



**20 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:**

46,419,715 Ordinary Shares  
(including conditional placement shares to  
be approved at AGN on 27 October).

**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.

**SEPTEMBER 2005 QUARTER ACTIVITIES  
REPORT - SUMMARY**

**KEY EVENTS**

**Mount Morgan Project – Drilling Program**

- Two holes were drilled at the Mount Victoria Prospect, 3kms south west of the historic Mount Morgan gold and copper mine. Neither hole produced significant mineral values, and the prospect is being re-evaluated, with deeper holes as an option.

- Two holes were drilled at the Jasper Prospect, west of Mount Victoria, in search of the source of gold worked early last century at Mount Victoria and Golden Gully. Neither hole offered an explanation, and the source of the alluvial gold in the area remains to be found. Additional drilling is an option to be considered.

**Mount Chalmers Project, Tungamull Prospect –  
Drilling Program**

- Lodestone has completed two diamond drill holes at Tungamull, located 20kms east of Rockhampton. Both holes intersected extensions of mineralisation first seen by GeoPeko in 1982. Lodestone's third hole is currently underway, and a fourth is planned for November.

**Cracow South Project (100% LOD)**

- Drilling will commence south of Cracow, after the completion of drilling at Tungamull.

**Limestone Creek Gold Project (100% LOD)**

- Compilation of geological and geochemical data generated by earlier explorers is almost complete, in preparation for fieldwork that is weather-dependent.



**Lodestone Exploration Limited**

ABN 20 075 877 075

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

20 October, 2005

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

Dear Sir,

**ACTIVITIES REPORT FOR QUARTER ENDED SEPTEMBER 30, 2005**

**Mount Morgan Project: Mount Victoria Prospect. (Optioned Ground)** - Lodestone's November 2004 three-hole drilling program and Newcrest's earlier MVRC 33 drill hole demonstrated significant gold-bearing mineralisation on optioned ground 1500 metres south-west of the former Mount Morgan mine site.

Two additional holes were drilled in September 2005 in the vicinity of Newcrest's MVRC 33 drill hole, targeting higher gold grades than those previously intersected by Newcrest and Lodestone.

Sulphidic sections of core from these two recent holes were sent for assay but neither hole produced significant metal values.

The prospect is being re-evaluated, with deeper holes as an option.

**Mount Morgan Project: Jasper Prospect. (Optioned Ground)** – This prospect is centred on optioned ground 1200 metres west of the Mount Victoria Prospect.

Gold mineralisation that could have provided a source for gold in the old Mount Victoria workings and the alluvial gold in Golden Gully, is likely to be located to the south east of the Jasper outcrop that lends its name to this prospect.

Consequently, two holes were drilled in August 2005 in pursuit of the buried source of the Mount Victoria and Golden Gully gold.

Although alteration and weak mineralisation were intersected, neither hole offered an explanation and the source of the alluvial gold in the area remains to be found.

The prospect is being reassessed with additional drilling as an option.

**Mount Morgan Project: Morganite Prospect (100% Lodestone)** – Mapping and sampling of this prospect, located 3,000 metres north of the former Mount Morgan mine site, has progressed and data from the 25 mostly shallow pre-1992 drill holes is now incorporated into a 3D model to optimise selection of sites for deeper drilling when funds become available for this purpose.

**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 in 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 seen 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 assay values 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.

Diamond drilling of Lodestone's third hole at Tungamull, TULD03, began on 10 October. This hole is targeting a possible westerly extension of mineralisation encountered in TULD02 and will test the mineralisation at depth.

**Cracow South Project (100% Lodestone)** – This project is centred 30 kms south of Cracow. The target is high-grade epithermal gold mineralisation like that at the new Sedimentary Holdings-Newcrest mine at Cracow.

As reported in Lodestone's June Quarterly Report to the Australian Stock Exchange, interpretation of detailed magnetic data reveals "*an alteration and structural setting more favourable for the occurrences of large gold or copper deposits than that in the area of the Cracow gold mineralisation....*". Five Cracow-style targets will be drilled as soon as possible. The timetable will be influenced by the availability of funds.

**Limestone Creek Project: (100% Lodestone)** – This copper-gold project, located 20 kms west of the historic Maytown goldfield in North Queensland, includes three main target areas hosted by the Chillagoe Formation in a similar geological setting to the former Red Dome mine.

Work completed by earlier explorers is currently being compiled in preparation for field work.

Limestone Creek has had no on-ground exploration since the late 1980s, and Lodestone will begin field work shortly.

**Potential Joint Ventures** – Fresh initiatives, aimed at securing a co-venturer to help advance the Morganite Prospect, are under way.

As reported in July, a well-regarded exploration company has shown interest in the Limestone Creek Project. Further discussions will take place in November.

**Tenement Reductions** – Lodestone relinquished 43 sq kms in the Mount Morgan district in the September quarter.

**Forward Programs** – Lodestone is currently drilling its third hole at Tungamull, near Mount Chalmers. A further hole will take the program into November. The rig will then be moved onto a second prospect near Mount Chalmers or moved to begin work south of Cracow.

The timing and momentum of the Mount Morgan Project's Morganite Prospect and the Limestone Creek Project in North Queensland, will be influenced by the outcomes of joint venture and other discussions in November.

Yours faithfully,



John McCawley  
Executive Director

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Information regarding Tungamull Prospect 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.

**About Lodestone Exploration Limited (ASX:LOD)** – Lodestone 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 districts where Lodestone tenements and optioned tenements are being explored with modern techniques.