



21 April 2004

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

Dear Sir,

QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDED 31 MARCH 2004

During the quarter ended 31 March 2004, Lodestone Exploration Ltd (ASX:LOD) has continued its fieldwork in the Mount Morgan district, that hosted the historic nine million ounce Mount Morgan orebody.

KEY ACTIVITIES FOR THE MARCH 2004 QUARTER:

Since the beginning of January 2004, Lodestone has:

- Completed a structural interpretation of the Mt Morgan district;
- Interpreted the gravity survey data collected last September, examined anomalies, and doubled data collection;
- Decided to employ Daishsat's ground-based gravity survey techniques, instead of the Falcon™ airborne gravity system, south of Mt Morgan.
- Acquired an option over tenements close to the Mt Morgan minesite and commenced fieldwork;
- Applied for tenements in the Cracow district.

OUTLINES OF ACTIVITIES FOR THE MARCH 2004 QUARTER;

Results and implications of these activities are outlined below:-

Structural Interpretation. Detailed interpretation of ASTER satellite image data, carried out by Dr Colin Nash, was aimed at tracing faults visible on aeromagnetic maps.

Faults have partly determined the Mount Morgan orebody's boundaries, and outcomes from Dr Nash's study will help guide this year's fieldwork.



Gravity Survey. Interpretation of data recorded during September's 80 square kilometre gravity survey South of Mt Morgan has been completed by Canadian consultants SJ Geophysics Ltd.

Data was recorded at 700 survey stations and nine anomalies were recognised. Four anomalies were recommended for detailed follow up. Consequently, two grids, each of four square kms, were completed in March and will soon be assessed. The other two will be surveyed this winter.

Twenty square kms, between two kms and five kms west of the former Mt Morgan minesite, were also surveyed in March in search of distinctive gravity anomalies that might be related to Mt Morgan style mineralisation.

This data has been integrated with data from September's survey, and is being interpreted in Canada. 1600 stations have now been read: 700 in September and 900 in March.

Falcon™. The inferred mine corridor subcrop between 11kms and 20 kms south of Mount Morgan will not be flown with Falcon™. A combination of rugged topography and hazardous trees make it impractical and unsafe to do so. This section of the corridor will, instead, be surveyed using South Australian contractor Daishsat Pty Ltd's ground techniques.

Daishsat uses quad-bikes and walkers in rugged terrain. Although data collection is slower than Falcon's there is a distinct benefit in having all of the data available to Lodestone in its raw forms.

Option Agreement. Lodestone now has the right to explore 18 square kilometres of ground South West of the former Mount Morgan mine site, in addition to Lodestone's extensive tenements to the North and South.

These tenements come to within 1500 metres of the former open pit, and cover the South West extension of a significant cross-structure, known mineralisation, and widespread gold anomalies in soil and stream sediments.

Lodestone will re-examine this locality thoroughly. Geological mapping, gravity data collection, and rock-chip sampling was carried out in March, and will be followed by additional mapping and reverse circulation drilling to test and further trace geochemically anomalous quartz-veined rhyolite.

Additional Tenement Application. Lodestone is widening its interests to include prospective areas that can be readily explored from its Mt Morgan base while maintaining its principle focus there. The first of several such opportunities is outlined below.



An additional tenement, of 300 square kms, was applied for in January. This EPMA, lodged upon the recommendation of Dr Douglas Haynes, is located approximately 30kms south of Cracow, and is prospective for Cracow-style gold mineralisation.

In summary: the immediate emphasis is to generate drill targets from March's gravity data, and to map and drill geochemically anomalous quartz-veined rhyolite that sits on the main faulted contact between andesite and felsic volcanoclastics two kms west of the former Mount Morgan minesite.

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

John McCawley
Executive Director