



ABN 71 058 436 794

Half-Year Financial Report

31 December 2012

FIRESTONE ENERGY LIMITED

CORPORATE DIRECTORY

DIRECTORS

Tim Tebeila
Non-Executive Director (Chairman)

David Perkins
Non-Executive Director (Deputy Chairman)

Pius Kasolo
Non-Executive Director

Benjamin Mphahlele
Non-Executive Director

Kobus Terblanche
Non-Executive Director

Oren Zohar
Non-Executive Director

Jack Robert James
Non-Executive Director

COMPANY SECRETARY

Jerry Monzu

REGISTERED OFFICE

Suite B9, 431 Roberts Road
SUBIACO, WA 6008

Telephone: (08) 9287 4600
Facsimile: (08) 9287 4655

SOLICITORS TO THE COMPANY

Kelly & Co Lawyers
Level 21, Westpac House
91 King William Street
ADELAIDE WA 5000

SHARE REGISTRY

Computershare Investor Services
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA, 6000
Ph 08 9323 2000
Fax 08 9323 2033

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

STOCK EXCHANGE LISTING

Securities of Firestone Energy Limited are dual listed on the Australian Stock Exchange and the Johannesburg Stock Exchange.

ASX & JSE CODE

FSE

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

DIRECTORS' REPORT

Your directors present their financial report on the group (referred to hereafter as "the Group") consisting of Firestone Energy Limited ("Firestone" or "the Company") and the entities it controlled at the end of, or during the period to the half-year ended 31 December 2012.

Directors

The names of the Directors of Firestone Energy Limited throughout the reporting period and at the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Timothy Tebeila
Non-Executive Chairman

David Perkins
Non-Executive Deputy Chairman

Pius Kasolo
Non-Executive Director

Benjamin Mphahlele
Non-Executive Director

Kobus Terblanche
Non-Executive Director

David Hillier (*appointed 5 February 2013, resigned 1 March 2013*)
Non-Executive Director

Oren Zohar (*appointed 5 February 2013*)
Non-Executive Director

Jack Robert James (*appointed 5 February 2013*)
Non-Executive Director

Results of Operations

The net loss from continuing operations for the six months to 31 December 2012 was \$2,884,760 (half-year ended 31 December 2011: \$2,231,562).

Review of Operations

Operational overview for the six month period ending 31 Dec 2012

Shareholders approved a suite of transactions ("Investment Agreement") with Ariona Company SA ("Ariona") which, if implemented, would significantly strengthen the Company's financial position to assist in the development of the Waterberg Coal Project with its joint venture partner, Sekoko Resources (Pty) Ltd. As a result of the investment, Ariona would emerge as the Company's major shareholder.

During December 2012, the Company announced that it had revised the Investment Agreement entered into with Ariona to allow for financial settlement to be concluded in two stages. As part of the settlement terms, Ariona commenced providing funding to the Company in December and subsequently, in January 2013, successfully completed stage one of the financial settlement agreement thereby providing the Company with a total of A\$5 million.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

On 12 December 2012, Range River Gold Limited (“Range River”) a company listed on the ASX announced that it had entered into a conditional heads of agreement to acquire 100% of the issued share capital in Ariona. Furthermore, on 17 December 2012, Range River announced an off-market takeover for all of the listed shares in Firestone Energy (“Firestone”) whereby shareholders in Firestone will be offered one share in Range River for every two shares in Firestone. The Firestone board unanimously advised shareholders not to take any action in relation to the offer until the board has had time to consider the Range River offer.

Technical Update

The technical team have continued to work with SRK on completing the Bankable Feasibility Study (“BFS”). Eskom have indicated that they are satisfied with the burn characteristics of the upper seams of Smitspan which means that negotiations around the Coal Supply Agreement can start to proceed. The Coal Supply Agreement is a key requirement to secure project finance. Geotechnical studies will commence in early March this year, which is later than expected due to the fact that the Waterberg project has not been able to gain access to one of the farms to carry out the work. As a result of this, the Company currently estimates that the BFS could be at least 4 weeks later than scheduled.

Rail studies

During February 2013, Transnet Freight Rail (“TFR”) completed their Waterberg Rail Study, and presented their findings to the technical team. TFR have acknowledged a proposal for a stand-alone rail line and loading facilities through the Sekoko Coal properties. This option potentially gives greater control of the logistics, however, it may potentially sterilize some of the coal resource. Further options are being considered.

Drilling

Drilling is continuing to be carried out on an on-going basis, with 39 boreholes having been drilled on Smitspan to date. The average depth to first coal is 50 metres, with the average hole depth of 147 metres and the Company will advise further once the laboratory results have been completed.

