



**Lodestone Exploration Limited**

ABN 20 075 877 075

[www.lodestonex.com](http://www.lodestonex.com)

30 January 2009

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
10<sup>th</sup> Floor, 20 Bond Street  
SYDNEY NSW 2000

Dear Sir,

**ACTIVITIES REPORT FOR QUARTER ENDED 31 DECEMBER 2008**

Lodestone's activities in the December Quarter of 2008 consisted of:

**Activities related to Energy Projects:**

**Moreton Energy Project (50% Lodestone)**

- Lodestone has an agreement to earn 50% equity in the Moreton Energy Project, which consists of three thermal coal tenements in the Beaudesert District, near Brisbane.
- The first of these EPC's 1299 near Bromelton was granted by the DME on the 13 November 2008. The two remaining EPCAs are expected to be granted early in 2009. An exploration program for EPC 1299 is being formulated, in accordance with both EPC expenditure commitments to the DME and the JV agreement.

**Tambo Project (50% Lodestone)**

- As advised to the ASX during the period Lodestone entered into two Farm-in Agreements for gas and coal tenements in the Tambo area of Southern Queensland with Tambo Coal & Gas Pty Ltd.
- The first Farm-in Agreement is for EPPa 1020 and is for in-seam coal gas exploration. The second Farm-in Agreement relates to seven coal EPCAs (1414, 1415, 1417, 1418, 1481, 1482 and 1484). These are relatively large EPC application areas, six of them being the maximum allowed of 300 sub-blocks. EPP 1020 overlies a number of the EPCAs. Lodestone and Tambo Coal & Gas Pty Ltd also applied for an additional seven EPCAs on a 50:50 basis so the total Tambo project area applied for is very large.
- These two Farm-in Agreements will require ratification by Lodestone's shareholders at a General Meeting of Shareholders.
- Lodestone's contention is that the Tambo Project area is very prospective for Surat Basin coal and coal seam gas. Previous drilling for oil and water show good thicknesses of coal but these holes were not geophysically logged for coal.

**Lodestone Exploration Limited**  
*Exploring Queensland*

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia

## **Activities related to Lodestone's Mount Morgan, Limestone Creek, and Eastern Botswana Projects:**

### **Mount Morgan Project**

This project is centred on the historic gold mining town of the same name, and is situated 50 kilometres south-west of Rockhampton, Queensland. Lodestone is exploring for gold and copper - molybdenum orebodies. Two major mining companies have been given data sets to encourage farm-in proposals for the Discoverer Two copper-molybdenum prospect, seven kilometres east of Mount Morgan. No proposals for JVs have yet been received by Lodestone.

### **Limestone Creek Project (100% Lodestone)**

This project is situated 130 kilometres north of the Chillagoe township in North Queensland. Exploration is aimed at locating gold and/or base metals orebodies within the Chillagoe Formation that hosts the Red Dome and Mungana deposits near Chillagoe. Work during the quarter focused on the Leane's Prospect, a new discovery, where 2007 selective rock sampling had produced strikingly anomalous copper assays to a maximum of 31%. A program of detailed geological mapping and grid soil sampling has produced sufficiently encouraging results to initiate planning for a reverse circulation percussion drilling program.

Leane's Prospect is located within a sheared package of Chillagoe Formation rocks, which forms a favourable setting for gold and base metal porphyry style mineralisation, similar to the Red Dome and Mungana deposits 125 kilometres to the south. Mapping defined a linear zone of hydrothermal breccias of a similar type and elongate shape to those developed in the upper levels of the Red Dome and Mungana deposits. This extends for 700 metres along a highly sheared contact between limestone and schist and is up to 50 metres wide in the centre of the zone. The bulbous shape of the central zone lends encouragement to the concept of a porphyry body at shallow depth. Numerous small lenticles of copper mineralisation are exposed within the breccia zone and adjacent sheared limestone. Strongly anomalous copper to 0.5% and modest gold were detected in soil samples along the full extent of the breccia and beyond.

### **Karinya Project**

Lodestone's 51% earned equity in the Karinya Project is being transferred back to Sedex Pty Ltd; that farmed-out this project to Lodestone.

### **Mt Chalmers Project**

Lodestone's 51% equity in the Mt Chalmers Project is being transferred back to Quadrio Pty Ltd; that farmed-out this project to Lodestone.

### **Cracow Project**

The last of the Cracow ground is being surrendered and site clearances will be undertaken in February.

### **Eastern Botswana Project:**

The Eastern Botswana project is to be sold for a nominal consideration to First Mining Limited, a company associated with Mr Bernard Holtshousen, subject to Botswana Government approval.

**Forward Programs:** Lodestone will continue to expand its energy portfolio beginning with coal exploration in the Beaudesert District. The company will also continue to develop the regional geological model for the Tambo Coal & Gas project during the coming months, in anticipation of the grant of certain of these key permits in the short-to-medium term.

Lodestone will continue discussions with potential partners and encourage farm-ins at its Mount Morgan and Limestone Creek Projects.

Yours faithfully,



Martin Ackland  
Director

For further information, please contact:

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Technical information relating to the Limestone Creek Project contained in this report has been compiled by Mr John Nethery B.Sc (Geol), Dip Education, CP (Geo), Fellow AusIMM, FAIG, FSEG, MGSA, who is a competent person and member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Mr Nethery has sufficient experience relevant to the style of mineralisation and type of deposit being reported on to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Nethery consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.