Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

LODESTONE ENERGY LIMITED

ABN	Quarter ended ("current quarter")
20 075 877 075	**30 SEPTEMBER 2010**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(755)	(755)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(442)	(442)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	19	19
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	BAS refunds received from the ATO	46	46
	Net Operating Cash Flows	(1,132)	(1,132)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	5	5
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(167)	(167)
	Net investing cash flows	(162)	(162)
1.13	Total operating and investing cash flows (carried forward)	(1,294)	(1,294)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,294)	(1,294)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	4,086	4,086
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	4,086	4,086
	Net increase (decrease) in cash held	2,792	2,792
1.20	Cash at beginning of quarter/year to date	774	774
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	3,566	3,566

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	60
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter 407,288,211 ordinary shares were issued as consideration for the acquisition of Moreton Energy Pty Ltd and Tambo Coal & Gas Pty Ltd.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	1,669
4.2	Development	-
4.3	Production	-
4.4	Administration	278
	Total	**1,947**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	116	24
5.2	Deposits at call	3,450	750
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	3,566	774

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2	Interests in mining tenements acquired or increased	EPC 1719		-	100%
		EPC 1784		-	100%
		EPC 1800		-	100%
		EPC 1414		50%	100%
		EPC 1415		50%	100%
		EPC 1417		50%	100%
		EPC 1418		50%	100%
		EPC 1481		50%	100%
		EPC 1482		50%	100%
		EPC 1621		50%	100%
		EPC 1622		50%	100%
		EPC 1623		50%	100%
		EPC 1624		50%	100%
		EPC 1625		50%	100%
		EPC 1632		50%	100%
		EPC 1633		50%	100%
		EPC 1644		50%	100%
		EPC 1697		50%	100%
		EPC 1776		50%	100%
		EPC 1777		50%	100%
		EPC 1786		50%	100%
		EPC 1788		50%	100%
		EPC 1789		50%	100%
		EPC 1794		50%	100%
		EPC 1795		50%	100%
		EPC 1993		50%	100%
		EPC 2133		50%	100%
		ATP 1020		50%	100%
		EPC 1299		50%	100%
		EPC 1302		50%	100%
		EPC 1313		50%	100%
		EPC 1524		50%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	678,597,740	678,597,740	Fully paid	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	407,288,211 47,750,000 8,250,000 3,800,000	407,288,211 47,750,000 8,250,000 3,800,000	0 cents 8 cents 0 cents 7 cents	Fully paid Fully paid Fully paid Fully paid
7.5	**+Convertible debt securities** *(description)*	N/A			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	 501,000 9,000,000 1,900,000 11,000,000	 - - - -	*Exercise price* 20 cents 20 cents 7 cents 20 cents	*Expiry date* 27/01/11 15/05/11 26/06/11 26/06/11
7.8	Issued during quarter	N/A			
7.9	Exercised during quarter	3,800,000	-	7 cents	10/08/10
7.10	Expired / cancelled during quarter	6,200,000 2,000,000	- -	7 cents 7 cents	10/08/10 08/04/11

+ See chapter 19 for defined terms.

7.11	**Performance rights**	9,250,000	-	-	-
7.12	**Changes during the quarter**				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities converted	8,250,000	-	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: (Company Secretary) Date: 22 October 2010

Print name: Leni Stanley

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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