Significant Events After Balance Date

Refer to Note 9 in the attached financial statements.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under Section 307C of the Corporations Act is set out on page 16 and forms part of this report.

This report is made in accordance with a resolution of directors.

Dated at Perth this 8th day of March 2013.

Signed in accordance with a resolution of the Directors.



.....
Timothy Tebeila
Chairman

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Half-Year Ended 31 December 2012

	Note	December 2012	December 2011
		\$	\$
Continuing operations			
Interest revenue		766	27,854
Other income		11,773	12,917
Occupancy costs		(13,800)	(13,800)
Legal fees		(266,763)	(176,456)
Administration costs		(562,299)	(286,670)
Travel and accommodation		(46,025)	(65,793)
Directors' fees		(130,000)	(130,004)
Employee & consultant costs		(56,216)	(6,530)
Listing and share registry costs		(96,746)	(118,916)
Share-based payments	7	(189,850)	-
Finance costs	2	(1,535,600)	(1,474,164)
Loss before income tax		(2,884,760)	(2,231,562)
Income tax expense		-	-
Loss from continuing operations		(2,884,760)	(2,231,562)
Loss for the half-year attributable to the members of Firestone Energy Limited		(2,884,760)	(2,231,562)
Other comprehensive income for the half-year			
<i>Items that may be realised through profit or loss</i>			
Foreign currency translation reserve movements		(3,125,467)	(10,200,250)
Total comprehensive income for the half-year attributable to the members of Firestone Energy Limited		(6,010,227)	(12,431,812)
Loss per share			
<i>Loss per share on loss from continuing operations attributable to the ordinary equity holders of the company</i>			
Basic loss per share (cents per share)		(0.09)	(0.08)

For JSE requirements, the Headline Earnings per Share ("HEPS") has been calculated to be the equivalent of the basic loss per share as displayed above.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	December 2012 \$	June 2012 \$
Current assets			
Cash and cash equivalents		164,683	169,475
Trade and other receivables		246,845	163,330
Other assets		-	112,250
Total current assets		<u>411,528</u>	<u>445,055</u>
Non-current assets			
Receivables		812,524	849,475
Property, plant and equipment		4,432,275	4,662,712
Interest in joint venture	6	<u>75,612,712</u>	<u>76,735,130</u>
Total non-current assets		<u>80,857,511</u>	<u>82,247,317</u>
Total assets		<u>81,269,039</u>	<u>82,692,372</u>
Current liabilities			
Trade and other payables		3,539,266	2,019,312
Borrowings	3	<u>26,269,190</u>	<u>20,629,267</u>
Total current liabilities		<u>29,808,456</u>	<u>22,648,579</u>
Non-current liabilities			
Borrowings	3	<u>2,680,287</u>	<u>5,330,870</u>
Total non-current liabilities		<u>2,680,287</u>	<u>5,330,870</u>
Total liabilities		<u>32,488,743</u>	<u>27,979,449</u>
Net assets		<u>48,780,296</u>	<u>54,712,923</u>
Equity			
Issued capital		76,380,048	76,380,048
Reserves		(10,669,730)	(7,621,863)
Accumulated losses		(16,930,022)	(14,045,262)
Total Equity		<u>48,780,296</u>	<u>54,712,923</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Half-Year Ended 31 December 2012

	Issued capital	Accumulated losses	Share-based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	76,380,048	(14,045,262)	4,193,895	(11,815,758)	54,712,923
Comprehensive income for the half-year					
Loss for the half-year	-	(2,884,760)	-	-	(2,884,760)
Foreign currency translation reserve	-	-	-	(3,125,467)	(3,125,467)
Total comprehensive income for the half-year	-	(2,884,760)	-	(3,125,467)	(6,010,227)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	77,600	-	77,600
Total transactions with owners	-	-	77,600	-	77,600
Balance at 31 December 2012	76,380,048	(16,930,022)	4,271,495	(14,941,225)	48,780,296

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) For the Half-Year Ended 31 December 2012

	Issued capital	Accumulated losses	Share-based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2011	73,135,309	(9,514,666)	4,081,645	(202,184)	67,500,104
Comprehensive income for the half-year					
Loss for the half-year	-	(2,231,562)	-	-	(2,231,562)
Foreign currency translation reserve	-	-	-	(10,200,250)	(10,200,250)
Total comprehensive income for the half-year	-	(2,231,562)	-	(10,200,250)	(12,431,812)
Transactions with owners in their capacity as owners:					
Issue of shares, net of transaction costs	1,966,962	-	-	-	1,966,962
Conversion of convertible notes	300,000	-	-	-	300,000
Total transactions with owners	2,266,962	-	-	-	2,266,962
Balance at 31 December 2011	75,402,271	(11,746,228)	4,081,645	(10,402,434)	57,335,254

