

ASX RELEASE

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ACQUISITION OF 100% OF TAMBO COAL & GAS AND MORETON ENERGY

Lodestone Energy Limited (ASX: LOD) is very pleased to announce that it has successfully completed negotiations to acquire 100% of the energy projects that are the subject of its new energy focus.

Subject to completion of those arrangements, Lodestone would achieve 100% ownership and control of its energy portfolio, which will allow greater flexibility for commercialising and monetising those projects.

To this end, Lodestone has entered in to a Share Sale and Purchase Agreement to acquire Tambo Coal & Gas Pty Limited and Moreton Energy Pty Limited, Lodestone's partners in the Tambo Coal & Gas and Moreton Energy projects.

Under the Share Sale and Purchase Agreement, Lodestone Energy Limited will acquire all shares in Tambo Coal & Gas Pty Limited and Moreton Energy Pty Limited from entities associated with Lodestone director Greg Baynton (the Vendors), in consideration of the issue to the Vendors of new shares in Lodestone.

The Agreement is conditional on the approval by Lodestone's shareholders of the issue of the new shares to the Vendors. Under the Agreement, 407,288,211 new shares represent the consideration for the two acquisitions.

The Company has engaged WHK Horwath Corporate Finance Limited as the lead Independent Expert to provide an Independent Expert's Report on the acquisitions for inclusion in materials required for an Extraordinary General Meeting expected to be held during early March 2010.

Under current farm-in arrangements, Lodestone subsidiaries have the right to earn up to 50% of the Tambo Coal & Gas project and 50% of the Moreton Energy coal project from the two companies to be acquired. During 2009, Lodestone also sold a 2% royalty on its share of future sales of coal and gas produced from all tenements relating to the Tambo and Moreton projects.

The acquisition of Tambo Coal & Gas Pty Limited and Moreton Energy Pty Limited are free from any royalties, will eliminate Lodestone's ongoing farm-in obligations, allow direct ownership and management of the relevant coal and petroleum tenements within the Lodestone group and result in a larger market capitalisation for attracting future institutional investment and investment research. Post acquisition the royalty payable by Lodestone will average out to 1% of future sales of coal and gas produced from all tenements relating to the Tambo and Moreton projects.

A Notice of Meeting and Explanatory Memorandum will be provided to shareholders, along with the Independent Expert's Report on the acquisitions, as background materials for the upcoming Extraordinary General Meeting.

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 Energy has farmed-into the Tambo Coal & Gas project in the upper-Surat Basin and the Moreton Energy Coal project in the Clarence-Moreton Basin, with the right to earn up-to 50% of both projects in return for funding exploration expenditure.

Lodestone believes the Tambo Coal & Gas Project in the Upper Surat Basin 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

The Moreton Energy Coal Project, located in the Clarence-Moreton Basin south west of Brisbane, has close proximity to rail infrastructure, and subject to exploration success, may facilitate the export of thermal coal via the Port of Brisbane.

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

For more information: Martin Ackland
 Chairman
 Lodestone Energy
 Tel: +61 411 139 453