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The Manager
Companies Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

UPDATE ON LODESTONE ENERGY'S TAMBO PROJECT CSG DRILLING

Lodestone Energy is the Manager of the Tambo Project under a farm-in agreement with Tambo Coal & Gas Pty Limited. The Tambo Project, which extends between Roma and Blackall is comprised by ATP 1020 and 27 EPCs (of which 4 have been granted).

TAMBO PROJECT COAL SEAM GAS EXPLORATION ATP 1020

Lodestone has let a contract to Major Drilling Pty Ltd for the drilling of three coal seam gas exploration core holes in ATP 1020 (Figure 1) commencing on 5th December. The objective of the drilling program will be to establish the presence of coal and coal seam gas, and to provide data relevant to the stratigraphy of the region.

Drilling and the testing sequence is expected to take between 8 and 15 days per hole. Two of the holes will be to a depth of 500 metres and the third hole will be to a depth of over 1,000 metres. Overall, a total of approximately 1,100 metres of strata will be cored.

Coal core from the holes will be submitted for de-sorption testing for the presence of coal seam gas as it is released from the coal pores. This testing is expected to take up to 3 months.

MBA Petroleum Consultants Pty Ltd has been retained to oversee the CSG exploration program.

A separate coal drilling program is also being finalised, details of which will be announced in the coming weeks.

ABOUT LODESTONE ENERGY LIMITED

Lodestone Energy Limited (Lodestone) is an Australian company focusing on the identification and appraisal of energy prospects, in particular coal seam gas (CSG) and lower carbon emission coals in Queensland's Surat and Clarence-Moreton Basins.

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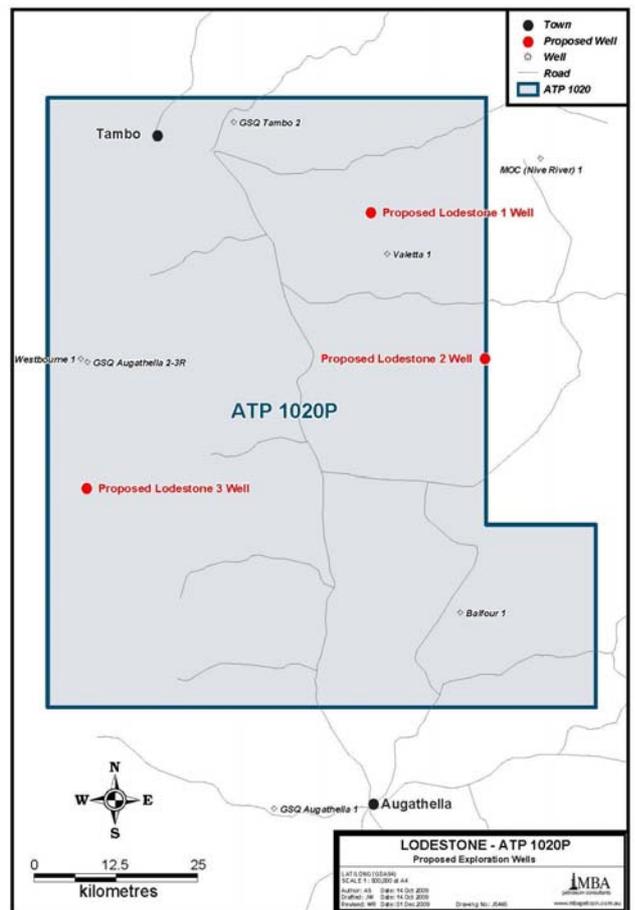


FIGURE 01

Lodestone plans to build an energy business supplying CSG and coal from its Walloon Coal projects to domestic and export markets.

Lodestone's energy projects are close to existing infrastructure and include:

- The Tambo Coal & Gas Project in the Upper Surat Basin, which Lodestone believes to be a new energy province in Queensland. The project is targeting both coal and CSG resources in a very large area, centred on Tambo and Augathella. Subject to successful exploration this project is likely to enable Lodestone to secure a foothold in the rapidly developing CSG sector in Queensland: and
- The Moreton Energy Coal Project in the Clarence-Moreton Basin south west of Brisbane. Given its proximity to rail infrastructure, and subject to exploration success, this project may facilitate the export of thermal coal via the Port of Brisbane.

Lodestone has also retained its two key mineral prospects.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'M. Ackland', written in a cursive style.

Martin Ackland
Chairman