



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

October 27, 2006

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

Dear Sir/Madam,

ACTIVITIES REPORT FOR QUARTER ENDED SEPTEMBER 30, 2006

Lodestone is currently advancing four projects: Mount Morgan, Limestone Creek, Bocoolima, and Karinya.

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

Rock chip sampling and reconnaissance at Midas will begin in November where historical rock chip sampling results from old workings returned up to 86.5 g/t gold and 6.48% copper. Ongoing literature research indicates that the Midas Prospect consists of an east north east trending structure which contains old workings over a strike length of 500m but does not appear to have been drilled. Several other structures with old workings that require further evaluation also occur to the north west.

The strong gold-copper association of the Midas Prospect so close to Mount Morgan is very encouraging and Lodestone will look to accelerate exploration and define drill targets as soon as possible.

Access tracks have been restored in preparation for sampling.

Midas and Morganite will be flown with VTEM, a powerful heliborne electromagnetic system, as soon as possible.

The system can map to depths similar to ground surveys, cost effectively in rugged terrain.

Limestone Creek Project: Hill 425 and Bonanza Prospects (100% Lodestone): This project is located 200 kilometres north-west of Cairns, Queensland, and approximately 40 kilometres west of the historic Maytown goldfield. Attention has turned to two areas of interest: Hill 425 and Bonanza prospects.

Sampling during the early 1980s in the vicinity of Hill 425 returned rock chip samples with gold values ranging from zero to seven grams/tonne, plus some strongly elevated base metals values.

Seven kilometres to the south of Hill 425, within an unrelated area, 1980s rock chip samples returned values ranging from zero up to 1.5 grams/tonne gold at the Bonanza Prospect.

Lodestone's recent work suggests that Bonanza is situated within a suite of sedimentary and volcanic rocks somewhat similar to those that host significant mineralisation in the Chillagoe district.

Consequently, Lodestone is targeting Red Dome and Mungana-style mineralisation.

Current work is aimed at delineating the most prospective sedimentary units and structures at Hill 425 and Bonanza.

Bocoolima Project: Springlands Prospect (farm-in can earn up to 51%): At the optioned Bocoolima Project, 50 kilometres south-west of Gladstone, Queensland, preparations for a 500 metre drilling program are complete.

Lodestone is targeting gold and copper in skarns at Bocoolima's Ridglands Prospect; owned by Copper Strike Limited and can earn an initial 40% by spending an additional \$500,000 over three years.

A drill rig is expected on site mid November.

Karinya Project (farm-in can earn up to 70%): This zinc-lead-silver project, located 80 kilometres north-east of Adelaide, is optioned from Sedex Minerals Pty Ltd. Lodestone can earn an initial 51% equity by spending \$500,000 within two years.

Lodestone has digitised and integrated geological, geochemical and geophysical data generated in 1991, and has engaged a senior geophysicist to plan, direct and interpret gravity and electromagnetic surveys that will be carried out as soon as field crews can be mobilised.

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 kilometres to 90 kilometres south of Sedex's ground.

A lead-zinc geochemical anomaly with 1235 ppm lead and 1425 ppm zinc was drilled in 1991, with limited success. Further drilling was recommended but not followed up.

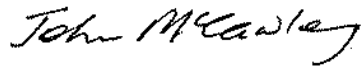
Sedex believes that the Frankton area's anomalous magnetics, and anomalous geochemistry, combined with Sirotem anomalies, are worthy of at least four drill holes.

These will begin as soon as possible after the gravity and modern electromagnetics surveys are completed and interpreted.

Potential Joint Ventures: Lodestone continues to canvass possible joint venture partners for Cracow South, Limestone Creek and Morganite.

Tenement Reductions: Lodestone relinquished a total of 452 sq. kms on the Mount Morgan, Bajool and Cracow districts during the quarter.

Forward Programs: The timing and momentum of fieldwork is now largely dependent on the timetables of drilling and geophysical contractors.



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