Firestone ENERGY

ABN 71 058 436 794

ANNUAL REPORT

For the year ended 30 June 2011

CORPORATE DIRECTORY

DIRECTORS

Mr. David Perkins
Non Executive Chairman

Dr. Pius Chilufya Kasolo
Non Executive Director

Mr. Sizwe Nkosi
Executive Director

Mr. Colin McIntyre
Non Executive Director

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

COMPANY SECRETARY

Jerry Monzu

SOLICITORS TO THE COMPANY

Blake Dawson
Level 36, Grosvenor Place
225 George Street
Sydney NSW 2000

REGISTERED OFFICE

Suite B9, 431 Roberts Road
SUBIACO, WA 6008

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

AUDITORS

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

STOCK EXCHANGE LISTING

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

ASX CODE

"FSE"

JSE CODE

"FSE

CONTENTS

MANAGEMENT DISCLOSURE REPORT

OVERVIEW

The financial year ending the 30 June 2011 has been very productive for Firestone Energy in its South African based Waterberg project.

The operational highlights of the year are:

- Two further properties were acquired through a transaction with its Joint Venture partner, Sekoko Resources (Pty) Ltd; providing FSE the right to earn in up to 60% in 8 properties,
- A Definitive Feasibility Study was completed and approved by the Board on 31 October 2010,
- Drilling results of the Southern Farms contain significant resource of shallow open castable metallurgical coal,
- An off-take MOU with Eskom was signed in January 2011. More recently the Company agreed with Eskom to renegotiate the MOU,
- FSE's Joint Venture partner Sekoko Resources secured up to ZAR250million (approx A$33million) in funding from the Industrial Development Corporation (IDC),
- A Shareholders Agreement was signed paving the way to consolidate all three JV agreements pending S11 transfer of the Mining Rights from Sekoko Coal (Pty) Ltd to the JV Operating Company,
- The Company purchased surface rights of Smitspan and Hooikraal. It further secured a 12 month exclusive purchase option on the Vetleegte and Massenberg farms,
- The joint venture opened an office in Lephalale town, and
- The Company conducted a Share Purchase program which raised $1.8m in Australia and New Zealand and $230,000 in South Africa.

The highlights post year-end are:

- The mining right was granted,
- The JV has entered into an exclusive arrangement with a major power company to complete a due diligence which may result in the company becoming a cornerstone investor, and
- The Company placed approximately $1.8 million of equity (ordinary shares) with LINC Energy Ltd which together with on market purchases gives LINC a 9.6% equity stake in Firestone.

CORPORATE DEVELOPMENTS

Joint Venture Agreement 3 – T3

Firestone signed an addendum to the second Joint Venture agreement which entitled the Company to purchase a 60% interest in Swanepoelpan and Duikerfontein. This would result in mineral rights for eight properties being owned in joint venture with Sekoko Resources (Pty) Ltd.

The T3 transaction entailed:

- Issue of 200m fully paid ordinary shares to Sekoko Resources, and
- A payment of $2m to Sekoko Resources.

A deposit of $200,000 has been paid to Sekoko Coal in February 2010. The remaining $1.8 million was payable on the earlier of 18 months from effective date or 30 June 2011. The $1.8m has become due after year end and is being paid to Sekoko on an agreed payment schedule and terms.

The general meeting held on the 4 January 2011 approved the Joint Venture transaction.

Shareholders Agreement

Following the completion and approval of the Definitive Feasibility study, the Boards of FSE and Sekoko Resources took a decision to progress the Waterberg project from the exploration to the development phase. This culminated in the incorporation of a company owned 60% by FSE and 40% by Sekoko Coal to hold joint venture assets. A shareholder agreement detailing governance and structure of the company was negotiated and signed in February 2011.

MANAGEMENT DISCLOSURE REPORT (Continued)

Surface Rights

The Company purchased the surface rights of Smitspan, the property where it is intended the first mine will be opened. The Company also purchased the surface rights of Hooikraal, the property where it is intended the load out station and rail siding will be built. The Company further secured a 12 month exclusive option with the owners of the properties Massenberg and Vetleegte; the options expire in November 2011 and February 2012 respectively.

Funding

During the year the company continued to use the remainder of the $25m convertible note facility which had been arranged and fully underwritten by BBY Limited.

Firestone allocated the convertible note in the following manner:

- completion of the “DFS” for a large scale mining operation at the Company's Waterberg coal project in South Africa,
- meeting project commitments undertaken by Lexshell General Trading 126 Pty Ltd and Sekoko Coal (Pty) Limited,
- production, laboratory analysis and submission of 2 x 3 tonne samples to Eskom laboratories for testing and analysis,
- purchase of surface rights, and
- working capital requirements.

FSE conducted a Share Purchase Plan (SPP) programme, commencing in May 2011. The SPP raised $1.8m from Shareholders in Australia and New Zealand and a further $230,000 from shareholders in South Africa.

Post year end FSE completed a placement with Linc Energy Limited where approximately 150m shares were issued to Linc at 1.2cents per share under the Company’s existing 15% share issue capacity. This share issue raised $1.8m and resulted (together with other on market purchases made by Linc) in Linc Energy owning 9.6% of Firestone Energy. As part of the arrangement the Company has agreed to grant to Linc Energy the Company's Underground Coal Gasification, oil and gas rights over the tenements that are subject of the JV between Firestone and its partner, Sekoko Resources.

The Industrial Development Corporation of South Africa (IDC) entered into an agreement with Sekoko to part fund the development of the Waterberg Project.

Cornerstone Investor

Post year end FSE and Joint Venture partner, Sekoko Resources, signed a non-binding proposal with a global power company giving it an exclusive access to complete a due diligence. The indicative terms of this proposal entail purchase of an equity stake in the JV Company and the entering into an offtake agreement with the joint venture.

REVIEW OF OPERATIONS

Exploration Undertaken

During the year the definitive feasibility study was completed and signed off by the Board on the 31 October 2010. Following this there has been no further exploration work.

Coal Resource Statement

Venmyn Rand (Pty) Ltd was commissioned by the Company to undertake Mineral Resource estimates for eight farms constituting the Waterberg Coal Project.

- 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,

MANAGEMENT DISCLOSURE REPORT (Continued)

The total coal resource estimate based on the data available at 1 August 2010 (Venmyn) is tabled below:

FARM	ZONE TONNAGE	MEASURED COAL	INDICATED	INFERRED COAL	TOTAL COAL
	MT	GTIS MT	GTIS MT	GTIS MT	GTIS MT
SMITSPAN	1,881.758	238.667	475.844	-	714.511
HOOIKRAAL	358.444	-	7.282	155.491	162.773
MINNASVLAKTE	755.805	-	26.507	230.687	257.194
MASSENBERG	337.034	-	20.797	109.539	130.336
VETLEEGTE	570.265	1.224	204.499	17.893	223.816
SWANEPOELPAN	615.553	-	1.072	378.227	379.299
DUIKERFONTEIN	30.200	-	-	13.949	13.949
TOTAL	5,173.480	239.891	736.001	905.786	1,882.463

Competent Person Statement

Information in this report that relates to exploration results and coal resources on the properties Smitspan, Hooikraal, Minnasvlakte, Massenberg, Vetleegte, Swanepoelpan and Duikerfontein are based on information compiled by Mr Paul S Norman who is employed by Wardell Armstrong LLP and is a Fellow of the Geological Society of London, a Fellow of the Institution of Materials, Minerals and Mining, a Fellow of the Energy Institute, a Chartered Geologist and Chartered Engineer. Mr Norman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the South African Code of the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2007 edition and the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Mr Norman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to coal reserve estimation is based on work completed by Mr Peter I Watkinson who is an employee of Parsons Brinckerhoff and a Member of the Institute of Materials, Minerals and Mining, a Member of the Minerals Engineering Society and a Chartered Engineer. Mr Watkinson 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 by the South African Code of the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2007 edition and the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Mr Watkinson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Additional comment in this report that relates to coal resource estimation is made by Mr James A Johnson who is an employee of Sekoko Resources and a Fellow of the South African Institute of Mining and Metallurgy, and a Professional Engineer. Mr Johnson 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 Edition of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). Mr Johnson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Metallurgical Coal

The company received analyses and reports showing that the South Eastern properties have shallow open castable Metallurgical Coal with appropriate phosphorus qualities to be used as reductors in the steel and smelting processes. A preliminary report by SMS Geological estimates that about 58mt (Non-JORC and Non-SAMREC) can be accessed through open casting zones 3 and 2 in these Southern Farms. Further in-fill drilling is being undertaken to bring the resource to JORC and SAMREC measured resource.

