



**Lodestone Exploration Limited**

*Exploring the Mount Morgan metals  
district with advanced technologies*

February 2003

IPO INVESTOR PRESENTATION

# Overview

- Mount Morgan was historically Queensland's premier Gold mine, producing more than 9.5 million Oz
- Traditionally, these types of deposits, *Volcanic-hosted Massive Sulphide* (VHMS) *Deposits*, occur in clusters
- Lodestone is seeking similar deposits in the local area using advanced technologies under the wide spread cover rock in the target areas

## Presentation Overview

- The Target – VHMS deposit
- Strategy
- Alliance
- Exploration History
- Priority Targets
- Board / Key people
- Capital Structure
- Use of Funds
- Timetable
- Investment Highlights



# Mt Morgan –The Target



**World class gold-copper deposit**

*“Australia’s premier VHMS deposit”*

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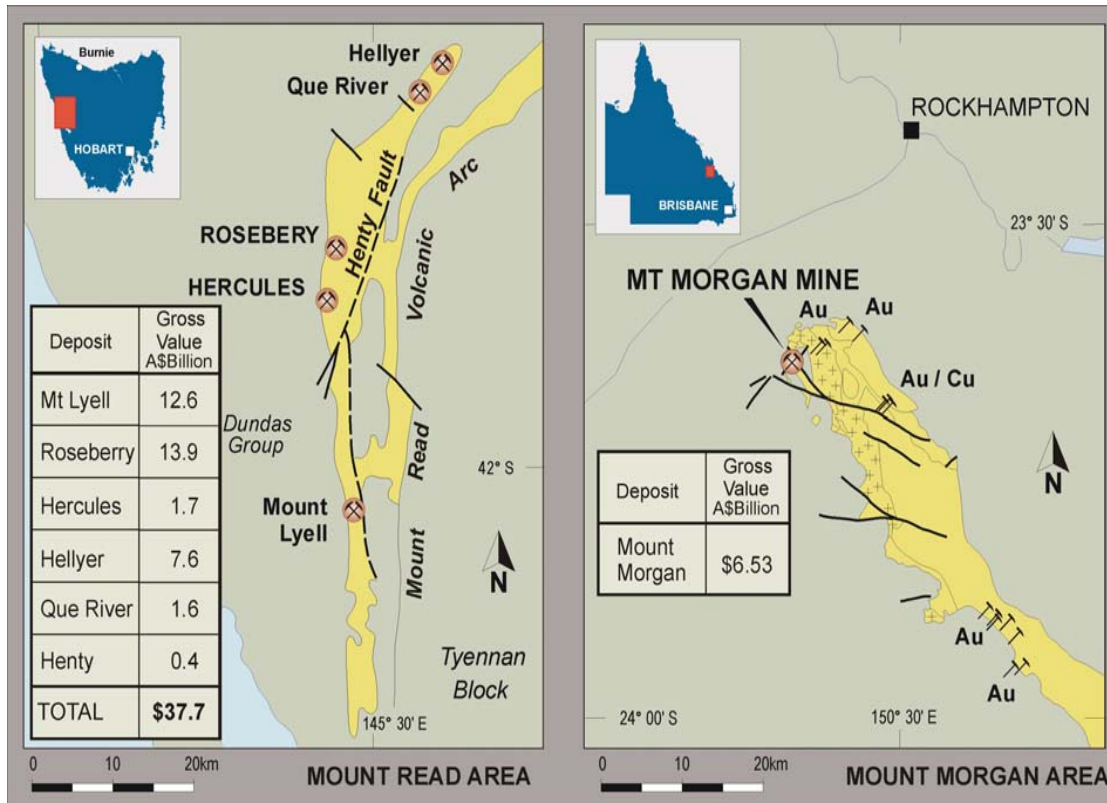
**“....find another Mount Morgan VHMS deposit”**

- 9.5 million Oz gold produced
- Average 5 g/t Au
- 360,000 tonnes Cu
- 1.6 million Oz Silver
- Gross Value  
> A\$6.4billion
- Seed capital for BP

