



16 June 2006

Dear Shareholder

Lodestone Exploration Limited ("LOD") today lodged a prospectus with ASIC and ASX for a renounceable rights offer ("Rights Offer") to Australian and New Zealand registered holders as at 7.00pm on 27 June 2006 ("Record Date"). A total of approximately 61,892,953 ordinary shares and 30,946,476 options will be offered to eligible shareholders.

The Rights Offer is fully underwritten by Patersons Securities Limited ("Underwriter") and eligible shareholders will be entitled to apply for 4 new ordinary shares for every 3 shares held on the Record Date at a price of 3.8 cents per new share. Eligible shareholders will also be able to apply for shares available from any shortfall in the Rights Offer ("Additional Shares"). For every 2 new ordinary shares subscribed, shareholders will receive one free option exercisable at 5 cents with an exercise period of 2 years.

Rights to subscribe for new shares are tradeable on ASX for all eligible shareholders from 21 June 2006 until 7 July 2006 ("Rights Trading Period").

Information for Option Holders

Holders of existing options must exercise their options prior to the Record Date if they wish to participate in the Issue.

Use of funds

The Rights Offer will raise approximately A\$2.35 million (less expenses) to provide the Company with additional capital to fund its first phase of drilling on the optioned Karinya Zinc-Silver Prospect in South Australia, the optioned Bocoilima Gold-Copper Prospect in Central Queensland, and several other wholly-owned gold-copper targets in Queensland.

Key Dates for shareholders to note:

The key dates for the Rights Offer are set out below. These dates are subject to change by Lodestone, in consultation with the Underwriter and the ASX.

16 June 2006	Lodgement of Rights Offer prospectus.
21 June 2006	LOD shares trade "ex-Rights". Rights trading begins
27 June 2006	Record Date.
30 June 2006	Despatch of Prospectus.
7 July 2006	Rights trading ends.
14 July 2006	Rights Offer closes.
21 July 2006	Allotment of new shares and despatch of holding statements.
24 July 2006	New shares commence trading on ASX.

These dates are indicative only and may be changed if circumstances necessitate this.

Action by shareholders

The issue is renounceable, which allows shareholders who do not wish to take up all of their entitlement to sell some or all of their entitlement. Rights may be traded on ASX during the Rights Trading Period.

You may take up your entitlement in full or in part. If you take up your full entitlement you may apply for additional shares at the same price. Your entitlement will be determined as at 27 June 2006 ("Record Date"). Acceptances and applications can be made only on the personalised Entitlement and Acceptance Form which shareholders will receive with the prospectus.

Overseas Holders

The offer under the prospectus is limited to shareholders with registered addresses in Australia or New Zealand. With the exception of New Zealand, overseas shareholders will not be offered rights. Lodestone has appointed Patersons Securities Limited to sell entitlements that would have been given to these ineligible overseas shareholders and, if they are sold, the net proceeds will be sent to the holder.

The prospectus and a personalised Entitlement and Acceptance Form will be despatched to shareholders on 30 June 2006. Full details of the rights issue are set out in the prospectus and a copy is available for review on LOD website at www.lodestonex.com.au or ASX's website at www.asx.com.au.

Yours faithfully

Leni Stanley
Company Secretary