Firestone
ENERGY

ABN 71 058 436 794

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2009

CORPORATE DIRECTORY

DIRECTORS

John Dreyer
Non Executive Chairman

Non Executive Directors
Amanda Matthee
Colin McIntyre
Tim Tebeila
John Wallington

MANAGEMENT

Garth Higgo
Chief Executive Officer

Simon Storm
Company Secretary

REGISTERED OFFICE

Level 1, 63 Hay Street
SUBIACO WA 6008
Telephone: (08) 9381 2755
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STOCK EXCHANGE LISTING

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

ASX and JSE Code: FSE - ordinary shares

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 Kendalls Audit and Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008

CHIEF EXECUTIVE OFFICER'S REPORT

Firestone Energy Limited 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 and has entered into a joint venture with Sekoko Resources, a South African black empowerment company (BEE) and Sekoko has two directors on the Board of Firestone Energy.

An outline of the company's projects and operations follows:-

Olieboomsfontein 220LQ

Percussion drilling of the Olieboomsfontein property during the reporting period has intersected considerable thicknesses of coal including the preferred coal zones 5-11 close to surface. The drilling results at Olieboomsfontein are very encouraging and suggest there is considerable exploration potential to add to the Company's total coal inventory. On-going feasibility studies will include this resource upgrade and evaluate the likely improvements in project economics.

Vetleegte 304LQ

The Company announced that the recently completed diamond drilling of the Vetleegte property had resulted in a 24% increase in the resource to 629.3 Mt. The resource upgrade for the Vetleegte property represents a significant increase over the 508Mt resource announced on 18 June 2008 when the property acquisition was first announced, and provides greater confidence in the coal deposit and confirms the Company's view that the Waterberg project is capable of sustaining substantial, long term coal production.

Coal Resource Estimate Gross Tonnes In Situ			
	Inferred Mt	Indicated Mt	**Total Mt**
Vetleegte 304LQ	170.4	458.9	**629.3**

The resource has been estimated in accordance with the JORC code and is based on a 29 diamond drill hole programme of some 3,340m of advance; all holes intersected coal and have been utilised in the resource estimation. A breakdown of the resource by zone and category, and averaged coal qualities is provided below.

Further drilling has been planned with the objective to establish a coal resource to a measured category in those areas of the farm Vetleegte where the preferred coal zones 5-11 inclusive occur lying close to ground surface.

Resource Estimation:

Information in this report that relates to exploration results, coal resources or reserves relating to the property Vetleegte 304LQ is based on information compiled by Mr Dawie van Wyk who is employed by GeoCoal (Pty) Ltd and is a member of the South African Council for Natural Scientific Professions. Mr van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van Wyk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Operations update and BFS

The exploration work programme and mining work programme undertaken by Firestone's joint venture partner, Sekoko, are at an advanced stage. Sekoko has been granted mining approval from the South African Department of Mining and Energy (DME) to commence an initial small scale mining operation from the company's Waterberg coal project in South Africa..

Plans are well advanced for the Joint Venture to commence a small scale mining operation by the end of 2009, producing approximately 30,000 tonnes per month of thermal coal primarily for potential sale to state electricity provider, Eskom.

Sekoko had approached the Development Bank of South Africa (DBSA) for ZAR100 million funding for the small scale mining operation and the loan approval process is at an advanced stage. The selected mining area comprises a 4.5ha area of the Smitspan farm, with the full sequence of 11 coal zones and a shallow overburden (approximately 25 - 30 metres with a low strip ratio of 0.7:1).

The Joint Venture plans to mine approximately 60,000 tonnes per month of run-of-mine coal, which after washing will yield approx 30,000 tonnes per month of saleable product, of which about a quarter would be high calorific value, low-ash product and three-quarters would be suitable for use as power station feed. The commencement of the small mine is subject to successful feasibility study sign-off and offtake agreements.

The planned small scale mining operation will provide the Joint Venture partners with a starter pit for the large scale mining operation planned for commencement in 2011 and will be capable of producing a minimum of 18 million tonnes of saleable coal. As well as providing an early revenue stream, the works and activities associated with the starter pit will help fast track, and provide greater confidence in the BFS.

Becoming a producer will elevate the Company's standing with Government agencies, which will help in negotiating future off-take agreements and infrastructure access. The pre-stripping and infrastructure associated with the starter pit will help lay the ground work for the large scale mining operations. The additional knowledge acquired of the ore body will provide us with greater confidence in metallurgical performance

The Company is working on securing an off-take agreement with State-owned power producer Eskom to supply the power station, and have received expressions of interest from local merchants in Waterberg and surrounding areas to buy coal.

Northern Territory - Australia

The two exploration licenses (ELs 7810 and 10166) near Tennant Creek in the Northern Territory continue to be managed by Emmerson Resources Ltd, on behalf of the Company. The Company is currently reviewing all low value non-core assets which will yield no benefit to shareholders.

Corporate

Revised JV Agreement finalised over four farms

On 3 July 2009 the Company announced that it had agreed to revised commercial terms with Sekoko Coal (Pty) Ltd in respect of their second Agreement over the farms Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ, and Massenberg 305LQ. This followed a 12% increase in the coal resource tonnage from 995.9Bt to 1,122.8Bt of saleable coal after washing.

Coal Resource

The resource has been estimated in accordance with the SAMREC and JORC codes and the SANS 10320:2004 (South African National Standard) method of classification of thick inter-bedded coal deposits using some 136 boreholes of which 95 were recently drilled by Sekoko. All recent boreholes intersected coal and were logged and sampled by suitably qualified independent geologists. The recent borehole data, together with the historic data, have been used to create geological models and allow estimation of the coal resources. The total coal resource estimate based on the data available at June 2009 (Venmyn Rand) is tabled below whilst coal quality by resource category and farm is tabled at the end of this announcement.

Farm	GTIS Zone Tonnage[1] Total Mt	GTIS Coal Tonnage[2] Inferred Mt	GTIS Coal Tonnage[2] Indicated Mt	GTIS Coal Tonnage[2] Total Mt
Smitspan 306LQ	1,850.3	150.2	541.2	**691.4**
Hooikraal 315LQ	136.5	74.3	21.0	**95.3**
Minnasvlakte 258LQ	736.6	225.9	51.1	**277.0**
Massenberg 305LQ	187.6	45.0	14.1	**59.1**
TOTAL	**2,910.9**	**495.4**	**627.4**	**1,122.8**

[1] Waterberg coal typically occurs interlaminated with shale which for the most part cannot be mined separately from the coal and thus the zone gross in-situ tonnage is the tonnage of coal and shale.

[2]In the interest of balanced reporting it is the Company's intention to also report the gross in-situ tonnage of coal rather than the tonnage of coal and shale. In order to estimate the gross in-situ tonnage of coal in each zone, rather than the zone tonnage including the rock, each zone tonnage was discounted by the percent yield at a relative density of 1.9gm/cc (in effect removing the influence of the shale) to derive an estimate of the coal tonnage.

Information in this report that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ and Massenberg 305LQ is based on information compiled by Ms Catherine Telfer who is employed by Venmyn Rand (Pty) Ltd and is a member of The Australian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Ms Telfer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the

"Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Telfer consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Summary of revised Agreement

Under the terms of the revised Joint Venture Agreement, Firestone's wholly owned South African subsidiary, Lexshell 126 General Trading (Pty) Ltd , will establish a joint venture whereby Lexshell can earn an initial 30% interest in the Properties in consideration for:

- a reimbursement of expenses to Sekoko of up to ZAR32.99 million (approx A$5.1 million) which has been spent by Sekoko in the exploration and development of the Properties ;
- the issue to Sekoko of new shares in Firestone in the amount of ZAR293 million (approx A$43.4 million) at an issue price of A$0.05 per share, which amounts to approximately 868,176,563 Firestone shares; and
- following the approval of the Bankable Feasibility Study ("BFS") and decision to mine by the Management Board of the joint venture, a management fee of ZAR50 million (approx A$7.7 million) be paid to Sekoko (or its nominee) over a 7 year period from the date of commercial production.

Firestone can earn a further 30% interest (for a total of 60%) upon expenditure of ZAR50 million (approx A$7.7 million) to complete the BFS to a level enabling the establishment of a future commercial mining operation.

<u>Funding</u>

During the reporting period, the Company undertook a placement to raise A$2.07 million. The funds are intended to be used toward agreed funding commitments in relation to the transaction with Sekoko Coal (Pty) Ltd, which was announced in April 2009, and other working capital requirements.

Placement details:

- The purpose of the Placement was to raise A$2.07 million by way of the issue of 51,750,000 ordinary shares in the Company at A$0.04 per share (a premium of 18% to the closing price on 11 June 2009), plus one free attaching unlisted option for every two shares allotted. The 25,875,000 options are exercisable at 6 cents each and have an expiry date of 30 June 2014.
- The shares issued pursuant to the Placement carried standard rights applicable to ordinary shares in FSE and, from the date of issue, ranked equally with fully paid ordinary shares .
- The Placement was made to a range of investors without disclosure in accordance with section 708 of the Corporations Act 2001 (Cth).
- The Company did not seek shareholder approval prior to the issue of the shares and options, and relied on its 15% placement capacity under Listing Rule 7.1.

Furthermore, subsequent to year end the the Company received A$2.68 million of funding through loans from sophisticated and professional investors . Interest of 9% per annum is payable on the loans, which are repayable by 31 December 2009. The funds are intended to be used for progressing the Company's Waterberg Coal joint venture with Sekoko Coal (Pty) Ltd and for other short term working capital requirements. The lenders have agreed, subject to Firestone obtaining shareholder approval, to apply the proceeds of repayment of the Loans to subscribe for fully paid ordinary shares in Firestone at a price of $0.04 per share.

The Company has announced a successful A$25m capital raising for funding a full scale Bankable Feasibility Study for the Waterberg coal project and financial commitments due to JV partner Sekoko Coal Ltd. A term sheet for the underwriting of a $25m capital raising involving the issue of convertible notes with a conversion price of A$0.04 cents per share has been issued with BBY Limited to be the Underwriter to the entire issue.

