



18 June 2008

Dear Shareholder,

Chairman's Letter – Share Purchase Plan

Lodestone Exploration Limited (“**Lodestone Exploration**” or “the **Company**”) is pleased to offer you the opportunity to participate in a Share Purchase Plan.

Lodestone Exploration today announced a capital raising programme totalling \$1.53 million, of which \$800,000 is reserved to be made available to existing shareholders under the Share Purchase Plan. The remaining \$510,000 has been placed with sophisticated and other exempt investors and \$220,000 is to be placed with Directors subject to shareholder approval.

As is outlined in further detail in the accompanying releases, the Company is proposing to expand its Queensland operations to include coal exploration, thereby entering a sector that has had a resurgence in the last several years. The funds raised under the capital program, including those raised under the Plan, will in part be used to fund Lodestone Exploration's activities under the Moreton Energy Coal Project Farm-In. Under this project, which is subject to shareholder approval, the Company has a right to earn a 50% stake in three prospective coal tenements in the Moreton Basin. These tenements are currently under application. These projects are in an area well serviced by infrastructure and where there has been some small scale historical production.

In addition, a proportion of funds raised will continue to advance Lodestone Exploration's Mount Morgan and Limestone Creek projects where the focus will be on joint venturing interests where major drilling programs are required.

The Botswana uranium program will consist of an initial appraisal program to determine future work in preparation for Joint Venture with specialist uranium companies operating in the area.

Full details of the Share Purchase Plan are set out in the accompanying offer documents, which set out the terms and conditions of participation and which include an indicative timetable together with a copy of your pre-printed entitlement form.

If you wish to purchase shares under the Share Purchase Plan, you must complete and return your personalised application form, together with payment, as soon as possible. A reply paid envelope is enclosed for your convenience. Your application form and payment must be received by our share registry by **5.00 pm (Brisbane time) on 15 July 2008**.

Finally, your Directors would like to thank you for your ongoing support and look forward to Lodestone's expansion of its Queensland program to include coal interests.

If you have any questions in relation to this letter or the offer detailed in the enclosed documentation, please call the Company Secretary, Leni Stanley, on (07) 3221 6022.

Yours faithfully

Martin Ackland
Chairman



Lodestone Exploration Limited

ABN 20 075 877 075

www.lodestonex.com

**LODESTONE EXPLORATION LIMITED
ABN 20 075 877 075
SHAREHOLDER SHARE PURCHASE PLAN**

Dear Shareholder

Invitation to Participate in Shareholder Share Purchase Plan

The Board of Directors of Lodestone Exploration Limited (“**Lodestone Exploration**” or the “**Company**”) announced on 18 June 2008 that as part of the \$1.53 million capital raising program (the “**Capital Program**”) being undertaken by Lodestone Exploration, the Company has resolved to implement a Share Purchase Plan (“**Plan**”).

The Plan entitles each shareholder of Lodestone Exploration, regardless of their current investment in the Company, to purchase up to \$5,000 worth of fully paid ordinary shares in Lodestone Exploration (“**Shares**”).

The Plan is only open to eligible shareholders (as defined below) who are registered as holder of a share at 7:00pm (AEST) on Friday 20 June 2008 (the “**Record Date**”). This means that eligible shareholders who held or acquired shares in the Company in normal trading on the Australian Securities Exchange (“**ASX**”) prior to the announcement of the Capital Raising on 18 June 2008 will be entitled to participate in the Plan. Investors who purchased shares on ASX following the resumption of trading after the announcement will not be entitled to participate in the Plan.

This document sets out the terms and conditions of the offer by Lodestone Exploration to eligible shareholders to participate in the Plan (“**Offer**”). By agreeing to purchase Shares under the Plan, you agree to be bound by the terms and conditions of the Plan.

