



ABN 71 058 436 794

## **ANNUAL REPORT**

**For the year ended 30 June 2013**

**FIRESTONE ENERGY LIMITED**  
**Annual Report 30 June 2013**

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**CORPORATE DIRECTORY**

**DIRECTORS**

Mr Tim Tebeila  
*Chairman*

Mr Stephen Miller  
*Executive Director*

Dr Pius Kasolo  
*Non-Executive Director*

Mr David Knox  
*Non-Executive Director*

Mr Brian McMaster  
*Non-Executive Director*

Mr Morore Benjamin Mphahlele  
*Non-Executive Director*

**COMPANY SECRETARY**

Mr David McEntaggart

**REGISTERED OFFICE**

Level 1, 330 Churchill Avenue  
SUBIACO WA 6008

Telephone: (08) 9200 4465

Facsimile: (08) 9200 4469

**STOCK EXCHANGE LISTING**

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

**SHARE REGISTRY**

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

**AUDITORS**

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

**ASX & JSE CODE**

FSE

**FIRESTONE ENERGY LIMITED**  
**Annual Report 30 June 2013**

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# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### MANAGEMENT DISCLOSURE REPORT

#### Overview

- On 5 October 2012, at a General Meeting, shareholders approved various resolutions relating to the acquisition of a 25.7% interest in Firestone Energy Limited ("Firestone" or "the Company") by Ariona Company SA from Sekoko Resources (Pty) Ltd.
- At the same meeting, shareholders approved the restructure of the Convertible Notes facilitating the issue of new Convertible Notes to Ariona in the amount of \$40.7m.
- On 17 December 2012 The Waterberg Coal Company Ltd ("WCC") announced to the ASX an unsolicited conditional offer to acquire all of the ordinary shares in Firestone by way of an off-market takeover offer. WCC had previously announced to the ASX that it had signed an agreement to acquire all of the share capital in Ariona Company SA ("Ariona").
- In January 2013 WCC lodged its Bidders Statement for FSE. In summary, Firestone shareholders were offered (1) WCC share for every (2) Firestone shares.
- On 5 February 2013, Firestone announced the First Stage Settlement between the Company, Ariona, BBY Nominees and Jaguar Funds Management Limited. Pursuant to the terms of the Restated Investment Agreement ("RIA"), the Company issued \$27.145 million of new Secured Convertible Notes. The Company received \$5 million in cash (less costs) for interim funding. New Convertible Notes were issued together with the redemption and replacement of \$21.3 million of Existing Convertible Notes and accrued interest of \$845k. Successful completion of the first closing of the RIA greatly assisted the Company in continuing to finance its obligations with respect to the Waterberg Joint Venture.
- On 21 February 2013, the Company announced the release of an Independent Specialist Valuation Report carried out by Venmyn Deloitte in relation to the coal assets that comprise The Waterberg Coal Project in which Firestone is a Joint Venture Partner with Sekoko Coal.
- On 27 March 2013, WCC increased the Takeover Offer consideration to 1.25 WCC shares for every 2 Firestone shares (on pre-consolidation basis). On a post-consolidation basis the consideration will be 1.25 WCC shares for every 20 Firestone shares.
- On 9 April 2013 Ariona and Sekoko Resources completed a transaction whereby Ariona acquired 480,000,000 Firestone shares from Sekoko, together with Ariona acquiring from Sekoko an entitlement to a direct 10% interest in the Waterberg Joint Venture.

The Company received notification that the WCC off-market takeover bid for all the ordinary shares had been extended to and closed on 23 September 2013.

#### Technical Overview

During the year various specialist consultants were engaged to work with SRK on the Definitive Feasibility Study ("DFS") for The Waterberg Coal Project. The specialists covered the disciplines of environment, transport and logistics, infrastructure and hydrology. These specialist reports will be incorporated into the DFS, which is being managed by SRK. During the 2012 year, SRK were appointed by the joint venture partners to complete the DFS for the proposed development of an open cast mining operation to produce 10 million tonnes of coal (product) per year to Eskom for an initial term of 30 years, pursuant to a Memorandum of Understanding that Sekoko Coal had entered into with Eskom in March 2012.