<u>Board Restructure</u>

During the year, the Company announced the appointment of Messrs John Dreyer and John Wallington, both former Anglo American Group Mining Executives, to its Board as non-executive Directors. The appointments significantly strengthens the Company's Board in the areas of corporate strategy, governance and coal mine development and operations expertise as it moves forward on the Bankable Feasibility Study at its South African Waterberg coal project.

Subsequent to year end Mr Colin McIntyre was appointed to the board. He is an experienced and credentialed mining engineer, mining manager and company director, with 35 years experience in the mining industry.

In addition, three Non-Executive Directors, Messrs Lee Boyd, Malcolm Smartt, and Daryl Henthorn resigned from the Board.

Directors' Report

Your directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act, the directors report as follows:

1 DIRECTORS

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

MR JOHN DREYER (appointed 8 April 2009)
Non-Executive Chairman

John Dreyer, a lawyer by profession, has held a number of senior executive positions through his career including the position of Executive Director of Anglo Platinum, Business Development. In 2004 Mr. Dreyer retired from Anglo American Platinum and joined Pangea Diamond Fields as a director and shareholder. He was instrumental in the listing of that company on AIM (LSE). Prior to joining Anglo, Mr. Dreyer was Chief Executive Officer of Tavistock Coal and Managing Director of Shell South Africa. He is also a former Director of the Richards Bay Coal Terminal Company.

MS AMANDA MATTHEE (appointed 29 October 2008)
Non-Executive Director

Amanda Matthee is a Chartered Accountant (CA) and holds an Advance Executive Program Diploma from Unisa. She has over 20 years of corporate and business management experience; and serves as Financial Director of Sekoko Resources.

With more than 20 years of financial management experience in the defence technology and mining sectors, Ms Matthee has worked with many of the industry's leading companies. Before joining Sekoko in January 2007, she served as Executive and chief financial officer of Khusela Women Investments and prior to that she served on the Executive Committee of Harmony Gold Limited.

MR COLIN MCINTYRE (appointed 17 July 2009)
Non-Executive Director

Colin McIntyre is an experienced and credentialed mining engineer, mining manager and company director, with 35 years experience in the mining industry, including fourteen years with Western Mining Corporation.

Mr McIntyre previously held executive management positions with Western Mining Corporation, National Mine Management Pty Ltd and Macmahon Contractors (WA). He was previously non executive chairman of Tectonic Resouces Ltd and Perilya Ltd for 12 years and 2 years respectively.

He has had extensive operational experience in open pit and underground mining spread amongst several commodities, in addition to listed company board experience.

MR TIM TEBEILA (appointed 29 October 2008)
Non-Executive Director

Tim Tebeila is the founder and currently the Executive Chairman of Sekoko Resources. He is a mining entrepreneur with more than eight years of successful active involvement in exploring and developing mining projects. He is a former President of Limpopo's National Federated Chamber of Commerce (NAFCOC).

MR JOHN WALLINGTON (appointed 8 April 2009)
Non-Executive Director

John Wallington, a mining engineer by profession, is an experienced Mining Executive with a proven track record in delivering results and transforming global organizations. Mr. Wallington was previously the Global Chief Executive Officer (CEO) of Anglo Coal for 6 years; and in a career spanning 27 years, he has held a number of other senior positions at Anglo. While CEO of Anglo Coal, Mr. Wallington developed and implemented the Coal Division strategy, which integrated the vision and direction of the business unit with profit, safety, operational performance and strategic growth targets. He was a major player in bringing together the Black Empowerment transaction in 2007 that enabled Anglo Coal to meet its Transformation Targets.

Directors' Report

FORMER NON-EXECUTIVE DIRECTORS

MR MALCOLM SMARTT (resigned 14 April 2009)

Mal Smartt is a Corporate Consultant to listed and unlisted public companies. He is a qualified accountant and company secretary having had considerable experience in Directorial, Financial and Company Secretarial roles with a number of listed companies in the resource sector in Australia, South East Asia and Africa.

Directorships of other Listed Companies held in the last 3 years:

Gleneagle Mining Limited	Appointed 4 March 2008
Prosperity Resource Limited (PSP)	Resigned 23 October 2006
Argosy Minerals Inc (AGY)	Resigned 27 June 2007
Dolomatrix International Limited (DMX)	Resigned 30 November 2006

MR DARYL HENTHORN (resigned 12 June 2009)

Daryl Henthorn holds a Bachelor of Applied Science and has completed business studies at MBA Level. He is a Director of number private companies, sits on a compliance committee for a Responsible Entity and is a Member of the Australian Institute of Company Directors and the Australian Institute of Project Management.

MR LEE BOYD (resigned as Company Secretary 24 March 2009 and resigned as Director 12 June 2009)

Lee Boyd has considerable Directorial, Company Secretarial and Corporate Financial experience with a number of listed and unlisted public and private companies in the resources and industrial sectors. He is a CPA member of CPA Australia, a Fellow of Australian Institute of Company Directors and an Affiliate of Chartered Secretaries Australia.

Directorships of other Listed Companies held in the last 3 years

Gleneagle Mining Limited	Appointed 4 March 2008
GSF Corporation Limited	Appointed 12 July 2007
Australian Wine Holdings Limited	Appointed 24 October 2007
Hydrotech International Limited	Resigned 6 November 2007

COMPANY SECRETARY

MR SIMON STORM (appointed 24 March 2009)

Simon Storm is a Chartered Accountant with experience in accounting and management in mining and other industries. Mr Storm provides accounting, administration and company secretarial services to various companies in Australia and is currently company secretary for three other ASX listed entities and a director of two unlisted public companies.

2 DIRECTORS' MEETINGS

The number of directors meetings held and the number of meetings attended by each of the directors of the Company during the year to 30 June 2009 are:

	Meetings attended	Meetings held during time as Director
John Dreyer	7	8
Amanda Matthee	11	11
Colin McIntyre	-	-
Tim Tebeila	11	11
John Wallington	6	8
Lee Boyd	12	12
Daryl Henthorn	11	12
Malcolm Smartt	6	6

There are no Board committees therefore no committee meetings were held during the period.

Directors' Report

3 PRINCIPAL ACTIVITIES

The principal activities of the entities within the consolidated entity during the year were to continue to identify and evaluate potential mineral exploration and mining projects principally located in Africa.

4 OPERATING AND FINANCIAL REVIEW

An operating review of the consolidated entity for the financial year ended 30 June 2009 is set out in the Chief Executive Officers report.

Shareholder returns	**2009**	**2008**
Net loss attributable to equity holders of the parent	(1,316,064)	(2,186,998)
Basic EPS (loss) - cents	(0.12)	(0.003)

5 DIVIDENDS

There have been no dividends declared or paid during the period.

6 REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Firestone Energy Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Policy for determining remuneration

The board is responsible for determining the remuneration policy for all directors and company executives based upon the company's nature, scale and scope of operating requirements and any other factors which the board determines to be appropriate in determining said remuneration policy.

Short Term Cash Incentives

Key Management personnel are paid a fixed, cash amount plus any additional statutory superannuation requirements. The board has determined the current key management personnel remuneration as detailed in the below table. No short term cash incentives were provided to Key Management Personnel during the year

Other Payments

No other payments are due to key management personnel.

Long Term Benefits

Key management personnel currently have no right to termination or long term leave payments

Service contracts

The contract duration, period of notice, and termination conditions for key management personnel are as follows:

(i) Garth Higgo, Chief Executive Officer, is engaged through an Executive Employment Agreement expiring 25 November 2011. Termination by the Company is with 3 months notice or payment in lieu thereof. Termination by the Executive is with 3 months notice. •Remuneration - $400,000 per annum inclusive of superannuation. Options to be allocated (subject to the provisions of the Corporations Act and the Listing Rules and any approval of shareholders that may be required pursuant to the Corporations Act and the Listing Rules) are as follows:-

Directors' Report

No. of Options	Exercise Price	Vesting Date
10,000,000	2 times 30 day VWAP prior to the Commencement Date	6 months after Commencement Date
10,000,000	3 times the 30 day VWAP prior to the Commencement Date	12 months after Commencement Date
10,000,000	4 times the 30 day VWAP prior to the Commencement Date	18 months after Commencement Date
10,000,000	5 times the 30 day VWAP prior to the Commencement Date	24 months after Commencement Date

(ii) Simon Storm, Company Secretary and Chief Financial Officer, is engaged through a Consultancy Agreement with Dorado Corporate Services Pty Ltd, with no fixed date of expiry. Termination by the Company is with 3 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice. Consulting fees - $3,000 per month and an hourly rate of $150 (GST exclusive), should the number of hours exceed 20 hours per calendar month.

Post Employment Benefits

Key management personnel or other personnel do not receive retirement benefits in any form upon termination of their employment or service.

Performance Related Benefits

The company provides incentive and performance based payments/benefits related to the company's performance to key management personnel and details are shown at Note 18 of the Financial Statements. At a general meeting to be held on 9 September 2009 a resolution has been put to members to issue options over ordinary shares in the company to the Chief Executive Officer. These options are part of the employment conditions in the Executive Employment Agreement and are issued to incentivise the CEO of the company to achieve long term goals and increase shareholder wealth. There were no performance criteria attached to the options that were issued during this or the previous year.

Financial Performance of the Company

There is no relationship between the company's current remuneration policy for key management personnel and the company's performance.

Directors' and key management personnel remuneration, Company and consolidated

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named Company and key management personnel receiving the highest remuneration are set out below.

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options during the year. There were no options issued in the prior year.

