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ASX Limited

Dear Sirs,

RE: ACQUISITION OF THE PEAK HILL – DOOLGUNNA PROJECT

Lodestar Minerals Limited wishes to advise that it has entered into a purchase agreement to acquire a large tenement package in the Doolgunna district of the southern Capricorn Orogen, an emerging copper gold province in north eastern goldfields of Western Australia. The province has not seen modern systematic exploration and recent successes by Sandfire, Montezuma and Alchemy have highlighted the potential of this poorly understood and under explored region.

The region is well endowed with the 8Moz Au Plutonic/Marymia Archaean Inlier, the 1Moz Au Peak Hill/Harmony deposits, the Horseshoe Lights Cu-Au VMS deposit and numerous gold and copper workings along major structural and lithological margins, including the Narracoota Volcanics Formation.

The consideration for the acquisition is a non refundable payment of $ 120,000 on execution of the agreement, and the issue of 15 million fully paid ordinary shares in the capital of the company.

The acquisition will be subject to shareholder approval pursuant to Section 611 (item 7) of the Corporations Act and Listing Rule 7.1 of the Australian Securities Exchange.

The tenements cover 2,057 square kilometres of under explored terrain in the southern Capricorn Orogen, and are prospective for copper, gold, lead, zinc and uranium. The tenements have seen limited exploration with evidence of near-surface copper, gold and uranium mineralisation. There has been limited use of geophysics and no evidence of electromagnetic ("EM") surveys that have proved recently successful in the region.

Historic exploration anomalies and untested targets have been identified including

- An untested uranium radiometric anomaly
- multiple incompletely tested or untested gold in soil or stream anomalies of 10ppb Au or greater
- multiple incompletely tested Cu occurrences with Cu values ranging from 800ppm to 4100ppm in rock chip samples
- heavy mineral sulphide concentrate reported in diamond exploration drilling – not assayed for base or precious metals

Lodestar will undertake a review of all regional datasets to prioritise targets and determine an appropriate exploration program and budget which is likely to include detailed geophysics with follow-up drilling.

Bill Clayton, Managing Director of Lodestar believes the region is now seeing the application of modern systematic exploration it deserves.

The acquisition of the Peak Hill – Doolgunna project represents the initial stage of Lodestar's stated diversification strategy, combining a large tenement holding with multi-commodity exploration potential.

The Peak Hill – Doolgunna project covers a large area of the Marymia Inlier; Proterozoic age sediments of the lower Yerrida Group and Earaheedy Group and the Bangemall Group (Figure 1).

At the regional scale, the Capricorn Orogen hosts major gold deposits associated with the greenstone sequences within the Marymia Inlier (Plutonic, Archaean lode style, 8Moz Au) and the Peak Hill Schist (Peak Hill, Jubilee and Mt Pleasant shear hosted Au), Au and Cu – Au associated with the Bryah Group (Fortnum and Harmony gold deposits and Degrussa, Horseshoe Lights VMS copper-gold deposits) and base metals in the Earaheedy Group (Magellan lead deposit (8.5Mt at 7.12% Pb)) in which associated carbonate sequences are prospective for Mississippi Valley type Zn and Pb deposits.

The tenements span a distance of approximately 140 kilometres in an east north easterly direction, parallel to major regional aeromagnetic lineaments, such as the Jenkin Fault, thought to represent deep crustal thrust faults at basin margins.

