



3 November 2004

Dear Option Holder,

OPTION EXPIRY NOTICE – 7 DECEMBER 2004

Lodestone Exploration Limited would like to advise you that the options (LODO – ASX Code) which you hold in the Company expire on 7 December 2004. These options are your right to purchase Lodestone Exploration Limited shares (LOD) at an option exercise price of 20 cents each.

Enclosed with this letter is an option exercise form. You should read it carefully and seek financial advice if you do not understand it or are uncertain about what is your best course of action.

The completed form, together with payment, must be received by ASX Perpetual Registrars Limited no later than 7 December 2004. In accordance with ASX rules, this date cannot be extended and forms received after this date cannot be accepted. If you do not exercise your right of conversion or do not send payment for the conversion of the options, your options will lapse.

Yours faithfully,

A handwritten signature in black ink, appearing to read "J. Shaw". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

John Shaw
Chairman



Notice to Optionholders
7 December 2004 20 Cent Options (LODO)

Dear Optionholder

Notice is hereby given that the Lodestone Exploration Limited ("the Company") options that you hold will expire on Tuesday 7 December 2004. The registry must therefore receive option exercise monies on or before the close of business on Tuesday 7 December 2004. In accordance with the ASX Listing Rules the Company advises the following:

1. The option exercise price is \$0.20 (twenty cents) for each 7 December 2004 option.
2. The due date for payment for the option exercise is 7 December 2004.
3. If existing optionholders do not elect to exercise their options by 7 December 2004 and do not make the payment of 20 cents per option then their options will lapse.
4. Quotation of the 7 December 2004 options will cease on 30 November 2004 that is 5 business days before 7 December 2004.
5. The last market sale price of the ordinary shares on 2 November 2004 was \$0.099.
6. The highest and lowest market sale price of the Company's shares into which the 7 December 2004 options are exercisable during the 3 months immediately before this notice was;

Highest - \$0.12 on 7, 20, 21, 23 and 24 September 2004
Lowest - \$0.09 on 18 August 2004 and 2 September 2004
7. There is no underwriting agreement in relation to the 7 December 2004 options.

To exercise your options please complete the form with this letter and return to the share registry before 5pm (Brisbane time) on 7 December 2004.

All fully paid ordinary shares issued upon exercise of the options will rank pari passu in all respects with the Company's existing ordinary fully paid shares. The Company will apply for Official Quotation by Australian Stock Exchange Limited of all shares issued upon exercise of the options.

Should you have any queries with respect to this notice please contact the Company's Share Registry on (07) 3228 4219 or the Company Secretary, Ms Leni Stanley on (07) 3221 6022.

Leni Stanley
Company Secretary
3 November 2004



Exercise of options at \$0.20 expiring 7 December 2004

Options held at 2/11/2004	Exercise Price of \$0.20 Per option	Amount payable
	X AUD \$0.20	

IMPORTANT NOTICE: The Options referred to in this Option Exercise Form may be transferred electronically in CHESS. This Option Exercise Form should not be relied on as evidence of the current entitlement of the person named in this Option Exercise Form.

LAST DAY OF OPTIONS TRADING 30 NOVEMBER 2004

Options Expire 7 December 2004

To be completed by Optionholders	Number of options to be exercised	Exercise price of \$0.20 Per option	Amount payable
		X AUD \$0.20	

Return of this form with your cheque on or before the close of business on 7 December 2004 will constitute acceptance of your exercise of options and will constitute your agreement to be bound by the Constitution of Lodestone Exploration Limited.

NO SIGNATURE IS REQUIRED ON THIS FORM.

Each option entitles the holder to one fully paid ordinary share in the capital of Lodestone Exploration Limited ABN 20 075 877 075 ("the company").

Payment

- (a) All cheques are to be made payable to **Lodestone Exploration Limited** and crossed "not negotiable". All cheques are to be drawn in Australian currency.
- (b) The exercise notice together with your payment should be forwarded to Lodestone Exploration Limited, C/- ASX Perpetual Registrars Limited, GPO Box 2537, Brisbane QLD 4001.

Please Note Details Of Cheque(s) Drawn

Drawer	Bank	Amount

Contact Name: **Daytime Contact Phone Number:** (....)