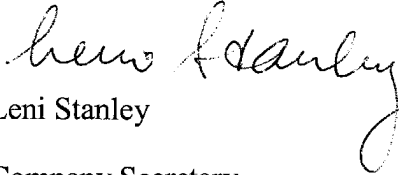


LODESTONE EXPLORATION LIMITED (ACN 075 877 075) (“COMPANY”)**ASX: LOD****DIRECTOR’S OPTIONS****TERMS & CONDITIONS**

The 800,000 Options issued to Directors on 30 September 2002 were issued on the following terms and conditions:

- 1 Each Option entitles the Director to subscribe for 1 fully paid ordinary share in the Company (“**Share**”) upon exercise of the Option and payment of the Exercise Price.
- 2 Each Option may be exercised at an exercise price of 150% of the offer price of shares pursuant to a prospectus to be issued for the purpose of an initial public offering in or about January 2003 being 30 cents (“**Exercise Price**”). The offer price of shares pursuant to the prospectus was determined by the board of directors of the Company prior to the date on which the Options were issued (“**Issue Date**”).
- 3 The exercise period of the Options will commence on 30 September 2003 and will end on 30 September 2007 (“**Exercise Period**”).
- 4 An Option will be exercisable by giving notice of exercise to the Company, and paying the Exercise Price for the Option.
- 5 The Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company.
- 6 Subject to the Company’s constitution, each Share issued pursuant to the exercise of an Option will rank equally in all respects with the issued Shares.
- 7 The Optionholder cannot participate in rights issues or bonus issues of securities made or offered pro-rata to shareholders of the Company without exercising the Options.
- 8 The Company will not apply to ASX for official quotation of the Options.
- 9 The Company will apply for official quotation by ASX of the Shares issued upon exercise of Options within the time period required by the Listing Rules.
- 10 The Options may not be assigned or transferred except to a Company controlled by the Director or to a trust in which the Director is a principal beneficiary or (in the case of death) to the deceased’s personal representative.
- 11 Options not exercised prior to the end of the Exercise Period will lapse at the end of the Exercise Period.

- 12 All Options may be exercised if a takeover bid (as defined in the Corporations Act) is made for Shares.
- 13 In the event of a reorganisation of the capital of the Company, the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- 14 If the capital of the Company is reconstructed, the number of Options and/or the exercise price of the Options will be correspondingly reconstructed in a manner which shall not result in any additional benefits being conferred on Optionholders which are not conferred on Shareholders.



Leni Stanley

Company Secretary

12 March 2003



LODESTONE EXPLORATION LIMITED (ACN 075 877 075) (“COMPANY”)

ASX: LOD

LODESTONE EXPLORATION LIMITED (“COMPANY”)

EXECUTIVE OPTIONS

TERMS AND CONDITIONS

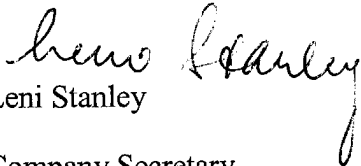
The 100,000 Options issued to Mareko Pty Ltd for provision of the services of Mr Mark Dugmore (“**Employee**”) on 30 September 2002 were issued on the following terms and conditions:

- 1 Each Option entitles the Employee to subscribe for 1 fully paid ordinary share in the Company (“**Share**”) upon exercise of the Option and payment of the Exercise Price.
- 2 Each Option may be exercised at an exercise price of 150% of the offer price of shares pursuant to a prospectus to be issued for the purpose of an initial public offering in or about January 2003 being 30 cents (“**Exercise Price**”). The offer price of shares pursuant to the prospectus was determined by the board of directors of the Company prior to the date on which the Options were issued (“**Issue Date**”).
- 3 The exercise period of the Options will commence on 30 September 2003 and will end on 30 September 2005 (“**Exercise Period**”).
- 4 An Option will be exercisable by giving notice of exercise to the Company, and paying the Exercise Price for the Option.
- 5 The Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company.
- 6 Subject to the Company’s constitution, each Share issued pursuant to the exercise of an Option will rank equally in all respects with the issued Shares.
- 7 The Optionholder cannot participate in rights issues or bonus issues of securities made or offered pro-rata to shareholders of the Company without exercising the Options.
- 8 The Company will not apply to ASX for official quotation of the Options.
- 9 The Company will apply for official quotation by ASX of the Shares issued upon exercise of Options within the time period required by the Listing Rules.
- 10 The Options may not be assigned or transferred except to a Company controlled by the Employee or to a trust in which the Employee is a principal beneficiary or (in the case of death) to the deceased’s personal representative.
- 11 All unexercised Options will lapse, if the Employee’s employment is terminated:

- (a) by the Company, on the ground of the Employee's material breach of any term or condition of his employment or on the ground of the Employee's material misconduct or neglect in the discharge of his duties, immediately upon termination;
- (b) by the Company, on any other lawful ground, 3 months after the Employee ceases to be employed;
- (c) by the Employee's resignation, 3 months after the Employee ceases to be employed;
- (d) for any other reason, at the end of the Exercise Period.

- 12 Options not exercised or lapsed prior to the expiry of the Exercise Period will lapse at the end of the Exercise Period.
- 13 All Options may be exercised if a takeover bid (as defined in the Corporations Act) is made for Shares.
- 14 In the event of a reorganisation of the capital of the Company, the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

If the capital of the Company is reconstructed, the number of Options and/or the exercise price of the Options will be correspondingly reconstructed in a manner which shall not result in any additional benefits being conferred on Optionholders which are not conferred on Shareholders.



Leni Stanley

Company Secretary

12 March 2003