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2012

CONSOLIDATED STATEMENT OF CASH FLOWS For the Half-Year Ended 31 December 2012

	December 2012 \$	December 2011 \$
Cash flows from operating activities		
Payments to suppliers and employees	(843,286)	(509,961)
Interest paid	(1,032)	(256,629)
Interest received	766	27,854
Net cash used in operating activities	(843,552)	(738,736)
Cash flows from investing activities		
Project expenditure – joint ventures	(1,209,406)	(1,038,795)
Payments to acquire fixed assets	-	(1,635)
Net cash used in investing activities	(1,209,406)	(1,040,430)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,966,962
Proceeds of borrowings	2,064,982	-
Transaction cost	(16,500)	-
Repayment of borrowings	-	(1,196,034)
Net cash from financing activities	2,048,482	770,928
Net decrease in cash and cash equivalents	(4,476)	(1,008,238)
Cash and cash equivalents at 1 July	169,475	1,892,188
Effect of exchange rate differences on the balance of cash held in foreign currencies	(316)	(314)
Cash and cash equivalents at 31 December	164,683	883,636

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2012

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the half-year reporting period ended 31 December 2012 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2012 and any public announcements made by Firestone Energy Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New accounting standards and interpretations

The Group adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012:

- AASB 101 *Presentation of Financial Statements* (amendment)

There have been no other new accounting standards, or amendments to standards, that would have any impact on the Group.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a loss after tax for the half-year ended 31 December 2012 of \$2,884,760 (2011 half-year: \$2,231,562) and experienced net cash outflows from operating activities of \$843,552 (2011 half-year: \$738,736). There is a working capital deficit at 31 December 2012 of \$29,396,928.

Subsequent to the end of the half-year, the first stage of completion of the Restated Investment Agreement between the Company, Ariona Company SA ("Ariona"), BBY Nominees Pty Ltd ("BBY") and Jaguar Funds Management Limited occurred on 5 February 2013. The Company issued \$27.145 million of new convertible notes to Ariona in consideration for:

- \$5 million in cash (less reimbursed costs) through the issue of new convertible notes; and
- The redemption and replacement of the \$21.3 million of existing convertible notes and accrued interest on those notes of \$845,000.

The holders of the existing convertible notes were issued with 241,145,620 fully paid ordinary shares in satisfaction of the balance of the interest which had accrued on the notes. 300 million options, with an expiry date of 31 January 2015 and an exercise price of \$0.025, were also issued to the former holders of the existing convertible notes.

194,674,462 fully paid ordinary shares were issued to extinguish the BBY finance facility.

Under the second stage of completion, Ariona will provide a further \$12.5 million for new convertible notes, which will be applied to working capital. Second Completion was scheduled to occur by 28 February 2013, however due to internal delays, this settlement is now due to occur on 28 March 2013.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2012

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (continued)

Going concern (continued)

As at the date of this report, the Group has approximately \$1.0 million in cash at bank, and has \$2.2 million available to draw down in the BBY standby credit facility which is available to the Group until June 2014. The Board is aware that it has payments for liabilities where the terms of payment have been negotiated to ensure that they are not payable until such time as the second stage of completion under the Ariona transaction has completed. These include trade creditors and the Sekoko loan facility. These will need to be repaid following the successful completion of the facility agreement. Further to this, the Company will also be required to raise additional funds through debt or equity should the decision be made to progress the Waterberg project to development.

The Board notes that these conditions indicate the existence of a material uncertainty in relation to going concern, and should the capital not be raised to repay these liabilities and progress the development of the project, the Group may be unable to realise its assets and discharge its liabilities in the ordinary course of business at the values stated in these financial statements.

