



**8 July 2003**

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
10<sup>th</sup> Floor, 20 Bond Street  
Sydney NSW 2000

**APPENDIX 5B – MINING EXPLORATION ENTITY QUARTERLY REPORT FOR QUARTER ENDED 30 JUNE 2003**

During the quarter ended 30 June 2003, Lodestone Exploration Ltd (ASX:LOD) completed phase one of its exploration program.

A combined Reverse Circulation/Diamond drilling program at the Mount Morgan project commenced on 29 April 2003. The drilling program focussed on four electromagnetic anomalies and drilled a total of 992 metres in seven holes.

While no significant mineralisation was encountered in the shallow Phase I drilling program, the results have assisted in understanding the local geology and provided valuable data for development of a Phase II drilling program which is planned to commence mid-September quarter.

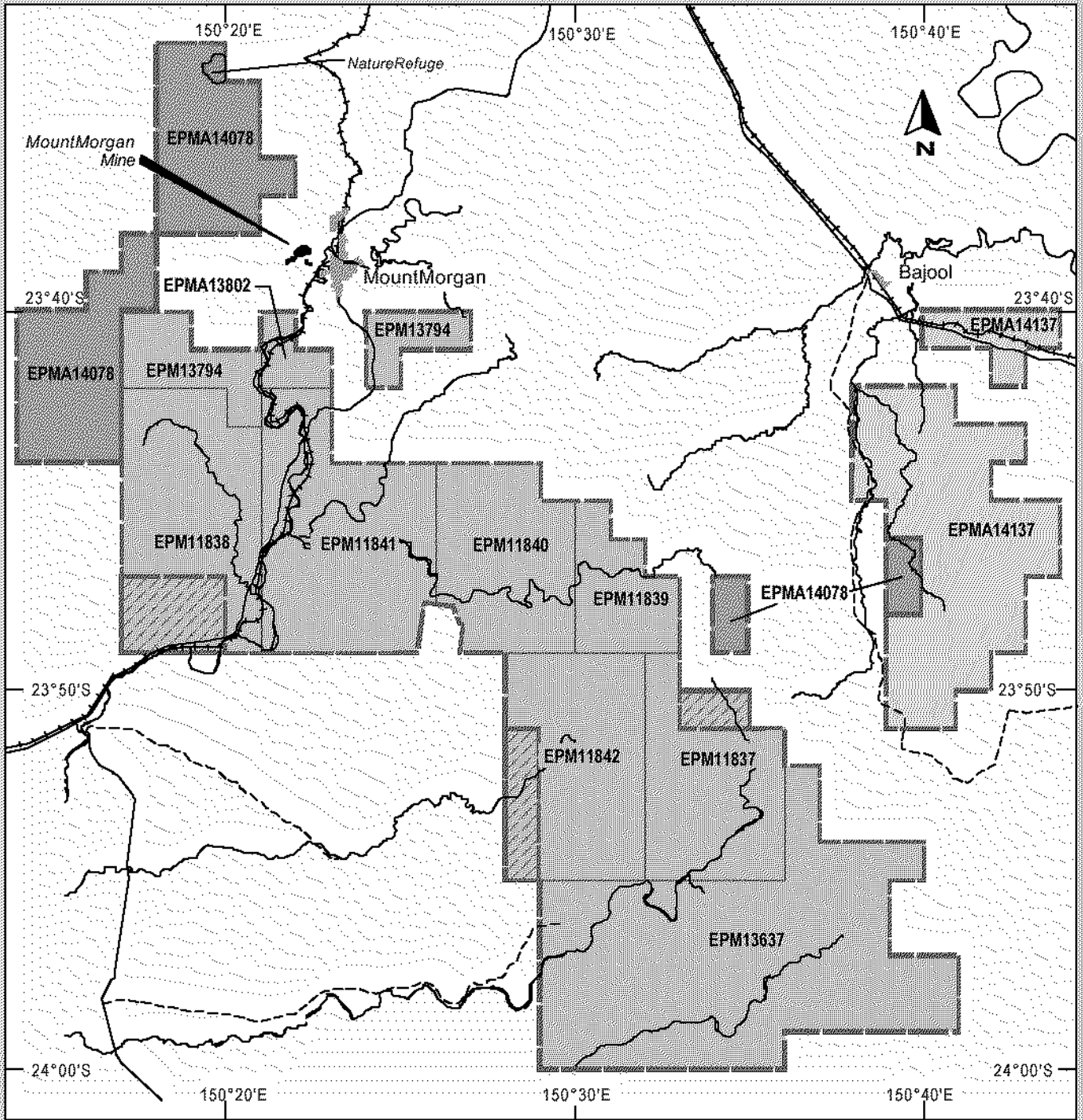
Lodestone has also applied for two new tenements extending its exploration area by 257 square kilometres around the north, west and east of the historic Mount Morgan minesite. These tenements were acquired as a result of the recommendations of an independent regional review carried out in May. This review included detailed analysis and interpretation of the company's geophysical data conducted to extract the maximum from these datasets and continue target generation.