Pricing

Under the Plan the Company will seek to raise up to a maximum of \$800,000 and will invite eligible shareholders to subscribe for up to a maximum of \$5,000 worth of Lodestone Exploration Shares at an **Offer Price** of \$0.03 per Share. The Offer Price is a discount of 2.6% to the volume weighted average market price of the Company’s ordinary shares calculated over the last 5 trading days on which sales of the Company’s Shares occurred on ASX immediately prior to the day the Company announced the Plan.

The market price of Shares may rise or fall between the date of the Offer and the date on which Shares are allocated to applicants. This means that the issue price an applicant pays for the Shares under the Plan might exceed the market price of the Shares at the date of allotment.

Capital Raising and Forward Program

Details of the Company’s Capital Raising and Activities Programs are set out in the ASX announcements that accompany this document.

Lodestone Exploration Limited
Exploring Queensland

Lodestone Exploration Limited GPO Box 762 Brisbane QLD 4001 Australia

Use of Funds

Lodestone Exploration intends to use funds raised under the Capital Program as follows (the amounts are estimates only and are subject to completion of the Moreton Energy Coal Project Farm-In):

Proposed Application of Funds	Amount assuming Maximum Subscription Raised from Programme
Moreton Energy Coal Projects	\$0.75m
Mount Morgan and Limestone Creek Projects	\$0.35m
Botswana Uranium Project	\$0.10m
Working Capital	\$0.29m
Cost of capital raising program	\$0.04m
TOTAL	\$1.53m

Eligibility

Participation in the Plan is open to each person registered as a holder on the Record Date who has an address (as recorded in Lodestone Exploration's register of members) in Australia or New Zealand ("**Eligible Members**"). Due to foreign securities laws, it is not practical for shareholders resident in other countries to be offered the opportunity to participate in the Plan.

This document will not constitute an offer in any jurisdiction in which it would not be lawful to make such an offer or to any person to whom it would not be lawful to make such an offer.

Participation in the Plan is entirely at the discretion of Eligible Members. Subject to the restrictions set out below, an Eligible Member may apply for up to a maximum of \$5,000 worth of Shares and not less than a minimum of \$500 worth of Shares.

The number of Shares to be issued to each Eligible Member who applies will be calculated by dividing the amount subscribed and accepted by Lodestone Exploration by the Offer Price. Fractions will be rounded up to the nearest whole Share.

Offers under the Plan are being made to all Eligible Members and on the same terms and conditions and are non-renounceable, which means that Eligible Members cannot transfer their entitlement to purchase Shares under the Offer to another person.

Limit on Participation

An Eligible Member may not acquire more than \$5,000 worth of Shares under the Plan, taking into account all applications, including joint and other beneficial interests. This maximum subscription limitation will apply even if an Eligible Member has received more than one Offer (whether in respect of a joint holding or because the Eligible Member has more than one holding under separate share accounts).

An Eligible Member who is a trustee or nominee expressly noted on the Lodestone Exploration register might receive an Offer for each instance they are separately recorded as a trustee or nominee for a different beneficiary name on the register. To the extent an Eligible Member holds shares on behalf of another person resident outside Australia or New Zealand, it is the

responsibility of the registered holder to ensure that any acceptance complies with all applicable foreign laws.

The Board of Directors of Lodestone Exploration (“**Board**”) reserves the right to refuse an application if it considers that the applicant is not an Eligible Member or has not otherwise complied with the terms and conditions of the Plan or for any other reason in its sole discretion. If an application is refused, the application money received will be refunded without interest. If an applicant applies for Shares in excess of \$5,000, any excess application money will be refunded without interest after completion of the Plan.

Costs of Participation

No brokerage, commissions, stamp duty or other transaction costs will be payable by Eligible Members in respect of their application for, and allotment of, Shares under the Plan.

How to Participate

If you wish to participate in the Plan, you must complete and lodge the attached Application Form before 5.00 pm (AEST) on 15 July 2008 (“Closing Date”).

Applications received after that time will not be accepted. Details of the address at which the applications should be lodged appear on the Application Form. **Applications can not be lodged by facsimile.** Applications and payments under the Plan may not be withdrawn once they have been received by Lodestone Exploration. Application money will not bear interest under any circumstances. Please refer to the lodgement instructions on the Application Form.

