



28 April 2003

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

Dear Sir,

APPENDIX 5B – MINING EXPLORATION ENTITY QUARTERLY REPORT FOR QUARTER ENDED 31 MARCH 2003

During the quarter ended 31 March 2003, Lodestone Exploration Limited (ASX:LOD) lodged a Prospectus with ASIC for a fully underwritten Initial Public Offering (IPO) to raise \$2.5 million by issuing 12.5 million shares at \$0.20 and 6.25 million options exercisable at \$0.20 at any time on or before 7 December 2004. The IPO was closed oversubscribed on 5 March 2003 and the Company's shares and options made a stable debut on the Australian Stock Exchange (ASX) on 17 March.

Since listing on the ASX, Lodestone has commenced site preparation in readiness for the commencement of the phase one drilling program and continued with further analysis of proprietary data.

As at the end of the quarter, contracts have been let to Underground Diamond Drilling (UDD) and Terra Search as contractors for the first phase of the project.

UDD will commence the drilling program at the Mount Morgan project on 28 April 2003.

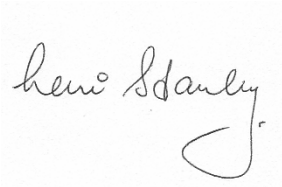
Terra Search was appointed to carry out logistics for the program and commenced preliminary field work at the end of the quarter including ground traversing of drill targets, drill site and track access preparation.

Further detailed analysis of the company's geophysical data conducted during the quarter enabled the refinement of the drill targets in preparation for the initial drill program. Ongoing interpretation of this data by external consultants was planned during the quarter to extract the maximum from these datasets and continue target generation.

Founded in 1996, Lodestone Exploration Limited 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 600 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.

Yours sincerely

A handwritten signature in cursive script that reads "L P Stanley". The signature is written in black ink on a light-colored background.

L P Stanley
Company secretary

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")

31 MARCH 2003

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	26	43
1.2 Payments for (a) exploration and evaluation	(30)	(265)
(b) development	-	-
(c) production	-	-
(d) administration	-	-
1.3 Dividends received	(15)	(63)
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	4	4
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
	(15)	(281)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
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)	-	-
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(15)	(281)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(15)	(281)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,500	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	(222)	(322)
	Net financing cash flows	2,278	2,424
	Net increase (decrease) in cash held	2,263	2,143
1.20	Cash at beginning of quarter/year to date	14	134
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,277	2,277

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	Nil
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

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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	500
4.2 Development	-
Total	500

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	277	14
5.2 Deposits at call	2,000	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,277	14

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	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

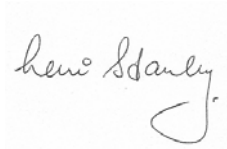
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	30,911,154	17,093,120	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,500,000	12,500,000	20 cents	20 cents
7.5 +Convertible debt securities <i>(description)</i>	N/A			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <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	6,250,000	6,250,000	20 cents	07/12/04
7.9 Exercised during quarter	N/A			
7.10 Expired during quarter	N/A			
7.11 Debentures <i>(totals only)</i>	N/A			
7.12 Unsecured notes <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: 28 April 2003
(Company secretary)

Print name: Leni P 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.

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