

# **PRESENTATION TO ANNUAL GENERAL MEETING**

**8<sup>th</sup> NOVEMBER 2010**

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# Lodestone's Objective

**To build an energy business supplying coal seam gas and lower carbon thermal coals from its Surat Basin projects to export and domestic markets.**

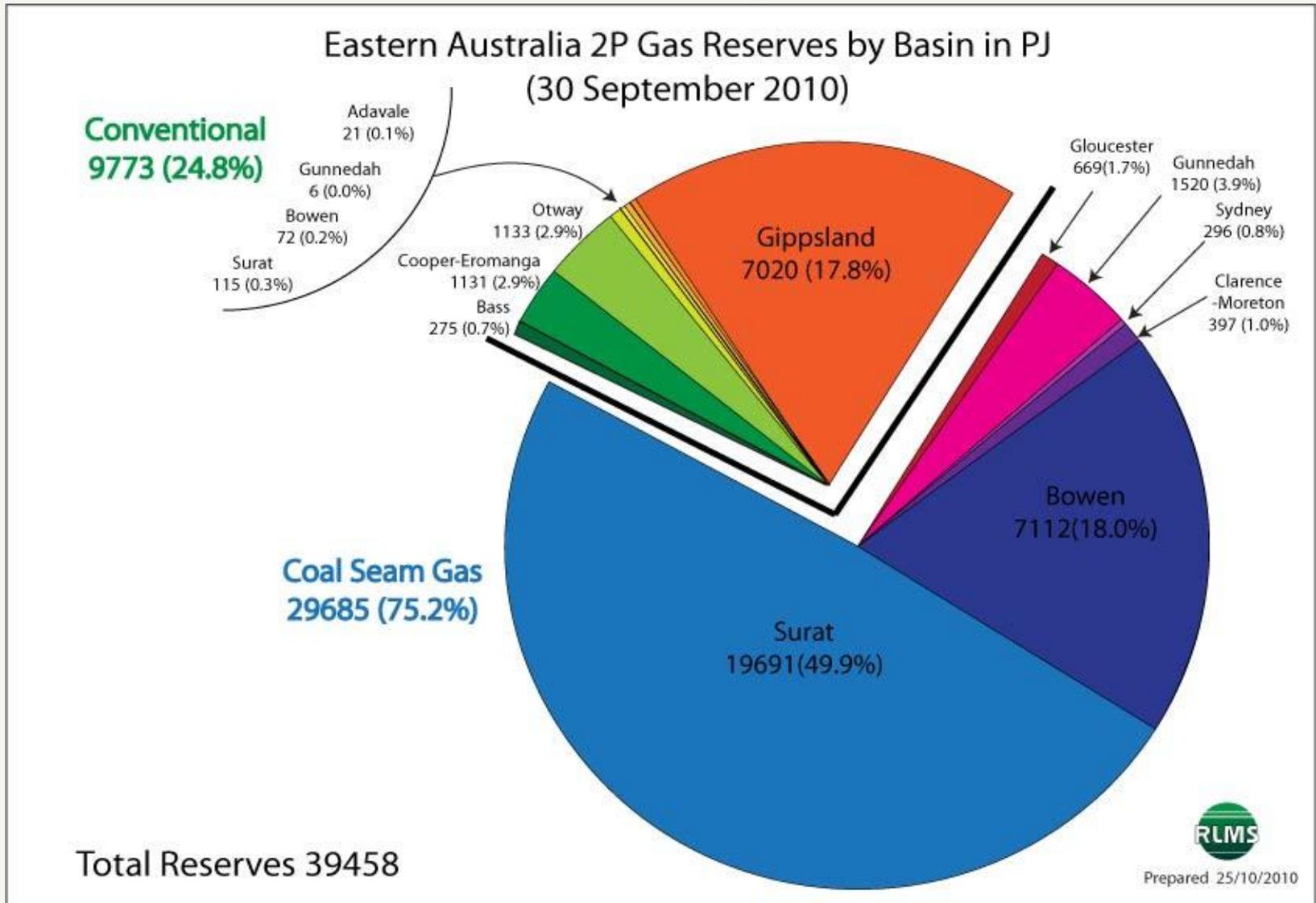


Ongoing firm coal price and demand indicators have encouraged continued progress towards coal mine developments in the Surat and Galilee Basins.

Lodestone's direction supported by go-ahead for first CSG-LNG project commitment in Gladstone.