No Recommendation

The Offer is not a recommendation. If you are in any doubt about the Offer, whether you should participate in the Plan or how such participation will affect you (including taxation implications), you should contact a professional advisor. Lodestone Exploration also recommends that you monitor the market price for Shares, which can be found on the website of the ASX website at www.asx.com.au or in the financial pages of major metropolitan newspapers.

Excess Subscriptions

The Board has set a maximum amount of \$800,000 to be raised under the Offer. It is not possible to predict the take up of the Offer.

If, and to the extent to which the total value of applications for Shares under the Plan exceeds \$800,000, Lodestone Exploration will scale back applications. If this occurs, you may be allocated Shares to a value that is less than you applied for. If a scale back occurs, Lodestone Exploration will refund any excess application money (without interest). Any scale back of applications will be conducted by the Board on a pro rata basis with the minimum allocation set at \$500 worth of shares. Any determination by the Board in respect of any scaling back will be final.

Allotment of Shares

The Shares are scheduled to be allotted by 22 July 2008.

Shares allotted under the Plan will rank equally in all respects with all other fully paid ordinary shares in Lodestone Exploration on the date of their issue, and therefore will carry the same voting rights, dividend rights and other entitlements as existing fully paid ordinary shares in Lodestone Exploration.

Lodestone Exploration will, promptly after allotment of Shares under the Plan, apply for the Shares to be quoted on the official list of the ASX.

Lodestone Exploration will not, however, make any allotment of Shares that would cause it to breach the ASX Listing Rules or the *Corporations Act 2001* (Cth).

Lodestone Exploration will issue a holding statement or confirmation advice in respect of the Shares allotted to you under the Plan. You should confirm your holding before trading in any Shares you believe have been allotted to you under the Plan.

Indicative Timetable

Activity	Indicative Date
Announcement of Plan	18 June 2008
Record Date SPP (7:00 pm AEST)	20 June 2008
Opening Date of Offer	24 June 2008
Closing Date of Offer	15 July 2008
Allotment of Shares	22 July 2008
Quotation of Shares on ASX	28 July 2008

This timetable is indicative only and Lodestone reserves the right to change it.

Additional Information

The Plan will be administered by the Board and the Board will have an absolute discretion to:

- determine appropriate procedures for administration of the Plan; and
- resolve conclusively any difficulties, anomalies or disputes that may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participating Eligible Member, or application for Shares, and any such resolution will be binding on all participants and other persons to whom the resolution relates.

The Plan and these terms and conditions of the Plan may be suspended, terminated or modified at any time by the Board. The Company will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

The Company reserves the right to waive strict compliance with any provision of these terms and conditions. Lodestone Exploration's rights may be exercised by the Board or any delegate of the Board.

Any Questions?

If you have any questions concerning technical aspects of the Offer, please contact the Company Secretary, Leni Stanley, on (07) 3221 6022. If your questions concern investment related issues then you should contact a professional advisor.



Leni Stanley
Company Secretary
18 June 2008



Share Purchase Plan Application Form

Offer closes 5:00pm (AEST) 15 July 2008

This is an important document. Should you have any questions about its contents please seek independent financial advice.

LODESTONE EXPLORATION LIMITED

ABN 20 075 877 075

Record Date: 20 June 2008

Opening Date: 24 June 2008

Close Date: 15 July 2008

Issue Date: 22 August 2008

Price Per Share: A\$0.03

APPLICATION FOR SHARES

I/we wish to apply for the number of fully paid ordinary shares in Lodestone Exploration Limited ("LOD") set out below at an issue price of A\$0.03 (3 cents) per share, in accordance with the Lodestone Exploration Limited Share Purchase Plan ("SPP") Terms and Conditions. By returning this form to LOD's Share Registry I/we agree to be bound by the SPP Terms and Conditions and LOD's Constitution, and certify that the aggregate of the application price for the shares the subject of this application, and any other shares in the class applied for by me/us under the SPP (including those the subject of any other application) or any similar arrangement in the 12 months prior to this application, does not exceed A\$5,000. LOD reserves the right to vary the closing date for the offer.