Deposit	Au Grade g/t	Million Oz Au
Kalgoorlie	4.3	54
Telfer	1.3	26
<b>Mount Morgan</b>	<b>5.0</b>	<b>9.5</b>
Boddington	1.4	8.6
St Ives	3.7	6.4

# VHMS Deposits occur in 'Camps'

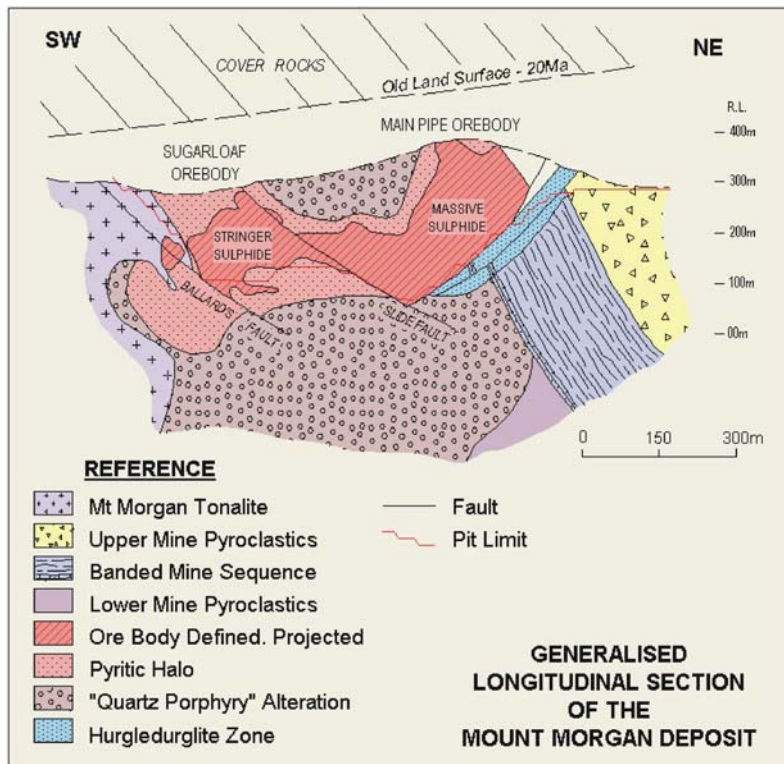
## Comparison of VHMS Deposits



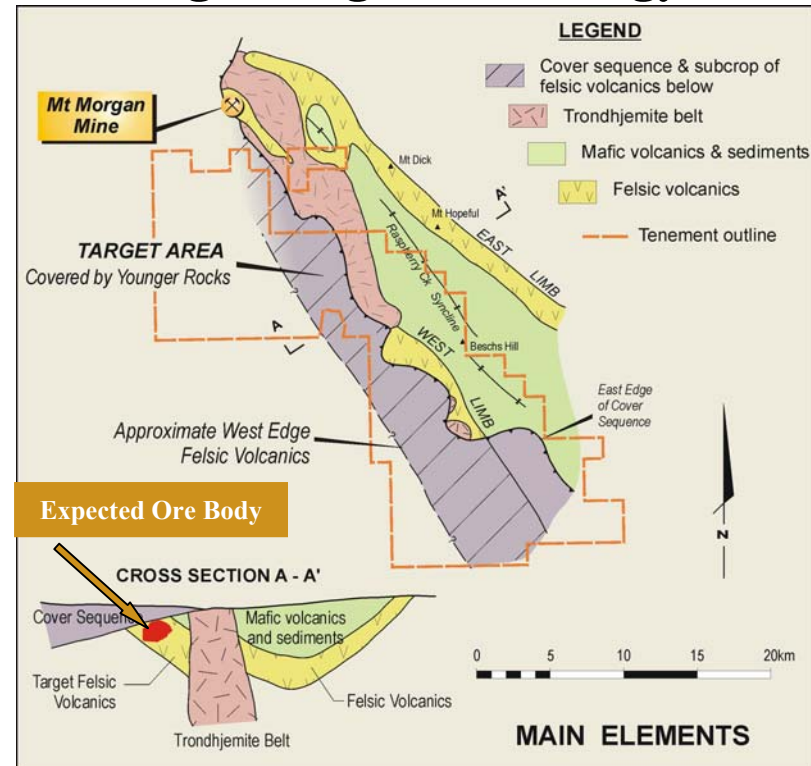
- Traditionally VHMS deposits occur in clusters eg;
  - Canada (Noranda and Horn)
  - Portugal (Neves Corvo)
  - Australia (Roseberry, Mt Lyell)
- International experience suggests that other VHMS deposits should occur in the Mount Morgan area.

