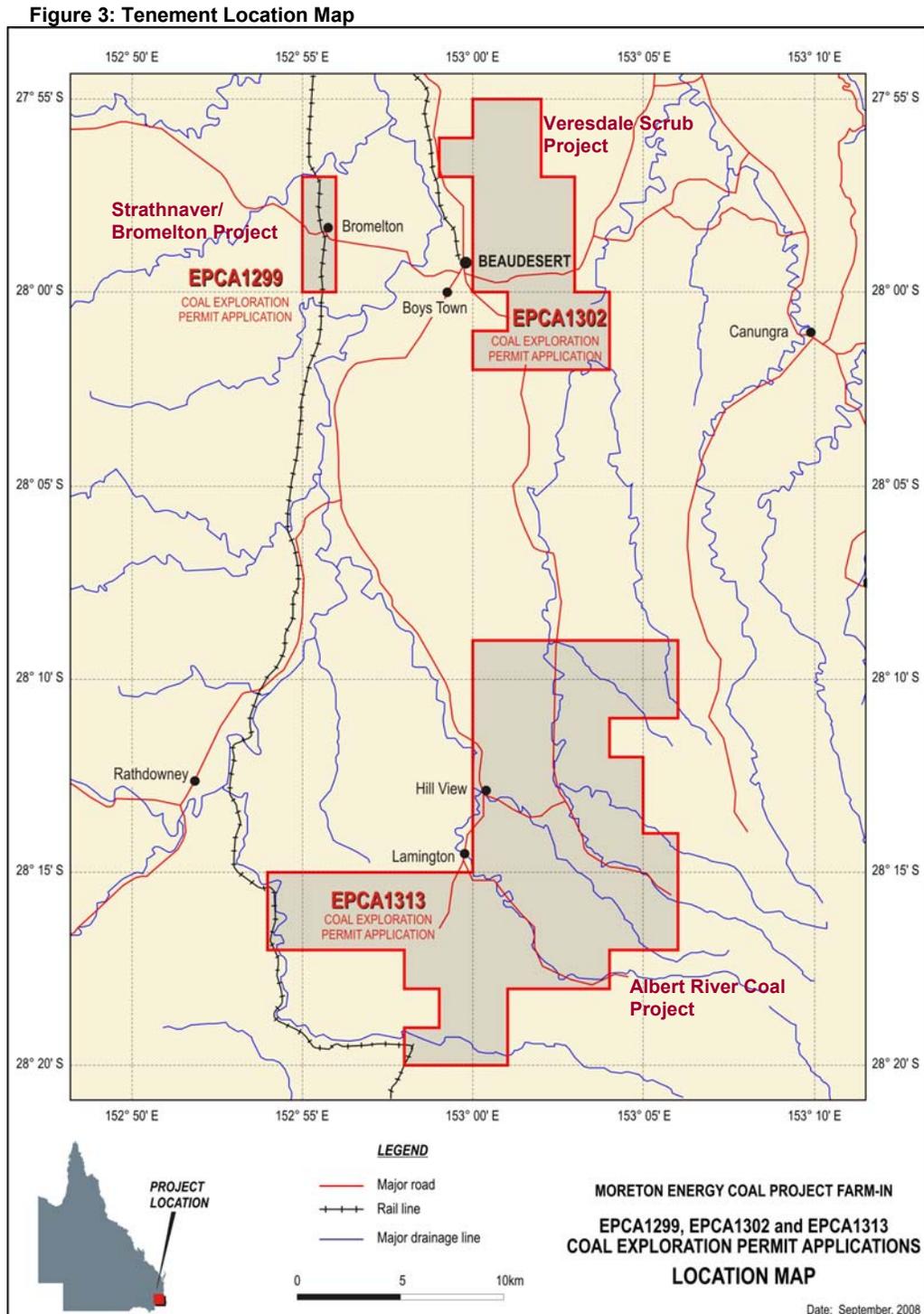
Conductive targets proved to be pyritic carbonaceous shale that carries no significant mineralisation where drilled.

Two possible targets, one partly drilled and the other undrilled, are evident near Neale's Flat and Eudunda respectively.

Lodestone and Sedex are willing to dilute their equities in the project if a newcomer becomes interested in drilling one or both of these prospects. Little interest has been shown.

Moreton Energy Coal Projects Farm-in:

Lodestone has entered into a conditional Farm-in Deed with Moreton Energy Pty Ltd ('Moreton Energy') and Orbit Capital Pty Ltd. Lodestone proposes to acquire a 50% interest in three Exploration Permits for Coal Applications (EPCA) in the Moreton Basin. Locations are shown in Figure 3.



Lodestone's exploration focus is thermal coal-bearing prospects near Beaudesert, south of Brisbane in Southern Queensland.

The Beaudesert District has a history of small-scale underground coal mining. Exploration by earlier explorers has shown the presence of coal and coal resources. If coal of sufficient quality and quantity can be proved up by further exploration, the areas are well placed to supply the thermal coal export market from the Port of Brisbane, a short rail haul from Beaudesert.

Moreton Energy's EPCAs include two former small-scale collieries that operated briefly during the early part of the Twentieth Century (the former Strathnaver Colliery and the former Stansfields Colliery) and approximately 60% of the unmined Veresdale Scrub Deposit.

In 1992 New Hope Collieries categorised the **Veresdale Scrub Deposit**; now partly covered by Moreton Energy's EPCA 1302, as a typical Walloon coal with a high volatile content, high raw ash, and low total sulphur.

Impediments to exploitation of this deposit include steep dips, high stripping ratios, encroaching housing development, and landholder compensation payments. Some, all, or more impediments will also apply to lesser or greater extents within land covered by Moreton Energy's EPCA 1299 and EPCA 1313.

The **Strathnaver Colliery/Bromelton Project** within EPCA 1299 appears underexplored but does have potential to host coal resources at shallow depths in an area set aside for heavy industries. This project area has good road and rail access.

Moreton Energy's **Albert River Coal Project** tenement, EPCA 1313, covers approximately 200 square kilometres. Its western edge is traversed by the interstate rail line that continues north through the Bromelton Project area to the Port of Brisbane.

The Walloon Coal Measures are generally overlain by tertiary basalts within EPCA 1313, except in a sizable window in the south-east where there is potential for shallow, good quality coal resources.

