

01 February 2011

LODESTONE CANVASSES OPTIONS FOR SURAT GAS PROJECT**Key Points:**

- Commercial options for expanded gas acreage are being canvassed following the appointment of **Lodestone's** wholly-owned subsidiary, **Surat Gas Pty Ltd** as preferred tenderer for three new ATPs in the Surat/Eromanga Basin.
- Outcomes of process will be reviewed in the context of other options available to Lodestone, including continued 100% ownership and active direct exploration and management of its expanded gas portfolio.

LODESTONE ENERGY LIMITED (ASX: LOD) refers to its announcement on 7 January 2010 regarding the appointment of its wholly-owned subsidiary (**Surat Gas Pty Ltd**) as preferred tenderer for three new petroleum tenements (ATPs) in the Surat/Eromanga Basin.

Following the appointment of Surat Gas Pty Ltd as preferred tenderer for these ATPs, Lodestone is canvassing potential commercial arrangements for its expanded gas acreage.

To this end, the Company will be advertising in one or more petroleum industry journals during February and the coming months. A copy of the upcoming advertisement is attached for disclosure purposes.

As advised on 28 January, Following acquisition of Tambo Coal and Gas Pty Limited and Moreton Energy Pty Limited and the appointment as preferred tenderer of wholly-owned subsidiary Surat Gas Pty Limited, Lodestone is exploring commercial arrangements for future joint ventures, farm-outs, spin-offs, project funding/capital raising options and strategic partnerships.

Lodestone plans to review the outcomes of this process and expressions of interest in the context of the other available options, including continued 100% ownership and active direct exploration and management of its expanded project portfolio.

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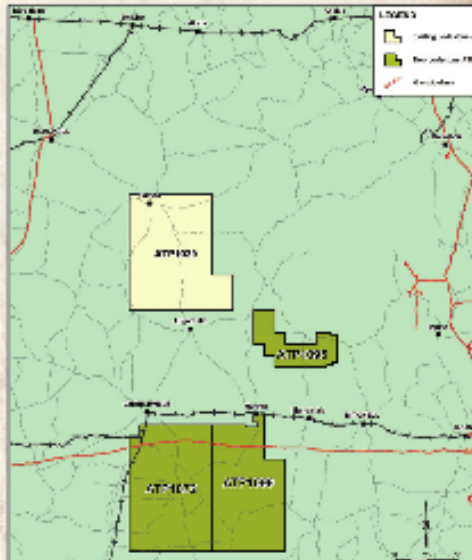
STRATEGIC ACREAGE IN THE SURAT BASIN

- SURAT GAS PTY LTD is wholly-owned by LODESTONE ENERGY LIMITED (ASX: LOD).
- SURAT GAS and LODESTONE have rights to more than 20,000 square km in the Surat/Eromanga Basin, one of the largest petroleum acreage positions in region.
- SURAT GAS is preferred tenderer for ATPs 1072, 1095 and 1098, in addition to ATP 1020 (granted to LODESTONE).

ATPs are either unexplored (or significantly underexplored) for oil and gas, with opportunities for both conventional and unconventional sources.

ATPs are either traversed by major gas pipelines or are close to existing pipelines in the Surat.

This strategic acreage offers conventional and unconventional targets, and significant scale in the Surat energy province.



PARTNERING OPPORTUNITIES

Surat Gas will consider equity raisings, farm-ins, merger/spin-offs, JVs and strategic partnerships for its acreage.



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