

**Date:** 22 October 2010

**To:** Australian Securities Exchange  
Companies Announcement Office  
Electronic Lodgment System

Dear Sir

**ACTIVITIES REPORT FOR QUARTER ENDED 30 SEPTEMBER 2010**

**ACTIVITIES RELATED TO ENERGY PROJECTS:**

**Tambo Project**

Three new Exploration Permits for Coal (EPCs) were granted during the quarter bringing the total to twenty in the Tambo Project area, all of which contain one or more targets of interest.

Drilling activity commenced in EPC1786 during September with a contract being awarded to Nitro Drilling Pty Ltd. Wet weather suspensions have twice disrupted the program.

Several holes have been drilled in the vicinity of the first target, with seams to approximately 1.5m being intersected across the area. A thicker coal occurrence reported in a petroleum exploration well has not been substantiated yet. Drilling continues within EPC 1786.

**Moreton Energy Project**

Lodestone's Moreton Project consists of four EPCs located near Beaudesert in South Queensland. No field activity was undertaken in the quarter. Data from analysis of core samples from two holes drilled previously has been received and is being evaluated.

**ACTIVITIES RELATED TO MINERAL PROJECTS:**

**Mount Morgan District Project (100% Lodestone)**

This project is centred on the historic gold mining town of the same name, and is situated 50km southwest of Rockhampton, Queensland. No exploration activity was undertaken in the quarter.

**Chillagoe District Project (100% Lodestone)**

This project is situated 130km north of the Chillagoe township in North Queensland. The structural and lithological setting of this project is similar to the Mungana and Red Dome gold-copper deposits near Chillagoe.

A 10 hole drilling program in the Chillagoe district has concluded and Lodestone is now awaiting analysis of samples and compilation of information.

Lodestone is considering funding and farm-out options for both properties.

**CORPORATE ACTIVITY:**

Via its wholly-owned subsidiary, **Surat Gas Pty Ltd**, the company submitted tenders for six areas in the Queensland Government's call for tenders for authorities to prospect for petroleum – Round 6.

Following acquisition of Tambo Coal and Gas Pty Limited and Moreton Energy Pty Limited Lodestone is exploring commercial arrangements for future joint ventures, farm-outs, spin-offs and capital raisings.

Yours faithfully,



**Martin Ackland**  
**Chairman**

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