LOD may settle in any manner it thinks fit any disputes or anomalies which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any applicant or application for shares, and the decision of LOD will be conclusive and binding on all persons to whom the decision relates. LOD reserves the right to waive compliance with any provision of the SPP Terms and Conditions, subject to compliance with the Corporations Act, the ASX Listing Rules and ASIC Class Order 02/831.

This offer is non-renounceable. Please indicate the number of ordinary shares you wish to acquire by ticking ONLY ONE of the following boxes:

A

166,667 Shares at A\$5,000
 OR
 133,334 Shares at A\$4,000
 OR
 100,000 Shares at A\$3,000
 OR
 66,667 Shares at A\$2,000
 OR
 33,334 Shares at A\$1,000
 OR
 16,667 Shares at A\$500

B CHEQUE DETAILS – please complete and ensure that the amount payable is correct.

Payment must be made by cheque or bank draft in Australian dollars and drawn on an Australian bank, credit union or building society. Cheques or bank drafts should be made payable to "Lodestone Exploration Limited" and crossed "Not Negotiable".

Cheque Number
 BSB
 Account Number

Amount **A\$**

C PLEASE INSERT CREDIT CARD DETAILS

Please debit my credit card: Mastercard Bankcard Visa

Name

Card Number

Expiry Date

Signature of Cardholder

D QUESTIONS AND CONTACT DETAILS

If you have any questions please contact LOD's Share Registry on (61 2) 8280 7454 or 1300 554 474 between the hours of 8:30am and 5:30pm (AEST), Monday to Friday.

Phone Number (Home)
 Phone Number (Work)
 Mobile Number

Contact Name



Lodestone Exploration Limited

OFFER CLOSING 5:00PM (AEST) ON 15 JULY 2008

This form accompanies the SPP Terms and Conditions and the letter of offer from LOD. Shareholders should read those documents prior to completing this form.

1. How to Complete the Share Purchase Plan Application Form

Please complete all relevant sections of the Share Purchase Application Plan Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Share Purchase Plan Application Form.

A. Application for New Shares

Please indicate in Section A the number of Shares with respective cost you wish to apply for.

B. Cheque or Bank Draft Details

Please enter your cheque or bank draft details in Section B. Cheques or bank drafts must be drawn on an Australian branch of an Australian bank, credit union or building society in Australian currency, made payable to "**Lodestone Exploration Limited**" and crossed "Not Negotiable".

C. Credit Card Details

Complete credit card details if choosing this payment method.

D. Contact Details

Please enter your contact telephone number where we may contact you regarding your acceptance, if necessary.

2. Overseas Shareholders

The letter of offer from LOD and this Share Purchase Plan Application Form do not either individually or together constitute an offer of securities in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue them. By applying for shares in LOD ("Shares") through this Share Purchase Plan Application Form you represent and warrant that applying for Shares does not breach any law in any relevant overseas jurisdiction.

3. How to Lodge your Share Purchase Plan Application Form

The completed Share Purchase Plan Application Form with the Application Monies may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **Your completed Share Purchase Plan Application Form and Application Monies must be received by Lodestone Exploration Limited no later than 5:00pm (AEST) on 15 July 2008.** Share Purchase Plan Application Forms received after 5:00pm (AEST) on 15 July 2008 will be rejected and Application Monies (without interest) returned to the Applicant.

Postal Delivery

Lodestone Exploration Limited
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

Hand Delivery

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

If you require further information on how to complete this Share Purchase Plan Application Form, please contact Link Market Services Limited on 02 8280 7454 or 1300 554 474 between 8:30am and 5:30pm (AEST) Monday to Friday.

Privacy Clause: Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the above address or on (61 2) 8280 7454. Our privacy policy is available on our website (www.linkmarketservices.com.au).