



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

27 January, 2006

KEY CORPORATE INFORMATION

ASX CODE: LOD

DIRECTORS:

John T. Shaw (Chairman)
John L. McCawley (Executive Director)
Martin Ackland
Gregory AJ Baynton

ISSUED CAPITAL:

46,419,715 Ordinary Shares

CORPORATE STRATEGY:

Lodestone Exploration is an Australian gold and base metals exploration company focusing on richly endowed mining districts in Central Queensland. These include the historic Mount Morgan, Mount Chalmers, and Cracow gold/copper districts where Lodestone tenements are being explored with modern techniques. The company also holds 100% of the Limestone Creek gold project 20 kms west of the historic Maytown goldfield in North Queensland.

ASX ANNOUNCEMENT DECEMBER 2005 QUARTER ACTIVITIES REPORT – SUMMARY

KEY EVENTS

Mount Chalmers Project (50% LOD)

Lodestone has earned a 50% equity in the Mount Chalmers Project by completing 1261 metres of drilling in three holes at Tungamull, 20 kms east of Rockhampton.

Interpretation of core logs and assays suggest that a Mount Chalmers style massive sulphide deposit could occur below drill hole #2, and beside drill hole #3.

Data from a downhole electromagnetic survey of drillhole #3 adds weight to that possibility.

Additional drilling will be done.

Mount Morgan Gold Project

Lodestone has withdrawn from its option over the Mount Victoria and Jasper prospects and has turned its attention to the Morganite, Midas and other wholly owned prospects in the Company's Mount Morgan inventory.

Cracow South Gold Project (100% LOD)

Weather permitting, drilling will begin south of Cracow early in March.

Limestone Creek Gold Project (100% LOD)

Compilation of geological and geochemical data generated by earlier explorers is complete. Fieldwork will begin as soon as weather permits.

Lodestone Exploration Limited

Exploring the Mount Morgan metals region with advanced technologies

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia



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

Dear Sir,

ACTIVITIES REPORT FOR QUARTER ENDED DECEMBER 31, 2005

Mount Chalmers Project: Tungamull Prospect (50% Lodestone): Lodestone has earned a 50% equity in the Mount Chalmers Project, held under EPM 14096 and EPM 14095 by Dominion Mining Limited subsidiary Quadrio Pty Ltd, by completing three drill holes totaling 1261 metres.

The historic Mount Chalmers mine was a gold-rich VMS-style orebody which yielded 250,000 ounces of gold equivalent to a current value exceeding A\$125 million. As a VMS-style orebody, it is possible that similar orebodies, not yet identified, cluster around the historic mine site.

Earlier drilling by GeoPeko at Tungamull (located 2,500 metres to the east of the former Mount Chalmers mine) had intersected substantial zones of alteration with gold, copper, lead and zinc mineralisation.

Lodestone's first drill hole at Tungamull, TULD01, completed in September, extended the known zone of mineralisation 70 metres eastwards from the 1982 GeoPeko drill hole. Though visually interesting, the section returned negligible gold or base metal values in assays.

Lodestone's second drill hole, TULD02, completed on 22 September, encountered an altered and mineralised section approximately 20 metres thick.

The mineralised intercept in TULD02 extends the zone of mineralisation first seen in GeoPeko's P6D3/1982 drill hole by approximately 200 metres southwards. The hole was still in mineralisation when it was abandoned owing to badly broken ground.

Despite the high sulphide content, precious and base metal assay values were low. However, the last five metres of core yielded strongly anomalous values for barium, which normally occurs stratigraphically above a VMS deposit. Together with the lack of Footwall Sequence in the hole, this suggests that the most prospective horizon for mineralisation was not tested.

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Lodestone's third hole TULD03 was drilled to 644 metres to test mineralisation at depth below TULD02 and completed on 21 November. Drill core has been logged and selectively sampled and assayed. A down hole electromagnetic (DHEM) survey was completed on 26 November. Data from this survey is being interpreted.

A sequence of graded volcanoclastic beds, with bedded pyrite prominent in the finer fractions, was intersected from 488 metres to 505 metres. Assays show that these beds are devoid of base or precious metals.

At 505 metres a distinctive silica-altered Footwall Sequence, as at the Mount Chalmers mine, with characteristic stringer-style mineralisation containing chalcopyrite was intersected and continued irregularly to the end of the hole at 644 metres. Thirteen one-metre samples returned copper values ranging from 48ppm to 4600ppm (0.46%).

