



## Lodestone Exploration Limited

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[www.lodestonex.com](http://www.lodestonex.com)

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The Manager  
Company Announcement Office  
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### EXPLORATION UPDATE

Dear Shareholder,

A high level of exploration activity by Lodestone has continued over the last two months, warranting a further report on results to date and the work being planned in the immediate future. You may also like to read the recent March quarter report to the Australian Stock Exchange, and yesterday's Karinya Project update, on the company's website at [www.lodestonex.com](http://www.lodestonex.com).

Among the main developments:

- Drilling results near Mount Morgan have encouraged us to press on at greater depth.
- At the Bocoolima Copper-Gold Prospect, we are following through November's unexpected zinc intersection.
- At Karinya in South Australia, intensive surveying has resulted only last week in high quality drilling targets being identified in this zinc-lead-silver prospect.

The **Midas Prospect** (100% Lodestone) is the centre of Lodestone's current activity within the company's **Mount Morgan Project** - Midas lies three kilometres north of the historic gold and copper mine site in Central Queensland.

Phase One at Midas has now been completed. It included a shallow drilling program to assess outcropping mineralisation, and to help decide whether to explore at greater depth. Nine reverse-circulation percussion holes were drilled for a total of 773 metres. The best result was two metres at 2 g/t gold from 26 metres to 28 metres, and one metre at 1.07 g/t and 0.23% copper from 54 metres to 55 metres. This mineralisation occurs in a formation that partly overlies the prospective Mount Morgan Mine Sequence elsewhere in the district. Knowledge gained from this work encourages us to proceed to Phase Two – to employ deep probing geophysics to search for Mount Morgan style mineralisation at depth.

The **Struck Oil Prospect** (100% Lodestone), five kilometres east of Mount Morgan, will be subjected to a fresh phase of exploration. In past years this porphyry copper-molybdenum prospect was drilled by several explorers, the best intersection returning 150 metres at 0.2% copper plus molybdenum of 50 ppm to 3100 ppm. Interest in molybdenum has increased recently as the US dollar price has risen six-fold in the last five years, even outpacing the rise in the copper price.

In order to assess the potential of the prospect in the light of the price-generated change in its economics, the company will now convert the available drilling information into modern digital form, and re-examine drill core stored at Mount Morgan.

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Exploration for gold was resumed at **Three Prospects** (100% Lodestone) within the **Cracow South Project**, to follow up high-resolution aeromagnetics flown for Lodestone some time ago. The project is centred 30 kilometres south of Cracow where Sedimentary Holdings and Newcrest are mining high grade epithermal gold orebodies.

Rock chip samples were collected during the March quarter. Results of this work, together with reinterpretation of the magnetic data, will help decide the program of exploration in the future.

At the **Springlands Prospect** in the **Bocoolima Project** (Lodestone can earn up to 51%), attention has been focussed on the unexpected zinc intersection announced in February 2007. Blind semi-massive sulphide mineralisation was intersected in a drill hole with two metres at 4.3% zinc from 55 metres to 57 metres. Downhole electromagnetic geophysical surveying will now proceed. If it indicates that the mineralisation is conductive, then a grid-based surface electromagnetic geophysical program will be undertaken to outline the sulphide body and to help determine new drill targets.

At the **Karinya Project** (Lodestone can earn up to 70%) in South Australia, the company is progressing through a methodical exploration program at the **Frankton Zinc-Lead-Silver Prospect** in a well recognised mining province. Lodestone is targeting stratabound mineralisation within the Karinya Shale, part of the Lower Kanmantoo Group which hosts the Aclair, Talisker and Angus lead-zinc deposits and the Kanmantoo copper deposit.

The third and final geophysical survey commissioned by the company this year was completed recently. The surveys have been successful in moving the exploration program forward to the drilling phase. Detailed interpretation of the magnetic, gravity and electromagnetic data has provided high quality drilling targets. An image of these targets is attached. Drilling will proceed as soon as a rig can be mobilised.

Looking to the immediate future, the pace of exploration activity will continue to be strong. It is likely that, within the next month, drilling will start at Karinya, and advanced geophysical tools will be deployed at Mount Morgan.

I look forward to reporting to you on further progress shortly.

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.*

