



**ASX ANNOUNCEMENT**

**THIRD QUARTER REPORT 2005/2006  
FOR THREE MONTHS TO 31 MARCH 2006**

**Lodestone buys into known gold-copper project**

- **Spearheads broadened strategy to increase potential to establish gold resources**
- **Joint venture with Copper Strike in Central Queensland**
- **Lodestone's first project with outcropping mineralisation**
- **While continuing to explore higher risk, high reward targets**

During the quarter, Lodestone Exploration Limited (Lodestone) negotiated a joint venture agreement to farm in to Copper Strike Limited's Bocoolima gold project near Gladstone.

The agreement, announced on 3 April, represents a significant broadening of Lodestone's exploration strategy.

Bocoolima is the first gold project to offer Lodestone outcropping targets with visible mineralisation.

It is also the company's first step away from the known goldfields of Mount Morgan, Mount Chalmers, Cracow and Maytown. These locations offer the characteristics of known gold producing areas of the past and the prospect of high reward but the high risk of blind geophysical targets masked by thick cover rock.

Encouraged by the successful joint venture at Bocoolima, Lodestone will pursue other similar joint venture opportunities with shallow targets that can be defined more rapidly and drilled more cheaply.

At the same time, the company will continue to drill its inventory of targets close to Mount Morgan because of their potential to yield rich discoveries like Mount Morgan and Kidston. It will also seek to farm out to joint venturers at its projects at Mount Morgan and Cracow South.



## **Project reports**

During the quarter, Lodestone negotiated the Bocoolima joint venture farm-in, while widespread rain and severe storms throughout Central and Far North Queensland discouraged field work on the company's tenements.

**Bocoolima Project (Farm-in):** Lodestone has farmed in to the Bocoolima gold project near Gladstone, and may earn up to 51% under terms announced to the ASX on 3 April 2006 and posted on Lodestone's website.

Sampling by Bocoolima's 100% owner, Copper Strike Limited, returned anomalous gold values in outcropping garnet-wollastonite skarns. Of 37 samples taken, 12 have values greater than 1 gram per tonne (g/t) gold, with one value of 106 g/t gold and another of 11 g/t gold. The sampled skarn has widths of 1 to 4 metres, from isolated outcrops and continuous exposure over strike lengths of up to several hundred metres.

Check sampling by Lodestone has returned similar gold values. These include a 10 metre rock chip sample of 1.38 g/t gold. Six of Lodestone's eight samples have values greater than 1g/t gold, with two of 7 g/t gold and one of 35 g/t gold.

**Mount Chalmers Project (50% Lodestone):** Interpretation of December's down-hole electromagnetic survey at Tungamull indicates that there is not a significant zone of massive sulphide nearby as was suggested by initial drill results. As co-owner Quadrio has decided not to participate in the next phase of work on the project, Lodestone will focus on target areas closer to the former Mount Chalmers minesite, where gravity data will be collected prior to any more drilling.

**Mount Morgan and Cracow South Projects (100% Lodestone):**

Discussions were held and continue with vigorous companies with the requisite technical skills, financial resources and successful track records in massive sulphide and porphyry exploration to advance these projects.

Shallow drilling targets at Cracow South and east of Mount Morgan have been identified. The scale and timing of a drilling program is dependent on the outcome of discussions with potential joint venturers.

**Limestone Creek Project (100% Lodestone):** Wet weather prevented fieldwork being undertaken during the quarter at this project near Maytown in far north Queensland.



## **Outlook**

As reported above, Lodestone will seek similar “softer” targets to those provided by the Bocoolima farm-in, while at the same time pursue more complex and challenging but potentially highly rewarding blind geophysical targets in the Mount Morgan and Cracow districts.

The company will also pursue opportunities in zinc, silver and uranium.

Lodestone’s field work during the current quarter will concentrate on the Bocoolima and Limestone Creek gold projects.

At Bocoolima, additional sampling is being carried out during the current quarter prior to drilling at the earliest practical opportunity.

As indicated above, drilling at Mount Morgan and Cracow South will depend on results of discussions with potential joint venturers.

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*Lodestone Exploration applies advanced techniques to explore for gold and base metals in known and established mining districts in Central and North Queensland.*