



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

13 October 2005

ASX ANNOUNCEMENT

DRILLING UPDATE HIGHLIGHTS

Tungamull Prospect, Mount Chalmers, Central Queensland

- Lodestone's second drill hole (TULD02) has been completed at the Mount Chalmers Tungamull copper-gold prospect located 50km north east of Mount Morgan.
- Drilling at TULD02 targeted a zone 200 metres south of GeoPeko's 1982 drillhole that bottomed in strongly anomalous copper-lead-zinc-silver mineralisation.
- TULD02 was completed on 22 September and encountered an altered and mineralised section approximately 20 metres thick - between 330 metres and the end of the hole – that was terminated at 365 metres because of adverse drilling conditions.
- The mineralized intersection encountered in TULD02 appears to extend the zone of mineralisation first encountered in GeoPeko's 1982 drill hole by approximately 200 metres southward.
- Sections of TULD02 drill core have been sent for assay, with results expected within the month.
- Lodestone's first drill hole at Tungamull (TULD01) extended the known zone of mineralisation that is up to 15 metres thick, approximately 70 metres eastwards from the 1982 GeoPeko drill hole.
- A third drillhole at Tungamull was commenced on 10 October to target a possible westerly extension of mineralisation encountered in TULD02.

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 AGM 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.

Lodestone Exploration Limited

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/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.

Mount Chalmers Project:

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. 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 (e.g., 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 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 logging is completed, and core 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 between 330 metres and the end of the hole; that was terminated at 365 metres because of adverse drilling conditions. Core logging continues.

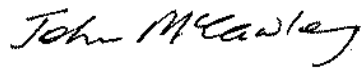
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The mineralised intersection encountered in TULD02 appears to extend the zone of mineralisation first encountered in GeoPeko's P6D3/1982 drill hole by approximately 200 metres southwards. Sections of TULD02 drill core have been sent for assay and results are anticipated within the month.

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.

TULD03 has a tentative depth of 300 metres and will take up to 10 days to drill, with a fourth hole to follow.

Yours faithfully,

A handwritten signature in black ink, reading "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.