	Half-year ended December 2012 \$	Half-year ended December 2011 \$
2. EXPENSES – FINANCE COSTS		
Interest expense	1,278,091	1,145,634
Amortisation of transaction costs	257,509	328,530
Total finance costs	<u>1,535,600</u>	<u>1,474,164</u>

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2012

3. BORROWINGS

	December 2012 \$	June 2012 \$
Current		
<i>Unsecured loans carried at amortised cost</i>		
Loan – Sekoko ¹	5,374,208	4,690,858
Loan – BBY ²	1,457,006	260,000
Loan – Ariona ³	867,976	-
 <i>Loans carried at amortised cost</i>		
Convertible note (carrying value) ⁴	18,570,000	15,678,409
	26,269,190	20,629,267
 Non-current		
<i>Loans carried at amortised cost</i>		
Convertible note (face value) ⁴	25,000,000	25,000,000
Conversions since inception	(3,700,000)	(3,700,000)
Transaction costs (convertible notes)	(49,713)	(290,721)
Amount reported as current	(18,570,000)	(15,678,409)
	2,680,287	5,330,870

1. Interest is charged at the South African prime rate (9%).
2. These funds were advanced under a short-term funding agreement with BBY Nominees Pty Ltd and will be repaid in shares, which will be issued at the lower of the 5 day volume weighted average price leading up to but not including the date of drawdown, or 90% of the closing bid price on the day prior to the drawdown date of the Company's ordinary shares quoted on the ASX. No value for this embedded derivative has been brought to account at 31 December 2012 as it is not material as at that date. Shares will not be issued pursuant to this facility if the issue would cause a note holder to hold more than 19.99% of the Company's shares. The Company is able to terminate the Agreement at no cost after six months, or at any other time upon payment of a cancellation fee of \$100,000. The Company must also meet various performance conditions. The loan does not attract interest. Subsequent to 31 December 2012, the loan was converted into shares. Refer to Note 9 for further details.
3. Working capital facility provided by Ariona Company SA on an interest-free basis. Subsequent to 31 December 2012, upon the first stage of completion of the Investment Agreement between the Company and Ariona, the facility was rolled into new convertible notes. Refer to Note 9 for further details.
4. The total draw down facility is \$25 million with a maturity date of 3 years from the date of issuing each note. The notes can be converted at any time before the maturity date and bear interest at a fixed rate of 10% per annum. The effective interest rate on the liability will also be 10%. For convertible notes issued prior to 13 July 2010 the conversion price is \$0.04. All notes issued subsequent to that date (\$8.2 million notes, of which \$3.7 million have been converted at 31 December 2012) have a conversion price set to the higher of \$0.02 or the 7.5% discount to the 5 day volume weighted average price. The notes commenced maturing in October 2012, but in accordance with the Investment Agreement, it was agreed that they would be rolled into new convertible notes. This occurred on 31 January 2013. Refer to Note 9 for further details.

4. DIVIDENDS

No dividend has been paid during or is recommended for the financial period ended 31 December 2012.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2012

5. COMMITMENTS AND CONTINGENCIES

There have been no significant changes to commitments or contingencies since 30 June 2012.

6. INTEREST IN JOINT VENTURE

The Company is a participant with Sekoko Coal (Pty) Ltd in a coal project in the Waterberg locality in South Africa comprising the Olieboomfontein and Vetleegte properties. The Joint Venture is unincorporated.

During the year ended 30 June 2011, an amendment was made to the existing Joint Venture Agreement (T1), to allow Checkered Flag Investments 2 (Pty) Ltd, a wholly owned subsidiary, to earn up to an interest of 60% in the T1 Joint Venture, in which it had a full participation at 30 June 2011.

In addition to T1, Lexshell 126 General Trading (Pty) Ltd ("Lexshell"), a wholly owned subsidiary, entered into two further Joint Venture agreements, T2 and T3. In September 2009 and February 2011, Firestone Energy Limited issued 868,176,563 (T2) and 200,000,000 (T3) shares, in consideration for Lexshell entering into the T2 and T3 transactions. These transactions were included in the financial statements at amounts of \$43,408,828 and \$5,400,000 respectively.

The issue of shares was consideration for entering into a second Joint Venture Agreement (T2) with Sekoko Coal (Pty) Ltd for a coal project in the Waterberg locality in South Africa, comprising the Smitspan, Hooikraal, Massenberg and Minnasvlakte properties. An addendum was later made to include additional properties Duikerfontein and Swanepoelpan (T3). At 30 June 2011 Firestone Energy Limited had completed its performance and was entitled to 60% in the project.

	Half-year ended Dec 2012	Year ended June 2012
	\$	\$
Opening balance	76,735,130	85,197,758
Additional project costs	1,957,355	2,833,305
Foreign exchange movements	(3,079,773)	(11,295,933)
Closing balance	75,612,712	76,735,130

7. SHARE-BASED PAYMENTS

40,000,000 unlisted 2 year options with an exercise price of 2.5 cents were issued to the Company's CEO, Mr David Knox, on 19 September 2012. The fair value of the options was estimated using a binomial model and the following assumptions:

Dividend yield (%)	Nil
Expected volatility (%)	100%
Risk-free interest rate (%)	3.00%
Expected life (years)	1.5
Exercise price (cents)	2.5
Share price at grant date (cents)	0.9

At 30 June 2012, \$112,250 deferred share-based payment expense relating to 25,000,000 options to be issued under a Share Subscription Agreement with BBY Nominees Pty Ltd was reported as a current asset. This amount was expensed during the half-year.