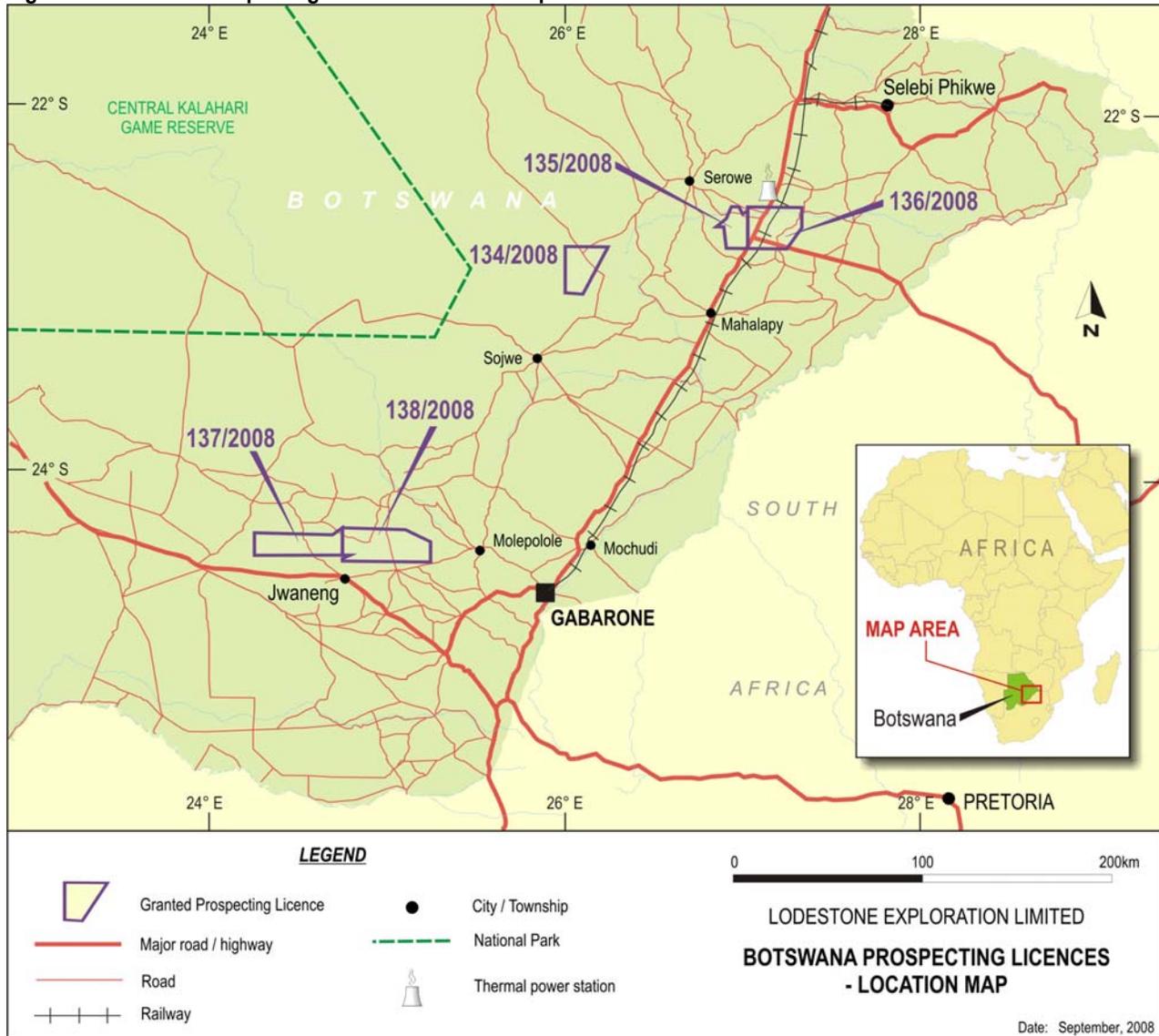
Readers should note that, at the date of this Annual Report, Moreton Energy's Exploration Permits for Coal Applications are not yet granted and might not be granted in whole or in part.

It must also be emphasised that this description of Moreton Energy's Coal Projects is an outline. Readers are referred to the Independent Expert's Report, included in the 5 August 2008 Notice of Extraordinary General Meeting that was mailed to all shareholders, and may be read on Lodestone's website, www.lodestonex.com/asx-reports.html, for a comprehensive description of Moreton Energy's Coal Projects, and details of Lodestone's proposed farm-in.

Botswana Project: Lodestone holds five Prospecting Licences totalling 3125 kilometres² in Botswana. Locations are shown in Figure 4.

Eastern Botswana, where Lodestone's Prospecting Licences are situated, has rail, road, power and urban infrastructure. Lodestone's licensed areas are between 60 kilometres and 240 kilometres from Gaborone, the nation's capital.

Figure 4. Botswana Prospecting Licenses Location Map



Botswana is rated highly in the annual World Investment Risk Survey conducted by Resource Stocks within the Australian mining industry. Most recently (2007) Botswana was rated the seventh most favoured mining country, of 32 listed, just below the United States (6) and above Australia (8). Botswana strongly encourages uranium exploration.

Lodestone's first tasks are to confirm the presence of favourable lithologies by fieldwork, and to identify discrete targets within the Makoro area by integrating and interpreting existing lithological, airborne radiometric, drill hole, and satellite data.

Geological and radiometric data sets have been integrated and maps generated by www.ausmec.com.au for initial fieldwork in September. This program is examining reported radiometric hotspots to determine their significance, or otherwise, and includes geological and radiometric reconnaissance of Lodestone's southern tenements.

UPCOMING SHORT-TERM MILESTONES

Lodestone's priorities for the next three months are to:

- map the Limestone Creek copper discovery outcrops at Leane's Prospect and prepare drill pads. The timing of the first drill holes will be dependent on heritage clearance, rig availability, and the onset of this year's wet season;
- conclude a farm-out of the Discoverer Two and Moongan copper-molybdenum and gold prospects, if possible;
- subject to the granting of EPCA 1302, begin 2D seismic acquisition and drilling of the Veresdale Scrub coal deposit to determine the geometry, thickness and continuity of coal seams, and confirm technical specifications.

SUMMARY

- Lodestone completed its drilling program at the Karinya Project in South Australia in September 2007, and exited the Bocolima zinc Project near Gladstone in April 2008.
- A new discovery of copper mineralisation was confirmed in October 2007 at Limestone Creek, North Queensland.
- The Discoverer Two molybdenum-copper-gold Prospect in Central Queensland has been introduced to two international mining companies in the hope of attracting farm-in proposals.
- Lodestone has agreed to farm into three areas covered by recent applications for coal exploration permits in the Moreton Basin in South East Queensland.
- Initial reconnaissance of Lodestone's Botswana uranium licence areas is currently underway.

