

Welcome to the first edition of our corporate newsletter for 2011. We're pleased to report on a number of exciting new developments for Lodestone Energy, in particular relating to the expansion of our coal and oil and gas exploration portfolios.

Despite the extensive flooding and rain prohibiting our exploration efforts during the past months, we have made progress into positioning your Company into a focused explorer, with a significant exploration footprint in emerging coal and petroleum provinces in Queensland. We also continue to retain a watching brief on future expansion and potential commercial partnering opportunities.

Please feel free to contact us if you would like more information, or visit our website: www.lodestonenergy.com.au for regular progress reports.

Roger Clarke, Chairman

HIGHLIGHTS

Lodestone expands with acquisition of COALBANK

Board update: Meet our new Chairman

Surat Gas – new areas identified

Exploration update

LODESTONE EXPANDS

In March this year, your Company secured the right to acquire 100% of the shares in COALBANK Pty Ltd (COALBANK), the holder of three prospective coal exploration projects in central and south east Queensland.

The acquisition, which is subject to Shareholder approval, will result in Lodestone holding permits covering 24,000 square kilometres in Queensland, representing one of Australia's largest coal exploration footprints.

COALBANK's three project areas in eastern Queensland include numerous coal intersections in water bores, with drillers' logs indicating the presence of significant thicknesses of coal of up to 24.4 metres at shallow depths.

All three projects are all well situated, within 15km to 45km from existing coal mines. Each project is also well located in relation to transport infrastructure, water supplies, power stations and Queensland's east coast.

Lodestone now holds one of Australia's largest coal exploration footprints

Your Board believes the COALBANK projects complement and add diversity to our existing coal exploration portfolio. The benefits of combining COALBANK and Lodestone include new alternatives for transport infrastructure, possibilities to mitigate the impact of weather conditions and ultimately, the potential for diversity of coal qualities and markets.

The COALBANK projects require modest expenditures totaling \$1.7 million over three years.

COALBANK, a company founded by Lodestone Director Greg Baynton, is being acquired under a success-based consideration structure.

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.

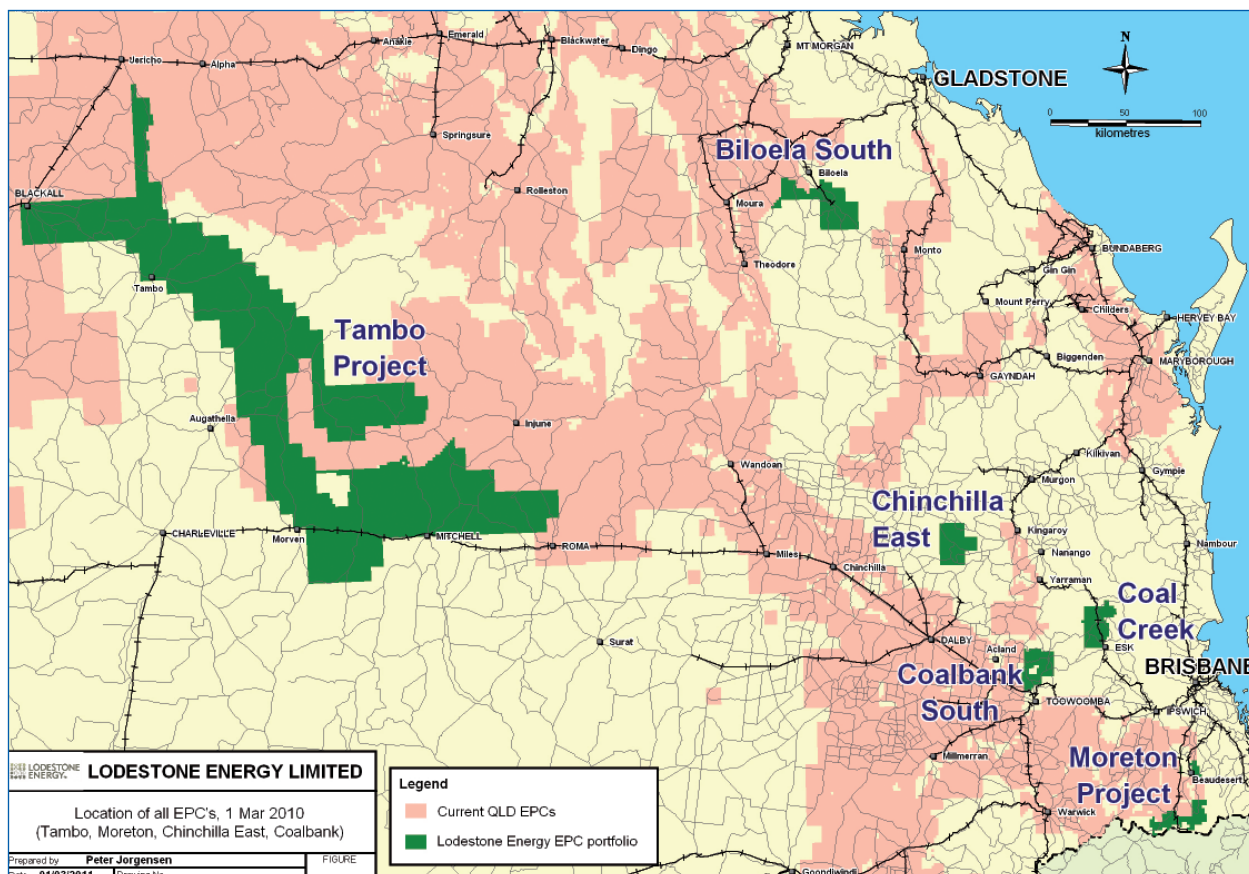
Lodestone Energy's Board plans to seek Shareholder approval to rename the Company "COALBANK Limited" to better reflect its intensified focus on coal exploration.

