



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

5 DECEMBER 2005

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

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.

ASX ANNOUNCEMENT

DRILLING UPDATE – TUNGAMULL PROSPECT

SUMMARY

Optioned Tungamull Prospect, Mount Chalmers, Central Queensland

- Lodestone's third drill hole (TULD03) has been completed at the Mount Chalmers Tungamull copper-gold prospect located 50km north east of Mount Morgan.
- Drilling at TULD03 targeted a zone 200 metres south of GeoPeko's 1982 drillhole that bottomed in strongly anomalous copper-lead-zinc-silver mineralisation.
- TULD03 was completed on 21 November and encountered abundant disseminated and bedded pyrite (iron sulphide) between 415 metres and 505 metres downhole.
- At 505 metres the style of mineralisation changed and stringer mineralisation including chalcopyrite (copper sulphide) occurred irregularly to a downhole depth of 644 metres.
- The style and extent of mineralization encountered suggests proximity to a volcanic-hosted massive sulphide deposit, of the type that attracted Lodestone to the Mount Chalmers district.
- Assay results, and interpretation of the fresh data, will influence plans for the next phase of drilling early in the new year.
- Lodestone has now earned a 50% equity in this prospect, by completing 1,200 metres of drilling.

Full details of this announcement are provided on the following pages.

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Exploring Central Queensland metals districts with advanced technologies

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia



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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 has earned a 50% interest in the project by completing 1,200 metres of drilling.

The historic Mount Chalmers mine worked a gold-rich VMS-style orebody that yielded 250,000 ounces of gold equivalent to a current value exceeding A\$125 million. It is possible that similar orebodies, not yet identified, cluster around the historic mine site.

Drilling by GeoPeko in 1982 at Tungamull (located 2,500 metres to the east of Mount Chalmers) intersected substantial zones of alteration with gold, copper, lead and zinc anomalism.

Lodestone's first drill hole at Tungamull, labelled TULD01, extended the known zone of mineralisation 70 metres eastwards from the 1982 GeoPeko drill hole. Though visually interesting, the section returned negligible gold or base metal values in assays.

Lodestone's second drill hole, labelled TULD02, encountered an altered and mineralised section approximately 20 metres thick and extended the zone of mineralisation 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 that normally occurs above a VMS deposit.

Consequently, Lodestone's third hole at Tungamull, TULD03, targeted a possible westerly extension of mineralisation encountered in TULD02 and tested the mineralisation at depth.

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TULD03 was drilled to 644 metres and completed on 21 November. Drill core has been logged and marked for sampling and assay.

Pyrite appeared in abundance in fine sediments and coarse volcanoclastics from 415 metres, reaching up to 40% in places but averaging about 10%.

A sequence of graded volcanoclastic beds, with bedded pyrite prominent in the finer fractions, was intersected from 488 metres to 505 metres.

At 505 metres a distinctive silica-altered Footwall Sequence as at the Mount Chalmers mine, with characteristic stringer-style mineralisation containing chalcopyrite, was intersected and continued irregularly to the end of the hole at 644 metres.

The presence of disseminated pyrite in sediments overlying altered Footwall rocks with stringer-style mineralisation, including chalcopyrite, suggests proximity to a volcanic-hosted massive sulphide deposit similar to the Mount Chalmers mine. An orebody could possibly occur within 100 metres or so of the present hole near the stratigraphic level of the change from disseminated to stringer mineralisation. The persistence of sulphide mineralisation over substantial sections of the hole is encouraging, suggesting the possibility that such a body could reach economic size and grade.

Assay results, and interpretation of other fresh data, will influence plans for the next phase of drilling to be conducted by Lodestone or Lodestone and Quadrio.

Quadrio has 90 days in which to elect to maintain its 50% equity in the project, by matching ongoing expenditure or choosing to allow Lodestone to earn an additional 20% in the project by spending an additional \$250,000 alone.

Yours faithfully,

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.

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. The Company also holds 100% of the Limestone Creek gold project at Mareeba in an area highly prospective for gold.