MANAGEMENT DISCLOSURE REPORT (Continued)

Detailed Feasibility Study (DFS) results

Firestone Energy Limited and its Joint Venture Partner Sekoko Resources, approved the Definitive Feasibility Study "DFS" document completed by independent consultants, Parsons Brinckerhoff (PB) on 31 October 2010. The document indicated the viability (as previously indicated) of an open cast operation for 21 years with capital and operating cost tolerances of +/- 10% for the complete first phase mine life.

PB confirmed that the first stage open cast has saleable coal reserves of 120million tonnes under the Smitspan farm, of which 51million tonnes are proven and 69million tonnes are in the probable category.

Development activities

The Company also addressed the following:

- lodging an application of mining right, water use licence (WUL) and environmental impact assessment (EIA),
- necessary processes and procedures relating to EIA including public participation meetings, specialists environmental studies, Social Labour Plan and interaction with interested and affected parties,
- production, analysis and submission of Eskom samples for testing in their laboratories,
- conceptual study of rail siding and conceptual designs including lodging applications for the necessary authorisations; and
- detailed mine and support infrastructure designs and plans.

REGULATORY APPROVALS

Mining Right

The Mining Right was signed, executed and registered on the 8 August 2011 giving the licensee 30 years licence to mine subject to obtaining other relevant approvals. Currently a process is in underway to formally transfer the mining right to the joint venture company in as required by or Shareholders Agreement.

EIA and WUL

Environmental Impact Assessment and Water Use Licence were submitted during the year and their approval is currently pending approval of the Mining Right. Both EIA and WUL are being reviewed by authorities and we expect approvals to be issued in due course.

MARKETS & LOGISTICS

Eskom

The Joint Venture signed a Memorandum of Understanding with Eskom on 28 January 2011. The joint venture has agreed to renegotiate aspects of the MOU and as of the date of release of this Annual Report the joint venture is involved in negotiations with Eskom.

Rail

The preferred method of delivery from Waterberg by all interested parties and stakeholders is rail. Rail Consulting Engineers (RCE) completed a conceptual feasibility study for the rail siding and connection to the main Transnet Freight Rail (TFR) network. RCE is currently finalising detailed designs including bridge designs. Firestone envisages constructing a 7km rail spur line. RCE is also a consultant to Eskom and TFR and they are currently working on a separate feasibility study to increase the capacity of the rail line from Waterberg.

Outlook

The development of the Waterberg Coal Project will continue with a view to receiving the necessary regulatory approvals. Negotiations with potential developers, financiers and off-take parties will be progressed as will the MOU with Eskom.

Successful completion of the due diligence by the global power company may result in FSE securing a cornerstone investor that has the potential to inject cash and to provide significant off-take.

The growing interest in South African coal, South Africa's shortage of power and the level of activity within the energy and coal sector provides an encouraging economic framework within which to advance this project.

DIRECTORS' REPORT

Your Directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2011. 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 detailed below. Directors were in office for this entire period unless otherwise stated. The Board has no sub-committees.

MR DAVID PERKINS
Non-Executive Chairman *– Appointed as Non-Executive Director on 17 January 2011, and Non-Executive Chairman from 31 January 2011*

David Perkins has a Bachelor of Jurisprudence and Bachelor of Law degrees from the University of New South Wales, a post graduate Diploma of Corporate Administration and is a Fellow of both the Australian Institute of Company Directors and Chartered Secretaries of Australia. He is also a member of the Law Society of New South Wales.

Mr Perkins brings a broad and practical experience to Firestone's business, including Corporate Governance and regulation, as well as the financial and operational goals of the Company.

Mr Perkins is the principal of Perkins Solicitors and is a Non-Executive Director of Australian Stockbroking firm, BBY Limited. He was previously General Counsel and Company Secretary for the JP Morgan Chase and Company (formerly the Chase Manhattan Bank) for Australia, New Zealand and Oceania.

DR PIUS KASOLO
Non-Executive Director *– Appointed 28 January 2011*

Dr Pius Kasolo is a highly credentialed geologist and has extensive experience in the evaluation and management of mining projects, the formulation of company strategy, resource optimisation and business process analysis. Dr Kasolo sits on several boards in South Africa and has published many papers in his field of geology. Dr Kasolo is not a Director of any other listed entities at present, or in the past three years.

MR COLIN MCINTYRE
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 Resources 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 McIntyre does not currently hold any other Directorships in listed entities, and he has not been a director of any listed entity in the last three years.

MR SIZWE NKOSI
Executive Director *– Appointed 3 November 2010*

Sizwe is a registered South African Chartered Accountant and has a MBA degree from the University of Cape Town's Graduate School of Business.

For the past three years, Mr Nkosi has been involved with the operations of Firestone Energy. His role at Firestone has been in marketing, logistics and rail, downstream projects and financial modelling, including negotiating the Joint Venture agreements between Sekoko Resources and Firestone Energy Limited. Mr Nkosi has previously been, and will continue to be, a key person in the negotiation of potential off-take agreements and cornerstone investors.

Sizwe brings a wealth of experience to the Board. Prior to joining Firestone, his major prior experience was with South African merchant and investment bank, Investec Bank Limited "Investec", with a role focused in mergers and acquisitions. Prior to his position with Investec, Mr Nkosi was employed by Foskor as a financial manager, and De Beers as the Senior Management Accountant. Mr Nkosi does not currently hold any other Directorships in listed entities, and he has not been a director of any listed entity in the last three years.

DIRECTORS' REPORT

MS AMANDA MATTHEE
Non-Executive Director *– Resigned 30 November 2010*

MR JOHN WALLINGTON
Non-Executive Director *– Resigned 31 December 2010*

MR TIM TEBEILA
Non-Executive Director *– Resigned 7 January 2011*

MR JOHN DREYER
Non-Executive Chairman *– Resigned 31 January 2011*

MR MATSIDISO PETER TSHISEVHE
Non-Executive Director *– Appointed 28 January 2011 / Resigned 27 June 2011*

COMPANY SECRETARY

MR JERRY MONZU

Mr Monzu has over 20 years experience in publicly listed multinational corporations predominantly in the resources and mining sectors. He has previously held senior management positions in companies such as Woodside Energy and Normandy Mining.

Mr Monzu graduated with a Bachelor of Business (Accounting and Finance) from Curtin University and is a qualified member of CPA Australia and Chartered Secretaries Australia.

2 DIRECTORS' MEETINGS

The number of Directors held and the number of meetings attended by each of the Directors of the Company during the year to 30 June 2011 are:

	Meetings attended	Meetings held during time as Director
John Dreyer	5	6
David Perkins	10	10
John Wallington	4	4
Amanda Matthee	2	2
Timothy Tebeila	4	4
Colin McIntyre	12	15
Sizwe Nkosi	12	13
Pius Chilufya Kasolo	8	9
Matsidiso Peter Tshisevhe	4	9

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

3 PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Other than for the matters referred to in the Management Disclosure Report there have been no significant changes in the state of affairs within the consolidated entity.

4 OPERATING AND FINANCIAL REVIEW

An operating review of the consolidated entity for the financial year ended 30 June 2011 is set out in the Management Discussion Analysis.

DIRECTORS' REPORT

Shareholder returns	2011	2010
Net loss for the year	(4,762,294)	(3,436,308)
Basic EPS (loss) – cents	(0.19)cps	(0.16)cps
Share price as at 30 June	1.6cps	1.3cps

During the year, a total of 450,013,897 shares were issued, primarily due to the T3 transaction, an addendum to the T2 Joint Venture agreement with Sekoko Coal (Pty) Ltd. Further shares were issued relating to conversions on the convertible notes issued pursuant to the A$25 million Convertible Note Facility arranged and fully underwritten by BBY limited, and a SPP in June 2011 raising $1.8m. Refer to note 12 for further details of shares issued throughout the year.

At 30 June 2011, Firestone Energy had the following unlisted shares under option on issue:

Number Under Option	Expiry	Exercise Price
30,000,000	30 Nov 2012	$0.05
110,000,000	30 May 2013	$0.06
96,904,767	30 June 2013	$0.06
25,875,000	30 June 2014	$0.06
42,382,500*	31 May 2014	$0.04
305,162,167		

*These options were issued during the year in regards to the Share Purchase Plan conducted in June 2011, whereby one free-attaching option was issued for every 2 shares purchased. Free attaching options were not given to Directors or Key Management Personnel that participated in the SPP.

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 objective of Firestone's broad remuneration policy is to ensure that the remuneration package provided to Directors and executives of the Group properly reflects the relevant 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 executives based upon the Firestone's nature, scale and scope of operating requirements and any other factors which the Board determines to be appropriate in determining the Group's remuneration policy.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit. The maximum currently stands at $250,000 per annum and was approved by Firestone's shareholders.