Of note, during the year Eskom requested a change in mine plan design to accommodate the different characteristics of the top and bottom coal seams that exist within the defined project area. As a result, such amendments have now been incorporated in the DFS. The final work product of the DFS is now expected to be finalised at the end of September 2013.

As part of the DFS, further drilling has been completed on Smitspan to confirm the extent of the faults, and further drilling on Massenbergrug to upgrade the resource status of the property. These drilling results will be announced as part of the DFS.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### MANAGEMENT DISCLOSURE REPORT

#### PROJECT APPROVALS & PERMITTING

##### Amended Mining Right

- Notification to amend the granted new order mining right (“NOMR”) has been submitted to the Department of Mineral Resources during Q1 of 2013.
- Continued to build relationships with key stakeholders including, inter alia, regular interaction with municipality representatives, land owners and state authorities on an issue-by-issue basis.
- Targeted stakeholder engagements; the public participation processes is ongoing.
- Entered into purchase agreements with certain owners of surface rights that the proposed mine operation and mine infrastructure will be situated.

##### Amended Environmental Authorisation

- Application to amend the granted Environmental Authorisation was lodged with the relevant authority during Q1 of 2013.
- Scoping Studies completed and submitted to the relevant authority during Q2 of 2013; the impact assessment and environmental impact assessment (“EIA”) report are currently in progress.
- Substantial progress with the amendments covering the environmental impact assessment, environmental management plan and social and labour plan.

##### Water Use Licensing

- Good progress has been made with the amendment of the previous IWUL Application. Two Integrated Water Use Applications (“IWULA”) will be submitted to the authorities during the course of Q3 of 2013 as per the directive and guidelines of the Department of Water Affairs.
- Groundwater Studies for the Project have also being undertaken in parallel in order to further mitigate the planned water use requirements.
- Substantial progress has been made with amendments of environmental impact assessment, environmental management plan and social and labour plan.

##### Land Use Planning

A land zoning permit will be finalised and lodged with the Lephalale Local Municipality once the Feasibility Study Report has been signed off and accepted by the Project Sponsors. Applications in terms of Land Use Regulation Act 15 of 1987 and the Townships Ordinance 33 of 1934 (“LUPO”) requires the holder of a mining right to also obtain authorisation in terms of LUPO before carrying out mining activities in a municipality.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

Your Directors submit the annual financial report of the consolidated entity for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

### DIRECTORS

The names of the 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 TIM TEBEILA

##### *Non-Executive Chairman*

Mr Tebeila is the founder and chairman of Sekoko Resources (Pty) Ltd, a South African-based black-owned energy and minerals company developing coal, magnetite iron ore and platinum group metals. He has been responsible for driving the company's business strategy attracting multinational companies and strategic investors within the energy and mining sectors expressing interest in his projects. During the past three years, Mr Tebeila has not served as a director of any other listed entity.

#### MR STEPHEN MILLER

##### *Executive Director – Appointed 14 June 2013*

Mr Miller has 25 years' experience investing and executing corporate finance, mergers and acquisitions opportunities in the resources sector.

He established Resource Venture Capital Partners (RVCP) which is dedicated to investment opportunities in the natural resources sector. RVCP is involved in corporate reorganisations and restructurings, direct investments and substantial debt and equity capital raisings for project start-ups, developments and corporate takeovers.

Mr Miller has also been a director, founder and chief executive officer of a number of successful resource companies listed on the Australian and North American exchanges, including East Africa Gold Corporation, Western Metals Limited and Defiance Mining Corporation.

