

Date: 1 March 2010

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir,

SQUARE RESOURCES TRANCHE 2

Further to previous announcements in relation to the Tranche 2 investment by Square Resources' in Lodestone Energy, its right to invest in Tranche 2 has expired today.

As a result of the recent market correction, Square Resources Pty Ltd has advised that it will not exercise its right to invest in Tranche 2 of the proposed placement, following its initial investment in Lodestone in late 2009.

Notwithstanding the proposed Tranche 2, Lodestone confirms that it has sufficient funds to complete its current coal and gas drilling programs within the Tambo Coal & Gas Project.

Lodestone Chairman, Martin Ackland noted that it was not surprising that Tranche 2 was not proceeding, given that out-of-the-money options were rarely exercised.

"Discussions between Lodestone and Square Resources were continuing with a view to expanding the co-operation", he said.

Square Resources Managing Director, Staffan Ever, said the company had not ruled out making a further investment at a later stage, if offered by Lodestone.

"Unfortunately, given the current market price, we will not be proceeding with the Tranche 2 investment as it is priced at a significant premium to market", he said.

"We look forward to working further with Lodestone and supporting the company in any way we can", Mr Ever said.

Mr Ackland said that Lodestone was looking forward to the cessation of rain in Central and Western Queensland to allow the company to complete its initial drilling program at the Tambo Coal & Gas Project.

For more information: Martin Ackland
Chairman
Lodestone Energy
Tel: +61 411 139 453

Staffan Ever
Managing Director
Square Resources Pty Ltd
Tel: +61 417 793 453