Details of the nature and amount of each element of remuneration of each Key Management Personnel of Firestone Energy Limited are set out in the following tables:

		Short term employee benefits	Post employment benefits	Share based payments		
Directors		**Salary/Fees**	**Super**	**Share based payments**	**Value of shares**	**Total**
Specified Directors Non-Executive						
J Dreyer[1]	**2009**	**12,500**	**-**	**-**	**-**	**12,500**
	2008	-	-	-	-	-
A Matthee[2]	**2009**	**8,333**	**-**	**-**	**-**	**8,333**
	2008	-				-
C McIntyre[3]	**2009**	**-**	**-**	**-**	**-**	**-**
	2008	-	-	-	-	-
T Tebeila[2]	**2009**	**8,333**	**-**	**-**	**-**	**8,333**
	2008	-	-	-	-	-
J Wallington[1]	**2009**	**12,500**	**-**	**-**	**-**	**12,500**
	2008	-	-	-	-	-
L Boyd[4]	**2009**	**138,220**	**-**	**-**	**-**	**138,220**
	2008	117,738	4,500	370,000	-	492,238
D Henthorn[4]	**2009**	**62,604**	**-**	**-**	**-**	**62,604**
	2008	50,000	4,500	370,000	-	424,500
M Smartt[5]	**2009**	**133,161**	**15,134**	**-**	**-**	**148,295**
	2008	109,000	4,500	370,000		483,500
Total Specified Directors	**2009**	**375,651**	**15,134**	**-**	**-**	**390,785**
	2008	276,738	13,500	1,110,000	-	1,400,238
Executives						
G Higgo[6]	**2009**	**221,124**	**19,901**	**-**	**-**	**241,025**
	2008	-	-	-	-	-
S Storm[7]	**2009**	**28,575**	**-**	**-**	**-**	**28,575**
	2008	-	-	-	-	-
Total Executives	**2009**	**249,699**	**19,901**	**-**	**-**	**269,600**
	2008	-	-	-	-	-

Notes

1. Appointed - 8 April 2009
2. Appointed - 29 October 2008
3. Appointed - 17 July 2009
4. Resigned - 12 June 2009
5. Resigned - 14 April 2009
6. Appointed - 25 November 2008
7. Appointed - 24 March 2009

Share Based Remuneration

Under current Accounting Standards any share based remuneration must be valued and the most common method of valuation is Black Scholes model. Options carry no voting rights and each option is convertible into one ordinary share in the company. No options have been granted to Directors in the current year.

Equity Based Benefits

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the key management personnel of the Company are set out below. When exercisable each option is convertible into one ordinary share of the company. These options were issued in the 2008 financial year to incentivise the directors of the company to achieve long term goals and increase shareholder wealth.

The Company does not currently have an Employee Share Option Plan; however, the Company may choose to remunerate directors and executives by the grant of options in the future, subject to shareholder approval. The Board does not currently have a policy for removing the 'at risk' aspect of the financial instruments granted to executives.

Equity based payments table (no options were granted to Directors in 2009)

Directors' Report

Name	Number of Options granted during the period	Number of Options vested during the period	Number of Options exercised during the period	% of remuneration vested	% of Options granted that were forfeited during the Period
	2008	**2008**	**2008**	**2008**	**2008**
Lee Boyd	10,000,000	10,000,000	-	100%	Nil
Daryl Henthorn	10,000,000	10,000,000	-	100%	Nil
Malcolm Smartt	10,000,000	10,000,000	-	100%	Nil
TOTAL	**30,000,000**	**30,000,000**	**-**	**100%**	**Nil**

The options were granted on 30 November 2007 for no consideration, and all options vest immediately in the year of issue. The fair value at grant date of options granted to the individuals is allocated over the period from grant date to vesting date and the amount is included in the remuneration tables above. The fair value has been determined as $0.037 using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date (shares were not quoted on ASX on the date options were granted so the exercise price was used) and expected price volatility (40%) of the underlying share and a risk free interest rate (5.79%) for the term of the option. Vested options are exercisable at 5 cents at any time prior to expiry at 5.00pm on 30 November 2012.

Additional Information (audited)

Further details relating to options are set out below (no options were granted to Directors in 2009):

2008

Name	A Remuneration consisting of options	B Value at grant date	C Value at exercise date	D Value at lapse date	E Total of Columns B - D
	2008	**2008**	**2008**	**2008**	**2008**
Lee Boyd	75.16%	$370,000	-	-	$370,000
Daryl Henthorn	87.16%	$370,000	-	-	$370,000
Malcolm Smartt	76.52%	$370,000	-	-	$370,000

A = The percentage of the value of remuneration consisting of options, based on the value of the options at issue date.
B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the period as part of remuneration.
C = The value at exercise date of options granted during the period which were exercised during the period.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the period.

This is the end of the audited Remuneration Report.

7 LIKELY DEVELOPMENTS

Disclosure of any further information in relation to further developments has not been included in this Directors' Report because, in the opinion of the Directors, to do so would be speculative and not in the best interests of the Company

8 ENVIRONMENTAL REGULATION

The consolidated entity is not currently subject to any significant environmental legislation.

9 DIRECTORS' INTERESTS

The following relevant interests in shares and options of the company were held by the directors as at the date of this report.

Director	Number of fully paid ordinary shares	Unlisted options
J Dreyer	-	-
A Matthee	-	-
C McIntyre	27,075,000	3,125,000
T Tebeila	165,000,000	88,000,000
J Wallington	-	-

10 INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the directors and officers of the Company against all liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and it's controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

11 NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 20 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

12 PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave under section 237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of the company.

13 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is attached to the auditor's report and forms part of this directors' report.

14 SUBSEQUENT EVENTS

Subsequent to year end:-

(a) the Company announced it had finalised another JV agreement with Sekoko Coal (Pty) Ltd, a wholly owned subsidiary of Sekoko Resources (Pty) Ltd ("Sekoko Resources"), to acquire an interest in and to farm into a Prospecting Right for coal over the farms Minnasvlakte, Smitspan, Massenberg and Hooikraal ("the Projects"). Under the terms and conditions of the JV, Firestone will acquire an initial 30% interest in the Projects in consideration for:

- the issue to Sekoko of new shares in Firestone in the amount of ZAR293 million (approximately A$43.4 million) at a deemed issue price of A$0.05 per share, which amounts to approximately 868,176,563 Firestone shares (the subject of this Resolution 9);

- the reimbursement of expenditure of an amount not more than ZAR32.99 million (approximately A$5.1 million) which has been spent by Sekoko in the exploration and development of the properties. Of this ZAR675,000 (A$100,000) had been paid at year end and ZAR3,375,000 (A$548,281) was paid during July 2009; and
- following the approval of the Bankable Feasibility Study ("BFS") and decision to mine by the Management Board of the joint venture, a management fee of ZAR50 million (approximately A$7.7 million) be paid to Sekoko (or its nominee) over a 7 year period from the date of commercial production.

This transaction was approved at a general meeting of shareholders held on 9 September 2009.

The Group can earn a further 30% interest (for a total of 60%) upon expenditure of ZAR50 million (approximately A$7.7 million) to complete the BFS to a level enabling the establishment of a future commercial mining operation.

Firestone, via its wholly owned South African subsidiary company Lexshell, will have management control of all JV planning and expenditure.

Upon finalisation of this transaction, pursuant to a mandate entered into between the Company and River Group on 26 September 2008, a success fee of A$1,250,000 becomes payable in either cash or through the issue of shares, the latter being issued at the same price as that which applies in settlement of the transaction, which is A$0.05. The Company has resolved to settle this through the issue of ordinary shares in the Company.

(b) the Company received A$2.68 million of funding through loans from sophisticated and professional investors. Interest of 9% per annum is payable on the loans, which are repayable by 31 December 2009.

The funds are intended to be used for progressing the Company's Waterberg Coal joint venture with Sekoko Coal (Pty) Ltd and for other short term working capital requirements.

Following the granting of shareholder approval under Listing Rule 7.1 for the issue of the new shares at the general meeting held on 9 September 2009 at $A0.04, the $2.68 million convertible have been converted into 67 million ordinary shares at the conversion price of $0.04 on 16 September 2009.

(c) the Company has announced on 11 September 2009 a A$25m capital raising for funding a full scale Bankable Feasibility Study for the Waterberg coal project and financial commitments due to JV partner Sekoko Coal Ltd. A term sheet for the underwriting of a $25m capital raising involving the issue of convertible notes with a conversion price of A$0.04 cents per share has been issued, with BBY Limited to be the Underwriter to the entire issue.

(d) The Company has received a conversion notice with respect to the convertible note deed entered into and announced to the market on 11 May 2009. The face value plus accrued interest being converted is $545,000 and the conversion price calculated in accordance with the terms of the deed is A$0.03592. The number of ordinary shares issued on 16 September 2009 in respect of this was 15,172,606.

Other than this there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

Signed in accordance with a resolution of the directors.

John Dreyer
Director

Perth
Western Australia
30 September 2009

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Revenue	2	**55,667**	-	**55,667**	100,181
Accounting fees		**(33,803)**	-	**(33,803)**	(54,661)
Administration expenses		**(25,133)**	-	**(25,133)**	(91,271)
African project costs		**-**	-	**-**	(222,531)
ASX fees and share registry expenses		**(122,629)**	-	**(122,629)**	(176,759)
Directors' fees		**(164,705)**	-	**(164,705)**	(111,909)
Foreign exchange loss		**(9,921)**		**(9,921)**	-
Employee and consultant expenses		**(550,336)**	-	**(550,336)**	(186,258)
Interest expenses		**(35,466)**		**(35,466)**	
Legal and professional fees		**(202,447)**	-	**(202,447)**	(65,037)
Occupancy costs		**(108,603)**	-	**(108,603)**	(135,201)
Other project costs		**-**	-	**-**	(19,351)
Share based payments		**(11,645)**	-	**(11,645)**	(1,110,000)
Travel and accommodation		**(107,043)**	-	**(107,043)**	(114,201)
Loss before income tax expense		**(1,316,064)**	-	**(1,316,064)**	(2,186,998)
Income tax expense	3	**-**	-	**-**	-
Loss attributable to members of the parent entity		**(1,316,064)**	-	**(1,316,064)**	(2,186,998)
Basic and diluted loss per share (cents)	4	**(0.12)**	-		(0.004)

The income statement is to be read in conjunction with the notes to the financial statements.