He is a member of the Institute of Chartered Accountants Australia, a Fellow of the Australian Institute of Company Directors and previously a Director on the Australia Gold Council. Mr Miller's qualifications include a CA, BBus and FAICD.

During the past three years, Mr Miller has been a director of the following ASX-listed entity:

- The Waterberg Coal Company Limited (appointed 5 April 2013)

#### DR PIUS KASOLO

##### *Non-Executive Director*

Dr 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. During the past three years, Dr Kasolo has not served as a director of any other listed entity.

#### MR DAVID KNOX

##### *Non-Executive Director – Appointed 14 June 2013*

Mr Knox has significant experience gained within the international energy and resources sectors for over 30 years. He has led the formation and management of a number of internationally recognised groups specialising in project development financing, trading and banking and in particular, has high-level experience conducting business in Africa. He served as Chief Executive Officer of Firestone from 20 September 2011 to 14 June 2013.

He is a member of the London Institute of Directors and Chatham House.

During the past three years, Mr Knox has been a director of the following TSX-listed entity:

- Reservoir Minerals Inc. (appointed 24 October 2011)

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

#### MR BRIAN MCMASTER

*Non-Executive Director – Appointed 14 June 2013*

Mr McMaster is a Chartered Accountant and has almost 20 years' experience in the area of corporate reconstruction and turnaround/performance improvement. Mr McMaster's experience includes numerous reorganisations and turnarounds, including being instrumental in the recapitalisation and listing of 12 Australian listed companies. His career has included significant working periods in the United States, South America, Asia and India.

During the past three years, Mr McMaster has been a director of the following ASX-listed entities:

- Caravel Energy Limited (appointed 2 December 2011)
- Lindian Resources Limited (appointed 20 June 2011)
- Paradigm Metals Limited (appointed 14 September 2012)
- Wolf Petroleum Ltd (appointed 24 April 2012)
- Black Star Petroleum Limited (appointed 9 August 2012)
- The Waterberg Coal Company Limited (appointed 17 April 2012)
- Castillo Copper Limited (appointed 31 August 2013)

#### MR BEN MPHABLELE

*Non-Executive Director*

Morore (Ben) Mphahlele is a strategy and project management consultant as well as director of various companies. He has had a long career in banking and public sector administration in South Africa. His current memberships and directorships include Regotje Investments, South African Statistics Council and Hlabirwa School of Commerce. He has also co-authored a number of articles published in the South African Journal of Economics. During the past three years, Mr Mphahlele has not served as a director of any other listed entity.

#### MR DAVID PERKINS

*Non-Executive Director – Resigned 14 June 2013*

Mr 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 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.

During the past three years, Mr Perkins did not serve as a director of any other listed entity.

#### MR KOBUS TERBLANCHE

*Non-Executive Director – Resigned 20 June 2013*

Mr Terblanche is currently President at Linc Energy Operations Australia and Africa, prior to which he managed a refining, storage and logistics business for Glencore in the Democratic Republic of Congo. He commenced his career at Sasol Limited. He then participated in the establishment of Mossgas in the project, production, technical and business development areas. He was also involved in the formation of PetroSA as general manager of corporate strategy and new ventures. During the past three years, Mr Terblanche did not serve as a director of any other listed entity.

#### MR DAVID HILLIER

*Non-Executive Director – Appointed 5 February 2013, resigned 1 March 2013*

Mr Hillier is a chartered accountant and has more than 30 years' experience in the resources industry globally. He was previously Executive Chairman of Buka Gold Limited, which successfully identified a number of gold anomalies in the Maryborough Basin in Queensland, an area not previously considered prospective for gold. Throughout 2008 he worked as Chief Financial Officer, and subsequently as executive director, of Buka's major shareholder based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited group of companies and was Chief Financial Officer of Normandy for six of those years.

