

22 February 2011

PRIORITY DRILLING TARGETS – TAMBO AND CHINCHILLA EAST COAL PROJECTS

Key Points:

- Beneficial analysis of Tambo and Chinchilla East projects conducted during wet season.
- Priority drilling targets identified for Tambo and Chinchilla East coal projects.
- Preparations underway to recommence drilling of priority targets.

LODESTONE ENERGY LIMITED (ASX: LOD) is pleased to advise that down-time during the 2010-11 Queensland wet season has been used constructively to review existing historical borehole data and photogeology undertaken to identify priority drilling targets for its coal exploration activities for both the Tambo Coal and Chinchilla East projects.

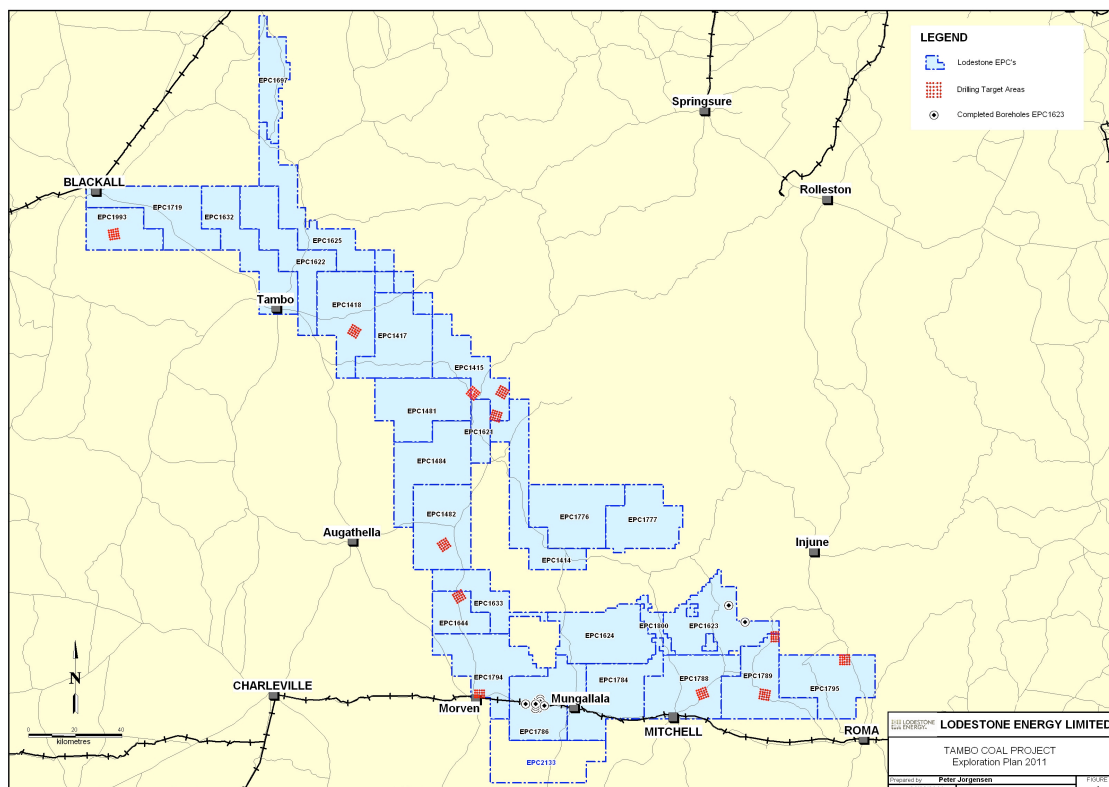
The review process has yielded a list of attractive targets at Tambo and Chinchilla East for the 2011 drilling program.

Tambo Project Priority Targets

(100% Lodestone)

The Tambo Coal project encompasses 27 granted EPCs and one EPC application, spanning approximately 400km of strike length in the Western Surat Basin and its extension the Upper Surat Basin. This represents one of Australia's largest contiguous coal exploration areas.

TAMBO PROJECT AREA MAP



Priority target areas within the Tambo Coal project area are summarised below:

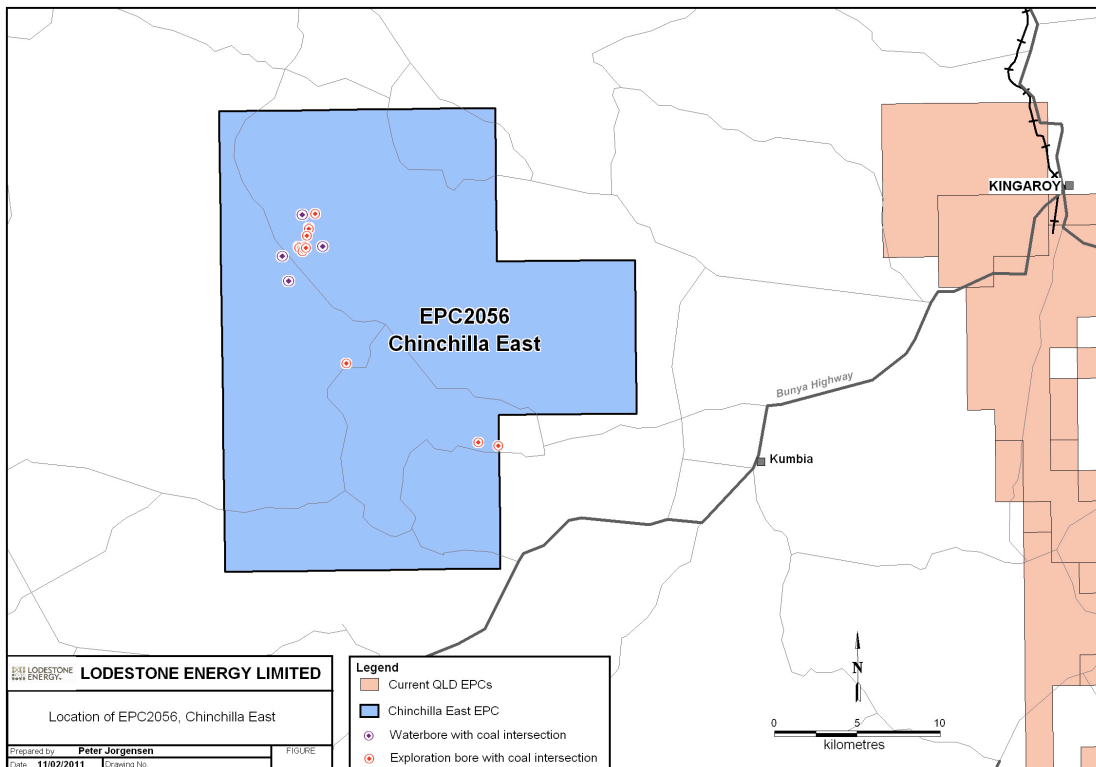
EPC No.	Target hole	Historical Data Source	Target (all information from original drillers log descriptions)
1415	11941	Registered water bore	Over 10 coaly horizons between 18 & 124m depth ranging to 1.8m thickness
1415	16599	Registered water bore	3 coaly horizons between 42 & 144m depth (actual coal thickness unspecified)
1415	50869	Registered water bore	Two 3m coal seams between 30 & 73m
1418	5638	Registered water bore	9m of coal at 52.5m depth
1482	50584	Registered water bore	15m of coal at 201m & 10m banded coal at 275m; & potential shallower up-dip extensions
1484	42320211	Registered water bore	Thin, shallow coals; bore also to target potential coal below original waterbore TD; establish stratigraphy
1644	1193	Registered water bore	30m of coal at 274m depth & potential shallower up-dip extensions into EPC1633
1788	58866	Registered water bore	30m of interbedded shale & coal at 148m depth; confirm stratigraphy & shallower up-dip extensions
1789	10615	Registered water bore	3 coal & shale units between 147 & 175m depth; confirm stratigraphy and shallower up-dip extensions
1789	58474	Registered water bore	11m of coal & shale at 131m depth; confirm stratigraphy and shallower up-dip extensions
1794	116015	Registered water bore	2m coal at 31m
1795	58849	Registered water bore	16m of interbedded coal at 85m depth
1993	51392	Registered water bore	62m shale and coal seams from 22m (coaly thickness unspecified)

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Chinchilla East Project Priority Targets (100% Lodestone)

Lodestone’s Chinchilla East coal exploration project (EPC 2056) is situated approximately 65km east of Chinchilla and includes a cluster of intersections of “coal” in shallow water bores. These water bore “coal” intercepts are described in driller’s logs as including between 2m and 4m “coal” and up to 6m “coal (& shale)”, with some holes including multiple coal intersections. These coal occurrences represent the priority targets for the 2011 drilling program at Chinchilla East.

CHINCHILLA EAST PROJECT AREA



Drilling Plans

The Company plans to recommence drilling at the Tambo Coal project following the 2010-11 wet season and as soon as access and ground conditions permit. This will ensure the Company minimises costs and delays as a result of adverse weather conditions.

The Company is also planning its drilling program for the Chinchilla East project, taking into account weather and access requirements during the coming months.

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Further drilling updates for the Tambo and Chinchilla East projects will be issued during the current quarter. Work is also continuing to identify additional targets within more recently granted EPCs.

In the meantime, preparations will continue for recommencement of drilling of priority targets.

Ends

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