



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

11 October 2007

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 30 SEPTEMBER, 2007

Lodestone is currently focused on two projects: Mount Morgan and Limestone Creek.

Mount Morgan Project: (100% Lodestone): This project is centred on the historic gold mining town of the same name, 50 kilometres south-west of Rockhampton, Queensland.

The advanced heliborne geophysical system, VTEM, was deployed by www.geotechairborne.com in May. 787 line-kilometers were flown over the Midas, Morganite, Hamilton and Discoverer Two (formerly known as Struck Oil) Prospects, in search of blind or buried copper-gold and copper-molybdenum mineralisation.

VTEM data reveals a roughly circular conductive zone at the northern end of the **Midas Prospect**. The zone is in steep difficult terrain that includes volcanic and intrusive rocks overlain by sandstone.

Stream sediment sampling carried out in the 1980s shows anomalous gold in several nearby creeks and gullies. Fresh sampling will be carried out in October.

The VTEM survey also revealed a 250⁺ metre by 300⁺ metre conductive zone at Lodestone's wholly-owned **Discoverer Two** Copper-Molybdenum **Prospect**, seven kilometers east of Mount Morgan.

This conductive zone abuts an area intensively drilled by GeoPeko Limited, almost forty years ago, and more fully described in Lodestone's recent Annual Report. A fresh round of soil sampling has recently commenced, to assist with drill targeting.

Limestone Creek Project: (100% Lodestone): This project is located 130 kilometres north of the Chillagoe township in North Queensland. Exploration is aimed at locating porphyry copper-gold and massive sulphide copper, lead and zinc style mineralisation within the Chillagoe Formation which hosts the Red Dome and Mungana Deposits at Chillagoe.

Lodestone carried out regional reconnaissance rock chip sampling and east-west soil traverses during the quarter. The reconnaissance has located previously undiscovered copper mineralisation with rock chip results up to **31.1% copper**. The area has been named **Leane's Prospect**.

Lodestone Exploration Limited

Exploring the Mount Morgan metals region with advanced technologies

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia

Mineralisation at Leane's Prospect consists of malachite veining along a possible regional fault that places limestones to the west against chert and basic volcanics to the east. Exposure of the mineralisation is possibly restricted by the extensive scree cover down-slope from the prominent limestone outcrops.

Soil sampling along the limestone contact (at a line spacing of 200 metres) has demonstrated that **anomalous copper ranging from 200 ppm up to 1.5%, occurs over a strike length of 1,200 metres**. The width and dip of the mineralisation is uncertain as outcrop is poor; however soil sampling has detected anomalous copper (>200 ppm) up to 150 metres east of the limestone contact.

The highest gold assay from Leane's Prospect to date has been 0.04 grams per tonne from rock chip sampling. Gold results from the soil sampling program are pending.

Future work at Leane's Prospect will involve further geochemical sampling and geological mapping to assist drill target definition along the structure.

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

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.

At the Frankton Prospect, diamond drill holes FSD02 (510 metres) and FND01 (150 metres) were completed, without success.

As reported in Lodestone's 10 September 2007 Exploration Update, the conductive targets proved to be carbonaceous shale, that carries no significant mineralisation where drilled. Attention has now turned to other sections of the Karinya Shale; north of Frankton.

Forward Programs: Lodestone aims to further advance the Mount Morgan and Limestone Creek Projects in the next three months, in preparation for drilling, and also pursue fresh opportunities.

Yours faithfully,



John McCawley
Executive Director
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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' experience relevant to 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr Seed consents to the inclusion in the report of the matters relating to Limestone Creek, based on his information, in the form and context in which it appears.