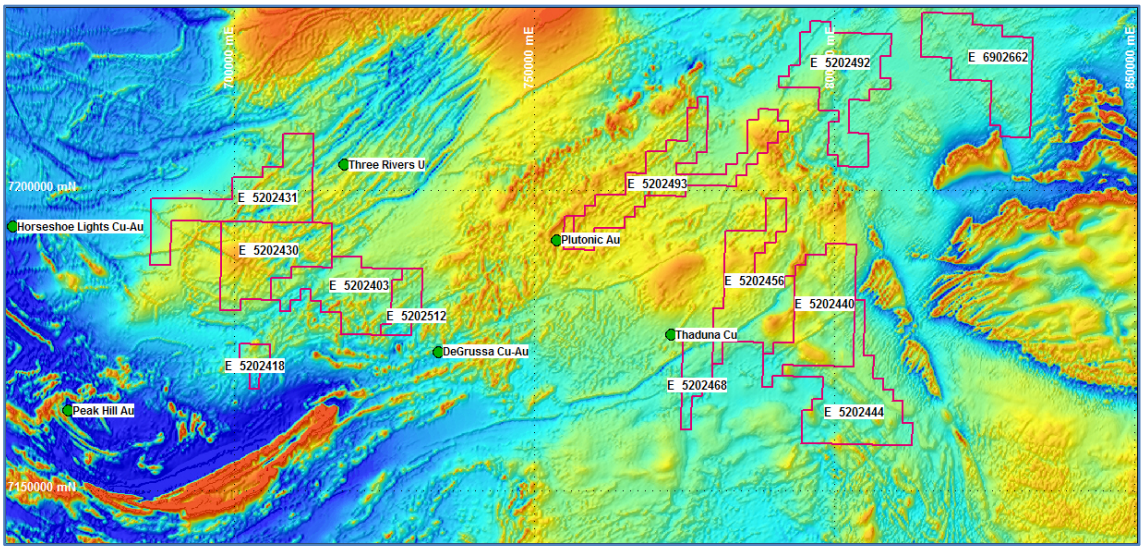

Figure 1 Regional aeromagnetic (TMI) image showing lodestar's Peak Hill- Nabbaru tenenents and mineral deposits (AGD94 Zone 50) Magnetic data (c) Commonwealth of Australia (Geoscience Australia) 2003

The project is divided into three geographic zones in which specific exploration potential has been recognised

- The Western Block comprising E 52/2403, E52/2418, E52/2430, E52/2431 and E52/2512
- The Ned's Creek Block comprising E52/2440, E52/2444, E52/2456, E52/2468, E52/2492 and E52/2493 and
- The Marymia block comprising E69/2662

Western block

Within the Western Block tenement E52/2403 contains two zones of incompletely tested Au in soil anomalies and unrelated historic rock chip samples that reported up to 876ppm Cu (Figure 2).

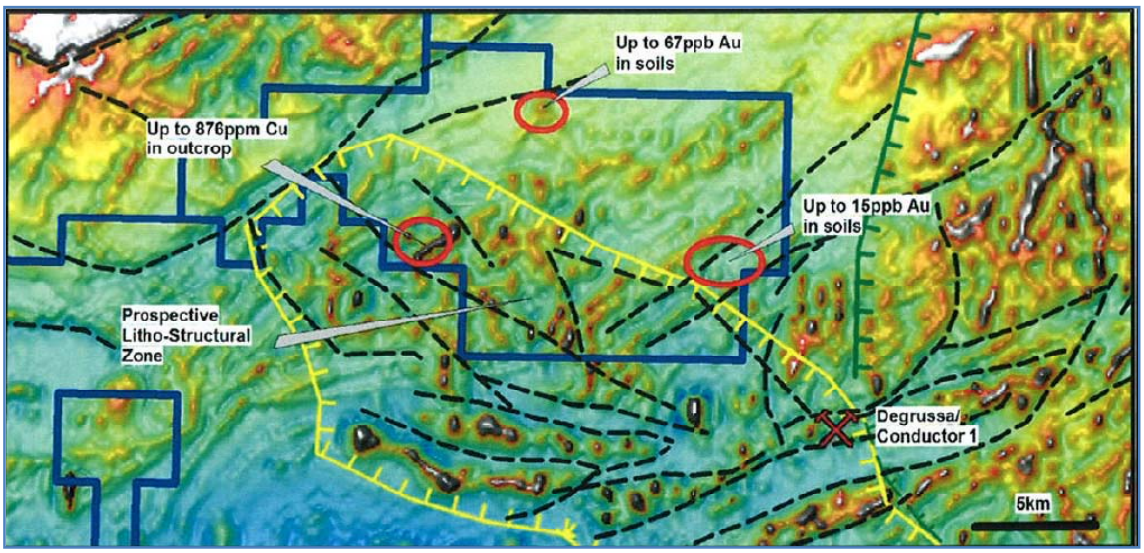

Figure 2 E52/2403 showing historic gold in soil anomalies and elevated Cu in rock chip samples of gossanous material

