



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

16 September 2005

ASX ANNOUNCEMENT

KEY CORPORATE INFORMATION

ASX CODE: LOD

DIRECTORS:

John T Shaw (Chairman)
John L McCawley (Executive Director)
Martin C Ackland
Gregory AJ Baynton

ISSUED CAPITAL:

34,967,404 Ordinary Shares

SUBSTANTIAL SHAREHOLDERS:

John Lachlan McCawley	14.6%
Maria Julienne Barron	7.1%
Foxcorp Holdings Ltd	5.7%
Top 20 Shareholders hold:	53.8%

CORPORATE STRATEGY:

Lodestone Exploration is an Australian gold and base metals exploration company focusing on richly endowed mining districts in Central Queensland. These include the historic Mount Morgan, Mount Chalmers, and Cracow gold/copper districts where Lodestone tenements and optioned tenements are being explored with modern techniques. The Company also holds 100% of the Limestone Creek gold project 20 kms west of the historic Maytown goldfield in North Queensland.

DRILLING UPDATE, SHARE PLACEMENT & EXTENSION OF SPP

KEY HIGHLIGHTS

Drilling Update - Tungamull Prospect, Mount Chalmers, Central Queensland

- Lodestone's second drill hole is currently underway at the Mount Chalmers Tungamull copper-gold prospect located 50km north east of Mount Morgan.
- Drilling is targeting a zone 200 metres south of GeoPeko's 1982 drillhole that bottomed in strongly anomalous copper-lead-zinc-silver mineralisation.
- The Company's second hole has now reached 260 metres, some 40 metres short of the targeted depth, and is drilling ahead.
- A third drillhole, sited 200 metres north of GeoPeko's 1982 drillhole, will begin next week.
- Lodestone's first drillhole at Tungamull, completed last week, has extended the known zone of mineralisation, that is up to 15 metres thick, approximately 70 metres eastwards from the previous GeoPeko drillhole.
- Assay results from the August drilling program at Mount Victoria and from recent drilling at Tungamull are yet to be received.

Share Placement

- To provide additional funding to accelerate drilling at Tungamull, Mount Morgan, Cracow South and Limestone Creek, Lodestone is currently finalising a significant placement of new shares to 'Sophisticated Investors' on the same pricing terms (6.5 cents per share) as the current Share Purchase Plan (SPP), subject to shareholder approval. As a result, the Company has today sought and received a Trading Halt on its shares. A request for removal of the Trading Halt will be made as soon as the details of the placement are finalised and announced.

Extension of SPP Closing Date

- To ensure that eligible shareholders have the opportunity to participate in the SPP alongside investors participating in the share placement, the Company has agreed to extend the closing date of the SPP by two weeks. The SPP will now close on 30 September 2005 at 5:00pm (AEST).



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

Dear Sir/Madam,

Lodestone Exploration Limited (ASX: LOD) is pleased to provide the following update to the market regarding its drilling program at the optioned Mount Chalmers 'Tungamull' prospect in Central Queensland, its consideration of a share placement and the extension of its current Share Purchase Plan closing date.

Drilling Update - Tungamull Prospect, Mount Chalmers, Central Queensland

The Company's Mount Chalmers project in Central Queensland is being explored under a farm-in arrangement with Quadrio, a subsidiary of Dominion Mining, under which Lodestone may earn a 50% interest in the project by completing a minimum of 1,200m of drilling.

The historic Mount Chalmers mine was a gold-rich VMS-style orebody, which yielded 250,000 ounces of gold equivalent with a current value exceeding A\$125 million. As a VMS-style orebody, it is possible that similar orebodies, not yet identified, cluster around the historic mine site. Based on historical data, Lodestone concludes that drilling programs by previous explorers have effectively tested only approximately 10% of the prospective area.

Earlier drilling by GeoPeko at Tungamull (located 2,500 metres to the east of the former Mount Chalmers mine) had intersected substantial zones of alteration, with gold, copper, lead and zinc anomalism (eg. 19.4m @ 0.33g/t gold, 21.7m @ 0.58% Zinc and 0.28% lead). These encouraging intersections were all within a single coherent zone, and are regarded as identical to peripheral zones around the original Mount Chalmers orebody. This zone of anomalism and alteration is only partially tested and is open to the south.

Lodestone's first drillhole at Tungamull, completed last week, has extended the known zone of mineralisation, that is up to 15 metres thick, approximately 70 metres eastwards from the 1982 GeoPeko drillhole.

Drilling of Lodestone's second drill hole is currently underway. The current program is targeting a zone 200 metres south of the GeoPeko drillhole that bottomed in strongly anomalous copper-lead-zinc-silver mineralization in 1982.

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In this regard, Lodestone's second hole has now reached 260 metres, some 40 metres short of the targeted depth, and is drilling ahead. A third drillhole at Tungamull, sited 200 metres north of Geopeko's 1982 drillhole, will begin next week with the objective of further extending the known zone of gold-copper-lead-zinc anomalism and intersecting ore-grade material.

Assay results from Lodestone's August drilling program at Mount Victoria (Mount Morgan) and from the recent drilling of the first hole at Tungamull (Mount Chalmers) are yet to be received by the Company.

Share Placement

To provide additional funding to accelerate drilling at Tungamull, Mount Morgan, Cracow South and Limestone Creek, Lodestone is currently finalising a placement of new shares to 'Sophisticated Investor' clients of ABN AMRO Morgans and other interested brokers on the same pricing terms (6.5 cents per share) as the current Share Purchase Plan (SPP). The placement is being offered to qualifying investors, subject to approval by shareholders at the Company's Annual General Meeting on 27 October 2005.

As a result, the Company has today sought, and received a Trading Halt on its shares. Further details will be announced to the ASX when the details of the placement are resolved, and a request for removal of the Trading Halt will be made at that time.

Extension of Share Purchase Plan Closing Date

To ensure that eligible shareholders have the opportunity to participate in the SPP alongside sophisticated investors participating in the Share Placement, the Board of Lodestone have agreed to extend the closing date of the SPP by two weeks.

The SPP will now close on 30 September 2005 at 5:00pm (AEST). As a result of the extension of the closing date, the allotment and issue of shares to successful applicants under the SPP will therefore occur on or about 6 October 2005, with quotation of new shares on the ASX on or about 10 October.

Any qualifying shareholder wishing to obtain a replacement copy of the SPP documentation and application form should contact the Company Secretary, Leni Stanley, on (07) 3221 6022.

Yours faithfully,



John McCawley
Executive Director

For further information, contact:
Greg Baynton
Director, Lodestone Exploration
Mobile: 0414 970 566

Information regarding exploration results contained in this report has been compiled by Mark Dugmore who is a "competent person" for the purposes of the Australian Stock Exchange Listing Rules. Mr. Dugmore is General Manager of Lodestone Exploration Limited and has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.