



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

18 June 2008

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

Dear Sir,

Activities Program

Lodestone Exploration Limited (“**Lodestone Exploration**” or “the **Company**”) is pleased to present its activities program for the next six months.

This announcement should be read in conjunction with the following announcements released to ASX today:

- Farm-In to Moreton Energy Coal Project
- Capital Raising and Corporate Activities

Program

The Company’s primary activities will continue to focus on exploration in Queensland.

Subject to shareholder approval and the granting of the tenement applications, Lodestone will begin work on the Moreton Energy Coal Project Farm-In (as announced earlier today), and will continue to advance its Mount Morgan and Limestone Creek Base and Precious Metals Projects.

Fieldwork will also begin on the Company’s Uranium Project in Botswana.

Outlines of these Projects and planned activities follow.

COAL - MORETON ENERGY COAL PROJECT FARM-IN

Highlights

- Farm-In tenements cover four known coal-bearing project areas in the Moreton Basin near Beaudesert. (The former Strathnaver Colliery, the Veresdale Scrub Deposit, the former Stansfield’s Colliery, and the Albert River Prospect). The location of these tenements is shown in Figure One on page three. The tenements are currently under application.
- All four projects are located close to the railway to Brisbane. There is good road access and proximity to the Port of Brisbane.

Lodestone Exploration Limited
Exploring Queensland

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia

- The tenements are prospective for coal (Powell Duffryn, 1949), include the Walloon Coal Measures, and remain under-explored.
- A thermal coal deposit exists at Veresdale Scrub. Previous exploration indicates that there is potential to extend the deposit.
- Core drilling indicates that this deposit includes coal with high calorific value and low sulphur that might, in addition to conventional uses, also be suitable for coal-to-liquids and coal-to-gas applications. (Source: Queensland Department of Mines and Energy (“DME”) Open-File Report 24297)
- The former Strathnaver Colliery is located close to Bromelton; which has been nominated as a future State Development Area for heavy industries.
- These projects offer what the Company considers to be an exciting opportunity to expand into the coal/energy sector.

Coal Exploration & Production in the Moreton Basin

Historic Coal Mining in the Moreton Basin

The presence of coal in the Moreton region was first reported by John Oxley in 1824 and confirmed by Lockyer in 1825. Development of coal mining in the Moreton Basin was strongly influenced by the spread of the railway system in SouthEast Queensland. Major mining areas were the Rosewood-Walloon Coalfield west of Ipswich and the Acland Coalfield North of Oakey, but mines were also located in Oakey, Warwick, Dalby, Beaudesert and Clifton areas.

Most of these collieries were opened in direct response to the need for locally produced coal by the expanding railway network and the railways continued to provide the largest market for Moreton Basin coal until the mid-1950s when conversion to diesel-powered locomotives began. With the loss of the railways market, many of the mines closed.

Coal Exploration & Production in the Moreton Basin

The Moreton Basin is a late Triassic to Cretaceous basin, situated between Brisbane and Dalby and the Queensland/NSW border. The Moreton Basin is partly continuous with the Surat Basin to the west and is part of the Clarence-Moreton Basin that extends southwards into New South Wales.

Exploration of known deposits outside the three main coal areas in the Moreton Basin has been limited. Some small deposits or prospects have been noted. Generally, few holes have been drilled on these.

The Jurassic Walloon Coal Measures contain abundant thin banded coal seams. These measures have been mined at various locations since the 1870s. Historically, most mining has been undertaken by underground methods.

Most coal produced today is exported for use in conventional and pulverised fuel power stations. Research has shown that some coal from the Walloon Coal Measures is suitable for conversion to liquid or gaseous products.

Opencut Mining

Opencut mining in the Moreton Basin has expanded since the mid-1970s and most of the known measured and indicated resources in the Moreton Basin are now opencut resources.

Recent increases in Moreton basin opencut mine production demonstrate that thin seams can be routinely and profitably mined from the Walloon Coal Measures.