The Group does not currently have policies around Executive Director remuneration. Mr Sizwe Nkosi is currently the only Executive Director of the Group.

Short Term Cash Incentives

No short term cash incentives were provided to Directors or Key Management Personnel during the year.

Other Payments

No other payments are due to Directors or Key Management Personnel.

Long Term Benefits

Directors or Key Management Personnel currently have no right to long term leave payments.

Service contracts

DIRECTORS' REPORT

6 REMUNERATION REPORT (AUDITED) - (Continued)

The contract duration, period of notice and termination conditions for Key Management Personnel as at 30 June 2011 are as follows:

Mr Jerry Monzu the Company Secretary is engaged through a Consultancy Agreement with Monzu Corporate Consulting, 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 are on an hourly rate of $150 (GST exclusive).

There were no formal service agreements with Non-Executive Directors. On appointment to the Board, all Non-Executive Directors enter into a service agreement with Firestone, in the form of a letter of appointment. The letter summarises the Board policies and terms which mirror those set out within the Corporations Act 2001, including compensation, relevant to the office of Director.

Post Employment Benefits

There are no members of Key Management Personnel that are entitled to post employment benefits, with exceptions of superannuation where applicable.

Performance Related Benefits

The company provides incentive and performance based payments/benefits, typically in the way of equity options. There were no performance related benefits during the year. In considering Firestone Energy's performance and benefits for shareholder wealth, the Board takes regard of the following indices in respect of the current and previous four financial years.

Financial Performance of the Group

There is no relationship between Firestone's current remuneration policy for Key Management Personnel and the company's performance or shareholder wealth. However the Board takes note of the following indices in respect of the current and previous four financial years.

	2011	2010	2009	2008	2007
Net profit/(loss)	(4,762,294)	(3,436,308)	(1,316,064)	(2,186,998)	13,511,145
Working capital	(2,808,322)	(938,914)	(113,731)	1,825,423	1,039,558
$ Change in share price	0.002	(0.020)	(0.016)	(0.030)	(0.600)
% Change in share price	0.00%	(0.02)%	(0.02)%	(0.03)%	(0.60)%

DIRECTORS' REPORT

6 REMUNERATION REPORT (AUDITED) - (Continued)

Directors' and key management personnel remuneration

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; each Key Management Personnel was in office for the full year unless otherwise specified:

		Short term employee benefits	Post employment benefits	Share based payments	Termination payments	
Directors		**Salary/Fees**	**Super**			**Total**
Specified Directors Non-Executive						
D. Perkins[10]	**2011**	**27,419**	**-**	**-**	**-**	**27,419**
	2010	-	-	-	-	-
C. McIntyre[1]	**2011**	**45,872**	**4,128**	**-**	**-**	**50,000**
	2010	47,910	-	-	-	47,910
S. Nkosi[7]	**2011**	**203,051**	**-**	**-**	**-**	**203,051**
	2010	-	-	-	-	-
P.C. Kasolo[11]	**2011**	**20,834**	**-**	**-**	**-**	**20,834**
	2010	-	-	-	-	-
M.P. Tshisevhe[12]	**2011**	**20,834**	**-**	**-**	**-**	**20,834**
	2010	-	-	-	-	-
J. Dreyer[13]	**2011**	**46,674**	**825**	**-**	**-**	**47,499**
	2010	55,000	-	-	-	55,000
A. Matthee[6]	**2011**	**103,571**	**-**	**-**	**-**	**103,571**
	2010	248,978	-	-	-	248,978
T. Tebeila[9]	**2011**	**25,000**	**-**	**-**	**-**	**25,000**
	2010	50,000	-	-	-	50,000
J. Wallington[8]	**2011**	**25,000**	**-**	**-**	**-**	**25,000**
	2010	182,215	-	-	-	182,215
Total Specified Directors	**2011**	**518,255**	**4,953**	**-**	**-**	**523,208**
	2010	584,103	-	-	-	584,103
Executives						
G. Higgo[2]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	133,481	12,013	-	60,000	205,494
S. Storm[3]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	59,550	-	-	-	59,550
R. Dorrington[4]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	28,132	-	-	-	28,132
J. Monzu[5]	**2011**	**128,987**	**-**	**-**	**-**	**128,987**
	2010	23,102	-	-	-	23,102
Total Executives	**2011**	**128,987**	**-**	**-**	**-**	**128,987**
	2010	244,265	12,013	-	60,000	316,278
Total Key Management Personnel	**2011**	**647,242**	**4,953**	**-**	**-**	**652,195**
	2010	828,368	12,013	-	60,000	900,381

DIRECTORS' REPORT

1. Appointed - 17 July 2009
2. Resigned - 16 October 2009
3. Resigned - 1 December 2009
4. Appointed / Resigned - 1 December 2009 / 30 March 2010
5. Appointed -30 March 2010
6. Resigned - 30 September 2010
7. Appointed -3 November 2010
8. Resigned -31 December 2010
9. Resigned -7 January 2011
10. Appointed -17 January 2011
11. Appointed -28 January 2011
12. Appointed / Resigned -28 January 2011 / 27 June 2011
13. Resigned -31 January 2011

Share Based Remuneration

Under current Accounting Standards any share-based remuneration must be valued in accordance with an appropriate option pricing model. Share options carry no voting rights and each option is convertible into one ordinary share in the company. No share based remuneration (such as options to acquire Firestone shares) have been granted to Directors in the current year or last financial year.

For equity holdings by Key Management Personnel at year end refer to note 16.

No options were exercised during the year as a result of share based payments.

This is the end of the audited Remuneration Report.

7 LIKELY DEVELOPMENTS

Disclosure of any information beyond that which is included in the Management Disclosure Report 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 is therefore not in the best interests of the Group.

8 ENVIRONMENTAL REGULATION

The consolidated entity has done everything to the best of its knowledge to comply with all applicable legislation and has no reason to believe that they did not comply with any of the legislative requirements during the year ended 30 June 2011 and subsequent to year end.

9 DIRECTORS' INTERESTS

The following relevant interests in shares and options of Firestone were held by the Directors as at the date of this report:

Director	Ordinary shares	Unlisted options
David Perkins	2,500,000	-
Pius Chilufya Kasolo	-	-
Sizwe Nkosi	150,000	-
Colin McIntyre	27,450,000	3,125,000

10 INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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 its 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.

DIRECTORS' REPORT

11 NON-AUDIT SERVICES

During the year the consolidated group paid $45,857 to a related entity of the auditor for non-audit services provided as outlined in note 17 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 made an application to the court under Section 237 of the *Corporations Act 2001* for leave to bring court proceedings on behalf of the Company, or to intervene in any court proceedings to which Firestone is a party, for the purpose of taking responsibility on behalf of Firestone for all or part of those proceedings.

13 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, under section 307C of the Corporations Act 2001, is included on the next page and forms part of this directors' report.

14 SUBSEQUENT EVENTS

On 3 August 2011 the Company announced that a mining right had been granted with respect to its joint venture project in South Africa and that the S11 transfer application to transfer the mining right from Sekoko Coal to the Operating JV had been submitted.

In September 2011, Firestone Energy Limited completed a placement of approximately 150 million shares at $0.012 per share to ASX listed global energy company Linc Energy Limited (ASX: LNC), raising approximately $1.8m. Following the placement (and including other on market purchases) Linc Energy will hold approximately 9.6% of the Company. The placement was made under the Company's existing 15% capacity.

On 15 September the Company announced that the JV had entered into an exclusive arrangement with a major power company to complete a due diligence which may result in the company becoming a cornerstone investor.

On 21 September 2011 the company announced that it had appointed Mr David Knox as its chief executive officer.

That is, with exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

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

____
David Perkins
Chairman
Perth
Western Australia
29 September 2011

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

29 September 2011

Firestone Energy Limited
The Directors
PO Box 8284
SUBIACO WA 6008

Dear Sirs,

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 2011, 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.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CORPORATE GOVERNANCE STATEMENT

Firestone 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, Firestone adopts the Eight Essential Corporate Governance Principles and Best Practice Recommendations ('Recommendations') published by the Corporate Governance Council of the ASX.

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

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

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Compliance with the ASX Principles and Recommendations

The table below is provided to facilitate your understanding of Firestone's compliance with the ASX Corporate Governance Principles and Recommendations.