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	6	1,870,754	-	1,870,754	2,169,804
Trade and other receivables	7	30,047	-	30,047	107,145
Total Current Assets		1,900,801	-	1,900,801	2,276,949
NON-CURRENT ASSETS					
Receivables	7	179,649	-	12,236,351	210,758
Interest in joint venture	8	19,645,502	-	-	-
Other financial assets	9	-	-	5,893,529	-
Plant & equipment	10	30,454	-	30,454	75,307
Total Non-Current Assets		19,855,605	-	18,160,334	286,065
TOTAL ASSETS		21,756,406	-	20,061,135	2,563,014
CURRENT LIABILITIES					
Trade and other payables	11	1,914,532	-	1,914,532	451,526
Borrowings	12	100,000	-	100,000	-
Total Current Liabilities		2,014,532	-	2,014,532	451,526
NON-CURRENT LIABILITIES					
Borrowings	12	500,000	-	500,000	-
		500,000	-	500,000	-
TOTAL LIABILITIES		2,514,532	-	2,514,532	451,526
NET ASSETS		19,241,874	-	17,546,603	2,111,488
EQUITY					
Issued capital	13	14,781,022	-	14,781,022	57,819,281
Reserves	14	5,776,916	-	4,081,645	2,590,000
Accumulated losses	15	(1,316,064)	-	(1,316,064)	(58,297,793)
TOTAL EQUITY		19,241,874	-	17,546,603	2,111,488

The balance sheet is to be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash Flows from Operating Activities					
Payments to suppliers and employees		**(1,360,194)**	-	**(1,360,194)**	(1,070,455)
Interest received		**41,818**	-	**41,818**	100,181
Net cash used in operating activities	**6**	**(1,318,376)**	-	**(1,318,376)**	(970,274)
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		**(21,436)**	-	**(21,436)**	(49,498)
Proceeds on sale of property, plant and equipment		**58,205**	-	**58,205**	-
Expenditure to acquire joint venture interest		**(3,721,019)**	-	**-**	-
Loans to controlled entities		**-**	-	**(3,721,019)**	-
Loans repaid		**106,497**	-	**106,497**	-
Net cash used in investing activities		**(3,577,753)**	**-**	**(3,577,753)**	(49,498)
Cash Flows from Financing Activities					
Proceeds from issue of shares, net of issue costs		**4,007,000**	-	**4,007,000**	2,062,500
Proceeds from borrowings		**600,000**	-	**600,000**	-
Net cash provided by financing activities		**4,607,000**	-	**4,607,000**	2,062,500
Net (decrease)/ increase in cash held		**(289,129)**	-	**(289,129)**	1,042,728
Cash at the beginning of the financial year		**2,169,804**	-	**2,169,804**	1,127,076
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(9,921)**	-	**(9,921)**	-
Cash at the end of the financial year		**1,870,754**	-	**1,870,754**	2,169,804

The statements of cash flows are to be read in conjunction with the notes to the financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Group	Ordinary Shares	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2008	**57,819,281**	**(58,297,793)**	**2,590,000**	**-**	**2,111,488**
Net loss for the year	**-**	**(1,316,064)**	**-**	**-**	**(1,316,064)**
Total recognised income and expense for the year	**-**	**(1,316,064)**	**-**	**-**	**(1,316,064)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year, net of costs	**15,259,534**	**-**	**-**	**-**	**15,259,534**
Options issued during the year	**-**	**-**	**1,491,645**	**-**	**1,491,645**
Reduction of Capital /accumulated losses	**(58,297,793)**	**58,297,793**			**-**
Net exchange differences on translation of the financial reports of foreign subsidiaries		**-**	**-**	**1,695,271**	**1,695,271**
Balance at 30 June 2009	**14,781,022**	**(1,316,064)**	**4,081,645**	**1,695,271**	**19,241,874**

Parent	Ordinary Shares	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total
	$	$	$		$
Balance at 1 July 2007	55,756,781	(56,110,795)	1,480,000	-	1,125,986
Loss attributable to members of the parent entity	-	(2,186,998)	-	-	(2,186,998)
Total recognised income and expense for the year	-	(58,297,793)	-	-	(1,061,012)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares on option conversion	2,062,500	-	-	-	2,062,500
Equity based payments	-	-	1,110,000	-	1,110,000
Balance at 30 June 2008	57,819,281	(58,297,793)	2,590,000	-	2,111,488
Balance at 1 July 2008	**57,819,281**	**(58,297,793)**	**2,590,000**	**-**	**2,111,488**
Loss attributable to members of the parent entity	**-**	**(1,316,064)**	**-**	**-**	**(1,316,064)**
Total recognised income and expense for the year	**-**	**(1,316,064)**	**-**	**-**	**(1,316,064)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year, net of costs	**15,259,534**	**-**	**-**	**-**	**15,259,534**
Options issued during the year	**-**	**-**	**1,491,645**	**-**	**1,491,645**
Reduction of Capital /accumulated losses	**(58,297,793)**	**58,297,793**	**-**	**-**	**-**
Balance at 30 June 2009	**14,781,022**	**(1,316,064)**	**4,081,645**	**-**	**17,546,603**

The statement of changes in equity are to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars, which is the functional currency of the parent.

The company is a listed public company, incorporated in Australia and operating in Australia and South Africa. The entity's principal activities are mineral exploration and subsequent development.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2009.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Firestone Energy Ltd (the Company) and its subsidiaries (the Group) as at 30 June each year.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Firestone Energy Ltd.

(e) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Recoverability of interest in joint venture

The Group considers the interest in the joint venture asset is recoverable and has not been impaired on the basis that the underlying asset will be successfully commercialised.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees and consultants and shares issued in consideration for business combinations by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, using the assumptions detailed in Note 16.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

(h) Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures are jointly brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(i) Investment in joint venture

Investment in a joint venture entity is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, the investment in the joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group’s share of net assets of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group’s net investment in the joint venture.

The Group's share of the joint venture post-acquisition profits or losses are recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The reporting dates of the joint venture and the Group are identical and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(j) Mineral Exploration and Evaluation and Development Expenditure

The Company has adopted the policy of capitalising the costs of purchasing its mining tenements and expensing all exploration and evaluation expenditure in relation to its mineral tenements as incurred.

Where the Directors decide to progress the development in an area of interest all further expenditure incurred relating to the area will be capitalised. The projects will be advanced to development status and classified as mining properties when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest. Such expenditure is carried forward up to commencement of production at which time it is amortised over the life of the economically recoverable reserves.

All projects are subject to detailed review on an annual basis and accumulated costs written off to the extent that they will not be recoverable in the future.

(k) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company will include the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciation amount of all fixed assets including building and capitalised lease assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rate used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Furniture & Equipment	4 years
Software	3 years
Leasehold Improvements	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(l) Impairment of Assets

At each reporting date, the Company reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(m) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(n) Financial Instruments

At present, the Company does not undertake any hedging or deal in derivative instruments.

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets, except for those maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in trade and other receivables (note 7) and receivables (note 7).

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Any impairment losses are taken to the profit and loss account.

(o) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Company has passed control of the goods or other assets to the buyer.

Interest income is recognised when it is credited by the relevant financial institution.

(p) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any loss of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares..

(r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) or consultants of the Group in the form of share-based payments, whereby employees or consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees or consultants is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model for options or market price for ordinary shares or the fair value of the services received.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Firestone Energy Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(v) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(w) Foreign currency translation

Both the functional and presentation currency of Firestone Energy Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Checkered Flag Investments 2 (Pty) Ltd and Lexshell 126 General Trading (Pty) Ltd is South African Rand (ZAR). As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Firestone Energy Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.
The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(x) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. REVENUE AND EXPENSES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(a) Revenue				
Interest received	**55,667**	-	**55,667**	100,181
	55,667	-	**55,667**	100,181

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
The loss before income tax has been determined after:				
(b) Expenses				
Depreciation of non-current assets	**8,083**	-	**8,083**	14,510
Superannuation contributions	**59,686**	-	**59,686**	13,500

3. INCOME TAX EXPENSE

(a) Income tax recognised in profit

No income tax is payable by the parent or consolidated entities as they recorded losses for income tax purposes for the year.

(b) Numerical reconciliation between income tax expense and the loss before income tax.

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Accounting loss before tax	**(1,316,064)**	-	**(1,316,064)**	(2,186,998)
Income tax benefit at 30% (2008:30%)	**394,819**	-	**394,819**	656,099
Non-deductible expenses:				
Foreign tax rate adjustment	**-**	-	**-**	-
Foreign exchange loss	**(2,976)**	-	**(2,976)**	-
Share based payment	**(3,494)**	-	**(3,494)**	(333,000)
Other non deductible expenses	**(920)**	-	**(920)**	(8)
Unrecognised tax losses	**(387,429)**	-	**(387,429)**	(323,091)
Income tax benefit attributable to loss from ordinary activities before tax	**-**	-	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the Company - revenue	**10,300,060**	-	**10,300,060**	5,971,769
Potential tax benefit at 30%	**3,090,018**	-	**3,090,018**	1,791,531
Deferred tax liability not recognised				
Deferred expenditure on African projects	**(922,617)**	-	**(922,617)**	-
Deferred tax asset asset not recognised				
Amounts recognised in profit & loss				
-employee provisions	**3,046**	-	**3,046**	-
-other	**15,500**	-	**15,500**	-
Net unrecognised deferred tax asset at 30%	**2,185,947**	-	**2,185,947**	1,791,531

4. LOSS PER SHARE

	Consolidated Group and Parent	
	2009 Cents	**2008 Cents**
Basic loss per share (cents per share)	**(0.12)**	**(0.004)**

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Loss for the year	**(1,316,064)**	(2,186,998)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	**1,112,280,531**	603,699,207

Diluted loss per share
There is no dilution of shares due to options as the potential ordinary shares are not dilutive and are therefore not included in the calculation of diluted loss per share

5. SEGMENT INFORMATION

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment, exploration expenditure capitalised net of accumulated depreciation and amortisation. While most such assets can be directly attributed to to individual segments , the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

Geographical Segments

The consolidated entity's head office is located in Australia, with exploration work carried out in South Africa.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Primary Reporting- Business Segments

The consolidated entity currently operates primarily within the coal exploration sector.