# VHMS Deposit

## Mt Morgan Cross-Section



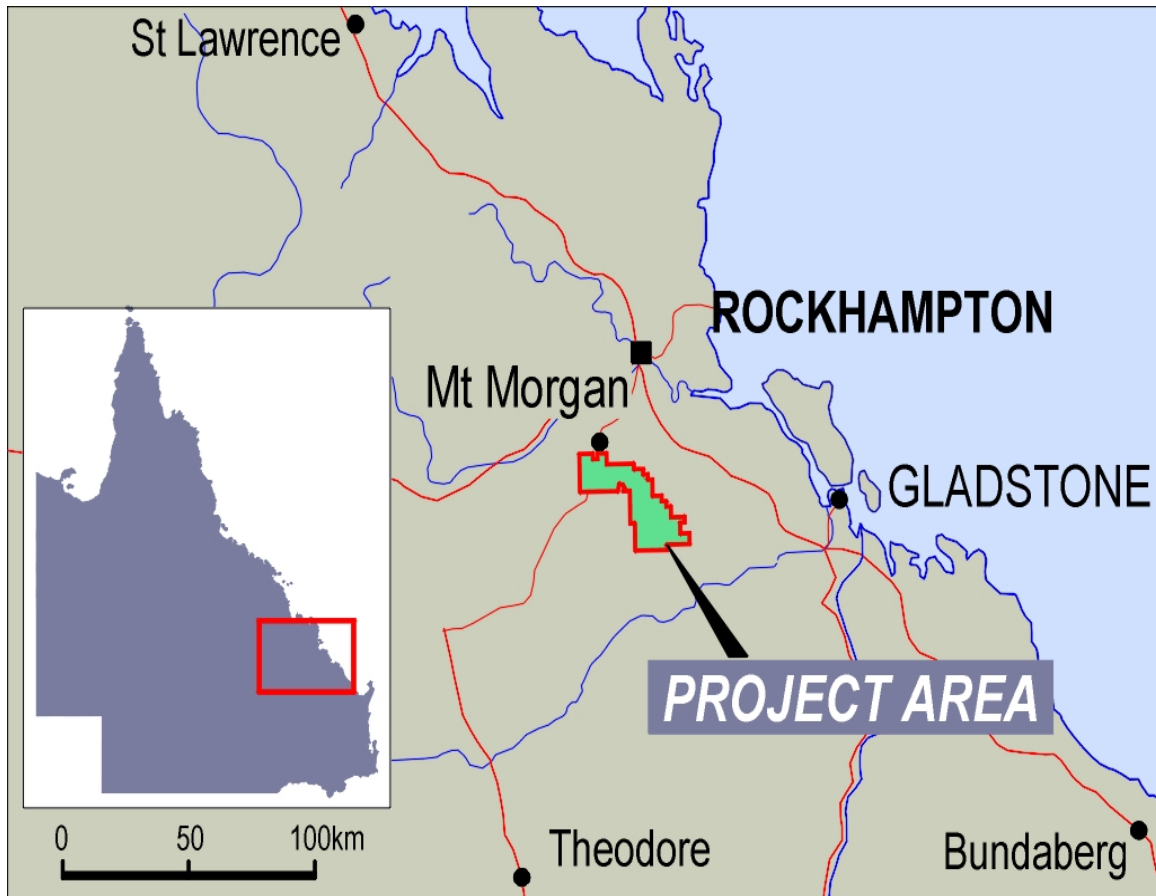
## Mt Morgan Regional Geology



- Prior exploration restricted by overlying cover rocks and the prior limitations of exploration technology.



