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# ANNOUNCEMENT TO ASX

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23 February 2007

## EXPLORATION UPDATE

Dear Shareholder,

Recognising the intensive exploration activity now being undertaken by Lodestone, I write to outline progress on the four most active programs of the last two months – Karinya (zinc-lead-silver) in South Australia, and Midas/Mount Morgan (gold-copper), Bocoolima (gold-copper) and Limestone Creek (gold-copper) in Queensland. The high grade zinc intercept at Bocoolima, detailed below, is particularly interesting.

The company is pursuing the exploration programs detailed at the Annual General Meeting last November, and expending as efficiently as possible the funds raised in the \$2.1 million rights issue last July.

At the **Karinya Project** (Lodestone can earn up to 70%), the company is exploring in the Kanmantoo Trough, Australia's oldest mining province, which is now undergoing a mining and exploration revival. (Terramin's Angas Mine, 110 kms south of Frankton, is scheduled to begin production this year). The focus of Lodestone's attention is the **Frankton zinc-lead-silver Prospect** in the Karinya Shales in the Lower Kanmantoo Trough.

The company commissioned three surveys to provide information that will lead to the identification of drill sites. Two have been completed and data is to hand, while the third is progressing rapidly.

An aeromagnetic survey was completed early in January. The closely spaced, high resolution survey was flown over 16 square kilometres at the lowest possible altitude. A detailed gravity survey of the same area was completed on 11 February. The third, an electromagnetic survey, is under way.

The magnetic, electromagnetic and gravity data will help determine precise locations and depths of drill targets for a forthcoming drilling program which it is planned to commence as soon as a rig can be contracted. At least 1000 metres of drilling is earmarked for Frankton.

Lodestone is committed to drilling four holes and spending \$500,000 over two years at the Karinya Project.

At the **Midas Prospect** (100% Lodestone), which is the current focus of the **Mount Morgan Project**, Phase One is under way. This shallow drilling program comprises seven or more holes totalling up to 1000 metres. The objective is to examine Midas' potential to a depth of 70 to 100 metres. The drilling program will also provide information to help with deeper targeting in Phase Two drilling.

At the **Bocoolima Project** (Lodestone can earn up to 51%), a drilling program of 10 holes totalling 502 metres targeted gold and copper mineralisation at the **Springlands Prospect** last November.

Assays have now been completed. Six of the drill holes carried anomalous gold or copper over narrow widths. One of the six; drill hole SP009, intersected a blind semi-massive sulphide zone between 55 and 57 metres that assays:

55m-56m	1.8% zinc	0.5% copper	18g/t silver,	and 0.07 g/t gold
56m-57m	6.8% zinc	0.1% copper	8g/t silver,	and 0.03 g/t gold

The zinc intercept in SP009 was unexpected, and might represent a new style of mineralisation for the district.

Exploration potential at the Springlands Prospect is now dependent on the extent of sulphide mineralisation intersected in drill hole SP009, and the extent of the adjacent intrusive rocks.

Although widths and grades in SP009 are not economic, the intersection remains open in all directions, and offers a high risk target that will be followed up with geophysics and/or additional drilling in March 2007.

At **Limestone Creek Project** (100% Lodestone), reinterpretation of geological data collected by CSR, while searching for tungsten in 1981-1982, is almost complete. Fieldwork in this gold and copper prospect will begin when the northern wet season ends.

I look forward to reporting to you further on Lodestone's current and programmed exploration activity.

Yours faithfully,

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 Executive Director  
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*Mr Michael Seed, BSc (App Geol) MAusIMM, a consultant geologist to Lodestone Exploration Limited, has over 25 years' experience in mineral exploration. He has more than five years' relevant experience in the style of mineralisation and type of deposit under consideration at the Bocoolima Project and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code of Reporting of Exploration Results". Mr Seed consents to the inclusion of information on the Bocoolima Project in the form and context in which it appears in this letter to shareholders.*