Secondary Reporting – Geographical Segments

	Segment Revenues from External Customers		Segment Liabilities		Carrying Amount of Segment Assets		Acquisitions of Non Current Segment Assets	
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
Geographical location								
Australia	**-**	-	**2,514,532**	451,526	**240,150**	393,210	**21,436**	49,498
South Africa	**-**	-	**-**	-	**19,645,502**	-	**19,645,502**	**-**
Unallocated Segment	**55,667**	100,181	**-**	-	**1,870,754**	2,169,804	-	-
	55,667	100,181	**2,514,532**	451,526	**21,756,406**	2,563,014	**19,666,938**	49,498

6. CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank	**1,870,754**	-	**1,870,754**	2,169,804
	1,870,754	-	**1,870,754**	2,169,804

Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
(i) Reconcilation to Cash Flow Statement				
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank.				
Cash and cash equivalents as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	**1,870,754**	-	**1,870,754**	2,169,804

(ii) Reconciliation of loss after income tax to net cash flows from operating activities:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Loss after income tax	**(1,316,064)**	-	**(1,316,064)**	(2,186,998)
Depreciation	**8,083**		**8,083**	14,510
Share based payment	**11,645**	-	**11,645**	1,110,000
Past period investment write off	**-**	-	**-**	19,352
Foreign exchange loss	**9,921**	-	**9,921**	-
	(1,286,415)	-	**(1,286,415)**	(1,043,136)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries:				
(Increase)/decrease in trade and other receivables	**(21,119)**	-	**(21,119)**	(114,498)
(Decrease)/Increase in trade and other payables	**(26,505)**	-	**(26,505)**	363,560
(Decrease)/Increase in employee benefits	**15,663**	-	**15,663**	-
(Increase)/decrease in capitalised expenditure	**-**	-	**-**	(176,200)
Net cash outflow from operating activities	**(1,318,376)**	-	**(1,318,376)**	(970,274)

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

(iii) Business Combination

On 18th September 2008, FSE acquired all the issued shares in Checkered Flag Investments 2 (Pty) Ltd, a South African exploration company, for a consideration of 180,000,000 fully paid ordinary shares, 90,000,000 options with an expiry of 30 June 2013, and a payment of up to USD 150,000.

Details of net assets acquired are as follows:

Purchase consideration

Issue 180,000,000 fully paid ordinary shares at market value	**5,040,000**
Issue 90,000,000 options	**666,000**
Accrued expense reimbursement	**187,500**
Total purchase consideration	**5,893,500**
Fair value of net identifiable assets acquired (refer below)	**5,893,500**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The options were valued using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	**0.06**
Weighted average life of the option	**4.589 years**
Underlying share price	**0.025**
Expected share price volatility	**60.0%**
Risk free interest rate	**5.79%**
Fair value per option	**$0.0074**

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
	$	$
Cash and cash equivalents	16	16
Option to acquire interest in JV Net identifiable assets acquired	-	5,893,484
	16	5,893,500

The acquired business contributed revenues of $ nil and net profit of $ nil to the group for the period from 19 September 2008 to 30 June 2009. Had the Company owned the subsidiary for the full year, consolidated revenue and consolidated loss for the year ended 30 June 2009 would have been $ nil and $1,316,064 respectively.

7. TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Current				
Trade receivables	**13,564**	-	**13,564**	106,496
GST recoverable	**16,483**	-	**16,483**	649
	30,047	-	**30,047**	107,145

The average credit period on sales of goods and rendering of services is 30-90 days. No interest is charged.

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
Non-Current				
Amount receivable from controlled entity	**-**	-	**12,056,702**	-
Security bond	**34,758**	-	**34,758**	34,758
Deferred project costs	**144,891**	-	**144,891**	176,000
	179,649	-	**12,236,351**	210,758

As at 30 June 2009 current trade debtors of the company were$13,564 (2008:$106,496) and were not impaired as management is confident that these amounts will be recovered.

The ageing of these receivables is as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2009 $	2008 $	2009 $	2008 $
1 to 3 months	-	-	-	106,496
3 to 6 months	-	-	-	-
Over 6 months	13,564	-	13,564	-

Maturity of Security Bonds

a) Lease # 1	$26,758	30 April 2010
b) Lease # 2	$ 8,000	21 February 2010

8. INTEREST IN JOINT VENTURE

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Interest in joint venture operation	**19,645,502**	-	**-**	-

At 30 June 2009, the Company had entered into a Joint Venture Agreement with Sekoko Coal (Pty) Ltd for a coal project in the Waterberg locality in South Africa comprising the Olieboomsfontein and Vetleegte properties. The participation interest is that Checkered Flag (a wholly owned subsidiary) has a total holding of 30% in the projects relating to this joint venture.

9. OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Non-Current				
Investments carried at cost:				
Investments in subsidiaries	**-**	-	**5,893,529**	-

(b) Subsidiaries of Firestone Energy Limited are set out below:

	Place of Incorporation	Equity holding		Carrying Value of Parent Entity's Investment	
		2009 %	2008 %	2009 $	2008 $
Parent Entity:					
Firestone Energy Limited	Australia				
Controlled Entities:-					
Checkered Flag Investments 2 (Pty) Ltd	South Africa	**100**	-	**5,893,514**	-
Lexshell 126 General Trading (Pty) Ltd	South Africa	**100**	-	**15**	-
				5,893,529	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Office furniture and equipment				
Cost	**41,591**	-	**41,591**	84,256
Accumulated depreciation	**(11,137)**	-	**(11,137)**	(14,538)
	30,454	-	**30,454**	69,718
Leashold improvements				
Cost	**-**	-	**-**	6,091
Accumulated depreciation	**-**	-	**-**	(502)
	-	-	**-**	5,589
Total Plant and Equipment	**30,454**	-	**30,454**	75,307

Movements in the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial period is as set out below:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
Office furniture and equipment	$	$	$	$
Balance at the beginning of year	**69,718**	-	**69,718**	40,319
Additions	**21,436**	-	**21,436**	43,407
Depreciation expense	**(8,083)**	-	**(8,083)**	(14,008)
Disposals	**(52,617)**	-	**(52,617)**	-
Carrying amount at the end of the year	**30,454**	-	**30,454**	69,718
Leasehold improvements				
Balance at the beginning of year	**5,589**	-	**5,589**	-
Additions	**-**	-	**-**	6,091
Depreciation expense	**-**	-	**-**	(502)
Disposals	**(5,589)**		**(5,589)**	-
Carrying amount at the end of the year	**-**	-	**-**	5,589

11. TRADE, OTHER PAYABLES AND PROVISIONS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade payables	**525,077**	-	**525,077**	441,098
Employee entitlements	**10,153**	-	**10,153**	10,428
Accruals	**1,363,364**	-	**1,363,364**	-
GST payable	**-**	-	**-**	-
Other payables	**15,938**	-	**15,938**	-
	1,914,532	-	**1,914,532**	451,526

Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. INTEREST-BEARING LOANS AND BORROWINGS

		Consolidated Group		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
Current	Maturity				
Loans carried at amortised cost					
Unsecured loans(1)	10-Sep-09	**100,000**	-	**100,000**	-
Non-Current					
Loans carried at amortised cost					
Convertible note(2)	18-Mar-11	**500,000**	-	**500,000**	-

Note 1 – Interest at 15%.

Note 2 - Interest at 15%. Convertible at greater of 80% of the 14 day VWAP prior to conversion and 1 cent per share. Secured by negative pledge and fixed and floating charge over the assets of the company.

13. ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
1,354,951,295 (2008: 709,208,879) fully paid ordinary shares	**14,781,022**	-	**14,781,022**	57,819,281

	Consolidated Group		Parent Entity	
(i) Ordinary shares - number	2009 No.	2008 No.	2009 No.	2008 No.
At start of period	**709,208,879**	-	**709,208,879**	502,958,879
Options converted at 1 cent	**-**	-	**-**	206,250,000
Options converted 11 Jul 2008 at 1 cent	**24,000,000**	-	**24,000,000**	-
Options converted 13 Aug 2008 at 1 cent	**67,500,000**	-	**67,500,000**	-
Issue to Sekoko 29 Oct 2008 at 2.8 cents	**220,000,000**	-	**220,000,000**	-
Issue for Checkered Flag acquisition 29 Oct 2008 at 2.8 cents	**180,000,000**	-	**180,000,000**	-
Options converted 19 Nov 2008 at 1 cent	**49,750,000**	-	**49,750,000**	-
Issue to consultant 23 Nov 2008 at 2.8 cents	**4,833,325**	-	**4,833,325**	-
Placement for working capital 23 Dec 09 at 1.1 cents	**22,727,273**	-	**22,727,273**	-
Placement for working capital 24 Feb 09 at 1.1 cents	**22,681,818**	-	**22,681,818**	-
Options exercised 4 May 2009 at 1 cent	**1,250,000**	-	**1,250,000**	-
Options exercised 19 May 2009 at 1 cent	**1,250,000**	-	**1,250,000**	-
Placement for working capital 16 Jun 09 at 4 cents	**45,500,000**	-	**45,500,000**	-
Placement for working capital 30 Jun 09 at 4 cents	**6,250,000**	-	**6,250,000**	-
Balance at 30 June	**1,354,951,295**	**-**	**1,354,951,295**	709,208,879