GRANTED TENEMENT SCHEDULE

Tenement	EPM Number	Area (km ²)
Mount Morgan Alliance Tenements¹		
Mount Battery	13794	6
Kenbula	16692	15
Mount Morgan Tenements²		
Mount Battery North	14078	21
Morganite East	14696	42
New Chum	14619	9
Mount Coombes	16069	30
Archer	16843	15
Station	14435	9
North Queensland Tenements²		
Limestone Creek	11980	15
Cracow South Tenements²		
Shearing Creek	14936	21
Botswana Tenements²		
Mosolotshane	PL 134/2008	494
Makoro West	PL 135/2008	327
Makoro East	PL 136/2008	729
Jwaneng West	PL 137/2008	669
Jwaneng East	PL 138/2008	906

Notes

1. "Alliance Tenements" are included in the BHP Billiton Alliance
2. Lodestone Exploration Limited has a 100% interest in these tenements

DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2008.

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:

M Ackland – Chairman (effective 30 November 2007)
G A J Baynton
J L McCawley – Executive Director

W R Stubbs was appointed a director on 31 March 2008 and continues in office at the date of this report.

L R Grimstone was appointed a director on 30 June 2008 and continues in office at the date of this report.

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

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 future years.

Review of Operations

The operating loss after income tax of the company for the year was \$1,180,740 (2007: loss \$1,459,789). The loss reflects the nature of the company's principal activity. Information on the operations of Lodestone Exploration Limited and its business strategies and prospects is set out in the review of operations and activities on pages 3 to 9 of this annual report.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the company during the financial year were as follows:

	2008
	\$
An increase in contributed equity of \$510,010 (from \$6,259,815 to \$6,769,825) as a result of:	
Placement of 16,998,680 fully paid ordinary shares @ \$0.03 each	509,960
Issue of 1,000 fully paid ordinary shares on the exercise of \$0.05 options	50

	510,010
Less: Transaction costs arising on share issues, net of current income tax	-

Net increase in share capital	510,010
	=====

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

Other than as disclosed in Note 19 in the financial report, at the date of this report there are no matters or circumstances which have arisen since 30 June 2008 that have 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 that are expected to significantly affect the results of the company in future years.

Environmental Regulation

The company is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

Information on Directors

M C Ackland B.App.Sc. (PrimMet), M.AusIMM, FAICD, MAIME. *Non-executive director. Age 62.*

Experience and expertise

Mr Ackland is a director with over 40 years experience in the minerals and engineering industry. He has specific experience in the development and commercial exploitation of grass roots projects.

Other current directorships

Executive director of Mineral Deposits Limited (director since 2003).

Former directorships in last 3 years

Non-executive director of Sedimentary Holdings Limited from 1993 to 2006.

Special responsibilities

Chairman.

Member of the audit committee.

Interests in shares and options

1,433,655 ordinary shares in Lodestone Exploration Limited.

2,000,000 options over ordinary shares in Lodestone Exploration Limited.

J L McCawley B.Com (Hons). *Executive Director. Age 65.*

Experience and expertise

Mr McCawley has extensive experience in exploration, project management, and evaluation. His experience spans more than 30 years, including 13 years sampling, surveying, drilling and managing base metals exploration prospects and programs, largely in remote regions of Australia and North America, for Carpentaria Exploration, Noranda, Placer, and Amax Exploration. These include McArthur River, Burra, Cobar and Endako respectively.

Mr McCawley also spent 5 years as an investment analyst at MIM Holdings. He was primarily responsible for financial modeling of the Frieda, Nena, Ramu and Lady Loretta projects and also took part in more than 70 other financial evaluations, strategic, and other studies as a member of multi-disciplinary teams.

Non-executive director for 9 years and executive director for 5 years.

Other current directorships

None.

Former directorships in last 3 years

Non-executive director of AtCor Medical Limited from 2001 to 2004.

Special responsibilities

Executive Director.

Interests in shares and options

6,854,198 ordinary shares in Lodestone Exploration Limited.

2,000,000 options over ordinary shares in Lodestone Exploration Limited.

G A J Baynton M.Econ St, MBA, B.Bus (Accounting), FFINSIA, FAICD. *Non-executive director. Age 39.*

Experience and expertise

Mr Baynton is the founder and Managing Director of Orbit Capital, a boutique investment bank and holder of Financial Services Licence. He has been a board member of Australian exploration companies since 1997 and has experience in identifying new opportunities, establishing new companies, IPOs and other capital raisings.

Other current directorships

Non-executive director of three other public companies: PIPE Networks Limited (director since 2004), Tissue Therapies Limited (director since 2003) and Ambri Limited (director since 2 July 2008). Executive Director of Orbit Capital Pty Limited.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of the audit committee.

Interests in shares and options

3,193,435 ordinary shares in Lodestone Exploration Limited.

2,000,000 options over ordinary shares in Lodestone Exploration Limited.

W R Stubbs LLB. *Non-executive director. Age 67*

Experience and expertise

Mr Stubbs practiced as a lawyer for 30 years. He is the co-founder of the legal firm Stubbs Barbeler. He practiced in the area of Commercial law including Stock Exchange listings and all areas of mining law. He has held the position of director of various public companies over the past 25 years in the mineral exploration and biotech fields. He is also the former Chairman of Alchemica Limited, Bemax Resources N.L and Arrow Energy Limited.

Other current directorships

Non-executive Chairman of Stradbroke Ferries Limited (director since 2005)

Former directorships in last 3 years

Non-executive Chairman of Arrow Energy Limited (retired 2006).

Special responsibilities

None.

Interests in shares and options

4,166,667 ordinary shares in Lodestone Exploration Limited.

2,000,000 options over ordinary shares in Lodestone Exploration Limited

L R Grimstone B.Sc.(Hons) Geol. Grad.Dipl.Mangt.F.AusIMM,CPGeo.M.MICA. *Non-executive director. Age 59*

Experience and expertise

Mr Grimstone is a geologist with over 35 years of experience in the exploration, mining and civil engineering industries. For the last 25 years, Lance has operated his own consultancy practice based principally upon his expertise in Eastern Australian coal operations.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

1,000,000 ordinary shares in Lodestone Exploration Limited

2,000,000 options over ordinary shares in Lodestone Exploration Limited

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 2008, and the numbers of meetings attended by each director were:

	Full Meetings of Directors	Meetings of Audit Committee
Number of meetings held	9	2
Number of meetings attended by:		
J T Shaw	5	1
J L McCawley	9	n/a
M C Ackland	7	1
G A J Baynton	8	2
W R Stubbs	1	n/a
L R Grimstone	-	n/a

Company Secretary

The company secretary is Ms Leni Stanley CA, B.Com. Ms Stanley was appointed to the position of company secretary in 2002. Ms Stanley is currently is a partner with a Chartered Accounting firm and holds the office of company secretary with other companies.

Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration

A 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 \$300,000 in aggregate plus statutory superannuation.

Executive pay

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

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Lodestone Exploration Limited are set out in the following tables.

The key management personnel of Lodestone Exploration Limited includes the directors as per pages 11 – 12 above and Leni Stanley – Company Secretary.

Key management personnel of Lodestone Exploration Limited

Name	Short-term benefits	Post-employment benefits	Share-based payment	Total
	Cash salary and fees \$	Superannuation \$	Options \$	
<i>Non-executive directors</i>				
M C Ackland, <i>Chairman</i>	35,833	3,225	-	39,058
G A J Baynton	30,000	2,700	-	32,700
W R Stubbs	7,500	675	-	8,175
L R Grimstone – Appointed 30/06/08	-	-	-	-
J T Shaw – Resigned 30/11/07	16,667	1,500	-	18,167
Sub-total non-executive directors	90,000	8,100	-	98,100
<i>Executive director</i>				
J L McCawley	150,000	13,500	-	163,500
<i>Other key management personnel</i>				
L P Stanley	15,000	-	-	15,000
Totals	255,000	21,600	-	276,600

2007	Short-term benefits	Post-employment benefits	Share-based payment	
Name	Cash salary and fees \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>				
J T Shaw, <i>Chairman</i>	40,000	3,600	-	43,600
M C Ackland	30,000	2,700	-	32,700
G A J Baynton	30,000	2,700	-	32,700
Sub-total non-executive directors	100,000	9,000	-	109,000
<i>Executive director</i>				
J L McCawley	137,500	12,375	-	149,875
<i>Other key management personnel</i>				
L P Stanley	15,000	-	-	15,000
Totals	252,500	21,375	-	273,875

L P Stanley provides accounting services in addition to her appointment as company secretary. The company secretarial and accounting services are provided through a partnership of which she is a member based on normal commercial terms and conditions.

Share Options granted to Directors and the most highly remunerated officers

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

Since the end of the financial year 10,000,000 options with an exercise price of \$0.07 each have been issued to directors. The options have an expiry date of 10 September 2010.

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
27 January 2006	27 January 2011	\$0.20	501,000
10 September 2008	10 September 2010	\$0.07	10,000,000

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 2008 on the exercise of options. Since year end a further 3,835,239 fully paid shares have been issued at \$0.05 each on the exercise of options. No amounts are unpaid on any of the shares

Date options granted	Issue price of shares	Number of shares issued
21 July 2006	\$0.05	1,000

Insurance of Officers

During the financial year Lodestone Exploration Limited paid a premium of \$17,090 to insure the directors and secretary of the company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

Agreement to Indemnify Officers

Lodestone Exploration Limited is party to an agreement to indemnify the directors of the company.

The indemnity relates to any liability:

- (a) 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
- (b) 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.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of amounts paid or payable to the auditor (Pitcher Partners) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

	2008 \$	2007 \$
During the year the following fees were paid or payable for services provided by the auditor of the company:		
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	18,615	20,075
	-----	-----
Total remuneration for assurance services	18,615	20,075
	=====	=====
Taxation services		
Fees paid to Pitcher Partners for tax compliance services, including preparation of company income tax returns	4,890	3,720
	=====	=====

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.



M C Ackland
Chairman
 Brisbane, 29 September 2008



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 21
300 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 35
Brisbane Qld 4001
Australia

Tel: 07 3228 4000
Fax: 07 3221 6420

www.pitcher.com.au
info@pitcherqld.com.au

An Independent Queensland Partnership.
ABN 83 252 867 498

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Brisbane | Perth | Adelaide

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

As lead auditor for the audit of Lodestone Exploration Limited for the year ended 30 June 2008, 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* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lodestone Exploration Limited.

PITCHER PARTNERS

S A Green
Partner

Brisbane, 29 September 2008

CORPORATE GOVERNANCE STATEMENT

Lodestone Exploration Limited (Lodestone) and the Board of Directors (“the Board”) are committed to achieving and demonstrating the highest standards of corporate governance.

A description of the company’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

A full set of Lodestone’s corporate governance policies and charters is available on the company’s website at www.lodestonex.com under the area of “Corporate Governance”.

Board Responsibilities

The Board is responsible to shareholders for the governance of Lodestone, its operations and its financial performance. The Board has adopted a Board and Governance Charter which set out, among other things, the roles and responsibilities of the Board. These include:

- Review, advance and approve Lodestone’s:
 - objectives and strategies,
 - exploration and development programs, and
 - capital management.
- Monitor Lodestone’s business, financial performance, and corporate governance including risk management, audit processes and compliance with laws, policies and procedures.
- Oversee the financial position of Lodestone.
- 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 and maintain a culture of high ethical, environmental, health and safety standards.
- Ensure the Board is effective.

Board Structure

The structure of Lodestone’s Board is consistent with Principle 2.1, 2.2 and 2.3 of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 (“the Recommendations”). It has a majority of Non-Executive Directors being comprised of three Non-Executive Directors and one Executive Director and it does have a majority of independent Directors in accordance with the definition of ‘independence’ as set out in the Recommendations. Mr J McCawley does not satisfy the definition of ‘independence’ due to his position of Executive Director and also due to his substantial shareholding in the company.

The skills, experience, qualifications and special responsibilities of each Director are set out in “Information on Directors” detailed earlier in this Annual Report. The term of each Director is limited to three years, and each year one-third of the Board retire pursuant to the Constitution and may offer themselves for re-election by shareholders at the Annual General Meeting. Each Director is expected to declare any actual or potential conflict of interest, and where necessary, a Director may obtain independent advice prior to notifying the Chairman of any such conflict.

Consistent with the recognition in Principle 2.4 of the Recommendations that a Nomination Committee may not be efficient for smaller boards, Lodestone’s nomination matters are considered by the Board as a whole, as set out in the Charter. The Board, as a whole, aims to ensure that it always has an appropriate depth and diversity of qualifications, experience and expertise consistent with Lodestone’s objectives.

Performance Review

In accordance with the Board and Governance Charter, the Chairman has conducted a performance review of the Board focusing on its overall effectiveness and competencies, and the availability and contribution of each Director in a manner consistent with Principle 8.1 of the Recommendations.

The Board as a whole is responsible for appraising the Executive Director in a manner consistent with Principle 8.1 of the Recommendations.