# Lodestone's Mount Morgan Location



- 40 kms SW from Rockhampton
- Close Proximity to key infrastructure;
  - Highway (Bruce Highway)
  - Rail
  - Port (Gladstone)
  - Labour force
  - Power Station (6km Stanwell)
- > 600km<sup>2</sup> of tenements commencing 3km's from the Mount Morgan mine

# Proven Strategy



- ☛ Lodestone's chosen strategy has been successfully implemented by majors including BHP Billiton

	Majors	Lodestone
Outcrop previously well explored	✓	✓
Forced to search 'Under Cover'	✓	✓
Airborne Geophysics flown	✓	✓
Targets identified 'under cover'	✓	✓
Targets drilled	✓	Q2 2003
Cannington, Ernest Henry discovered	✓	?

*...proven strategy finds OREBODIES!*



# BHP Billiton Alliance



- Alliance with BHP Billiton for Mount Morgan Project
- BHP Billiton must spend \$8m or complete bankable feasibility study and delineate >A\$750m gross commodity value to earn 70%
- Deposits under this threshold remain 100% with Lodestone
- On a deposit > A\$750m, Lodestone to contribute pro rata or dilute to 3% net profit royalty interest
- BHP Billiton will make available in-house software, technologies and expertise
- In addition, BHP Billiton may make **FALCON™** available to advance the geological understanding of the Mount Morgan Property





# Prior Exploration



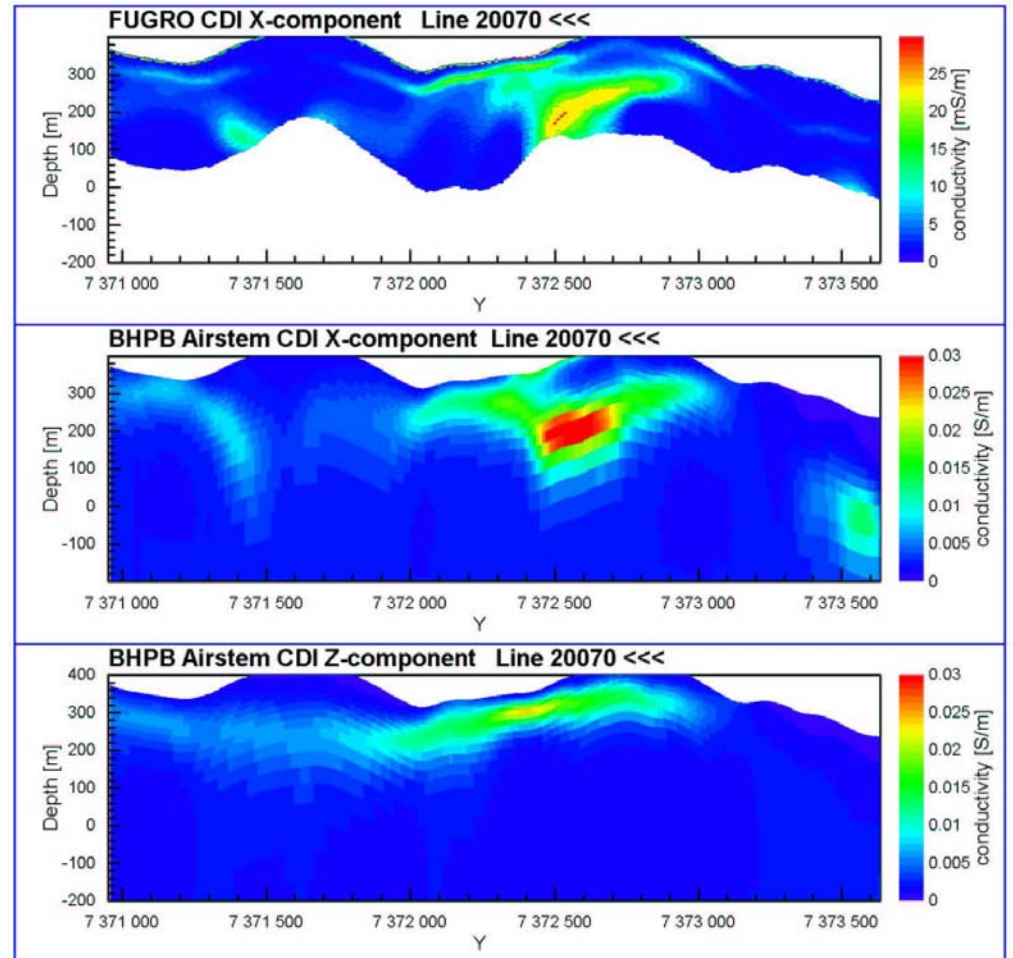
- Approximately \$7m spent on previous exploration companies (eg. RGC & Geopeko)
- 5 years work by Lodestone founders/consultants
- Previously unrecognized Mine Corridor Volcanics
- Modern technologies have greater sensitivities and can delineate anomalies under cover rock
- Massive sulphide deposits would be expected to be electromagnetic (EM) anomalies
- GEOTEM flown with BHP, Southern Area, 1998
  - 360 line km
  - 9 EM anomalies defined
- HOISTEM test flown on G4, May 2002
  - 100 line km, further defined target
- TEMPEST flown in Central area, August 2002
  - ~1100 line km
  - 7 EM anomalies defined



