

ASX Release – 22nd October 2010

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD TO 30 September 2010

The Board of Firestone Energy Limited (ASX/JSE: FSE) provides shareholders with its Quarterly Activities Report for the 3 month period ended 30 June 2010. A full copy of this report, as released today on the ASX and JSE, is available at the Company's website, www.firestoneenergy.com.au

Highlights

- The assessment of the New Order Mining Right ("NOMR") Application by the Department of Minerals Resources ("DMR") for the Waterberg coal project ("Waterberg Project") in Limpopo is ongoing and in progress;
- Ongoing progress with the Bankable Feasibility Study (BFS);
- Discussions with power producer(s) regarding off-take agreements and other major consumers who have expressed interest in securing a supply of coal from the Waterberg Project are ongoing; and
- The tender processes for opencast mining contractors and wash/processing plant contractors are in progress and the appointment of preferred service providers will be made in due course.

Post Quarter Events

- Parsons Brinckerhoff presented the results of the Feasibility Study document on the Waterberg Project to Management and the Board;
- Agreement in principle on the terms of the draft Shareholders Agreement incorporating and consolidating the three previous joint venture agreements taking the JV Company closer to compliance with the relevant requirements for the granting of mining title legislation; and
- Appointment of Sizwe Nkosi as Financial Director in the place of Amanda Mathee who resigned to pursue other opportunities.

Planned Activities for next Quarter ending 31 December 2010

- Continue BFS and associated studies for the Waterberg coal mining project. Meet with potential contractors and suppliers, and collate within the BFS.

Commenting on the results today, John Dreyer, Chairman of FSE, said, "I am pleased to announce that the Company's Waterberg coal project continued to be developed according to schedule. In addition, the Company is in advanced stages of negotiations with the potential buyers of the Waterberg Project thermal coal in Limpopo. Furthermore, the Company expects the granting of a New Order Mining Right for its Waterberg Coal Project before the end of Q2 2011 and production is expected to follow within 12 months of concluding the necessary offtake agreements and receiving the required legislative approvals."

Firestone Energy is an independent Australian exploration company focused on developing coal projects in South Africa. The company is currently exploring the richly endowed Waterberg coal field in the Limpopo Province of South Africa.

The Company is committed to value-added growth through becoming an independent coal and energy producer at its projects in South Africa.

The Company has entered into two joint ventures with Sekoko Resources; a South African black empowerment company (BEE) and Sekoko has two directors on the Board of Firestone Energy.

Corporate Details

ASX: FSE
JSE: FSE

Issued Capital:
2,361 million ordinary shares

Major Shareholders:
Sekoko Resources (Pty) Ltd
Colbern Fiduciary Nominees Ltd
Bell Potter Nominees Ltd

Directors and Officers:

Non Executive Directors:
John Dreyer (Chairman)
John Wallington
Timothy Tebeila
Colin McIntyre

Company Secretary
Jerry Monzu

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OVERVIEW

Waterberg Coal Project – JV Project

The BFS is progressing well and Parsons Brinckerhoff has been mandated to complete the Definitive Feasibility Study document on the Waterberg Project, results of which were presented to Management and the Board beginning of October 2010. The evaluation of the Waterberg Coal Project will continue with a view to receiving necessary regulatory approvals. Negotiations with potential developers, financiers and off-take parties will be progressed as the final Feasibility Study is advanced.

As reported during Q2 2010, the New Order Mining Right Application for the Waterberg Project was lodged and the Environmental Scoping Report was submitted to the Department of Mineral Resources (DMR) during the quarter. Specialist studies for the Environmental Impact Assessment and Environmental Management Plan are almost complete and due to be submitted during Q4 2010. Furthermore, an amended Acceptance Letter of the Waterberg Project New Order Prospecting Right was submitted to the DMR for the inclusion of the Duikerfontein and Swanepoelpan farms.

