

16 May 2011

**RESPONSE TO MEDIA REGARDING ESK BASIN COAL PROJECT****Key Points:**

- The Esk Basin Coal Project has been reconfigured to eliminate any overlap with designated Dam Catchment Areas.
- The reconfigured EPC 2239 continues to contain the important waterbore evidence of multiple coal intersections of up to 24.4 metres of coal at shallow depths identified in driller's logs.
- Independent geoscientific research suggests that the Esk Basin geology was connected with Queensland's Bowen Basin and may potentially host Permian and Triassic coals similar to certain coals found in the Bowen Basin.

**LODESTONE ENERGY LIMITED (ASX: LOD)** advises that it has reconfigured its Esk Basin Coal Project boundaries to ensure they will not overlap with any designated Dam Catchment Areas.

The Company confirms the reconfiguration does not impact the commercial prospectivity of the Project, and is a positive response to local media interest.

As part of its acquisition of Coalbank Pty Ltd, to be ratified by shareholders on 2 June 2011, Lodestone has acquired the rights to EPC 2239, an application for a coal exploration permit north of Esk in Queensland.

Following consultation with Lodestone and Queensland Mines and Energy, Coalbank today made an application to Queensland Mines and Energy to abandon all sub-blocks forming EPC 2239 that overlap designated Dam Catchment Areas.

Importantly, while the reconfigured EPC 2239 will avoid any overlap with designated Dam Catchment Areas, it continues to contain the important waterbore evidence of multiple coal intersections of up to 24.4 metres of coal at shallow depths identified in driller's logs.

**About EPC 2239 and The Esk Basin**

The EPC 2239 (Esk Basin Coal Project) application includes significant coal intersections identified in water bore drillers' logs within the tenement area.

Research undertaken by geoscientists from the University of Queensland has shed new light on the geology of this area centred on EPC 2239. This research suggests that the Esk Basin geology was connected with Queensland's Bowen Basin and may potentially host Permian and Triassic coals similar to certain coals found in the Bowen Basin.

The Bowen Basin contains much of Queensland's coal resources, including virtually all of Queensland's prime coking coal reserves.

These studies of the region redefined the evolutionary history of the Esk Basin (a new name by UQ researchers) as consisting of an Early Permian phase of extension, a mid-Permian phase of passive thermal subsidence and a latest Permian–Early Triassic phase of foreland loading.

The research suggests that this composition parallels the tectonic evolution of the Bowen Basin in central Queensland. This theory, plus similarities in rock units between the two basins, have lead the researchers to the conclusion that the Esk Basin developed in a depocentre on the southeastern margin of the larger Bowen Basin and was likely contiguous with it.

In summary, the area is suggested as potentially being associated with the Bowen Basin as an isolated marginal remnant of the more extensive Bowen Basin foreland system during the Late–Permian and Early Triassic.

Sources: CR Fielding, RJ Holcombe, LM Campbell, 2004 (<http://www.holcombe.net.au/rod/projects/nefb.html>)  
 “The Esk Basin - a Triassic foreland basin within the northern New England Orogen”, LM Campbell, RL Holcombe, CR Fielding, 1999.  
 Queensland’s World-class Coals – November 2007, [www.dme.qld.gov.au/mines/publication\\_list.cfm](http://www.dme.qld.gov.au/mines/publication_list.cfm)

Key coal-related intersections within the Coal Creek Coal Project area are summarised in the tables below:

**EPC 2239 - Coal Creek** Located 45km south east of Meandu Mine, 55km north of Jeebropilly Mine

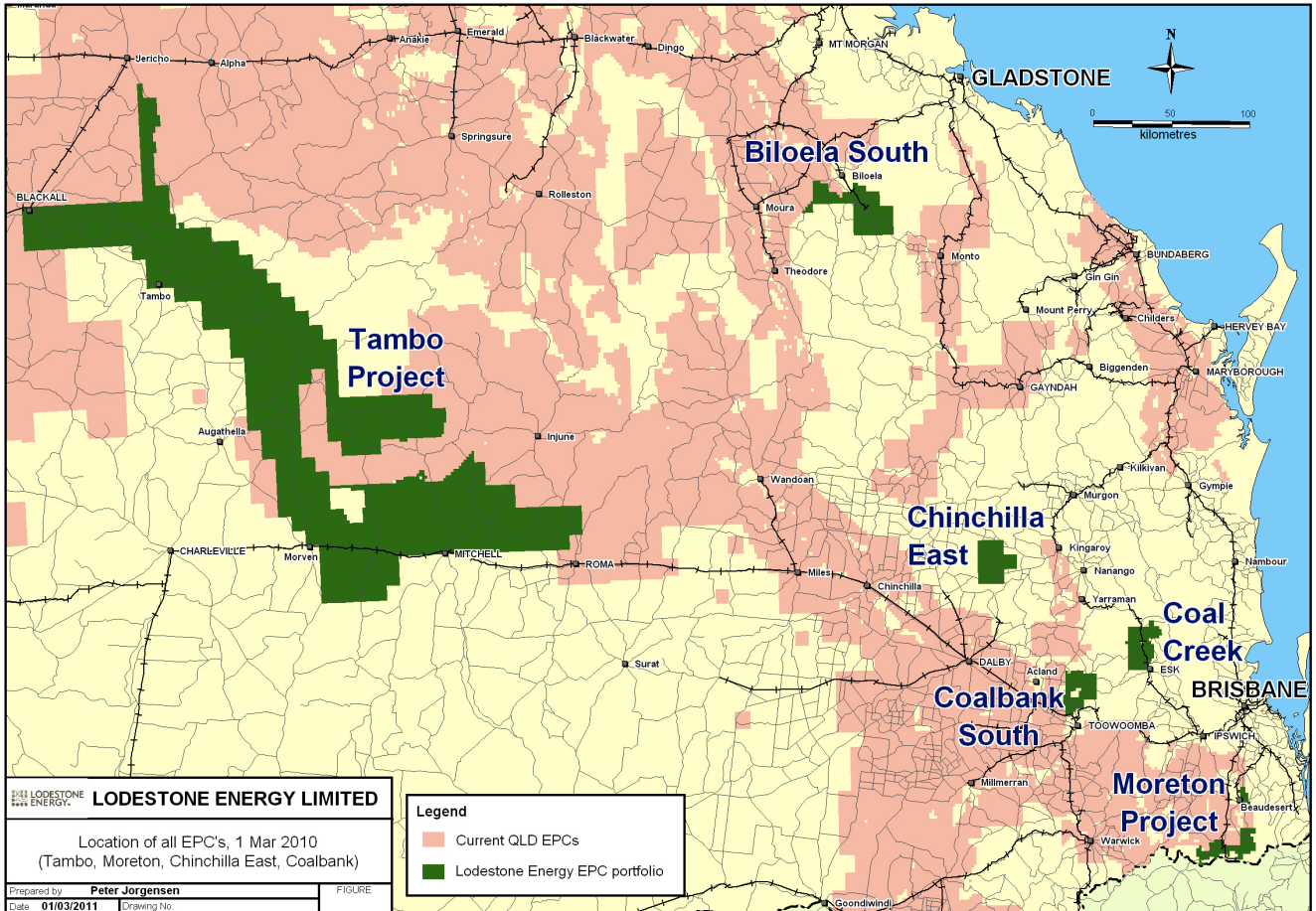
Target Hole	Data Source	TOP (m)	THICKNESS (m)	Target horizon (all information from original driller's log descriptions)
106835	Registered water bore	10.40	24.40	COAL
73781	Registered water bore	12.00	10.00	SHALE WITH COAL BANDS
106296	Registered water bore	10.60	7.00	SHALE & COAL
129040	Registered water bore	27.40	5.50	COAL
106561	Registered water bore	56.40	3.10	COAL AND CARBONATE
75814	Registered water bore	25.00	3.00	COAL
75914	Registered water bore	24.40	3.00	SHALE & COAL
106561	Registered water bore	21.30	2.20	SANDSTONE WITH COAL
129040	Registered water bore	12.20	2.10	SHALE & COAL
106500	Registered water bore	52.00	2.00	COAL, SOOT, SHALE
75914	Registered water bore	19.80	1.50	SHALE & COAL
106839	Registered water bore	51.00	1.50	COAL

## Lodestone’s Combined Coal Exploration Portfolio

Following the acquisition of Coalbank (including the Esk Basin Project), the company’s combined coal exploration footprint will provide significant scale and diversity across central and southern Queensland. The map below illustrates the scale and location of this the combined portfolio along with its proximity to transport infrastructure and population centres in central and southern Queensland.

The combined Coalbank and Lodestone coal exploration portfolios will cover almost 24,000 square kilometres in Queensland and represent one of the largest coal exploration footprints in Australia.

## LOCATION OF COMBINED COALBANK & LODESTONE PORTFOLIO IN QUEENSLAND



(Combined portfolio is subject to shareholder approval on 2 June 2011).

*Ends.*

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