

Date: 20 April 2011

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir

ACTIVITIES REPORT FOR QUARTER ENDED 31 March 2011

ACTIVITIES RELATED TO ENERGY PROJECTS:

Tambo Project

The ongoing rain, flooding and resulting poor access conditions in the Tambo and Maranoa region that caused the curtailment of coal exploration activities in December 2010 continued during the March quarter.

Lodestone plans to recommence drilling at the Tambo Coal project following the 2010-11 wet season and subject to rig availability, as soon as access and ground conditions permit. This will ensure costs and delays are minimised as a result of adverse weather conditions.

We are also planning our drilling program for the Chinchilla East project, taking into account weather and access requirements during the coming months.

Further drilling updates for the Tambo and Chinchilla East projects will be issued during the current quarter. We are also continuing to identify additional targets within more recently granted EPCs and COALBANK tenements. COALBANK has submitted a competing application (EPC 2376 - Walloon West) which includes areas recently released from moratorium near the Rosewood and Jeebropilly mines.

As previously advised, Surat Gas is the preferred tenderer for ATP's 1072, 1095 and 1098 in the Queensland Government's 2010 Petroleum Land Release tender process.

As already announced, Lodestone has received independent expert advice indicating it has a new series of both unconventional and conventional oil and gas targets in its expanded petroleum acreage held by the Company and its wholly-owned subsidiary Surat Gas Pty Ltd in the Surat/Eromanga/Galilee Basins in Queensland.

In this regard, MBA Petroleum Consultants (MBA) have completed an independent review of the prospectivity of Lodestone's new and existing petroleum acreage and have identified a number of exciting new conventional and unconventional targets. These include shale gas, conventional oil and gas, and Permian coal seam gas in addition to the Jurassic Birkhead Formation targets.

The results of the review conducted by MBA have been included in a technical information package being prepared for potential strategic partners and/or for possible use in spin-off documentation.

Commercial options being considered for the Company's expanded petroleum portfolio include farm-out, separate ASX listing, and continued ownership and direct exploration of the tenements.

Moreton Energy Project

Lodestone's Moreton Project consists of four EPCs located near Beaudesert in South Queensland. No field activity was undertaken in the quarter.

An application for the renewal of EPC1313 was lodged in January.

ACTIVITIES RELATED TO MINERAL PROJECTS:

Consistent with its core focus on energy projects, Lodestone is considering funding and farm-out options for both of its remaining minerals projects, located in the Mount Morgan and Chillagoe districts.

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.

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 has been offered a grant under the Queensland Government Collaborative Drilling initiative to cover half the direct drilling costs of a drilling program at Leane's copper-gold prospect. The government initiative is targeted to support the testing of high quality exploration targets in under explored areas of Queensland.

CORPORATE ACTIVITY:

Lodestone has secured the right to acquire **Coalbank Pty Ltd**, holder of three coal exploration projects in central and south east Queensland. Each project is located within 15km to 45km from existing coal mines and is well located in relation to transport infrastructure, water supplies, power stations and Queensland's east coast.

The consideration agreed by the vendor has been structured as success-based, in the form of Lodestone Options exercisable at \$0.25 per share within three years of issue and will be conditional on at least 100Mt of total coal resources being defined to JORC code reporting standards from any one or combination of the Coalbank projects. The Company will seek shareholder approval for the transaction at an Extraordinary General Meeting (EGM) currently planned for June 2011.

Subject to receipt of shareholder approval at the planned EGM, the Company also plans to undergo a name change to “Coalbank Limited”.

Lodestone Director Greg Baynton has accepted the new role of Executive Deputy Chairman to assist in implementation of corporate strategies and in identifying future growth opportunities.

As previously advised, Lodestone is exploring commercial arrangements for future joint ventures, farm-outs, spin-offs and project funding/capital raising options to advance its minerals and energy projects.

Yours faithfully,

Roger Clarke
Chairman

Further information:

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