

Lodestone Exploration Limited (LOD)

February 2003

Probing Beneath the Cover

Lodestone Exploration is raising \$2.5M in an IPO to further advance exploration on the Mount Morgan Project Area. The nearby Mount Morgan mine produced over 9.4M oz of gold in its life and Lodestone and BHP Billion are targeting recently identified anomalies under cover to the South East of the mine, in the hunt for a replica.

Key Issue Data

Equity Capital	Price	Number	Mkt Cap
Existing Shares	\$0.20	18.4 M	\$3.68M
Shares on Offer	\$0.20	12.5 M	\$2.50M
Post Listing Shares on Issue	\$0.20	30.9 M	\$6.18M
Existing Options (ex @ \$0.30)		0.9 M	
Options On Offer (7 Dec 04 ex @ \$0.20)		6.25 M	
Post Listing Options		7.15 M	

Offer Timetable

Offer Opens	10th February 2003
Offer Closes	5th March 2003
Expected ASX Listing	14th March 2003

Source: ABN AMRO Morgans

Materials**Metals and Mining****Australia**

ASX Code

LOD**Lodfeb03**

The Mount Morgan gold deposit was discovered in 1882 and has proven to be one of Australia's richest deposits yielding over 9M ounces of gold and 360,000 t of copper. While the nature of the deposit (VHMS) suggests strong potential for similar deposits locally, exploration has been constrained by the cover overlying the target rock formations.

Lodestone was formed to investigate the potential for "blind" deposits in the area around Mount Morgan. Lodestone acquired a 600km package of tenements south east of the old mine and following several geophysical survey programmes which identified numerous interesting anomalies a joint venture with BHP Billiton was entered into.

The funds raised will be utilised in drilling the priority targets and, depending on the level of success, undertaking further geophysical testwork on the tenements. About 66% of the funds raised will be spent directly on exploration.

Investment in Lodestone should be regarded as speculative with a high risk, high return investment profile. Share Price Performance will be determined by exploration success over the next two years. We like the project's prospectivity and simplicity and believe the project team has the focus and skills to get the best possible outcome.



Key Points

Investment Logic

Lodestone Exploration represents a focussed exploration play on the potential for the Mount Morgan area to yield another significant ore-body, specifically using modern geophysical techniques to unlock this potential. Work to date has defined a number of anomalies and targets and the current raising will enable Lodestone to test several of these as well as undertake further geophysical surveys to identify other targets. While investment in Lodestone should be regarded as Speculative, we like the prospectivity and the simplicity of this project and the potential for early success from drilling.

