

Date: 11 February 2010

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir,

TAMBO PROJECT DRILLING UPDATE

Drilling on both the coal and CSG programs within the Tambo Coal & Gas project is currently *on-hold* because of the recent heavy rainfall throughout the district.

Delays due to weather have restricted the program to three holes of a program of seventeen holes, two of which have been completed while one is incomplete.

Lodestone is encouraged by the geophysical logs from the two coal holes drilled to date on EPC 1623 and core evidence from an incomplete CSG hole within ATP 1020 which supports the Company's concept that the coal-bearing Walloon Coal Measures extend into the Tambo project tenement areas.

Drilling on both the coal and CSG programs will resume as soon as weather and ground conditions permit.

Yours faithfully,



**Martin Ackland
Chairman**

For further information please refer to the company website.