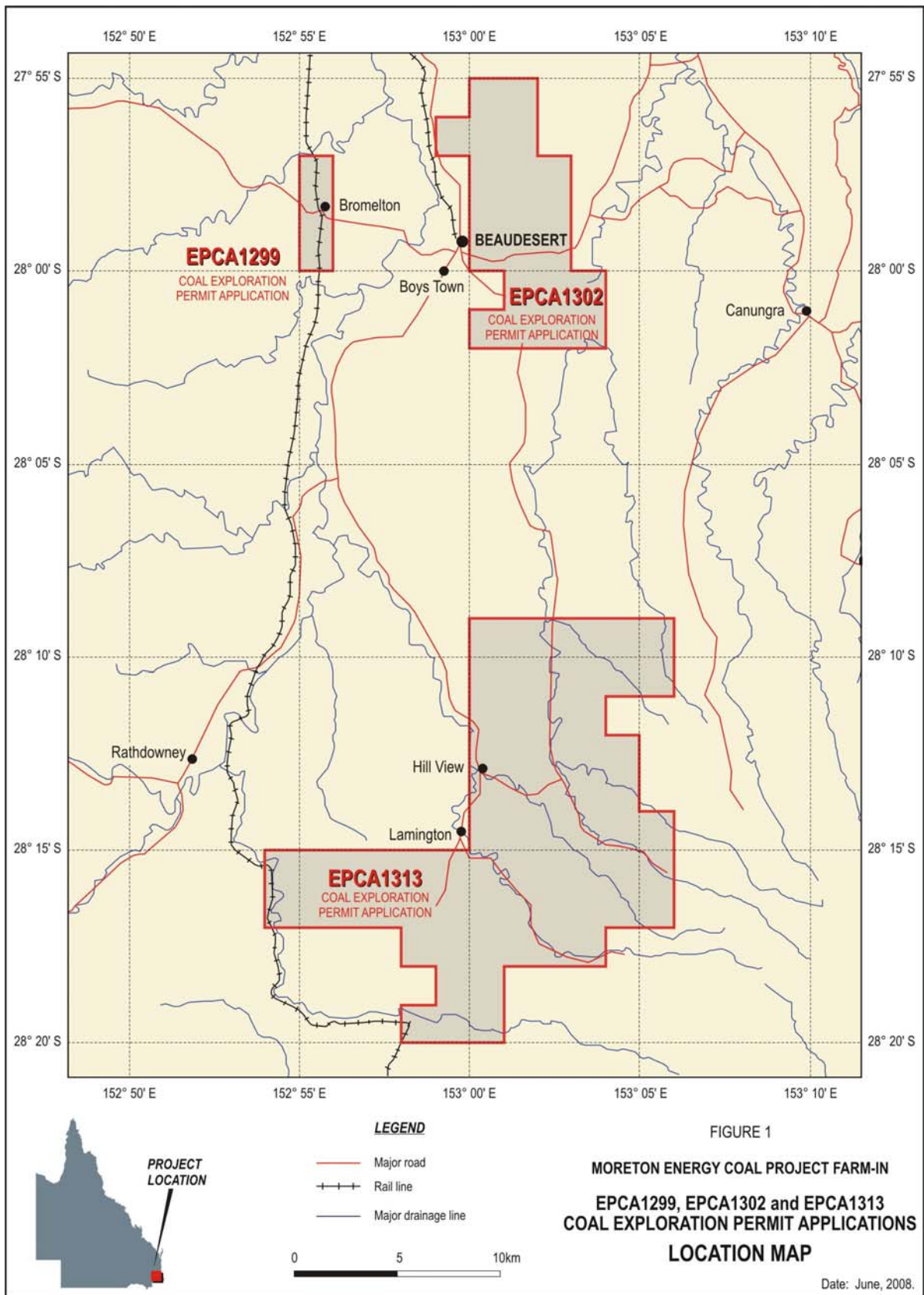


Figure One – Tenement Location Map

The Beaudesert District

Coal was first recognised in the Beaudesert District in the 1880s. Numerous coal occurrences were identified early last century, but most were not considered to be commercially significant at the time or had access constraints.