Recommendation	ASX Principles and Recommendations	Further information	Recommendation	ASX Principles and Recommendations	Further information
1.1	X	Refer (a) below	**4.3**	n/a	n/a
1.2	X	Refer (a) below	**4.4**	n/a	n/a
1.3	X	Refer (a) below	**5.1**	X	Refer (g) below
2.1	X	Refer (b) below	**5.2**	n/a	n/a
2.2	X	Refer (b) below	**6.1**	X	Refer (h) below
2.3	√	Refer (b) below	**6.2**	n/a	n/a
2.4	X	Refer (c) below	**7.1**	X	Refer (i) below
2.5	X	Refer (d) below	**7.2**	n/a	n/a
2.6	X	Refer (e) below	**7.3**	√	Refer (j) below
3.1	X	Refer (f) below	**7.4**	n/a	n/a
3.2	X	Refer (f) below	**8.1**	X	Refer (k) below
3.3	X	Refer (f) below	**8.2**	X	Refer (k) below
3.4	X	Refer (f) below	**8.3**	X	Refer (k) below
3.5	X	Refer (f) below	**8.4**	n/a	n/a
4.1	X	Refer (c) below			
4.2	n/a	n/a			

CORPORATE GOVERNANCE STATEMENT (Continued)

(a) Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Notification of departure from Recommendation

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

Explanation for departure from Recommendation

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 Firestone's management and the roles and responsibilities of the Board and management. Due to the small size of the Board and of Firestone, 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 appointments of Non-Executive Directors are formalised in accordance with the regulatory requirements and Firestone's constitution.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Notification of departure from Recommendation

Firestone has not established formal processes for evaluating the performance of senior executives.

Explanation for departure from Recommendation

The Board is responsible for the strategic direction of Firestone, establishing goals for senior executives and monitoring the achievement of these goals, monitoring the overall corporate governance of Firestone and ensuring that shareholder value is increased. Due to the size of Firestone and the stage of the company's development, the Board does not consider it is necessary to establish formal processes for evaluating the performance of senior executives.

(b) Principle 2 – Structure of the Board to add value

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The chair should be an independent director.

Notification of departure from Recommendations

The Firestone Board does not currently have a majority of independent directors and the Chairman is not considered independent.

Explanation for departure from Recommendations

The Board's composition changed during the year. Consistent with the size of Firestone and its activities, the Board currently comprises four (4) Directors. The Board considers that Mr Colin McIntyre meets the criteria set in Principle 2.1 by the Corporate Governance Council to be considered to be an independent Director.

Mr McIntyre has no material business or contractual relationship with Firestone, other than as a Director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent.

The Board's policy is that the majority of Directors shall be independent, Non-Executive Directors. Due to the size of Firestone and the stage of Firestone's development, the Board does not consider it can justify the appointment of more independent Non-Executive Directors, and therefore, the composition of the Board does not currently conform to the best practice recommendations of the ASX Corporate Governance Council.

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The Chairman, Mr David Perkins, is a Non-Executive Director.

(c) Principle 2 – Structure of the Board to add value& Principle 4 – Safeguard integrity in financial reporting

Recommendation 2.4: The board should establish a nomination committee.

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:
- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.

Recommendation 4.3: The audit committee should have a formal charter.

Notification of departure from Recommendations

The Board has not established nomination and audit committees.

Explanation for departure from Recommendations

The Board considers that Firestone 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 Firestone'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 – Structure of the Board to add value

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Notification of departure from Recommendation

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

Explanation for departure from Recommendations

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

(e) Principle 2 – Structure of the Board to add value

Recommendation 2.6: Companies should provide the information indicated in the Guide to Reporting on Principle 2.

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 during the financial year ended 30 June 2011 are disclosed in (b) above.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Board has considered the relationships listed in Box 2.1 of the ASX Corporate Governance Principles and Recommendations when making determinations regarding the independence of Directors.

Board access to 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, Firestone will pay the reasonable expenses associated with obtaining such advice.

Selection 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.

Recommendations of candidates for new Directors are made by the Directors for consideration by the Board as a whole. If it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

Nomination Matters
The full Board sits in its capacity as a Nomination Committee. The functions that would normally be carried out by the nominations committee are currently performed by the full Board

Performance Evaluation
Performance evaluations for the Board and individual Directors did occur on an informal basis during the financial year ended 30 June 2011.

Reappointment of Directors
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 – Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Notification of departure from Recommendation

Firestone has not established a formal code of conduct.

Explanation for departure from Recommendation

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

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

CORPORATE GOVERNANCE STATEMENT (Continued)

Notification of departure from Recommendations

Firestone does not currently have a diversity policy in place and is therefore not in compliance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations during the financial year (and also Recommendations 3.3 and 3.4).

Explanation for departure from Recommendations

The Board does not consider it appropriate to have such a policy at this stage of Firestone's development. The Board will continue to review the development of Firestone and will adopt a diversity policy at an appropriate time.

(g) Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Notification of departure from Recommendations

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 from Recommendations

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.

Firestone 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.

(h) Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Notification of departure from Recommendations

Firestone has not established a formal Shareholder communication strategy.

Explanation for departure from Recommendations

While Firestone 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 Firestone. Firestone 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 Firestone. Alternatively, hard copies of information distributed by Firestone are available on request.

(i) Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

CORPORATE GOVERNANCE STATEMENT (Continued)

Notification of departure from Recommendations

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

Explanation for departure from Recommendations

The Board does not currently have formal procedures in place but is aware of the various risks that affect Firestone and its particular business. As Firestone develops, the Board will develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of Firestone and the stage of development of its projects.

(j) Principle 7 - Recognise and manage risk

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.

The Chairman, Mr David Perkins, and the Chief Financial Officer, Mr Sizwe Nkosi, 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 reporting risks.

(k) Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:
- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Notification of departure from Recommendations

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

Explanation for departure from Recommendations

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 Firestone'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, and none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

(l) Securities trading policy

Firestone adopted a Share Trading policy in December 2010. The policy summarises the law relating to insider trading and sets out Firestone's policy on Directors, officers, employees and consultants of the Group dealing in securities of Firestone.

The policy is provided to all Directors and employees of the Group and compliance with it is reviewed on an ongoing basis in accordance with Firestone's risk management systems.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue	**2(a)**	57,894	62,386
Other Income		20,877	28,863
Profit/(loss) on disposal of PP&E		(3,521)	-
Administration expenses		(407,364)	(542,641)
Compliance and regulatory expenses		(278,057)	(237,201)
Directors' fees		(253,679)	(252,911)
Foreign exchange gain / (loss)		3,631	144,762
Employee and consultant expenses		(173,618)	(420,075)
Finance expenses	**2(b)**	(2,738,581)	(1,281,555)
Legal and professional fees		(740,755)	(642,791)
Occupancy costs		(73,600)	(76,242)
Travel and accommodation		(175,521)	(218,903)
Loss before income tax expense from continuing operations		**(4,762,294)**	**(3,436,308)**
Income tax expense	**3**	**-**	-
Loss for the year		**(4,762,294)**	**(3,436,308)**
Other comprehensive income for the year			
Movement in foreign currency translation reserve		(2,330,804)	433,349
Total comprehensive income for the year attributable to the owners of the Company		**(7,093,098)**	**(3,002,959)**
Basic and diluted loss per share (cents)	**4**	(0.19)	(0.16)

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents	**6(a)**	1,892,188	2,130,542
Trade and other receivables	**7**	62,110	420,031
Total Current Assets		1,954,298	2,550,573
NON-CURRENT ASSETS			
Receivables	**7**	108,618	147,119
Interest in joint venture asset	**8**	85,197,758	75,849,117
Property, plant & equipment	**9**	5,374,513	3,635,535
Total Non-Current Assets		90,680,889	79,631,771
TOTAL ASSETS		**92,635,187**	**82,182,344**
CURRENT LIABILITIES			
Trade and other payables	**10**	3,432,033	1,958,093
Borrowings	**11**	1,330,587	1,531,394
Total Current Liabilities		4,762,620	3,489,487
NON-CURRENT LIABILITIES			
Borrowings	**11**	20,372,463	14,530,114
		20,372,463	14,530,114
TOTAL LIABILITIES		**25,135,083**	**18,019,601**
NET ASSETS		**67,500,104**	**64,162,743**
EQUITY			
Issued capital	**12**	73,135,309	62,704,850
Reserves	**13**	3,879,461	6,210,265
Accumulated losses		(9,514,666)	(4,752,372)
TOTAL EQUITY		**67,500,104**	**64,162,743**