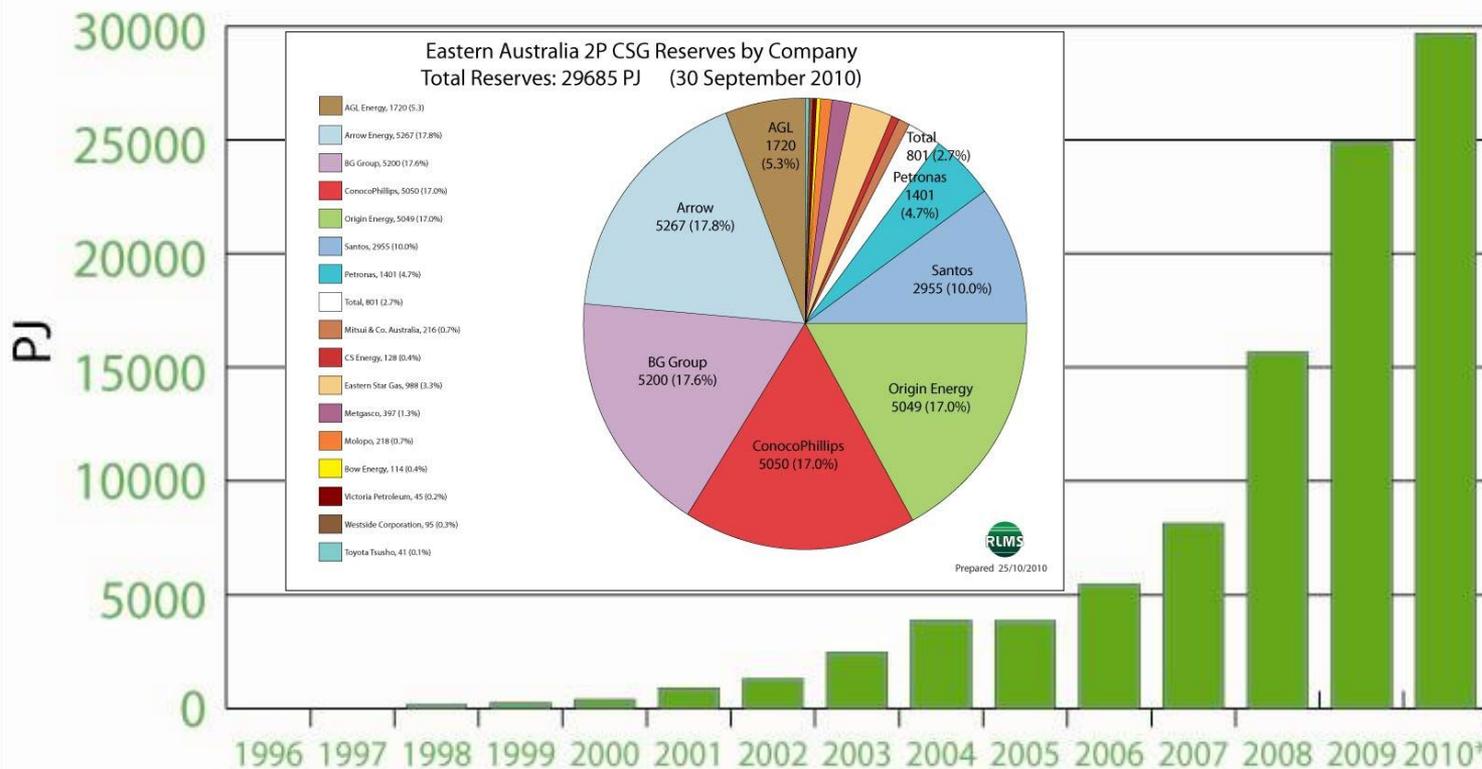


# Coal Seam Gas Coming to Prominence



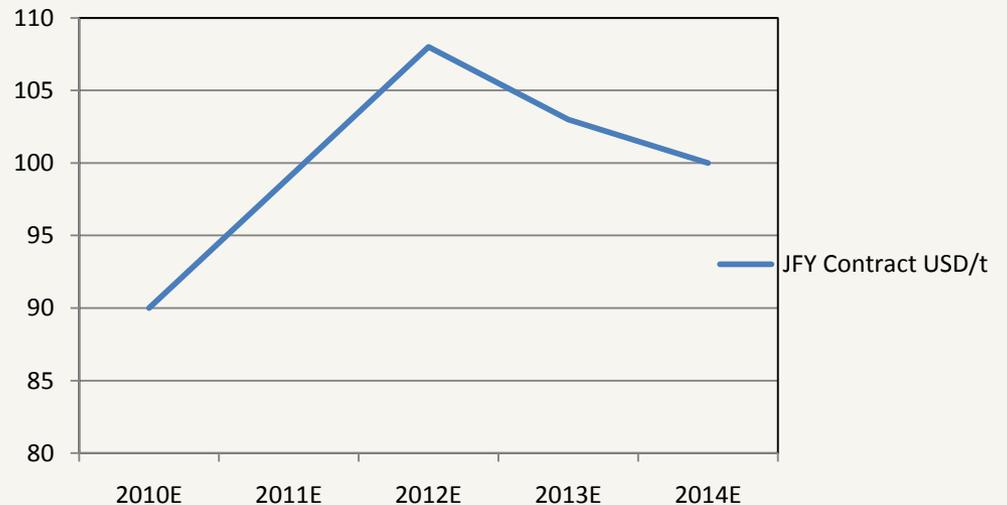
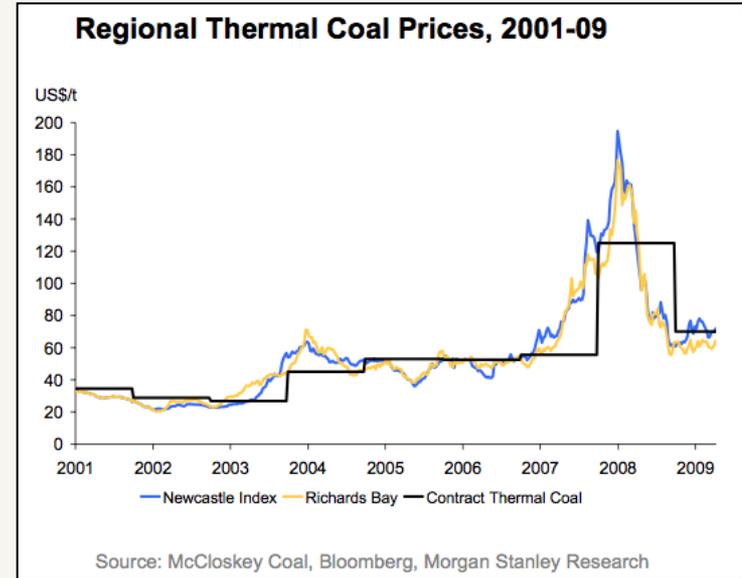
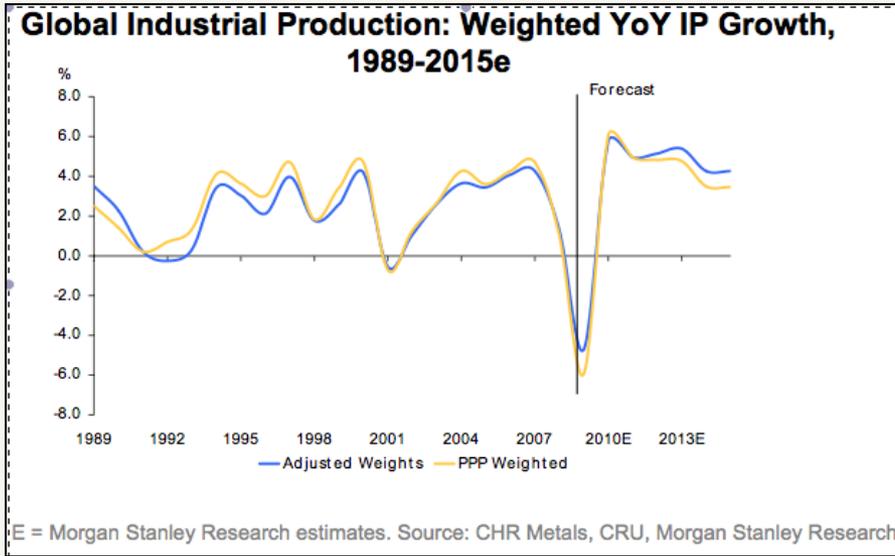
# CSG Exploration Has Accelerated

Growth of 2P CSG Reserves in Eastern Australia in PJ  
(30 September 2010)