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
(ii) Ordinary shares – value	$	$	$	$
At start of period	**57,819,281**	-	**57,819,281**	55,756,781
Options converted at 1 cent	**-**	-	**-**	2,062,500
Options converted 11 Jul 2008 at 1 cent	**240,000**	-	**240,000**	-
Options converted 13 Aug 2008 at 1 cent	**675,000**	-	**675,000**	-
Issue to Sekoko 29 Oct 2008 at 2.8 cents	**6,160,000**	-	**6,160,000**	-
Issue for Checkered Flag acquisition 29 Oct 2008 at 2.8 cents	**5,040,000**	-	**5,040,000**	-
Options converted 19 Nov 2008 at 1 cent	**497,500**	-	**497,500**	-
Issue to consultant 23 Nov 2008 at 2.8 cents	**135,334**	-	**135,334**	-
Placement for working capital 23 Dec 09 at 1.1 cents	**250,000**	-	**250,000**	-
Reduction of capital	**(58,297,793)**	-	**(58,297,793)**	-
Placement for working capital 24 Feb 09 at 1.1 cents	**249,500**	-	**249,500**	-
Options exercised 4 May 2009 at 1 cent	**12,500**	-	**12,500**	-
Options exercised 19 May 2009 at 1 cent	**12,500**	-	**12,500**	-
Placement for working capital 16 Jun 09 at 4 cents	**1,820,000**	-	**1,820,000**	-
Placement for working capital 30 Jun 09 at 4 cents	**250,000**	-	**250,000**	-
Less: Share issue costs	**(82,800)**	-	**(82,800)**	-
Balance at 30 June	**14,781,022**	-	**14,781,022**	57,819,281

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Unlisted Options

Unissued ordinary shares of the Company under option are as follows:

Number under option	Expiry date	Exercise price of option
30,000,000	30-Nov-12	$0.05
110,000,000	31-May-13	$0.06
96,904,767	30-Jun-13	$0.06

No option holder has any right under the options to participate in any other share issue of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. RESERVES

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Reserves	**5,776,916**	-	**4,081,645**	2,590,000

Reserves comprise the following:

Share based payment reserve

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
Options - number	**No.**	**No.**	**No.**	**No.**
At start of period	**384,000,000**	350,000,000	**384,000,000**	350,000,000
Options issued	**-**	34,000,000	**-**	34,000,000
Options issued in consideration for project purchase	**90,000,000**	-	**90,000,000**	-
Options issued in consideration for consulting services	**6,904,767**	-	**6,904,767**	-
Balance at 30 June	**480,904,767**	384,000,000	**480,904,767**	384,000,000

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
Options - value	**$**	$	**$**	$
At start of period	**2,590,000**	-	**2,590,000**	1,480,000
Options issued	**-**	-	**-**	1,110,000
Options issued in consideration for project purchase	1,480,000	-	1,480,000	-
Options issued in consideration for consulting services	11,645	-	11,645	-
Balance at 30 June	**4,081,645**	-	**4,081,645**	2,590,000

Foreign Currency Translation Reserve

At start of period	**-**	-	**-**	-
Currency translation differences	**1,695,271**	-	**-**	-
Balance at 30 June	**1,695,271**	-	**-**	-

Nature and purpose of reserves

Share based payments reserve
This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 11 for further details.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation balances of foreign subsidiaries.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

(i) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Gearing levels are reviewed by the Board on a regular basis after factoring in the cost of capital and the risks associated with each class of capital.

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(ii) Financial risk management objectives

The Group's activities may expose it to a variety of financial risks in the future: market risk (including currency risk and cash flow risk), credit risk and liquidity risk. The Consolidated entity's overall risk management program does focus on the unpredictability of the financial markets and seek to minimise potential adverse effects on the financial performance of the Consolidated entity.

Risk management is carried out under an approved framework covering a risk management policy and internal compliance and control by management. The Board identifies, evaluates and approves measures to address financial risks.

The Consolidated and the Parent entity hold the financial instruments detailed in (ii) above.

(iii) Market risk

Cash flow interest rate risk

The Consolidated entity's main interest rate risk arises from cash deposits to be used in investment, exploration and development of areas of interest. Deposits at variable rates expose the Consolidated entity to cash flow interest rate risk. During 2009 and 2008, the Consolidated entity's deposits at variable rates were denominated in Australian Dollars and South African Rand.

As at the reporting date, the Consolidated entity had the following variable rate deposits and there were no interest rate swap contracts outstanding:

Consolidated and Parent	2009 Weighted average interest rate %	Balance $	2008 Weighted average interest rate %	Balance $
Deposit		1,870,754		2,169,804
Other cash available		-		-
Net exposure to cash flow interest rate risk	4.8%	1,870,754	4.5%	2,169,804

Sensitivity – Consolidated and Parent entity
The effect of possible interest rate movements used to determine the impact upon profit and loss and equity have been determined based upon management's assessment of current and future market conditions. During 2009, if interest rates had been 50 basis points higher or lower than the prevailing rates there would have been an immaterial change in the loss for the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Foreign currency risk

As a result of increasing investment overseas, large transactions are denominated in South African Rand and US dollars, and the Group's balance sheet can be affected significantly by movements in the ZAR/A$ and US$/A$ exchange rates. The Group seeks to mitigate some of the effect of its foreign currency exposure by holding South African Rand.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

The Group does not have a policy to enter into forward contracts and does not negotiate hedge derivatives to exactly match the terms of the hedged item.

At 30 June 2009, the Group had the following exposure to ZAR foreign currency expressed in A$ equivalents, that are not designated in cash flow hedges:

	Consolidated Group	Parent Entity
	2009	2008
	$	$
Financial assets		-
Cash and cash equivalents	22,820	
	22,820	-
Financial liabilities		
Trade and other payables	1,435,173	-

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2009, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows. The range between 5% and 10% are the sensitivity rates which represent management's assessment of the possible change in foreign exchange rates.

Judgements of reasonably possible movements:	Post Tax Loss Higher/(Lower)	
	2009	2008
	$	$
Consolidated and Parent		
AUD/USD +10%	126,045	-
AUD/USD - 5%	(72,974)	-
AUD/ZAR+10%	2,589	-
AUD/ZAR - 5%	(1,127)	-

(iv) Credit risk

The Consolidated entity has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures on outstanding receivables and committed transactions. In relation to other credit risk areas management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note (ii).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Consolidated entity will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

Financing arrangements

The Consolidated and parent entity have no borrowing facilities.

Maturity analysis of financial assets and liability based on management's expectation.

Year ended 30 June 2009	<6 months	6-12 months	1-5 years	>5 years	Total	Carrying Amount
Consolidated						
Financial assets						
Cash & cash equivalents	1,870,754	-	-	-	1,870,754	1,870,754
Trade & other receivables	30,047	-	34,758	-	64,805	64,805
	1,900,801	-	34,758	-	1,935,559	1,935,559
Financial liabilities						
Trade & other payables	2,014,532	101,973	519,644	-	2,636,149	2,636,149
Net maturity	(113,731)	(101,973)	(484,886)	-	(700,590)	(700,590)

16. SHARE-BASED PAYMENTS

An expense is recognised in the income statement in relation to share-based payments.

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2009 No.	2009 Weighted average exercise price $	2008 No.	2008 Weighted average exercise price $
Outstanding at the beginning of the period	**173,750,000**	**0.017**	350,000,000	0.010
Granted during the period	**232,779,767**	**0.06**	30,000,000	0.05
Forfeited during the period	-	-	-	-
Exercised during the period	**(143,750,000)**	**0.01**	(206,250,000)	0.01
Expired during the period	-	-	-	-
Outstanding at the end of the period	**262,779,767**	**0.059**	173,750,000	0.017
Exercisable at the end of the year	**262,779,767**	**0.059**	173,750,000	0.017

The fair value of the equity-settled share options granted have been estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model:

	2009	2008
Weighted average exercise price	**$0.059**	$0.050
Weighted average life of the option	**4.62 years**	0.5 years
Underlying share price	**$0.025**	$0.050
Expected share price volatility	**60%**	40%
Risk free interest rate	**5.75%**	5.79%
Fair value per option	**$0.0072**	$0.0037

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The outstanding balance as at 30 June 2009 is represented by:

Number under option	Expiry Date	
30,000,000	30-Nov-12	
110,000,000	29-Oct-08	
90,000,000	29-Oct-08	
6,904,767	24-Feb-09	
236,904,767		
25,875,000	30-Jun-14	Free attaching options associated witht the capital raising completed in June 2009
262,779,767		

The fair value of options granted during the period was $1,491,645 (2008: $1,110,000).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

17. COMMITMENTS

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
(i) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable - minimum lease payments				
- not later than 12 months	**68,028**	-	**68,028**	65,148
- between 12 months and 5 years	**133,930**	-	**133,930**	201,958
	201,958	-	**201,958**	267,106

The company entered into an operating lease on 1 May 2007 for office space it occupies in Subiaco. The term of the lease is 5 years.

