



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

July 17, 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 JUNE 30, 2007

Lodestone is currently focused on three projects: Karinya, 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 Struck Oil Prospects, in search of blind or buried copper-gold and copper-molybdenum mineralisation.

The survey's electromagnetic data is now expected to be interpreted at the end of July.

Limestone Creek Project: (100% Lodestone): This project is located 200 kilometres north-west of Cairns, Queensland. Lodestone is targeting Mungana-style gold and copper mineralisation.

Fieldwork in June included mapping, rock chip sampling, and soil sampling.

Rock chip sampling results confirm a zone of interest approximately 300 metres in strike, and of unknown width. There is little outcrop, but significant brecciation, ironstone formation, and strongly elevated copper values occur along this zone.

Soil samples were collected across this and other contact zones. Analytical results are pending.

Ongoing exploration will trace limestone-chert contacts. Additional rock chip and soil sampling will help define drill targets.

Lodestone Exploration Limited

Exploring the Mount Morgan metals region with advanced technologies

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia

Bocoolima Project: Springlands Prospect (farm-in can earn up to 51%): This optioned project is 50 kilometres south-west of Gladstone, Queensland. Lodestone is targeting gold and copper in skarns at Bocoolima's Springlands Prospect; owned by Copper Strike Limited.

An Induced Polarisation Survey in May centred on Lodestone's previously reported zinc intercept in drill hole SP009 (two metres @ 4.3% zinc). Detailed mapping was also carried out to assist the IP interpretation.

Five lines 50 metres apart were surveyed, to cover a potential strike of 200 metres.

A consistent anomaly can be related to the mineralisation intersected in SP009. Consequently, Lodestone intends to carry out additional drilling when a rig becomes available.

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 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, the coincident electromagnetic and magnetic target most evident at line 2200N has been drilled to a depth of 200 metres. Carbonaceous shale, rather than base metal sulphides, is the source of the electromagnetic anomaly.

Rock chip assays from drill hole FSRC01, drilled to 66 metres, carry no significant base or precious metals values.

Core assays from drill hole FSD01A are pending. No significant base or precious metals values are anticipated.

A down hole electromagnetic survey was carried out from drill hole FSD01A, and confirmed that the carbonaceous shales extended east and west on line 2200N. This data has obviated any need to drill additional shallow holes (to 200 metres).

The source of the magnetic anomaly at line 2200N is deeper than 200 metres, and remains a valid target.

It will be tested by deepening drill hole FSD01A when a powerful drilling rig becomes available.

This rig will also target the coincident gravity and magnetic feature 300 metres north of drill hole FSD01A. The top of the gravity anomaly appears to be 350 metres deep, and lies above the magnetic feature.

Rigs capable of 500 metre to 600 metre drill holes are in heavy demand in South Australia, but it appears possible that one can be mobilised to Frankton in four weeks' time.

Potential Joint Venturers: Lodestone is open to joint venture offers for Cracow South.

Limestone Creek, Midas and Morganite are closed to offers pending outcomes of ongoing work by Lodestone and competitors in the Chillagoe and Mount Morgan districts.

Tenement Reductions: Lodestone relinquished a total of 42 square kilometres in the Bajool District during the quarter.

Forward Programs: Lodestone aims to materially advance the Karinya, Mount Morgan, and Limestone Creek Projects in the next three months, cull less prospective projects, and introduce 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' 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 relating to Limestone Creek and Bocoolima in the form and context in which it appears.