



Lodestone Exploration Limited

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The Manager
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ACTIVITIES REPORT FOR QUARTER ENDED 31 MARCH, 2007

MOUNT MORGAN PROJECT: Midas Prospect: (100% Lodestone): This prospect is three kilometers north of the historic mine site, and 50 kilometres south-west of Rockhampton, Queensland.

Nine reverse circulation percussion holes were drilled for a total of 773m. Six of the nine holes drilled (MS001-5 and MS009) were aimed at the southern main line of workings that host the Clanricarde and Midas mines. Drillholes MS006, 7 and 8 drilled the northern line of workings.

Drillholes MS001 to MS005 appear to have intersected the main structure with weak clay sericite alteration over several meters but only minor quartz veining. Hole MS009 was aimed underneath one of the main shafts but could not reach the target as the hole collapsed and was abandoned at 79m. The best result from the 5 holes drilled along the main trend was MS001; 2m @ 2 g/t gold from 26m to 28m and MS003; 1m @ 1.07 g/t gold and 0.23% copper from 54m to 55m. It is possible that surface enrichment has enhanced gold and copper values within the oxidation zone.

Mineralization at Midas appears to be located in the upper stratigraphic levels of the Raspberry Creek Formation that are interpreted to overlie the prospective Mt Morgan Mine Sequence. Consequently Lodestone will next deploy a powerful geophysical system to search for any large massive sulphide bodies that might exist beneath the Raspberry Creek Formation near the Midas structure.

MT MORGAN PROJECT: Struck Oil Prospect: (100% Lodestone): This porphyry copper-molybdenum prospect, located five kilometers east of Mt Morgan has undergone moderate levels of exploration over the last 40 years.

Drilling of the system during numerous exploration phases totalled 16 diamond holes ranging in depth from 44m to 462m, 13 diamond holes < 20m deep and 10 RC holes from 37m to 150m in depth. The drill pattern is irregular, and does not systematically test the copper soil anomaly.

The best intersection was in drillhole DDH No 5. This hole returned 150m @ 0.2% copper, plus molybdenum values in the order of 50-100ppm. Newcrest in 1996 re- assayed several holes for gold but there were no significant values.

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Exploring Central Queensland metals districts with advanced technologies

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Lodestone will convert the drilling database into digital form and review core stored at Mt Morgan to understand what controls the mineralization, determine its geometry and assess its potential in the light of substantial rises in molybdenum prices.

CRACOW SOUTH PROJECT: Three Prospects: (100% Lodestone): This project is centered 30 kms south of Cracow, where Sedimentary Holdings and Newcrest are mining high grade epithermal gold orebodies.

Recent reconnaissance was carried out over three prospects; labelled Aeroplane2, Quinns2 and DawsonVale2, to search for basement windows within widespread sandstone cover, and inspect access tracks.

Rock chip samples were collected from Aeroplane2 and Quinns2. Nearly all were from rhyolitic volcanics that occur only in the main creek bed of Quinns Gully. Several zones of weak quartz veining were noted as well as disseminated sulphides. No outcrop was seen at Dawson Vale 2.

Ongoing exploration will be influenced by the rock chip results and reinterpretation of magnetic data, in light of the unexpected discovery of outcropping rhyolites rather than interpreted Camboon Andesite.

BOCOOLIMA PROJECT: Springlands Prospect: (farm-in can earn up to 51%): This optioned prospect is 50 kilometres south west of Gladstone, Queensland.

Results of the drilling at Springlands in November 2006 were received during the quarter and, as announced in February 2007, blind semi-massive sulphide mineralization was intersected in hole No SP009; 2m @ 4.3 % zinc from a downhole depth of 55m-57m.

The intersection is open in all directions and, although is not economic, it represents a high risk target that might lead to more significant mineralization nearby.

Ongoing exploration requires downhole geophysics (EM) to be carried out on drillhole SP009 to determine if the mineralization is conductive. If so, a grid based surface EM geophysical program will be carried out to indicate the overall shape and extent of the sulphide body and assist drill targeting.

KARINYA PROJECT: Frankton Prospect: (farm-in can earn up to 70%): This zinc-lead-silver prospect, located 80 kilometers north-east of Adelaide, is optioned from Sedex Minerals Pty Ltd. Lodestone can earn an initial 51% equity by spending \$500,000 within twelve months.

Lodestone is targeting stratabound mineralisation within the Karinya Shale; part of the Lower Kanmantoo Group. This group hosts the Aclair, Talisker and Angus lead-zinc deposits, and the Kanmantoo copper deposit. These deposits are 70 kilometers to 90 kilometers south of Sedex's ground.

The third and final phase of Frankton's geophysical surveys have been completed this week. Detailed interpretation of the magnetic, gravity and electromagnetic data sets is underway.

Early indications are that Lodestone will have strong conductors to drill. Consequently, drilling will follow as soon as a rig can be mobilized.

POTENTIAL JOINT VENTURES: Lodestone is assessing several opportunities.

TENEMENT REDUCTIONS: Approximately 72 square kilometers were surrendered and 30 square kilometers acquired in the Mount Morgan district.

FORWARD PROGRAMS: The next three months are likely to see the start of drilling at Karinya, deployment of advanced geophysical tools at Mt Morgan, and more drilling at Bocoolima.

Yours faithfully,



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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 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 in the announcement of the matters based on information in the form and context in which it appears.