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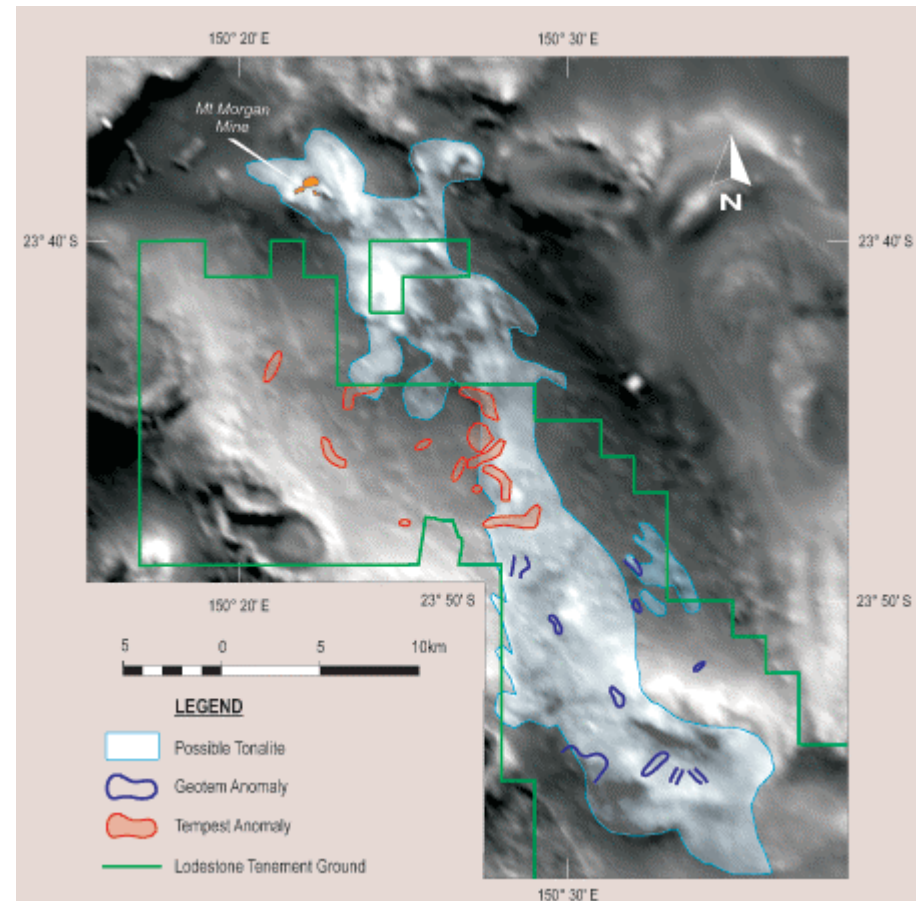
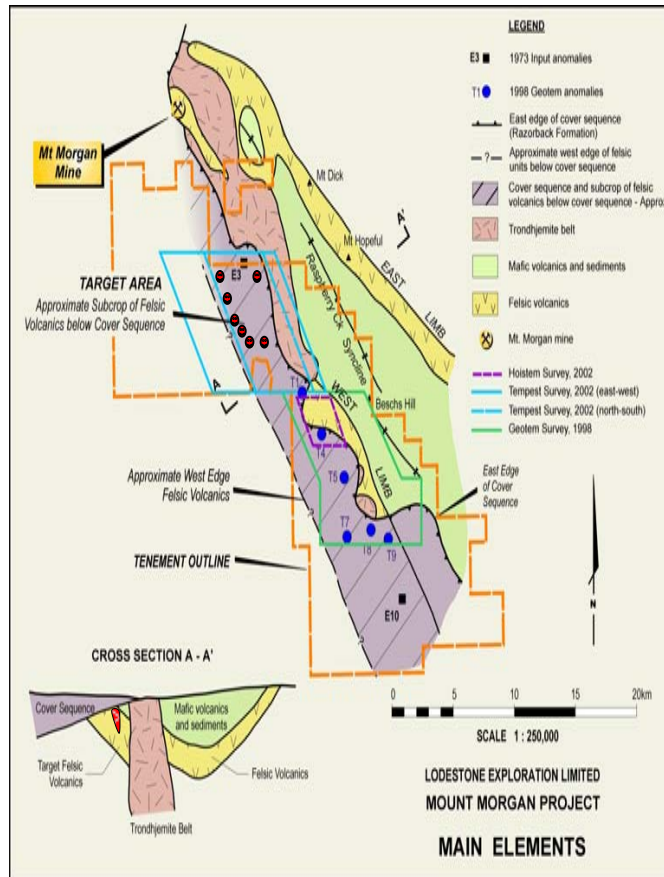
# Lodestone's EM Targets