\*As at 30/09/2010

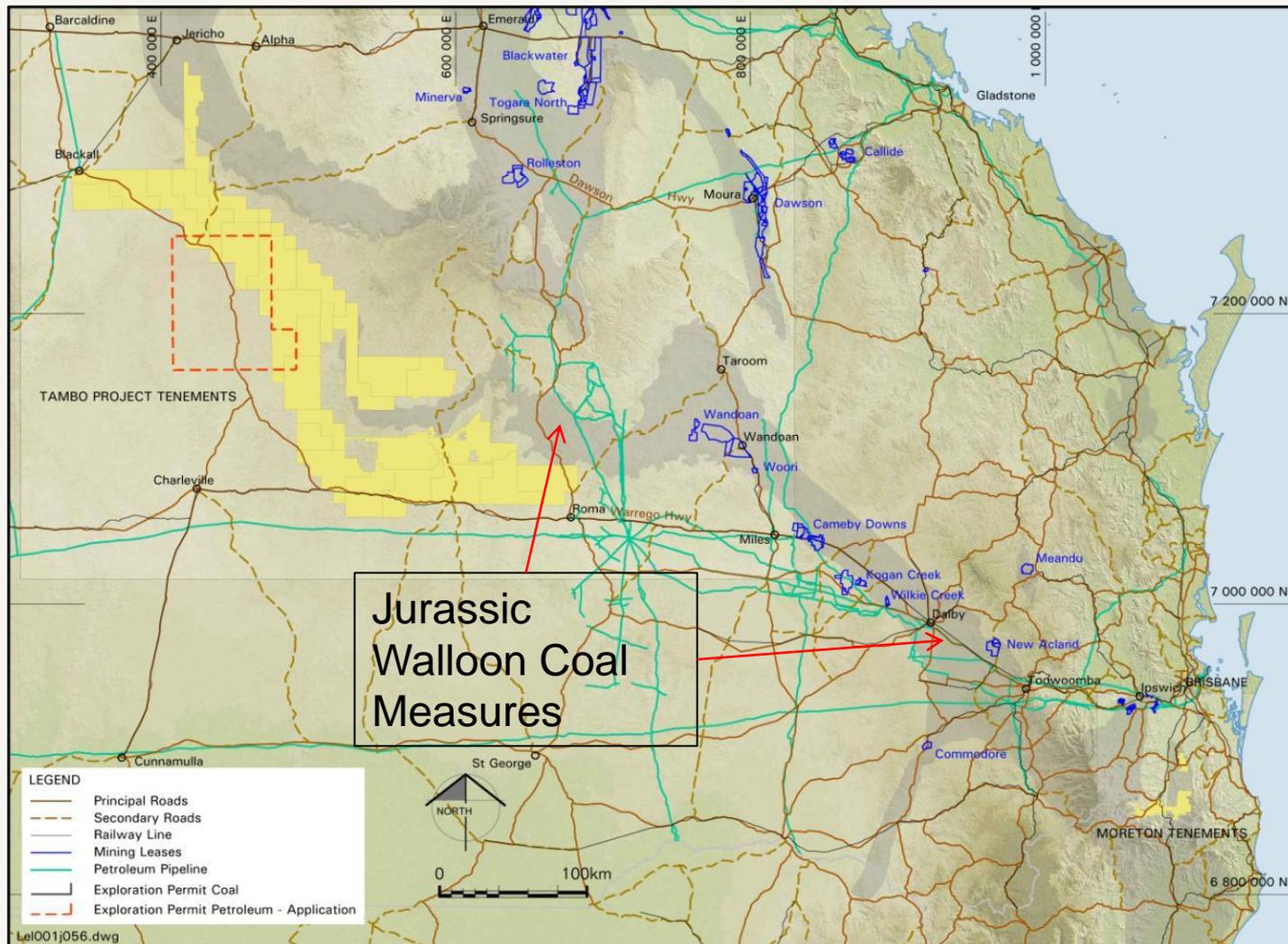
# Thermal Coal Outlook



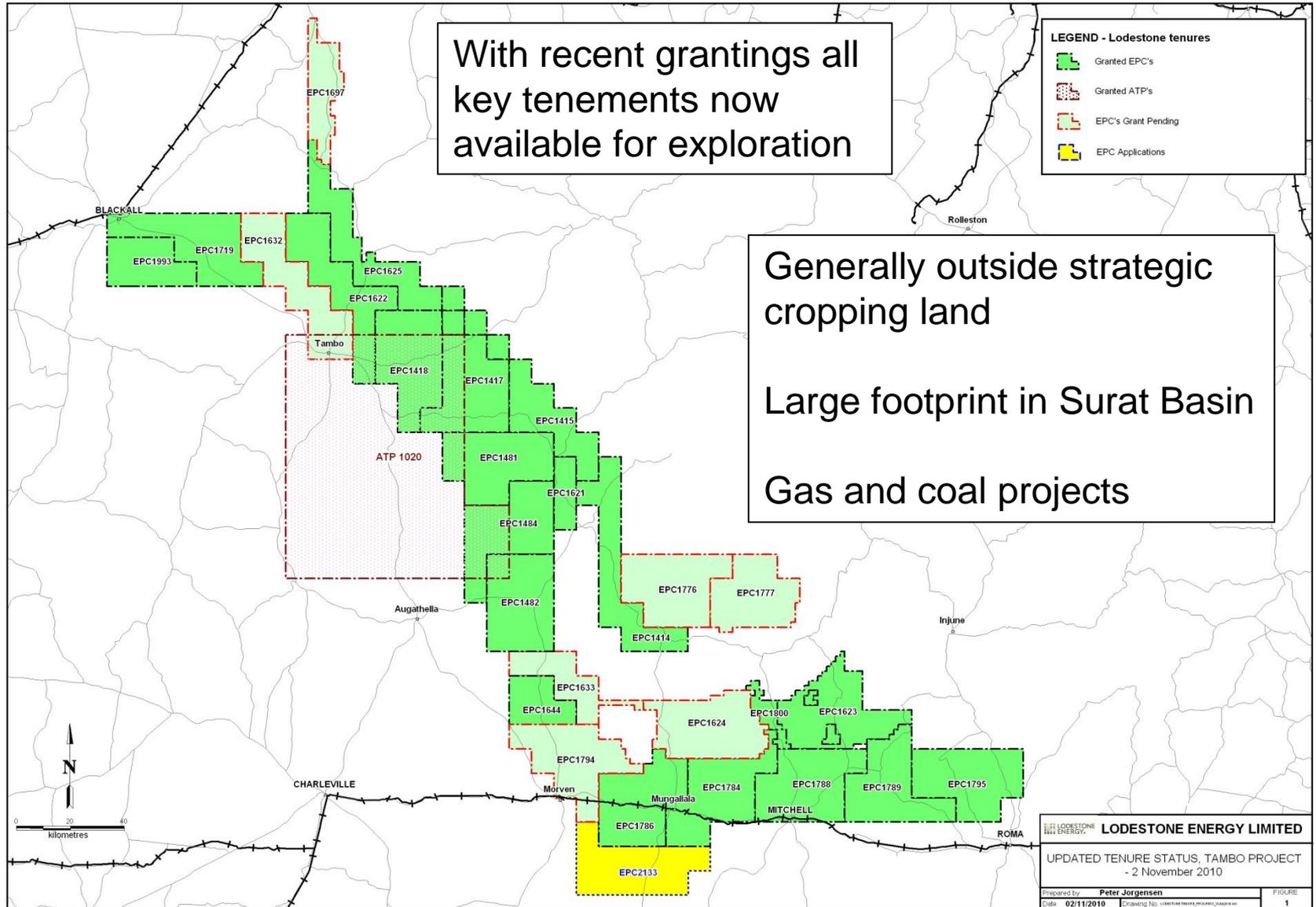
Source: Credit Suisse Commodities Quarterly 20 October 2010

# THE TAMBO PROJECT

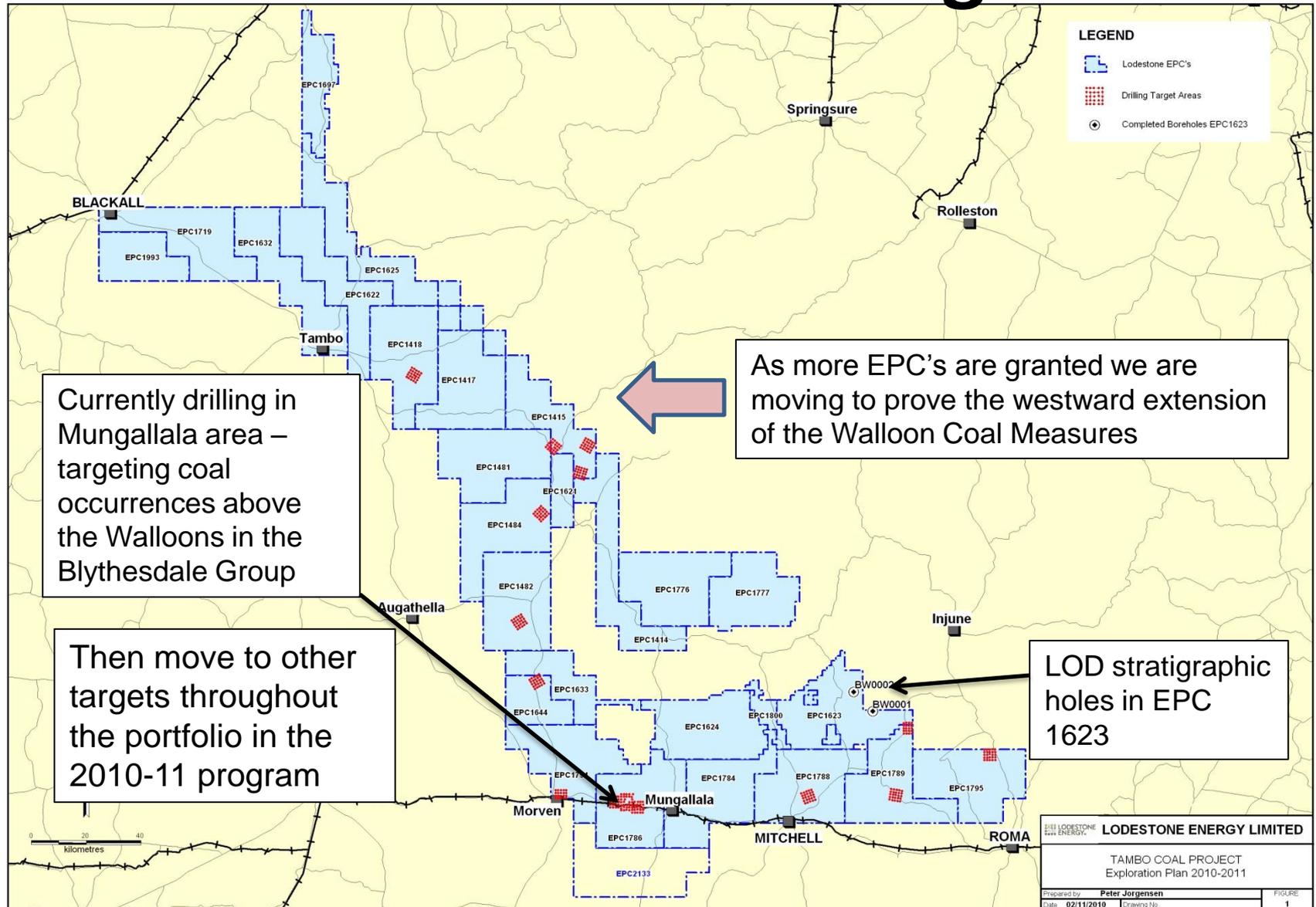
# Tambo Project – Walloon Coal Measures Extending Westwards