The presence of disseminated pyrite in sediments overlying altered Footwall rocks with stringer-style mineralisation, including chalcopyrite, suggests proximity to a volcanic-hosted massive sulphide deposit similar to the Mount Chalmers mine. An orebody could possibly occur within 100 metres or so of the present hole near the stratigraphic level of the change from disseminated to stringer mineralisation, as shown in the attached diagram.

Preliminary interpretation of the DHEM survey data suggests that an offhole conductor sits above the footwall stringer zone with copper and provides a quality target.

Assay results and ongoing interpretation of DHEM data will influence plans for the next phase of drilling to be conducted by Lodestone or Lodestone and Quadrio.

Quadrio has until 1 March to decide whether to maintain its 50% equity in the project by matching ongoing expenditure or allow Lodestone to earn an additional 20% in the project by spending an additional \$250,000 alone.

Mount Morgan Project: Mount Victoria and Jasper Prospects: Lodestone's November 2004 three-hole drilling program and Newcrest's earlier MVRC 33 drill hole demonstrated significant gold mineralisation on optioned ground at Mount Victoria.

Two additional holes were drilled in September 2005 in the vicinity of Newcrest's MVRC 33 drill hole, targeting higher gold grades than those previously intersected by Newcrest and Lodestone. Neither hole produced significant metal values.

Gold mineralisation that could have provided a source for palaeo-alluvial gold in the old Mount Victoria workings and the alluvial gold in Golden Gully was thought likely to be located south east of the Jasper outcrop that lends its name to this prospect.

Two holes were drilled in August 2005 in pursuit of the buried source of the Mount Victoria and Golden Gully alluvial gold. Neither hole offered an explanation.

A review of these outcomes does not provide support for additional drilling at this time.

Consequently the company has chosen not to exercise its option over these two prospects and has turned its attention to other prospects in its own Mt Morgan district inventory. These include Kyle Mohr, Midas and Morganite.

Mount Morgan Project: Morganite Prospect (100% Lodestone): Lodestone's focus at Mount Morgan has now moved to the Morganite Prospect, 3kms north of the former Mount Morgan minesite, where 25 mostly shallow holes were drilled 15 or more years ago by other explorers with moderate success.

However, Lodestone's high resolution aeromagnetic data collected in November 2004, subsequent 3D compilation of drillhole data, and geological fieldwork carried out in 2005 suggest that parts of the Morganite Prospect are permissive at depth, and remain undrilled.

Lodestone will drill several targets at the Morganite Prospect, including two that have already been chosen, when funds are raised for the purpose by farmout or placement.

Cracow South Project (100% Lodestone): This project is centred 30 kms south of Cracow. Targets have been defined by Lodestone that may be high-grade epithermal gold mineralisation like that at the new Sedimentary Holdings-Newcrest mine at Cracow, and porphyry style gold.

Weather permitting, Lodestone will begin drilling epithermal and porphyry gold targets in early March.

These targets are covered by up to 120 metres of sandstone and other cover, and have been identified from high-resolution aeromagnetic data flown for Lodestone in November 2004.

Up to 3000 metres of rotary air blast (RAB) and reverse circulation (RC) drilling in 20-30 holes is envisaged as phase one, subject to funding.

Limestone Creek Project: (100% Lodestone): This copper-gold project, located 20 kms west of the historic Maytown goldfield in North Queensland, includes three main target areas hosted by the Chillagoe Formation in a similar geological setting to the former Red Dome mine.

Fieldwork, that will include participation by Traditional Owners, will begin as soon as weather permits.

Lodestone is attracted to Limestone Creek by strongly anomalous copper and gold in stream sediment and outcrop samples collected by third generation prospector Pat Barron in the early 1980's.

Lodestone's exploration program will include rock chip sampling, trenching, and RAB/RC drilling.

Potential Joint Ventures: Fresh initiatives, aimed at securing joint venture partners to advance the Morganite Prospect, are under way.

As reported in July, a well-regarded exploration company has shown interest in the Limestone Creek Project. Further discussions will take place shortly.

Tenement Reductions: Lodestone relinquished 131 sq kms in the Mount Morgan district in the December quarter.

Forward Programs: The timing and momentum of the Mount Morgan Project's Morganite Prospect and the Limestone Creek Project in North Queensland, will be influenced by the outcomes of joint venture and other proposals.