- Lodestone has > 15 EM anomalies identified
- Drilling of initial targets in Q2 2003
- Targets are relatively shallow: the majority are within 100m of the surface – leading to timely and low cost drilling
- Example anomaly shown here is larger than the Mount Morgan deposit





# Targets Concealed under Cover Rocks



- The original Mount Morgan deposit outcropped
- Lodestone targets (shown above) concealed by cover rocks (5-100m) – restricting previous exploration, much of which was undertaken to the east of Lodestone's targets.

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# Board



☛ **John Shaw – Chairman** *B.Sc., FAusIMM, MCIM, FAICD*

- Director Kingsgate Consolidated, Formerly a Director of AurionGold & Director Delta Gold, former MD Kidston Gold Mines, VP Aust Ops Placer Dome AP. 30+ yrs with Placer Dome

☛ **Patrick Sankey – Director** *AIMM*

- Former MD AurionGold, Director Kidston Gold Mines. Former resident Kidston mine manager, GM-Finance & Administration Placer Pacific. 30yrs in mining industry

☛ **Martin Ackland – Director** *B.App.Sc., MAusIMM, MAIME*

- Director Sedimentary Holdings (developing Cracow Au), & President/CEO Southern Cross Resources. 35+ yrs in metallurgy, processing & development and mining.