An untested uranium anomaly measuring 3 kilometres by 500 metres is evident in uranium radiometric imagery and the "uranium squared over thorium" (U^2/Th) data produced by Geoscience Australia (Figure 3). The uranium anomaly lies 25 kilometres south of the Three Rivers uranium occurrence, where uranium assays of up to 360ppm have been reported in historic drilling.

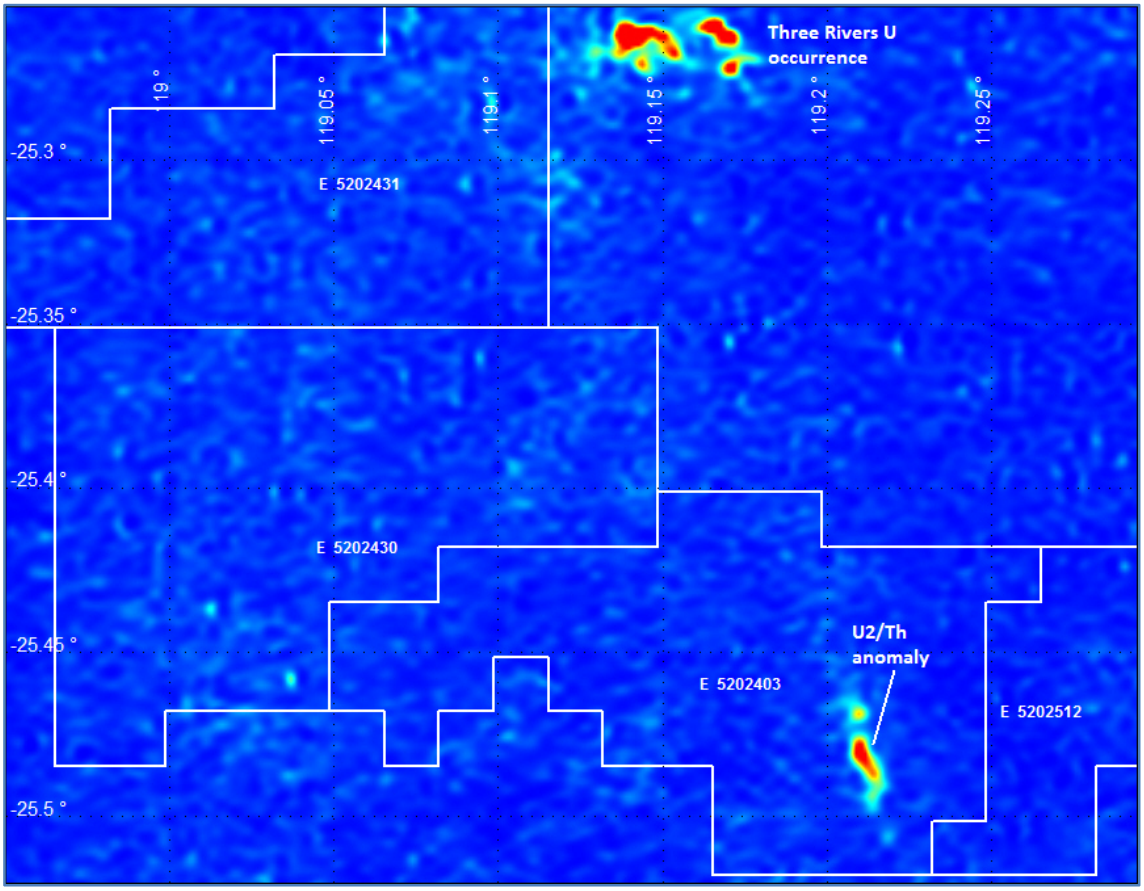

Figure 3 Radiometric image U2/Th showing U anomaly in relation to the Three Rivers U occurrence. Radiometric data (c) Commonwealth of Australia (Geoscience Australia) 2003

Ned's Creek Block

A number of incompletely tested historic exploration targets associated with outcropping ironstone and magnetic zones have been identified (Figure 4).

