

07 January 2011

LODESTONE EXPANDS GAS ACREAGE IN SURAT BASIN**Key Points:**

- LODESTONE'S wholly-owned subsidiary, **Surat Gas Pty Ltd**, appointed preferred tenderer for three new ATPs in the Surat/Eromanga Basin.
- These new ATPs would increase Lodestone's gas acreage by 310%, resulting in one of the largest gas acreage positions in the Surat Basin (approx. 20,500 square kilometres).
- Continuing rains, flooding and resulting access conditions prevented drilling at the Tambo Project during December 2010. Drilling remains suspended until appropriate conditions enable the Company and its contractors to recommence drilling.

LODESTONE ENERGY LIMITED (ASX: LOD) is pleased to announce that its wholly-owned subsidiary, **Surat Gas Pty Ltd**, has been appointed preferred tenderer for three new petroleum tenements (ATPs) in the Surat/Eromanga Basin.

The appointment as preferred tender for ATPs 1072, 1095 and 1098 follows the Queensland Government's 2010 Petroleum Land Release competitive tender process which closed in September last year.

Each of the new ATP areas is either unexplored (or significantly underexplored) for gas and all are contiguous with each other and/or Lodestone's existing tenement footprint. Two of the new ATPs are traversed by major gas pipeline infrastructure and the third ATP is relatively nearby to gas pipelines and related facilities in the Surat (please refer attached location map on page 3).

Formal acceptance and final granting of the three new ATPs would result in a 310% increase in the Company's gas acreage footprint in the Surat/Eromanga Basin. As a result, the Company's gas acreage portfolio in this region would become one of the largest holdings in Surat/Eromanga region and would include approximately 20,500 square kilometres.

Lodestone Chairman, Roger Clarke said the Company's strategic gas acreage position in the Surat/Eromanga Basin was expected to provide economies of scale and depth of knowledge in this region.

He said the expanded area provided Lodestone with greater options for future exploration and project structuring, development funding, and strategic partnerships.

"The expansion of the Company's gas acreage via the 2011 Petroleum Land Release tender process is consistent with our strategic interest in Surat Basin coal and gas projects.

"We are now well placed to pursue commercial options during the year ahead for our existing ATP 1020 and our subsidiary, **Surat Gas Pty Ltd**, including equity raisings, merger/spin-off and strategic partnerships."

Tambo Project Update

Continuing rain, flooding and resulting access conditions in the Maranoa region have prevented further drilling progress for the Tambo Project during December 2010 and drilling remains suspended. The Company expects that these conditions will prevail during the remainder of January 2011. A further update on drilling plans for the Tambo Project will be issued when weather conditions and access arrangements facilitate the recommencement of drilling.

Ends

Further information:

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LOCATION MAP

SURAT GAS / LODESTONE ENERGY ATPs AND PIPELINE INFRASTRUCTURE

(Including Preferred Tenderer Status-ATPs and Tambo Project EPCs)