Only two notable mines have operated in the Beaudesert District. Both were worked in the first-half of last Century:

1. **Stansfield's Colliery** on the eastern outskirts of Beaudesert operated between c.1900 and c.1910. It closed when workings collapsed.
2. **Strathnaver Colliery** near the interstate railway (nine kilometres west of Beaudesert) operated from 1932 to 1939. Mining ceased with the outbreak of World War Two.

The Powell Duffryn Technical Services Report (1949) categorised the areas of the former Strathnaver Colliery, the former Stansfield's Colliery and the Veresdale Scrub as the three best prospects for coal deposits in the Beaudesert District. Subsequently, New Hope Collieries held exploration permits that included each of these areas. New Hope Collieries discovered a substantial thermal coal deposit at Veresdale Scrub in 1992 and drilled boreholes near the former Strathnaver Colliery, but the area immediately to the north and around Bromelton on the interstate railway line appears to remain underexplored. At the Stansfield's Colliery area, it seems that no boreholes have been drilled and the area remains very underexplored.

The Powell Duffryn Report also refers to the Albert River coal outcrop and adjacent areas near the New South Wales border and notes a cliff exposure of coal measures about 80 feet (24 metres) high containing a Walloon coal seam. This area was held by New Hope Collieries and relinquished in 1979.

An outline of each of these areas of interest; the Veresdale Scrub Deposit, the former Stansfield's Colliery area, the former Strathnaver Colliery/Bromelton Project, and the Albert River Coal Project follows.

Veresdale Scrub Deposit (EPC Application 1302) (100% Moreton Energy)

Highlights:

- A thermal coal deposit exists between 12 metres and at least 100 metres deep.
- New Hope Collieries (1992) reported potential for the deposit to be upgraded with further exploration. (*Source: DME Open-file Report CR 24297*).
- New Hope reported that there is also potential for more coal down-dip (untested).
- The deposit is located next to the Beaudesert to Brisbane rail line.
- Tenement area includes the former Stansfield Colliery.
- Core drilling at Veresdale indicates high calorific low sulphur thermal coal.
- Coal conversion possibilities (coal-to-liquids and coal-to-gas) in addition to conventional uses.

Sealed and unsealed roads provide access to most of the area. These include the Beaudesert-Beenleigh Road. Veresdale Scrub Road provides ready access to most of the New Hope borehole locations.

Most of the area is cleared for grazing and dairy farming. Topography varies from low-lying plains to basalt hills, however portions are closely settled making land access in some areas difficult.

New Hope Collieries explored the area between 1978 and 1992 and discovered a substantial coal deposit: the Veresdale Scrub Deposit. Eighty six drill holes were completed.

In its report, New Hope anticipated that this deposit could be upgraded with further exploration, particularly between 40 metres and 100 metres.

New Hope also reported that there was potential to locate more coal down-dip.

Coal Quality

The Veresdale Scrub Deposit has eight partly cored drill holes. Information gained from these holes indicated a typical Walloon Coal, with high volatile content, high raw ash and low total sulphur.

The average quality results from laboratory testing reported by New Hope Collieries (1992), based on a 15% ash product, are as follows:

Total Sulphur	0.6%
Yield	65.4%*
Inherent Moisture	5.2%
Specific Energy	6540 Kilocalories/Kilogram

(Source: DME Open-File Report CR24297)

* However, actual yield will be determined by further test work and is likely to be within the industry range of this type of coal which is typically 50%-55%.