McDonald Well base metal prospect reported rock chip assays of up to 4100ppm Cu and 1200ppm Zn. Follow up shallow drilling in the 1970's intersected up to 5ft (1.5m) at 835ppm Cu and 1150ppm Zn from <10m depth. No electrical or electromagnetic geophysical techniques have been used in exploration targeting.

The K42 magnetic anomaly extends over a strike length of 6 kilometres; historic interface geochemical sampling (at the base of transported overburden) has reported coincident Au, As, Cu, and Zn anomalies. Follow up drilling failed to identify the source of the anomalism, however approximately 5 kilometres of strike still remains to be tested by geochemical survey.

Bill's Prospect – a magnetic anomaly and regional lineament tested by interface sampling and shallow drilling. A later phase of follow up RC drilling (12 holes) reported up to 12m at 2g/tonne Au.

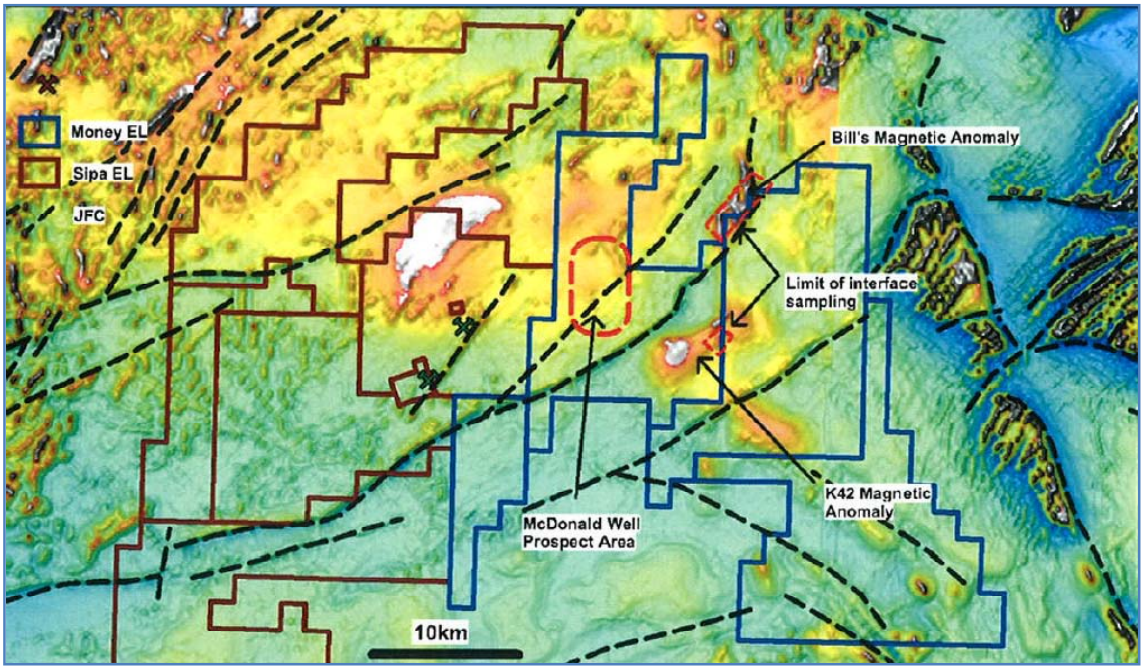

Figure 4 Ned's Creek Block magnetic image (TMI) showing identified prospects

Marymia Block

A gold anomaly in regional stream sediment sampling (up to 164ppb Au) remains unresolved. Diamond exploration tested numerous magnetic anomalies for kimberlite intrusives and intersected pyritic mineralisation in a bottom of hole sample (96-100m). Sulphide concentrates from this hole were not assayed for base and precious metals.