COALBANK

A Notice of Meeting and a supporting Explanatory Memorandum will shortly be mailed to you regarding the COALBANK acquisition. In the meantime, please visit our website to view the ASX announcement released 15 March 2011 regarding the COALBANK acquisition.

LODESTONE ENERGY AND COALBANK EXPLORATION PROJECTS

Following the acquisition of COALBANK, your Company's combined coal exploration footprint will provide significant scale and diversity across central and southern Queensland. The map (over page) illustrates the scale and location of the combined portfolio along with its proximity to transport infrastructure and population centres in central and southern Queensland.



Location of combined COALBANK and Lodestone Energy portfolio in Queensland.

Note: Combined project location map assumes completion of the COALBANK acquisition.

SURAT GAS UPDATE

EXCITING NEW OIL AND GAS TARGETS IDENTIFIED



**SURAT
GAS**

In January, Lodestone's wholly-owned subsidiary, Surat Gas Pty Ltd, was appointed preferred tenderer for three new petroleum tenements (ATP's 1072, 1095 and 1098) in the Surat/Eromonga Basin.

During early March, we received independent expert advice from MBA Petroleum Consultants (MBA) indicating that we have an exciting series of both unconventional and conventional oil and gas targets in the expanded petroleum acreage.

These include a series of coal seam gas, shale gas, natural gas and oil targets.

A detailed summary of MBAs findings was released to the stock market in March 2011 and is available to download on the website: www.lodestonenergy.com.au

Based on these recent findings, your Board is reviewing the Company's options for monetising these petroleum projects, including spin off, merger, farm out, and continued 100% ownership with active direct exploration of its petroleum portfolio.

These alternatives include the separate ASX listing of the Surat Gas subsidiary.

COAL CREEK PROJECT

As part of the COALBANK acquisition, your Company has acquired the rights to EPC 2239, an application for a coal exploration permit north of Esk in Queensland. Driller's logs from waterbores in this area have shown coal intersections of up to 24.4 metres, at shallow depths.

Research undertaken by geoscientists from the University of Queensland since the late 1990s has shed new light on the geology of this area. This research suggests that the area was connected with Queensland's Bowen Basin and may potentially host Permian and Triassic coals.

These recent studies of the region redefined the evolutionary history of the Esk Basin (a new name) 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. Researchers suggest 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 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 related to 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



At your Company's AGM in November last year, Roger Clarke was appointed Chairman of Lodestone Energy. For those shareholders who have not met Roger, he is the Chairman of the RBS Morgans Limited Board of Advice and the former Chairman of ABN AMRO Morgans Limited.

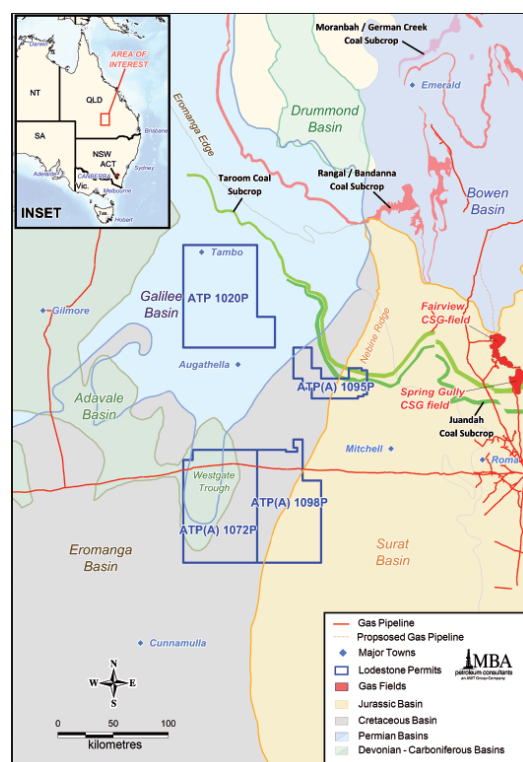
He has over 30 years commercial experience in the investment banking industry, with responsibilities in fund management, banking and corporate finance. He has been involved in a large number of initial public offerings, capital raisings, advisory roles and corporate transactions.

Roger is the Vice Chairman of Maverick Drilling and Exploration Limited, Chairman of Tissue Therapies Limited and NextDC Limited, and is a Director of Trojan Equity Limited.