Audit Committee

The Audit Committee, which operates under a Charter approved by the Board, provides advice and assistance to the Board in fulfilling the Board’s responsibilities relating to Lodestone’s financial statements, financial and market reporting processes, internal accounting and financial control systems, external audit, risk management and such other matters as the Board may request from time to time.

The Audit Committee processes are consistent with Principles 4.2 through 4.4 of the Recommendations except that the Committee has only two members. The Directors consider this appropriate given the size of the Board.

The Committee is composed of all Non-Executive Directors of the Board, a majority of Independent Directors and is chaired by an Independent Director who is not the Chairman of the Company, Mr G Baynton. The Audit Committee consists of members who have sufficient industry, business and financial expertise to be effective members of the Committee. During the year the members of the Audit Committee were Mr M Ackland and Mr G Baynton.

The specific responsibilities of the Committee include:

- Overseeing the adequacy and effectiveness of the company's accounting and financial policies and controls including compliance with all regulatory requirements;
- Overseeing the company's financial reporting process, specifically, its annual and interim financial statements;
- Reviewing the scope and plans for external audit, and all reports issued by the external auditor;
- Reviewing performance, approving remuneration, and, as needed, recommending to the Board the appointment of the external auditor;
- Reviewing any proposed activity or service by the providers of external audit unrelated to external audit assurance activities;
- Examining the adequacy of the nature, extent and effectiveness of the internal control process of the company; and
- Overseeing the risk management framework of the company and reviewing risk management reports.

The complete Audit Committee Charter is available on the company's website.

Remuneration Policy

Fees and payments to Non-Executive Directors reflect the demands that 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 \$300,000 in aggregate plus statutory superannuation.

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

Further information on remuneration matters is included in Note 16 of the Financial Statements.

The structure and disclosure of the company's remuneration arrangements is consistent with Principles 9.1, 9.3 and 9.4 of the Recommendations. Currently the company has no equity based remuneration plans.

Remuneration Committee

Consistent with the recognition in Principle 9.2 of the Recommendations that a Remuneration Committee might not be efficient for smaller boards, Lodestone's remuneration matters are considered by the Board as a whole, as set out in the Charter. The Board, as a whole, aims to ensure that it always has an appropriate depth and diversity of qualifications, experience and expertise consistent with Lodestone's objectives.

Executive Assurance

The Executive Director and Company Secretary have provided the following assurance to the Board in connection with Lodestone's full year financial statements and reports, to the best of their knowledge and belief:

- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at 30 June 2008 and the performance of the company for the year then ended and comply in all material respects with Accounting Standards;
- The statements made above regarding the integrity of the financial statements is founded on a system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors; and
- The risk management and internal compliance and control systems of the company relating to financial reporting, compliance and operations objectives are operating efficiently and effectively, in all material respects.

The executive assurance is consistent with Principles 4.1 and 7.2 of the Recommendations.

Code of Conduct

The company seeks to maintain high standards of integrity and is committed to ensuring that Lodestone conducts all its business in accordance with high standards of ethical behaviour.

The company requires all employees, consultants and contractors to comply with the spirit and the letter of all laws and other statutory requirements governing the conduct of Lodestone's activities. The Code of Conduct applies to all employees, consultants and contractors including the company's Executives and Directors.

The Company has developed a Securities Trading Policy which provides guidance to Directors, employees, consultants and contractors on the purchase and sale of securities of Lodestone in order to ensure:

- that breaches of the Australian Corporations Act 2001 do not occur; and
- dealings by Directors, employees, consultants and contractors in Lodestone's securities are fair, and are seen to be fair.

Summaries of the Code of Conduct and the Securities Trading Policy are available on the company's website.

The company's actions, outlined above, to promote ethical and responsible decision making are consistent with Principles 3.1, 3.2 and 10.1 of the Recommendations.

Risk Management

Lodestone views risk recognition and risk management as integral to the company's objectives of creating and maintaining shareholder value, and the successful execution of Lodestone's strategies.

The Board as a whole is responsible for the oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit Committee.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The management of operational risk is explicitly considered in the selection and monitoring of the contractors through whom most of Lodestone's operations are conducted.

The formal processes for identification and addressing all key risks is ongoing and is reviewed on an ongoing basis.

Not all aspects of risk management can be formalised, and Lodestone places considerable reliance on the skill, experience and judgement of its people to take risk based decisions within the policy framework, and to communicate openly on all risk related matters.

The company's risk management procedures are consistent with Principle 7.1 of the Recommendations and the Risk Management Policy of Lodestone is available on the company's website.

Disclosure Policy

Lodestone's Continuous Disclosure Policy sets out the company's commitment to comply with its continuous disclosure obligations. Directors, employees and consultants to Lodestone are required to adhere to procedures set out in the Policy to ensure compliance with the legal requirements for disclosure. Underpinning the Continuous Disclosure Policy is the disclosure protocol which governs Lodestone's policy in relation to interactions with external individuals, investors, stockbroking analysts and market participants.

When Lodestone makes an announcement to the market, it is released through the Australian Securities Exchange (ASX) where the company's shares are quoted.

The Company Secretary, as the designated Disclosure Officer, is responsible for Lodestone's compliance with its continuous disclosure obligations and for overseeing and co-ordinating disclosures to the ASX and other interested parties.

The company's Continuous Disclosure Policy is consistent with Principle 5.1 of the Recommendations and is available on the company's website.

Investor Relations and Communications

Lodestone is committed to communicating with its investors in an effective and timely manner. The company investor relations program includes briefings and presentations to accompany annual and half yearly release of results, a website that displays all the company announcements and notices as soon as they have been released to the Australian Securities Exchange, as well as all major management and roadshow presentations which are also released to the Australian Securities Exchange and posted on the website. In addition, the company's external auditor is available at the Annual General Meeting to answer questions from shareholders about the conduct of the audit and the preparation and content of the audit report and the company's financial report.

The Investor Relations and Communications Policy is consistent with Principles 6.1 and 6.2 of the Recommendations, and all of the specified information requirements of Principles 2.5, 3.3, 4.5, 5.2 and 9.5 are met.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 39 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; 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 has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2008.