**Lodestone Exploration**





Founded in 1996, Lodestone Exploration Limited (ASX: LOD) is an Australian gold and base metals exploration company with strategically located tenements in Central Queensland. The junior explorer has a tenement area of more than 850 square kilometres, commencing 3 km outside the historic gold and copper mining town of Mount Morgan.

The Company has a formal exploration alliance with BHP Billiton for its Mount Morgan project.

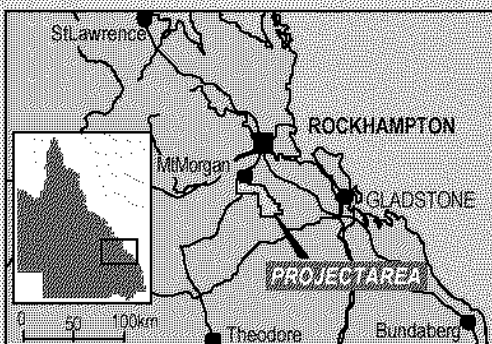
Leni Stanley  
Secretary - Lodestone Exploration



**REFERENCE**

-  Existing Lodestone EPM's - April, 2003
-  EPMA added - May, 2003
-  EPMA added - July, 2003
-  Areas relinquished - May, 2003

**LOCATION DIAGRAM**



**MOUNTMORGAN PROJECT  
TENEMENT LOCATION**

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**LODESTONE EXPLORATION LIMITED**

ABN

**20 075 877 075**

Quarter ended ("current quarter")

**30 JUNE 2003**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	16	59
1.2 Payments for (a) exploration and evaluation	(238)	(503)
(b) development	-	-
(c) production	-	-
(d) administration	(64)	(127)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
	(269)	(550)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	(11)	(11)
	(14)	(14)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(283)	(564)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(283)	(564)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	2,746
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share issue costs	(37)	(359)
	<b>Net financing cash flows</b>	(37)	2,387
<b>Net increase (decrease) in cash held</b>		(320)	1,823
1.20	Cash at beginning of quarter/year to date	2,277	134
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	1,957	1,957

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	36
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	325
4.2 Development	-
<b>Total</b>	<b>325</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	7	277
5.2 Deposits at call	1,950	2,000
5.3 Bank overdraft		-
5.4 Other (provide details)		-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,957</b>	<b>2,277</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPM 11837	100% equity*	20 sub-blocks	18 sub-blocks
	EPM 11838	100% equity*	27 sub-blocks	21 sub-blocks
	EPM 11842	100% equity*	24 sub-blocks	20 sub-blocks
6.2 Interests in mining tenements acquired or increased	EPM 11840	100% equity*	Nil	19 sub-blocks
	EPMA 14078	100% equity	Nil	37 sub-blocks

\* Subject to the BHP Billiton Agreement described in Section 12.2 of the prospectus dated 24 January 2003

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>Ordinary securities</b>	30,911,154	17,818,120	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Shares previously escrowed now listed	- - -	- - 725,000	Fully paid	Fully paid
7.5 <b>Convertible debt securities</b> <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	6,250,000 100,000 800,000	6,250,000 - -	<i>Exercise price</i> 20 cents 30 cents 30 cents	<i>Expiry date</i> 07/12/04 30/09/05 30/09/07
7.8 Issued during quarter	N/A			
7.9 Exercised during quarter	N/A			
7.10 Expired during quarter	N/A			
7.11 <b>Debentures</b> <i>(totals only)</i>	N/A			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	N/A			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 8 July 2003  
(Company secretary)

Print name: Leni Stanley

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

====

---

+ See chapter 19 for defined terms.