

Date: 14 December 2009

To: Australian Securities Exchange
Companies Announcement Office
Electronic Lodgment System

Dear Sir,

UPDATE ON STRATEGIC PLACEMENT: TRANCHE 2

Lodestone Energy Limited (ASX:LOD) is pleased to announce that strategic investor Square Resources Pty Limited will expand its initial investment in the Company, making a second-tranche investment by 15 February 2010.

In addition to the \$1.95 Million placement announced on 9 December, Lodestone has negotiated a further placement of \$5 Million (Tranche 2) to MCR Management Pty Limited, the manager of Square Resources, due for settlement on 15 February 2010.

The Tranche 2 pricing will be set at a 10% premium to the 25-day volume-weighted average share price (VWAP) for the period immediately preceding the 15 February 2010 settlement date.

The Tranche 2 issue price shall not be less than \$0.195 per share and shall not exceed \$0.25 per share and is conditional on MCR Management's final Board approval prior to 29 January 2010.

Lodestone Chairman, Martin Ackland said the two-tranched placement would help accelerate the exploration program for the Tambo Coal & Gas Project during 2010.

He said the initial Coal Seam Gas (CSG) drilling program at the Tambo Project was currently underway, with the conventional coal exploration program due to commence later this month.

As announced previously, Square Resources Pty Limited and its manager MCR Management are related to Moss Capital. Square Resources is a strategic energy and resources investor that includes a team, led by Managing Director Staffan Ever, with extensive experience in exploration management, coal mine planning and development, project funding and coal marketing.

About Lodestone Energy Limited

Lodestone Energy Limited (Lodestone) is an Australian company focusing on the identification and appraisal of energy prospects, in particular coal seam gas (CSG) and lower carbon emission coals in Queensland's Surat and Clarence-Moreton Basins.

Lodestone plans to build an energy business supplying CSG and coal from its Walloon Coal projects to domestic and export markets.

Lodestone's energy projects are close to existing infrastructure and include:

- The Tambo Coal & Gas Project in the Upper Surat Basin, which Lodestone believes to be a new energy province in Queensland. The project is targeting both coal and CSG resources in a very large area, centred on Tambo and Augathella. Subject to successful exploration this project is likely to enable Lodestone to secure a foothold in the rapidly developing CSG sector in Queensland; and
- The Moreton Energy Coal Project in the Clarence-Moreton Basin south west of Brisbane. Given its proximity to rail infrastructure, and subject to exploration success, this project may facilitate the export of thermal coal via the Port of Brisbane.

Lodestone has also retained its two key mineral prospects.

About Square Resources Pty Limited

- Square Resources Pty Limited is an Australian company investing globally in early-stage natural resources projects and companies.
- Square Resources aims to deploy both capital and the team's combined experience of 150 years in natural resources to create significant shareholder value in the energy and steel making material industries.

For more information:

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