The above consolidated statement balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,673,682)	(4,129,775)
Interest received		57,894	62,386
Interest Paid		(1,912,841)	(338,122)
Security deposits		34,758	-
Net cash used in operating activities	**6(b)**	**(3,493,871)**	**(4,405,511)**
Cash Flows from Investing Activities			
Payments to acquire plant and equipment		(5,443)	(109,709)
Proceeds on sale of plant and equipment		3,900	-
Purchase of surface rights		(2,826,243)	-
Project expenditure – JV's		(4,034,730)	(11,993,976)
Net cash used in investing activities		**(6,862,516)**	**(12,103,685)**
Cash Flows from Financing Activities			
Proceeds from issue of shares, net of issue costs		1,630,459	-
Proceeds from borrowings		8,577,500	16,869,167
Loans repaid		-	(100,000)
Net cash provided by financing activities		**10,207,959**	**16,769,167**
Net (decrease)/ increase in cash held		(148,428)	259,971
Cash at the beginning of the financial year		2,130,542	1,870,754
Effect of exchange rate changes on the balance of cash held in foreign currencies		(89,926)	(183)
Cash at the end of the financial year	**6(a)**	**1,892,188**	**2,130,542**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Accumulated Losses	Share based payment reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2009	**14,781,022**	**(1,316,064)**	**4,081,645**	**1,695,271**	**19,241,874**
Total comprehensive income for the 2010 year					
Loss for the year	-	(3,436,308)	-	-	(3,436,308)
Other comprehensive income					
Foreign currency translation	-	-	-	433,349	433,349
Total other comprehensive income	-	-	-	433,349	433,349
Total comprehensive income for the year	**-**	**(3,436,308)**	**-**	**433,349**	**(3,002,959)**
Transactions with owners in their capacity as owners:					
Issue of shares, net of transaction costs	47,923,828	-	-	-	47,923,828
Balance at 30 June 2010	**62,704,850**	**(4,752,372)**	**4,081,645**	**2,128,620**	**64,162,743**
Total comprehensive income for the 2011 year					
Loss for the year	-	(4,762,294)	-	-	(4,762,294)
Other comprehensive income					
Foreign currency translation	-	-	-	(2,330,804)	(2,330,804)
Total other comprehensive income	-	-	-	(2,330,804)	(2,330,804)
Total comprehensive income for the year	**-**	**(4,762,294)**	**-**	**(2,330,804)**	**(7,093,098)**
Transactions with owners in their capacity as owners:					
Issue of shares, net of transaction costs	7,030,459	-	-	-	7,030,459
Conversion of convertible notes[1]	3,400,000	-	-	-	3,400,000
Balance at 30 June 2011	**73,135,309**	**(9,514,666)**	**4,081,645**	**(202,184)**	**67,500,104**

[1] The issued capital is primarily a reduction in debt.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements of Firestone Energy Limited for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 29 September 2011 and covers the consolidated entity consisting of Firestone Energy Limited and its subsidiaries as required by the *Corporations Act 2001.*

The financial statements are presented in the company's functional currency, Australian dollars.
Firestone Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Johannesburg Stock Exchange.

(b) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements have also been prepared on a historical cost basis. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2011. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.	1 July 2013
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity's current joint venture is unincorporated and accounted for as stated in note 1(g). When the joint venture is incorporated, it will be accounted for using the equity method.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the balance sheet or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the balance sheet, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • *1 statement of comprehensive income* – to be referred to as 'statement of profit or loss and other comprehensive income' • *2 statements* – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	1 July 2012
AASB 1054 (issued May 2011)	Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).	Annual reporting periods commencing on or after 1 July 2011	When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.	1 July 2011
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Preparation (Continued)

Going Concern

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

The Group has incurred a loss after tax for the year ended 30 June 2011 of $4,762,294 (2010: $3,436,308) and experienced net cash outflows from operating activities of $3,493,871 (2010: $4,405,511).

The Directors believe that there are sufficient funds to meet the Consolidated Entity's working capital requirements. However, as the convertible note facility with BBY has been drawn down by $24.7m of the $25m limit, and there is a working capital deficit of $2,808,322, the Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability to secure further working capital by the issue of additional equities, debt, and/or entering into negotiations with third parties regarding farm out of assets.

(c) 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.

(d) Critical accounting judgements and significant estimates

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.

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 based on future coal sales from a developed coal mine, and has not been impaired on the basis that the underlying asset will be successfully commercialised.

(e) 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.

(f) 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 date.

Deferred tax is accounted for using the 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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income Tax (Continued)

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 statement of comprehensive income 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.

(g) 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.

(h) Investment in joint venture

Investment in an incorporated 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 is recognised in the statement of comprehensive income. 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.

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.

(i) Mineral Exploration and Evaluation and Development Expenditure

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

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.

(j) Property, 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 Group 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, Plant and Equipment (Continued)

Surface rights refer to ownership of the land that the entity intends to mine, and is separate from a license to tenure over the land. These assets will be classified as property and carried at cost. The property will be amortised over a life of mine basis, with amortisation commencing upon production of saleable coal.

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 Group 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 rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Motor vehicles	5 years
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 profit or loss.

(k) Impairment of Assets

At each reporting date, the Group 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 profit or loss.

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

(l) Financial Instruments

At present, the Group 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). They are measured initially at fair value and subsequently at amortised cost.

Financial Liabilities

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the asset's original effective interest rate. Any impairment losses are taken to the statement of comprehensive income.

Compound financial instruments - Borrowings

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(m) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer.
Interest revenue is recognised when it is due, on the accruals basis.

(n) 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. Assets capitalised within IFRS 6 have not been considered to be qualifying assets.
Transaction costs relating to compound financial instruments are offset against the debt/equity on the balance sheet, and amortised over the life of the convertible notes.

(o) 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.

(p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

(q) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Interest-bearing loans and borrowings (Continued)

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.

(r) 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 in the Company (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 an appropriate 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 dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Refer to note 12 for a listing of all ordinary shares under option at year-end.

(s) 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.

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.

(t) 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 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.

(u) 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:
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 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Foreign currency translation (Continued)

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.

Foreign Subsidiaries Translation:

The functional currency of the foreign operations, Checkered Flag Investments 2 (Pty) Ltd, Lexshell 126 General Trading (Pty) Ltd and Utafutaji Trading 75 (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 date and their income statements are translated at the weighted average exchange rate for the year.

Equity accounts are translated at their historical exchange rates. 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 statement of comprehensive income.

(v) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(w) Comparative Figures

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

(y) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(z) Goods and services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.
Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2. REVENUE & EXPENSES

	2011 $	2010 $
(a) Revenue		
Interest received	57,894	62,386
	57,894	**62,386**
(b) Finance Expenses		
Interest expense	2,073,732	901,441
Amortisation of transaction costs	664,849	380,114
	2,738,581	**1,281,555**

2. REVENUE & EXPENSES (Continued)

Included within the statement of comprehensive income is also the following:

Superannuation expenses	4,953	12,013
Depreciation	36,589	27,142
Office rent	62,479	46,494

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:	**2011** **$**	**2010** **$**
Accounting loss before tax	(4,762,294)	(3,436,308)
Income tax benefit at 30% (2010:30%)	1,428,688	1,030,892
Non-deductible expenses:		
Foreign tax rate adjustment	10,719	20,617
Foreign exchange (gain)/loss	(1,075)	(43,581)
Share based payment	-	-
Other non deductible expenses	893,804	428,970
Unrecognised tax losses	525,240	624,886
Income tax benefit attributable to loss from ordinary activities before tax	**-**	-

(c) Unrecognised deferred tax balances

Tax losses attributable to members of the Company - revenue	11,886,617	9,505,658
Potential tax benefit at 30%	3,523,486	2,851,697
Deferred tax liability not recognised		
Deferred expenditure on African projects	**-**	-
Deferred tax asset not recognised		
Amounts recognised in profit & loss		
-employee provisions	-	1,432
-other	-	4,770
Net unrecognised deferred tax asset at 30%	**3,523,486**	**2,857,899**

4. LOSS PER SHARE

	2011 Cents	2010 Cents
Basic loss per share (cents per share)	(0.19)	(0.16)
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
Loss for the year	(4,762,294)	(3,436,308)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	**2,481,222,510**	**2,084,646,605**

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

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

This internal reporting framework is the most relevant to assist the Board (who are the chief operating decision makers) with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. As the company is in the exploration phase it has no major customers.

Segment information provided to the Board:

	2011 $	2010 $
Revenue from external sources	-	-
Reportable segment loss	(873,834)	(150,172)
Reported segment assets	90,519,024	79,371,322

Reported segment assets are the equivalent of the interest in joint venture (note 8) plus surface right properties included in note 9.

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

	2011	2010
Total loss for reportable segment	(873,834)	(150,172)
Interest revenue and other income	54,955	236,011
Administration expenses	(166,500)	(539,527)
Finance costs	(2,597,202)	(1,239,642)
Compliance and regulatory expenses	(278,057)	(237,201)
Directors' fees	(253,679)	(252,911)
Employee and consultant expenses	(147,912)	(348,534)
Legal and professional fees	(329,299)	(642,791)
Occupancy costs	(73,600)	(76,242)
Travel and accommodation	(97,166)	(185,299)
Loss before income tax from continuing operations	**(4,762,294)**	**(3,436,308)**

6. (a) CASH AND CASH EQUIVALENTS

	2011 $	2010 $
Cash at bank	1,892,188	2,130,542
	1,892,188	**2,130,542**

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Groups exposure to interest rate risk is discussed in note 14. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents noted above.

