



**18 AUGUST 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:**

34,967,404 Ordinary Shares

**SUBSTANTIAL SHAREHOLDERS:**

John Lachlan McCawley	14.6%
Maria Julienne Barron	7.1%
Foxcorp Holdings Ltd	5.7%

Top 20 Shareholders hold: 53.8%

**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.

*For further information or an interview:*

**John McCawley:** 0419 026 258  
**Greg Baynton:** 0414 970 566

**DRILLING UNDERWAY AND SPP OFFERED**

**KEY HIGHLIGHTS**

**Drilling Underway in Central Queensland**

- Lodestone is currently drilling at the optioned Mount Victoria prospect in its Mount Morgan district project. Two holes have been completed at the adjacent optioned Jasper prospect, and samples dispatched for assay.
- Lodestone will commence drilling the Tungamull prospect at the Mount Chalmers Joint Venture project in late August 2005.
- The company plans to commence drilling gold/copper targets at its Cracow South project as soon as possible after completion of drilling at Mount Chalmers, subject to budget and funding confirmation.

**Share Purchase Plan (SPP) Announced**

- During its time as a public company, Lodestone has raised less than \$2.9 million (net) since early 2003. To provide funding for the Company's accelerated exploration efforts, Lodestone is now offering all shareholders the opportunity to participate in a SPP to increase their holdings in the Company.
- The SPP offer is priced at **6.5 cents/share**, providing a significant discount to market price.
- The offer is only available to shareholders who are on the Company's share register on **Friday, 26 August 2005**.

**Review of Limestone Creek tenement data reveals surface gold grades of up to 7.2g/t**

- A recent review of historical data conducted by Lodestone on the recently-granted Limestone Creek gold tenement revealed surface gold grades of up to 7.2g/t in rockchip samples and coarse gold in adjacent stream sediments. Field exploration will begin in September.

**A Corporate Update containing further details on the Company's projects and plans for the balance of 2005 will be released to the ASX later today.**



**Lodestone Exploration Limited**

ABN 20 075 877 075

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

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18 August 2005

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

Dear Sir/Madam,

**DRILLING UNDERWAY AT MOUNT MORGAN PROJECT AND SPP ANNOUNCED**

**Lodestone Exploration Limited (ASX: LOD)** is pleased to advise that drilling is currently underway at optioned gold and copper prospects in the historic Mount Morgan gold/copper region and will commence shortly at nearby Mount Chalmers, an historic gold mining area.

In addition to Lodestone's current drilling at its Mount Morgan and Mount Chalmers projects, further drilling is planned for later in 2005, involving both follow-up drilling at Mount Morgan and Mount Chalmers, along with new targets at the Company's Cracow South gold/copper project and its Limestone Creek gold project in North Queensland.

The Board of Lodestone Exploration Limited ('Lodestone' or 'the Company'), is also pleased to offer shareholders who are on the Company's share register on Friday, 26 August 2005 (the Record Date) an invitation to participate in a **Share Purchase Plan (SPP)** to increase their holding in the Company at a price of **6.5 cents per share**, representing a significant discount to the recent market price.

As shareholders may be aware, Lodestone is a low-cost junior explorer focused on richly-endowed goldfields in Queensland. During its time as a public company, Lodestone has raised less than \$2.9 million after issue costs since early 2003. To provide funding for the Company's accelerated exploration efforts, Lodestone is now offering all shareholders the opportunity to participate in a SPP to increase their holdings in the Company. Formal SPP documents and application forms which allow shareholders to purchase additional ordinary shares under the SPP will be posted to shareholders who are on the register at the Record Date.

**To participate in the SPP, shareholders must be registered as a Lodestone shareholder at the close of trading on Friday, 26 August 2005.**

Each registered shareholder will be entitled to acquire additional shares at a price of 6.5 cents per share, in quantities ranging from a minimum of 10,000 shares for \$650 to a maximum of 76,923 shares for \$5,000. **The SPP offer will close on Thursday, 16 September 2005.**

The maximum number of shares that will be issued under the SPP will be limited to 30% of the current issued shares of Lodestone, representing 10,490,221 ordinary shares, or \$681,846 at the SPP application price of 6.5 cents per share. Applications for shares in excess of this 30% limit will be scaled back on a pro-rata basis.

The Board of Directors fully endorses this SPP, with a view to replenishing the Company's cash resources to accelerate its current and planned drilling programs in its growing portfolio of projects in richly endowed mining districts the Company has targeted in Queensland.

On receipt of the SPP documentation, shareholders are encouraged to read this information thoroughly in conjunction with the publicly available information relating to Lodestone. This public information can be accessed through the company's Website at [www.lodestonex.com](http://www.lodestonex.com) and shareholders are encouraged to visit our new Website, launched earlier this month.

In addition to this information, a Corporate Update containing further details on the Company's projects and plans for the balance of 2005 will be released to the ASX later today.

The Company's exploration success in our current and planned drilling programs for our portfolio of priority exploration targets is dependent on continued exploration funding. The Board hopes that shareholders will participate in this share offering and the Company's accelerated phase of drilling and associated exploration.

With a current market capitalisation of approximately \$2.3 million based on the SPP pricing, the Board believes that Lodestone offers its shareholders significant upside potential in the event of exploration success in our current and planned drilling programs during the next six months.

Yours faithfully,

John T Shaw  
**Chairman**

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Information regarding exploration results contained in this report has been compiled by Mark Dugmore who is a "competent person" for the purposes of the Australian Stock Exchange Listing Rules. Mr. Dugmore is General Manager of 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.