# Tambo Tenure Status



# Tambo EPC Drilling



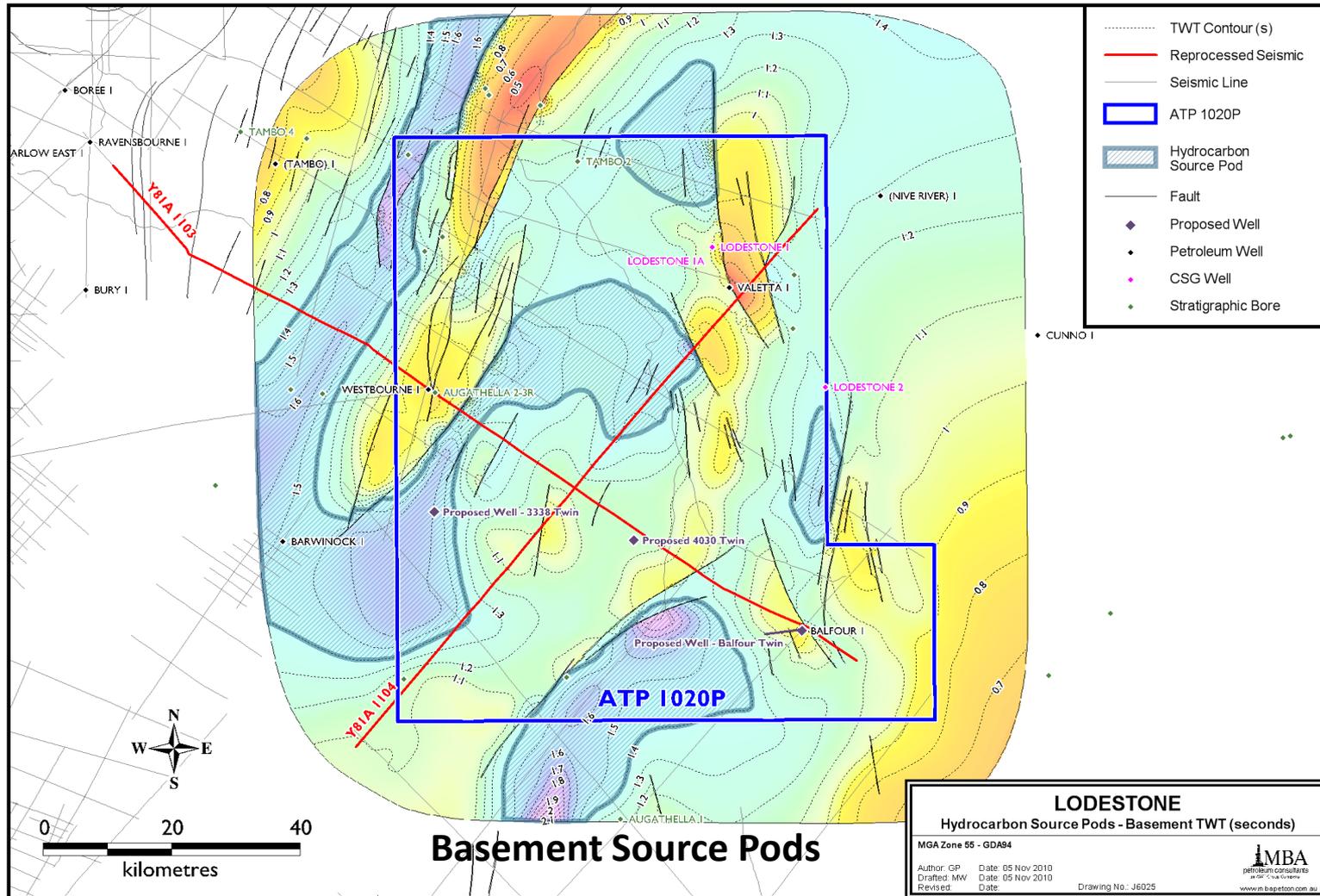
Currently drilling in Mungallala area – targeting coal occurrences above the Walloons in the Blythesdale Group

As more EPC's are granted we are moving to prove the westward extension of the Walloon Coal Measures