As previously announced, subject to the granting of the New Order Mining Right, the current planning and project progress, suggests that the Waterberg Project remains on schedule for delivering first coal in the second half of 2012.

Negotiations with surface rights owners on the Waterberg Project is ongoing to allow for the development of the required infrastructure once all necessary legislative approval has been granted.

The tender processes for both the mining contractor and the supply of the design and construction of a wash /processing plant are still in progress. A Memorandum of Understanding will be signed in due course with the preferred Service Providers.

Commitments will be made for procurement of long-lead items for the Waterberg Coal Project, construction will commence following the receipt of final regulatory approvals and transport alternatives will be progressed.

Marketing – Off-take Arrangements

Initially coal will be supplied to local markets within South Africa, and other major consumers, which have also expressed interest in coal off-take agreements. Logistics feasibility studies are being assessed as part of the BFS.

Discussions are continuing with various parties regarding long term off-take agreements for domestic and export coal mined at Waterberg; together with the short and long term lean coal production. In addition, an offer for the sale of thermal coal has been submitted to power producer(s).

CORPORATE

As at 30 September 2010 FSE had consolidated cash reserves of A\$1.5million, Management continues to monitor costs carefully and implement cost reduction strategies where necessary.

Appointment of a Director

On 30 September 2010, the Company announced the appointment of Mr Sizwe ("Sizwe") Nkosi as Sekoko Resources' nominee director to the FSE Board, effective from 3rd November 2010. Mr Nkosi replaced Ms Amanda Mathee, who has resigned from Sekoko Resources and from the FSE Board as the director.

Mr. Nkosi is a registered South African Chartered Accountant and has a MBA degree from the University of Cape Town's Graduate School of Business. Sizwe started his career with Foskor Limited as a Financial Manager and De Beers as the Senior Management Accountant. Prior to joining the Company some three years ago Sizwe worked for Investec Bank Limited "Investec", a reputable South African merchant and investment bank, with a role focussed in mergers and acquisitions.

For further information please contact:

Mr. John Dreyer
Chairman

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Firestone Energy Limited

ABN

71 058 436 794

Quarter ended ("current quarter")

30 Sept 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,553)	(1,553)
(b) development	-	-
(c) production	-	-
(d) administration	(303)	(303)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	19	19
1.5 Interest and other costs of finance paid	(35)	(35)
1.6 Income taxes paid	-	-
1.7 Other (GST refund)	148	148
Net Operating Cash Flows	(1,724)	(1,724)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1,803)	(1,803)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1,803)	(1,803)
1.13 Total operating and investing cash flows (carried forward)	(3,527)	(3,527)

+ See chapter 19 for defined terms.

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Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,527)	(3,527)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,900	2,900
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Capital raising costs	-	-
1.19	Other – Interest paid	-	-
	Net financing cash flows	2,900	2,900
	Net increase (decrease) in cash held	(627)	(627)
1.20	Cash at beginning of quarter/year to date	2,130	2,130
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,503	1,503

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	1,618
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees - \$65K.
 Payments to Sekoko Resources (director related entity) pursuant to JV agreements and for costs incurred for and on behalf of FSE - \$1,553K

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	\$25,000	\$18,800
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,400
4.2 Development	
4.3 Production	
4.4 Administration	300
Total	1,700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,503	2,130
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,503	2,130

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

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Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3 +Ordinary securities FSE	2,361,300,664	2,361,300,664		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	29 (6)	Nil	\$100,000 each \$100,000 each	\$100,000 each \$100,000 each
7.7 Options FSEAK FSEAM FSEAO FSEAI	30,000,000 111,000,000 96,904,767 25,875,000	Nil Nil Nil Nil	Exercise price 5 Cents 6 Cents 6 Cents 6 Cents	Expiry date 30 Nov 2012 31 May 2013 30 Jun 2013 30 Jun 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

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7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 22 October 2010
Company Secretary

Print name: Mr Jerry Monzu

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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