Director and significant shareholder, Greg Baynton has also been appointed Deputy Chairman of the Company, and will assume a part-time executive role to help accelerate the implementation of the Company's corporate and growth strategy.

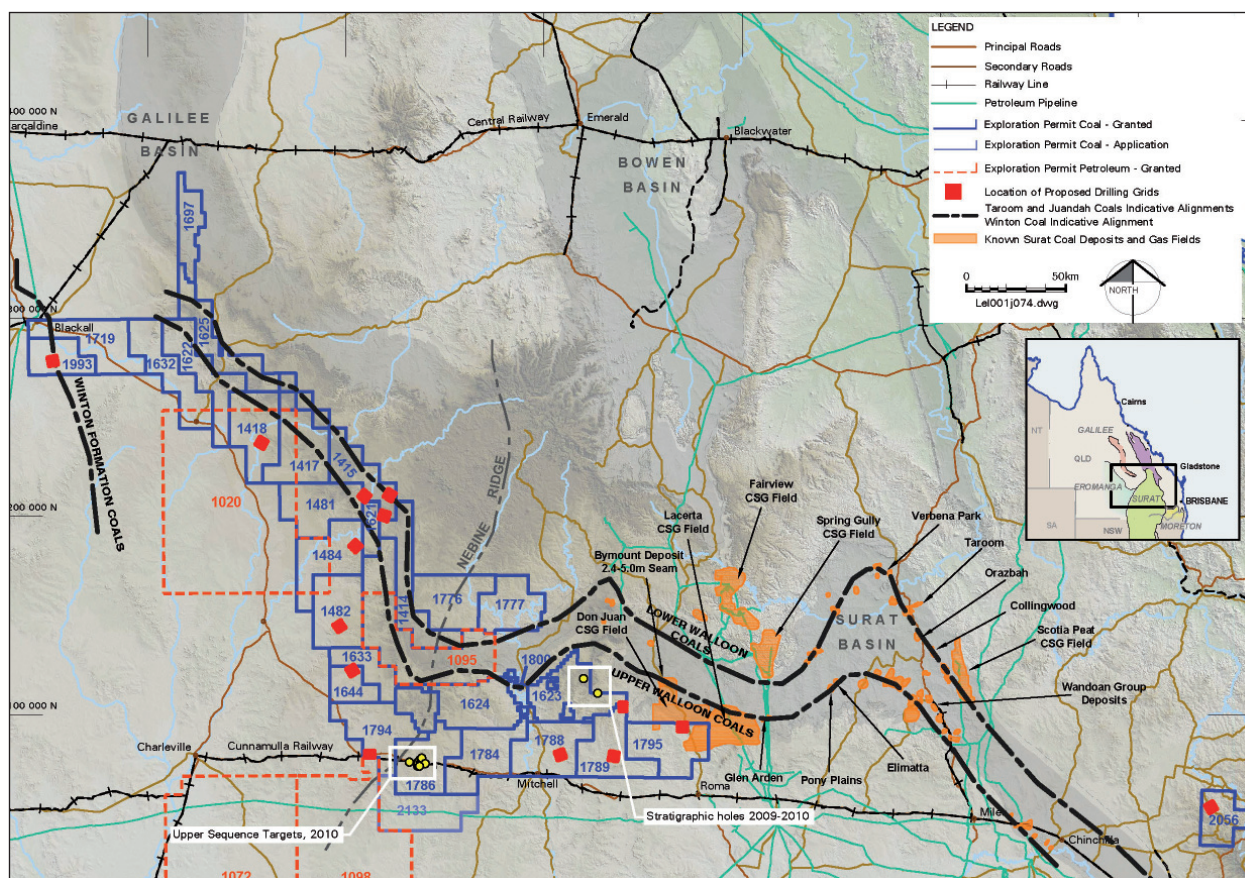
More information about your Board can view at: www.lodestonenergy.com.au

SURAT GAS ACREAGE



- Four ATPs - more than 20,000 sq km
- Traversed by, or near to gas pipelines
- Prospectivity review completed by MBA Petroleum Consultants
- Unconventional and conventional petroleum targets
- Permian and Jurassic coal seam gas targets
- Shale gas plays
- Conventional oil targets

◀ **Lodestone/Surat Gas Petroleum Acreage.**



“coal (& shale”, with some holes including multiple coal intersections. These coal occurrences represent the priority targets for the 2011 drilling program at Chinchilla East.

The review process yielded a list of attractive targets at Tambo and Chinchilla East for the 2011 drilling program.

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 we minimise costs and delays as a result of adverse weather conditions.

The Tambo Coal project encompasses 27 granted EPCs and one EPC application, spanning approximately 400km of strike length in the Western Surat Basin and its extension the Upper Surat Basin. This represents one of Australia's largest contiguous coal exploration areas.

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.

The Chinchilla East coal exploration project (EPC 2056) is situated approximately 65km east of Chinchilla and includes a cluster of intersections of "coal" in shallow water bores. These water bore "coal" intercepts are described in driller's logs as including between 2m and 4m "coal" and up to 6m

**FOR THE LATEST SHAREHOLDER
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