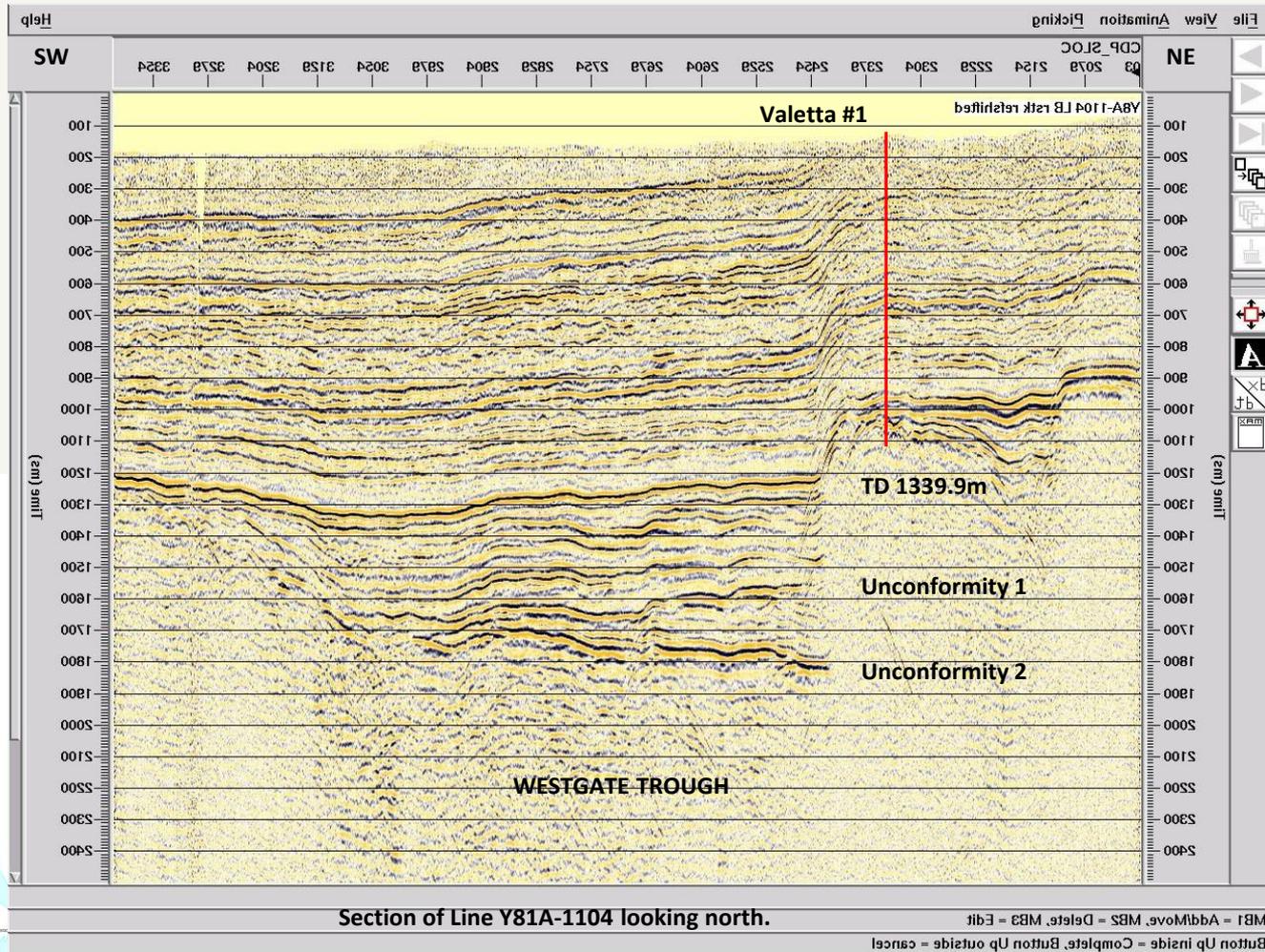
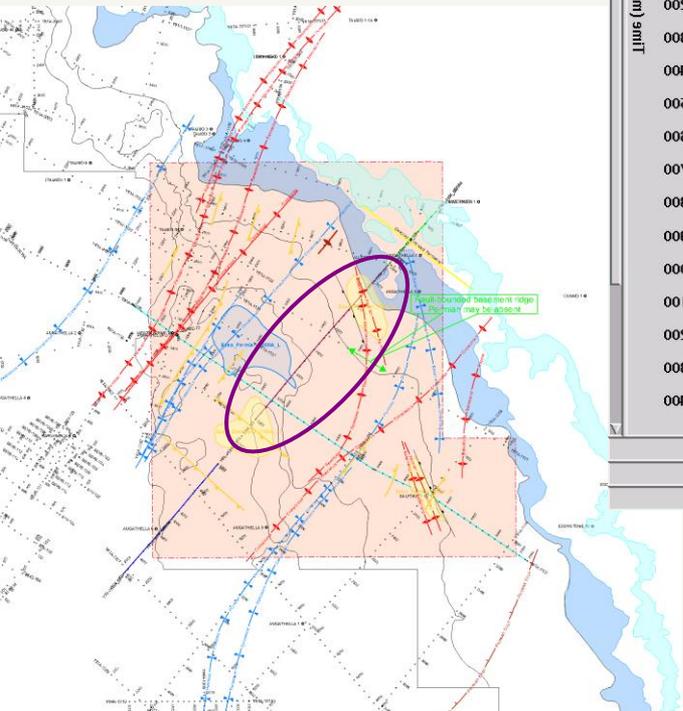
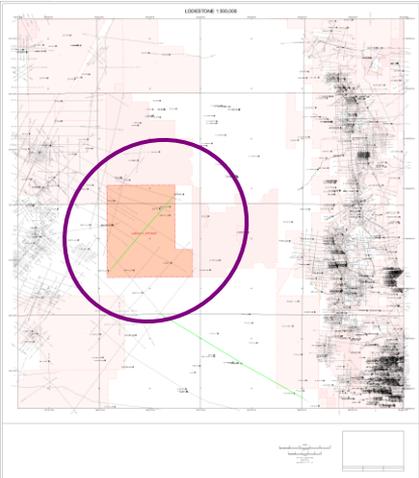
Then move to other targets throughout the portfolio in the 2010-11 program

LOD stratigraphic holes in EPC 1623

# Tambo Gas Exploration

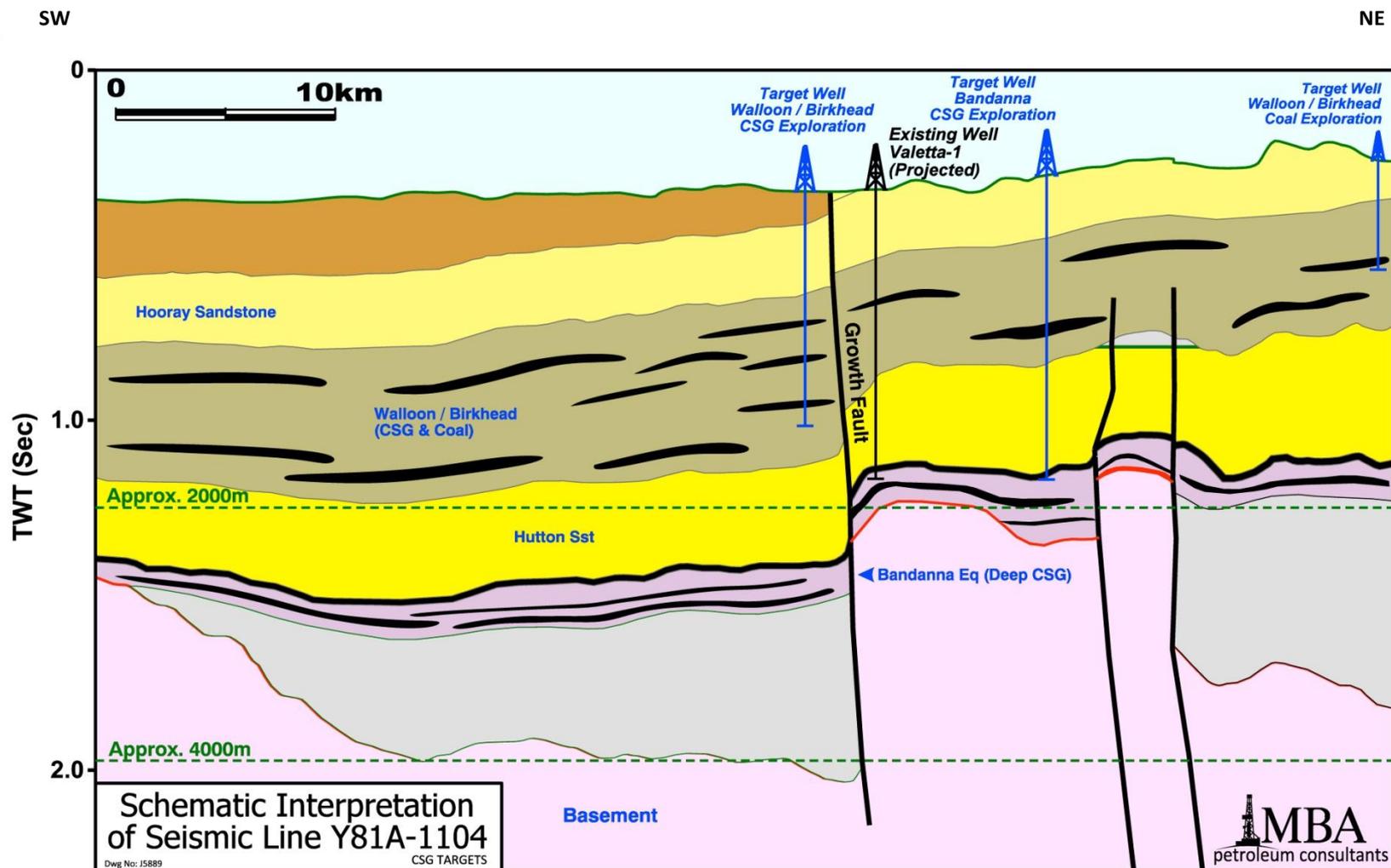


# RE-PROCESSED SEISMIC HAS ENHANCED PROSPECTIVITY FOR GAS



MBA's reprocessing of old seismic data captured the upper 300-400ms normally discarded in old paper sections in reports. It has also highlighted the northern arm of the Westgate Trough and the prospect for considerable Early Permian hydrocarbon accumulation within the sedimentary pile.

