



15 July 2004

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

Dear Sir,

### **QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDED 30 JUNE 2004**

During the quarter ended 30 June 2004, Lodestone Exploration Ltd (ASX:LOD) has maintained its focus on the Mount Morgan district, that hosted the historic nine million ounce Mount Morgan orebody, and added to its regional interests.

#### **KEY ACTIVITIES FOR THE JUNE 2004 QUARTER:**

Since the beginning of April 2004, Lodestone has:

- Recognised two new potential VMS type targets in the Mt Morgan mine corridor;
- Outlined two gold mineralised systems on optioned ground west of the former Mount Morgan minesite;
- Advanced the '1105' gravity anomaly south of Mount Morgan to the status of drill target;
- Farmed into tenements east of Rockhampton;
- Applied for additional ground south of Mount Morgan and south of Cracow.

Results or implications of these activities are outlined below:-

#### **OUTLINES OF ACTIVITIES FOR THE JUNE 2004 QUARTER;**

**Structural Interpretation.** Dr Tim Hopwood's recent structural and stratigraphic study nominates two potential VMS targets within the mine corridor for detailed followup exploration.

One is located in the Crows Nest Creek area, 3km north of the Mount Morgan open pit and the other is located 7kms south of Mount Morgan.

High resolution magnetics will be flown in September, to help confirm these potential targets.

**Gravity Targets.** Canadian geophysicists SJV Consultants Ltd have modelled and interpreted gravity anomaly 1105, located 13 kms south of Mount Morgan.



Four separate high density bodies have been recognised and the main body will be drilled to determine whether it is massive sulphides.

Diamond drilling will begin as soon as a rig can be mobilised.

**Option Agreements.** Mount Victoria – Mount Battery, and Quadrio.

*Mount Victoria – Mt Battery Gold Prospect.* Dr Arnold's mapping of optioned ground 1500 – 2000 metres west of the former Mount Morgan minesite has revealed two gold mineralised systems centred on rhyolite intrusions.

Detailed mapping and geochemical sampling has been completed at the first, and partly completed at the second. The tenor of gold is too low to expect an ore body at surface, but the style of mineralisation requires that the systems are tested at depth.

Consequently, the larger system will be diamond drilled as soon as a rig becomes available.

*Quadrio.* Two tenements, totalling 175 sq kms midway between Rockhampton and Yeppoon, have been optioned by Lodestone.

This ground is prospective for VMS copper-gold mineralisation.

Lodestone is committed to interpreting magnetic data or flying a new aeromagnetic survey and can earn a 50% equity with 1200 metres of reverse circulation drilling at a cost of approximately \$120,000.

Additional expenditure of \$250,000 for a total of \$370,000 would take Lodestone's equity to 70%.

**Additional Tenement Application.** As reported in the May Mid-Quarter Report to Shareholders, Lodestone has applied for additional ground south of Cracow, making a total of approximately 600 sq kms, and has applied for 18 sq kms south of Mount Morgan to extend its coverage of the mine corridor volcanics.

**In Summary,** Lodestone's immediate task is to drill the 1105 gravity target and the larger of the two mineralised systems at Mt Victoria. Both will be drilled as soon as equipment can be mobilised.

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

John McCawley  
Executive Director