



ASX Release

**ASX Code
LOD**

5 May 2009

LODESTONE SIGNS HEADS OF AGREEMENT FOR ADDITIONAL FUNDING

Lodestone Exploration (ASX: LOD) is pleased to advise that it has executed a Heads of Agreement to secure additional funding for its energy projects in Queensland.

As detailed in the Company Update lodged with ASX on 23 April 2009 Lodestone has entered into a farm-in agreement in respect of the Moreton Energy Coal Project in the Clarence-Moreton Basin and has secured farm-in agreements in respect of the Tambo Coal & Gas Project in the Upper Surat Basin (which are subject to shareholder approval).

To fund the initial exploration activities on both of these projects and to provide working capital, Lodestone has entered into a Heads of Agreement with Mr Oliver Lennox-King, a sophisticated investor. The Heads of Agreement provide for the placement of shares to a value of \$1.5 million ("placement") and the sale of a 2% royalty interest ('royalty') on Lodestone's 50% interest in the permits for a total value of \$3 million.

The placement shares will be issued at 10 cents each. Each share will have one attaching unlisted option which is exercisable at 20 cents each and expiring 24 months after the date of issue. The attaching option has a compulsory exercise clause which comes into effect 12 months after the date of issue and which requires the holder to exercise the option and pay the option price if at any time Lodestone's shares trade for 30 consecutive days at \$0.30 or above otherwise the option will lapse.

Each attaching option entitles the holder to acquire 1 fully paid share and 1 unlisted piggyback option exercisable at 50 cents each and expiring 24 months after the date of issue of the piggyback option. The piggyback option has a compulsory exercise clause which comes into effect 12 months after the date of issue of the piggyback option and which requires the holder to exercise the option and pay the option price if at any time Lodestone's shares trade for 30 consecutive days at \$0.70 or above otherwise the option will lapse.

The placement will be undertaken in 2 tranches. The first tranche will be issued within the 15% limit in Listing Rule 7.1, while the second tranche will be subject to shareholder approval which will be sought at the forthcoming General Meeting of shareholders expected to be held in late June.

The sale of the 2% royalty interest under the Heads of Agreement will entitle the holder to receive a future royalty, in respect of sale of coal and gas from all permits currently held or obtained prior to 31 December 2009 by Lodestone, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The royalty is only payable in respect of Lodestone's 50% interest in the permits and is calculated on the same basis as statutory State royalties, except that it allows for the deduction of any State royalty paid, i.e. it will only apply to value after the application of the Queensland Government royalty.

The \$3 million price to be paid for the royalty is subject to shareholders approving the Tambo Farmin Agreements which will be submitted for shareholder approval at the forthcoming EGM. In the event that either or both the Tambo Farmin Agreements are not approved, the royalty price will be renegotiated.

The Heads of Agreement is binding upon the parties until such time as it is replaced by more formal and comprehensive documentation being a royalty agreement, which will provide for the grant of the royalty, and a subscription agreement, which will provide for the issue of the shares and options. Lodestone has begun the preparation of those formal documents.

In addition, Lodestone intends to place another 5 million shares with attaching options on the same terms and conditions as set out above, subject to shareholder approval, bringing the total raising to \$5 million.

Yours faithfully



Martin Ackland
Chairman

For further information please contact:

Jeff Jamieson
Chief Executive Officer
07-3229-6606
jammo@lodestonex.com

About Lodestone Exploration Limited (ASX: LOD) – Lodestone Exploration is a Queensland company whose core focus has been redirected to the identification and appraisal of energy prospects. In particular, Lodestone is focused on coal seam gas (CSG) and energy coal projects in Queensland.

Lodestone Exploration Limited
GPO Box 762 Brisbane QLD 4001 Australia