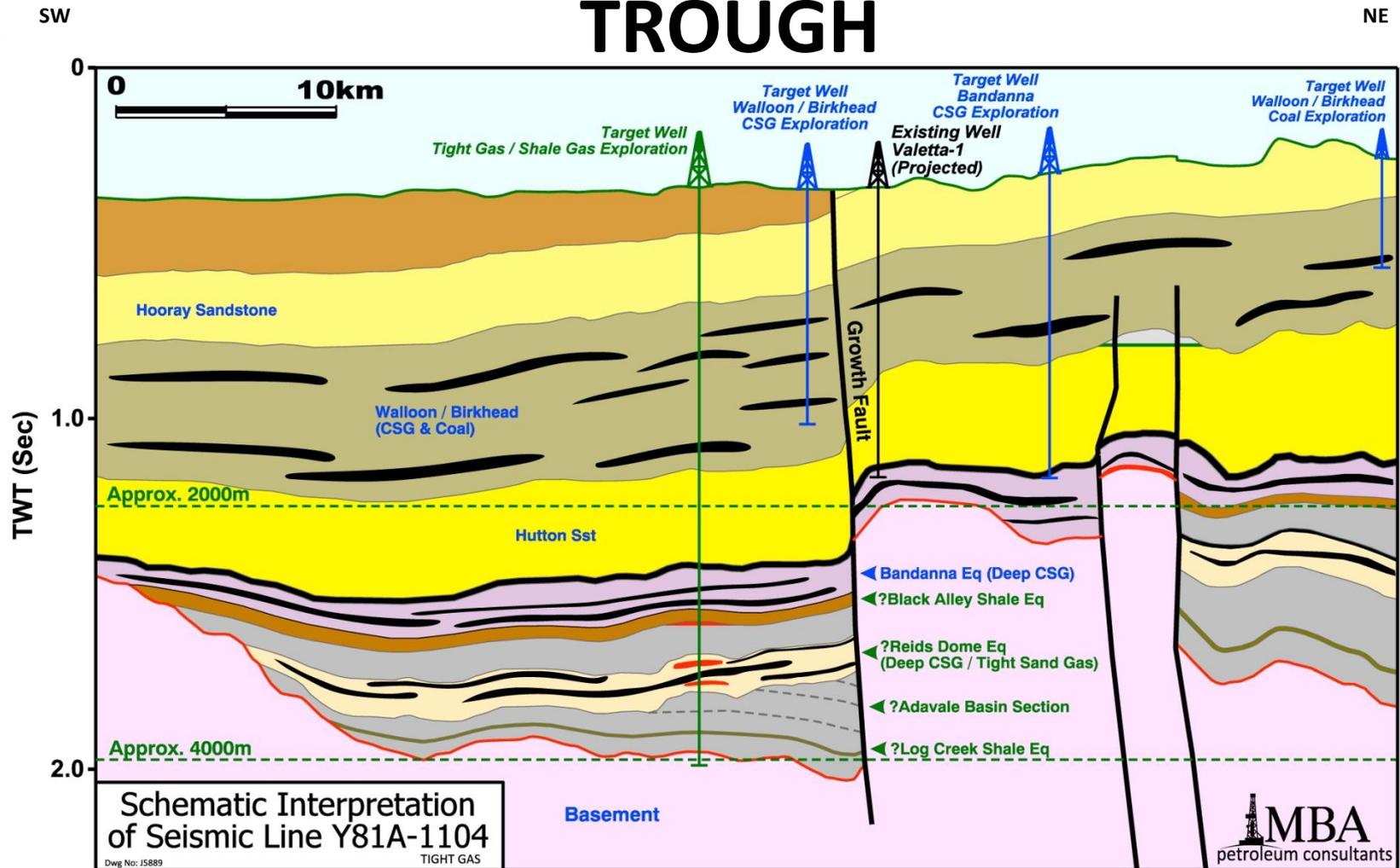
# CSG PLAYS WITHIN ATP 1020



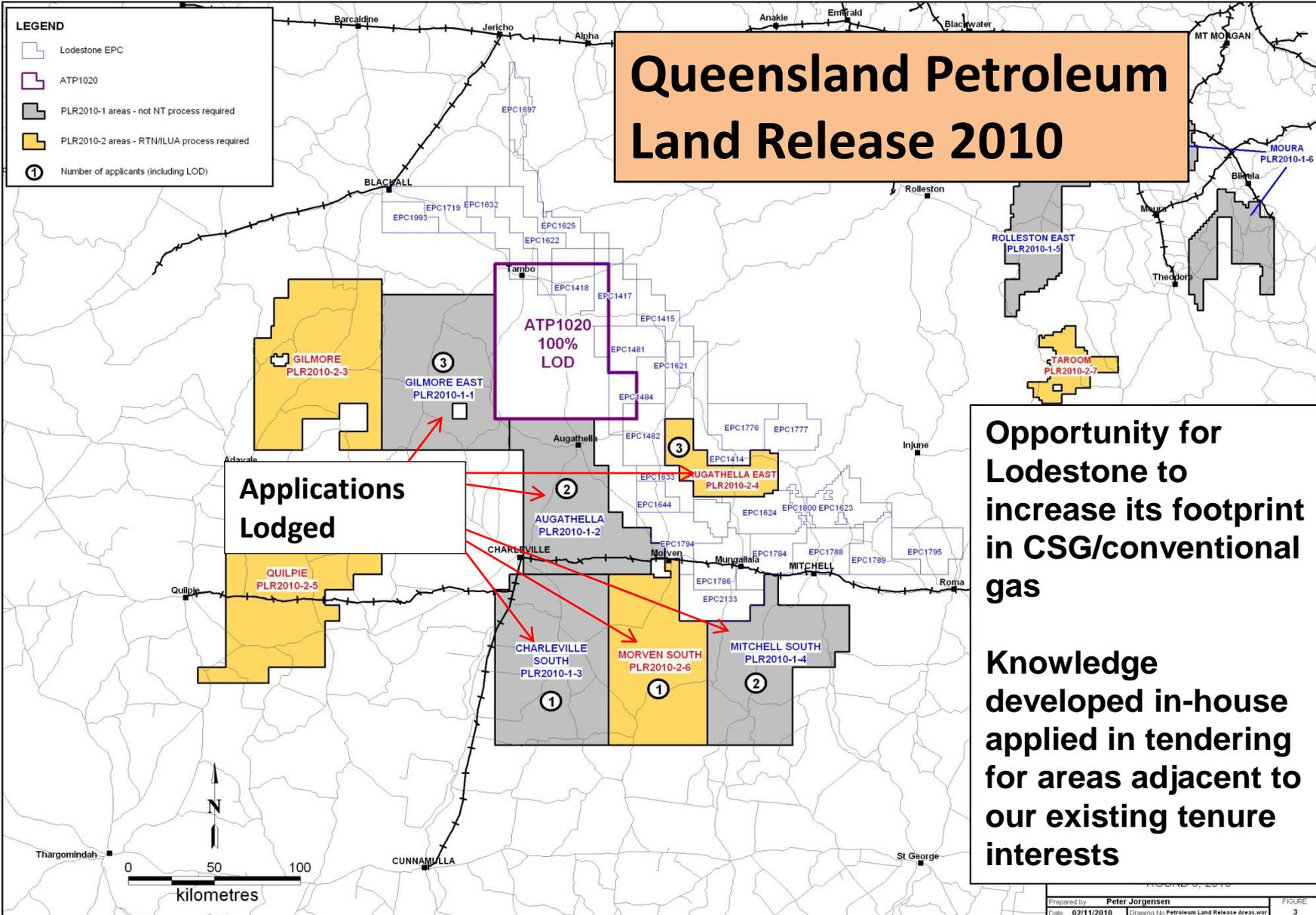
Significant coaly intersections have been mapped throughout the Walloon-Birkhead horizons within ATP 1020.