Former Stansfield's Colliery Area

The former Stansfield's Colliery, on the eastern outskirts of Beaudesert within EPC Application 1302, operated around the turn of the 19th century and a 1.2m thick seam was worked from a 10metre long tunnel set into the side of a hill on Portion 98. Marks (1910) reported the tunnel had collapsed by the time he investigated the area in 1910

Former Strathnaver Colliery/Bromelton Project (EPC Application 1299)

(100% Orbit Capital – parent company of Moreton Energy, to be assigned to Moreton Energy)

Highlights:

- Former colliery located next to interstate railway approximately nine kilometres west of Beaudesert
- Only a single 1.4m thick seam was worked from 1932 until the outbreak of World War Two
- Coal was accessed from two tunnels.
- Tenement is situated close to the proposed Bromelton industrial area, a nominated State Development Area
- EPC Application 1299 covers nine square kilometres from the former colliery north along the interstate railway line
- The tenement includes Walloon Coal Measures

The former Strathnaver Colliery was one of the two notable coal mining operations in the Beaudesert District.

EPC Application 1299 commences in the vicinity of the former colliery and extends north for approximately five kilometres. The Boonah-Beaudesert Road and the interstate railway intersect in the centre of this tenement.

Bromelton Industrial Area

In recognition of Bromelton's advantages as a strategic location for industrial development, the Queensland Government has proposed that it be declared a State Development Area under Section 77 of the *State Development and Public Works Organisation Act 1971*. (Source: <http://www.dip.qld.gov.au/land/bromelton.html>)

Lying well away from the Brisbane and Gold Coast population centres, Bromelton has been proposed as a site for large industrial uses and high impact industrial uses (noxious, offensive and hazardous) that can be separated from residential and incompatible land uses by a large permanent buffer zone.

Given its planned insulation from population centres, and proximity to future large industrial users anticipated to locate at Bromelton, a coal-fired power station might be a viable option for this area.

Albert River Coal Project (EPC Application 1313)

(100% Moreton Energy)

EPC Application 1313 is situated approximately 30 kilometers south of Beaudesert and consists of 67 sub-blocks near the New South Wales border. The tenement's western boundary includes the interstate railway line (the same line that runs through Strathnaver/Bromelton to the north).

Among other coal occurrences, the area is known to host a 2m thick outcrop of coal, 7.7 kilometers south-east of Hillview, Jinbroken Range. (Source: *Coal Resources and Geology of the Moreton Basin, Queensland Minerals and Energy Review Series 1993*)

This area was listed in the Powell Duffryn Technical Services Report (1949) with mentions of significant outcropping coal seams.

The area was held by New Hope Collieries as part of a very large tenement until June 1979, when this part was relinquished. New Hope reported that it did not conduct any drilling in the area. (Source: *DME Open-File CR7472*)

The area is sparsely-populated open farmland and some undulating country that is readily accessible via a number of minor roads.

Lodestone Exploration Proposed Activities:

Lodestone aims to progress Moreton Energy's Veresdale Scrub Coal Deposit as rapidly as possible to a JORC-Compliant Measured and Indicated Resource.

To that end, every effort will be made to achieve JORC- Compliant Inferred Resource Status within six months of EPC Application 1302 being granted.

This will require infill and down-dip drilling, to determine the geometry, thickness and continuity of coal seams, and to confirm historically favourable technical specifications that include calorific value, sulphur content, washability, grindability and ash analyses. Additional details will be provided in an Independent Expert's Report that will be distributed to Shareholders ahead of the Extraordinary General Meeting of Shareholders to be held in the near future.

BASE METALS – MOUNT MORGAN AND LIMESTONE CREEK PROJECTS

Mount Morgan Project

The Mount Morgan Project includes targets that are ready to drill, and have been offered for farm-out.

Lodestone hopes to conclude a farm-out agreement to fund the substantial drilling program required to fully test targets at depths of more than 350 metres.

All but one of Lodestone's Mount Morgan District Prospects, shown on the attached satellite image, offer VMS-style targets that are the culmination of a decade's painstaking and determined exploration. Little more needs to be done, other than drill.

Lodestone has decided to farm-out these prospects because the scale of the drilling program that is needed would require significant additional capital, which at the Company's current share price, would heavily dilute existing shareholders' equity in the Company.

Mount Morgan Project – Discoverer Two Prospect

Lodestone's 'Discoverer Two' (formerly 'Struck Oil') Prospect, located seven kilometres east of Mount Morgan, is the Company's next priority.