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



M C Ackland
Chairman

Brisbane, 29 September 2008

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008 \$	2007 \$
Revenue from operations	5	23,986	88,739
Exploration abandoned		(711,967)	(1,212,759)
Professional services expenses		(159,997)	(98,407)
Corporate overhead expenses		(184,222)	(83,149)
Depreciation expenses		(12,340)	(12,513)
Directors remuneration		(136,200)	(141,700)
		<hr/>	<hr/>
Loss from before income tax	6	(1,180,740)	(1,459,789)
Income tax expense	7	-	-
		<hr/>	<hr/>
Loss from operations		(1,180,740)	(1,459,789)
		<hr/>	<hr/>
Loss attributable to members of Lodestone Exploration Limited	15	(1,180,740) =====	(1,459,789) =====
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	22	(1.04)	(1.33)
Diluted earnings per share	22	(1.04)	(1.33)

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

**BALANCE SHEET
AS AT 30 JUNE 2008**

	Notes	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	586,204	1,102,491
Receivables	9	20,466	70,406
		-----	-----
Total current assets		606,670	1,172,897
		-----	-----
Non-current assets			
Plant and equipment	10	18,593	30,933
Exploration expenditure	11	280,850	548,325
Other	12	39,180	39,180
		-----	-----
Total non-current assets		338,623	618,438
		-----	-----
Total assets		945,293	1,791,335
		=====	=====
LIABILITIES			
Current liabilities			
Trade and other payables	13	87,467	262,779
		-----	-----
Total current liabilities		87,467	262,779
		-----	-----
Total liabilities		87,467	262,779
		=====	=====
Net assets		857,826	1,528,556
		=====	=====
EQUITY			
Contributed equity	14	6,769,825	6,259,815
Reserves	15	60,063	60,063
Accumulated losses	15	(5,972,062)	(4,791,322)
		-----	-----
Total equity		857,826	1,528,556
		=====	=====

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
Total equity at the beginning of the financial year	1,528,556	652,119
Loss for the year	(1,180,740)	(1,459,789)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs (Note 14)	510,010	2,336,226
	<hr/>	<hr/>
Total equity at the end of the financial year	857,826	1,528,556
	=====	=====

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		84,571	45,981
Payments to suppliers (inclusive of goods and services tax)		(475,947)	(417,206)
Interest received		27,797	84,110
Net cash outflows from operating activities	20	<u>(363,579)</u>	<u>(287,115)</u>
Cash flows from investing activities			
Payments for exploration		(662,718)	(819,729)
Payment for security deposit		(5,000)	(2,500)
Refund of security deposit		5,000	13,500
Net cash outflows from investing activities		<u>(662,718)</u>	<u>(808,729)</u>
Cash flows from financing activities			
Proceeds from share issue		510,010	2,352,526
Payment of share issue costs		-	(266,300)
Net cash inflows from financing activities		<u>510,010</u>	<u>2,086,226</u>
Net increase/(decrease) in cash and cash equivalents		(516,287)	990,382
Cash and cash equivalents at the beginning of the financial year		1,102,491	112,109
Cash and cash equivalents at the end of the financial year		<u>586,204</u> =====	<u>1,102,491</u> =====

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 1 Summary of significant accounting policies

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 years presented, unless otherwise stated.

(a) Basis of preparation

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Lodestone Exploration Limited comply with International Financial Reporting Standards (IFRSs).

Early adoption of standard

The company has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Taxes

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability 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 recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) 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 of interest 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. When sub-blocks within an area of interest are relinquished accumulated exploration expenditure capitalised is written off against income in the year of relinquishment on a prorata basis.

(e) 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.

(f) 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.

(g) 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
---------------------	--------------

Note 1 Summary of significant accounting policies (continued)

(h) 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.

(i) 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, and bank overdrafts.

(j) 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.

(k) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated 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 financial year, adjusted for bonus elements in ordinary shares issued during the 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.

(l) 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.

Note 1 Summary of significant accounting policies (continued)

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a management approach to reporting on financial performance. Information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognized in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalization of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Company.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognized in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company intends to apply the revised standard from 1 July 2009.

Note 2. Financial risk management

The Company's activities expose it to a variety of financial risks; liquidity risk and cash flow interest rate risk.

Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows.

Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets or borrowings, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

The Company has capitalised exploration expenditure of \$280,850. This amount includes costs directly associated with exploration. These costs are capitalised as an intangible asset until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Note 4 Segment information

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

	2008 \$	2007 \$
Note 5 Revenue		
<i>Other revenue</i>		
Interest	23,986 =====	88,739 =====

Note 6 Expenses

Loss before income tax includes the following specific expenses:

Exploration abandoned	711,967	1,212,759
Depreciation	12,340	12,513

	2008 \$	2007 \$
Note 7 Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from operations before income tax expense	(1,180,740) =====	(1,459,789) =====
Tax at the Australia tax rate of 30% (2007: 30%)	(354,222)	(437,937)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible legal fees	179 -----	- -----
	(354,043)	(437,937)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	354,043	437,937
Income tax expense	----- - =====	----- - =====
(b) Unrecognised net deferred tax assets		
Unused tax losses for which no deferred tax asset has been recognised	6,327,880	5,625,415
Temporary differences for which no deferred tax asset / (liability) has been recognised:		
- Property, plant and equipment	16,201	5,667
- Accruals	10,000	15,000
- Prepayments	1,891	1,830
- Capital raising costs	181,489	293,145
- Exploration expenditure	(280,850)	(488,258)
- Interest receivable	(1,308)	(5,115)
	----- 6,255,303 =====	----- 5,447,684 =====
Potential tax effect at 30%	1,876,591 =====	1,634,305 =====

Note 8 Current assets – Cash and cash equivalents

Cash at bank and in hand	16,072	2,359
Deposits at call	570,132	1,100,132
	----- 586,204 =====	----- 1,102,491 =====

(a) Cash at bank and on hand

These are non-interest bearing.

(b) Deposits at call

The deposits are bearing an interest rate of between 5.5% and 6.5% (2007 – 5% to 5.5%).

	2008 \$	2007 \$
Note 9 Current assets – Receivables		
Interest receivable	1,308	5,119
Other debtors	19,158	65,287
	-----	-----
	20,466	70,406
	=====	=====

Note 10 Non-current assets – Plant and equipment

	Motor vehicles \$	Plant and equipment \$	Total \$
As at 1 July 2006			
- Cost	77,130	4,993	82,123
Accumulated depreciation	(36,323)	(2,354)	(38,677)
	<hr/>		
Net book amount	40,807	2,639	43,446
	<hr/>		
Year ended 30 June 2007			
Opening net book amount	40,807	2,639	43,446
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(11,514)	(999)	(12,513)
	<hr/>		
Closing net book amount	29,293	1,640	30,933
	<hr/>		
At 30 June 2007			
- Cost	77,130	4,993	82,123
Accumulated depreciation	(47,837)	(3,353)	(51,190)
	<hr/>		
Net book amount	29,293	1,640	30,933
	<hr/>		
	Motor vehicles \$	Plant and equipment \$	Total \$
Year ended 30 June 2008			
Opening net book amount	29,293	1,640	30,933
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	(11,402)	(938)	(12,340)
	<hr/>		
Closing net book amount	17,891	702	18,593
	<hr/>		
At 30 June 2008			
- Cost	77,130	4,993	82,123
Accumulated depreciation	(59,239)	(4,291)	(63,530)
	<hr/>		
Net book amount	17,891	702	18,593
	<hr/>		