FIRESTONE ENERGY LIMITED
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Period Ended 31 December 2012

8. SEGMENT INFORMATION

Management has determined that the consolidated group has one reportable segment, being coal exploration in South Africa. As the Company is focused on mineral exploration, the Board monitors the consolidated group based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the consolidated group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Segment information provided to the Board:	December 2012 \$	December 2011 \$
Segment revenue from external sources	-	-
Reportable segment loss	(544,497)	(168,160)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

Total loss for reportable segment	(544,497)	(168,160)
<i>Unallocated:</i>		
Interest revenue	612	27,386
Other income	369	2,376
Occupancy costs	(13,800)	(13,800)
Legal fees	(266,763)	(176,456)
Administration costs	(216,949)	(133,685)
Directors' fees	(130,000)	(130,004)
Employee and consultant costs	(78,164)	(67,388)
Listing and share registry costs	(96,746)	(118,916)
Travel & accommodation	(16,703)	(54,779)
Share-based payments	(189,850)	-
Finance costs	(1,332,269)	(1,398,136)
Loss before income tax from continuing operations	(2,884,760)	(2,231,562)

	December 2012 \$	June 2012 \$
Reportable segment assets	79,985,891	81,307,190

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2012

9. SIGNIFICANT EVENTS OCCURRING AFTER BALANCE DATE

The first stage of completion of the Restated Investment Agreement between the Company, Ariona Company SA ("Ariona"), BBY Nominees Pty Ltd ("BBY") and Jaguar Funds Management Limited occurred on 5 February 2013.

The Company issued \$27.145 million of new convertible notes to Ariona in consideration for:

- \$5 million in cash (less reimbursed costs) through the issue of new convertible notes; and
- The redemption and replacement of the \$21.3 million of existing convertible notes and accrued interest on those notes of \$845,000.

The new convertible notes have a face value of \$1.00 per note, a term of 4 years and bear interest at 8%, payable six monthly. For the first 24 months, interest is payable in cash or capitalised, at the election of the Company. After the first 24 months, interest is payable in cash, or if the Company and the majority noteholder agree, can be capitalised. The notes are secured over the assets of the Company and its wholly owned subsidiaries that hold the interest in the Waterberg Coal Joint Venture Project. Conversion can occur at the election of the noteholder at any time prior to maturity date at \$0.025 per share. The Company has no obligation to convert the notes if it would result in the noteholder exceeding the takeover threshold of 20%.

The holders of the existing convertible notes were issued with 241,145,620 fully paid ordinary shares in satisfaction of the balance of the interest which had accrued on the notes. 300 million options, with an expiry date of 31 January 2015 and an exercise price of \$0.025, were also issued to the former holders of the existing convertible notes.

194,674,462 fully paid ordinary shares were issued to extinguish the BBY finance facility.

Under the second stage of completion, Ariona will provide a further \$12.5 million for new convertible notes, which will be applied to working capital. Second Completion is scheduled to occur by 28 February 2013.

In accordance with the Restated Investment Agreement, Ariona nominated and the Company appointed three persons to the board of the Company, namely Mr David Hillier, Mr Oren Zohar and Mr Jack Robert James.

With the exception of the above, there have been no matters or circumstances that have arisen since 31 December 2012 that have significantly affected, or may significantly affect:

- (i) The consolidated entity's operations in future financial years, or
- (ii) The results of those operations in future financial years, or
- (iii) The consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1. The consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Regulations 2001 and any other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year then ended on that date.
- 2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth this 8th day of March 2013.



.....
Timothy Tebeila
Chairman

8 March 2013

Firestone Energy Limited
The Board of Directors
Suite B9, 431 Roberts Road
Subiaco WA 6008

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF
FIRESTONE ENERGY LIMITED**

As lead auditor for the review of Firestone Energy Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, the only contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Firestone Energy Limited and the entities it controlled during the period.



Wayne Basford
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FIRESTONE ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Firestone Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Firestone Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Firestone Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Firestone Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half year financial statements which indicates that the group incurred a loss for the half year of \$2,884,760 and a net cash outflow from operating activities of \$843,552. These matters, along with the other matters set forth in Note 1 indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business at the values stated in the financial report.

BDO Audit (WA) Pty Ltd



Wayne Basford
Director

Perth, Western Australia
Dated this 8th day of March 2013