# + TIGHT GAS PLAYS WITHIN WESTGATE

## TROUGH



By using the significant hydrocarbon accumulations within the nearby Arbroath Trough as an analogue, MBA have produced a schematic representation of likely plays within that part of the Westgate Trough detected in ATP 1020.



# Queensland Petroleum Land Release 2010

**LEGEND**

- Lodestone EPC
- ATP1020
- PLR2010-1 areas - not NT process required
- PLR2010-2 areas - RTN/ILUA process required
- Number of applicants (including LOD)

**Applications Lodged**

**ATP1020  
100%  
LOD**

**Opportunity for Lodestone to increase its footprint in CSG/conventional gas**

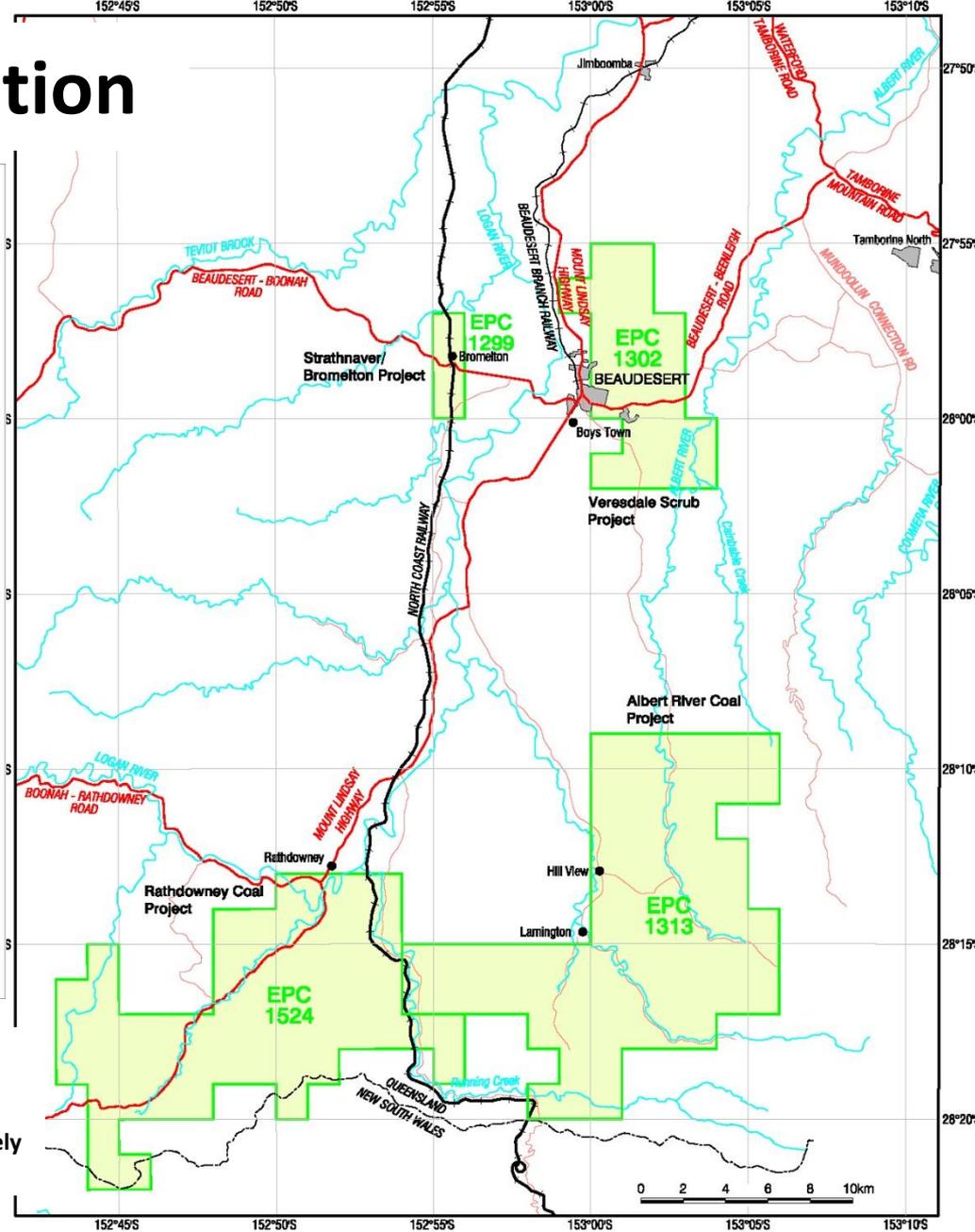
**Knowledge developed in-house applied in tendering for areas adjacent to our existing tenure interests**

Prepared by: Peter Jorgensen	FIGURE
Date: 02/11/2010	3
Drawing No: Petroleum Land Release Areas.wor	