Reconciliation to Statement of Cash Flows
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:

Cash and cash equivalents	1,892,188	2,130,542

6. (b) RECONCILIATION TO STATEMENT OF CASH FLOWS

Reconciliation of loss after income tax to net cash flows from operating activities:	**2011** **$**	**2010** **$**
Loss after income tax	(4,762,294)	(3,436,308)
Non cash flows in operating loss:		
Depreciation	36,590	26,833
Amortisation of borrowing costs	664,849	380,114
Foreign exchange loss	(3,631)	(1,146)
Share based payments expense	-	85,000
	(4,064,486)	(2,945,507)
Changes in operating assets and liabilities:		
(Increase)/decrease in trade debtors	-	-
(Increase)/decrease in other receivables	396,422	(389,984)
Increase/(decrease) in other provisions	-	(5,381)
Increase/(decrease) in trade and other Payables	174,193	(1,064,639)
Net cash outflow from operating activities	**(3,493,871)**	**(4,405,511)**

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

6. (c) NON CASH INVESTING AND FINANCING ACTIVITIES

	2011 **$**	**2010** **$**
Shares issued to redeem convertible note to ordinary shares	3,400,000	3,225,000
Shares issued in payment for T3 properties as per agreement - (see note 8)	5,400,000	43,408,828
Consultancy costs paid via equity	-	1,290,000

7. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Current		
GST recoverable	47,067	328,356
Security bond	-	8,000
Prepayments	15,043	83,162
Other receivables	-	513
	62,110	**420,031**
Non-Current		
Security bond	-	26,758
Environmental rehabilitation bond	108,618	120,361
	108,618	**147,119**

8. INTEREST IN JOINT VENTURE

	2011 $	2010 $
Interest in capitalised exploration and evaluation expenditure	**85,197,758**	**75,849,117**

	2011 $	2010 $
Opening balance	75,849,117	19,645,502
Additional costs	9,603,304	13,229,726
Acquisition of properties via equity	5,400,000	43,408,828
Foreign currency movements	(5,654,663)	(434,939)
Closing balance	**85,197,758**	**75,849,117**

Previously, the Company had entered into a Joint Venture Agreement (T1) with Sekoko Coal (Pty) Ltd for a coal project in the Waterberg locality in South Africa comprising the Olieboomsfontein and Vetleegte properties. During the year, an amendment was made to the Joint Venture agreement, to allow Checkered Flag (a wholly owned subsidiary) to earn up to an interest of 60% in the T1 Joint Venture, in which it had a full participation at 30 June 2011 (2010: 30% participation of a possible 55%).

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

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

The Joint Venture is unincorporated at 30 June 2011 and is accounted for in accordance with note 1(g).

9. PROPERTY, PLANT AND EQUIPMENT

	2011 $	2010 $
Office furniture and equipment:		
Cost	100,408	122,779
Accumulated depreciation	(54,908)	(35,396)
	45,500	87,383
Motor Vehicles:		
Cost	11,067	28,830
Accumulated depreciation	(3,320)	(2,883)
	7,747	25,947
Property – Surface rights:		
Cost	5,321,266	3,522,205
Total Property, plant and equipment	**5,374,513**	**3,635,535**

Movements in the carrying amounts of each class of property, plant & equipment are set out below:

Office furniture and equipment	2011 $	2010 $
Balance at the beginning of year	87,383	30,454
Additions	5,443	81,188
Depreciation expense	(32,438)	(24,259)
Foreign exchange adjustment	(9,270)	-
Disposals	(5,618)	-
Carrying amount at the end of the year	**45,500**	**87,383**
Motor Vehicles		
Balance at the beginning of year	25,947	-
Additions	-	28,830
Depreciation expense	(4,152)	(2,883)
Foreign exchange adjustment	(1,762)	-
Disposals	(12,286)	-
Carrying amount at the end of the year	**7,747**	**25,947**

Property – Surface rights	2011 $	2010 $
Balance at the beginning of year	3,522,205	-
Acquisition of Smitspan farm	-	3,522,205
Acquisition of Hooikraal farm	2,107,000	-
Foreign exchange adjustment	(307,939)	-
Carrying amount at the end of the year	**5,321,266**	**3,522,205**

10. TRADE AND OTHER PAYABLES

Current	2011 $	2010 $
Trade payables	973,437	1,323,782
Employee entitlements	89,964	4,772
Accruals*	2,207,387	620,853
Other	161,245	8,686
	3,432,033	**1,958,093**

*An accrual of $1,418,340 is included in this amount, relating to the T3 Joint Venture transaction with related party Sekoko Coal (Pty) Ltd. The total payable is $1,800,000 as released to the market in February 2010. A further $700,000 payment was made post balance date, with a remaining balance of $718,340 owing at the date of this report.

Trade payables are non-interest bearing and are normally settled on 30-day terms, information about the Group's exposure to foreign exchange risk is provided in note 14.

11. BORROWINGS

	2011	2010
Current	**$**	**$**
Loans carried at amortised cost		
Unsecured loans	**1,330,587**	**1,531,394**

These loans relate to amounts payable to third parties for the acquisition of surface rights as disclosed in note 9. The loan on Smitspan attracts interest at the South African prime interest rate less 2percent (*7% at 30 June 2011*) of which a balance of $424,928 (2010: $1,531,394) was payable at year-end. The Hooikraal loan incurs interest at the South African prime interest rate (9% at 30 June 2011) of which an amount of $905,659 (2010: nil) was payable at year-end. Both these loans are dominated in South African Rand. The South African prime interest rate at 30 June 2010 was 10%.

Non-Current		
Loans carried at amortised cost		
Convertible note (Face Value)*	24,700,000	15,923,080
Conversions	(3,400,000)	-
Transaction Costs (Convertible notes)	(927,537)	(1,392,966)
	20,372,463	**14,530,114**

*The total draw down facility is $25 million with a maturity date of 3 years from the date of issuing each note. The notes can be converted at any time before the maturity date and bears interest at a fixed rate of 10% per annum. The effective interest rate on the liability will also be 10%. The notes commence maturing in October 2012. For convertible notes issued prior to 13 July 2010 the conversion price will be $0.04, all notes issued subsequent to that date will have a conversion price set to the higher of $0.02 or the 7.5% discount to the 5day VWAP.

Details of the group's exposure to risks arising from current and non–current borrowings are set out in note 14.

12. ISSUED CAPITAL

	2011 $	2010 $
2,781,314,361 (2010: 2,331,300,464) fully paid ordinary shares	**73,135,309**	**62,704,850**

(i) Movement in ordinary share capital:	**Notes**	**No of Shares**	**$ Value**
1 July 2009 – Opening Balance		1,354,951,295	14,781,022
16 Sep 2009 – Conversion of Convertible loan at 4 cents		67,000,000	2,680,000
16 Sep 2009 – Conversion of Convertible note at 3.6 cents		15,172,606	545,000
30 Sep 2009 – Issued to Sekoko - T2		868,176,563	43,408,828
30 Sep 2009 – Issued to River Group for services rendered		25,000,000	1,250,000
30 Sep 2009 – Issued to Argonaut for services rendered		1,000,000	40,000
Balance at 30 June 2010		**2,331,300,464**	**62,704,850**
4 Oct 10 – Note conversion		30,000,000	600,000
8 Nov 10 – Note conversion		39,411,766	800,000
2 Feb 11 – Note conversion		26,315,790	600,000
4 Feb 11 – Issued to Sekoko – T3		200,000,000	5,400,000
27 Apr 11 – Note conversion		35,000,000	700,000
24 May 11 – Note conversion		34,146,341	700,000
22 Jun 11 – Share Purchase Program		85,140,000	1,702,800
Less share issue costs		-	(72,341)
Balance at 30 June 2011		**2,781,314,361**	**73,135,309**

12 ISSUED CAPITAL (Continued)

Unlisted Options

Unissued ordinary shares of the Company under option as at 30 June 2011 are as follows:

Number Under Option	Expiry	Exercise Price
30,000,000	30 Nov 2012	$0.05
110,000,000	30 May 2013	$0.06
96,904,767	30 June 2013	$0.06
25,875,000	30 June 2014	$0.06
42,382,500	31 May 2014	$0.04
305,162,267		

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

13 RESERVES

	2011 $	2010 $
Reserves	**3,879,461**	**6,210,265**

Reserves comprise the following:

Share based payment reserve

	2011	2010
Options - number	**No.**	**No.**
At start of period	262,779,767	262,779,767
Issued as free attaching - SPP	42,382,500	-
Exercised during the period	-	-
Balance at 30 June	**305,162,267**	**262,779,767**

	2011	2010
Options - value	**$**	**$**
At start of period	4,081,645	4,081,645
Balance at 30 June	**4,081,645**	**4,081,645**

Foreign Currency Translation Reserve

At start of period	2,128,620	1,695,271
Currency translation differences	(2,330,804)	433,349
Balance at 30 June	**(202,184)**	**2,128,620**

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 or consultants as part of their remuneration or services to the entity.

