

23 October 2009

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

Dear Sir

ACTIVITIES REPORT FOR QUARTER ENDED 30 SEPTEMBER 2009

Lodestone's activities in the September Quarter of 2009 mainly consisted of work related to the company's energy projects.

ACTIVITIES RELATED TO ENERGY PROJECTS:

Tambo Project (Lodestone Earning up to 50%)

A contract was signed in September with MBA Petroleum Consultants covering coal seam gas exploration in ATP 1020. The contract provides for technical support, including management of the tendering process for key contracts on behalf of Lodestone, and management of the field exploration program. Three sites have been selected for the initial drilling program, with drilling expected to commence in mid November.

Planning for an initial coal drilling program is well advanced with sites selected and a drilling tender in preparation.

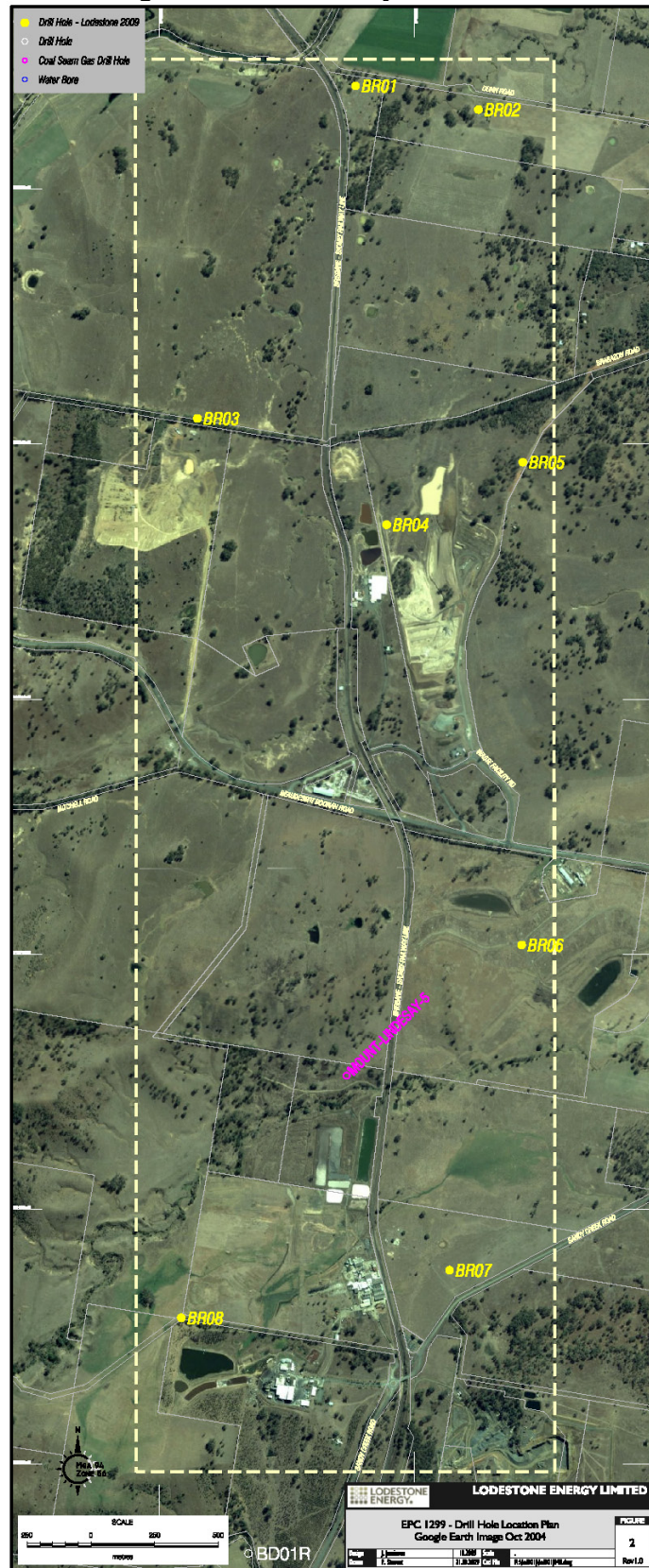
Lodestone's initial objective is to confirm stratigraphic and structural interpretations, derived from regional mapping utilising satellite imagery and aerial photography. Lodestone contends that the Surat Basin extends northwest through the Tambo Project area, and that Lodestone's tenements are consequently prospective for Surat Basin coal and coal seam gas. Exploration will initially be focussed on confirming stratigraphy, commencing in ATP 1020 and spreading outwards through the EPCs as they become granted.

RLMS Consultants are working to review aspects of land access, consolidating data and preparing strategic advice. A letter introducing Lodestone and advising landholders of the existence of granted tenures over their properties has been mailed.

Moreton Energy Project (Lodestone Earning 50%)

Eight holes have been drilled in EPC 1299, with depths between 60m and 240m being generally to the Marburg formation. Drillhole locations are shown in Figure 1.

Figure 1 - Moreton Project EPC 1299



Coal was intersected in the drilling program but generally intersections were thin, interbanded, and usually more than 100m deep. In Hole 7, a thicker intersection of part oxidised and high ash coal was intersected between 25m and 32m. Step out drilling from Hole 7 has also intersected this coal horizon at shallow depths.

Drilling began in October on EPC 1302, east of Beaudesert. This EPC contains the majority of the Veresdale Scrub Deposit from its northern boundary but drilling is constrained by the presence of small farms and by environmental restrictions.

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. Lodestone is exploring for gold and copper – molybdenum orebodies. Discussions with a major company that expressed interest in the Mount Morgan District Project in 2007 will resume shortly.

Limestone Creek and 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. Lodestone invites farm-in proposals for this project.

Recent work by AUSMEC has outlined structural target zones south and west of Leane's Prospect. Three of these zones will be soil sampled in November to determine if they are mineralised. Ongoing work by Nedex recognised an additional area of interest in open ground south of Leane's copper-gold prospect. Interpretation of air photos, satellite imagery and geophysical data, reveals an intrusive centre target with:

- A ring structure of magnetic highs, with a subdued central zone
- Recessive breccia; and a
- Nested set of multiple arcuate, circular and radial fractures adjacent to microgranite plugs.

Consequently, EPMA 18325 "Bald Hills" of 30 sub-blocks/90km² was lodged in early October.

FORWARD PROGRAMS:

The company will continue to develop and manage exploration programs for the Tambo Coal & Gas Project and the Moreton Project during the coming months.

Lodestone will also continue discussions with potential partners and encourage farm-ins at its Mount Morgan and Limestone Creek Projects.

Yours faithfully,



Martin Ackland
Chairman

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