



20 February 2004

Australian Stock Exchange Limited
Company Announcements Office
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Mid-Quarter Report to Shareholders

This is the second of our mid-quarter reports to shareholders and optionholders. It covers the past six weeks program and outlines plans until the end of March.

KEY ACTIVITIES

Since the beginning of January 2004, Lodestone has:

- Completed a structural interpretation of the Mt Morgan district;
- Interpreted the vehicle-borne gravity survey data collected last September;
- Acquired an option over tenements close to the Mt Morgan minesite;
- Applied for tenements in the Cracow district.

OUTLINES OF ACTIVITIES

Results and implications of these activities are outlined below:-

Structural Interpretation. This interpretation, carried out by Colin Nash and Associates, traced extensions of faults that cross the Mount Morgan minesite, and nearby faults and fractures as part of an ongoing investigation of local alteration patterns.

Outcomes from this study will help shape this year's work North and West of the former Mt Morgan Mine.



Gravity Survey. Interpretation of data recorded during September's 80 square kilometre gravity survey South of Mt Morgan has been completed.

Data was recorded at 700 survey stations and nine anomalies have been identified. Three are seen as high priority because they are located within the projected southern extension of the mine corridor volcanics.

Fieldwork that will help determine which of these anomalies are to be drilled resumes this week.

Gravity data complements magnetics, electromagnetics and radiometrics data, providing additional insights to help identify, confirm and prioritise targets.

An additional 80 square kilometres will be covered, in a pattern that joins and doubles last September's coverage.

Option Agreement. Lodestone now has the right to explore 18 square kilometres of ground South West of the Mount Morgan minesite, in addition to Lodestone's extensive tenements to the North and South.

These tenements come to within 1500 metres of the former open pit, cover the South West extension of a significant structure, and known mineralisation. Lodestone is attracted by the work of an earlier explorer, that intersected 30 metres averaging 0.26 grams/tonne gold, including 6 metres assaying 0.58 grams/tonne, and by widespread gold anomalies in soil and stream sediments.

Lodestone plans to re-examine this locality and nearby areas thoroughly and fieldwork resumes on February 20.

Additional Tenement Application. Lodestone has all but completed its land acquisition program at Mt Morgan, and is widening its interest to include prospective areas that can be readily explored from its Mt Morgan base. The first of several such opportunities is outlined below.

An additional EPMA, of 300 square kms, was applied for on 23 January. This EPMA, lodged upon the recommendation of Dr Douglas Haynes, is located approximately 30kms south of Cracow, and is prospective for similar style gold mineralisation.



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In summary: the immediate emphasis is to double our Mt Morgan gravity data coverage and generate gravity drill targets for early drilling.

John McCawley

John McCawley
Executive Director