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The Manager
Companies Announcements Officer
Australian Stock Exchange Limited
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SYDNEY NSW 2000

TAMBO PROJECT MARKET UPDATE

Drilling on its Tambo Project areas remains suspended and recommencement dates are uncertain due to the heavy wet season.

Lodestone has continued other relevant exploration activities including photo-geological mapping, re-processing of historic seismic data, and assessment of additional historical data from old water bores and oil wells.

This work adds further support to Lodestone's concept that the coal bearing Walloon Coal Measures extend into its tenements.

The photo-geological work, which extended from Roma to Blackall, corrected numerous errors in the published maps compiled in the late 1960's and provided insight into the structural controls active during deposition of the important coal sequences.

Reprocessing of old data tapes from pre-existing seismic data in and near ATP 1020, enabled recovery of the higher level records traditionally deleted in old report presentations. This work revealed the shallower sequences for the first time, improving the company's understanding of the structural controls, and providing sound evidence for further drill targets within the ATP.

Coal occurrences recorded in water bores are being re-assessed in the light of this new structural understanding. The most noteworthy outcome of this work is Lodestone's growing confidence in the prospectivity of additional areas of interest within our EPC Nos. 1784, 1786 and 1788 along the railway corridor. Consequently, Lodestone's coal drilling program will be broadened to encompass these areas as a high priority.

Figure 1 outlines these areas of heightened interest, the photogeology and seismic work (as an inset).

Figures 2 & 3 show drilling rigs at work in ATP 1020 and EPC 1623 during recent months.

Yours faithfully,



Martin Ackland
Chairman

Figure 1: Photogeological Interpretation

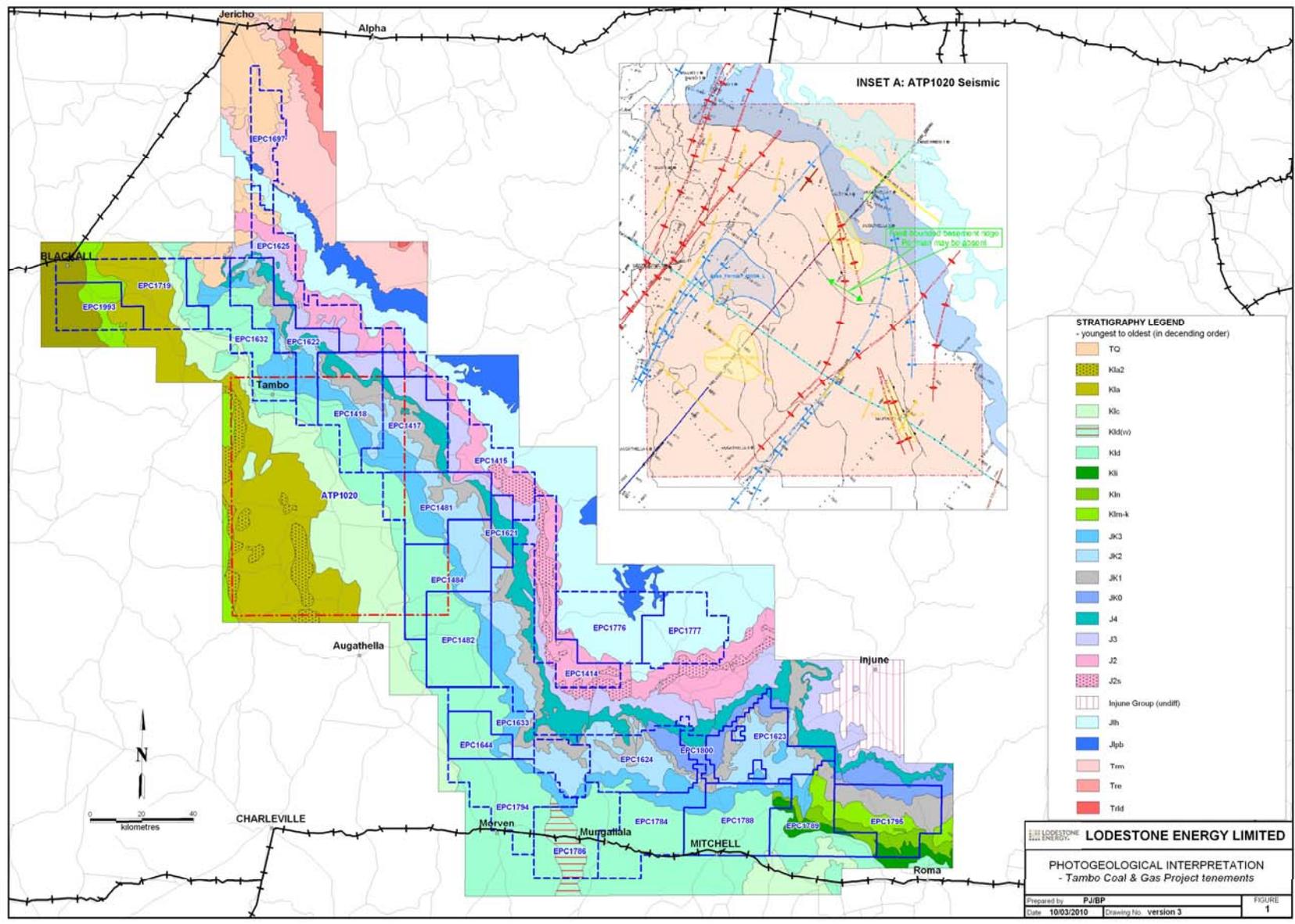


Figure 2: Working Rig – ATP 1020



Figure 3: Working Rig – EPC 1623