Lodestone Background

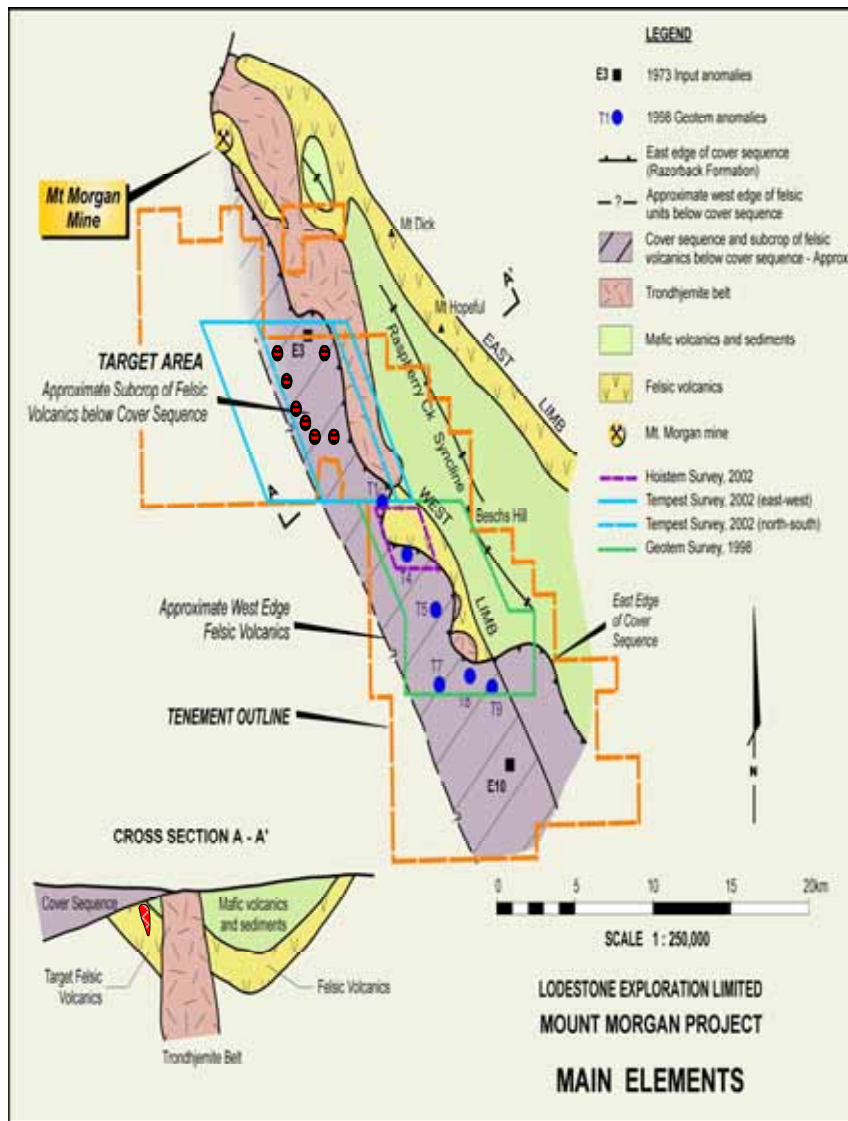
Lodestone was formed in 1996 with the aim of re-evaluating the potential of the Mount Morgan area to host a similar deposit to the one which liberated over 9 million ounces of gold. The Mount Morgan deposit has been classified as a Volcanogenic Hosted Massive Sulphide (VHMS) deposit. This type of deposit is known globally with examples being in Tasmania (Mt. Lyell, Roseberry, Hellyer) and Canada (Noranda, Horn). The critical point is that the deposits are not normally formed in isolation but more commonly in clusters or groups. Given that much of the area to the south east of the Mount Morgan deposit is under cover, previous exploration has been hampered. The recent advances in geophysical technology to look beneath this cover now provide the opportunity to locate potential copycat type deposits.

Mount Morgan?

The Mount Morgan deposit is located around 40km south west of Rockhampton and as such is in close proximity to extensive infrastructure and is in a favourable political environment. Lodestone's tenements cover an area of some 600 square km with the northern most boundary only 3km south of the Mount Morgan mine. While the area has been previously explored by groups such as Geopeko, RGC Exploration and BHP, in the mid to late 1980's Lodestone's Peter Fox subsequently determined the extent of the target geological formations over 25 km to the south east of the mine. The matching up of this information and the availability of more sensitive geophysical tools has been the impetus for a renewed exploration drive.

Current Status and Work Programme

In 1998 under the terms of the joint venture covering the Lodestone's tenements, BHP carried out an airborne electromagnetic survey over 358 line kilometres in the tenements. The survey covered areas of the targeted prospective sequence that was both exposed and under cover. This survey highlighted nine anomalies. In 2000 a further airborne electro-magnetic survey utilising the Tempest system was flown by Lodestone generating further anomalies. A subsequent review of data by Lodestone and BHP Billion personnel has ranked the targets. The current capital raising is aimed at raising funds to not only test several of the high priority targets by drilling, but also to carry out additional geophysical and geochemical exploration.



BHP Billiton Agreement

BHP Billiton and Lodestone have been reviewing at the project since 1998 and in 2002 entered into an agreement whereby BHP Billiton can move from 0% ownership to 70% ownership of the project upon spending \$8M on exploration or completing a Bankable Feasibility Study and delineating an orebody of gross value of at least \$750M. (please see the prospectus for details).

Board and Management

Lodestone is chaired by John Shaw (former MD of Kidston Gold Mines and currently a director of Kingsgate Consolidated, Aurion Gold, Delta Gold and Chairman of Zimbabwe Platinum). Other Directors have a wide range of mining and finance skills and include Martin Ackland, Patrick Sankey, John McCawley and Greg Baynton. The General Manager of Lodestone is Mark Dugmore who has over 18 years in the exploration industry most recently as Manager Global Base Metals at BHP Minerals. Peter Fox a noted Canadian geologist with wide experience in managing and evaluating exploration projects and who has particular experience in VHMS deposits is Chief Geologist and a consult to Lodestone.

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