



Lodestone Exploration Limited

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www.lodestonex.com

20 October, 2005

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

Dear Sir,

MARKET UPDATE : DRILLING PROGRESS REPORT

Mount Chalmers Project: Tungamull Prospect (Optioned Ground) -

Tungamull 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 to 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.

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.

Lodestone's first drill hole at Tungamull, labelled TULD01 and completed on 9 September, extended the known zone of mineralisation that is up to 15 metres thick, approximately 70 metres eastwards from the 1982 GeoPeko drill hole. Core has been marked for assay.

Lodestone's second drill hole, labelled TULD02 and completed on 22 September, encountered an altered and mineralised section approximately 20 metres thick.

The mineralised intercept in TULD02 extends the zone of mineralisation first encountered in GeoPeko's P6D3/1982 drill hole by approximately 200 metres southwards. The hole was still in mineralisation when it was abandoned owing to badly broken ground.

Despite the high sulphide content, precious and base metal assays were low. However, the last five metres of core yielded strongly anomalous values for barium which normally occurs stratigraphically above a VMS deposit. Together with the lack of Footwall Sequence in the hole, this suggests that the most prospective horizon for mineralisation was not tested.

Lodestone's third hole at Tungamull, TULD03, is currently at 151 metres. This hole is targeting a possible westerly extension of mineralisation encountered in TULD02 and will test the mineralisation at depth.

Yours faithfully,

A handwritten signature in black ink that reads "John McCawley". The signature is written in a cursive, flowing style.

John McCawley
Executive Director

Information regarding exploration results contained in this report has been compiled by Alex Taube who is a "competent person" for the purposes of the Australian Stock Exchange Listing Rules. Mr. Taube is a Senior Consultant to 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.