	2008	2007
	\$	\$

Note 11 Non-current assets - Exploration expenditure

Exploration phase property costs

Deferred geological, geophysical, drilling and other expenditure – at cost	280,850	548,325
	=====	=====

The capitalised exploration expenditure carried forward above has been determined as follows:

Opening balance	548,325	475,803
Expenditure incurred during the year	444,492	1,285,281
Exploration abandoned	(711,967)	(1,212,759)
	-----	-----
Closing balance as shown above	280,850	548,325
	=====	=====

Note 12 Non-current assets – Other

Security deposit	39,180	39,180
	=====	=====

Note 13 Current liabilities – Trade and other payables

Trade payables	87,467	262,779
	=====	=====

Note 14 Contributed equity

	2008	2007	2008	2007
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares				
Fully paid	130,324,215	113,324,535	6,769,825	6,259,815
	=====	=====	=====	=====

(b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price	\$
1 July 2006	Balance	46,419,715		3,923,589
21 July 2006	Rights issue (e)	61,892,953	\$0.038	2,351,932
30 August 2006	Placement (f)	5,000,000	\$0.05	250,000
13 November 2006	Options exercised (d)	1,867	\$0.05	94
22 January 2007	Options exercised (d)	10,000	\$0.05	500
	Share issue expenses	-		(266,300)
30 June 2007	Balance	113,324,535		6,259,815
18 June 2008	Placement (g)	16,998,680	\$0.03	509,960
19 June 2008	Options exercised (d)	1,000	\$0.05	50
		130,324,215		6,769,825

Note 14 Contributed equity (continued)

(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 31,434,634 options over ordinary shares of Lodestone Exploration Limited were on issue. 501,000 options were issued on 27 January 2006 with an exercise price of \$0.20 expiring on 27 January 2011. 30,933,634 options were issued on 21 July 2006 with an exercise price of \$0.05 expiring on 21 July 2008.

Subsequent to balance date 3,835,239 options were exercised and 27,098,395 options expired on 21 July 2008.

During the financial year 1,000 options that were issued on 21 July 2006 were exercised and 800,000 options that were issued on 30 September 2006 expired. These options were exercisable at \$0.30 and expired on 30 September 2007.

During the prior financial year 11,867 options that were issued on 21 July 2006 were exercised and 2,000,000 options that were issued on 18 May 2006 expired. These options were exercisable at \$0.05 and expired on 18 May 2007.

(e) Rights issue

On 16 June 2006 the company invited its shareholders to subscribe to a rights issue of 61,892,953 ordinary shares at an issue price of \$0.038 per share on the basis of 4 new fully paid ordinary shares for every 3 fully paid ordinary shares held, with such shares to be issued on 21 July 2006. The issue was fully subscribed.

(f) Placement 2007

On 30 August 2006 5,000,000 ordinary shares were issued in accordance with the Karinya Farm-In Agreement for \$0.05 per share.

(g) Placement 2008

On 18 June 2008 16,998,680 ordinary shares were issued in exchange for cash consideration at \$0.03 per share.

Note 15 Reserves and accumulated losses

(a) Reserves

	2008 \$	2007 \$
Share-based payments reserve	60,063 =====	60,063 =====
Movements:		
Balance 1 July	60,063	60,063
Option expense	-	-
Balance 30 June	60,063 =====	60,063 =====

(b) Accumulated losses

Balance 1 July	(4,791,322)	(3,331,533)
Loss for the year	(1,180,740)	(1,459,789)
Balance 30 June	(5,972,062) =====	(4,791,322) =====

Note 16 Key management personnel disclosures

(a) Directors

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

(i) *Chairman – non-executive*

J T Shaw (resigned 30 November 2007)

M C Ackland (Chairman from 30 November 2007)

(ii) *Executive director*

J L McCawley

(iii) *Non-executive directors*

G A J Baynton

W R Stubbs (appointed 31 March 2008)

L R Grimstone (appointed 30 June 2008)

(b) Other key management personnel

L P Stanley, as a result of her position of company secretary, is considered to be a key management person. Due to the small size of the entity there are no other specified executives. L P Stanley was also a key management person during the year ended 30 June 2007.

(c) Key management personnel compensation

	2008 \$	2007 \$
Short-term employee benefits	255,000	252,500
Post-employment benefits	21,600	21,375
	-----	-----
	276,600	273,875
	=====	=====

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 13 to 14.

(d) Equity instrument disclosures relating to key management personnel

(i) *Option holdings*

The number of options over ordinary shares in the company held during the financial year by each director of Lodestone Exploration Limited and other key management personnel, including their personally related parties, are set out below.

2008 Name	Balance at the start of the year	Granted during the year as compensation	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
Directors of Lodestone Exploration Limited						
J T Shaw	517,949	-	-	(517,949)*	-	-
M C Ackland	276,283	-	-	(200,000)	76,283	76,283
G A J Baynton	1,200,000	-	-	(200,000)	1,000,000	1,000,000
W R Stubbs	-	-	-	-	-	-
L R Grimstone	-	-	-	-	-	-
J L McCawley	25,000	-	-	-	25,000	25,000
Other key management personnel						
L P Stanley	46,770	-	-	-	46,770	46,770

Note 16 Key management personnel disclosures (continued)

2007	Balance at the start of the year	Granted during the year as compensation	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
Name						
Directors of Lodestone Exploration Limited						
J T Shaw	400,000	-	-	117,949	517,949	517,949
M C Ackland	200,000	-	-	76,283	276,283	276,283
G A J Baynton	200,000	-	-	1,000,000	1,200,000	1,200,000
J L McCawley	-	-	-	25,000	25,000	25,000
Other key management personnel						
L P Stanley	-	-	-	46,770	46,770	46,770

(ii) *Share holdings*

The number of ordinary shares in the company held during the financial year by each director of Lodestone Exploration Limited and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2008	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
Name				
Directors of Lodestone Exploration Limited				
J T Shaw	422,821	-	(422,821)*	-
M C Ackland	266,988	-	-	266,988
G A J Baynton	1,526,769	-	-	1,526,769
W R Stubbs	-	-	1,166,667**	1,166,667
L R Grimstone	-	-	-	-
J L McCawley	5,162,532	-	-	5,162,532
Other key management personnel				
L P Stanley	123,617	-	-	123,617

2007	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
Name				
Directors of Lodestone Exploration Limited				
J T Shaw	186,923	-	235,898	422,821
M C Ackland	114,423	-	152,565	266,988
G A J Baynton	1,526,769	-	-	1,526,769
J L McCawley	5,112,532	-	50,000	5,162,532
Other key management personnel				
L P Stanley	30,077	-	93,540	123,617

* J T Shaw resigned as a director on 30 November 2007

** W R Stubbs was appointed a director on 31 March 2008.

*** L R Grimstone was appointed a director on 30 June 2008

Note 16 Key management personnel disclosures (continued)

(f) Other transactions with key management personnel

During the year to 30 June 2008 the company paid fees for accounting and administration services provided by Stanley Yeates & Associates, a firm of Chartered Accountants, of which L P Stanley is a partner, on normal commercial terms and conditions.