(ii) Expenditure commitments contracted for:	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Exploration Tenements				
In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements and are payable:				
- not later than 12 months	**-**	-	**-**	14,150

Other commitments

- Monthly management fee to Sekoko Resources of ZAR100,000 per month, with no fixed term.
- Monthly fee payable to the River Group , the company's sponsor in South Africa, of A$9,000 per month, with no fixed term.
- Checkered Flag will commit to spending a maximum of ZAR50 million (approximately A$6.76 million) to earn a further 25% interest (for a total of 55%) on the farms Vetleegte 304LQ and Olieboomsfontein 220LQ to advance to a Bankable Feasibility Study (“BFS”) level enabling the establishment of a future commercial mining operation. A production royalty, equivalent to ZAR0.50 (A$0.07) per tonne of coal sold is payable during the term of the mining operations to a maximum aggregated amount of ZAR25 million (A$3.38million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Compensation by category of Key Management Personnel for the year ended 30 June 2009

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	**625,350**	-	**625,350**	276,738
Post-employment benefits	**35,035**	-	**35,035**	13,500
Share-based payments	**-**	-	**-**	1,110,000
	660,385	-	**660,385**	1,400,238

(b) Compensation options: Granted and vested during the year (Consolidated)

No options were granted during the year

(c) Shares issued on Exercise of Compensation Options (Consolidated)

No options were exercised during the period

(d) Option holdings of Key Management Personnel - Unlisted (Consolidated)

2009	Balance at the start of the year	Granted as remuneration	Options Exercised	Net change other	Balance at the end of the period	Vested and exercisable at 30 June 2009
Directors						
J Dreyer	-	-	-	-	-	-
A Matthee	-	-	-	-	-	-
C McIntyre[3]	-	-	-	-	-	-
T Tebeila[2]	-	-	-	88,000,000	88,000,000	88,000,000
J Wallington	-	-	-	-	-	-
E Boyd[1]	10,000,000	-	-	(10,000,000)	-	-
M Smartt[1]	10,000,000	-	-	(10,000,000)	-	-
D Henthorn[1]	10,000,000	-	-	(10,000,000)	-	-
Executives						
G Higgo	-	-	-	250,000	250,000	250,000
S Storm	-	-	-	-	-	-
	30,000,000	-	-	58,250,000	88,250,000	88,250,000

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year
Note 3 - appointed subsequent to financial year end

2008	Balance at the start of the year	Granted as remuneration	Options Exercised	Net change other	Balance at the end of the period	Vested and exercisable at 30 June 2008
Directors						
E Boyd	-	10,000,000	-	-	10,000,000	10,000,000
M Smartt	-	10,000,000	-	-	10,000,000	10,000,000
D Henthorn	-	10,000,000	-	-	10,000,000	10,000,000
	-	30,000,000	-	-	30,000,000	30,000,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(e) Shareholdings of Key Management Personnel (Consolidated)

2009	Balance at the start of the period	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the period
Directors					
J Dreyer	-	-	-	-	-
A Matthee[2]	-	-	-	-	-
C McIntyre[3]	-	-	-	-	-
T Tebeila[2]	-	-	-	165,000,000	165,000,000
J Wallington	-	-	-	-	-
E Boyd[1]	1,035,000	-	-	(1,035,000)	-
M Smartt[1]	350,000	-	-	(350,000)	-
D Henthorn[1]	183,000	-	-	(183,000)	-
Executives					
G Higgo	-	-	-	500,000	500,000
S Storm	-	-	-	-	-
	1,568,000	-	-	163,932,000	165,500,000

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year
Note 3 - appointed subsequent to financial year end

2008	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the period
Directors					
E Boyd	1,035,000	-	-	-	1,035,000
M Smartt	-	-	-	350,000	350,000
D Henthorn	183,000		-	-	183,000
	1,218,000	-	-	350,000	1,568,000

All equity transactions with key management personnel other than those arising from the issue or exercise of compensation options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(f) Loans to Key Management Personnel (Consolidated)

No loans have been provided to key management personnel during the year.

(g) Other transactions and balances with Key Management Personnel

No other transactions with key management personnel have occurred during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. RELATED PARTY INFORMATION

The consolidated financial statements include the financial statements of Firestone Energy Limited and its wholly owned subsidiaries Checkered Flag Investments 2 (Pty) Ltd and Lexshell 126 General Trading (Pty) Ltd.

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
Amounts owed by Related Parties	**$**	**$**	**$**	**$**
Subsidiaries				
Checkered Flag Investments 2 (Pty) Ltd ('CF')	-	-	**12,056,717**	-
Lexshell 126 General Trading (Pty) Ltd ('Lexshell')	-	-	**(15)**	-
Total	-	-	**12,056,702**	-
Provision for impairment			-	-
			12,056,702	-
Amounts payable to Directors for Directors Fees	**41,667**	-	**41,667**	-

Firestone Energy Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Outstanding balances at year-end are unsecured and settlement will occur in cash once these subsidiaries become financially self sufficient.

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

Sekoko Coal (Pty) Ltd is an entity controlled by Mr Timothy Tebeila, a director of the Company and accordingly, Sekoko Coal is a related party of the Company.

Checkered Flag Investments 2 (Pty) Ltd has entered into a Joint Venture agreement with Sekoko ('JV') to acquire an interest in, and to farm into two prospecting rights for coal over the farms Vetleegte 304LQ and Olieboomsfontein 220LQ. Under the terms and conditions of the JV, Checkered Flag acquired an initial 30% interest through the issue of 220 million Shares and the grant of 110 million Options exercisable at 6 cents each on or before 31 May 2013 plus a cash payment of ZAR12.5 million (approximately A$1.64 million) to the shareholders of Sekoko.

The Company, through Checkered Flag Investments 2 (Pty) Ltd, has management control of all JV planning and expenditure.

During the year the following payments have been made to Sekoko Resources Pty Ltd, a company associated with Sekoko Coal Pty Ltd and Mr T Tebeila.

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
Expenditure	**$**	**$**	**$**	**$**
Monthly management fee of ZAR100,000 per month	123,648	-	-	-
Reimbursement of expenditure incurred on behalf of joint venture with CF and Sekoko	897,480	-	-	-
Reimbursement of expenditure incurred in relation to planned joint venture with Lexshell and Sekoko	144,891	-	-	-
Amounts owed to related parties				
Due to Sekoko and included in creditors	32,884	-	32,884	-

These fees were charged based on normal commercial terms and conditions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Amounts received or due and receivable by the auditors for:				
Audit or review of the financial reports of the Company and Group	**26,000**	-	**26,000**	20,000
Other services (due diligence services)	**21,220**	-	**8,075**	-
	47,220	-	**34,075**	20,000

21. SUBSEQUENT EVENTS

Subsequent to year end:-

(a) the Company announced it had finalised another JV agreement with Sekoko Coal (Pty) Ltd, a wholly owned subsidiary of Sekoko Resources (Pty) Ltd ("Sekoko Resources"), to acquire an interest in and to farm into a Prospecting Right for coal over the farms Minnasvlakte, Smitspan, Massenberg and Hooikraal ("the Projects"). Under the terms and conditions of the JV, Firestone will acquire an initial 30% interest in the Projects in consideration for:

- the issue to Sekoko of new shares in Firestone in the amount of ZAR293 million (approximately A$43.4 million) at a deemed issue price of A$0.05 per share, which amounts to approximately 868,176,563 Firestone shares (the subject of this Resolution 9);
- the reimbursement of expenditure of an amount not more than ZAR32.99 million (approximately A$5.1 million) which has been spent by Sekoko in the exploration and development of the properties. Of this ZAR675,000 (A$100,000) had been paid at year end and ZAR3,375,000 (A$548,281) was paid during July 2009; and
- following the approval of the Bankable Feasibility Study ("BFS") and decision to mine by the Management Board of the joint venture, a management fee of ZAR50 million (approximately A$7.7 million) be paid to Sekoko (or its nominee) over a 7 year period from the date of commercial production.

This transaction was approved at a general meeting of shareholders held on 9 September 2009.

The Group can earn a further 30% interest (for a total of 60%) upon expenditure of ZAR50 million (approximately A$7.7 million) to complete the BFS to a level enabling the establishment of a future commercial mining operation.

Firestone, via its wholly owned South African subsidiary company Lexshell, will have management control of all JV planning and expenditure.

Upon finalisation of this transaction, pursuant to a mandate entered into between the Company and River Group on 26 September 2008, a success fee of A$1,250,000 becomes payable in either cash or through the issue of shares, the latter being issued at the same price as that which applies in settlement of the transaction, which is A$0.05. The Company has resolved to settle this through the issue of ordinary shares in the Company.

(b) the Company received A$2.68 million of funding through loans from sophisticated and professional investors . Interest of 9% per annum is payable on the loans, which are repayable by 31 December 2009.

The funds are intended to be used for progressing the Company's Waterberg Coal joint venture with Sekoko Coal (Pty) Ltd and for other short term working capital requirements.

Following the granting of shareholder approval under Listing Rule 7.1 for the issue of the new shares at the general meeting held on 9 September 2009 at $A0.04, the $2.68 million convertible have been converted into 67 million ordinary shares at the conversion price of $0.04 on 16 September 2009.

(c) the Company has announced on 11 September 2009 a A$25m capital raising for funding a full scale Bankable Feasibility Study for the Waterberg coal project and financial commitments due to JV partner Sekoko Coal Ltd. A term sheet for the underwriting of a $25m capital raising involving the issue of convertible notes with a conversion price of A$0.04 cents per share has been issued, with BBY Limited to be the Underwriter to the entire issue.

(d) The Company has received a conversion notice with respect to the convertible note deed entered into and announced to the market on 11 May 2009. The face value plus accrued interest being converted is $545,000 and the conversion price calculated in accordance with the terms of the deed is A$0.03592. The number of ordinary shares issued on 16 September 2009 in respect of this was 15,172,606.

Other than this there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future periods.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2009.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and the consolidated entity.

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.

3. The remuneration disclosures included in the Directors' Report (as part of audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

4. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

John Dreyer

John Dreyer
Director

Perth
Western Australia

30 September 2009

BDO Kendalls

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

We have audited the accompanying financial report of Firestone Energy Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Firestone Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Firestone Energy Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit and Assurance (WA) Pty Ltd

BDO Kendalls

Brad McVeigh
Director
Dated this 30th day of September 2009
Perth, Western Australia

BDO Kendalls

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ABN 79 112 284 787

30 September 2009

The Directors
Firestone Energy Limited
Level 1, 63 Hay Street
SUBIACO WA 6008

Dear Board Members,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF FIRESTONE ENERGY LIMITED

As lead auditor of Firestone Energy Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

B. McVeigh

Brad McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

CORPORATE GOVERNANCE STATEMENT

Introduction

Firestone Energy Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. To the extent that they are applicable, and given its circumstances, the Company adopts the Eight Essential Corporate Governance Principles and Best Practice Recommendations ('Recommendations') published by the Corporate Governance Council of the ASX.

Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be afforded further consideration.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Summary Statement

Recommendation	ASX Principles and Recommendations	If not, why not	Recommendation	ASX Principles and Recommendations	If not, why not
1.1	X	Refer (a) below	**4.3**	n/a	n/a
1.2	X	Refer (a) below	**4.4**[3]	n/a	n/a
1.3	X	Refer (a) below	**5.1**	X	Refer (h) below
2.1	√	Refer (b) below	**5.2**	n/a	n/a
2.2	√	Refer (b) below	**6.1**	X	Refer (i) below
2.3	√	Refer (b) below	**6.2**	n/a	n/a
2.4	X	Refer (c) below	**7.1**	X	Refer (j) below
2.5	X	Refer (d) below	**7.2**	n/a	n/a
2.6	√	Refer (e) below	**7.3**	√	Refer (k) below
3.1	X	Refer (f) below	**7.4**	n/a	n/a
3.2	√	Refer (g) below	**8.1**	X	Refer (l) below
3.3	X	Refer (f) below	**8.2**	n/a	n/a
4.1	X	Refer (c) below	**8.3**	n/a	n/a
4.2	n/a	n/a			

CORPORATE GOVERNANCE STATEMENT

(a) Principle 1 Recommendation 1.1, 1.2 and 1.3

Notification of Departure
Firestone has not formally disclosed the functions reserved to the Board and those delegated to senior executives.

Explanation for Departure:
The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established an informal framework for the management of the Company and the roles and responsibilities of the Board and management. Due to the small size of the Board and of the Company, the Board do not think that it is necessary to formally document the roles of Board and management as it believes that these roles are being carried out in practice and are clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that Shareholder value is increased.
The Company has 5 non-executive directors and a Chief Executive Officer. The CEO is responsible for ensuring that the Company achieves the goals established by the Board.
The appointments of non-executive directors are formalised in accordance with the regulatory requirements and the Company's constitution.

(b) Principle 2 Recommendations 2.1, 2.2, 2.3

A majority of the Board should be independent directors and the Chair should be an independent director. The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:
The independent directors of the Board are John Dreyer, Colin McIntyre and John Wallington.
Tim Tebeila and Amanda Matthee are not independent directors.
The Non Executive Chairman is Mr John Dreyer and the Chief Executive Officer is Mr Garth Higgo, who is not a director of the Company.

(c) Principle 2 Recommendation 2.4 and Principle 4 Recommendations 4.1, 4.2, 4.3, 4.4

Notification of Departure
Separate nomination and audit committees have not been formed.

Explanation for Departure
The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special committees is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards.
In particular, the Board as a whole considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

(d) Principle 2 Recommendation 2.5

Notification of Departure
Firestone does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

Explanation for Departure
Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations of the Company justifies this.

(e) Principle 2 Recommendation 2.6

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

CORPORATE GOVERNANCE STATEMENT

Disclosure:

Skills, Experience, Expertise and term of office of each Director
A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors
The independent directors of the Company during the Reporting Period is disclosed in (b) above.
Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

Statement concerning availability of Independent Professional Advice
To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters
The full Board sits in its capacity as a Nomination Committee.

Performance Evaluation
During the Reporting Period the performance evaluations for the Board and individual directors did occur on an informal basis in accordance with the disclosed process in Recommendation 2.5.

Selection and Reappointment of Directors
The Board considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.
Each director other than the managing director (if appointed) must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director’s last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Reappointment of directors is not automatic.

(f) Principle 3 Recommendation 3.1, 3.3

Notification of Departure
Firestone has not established a formal code of conduct.

Explanation for Departure:
The Board considers that its business practices, as determined by the Board and key executives, are the equivalent of a code of conduct.

(g) Principle 3 Recommendation 3.2

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:
The constitution permits directors to acquire shares in the Company. Company policy prohibits directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the company secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, the Company on behalf of the directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and / or options in the Company.

CORPORATE GOVERNANCE STATEMENT

(h) Principle 5 Recommendation 5.1, 5.2

Notification of Departure
Firestone has not established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

Explanation for Departure
The Directors have a long history of involvement with public listed companies and through the support of professional staff, are kept familiar with the disclosure requirements of the ASX listing rules.
The Company has in place informal procedures that it believes are sufficient for ensuring compliance with ASX Listing Rule disclosure requirements and accountability for compliance. The Board has nominated the Chief Executive Officer and the Company Secretary as being responsible for all matters relating to disclosure.

(i) Principle 6 Recommendation 6.1, 6.2

Notification of Departure
Firestone has not established a formal Shareholder communication strategy.

Explanation for Departure
While the Company has not established a formal Shareholder communication strategy, it actively communicates with its Shareholders in order to identify their expectations and actively promotes Shareholder involvement in the Company. It achieves this by posting on its website copies of all information lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

(j) Principle 7 Recommendation 7.1, 7.2

Notification of Departure
Firestone has an informal risk oversight and management policy and internal compliance and control system.

Explanation for Departure
The Board does not currently have formal procedures in place but is aware of the various risks that affect the Company and its particular business. Pages 24 - 26 of the notice of meeting held on 9 September 2009 provides a summary of the relevant risk factors that may affect the Company. As the Company develops, the Board will develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

(k) Principle 7 Recommendation 7.3

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:
The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

(l) Principle 8 Recommendations 8.1

Notification of departure
Firestone does not have a formal remuneration policy and has not established a separate remuneration committee.

CORPORATE GOVERNANCE STATEMENT

Explanation for Departure

The current remuneration of the Directors is disclosed in the Directors' Report. Non-executive Directors receive a fixed fee for their services. Subject to shareholder approval, the issue of options or shares to non-executive Directors may be an appropriate method of providing sufficient incentive and reward while maintaining cash reserves.

Due to the Company's early stage of development and small size, it does not consider that a separate remuneration committee would add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board believes it is more appropriate to set aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

ASX ADDITIONAL INFORMATION

Shareholder Information

Additional information as required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 29 September 2009.

Distribution of equity security holders (number of holders)

Category (size of holding)	Number of Holders
1 - 1,000	2,512
1,001 - 5,000	1,623
5,001 - 10,000	369
10,001 - 100,000	1,489
100,001 - and over	940
	6,933

There are 4,550 holders of shares holding less than a marketable parcel.

Twenty largest holders of quoted shares

	SHAREHOLDERS	Number of shares held	% Holding
1	SEKOKO RESOURCES PTY LTD	165,000,000	11.5%
2	COLBERN FIDUCIARY NOMINEES PTY LTD	113,500,000	7.9%
3	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	76,500,000	5.3%
4	UZALILE PTY LTD	55,000,000	3.8%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,919,348	3.0%
6	MILLCORP SECURITIES PTY LTD <MILLCORP SECURITIES A/C>	40,000,000	2.8%
7	BLACKMORT NOMINEES PTY LTD <48662 ACCOUNT>	35,000,000	2.4%
8	SEPHOR INVESTMENTS LIMITED	27,000,000	1.9%
9	CLEARVIEW ASSET PTY LTD	22,727,273	1.6%
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <BERNDALE A/C>	21,443,367	1.5%
11	ISTANA SECURITIES LIMITED	19,000,000	1.3%
12	FMR INVESTMENTS PTY LIMITED	18,001,750	1.3%
13	SANPOINT PTY LTD <FIORE FAMILY FUND A/C>	16,875,000	1.2%
14	CARRICK HOLDINGS LIMITED	16,281,817	1.1%
15	GLENEAGLE GOLD LIMITED	15,172,606	1.1%
16	COSSACK HOLDINGS (AUST) PTY LIMITED <THE MELLOR INVESTMENT A/C>	15,000,000	1.0%
17	HIDDEN VALLEY HOLDINGS (AUST) PTY LIMITED <SOUTH BANK INVESTMENT A/C>	15,000,000	1.0%
18	MILLCORP SECURITIES PTY LTD <SUPER FUND A/C>	14,750,000	1.0%
19	WISEPLAN INVESTMENTS PTY LTD <LEON DAVIES INVESTMENT A/C>	13,700,000	1.0%
20	COLMAC PTY LTD	13,200,000	0.9%
		756,071,161	52.6%

Quoted and unquoted equity securities

Equity Security	Quoted	Unquoted
Ordinary Shares	1,437,123,901	-
Options	-	262,779,767

ASX ADDITIONAL INFORMATION

Substantial shareholders

A substantial shareholder who has notified the Company in accordance with section 671B of the Corporations Act 2001 is:-

Shareholder	Number of shares
Sekoko Resources Pty Ltd	165,000,000

Unlisted Option holdings at 29 September 2009	Number of Holders	Number of Options
Options expiring 30 Nov 2012 exercisable at 5 cents (FSEAK)	**3**	30,000,000
Holdings of more than 20%		
The Boyd Super Fund Pty Ltd		10,000,000
Lantech Developments Pty Ltd<Claire Family A/C>		10,000,000
Mr Malcolm Keith Smartt + Ms Janice Leonie Smartt<Smartt Super Fund A/C>		10,000,000
Options expiring 30 Jun 2013 exercisable at 6 cents (FSEAO)	**9**	96,904,767
Holdings of more than 20%		
Hsbc Custody Nominees	**-**	20,000,000
Sephor Investments Limited	**-**	20,000,000
Options expiring 31 May 2013 exercisable at 6cents (FSEAM)	**1**	110,000,000
Holdings of more than 20%		
Sekoko Coal Pty Ltd	**-**	88,000,000
Options expiring 30 Jun 2014 exercisable at 6 cents (FSEAI)	**11**	25,875,000
Holdings of more than 20%		
Nil	**-**	-

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code "FSE". The "Home Exchange" is Perth.

Other information

Firestone Energy Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.

ASX ADDITIONAL INFORMATION

SCHEDULE OF MINERAL TENEMENTS

as at 21 September 2009

Project	***Tenement***		***Interest held by Firestone Energy Limited***
Hayward Creek[1]	EL 7810		100%
Wippet North[1]	EL 10166		100%

Note 1 - managed by Emmerson Resources Ltd, on behalf of the Company.