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

14 FINANCIAL RISK MANAGEMENT

(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 the previous year.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

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 interest rate risk), credit risk and liquidity risk. The Group's overall risk management program does focus on the unpredictable nature of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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.

(iii) Market risk

Cash flow interest rate risk

The Group's main interest rate risk arises from cash deposits to be used as investments, prior to being spent on exploration and evaluation activities. Deposits at variable rates expose the Group to cash flow interest rate risk. During 2011 and 2010, the Group'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 on hand:

	2011		2010	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**$**	**%**	**$**
Deposits - cash	4.64%	1,892,188	2.5%	2,130,542

Summarised Sensitivity Analysis – Interest Rate Risk and Foreign Currency Risk

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.

As a result of increasing investment overseas, large transactions are denominated in South African Rand, and the Group's balance sheet can be affected significantly by movements in the ZAR/AUD 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.

14 FINANCIAL RISK MANAGEMENT (Continued)

At 30 June, the Group had the following exposure to Australian short term interest rates and South African prime overdraft rates, along with ZAR foreign currency financial instruments expressed in AUD equivalents that are not designated as cash flow hedges:

	2011 $	2010 $
Subject to Foreign Currency Risk:		
Financial assets		
Cash and cash equivalents	2,532	921,969
Trade and Other Receivables	108,618	129,593
	111,150	1,051,562
Financial liabilities		
Trade and other payables	583,094	1,549,312
Subject to Interest Rate Risk:		
Financial assets		
Cash and cash equivalents	1,892,188	2,130,542
Financial liabilities		
Trade and other payables	1,330,587	1,531,394

The following sensitivity is based on the foreign currency risk and interest rate risk exposures in existence at the reporting date.

Based on historical information, and market trends, management's assessment of the possible change in foreign exchange rates are between the ranges of 10% either way. As for interest rates, management has determined a range of 100 basis points decrease or increase as appropriate.

Based on these factors, at 30 June the effects on post tax loss and equity would be as follows;

Future possible changes in interest rates and foreign exchange rates based on management's estimates:	2011 $	2010 $
Interest Rates + 100bp (2010: 100bp)	5,616	5,994
Interest Rates – 100bp (2010: 50bp)	(5,616)	(2,997)
AUD/ZAR+10%	(85,360)	(49,775)
AUD/ZAR - 10%	85,360	49,775

(iv) Credit risk

The Group has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions. The company has a concentration in the receivable from its subsidiaries.

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.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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 Group will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from

14 FINANCIAL RISK MANAGEMENT (Continued)

different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

Maturity analysis of financial assets and liabilities based on management's expectations:

Year ended 30 June 2011	<6 months	6-12 months	1-5 years	>5 years	Contractual cash flows	Carrying Amount
Financial assets						
Trade & other receivables[1]	47,067	-	108,618	-	155,685	155,685
	47,067	-	108,618	-	155,685	155,685
Financial liabilities						
Trade & other payables	(3,432,033)	-	-	-	(3,432,033)	(3,432,033)
Borrowings[2]	(1,065,000)	(2,395,587)	(22,902,000)	-	(26,362,587)	(21,703,050)
Net maturity	**(4,449,966)**	**(2,395,587)**	**(22,793,382)**	**-**	**(29,638,935)**	**(24,979,398)**

Year ended 30 June 2010	<6 months	6-12 months	1-5 years	>5 years	Contractual cash flows	Carrying Amount
Financial assets						
Trade & other receivables[1]	513	-	147,119		147,632	147,632
	513	-	147,119	-	147,632	147,632
Financial liabilities						
Trade & other payables	(3,489,487)	-	-	-	(3,489,487)	(3,489,487)
Borrowings[2]	-	(1,081,808)	(18,803,080)	-	(19,884,888)	(15,923,080)
Net maturity	**(3,488,974)**	**(1,081,808)**	**(18,655,961)**	**-**	**(23,226,743)**	**(19,264,935)**

[1] No impairment is required on long term receivables, as these are long term deposits.

[2] The note holder has the option to convert the face value of the liability to equity at any time until maturity.

15 COMMITMENTS

(i) Operating Lease Commitments	2011 $	2010 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements. Payable – Minimum lease payments:		
- not later than 12 months	-	71,429
- between 12 months and 5 years	-	62,501
	-	**133,930**

The company no longer has contractual commitments regarding rent for its head office.

(ii) Expenditure commitments contracted for:	2011	2010
Exploration	$	$
- not later than 12 months	-	2,374,352
- between 12 months and 5 years	-	-
	-	**2,374,352**

In the previous year, the commitments related to the purchase of the Hooikraal farm. This amount was partly paid in the current period, with the remainder included as a liability in the balance sheet. Refer to note 9 for further details.

Further to the above, 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$3.45million).

16 RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	2011	2010
	$	$
Short-term employee benefits	647,242	828,368
Termination benefits	-	60,000
Post-employment benefits	4,953	12,013
	652,195	**900,381**

(b) Key management personnel equity holdings

(i) Option holdings – Unlisted

The numbers of options over ordinary shares in the Company held during the financial year by each Director and executive of Firestone Energy Limited, including their personally related parties, are set out below:

2011	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
Directors						
J Dreyer[1]	-	-	-	-	-	-
D Perkins	-	-	-	-	-	-
S Nkosi[2]	-	-	-	-	-	-
A Matthee[1]	110,000,000	-	-	(110,000,000)	-	-
PC Kasolo[2]	-	-	-	-	-	-
MP Tshisevhe[2&1]	-	-	-	-	-	-
C McIntyre	3,125,000	-	-	-	3,125,000	3,125,000
T Tebeila[1]	110,000,000	-	-	(110,000,000)	-	-
J Wallington[1]	-	-	-	-	-	-
Executives						
J Monzu	-	-	-	-	-	-
	223,125,000	**-**	**-**	**(220,000,000)**	**3,125,000**	**3,125,000**

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year

2010	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
Directors						
J Dreyer	-	-	-	-	-	-
A Matthee	110,000,000	-	-	-	110,000,000*	110,000,000
C McIntyre	-	-	-	3,125,000	3,125,000	3,125,000
T Tebeila	110,000,000	-	-	-	110,000,000*	110,000,000
J Wallington	-	-	-	-	-	-
Executives						
G Higgo[1]	250,000	-	-	(250,000)	-	-
S Storm[1]	-	-	-	-	-	-
R Dorrington[1]	-	-	-	-	-	-
J Monzu[2]	-	-	-	-	-	-
	220,250,000	**-**	**-**	**2,875,000**	**223,125,000**	**223,125,000**

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year

16 RELATED PARTY TRANSACTIONS (Continued)

* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal, whereby Sekoko Coal had 997,937,832 shares and 110,000,000 options held in Firestone Energy Ltd at 30 June 2010.

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each Director and executive of Firestone Energy Limited, including their personally related parties, are set out below:

2011	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[1]	-	-	-	-	-
D Perkins	-	-	-	2,500,000	2,500,000
S Nkosi[2]	-	-	-	150,000	150,000
A Matthee[1]	1,018,237,832	-	-	(1,018,237,832)	-
PC Kasolo[2]	-	-	-	-	-
MP Tshisevhe[2&1]	-	-	-	-	-
C McIntyre	27,075,000	-	-	375,000	27,450,000
T Tebeila[1]	997,937,832	-	-	(997,937,832)	-
J Wallington[1]	-	-	-	-	-
Executives					
J Monzu	150,000	-	-	-	150,000
	2,043,400,664	**-**	**-**	**(2,013,150,664)**	**30,250,000**

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year

2010	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	165,000,000	-	-	853,237,832	1,018,237,832*
C McIntyre	-	-	-	27,075,000	27,075,000
T Tebeila	165,000,000	-	-	832,937,832	997,937,832*
J Wallington	-	-	-	-	-
Executives					
G Higgo[1]	500,000	-	-	(500,000)	-
S Storm[1]	-	-	-	-	-
R Dorrington[1]	-	-	-	-	-
J Monzu[2]	-	-	-	150,000	150,000
	330,500,000	**-**	**-**	**1,712,900,664**	**2,043,400,664**

Note 1 - resigned during the financial year
Note 2 - appointed during the financial year

* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal, whereby Sekoko Coal had 997,937,832 shares and 110,000,000 options held in Firestone Energy Ltd at 30 June 2010.