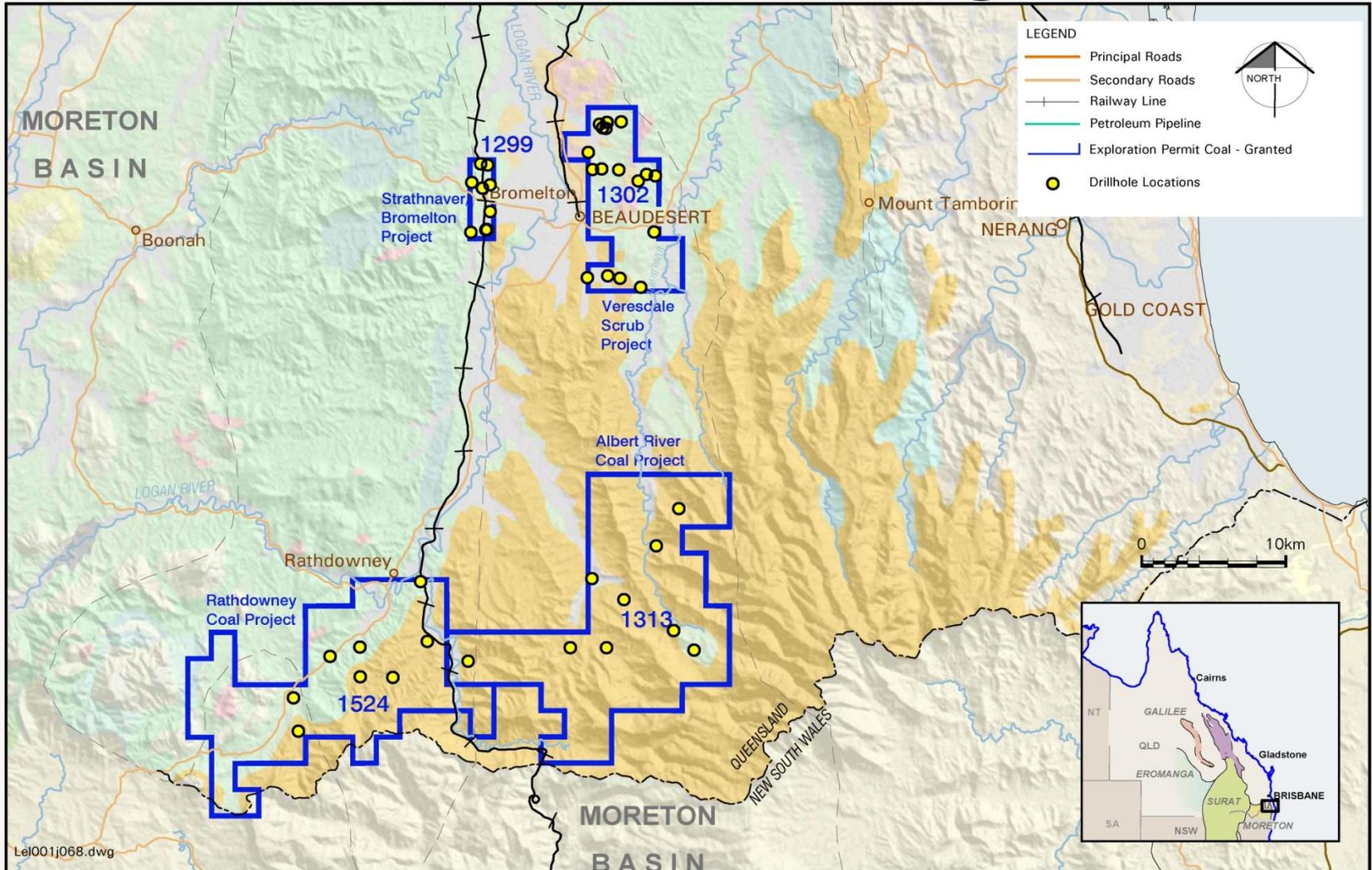
# THE MORETON PROJECT

# Moreton Project Location



**WALLOON EQUIVALENTS EXTEND THROUGHOUT CLARENCE-MORETON BASIN**  
 Walloon Coal Measures are recorded in NSW part of Clarence-Moreton Basin where Metgasco reports thick coals as lateral equivalents of Juandah and Taroom CM and not unlike those intersected in Arrow Energy holes immediately downdip of southern end of EPC 1302

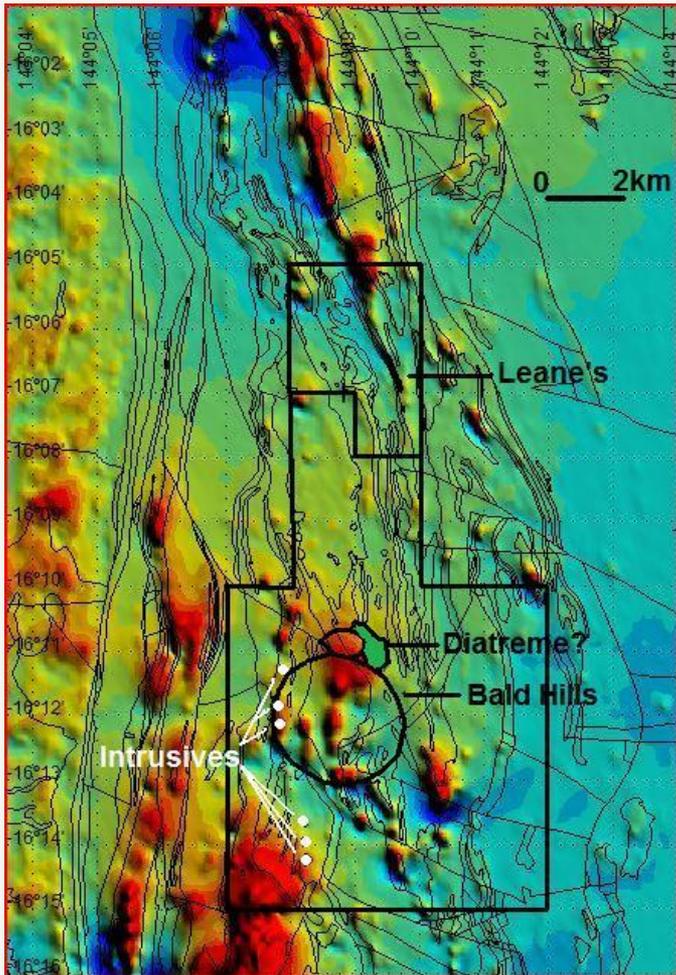
# Moreton Drilling



# Moreton Outcomes

- Drilled 46 holes in 4 EPCs
- Core analysis completed providing relevant coal quality data
- Implications for resources yet to be determined
- Some areas constrained by proximity to urban development
- UCG potential untested (deeper targets)

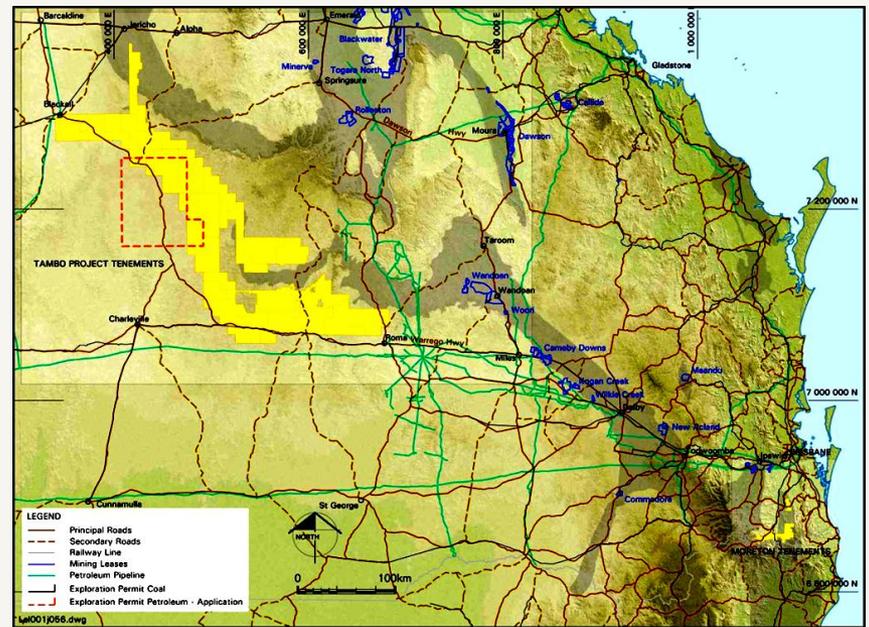
# Minerals Projects: Chillagoe & Mt Morgan



- 10 reverse circulation holes were drilled on three targets at the Limestone Creek copper-gold project.
- Assays of 492 samples together with microscope examination of samples will be completed before deciding on future work.
- The concept remains valid that the bulging sections of breccia development are rooted at depth in porphyry bodies.
- Mt Morgan EPM's consolidated.



# In Summary, What Lodestone Offers Is:



- **Ground floor entry platform into a new energy province**
- **Large strategic contiguous tenement position in the Surat Basin**, largely unencumbered by strategic cropping land issues
- **Carbon trading value** - Walloon Coals have the lowest CO<sub>2</sub> emissions of internationally-traded coals
- **Substantial UCG-nominated tenure portfolio**
- **Elimination of tenure conflict potential** via CSG, UCG/coal permits held under single ownership structure
- **Sound geological knowledge-base** in the Western/Upper Surat Basin
- **Significant increase its CSG acreage likely** from the Queensland Petroleum Land Release 2010
- **Exploring commercial opportunities with potential to maximise value of portfolio including farm-outs, spinoffs and partnerships**

## Competent Persons Statement

*'The information in this report that relates to previous waterbore and petroleum well drilling results at the Tambo Coal & Gas project is derived from data provided by the Queensland Government Department of Water and Natural Resources and open file reports obtained via the Queensland Department of Mines and Energy, with information compiled by Mr Lance Grimstone BSc(Hons)(Geol), Grad Dipl Mngt, FAusIMM, CPGeo, MMICA. Mr Lance Grimstone is employed by Lance Grimstone & Associates (Consulting) Pty Limited (ABN 114 977 829) and is a Director of Lodestone Energy Limited. Mr Lance Grimstone has sufficient coal geology experience to qualify as a Competent Person as defined by the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Lance Grimstone consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.'*



END OF PRESENTATION  
8<sup>th</sup> November 2010