An extensive copper in soil anomaly, covering more than 500 metres by 250 metres and largely coinciding with a similarly extensive molybdenum anomaly, was only partly drilled by GeoPeko in the 1970s. Moreover, noteworthy/elevated copper and molybdenum values occur in drill core.

Lodestone's project consultant believes significant potential exists. More particularly: *“Economic skarn deposits could occur if limestone in the stratigraphy comes into contact with the porphyry copper system, eg., Bingham, Twin Buttes, etc. The absence of such skarn mineralization in drilling on Struck Oil to date is a case of plain bad luck: large limestone deposits (up to 80 metres thick) occur in both the acid and the andesitic rocks to the south and east of the Struck Oil porphyry, and could extend beneath andesitic rock to the Struck Oil system and beyond. Drilling to date has intersected only minor slightly calcareous intervals in the sandstone elements of the stratigraphy, and these skarnified intervals carry higher values of copper than the andesitic mass-flow deposits. There remain significant areas around the stock which have only had shallow drilling to date, and are prospective for skarn mineralization.”*

“A skarn in this environment could be copper, zinc or gold rich, and could be high grade, e.g., the Mungana skarns presently being drilled out by Kagara Zinc. Drill testing for the occurrence of skarn would be best done by drilling vertical holes in the areas of the best geochemistry, close to but not within the intrusive. Any limestone units intersected by the mineralized system could form skarns extending for significant distances from the stock, up to hundreds of metres.”

“Volcanic-hosted massive sulphide deposits could occur in the acid volcanic sequence. Regional correlations suggest that the exposed acid sequence is equivalent to the stratigraphy immediately above the Banded Sequence at Mount Morgan.” Source: Mr Alex Taube, Consulting Geologist. March 2007.

Limestone Creek Project – Leane's Prospect

Lodestone is also keen to progress its Limestone Creek Project, 130 kilometres north of Chillagoe/Mungana, North Queensland.

“Regional reconnaissance carried out by Lodestone in 2007 located previously undiscovered copper mineralization with rock chip results up to 31.1% copper. The area has been named Leane's Prospect.

Mineralization at Leane's consists of malachite veining along a possible regional fault that places limestones to the west against chert and basic volcanics to the east. Exposure of the mineralization is possibly restricted by extensive scree cover downslope from prominent limestone outcrop bluffs.

Follow up soil sampling along the limestone contact (at a line spacing of 200m) has demonstrated that anomalous copper ranging from 200 ppm up to 1.5%, occurs over a strike length of 1,200 metres. The width and dip of the mineralization is uncertain as outcrop is poor, however soil sampling has detected anomalous copper (>200 ppm) up to 150m east of the limestone contact.” Source: Mr Mike Seed, Former Consulting Geologist. October 2007.

Part of the proceeds of this raising will pay for additional fieldwork, and heritage clearance to optimise selection of drill sites.

URANIUM

Lodestone will also begin fieldwork on its uranium projects in Botswana, where it plans to follow up airborne radiometric surveys, flown in the 1980s, with ground traverses, possibly in conjunction with companies that hold adjacent ground.