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.

16 RELATED PARTY INFORMATION (Continued)

(c) Loans to Key Management Personnel

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

(d) Investments in Controlled Entities

Subsidiaries of Firestone Energy Limited are set out below:

	Place of Incorporation	Equity holding	
		2011	**2010**
		%	%
Parent Entity:			
Firestone Energy Limited	Australia	n/a	n/a
Controlled Entities:			
Checkered Flag Investments 2 (Pty) Ltd	South Africa	**100**	100
Lexshell 126 General Trading (Pty) Ltd	South Africa	**100**	100

Lexshell 126 General Trading (Pty) Ltd holds a 100% interest in Utafutaji Trading 75 (Pty) Ltd, acquired at a cost of $15.

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.

(e) Other transactions and balances with Key Management Personnel

Sekoko Coal (Pty) Ltd is a related party to the group, through its joint venture agreement with Lexshell (a wholly owned subsidiary) and by the fact it has significant influence over Firestone Energy Ltd.

As disclosed in note 8, an amount of 200,000,000 (2010: 868,176,563) fully paid shares were issued to Sekoko Coal (Pty) Ltd during the period as part consideration for the second and third joint venture transactions with Sekoko Coal (Pty) Ltd, T2 and T3, through its wholly owned subsidiary Lexshell 126 General Trading (Pty) Ltd.

Non-executive Chairman David Perkins is also a director of related party BBY Limited, the recipient of the convertible note facility. For further details on the convertible note facility, refer to note 11.

The Company, through Checkered Flag Investments 2 (Pty) Ltd and Lexshell 126 General Trading (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:

Expenditure	**2011** **$**	**2010** **$**
Management Fees	173,970	299,850
Reimbursement of expenditure incurred on behalf of joint venture with Checkered Flag and Sekoko	83,290	230,976
Reimbursement of expenditure incurred in relation to planned joint venture with Lexshell and Sekoko	2,529,669	3,798,055
Amounts owed to related parties		
Due to Sekoko	**1,474,816***	**8,686**

These fees were charged based on normal commercial terms and conditions.
*Includes accrual relating to T3 transaction amounting to $1,418,340.

17 AUDITORS' REMUNERATION

	2011 $	2010 $
Amounts paid or payable to BDO Audit (WA) Pty Ltd:		
Audit or review of the financial reports of the Group	42,263	42,615
Other services by BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	45,857	7,975
Audit and other services provided by BDO South Africa	27,000	25,000
	115,120	**75,590**

18 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 3 August 2011 the Company announced that a mining right had been granted with respect to its joint venture project in South Africa and that the S11 transfer application to transfer the mining right from Sekoko Coal to the Operating JV had been submitted.

In September 2011, Firestone Energy Limited completed a placement of approximately 150 million shares at $0.012 per share to ASX listed global energy company Linc Energy Limited (ASX: LNC), raising approximately $1.8m. Following the placement (and including other on market purchases) Linc Energy will hold approximately 9.6% of the Company. The placement was made under the Company's existing 15% capacity.

On 15 September the Company announced that the JV had entered into an exclusive arrangement with a major power company to complete a due diligence which may result in the company becoming a cornerstone investor.

On 21 September 2011 the company announced that it had appointed Mr David Knox as its chief executive officer.

With exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

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

19 CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities at 30 June 2011.

20 PARENT ENTITY INFORMATION

(a) Summary Financial Information

BALANCE SHEET

	2011 $	2010 $
Assets		
Current assets	1,951,302	21,804,772
Non-current assets	88,846,270	56,330,500
Total assets	**90,797,572**	**78,135,272**
Liabilities		
Current Liabilities	1,048,693	770,741
Non-current liabilities	20,372,463	14,530,114
Total Liabilities	**21,421,156**	**15,300,855**
Equity		
Issued Capital	73,135,309	62,704,850
Reserves	4,081,645	4,081,645
Accumulated Losses	(7,840,538)	(3,952,078)
Total equity	**69,376,416**	**62,834,417**
Loss for the year	(3,888,460)	(2,636,014)
Total Comprehensive Loss	(3,888,460)	(2,636,014)

(b) Contingent liabilities of the parent entity

Firestone Energy Limited had no contingent liabilities as at 30 June 2011.

(c) Commitments for the parent entity

Firestone Energy Limited had no commitments as at 30 June 2011.

DECLARATION BY DIRECTORS

The Directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, balance sheet, statement of cash flows, 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The remuneration disclosures included in pages 9 to 12 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001.*

5. The Directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A.

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

David Perkins
Chairman

Perth
Western Australia

29 September 2011

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

Report on the Financial Report

We have audited the accompanying financial report of Firestone Energy Limited, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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 opinion.

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*, which has been given to the directors of Firestone Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the year-end financial report which indicates that Firestone Energy Limited has an available cash balance at reporting date of $1,892,188 (2010: $2,130,542) and working capital of ($2,808,322) (2010: ($938,914)). Firestone Energy Limited is in the process of developing a mine and requires significant funding to develop the asset. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001.*

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 29th day of September 2011

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 27 September 2011.

Distribution of equity security holders

Ranges	Number of Holders	Number of Shares	% of issued Capital
1 - 1,000	2,375	1,033,481	0.03
1,001 - 5,000	1,446	3,229,338	0.11
5,001 - 10,000	344	2,615,930	0.09
10,001 - 100,000	1,656	82,762,819	2.80
100,001 - and over	1,369	2,869,034,216	96.97
Total	**7,190**	**2,958,675,784**	**100.00**

There are 4,646 holders of shares holding less than a marketable parcel.

Twenty largest holders of quoted shares

Number	Shareholders	Number of Shares held	% of issued Capital
1	SEKOKO RESOURCES PTY LTD	852,315,091	28.81
2	LINC ENERGY LIMITED	283,336,423	9.58
3	BBY NOMINEES PTY LTD	200,000,000	6.76
4	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	76,500,000	2.59
5	SUNGU SUNGU RESOURCES	62,000,000	2.10
6	BIOTRACE TRADING 316 (PTY) LTD	60,896,890	2.06
7	UZALILE INVESTMENTS PTY LTD	55,000,000	1.86
8	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	48,573,946	1.64
9	COLBERN FIDUCIARY NOMINEES PTY LTD	45,000,000	1.52
10	MILLCORP SECURITIES PTY LTD <MILLCORP SECURITIES A/C>	40,000,000	1.35
11	MRS AMANDA MATTHEE	32,183,437	1.09
12	HAO YUN LIMITED	30,941,696	1.05
13	SEPHOR INVESTMENTS LIMITED	27,000,000	0.91
14	SANPOINT PTY LTD <FIORE FAMILY FUND A/C>	25,000,000	0.84
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <BERNDALE A/C>	22,868,786	0.77
16	MR WAYNE GREGORY LOXTON & MRS DONNA JOY LOXTON <W & D LOXTON SUPER FUND A/C>	20,000,000	0.68
17	FMR INVESTMENTS PTY LIMITED	18,001,750	0.61
18	CITICORP NOMINEES PTY LIMITED	17,513,475	0.59
19	SGJ INVESTMENTS PTY LTD	17,000,000	0.57
20	CARRICK HOLDINGS LIMITED	16,281,817	0.55
	Total	**1,950,413,311**	**65.92**

ASX ADDITIONAL INFORMATION

Quoted and unquoted equity securities

Equity Security	Quoted	Unquoted
Ordinary Shares	2,958,675,784	-
Options	42,385,500	262,779,767

Substantial shareholders

Substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:-

Shareholder	Number of shares
Sekoko Resources Pty Ltd	852,315,091
Linc Energy Limited	283,336,423

Unlisted Option holdings at 27 September 2011	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 30 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.

ASX ADDITIONAL INFORMATION

Stock Exchange

The Company is dual listed on the Australian Securities Exchange and the Johannesburg 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.

Firestone's interests in mining tenements

Country / Location	Tenement	Interest
South Africa – Waterberg region	Smitspan (306LQ)	60%
South Africa – Waterberg region	Hooikraal (315LQ)	60%
South Africa – Waterberg region	Minnasvlakte (2584LQ)	60%
South Africa – Waterberg region	Vetleegte (304LQ)	60%
South Africa – Waterberg region	Swanepoelpan (262LQ)	60%
South Africa – Waterberg region	Duikerfontein (263LQ)	60%
South Africa – Waterberg region	Olieboomfontein (220LQ)	60%
South Africa – Waterberg region	Massenburg (305LQ)	60%