



Lodestone Exploration Limited

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

Dear Sir,

EXPLORATION UPDATE

Outlines of exploration during the past month, and plans for the six weeks to 18 October 2007, follow:

Karinya Project. All of the geophysical targets at the Frankton Prospect have now been drill tested, with the completion of holes FSD02 (drilled to 510 metres) and FND01 (drilled to 150 metres).

The conductive targets proved to be pyritic carbonaceous shale that carries no significant mineralisation where drilled.

Attention now turns to other sections of the Karinya shale that are not necessarily carbonaceous, and to the rocks below the shale; where they outcrop or can be traced in a 15 kilometre belt north of Frankton.

Mount Morgan Project. Data from VTEM Survey Area Four, centred seven kilometers east-north-east of Mount Morgan, shows a 250 metre⁺ by 350 metre⁺ (in plan view) conductive zone immediately east of the Struck Oil Copper Molybdenum Prospect.

Geopeko's DDH12, drilled to 462 metres in 1973, is located on the southern edge of the VTEM conductor.

Copper values from seven metres to 38 metres varied between 200 ppm and 9700 ppm, and averaged 1850 ppm. Molybdenum varied between five ppm and 250 ppm, and averaged 95 ppm. Strongly anomalous values persisted throughout most of the hole.

Ground overlying the VTEM conductive zone is being closely examined.

Limestone Creek Project. Another round of fieldwork was carried out in August at Limestone Creek. Analytical results have been requested by early October.

Looking Forward. As in the past three months, Lodestone's main focus in the next six weeks will be on the Karinya, Mount Morgan, and Limestone Creek Projects.

Yours faithfully,

John McCawley
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