



21 January 2004

The Manager
Company Announcements Office
Australian Stock Exchange Limited
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Sydney NSW 2000

QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2003

During the quarter ended 31 December 2003, Lodestone Exploration Ltd (ASX: LOD) has been actively pursuing "another Mt Morgan" by drilling confirmed geophysical targets, defining additional drill targets, and deploying advanced exploration tools in the Mt Morgan district.

KEY ACTIVITIES FOR THE DECEMBER 2003 QUARTER:

Since the beginning of October 2003, Lodestone has:

- Deepened diamond drill hole Number 2 at Tempest target MMS01;
- Relogged drill core from both holes at that target;
- Selectively drilled the Hamilton magnetic target;
- Compiled and interpreted all of the district's relevant stream sediment copper, lead, zinc and gold geochemistry;
- Acquired and mapped parts of the historic Ulam goldfield, located 40km east of Mt Morgan;
- Commenced interpretation of the ground gravity data collected to the south of Mt Morgan in September;
- Determined the area to be flown by the Falcon™ airborne gravity system;
- Applied for an additional tenement 14km east of Mt Morgan.

OUTLINES OF ACTIVITIES FOR THE DECEMBER 2003 QUARTER:

Results and implications of these activities are outlined below:-

Tempest Target MMS01 Follow-up Drilling – Relogging of drill core from MMS01 revealed an 8 metre section of 1% disseminated pyrite and 2% disseminated magnetite, each thinly coated with haematite. Neither the pyrite, magnetite nor haematite are commercially significant, but they do explain the medium to strong conductor detected by the Tempest airborne electromagnetic survey equipment, and confirm Tempest's usefulness as a search



tool in the Mt Morgan terrain. This 8 metre section will be further investigated, to provide additional information that will help in our ongoing search of the southern Mine Corridor.

Hamilton Drilling – Five shallow reverse circulation holes were drilled in search of mineralisation or alteration at the Hamilton target, seven kilometres south of Mt Morgan. This target is a distinctive, blind, aeromagnetic anomaly underlying the Mt Morgan to Biloela Highway, and had been confirmed by new ground magnetics and geophysical modelling.

Chip samples collected during the drilling appear devoid of mineralisation or strong alteration and assay results are not anomalous. Consequently the target is downgraded. Gravity data has been collected, and is currently being interpreted, to determine whether deeper drilling is justified.

Regional Stream Sediment Geochemistry Review – Compilation and statistical ranking of the copper, zinc, lead and gold content of every reported stream sediment sample collected in those parts of the district of interest to Lodestone: some 23,000 samples, was completed.

These samples had been collected one by one throughout the Mt Morgan district, by numerous companies since the 1960's, but never treated and examined in such a comprehensive manner prior to Lodestone's efforts.

This complex and difficult task was carried out by Brisbane-based geological consultants Ausmec Geoscience.

More than 25 areas of interest were recognised by Ausmec and, of these 8 were ranked very highly for follow up investigations based on their metal content and interpreted mineralisation style.

Ulam Goldfield Acquisition – Lodestone has bought tenements within the Ulam goldfield, approximately 40km east of Mount Morgan, that include the former "Queenslander" gold mine, and another distinctive buried magnetic anomaly. The area acquired includes numerous historic gold workings. These shafts, drives and dumps trace outcrops and subcrops of reefs over more than 800 metres. Intermittent production recorded early last century totals 3800 ounces.

Recent field mapping by Lodestone will be followed by a small detailed stream sediment survey together with a ridge and spur soil sampling program in search of bulk, low-grade mineralisation. Geophysical modelling of new data collected over the distinctive magnetic feature immediately west of the Queenslander line of lode suggests that the anomaly, that is covered by soil and gravel, might be caused by basic intrusions, magnetite-rich intrusions or skarns or massive pyrrhotite. Consequently, the Ulam magnetic feature will be drilled early this year.



Ground Gravity Survey – Gravity data collected during an 80 square kilometre survey in September has been integrated with a digital elevation model completed in November and is currently being interpreted by Canadian geophysicists.

Falcon™ - Airborne Gravity Survey – Target modelling, flight planning, and signoffs for deployment of the Falcon™ airborne gravity survey system have been completed by BHP Billiton.

Timing of Falcon's deployment south of Mt Morgan is now subject only to scheduling decisions by the aircraft operators, Fugro Airborne Surveys Pty Ltd.

Additional Tenement Application – An additional EPMA, of 42 square kms, was applied for on 10 December. This EPMA covers the "Station" magnetic feature, approximately 15kms east of Mt Morgan, and is prospective for intrusion related gold-base metals.

In summary: the December quarter's high level of activity is scheduled to continue over the next six months with aerial geophysical surveys, target generation and follow up drilling as required.

A handwritten signature in black ink, reading "John McCawley". The signature is written in a cursive, flowing style.

John McCawley
Executive Director