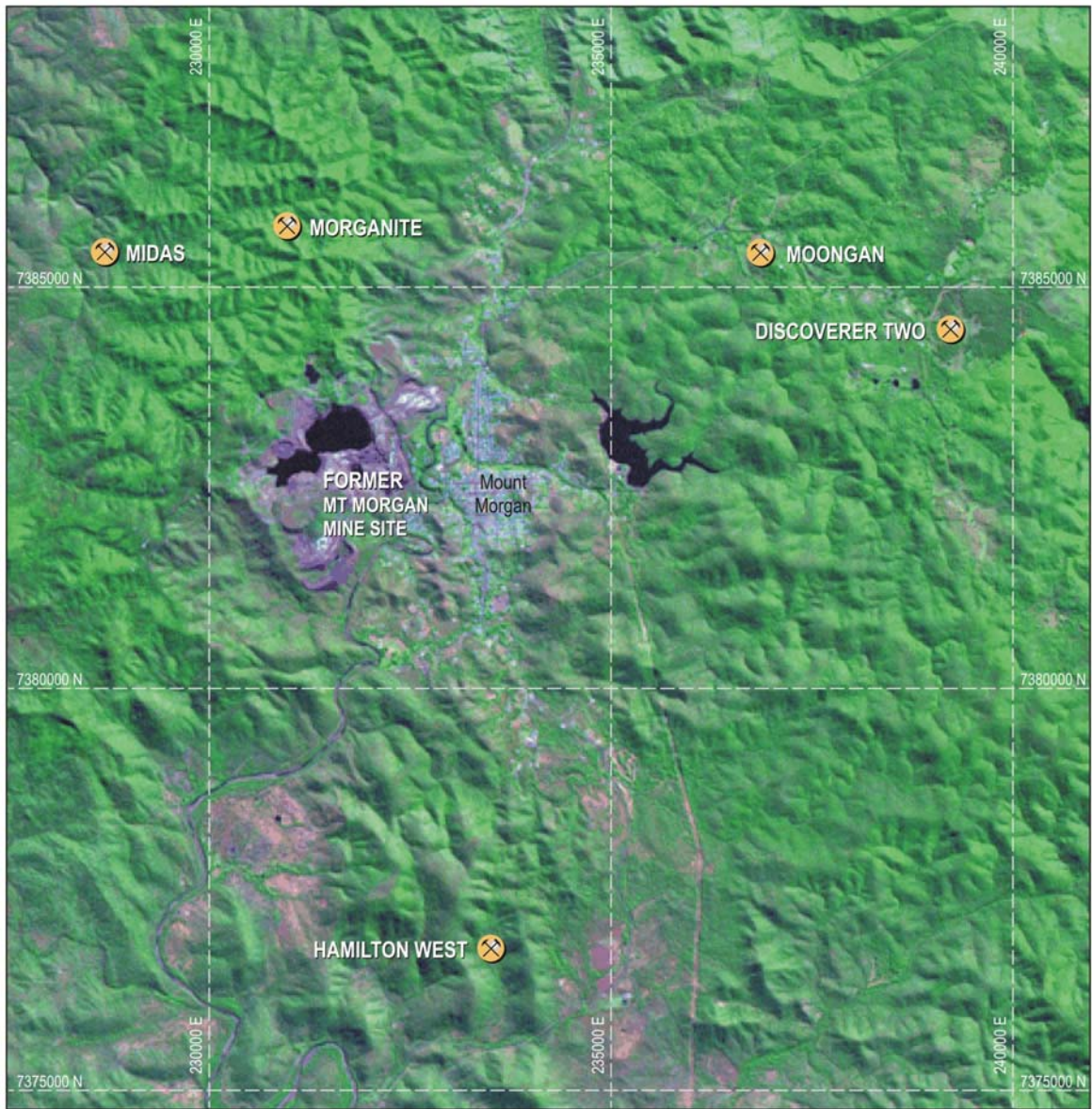
The above programs will be funded by the placement already completed, the Share Purchase Plan announced today, and by one or more farm-outs.



John McCawley
Executive Director

Mr Alex Taube, BSc, MAusIMM, a consulting geologist to Lodestone Exploration Limited, has over 35 years experience in mineral exploration. He has more than five years experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves”. Mr Taube consents to the inclusion in the report of the matters relating to Mount Morgan, based on his information, in the form and context in which it appears.

Mr Michael Seed, BSc (App Geol) MAusIMM, a former consulting geologist to Lodestone Exploration Limited, has over 25 years’ experience in mineral exploration. He has more than five years’ experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves”. Mr Seed consents to the inclusion in the report of the matters relating to Limestone Creek, based on his information, in the form and context in which it appears.



LEGEND

 Lodestone Prospect



Projection: AMG Zone 56 AGD66

**MOUNT MORGAN PROJECT
LODESTONE PROSPECT LOCATIONS**

Date: June 2008