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

	2008	2007
	\$	\$
Accounting and administration fee	76,282	57,151

Note 17 Remuneration of auditors

During the year the following fees were paid or payable for services provided by 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

18,615	20,075
--------	--------

Total remuneration for assurance services

----- 18,615 =====	----- 20,075 =====
--------------------------	--------------------------

Taxation services

Fees paid to Pitcher Partners for tax compliance services, including review of company income tax returns

4,890 =====	3,720 =====
----------------	----------------

It is the company'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 mainly tax advice.

Note 18 Related parties

Directors

Disclosures relating to key management personnel are set out in Note 16.

Note 19 Events occurring after reporting date

Subsequent to the end of the financial year 32,916,743 fully paid ordinary shares were issued at \$0.03 pursuant to a share purchase plan, 8,333,332 fully paid ordinary shares were issued at \$0.03 each to Directors for cash consideration and 3,835,239 listed options were exercised and fully paid ordinary shares issued at \$0.05 each.

On 9 September 2008 an extraordinary general meeting of shareholders was held at which shareholders approved a Farmin Deed which gives the Company the right to earn a 50% interest in three tenements, that are currently under application, that are prospective for coal by undertaking exploration activities, and incurring \$2 million exploration expenditure.

At the date of this report there are no matters or circumstances which have arisen since 30 June 2008 that have significantly affected, or may significantly affect:

- (d) the company's operations in future financial years, or
- (e) the results of those operations in future financial years, or
- (f) the company's state of affairs in future financial years.

Note 20 Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities

	2008 \$	2007 \$
Loss from ordinary activities after income tax	(1,180,740)	(1,459,789)
Exploration abandoned	711,967	1,212,759
Depreciation	12,339	12,513
Change in operating assets and liabilities:		
(Increase)/decrease in other debtors	50,537	(48,497)
(Increase)/decrease in interest receivable	3,811	(4,629)
Increase/(decrease) in trade creditors	38,507	528
Net cash outflow from operating activities	<u>(363,579)</u> =====	<u>(287,115)</u> =====

Note 21 Commitments for expenditure

Operating leases

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

Within one year	-	-
	=====	=====

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	2,422,100	456,000
Later than one year but not later than 5 years	2,588,000	267,000
Later than 5 years	-	-
	-----	-----
Commitments not recognised in the financial statements	<u>5,010,100</u> =====	<u>723,000</u> =====

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 \$5,010,100. They extend over 15 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, farm-outs, and new capital raisings.

Note 22 Earnings per share

	2008 Cents	2007 Cents
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the company	(1.04) =====	(1.33) =====
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the company	(1.04) =====	(1.33) =====
	2008 \$	2007 \$
(c) Reconciliation of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Profit from operations	(1,180,740) =====	(1,459,789) =====
<i>Diluted earnings per share</i>		
Profit from operations	(1,180,740) =====	(1,459,789) =====
(d) Weighted average number of shares used as the denominator		
	2008 Number	2007 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	113,928,342	110,112,975
Adjustments for calculation of diluted earnings per share:		
Options	-	-
	-----	-----
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	113,928,342 =====	110,112,975 =====



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 21
300 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 35
Brisbane Qld 4001
Australia

Tel: 07 3228 4000
Fax: 07 3221 6420

www.pitcher.com.au
info@pitcherqld.com.au

An Independent Queensland Partnership.
ABN 83 252 867 498

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Brisbane | Perth | Adelaide

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

We have audited the accompanying financial report of Lodestone Exploration Limited ("the company"). The financial report comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures contained in the Directors' Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LODESTONE EXPLORATION LIMITED
(continued)**

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion,

- (a) the financial report of Lodestone Exploration Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 8 of the Directors' Report for the year ended 30 June 2008. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Lodestone Exploration Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.



PITCHER PARTNERS



S A Green
Partner

Brisbane, 29 September 2008

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 September 2008.

A. Distribution of equity securities

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

	<u>Class of equity security</u>
	<u>Ordinary Shares</u>
1 – 1,000	29
1,001 – 5,000	22
5,001 – 10,000	134
10,001 – 100,000	329
100,001 and over	292
	<hr/>
	806

There were 227 holders of less than a marketable parcel of ordinary shares.

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	<u>Ordinary shares</u>	
	Number Held	Percentage of issued shares
Nefco Nominees Pty Ltd	14,054,756	8.01
Wealford Investments Limited	10,000,000	5.70
John Lachlan McCawley	6,854,198	3.91
TBIC Pty Ltd	3,817,949	2.18
Eastern Porphyry Pty Ltd	3,000,000	1.71
Campbell Marine Pty Ltd	3,000,000	1.71
Allegro Capital Nominees Pty Limited	2,754,846	1.63
Arminga Geological Research and Exploration Pty Ltd	2,666,667	1.52
Bernard Wessels Holtshousen	2,500,000	1.43
Berne No 132 Nominees Pty Ltd <323731 A/c>	2,428,204	1.38
Neil Harris	2,395,000	1.37
Raul Used	2,266,667	1.29
National Nominees Limited	2,000,000	1.14
Volute Pty Ltd	1,965,000	1.12
Cathnick Investments Pty Ltd	1,400,000	0.80
David Oakley	1,226,923	0.70
Martin Clyde Ackland	1,195,834	0.68
Zodiac Capital Limited	1,175,000	0.67
ANZ Nominees Limited	1,175,000	0.67
Berne No 132 Nominees Pty Ltd <224266 A/c>	1,166,667	0.67
	<hr/>	
	67,042,711	38.29

Unquoted equity securities

	Number of issue	Number of holders
Unquoted options	10,501,000	6

There were no holders of greater than 20% of the unquoted options.

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Nefco Nominees Pty Ltd	14,054,756	8.01
Wealford Investments Limited	10,000,000	5.70

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.