☛ **John McCawley – Director** *B.Comm*

- Finance and exploration background. Investment Manager with Brisbane-based Venture Capital Fund. Formerly with CEC, Noranda/Placer, AMAX and MIM

☛ **Greg Baynton – Director** *M.Econ St., MBA, B.Bus, ASIA, FAICD*

- MD ORBIT CAPITAL investment bank. Founder of ASX-listed junior oil & gas explorer. Merchant banking background. Previously with Qld Treasury

# Key People

*Low cost overhead structure with access to skilled and experienced people*

- **Mark Dugmore – General Manager** *B.Sc, M.Sc, MAusIMM, MAIG*
  - Former Manager, Global Base Metals BHP Exploration. 18 years in exploration & mining. Involvement in previous discoveries and successful development of deposits
  
- **Peter E. Fox – Chief Geologist** *B.Sc., M.Sc., PhD, P.Eng*
  - Former head of Fox Geological Consultants specializing in managing, evaluating and developing exploration/mining operations. Involvement in a number of Canadian discoveries
  
- **Leni Stanley- Company Secretary** *B.Com, CA*
  - Partner Stanley Yeates & Assoc., Chartered Accountants. Experienced Company Secretary and CFO for a number of listed companies in the minerals and petroleum sectors over 16 years

*Access to specialists employed on an as required contractual basis*



# Capital Structure

## Issued Capital

### Existing shares - 18.4 million shares

- 5 million founder (100% escrowed)
- 13.4 million consultants & sophisticated investors
- Approximately 15m shares (approx. 80%) to be escrowed

### IPO Shares

- 12.5 million ordinary shares at 20 cents

### Total Shares on Issue

- 30.9 million shares
- Market Capitalisation \$6.1 million

### Options

- 1 for 2 listed option (6.25m) exercisable at 20 cents on or before 7 December 2004
- 0.9 million (unlisted) Board/Management options
- 2-3 year exercisable at 30 cents
- **Tight capital structure provides excellent upside to exploration success**









# Use of Funds

- Ground follow-up of anomalies
- Rank targets for drilling
- Commence drilling program - 2Q 2003
- Follow-up success drilling, as required
- Airborne EM in northern area - ~3Q 2003
- Possibly fly **Falcon**<sup>TM</sup>
- Build on BHP Billiton alliance

<i>\$'000</i>	Year 1	Year 2	Total
Exploration Program	994	669	1,663
Corporate Overheads	293	292	585
Cost of Public Offer	290	0	290
Total Expenditure	<b>1,577</b>	<b>961</b>	<b>2,538</b>

# Timetable

 Prospectus Lodged	24 January 2003
 Offer Opens	10 February
 Offer Closes	5 March
 Expected Listing Date	14 March

# Key Investment Highlights



## **MOUNT MORGAN AREA FOCUS**

- 100%-owned Tenements immediately along strike from Mount Morgan mine with 30km of prospective Mine Corridor Volcanics

## **CLEAR STRATEGY**

- To discover major gold-copper deposits similar to Mount Morgan using advanced technologies and drilling

## **ADVANCED TECHNOLOGIES**

- The Tenements are relatively under-explored. Prior to Lodestone, modern geophysics had not been applied

## **BHP BILLITON ALLIANCE**

- Access to specialist technology and expertise from a strategic alliance with BHP Billiton on the Mount Morgan project



# Key Investment Highlights

## **IDENTIFIED TARGETS**

- Three airborne electromagnetic (EM) surveys with BHPB since 1998 have generated priority drill targets

## **DRILLING IMMINENT**

- Lodestone intends to commence drilling soon after listing

## **PROVEN TEAM**

- Gold & base metal technical and commercial expertise from exploration to production

## **CAPITAL STRUCTURE**

- Tight capital structure offers upside to exploration success

## **MINIMAL NATIVE TITLE RISK**

- Areas of initial interest primarily freehold or pastoral leasehold, and as such, are expected to have minimal native title risk.



# Appendix



# Queensland Gold Deposits

Deposit	M tonnes	Au g/t	Cu %	Gross Value
<b>Mt Morgan</b>	<b>50</b>	<b>5</b>	<b>0.72</b>	<b>\$6,430m</b>
Gympie	4.8	22	-	\$1,900m
Kidston	36.2	1.74	-	\$1,134m
Red Dome	17.5	2	0.46	\$851m
Mt Leyshon	10.4	2.2	-	\$562m
Disraeli	4.25	3	-	\$230m
Pajingo	1.15	10		\$207m
Cracow	1	11	-	\$198m