



20 October 2003

Dear Shareholders

It is with great pleasure that I welcome you to Lodestone Exploration's first Annual General Meeting as an ASX-listed company.

Since listing in March this year, your Company has been actively pursuing its exploration strategy in the Mount Morgan region.

We continue our search for 'another' Mount Morgan and, since April, our exploration efforts have advanced and refined our search for a new ore body in the region.

Lodestone continues to focus on tracing the southern extensions of the volcanic rocks that hosted the Mount Morgan ore body, and which are thought to extend as a corridor from Mount Morgan, south to Pomegranate Station.

Lodestone's tenements now cover a total area of just under 1,000 square kilometres. Since early September, our focus has remained on defining that corridor, and confirming and testing anomalies generated by TEMPEST and GEOTEM airborne electromagnetic surveys.

We continue to pursue the objectives we listed in Lodestone's IPO Prospectus:

- To discover major gold and/or gold-copper deposits similar to Mount Morgan
- To generate drill targets by using advanced exploration tools and concepts
- To enhance Lodestone's strategic tenement holding in the Mount Morgan region
- To maintain, where possible, a tight capital structure intended to maximise shareholder wealth in the event of exploration success.

Since listing, your Company has met a number of significant milestones:

- We have undertaken a comprehensive assessment of tenements in Central Queensland, and completed TEMPEST airborne geophysical surveys
- Lodestone's capital base was strengthened by means of a successful \$2.5 million raising that introduced 450 new shareholders to the register
- Two drilling programs were completed. Seven readily accessible electromagnetic targets were drilled. The results have assisted the exploration team in understanding the local geology within our area of interest, and provided valuable data for the development of future exploration efforts
- Based on our increasing knowledge of the area, Lodestone acquired a number of additional tenements in the Mount Morgan district that offer further prospective geological targets.

These were the highlights of the past eight months. In particular, Lodestone has spent considerable time investigating the 'Hoopbound Formation' rocks that cover much of the southern extension of the 'mine corridor' volcanics, and which hosts the Mount Morgan and 'Car Park' (adjacent to the main Mount Morgan ore body) deposits. This investigation is not yet complete, and we will continue to aggressively pursue our strategy of using new and advanced exploration tools and expertise in the coming year.

Lodestone Exploration Limited

Exploring the Mount Morgan metals region with advanced technologies
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During this time, Lodestone expanded its technical resources by engaging three additional geologists and a geophysicist with notable exploration successes to their credit - increasing our technical team to six. Already, these people have identified more than 25 additional areas of interest – both within and outside our tenements. As a result of their work we have taken up new tenements.

We have increased and leveraged our knowledge base, and extended our tenement holdings in the Mount Morgan district. In this regard, we have extended our area of interest to the east, north and west of our original tenement portfolio. Recently acquired tenements in the Ulam area have extended our tenement portfolio to encompass a radius of 40 kilometres to the east of the historic Mount Morgan Mine.

Since listing we have added some 425 square kilometres to our tenement holdings in the local area. This is an increase of 65%, that now makes us the largest 'landholder' in the Mount Morgan district and strengthens our focus on this historic gold production area.

In particular, recent tenements acquired by Lodestone include gold targets broadly similar to Mt Leyshon and Kidston type targets, within a proven 'gold field'.

It is important to note that these new targets are additional to, and distinct from the Mount Morgan 'look-alike' targets we commenced our exploration program with, and continue to pursue.

Your Board believes that in the short time frame since listing we have significantly increased Lodestone's exploration portfolio at a low cost and achieved a good degree of diversity to help manage exploration risks and potential returns, while maintaining our strong focus on the search for a new ore body in the historically-proven Mount Morgan gold/copper region.

A handwritten signature in black ink, appearing to read "J. Shaw". The signature is fluid and cursive, with a large initial "J" and "S".

John Shaw
Chairman