Diamond exploration drilling testing similar targets on an adjacent tenement, intersected massive sulphides in a bottom of hole sample that assayed 4 metres at 2.43% Cu (Figure 5). This tenement is subject to a recently announced joint venture between PacMag Metals Limited and Dominion Mining Limited.

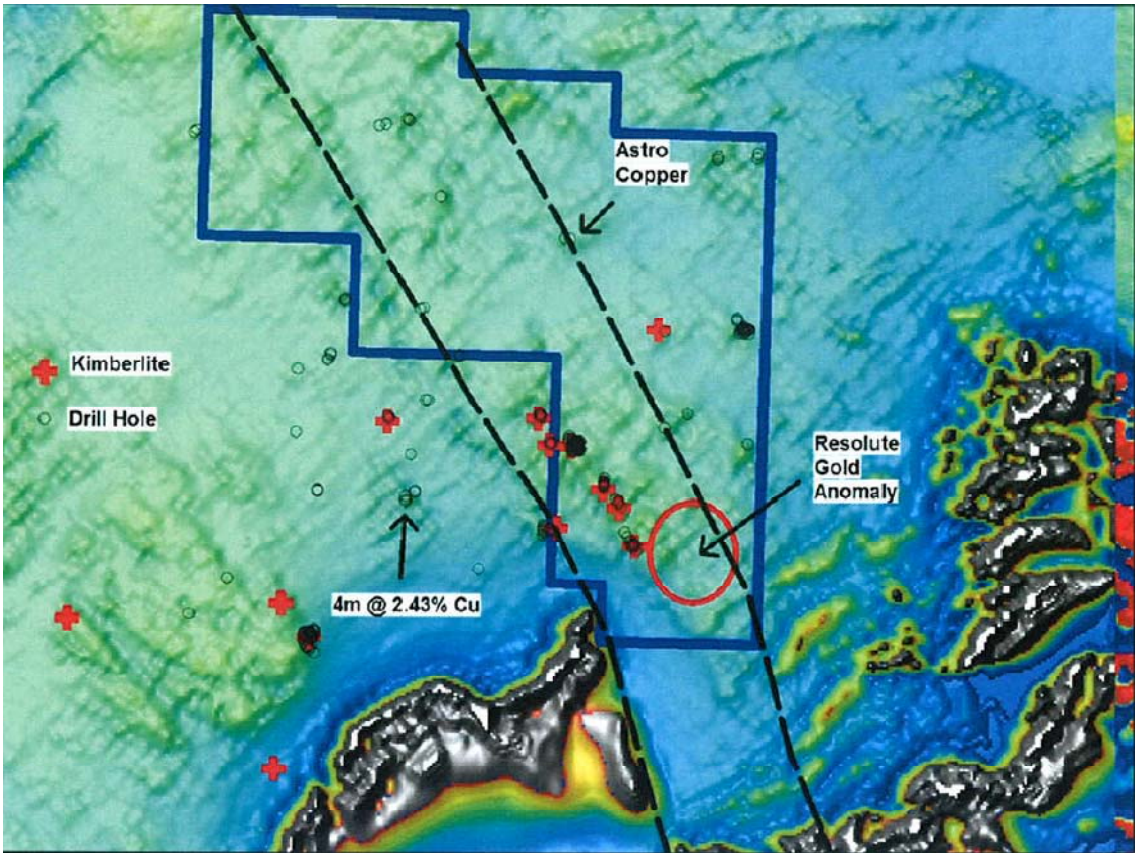

Figure 5 Marymia Block (E69/2662) magnetic image (TMI) showing interpreted structural corridor and exploration targets.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information reviewed by Mr Bill Clayton and compiled by Mr. David Richards. Mr Richards is an independent consulting geologist and Mr Clayton is Managing Director and a full–time employee of Lodestar Minerals Limited. Mr. Clayton and Mr Richards are members of the Australian Institute of Geoscientists. Mr Richards and Mr Clayton have sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as Competent Persons as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Richards and Mr. Clayton consent to the inclusion in this report of the matters based on information in the form and context in which it appears.

Yours Faithfully

D McArthur
DIRECTOR