Yours faithfully,

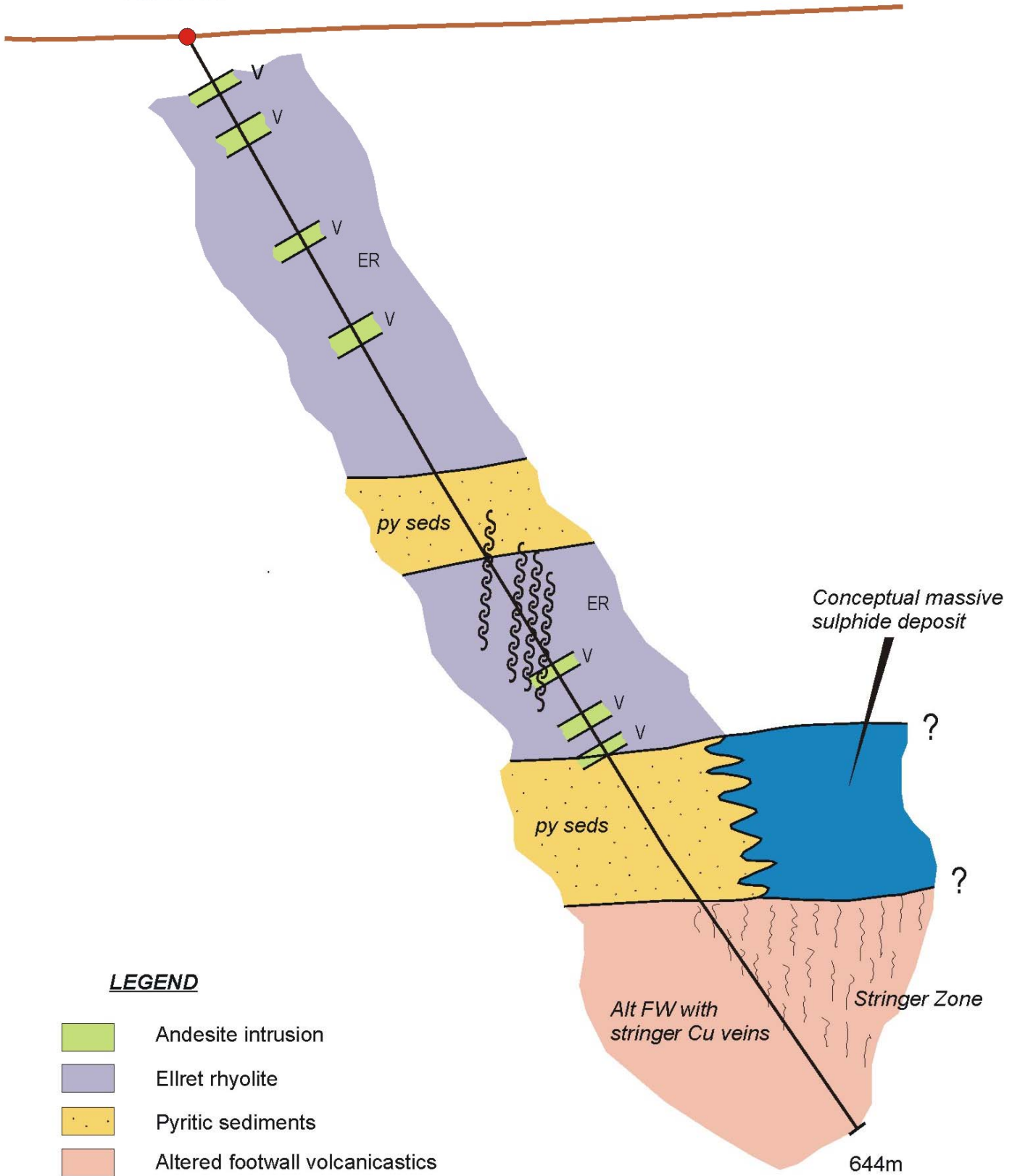
A handwritten signature in black ink that reads "John McCawley". The signature is written in a cursive, slightly slanted style.

John McCawley
Executive Director





Information regarding Tungamull Prospect exploration results contained in this report has been compiled by Alex Taube who is a “competent person” for the purposes of the Australian Stock Exchange Listing Rules. Mr. Taube is a Senior Consultant to Lodestone Exploration Limited and has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.



About Lodestone Exploration Limited (ASX:LOD) – Lodestone is an Australian gold and base metals exploration company focusing on richly endowed mining districts in Central Queensland. These include the historic Mount Morgan, Mount Chalmers, and Cracow districts where Lodestone tenements and optioned tenements are being explored with modern techniques.

TUL D03



LEGEND

-  Andesite intrusion
-  Ellret rhyolite
-  Pyritic sediments
-  Altered footwall volcanics

-  Shear zone
-  Stringer vein



SECTION DDH TUL 003

TUNGAMULL DRILLING