During the past three years, Mr Hillier has been a director of the following ASX-listed entities:

- Phoenix Copper Limited (appointed 17 September 2010)
- Lawson Gold Limited (appointed 2 February 2010, resigned 2 July 2013)

# FIRESTONE ENERGY LIMITED

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### DIRECTORS' REPORT

#### MR JACK JAMES

*Non-Executive Director – Appointed 5 February 2013, resigned 13 June 2013*

Mr James has a Bachelor of Business from the Queensland University of Technology and is a chartered accountant. He provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. He has over 15 years' experience in chartered accounting specialising in corporate advisory and reconstruction. Most recently, he held senior roles in Ernst & Young and KordaMentha.

During the past three years, Mr James has been a director of the following ASX-listed entities:

- Eumeralla Resources Limited (appointed 22 August 2011)
- Black Star Petroleum Limited (appointed 9 August 2012, resigned 28 February 2013)

#### MR OREN ZOHAR

*Non-Executive Director – Appointed 5 February 2013, resigned 13 June 2013*

Mr Zohar holds a Bachelor of Commerce degree from UWA and a Master of Business Administration from Melbourne Business School. He is also a chartered accountant and registered and official liquidator. He has practised in the areas of corporate restructuring and advisory for over 20 years. He was a founding partner of KordaMentha (WA).

After retiring from KordaMentha in 2006, Mr Zohar co-founded a boutique corporate advisory and private equity firm, which held an AFS license, provided specialist advisory services for clients and sourced, negotiated and project managed several syndicated investment opportunities.

During the past three years, Mr Zohar has been a director of the following ASX-listed entities:

- Frankland River Olive Company Ltd (appointed 25 June 2012)
- Black Star Petroleum Limited (appointed 9 August 2012, resigned 28 February 2013)
- Eftel Limited (appointed 14 April 2011, resigned 24 May 2011)

### COMPANY SECRETARY

#### MR DAVID MCENTAGGART – Appointed 5 July 2013

Mr McEntaggart has a Bachelor of Commerce and is a qualified Chartered Accountant with experience in the mining industry and the accounting profession. His experience includes exposure to Australian and international resource companies. Mr McEntaggart provides services to a number of ASX-listed companies specialising in financial accounting and securities exchange compliance.

#### MR JERRY MONZU – Resigned 5 July 2013

Mr Monzu has over 20 years of 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.

### 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.



# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### DIRECTORS' REPORT

#### DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during the year to 30 June 2013 are:

	Meetings attended	Meetings held during time as Director
Tim Tebeila	17	24
Stephen Miller	-	1
Pius Kasolo	21	24
David Knox	1	1
Brian McMaster	-	1
Ben Mphahlele	23	24
Kobus Terblanche	24	24
David Perkins	21	23
Jack James	13	13
Oren Zohar	10	13
David Hillier	2	2

On 12 June 2013, a board sub-committee was formed to consider the takeover and any competing bids. The members of the sub-committee are Dr Kasolo, Mr Mphahlale and Mr Terblanche.

#### OPERATING AND FINANCIAL REVIEW

An operating review of the consolidated entity for the financial year ended 30 June 2013 is set out in the Management Disclosure Report.

Shareholder returns	2013	2012
Net loss for the year	(5,848,203)	(4,530,596)
Basic EPS (loss) – cents	(0.19)	(0.15)
Share price as at 30 June – cents	0.5	0.7

The higher administrative, consultants and legal fees for 2013 compared to 2012 largely related to the takeover. The higher finance costs related to the new convertible notes discussed in the Management Disclosure Report.

The Group's net assets decreased by \$5.1 million largely as a result of higher borrowings due to the new convertible notes.

During the year, a total of 435,820,082 shares were issued to extinguish the A\$2.2 million BBY finance facility and in lieu of interest payments to BBY on the former convertible notes. Additionally, 300 million options were issued to the former holders of the Company's convertible notes. Refer to Note 13 for further details of shares issued during the year and Note 15 for details of the options issued.

At 30 June 2013, Firestone Energy had the following unissued shares under option on issue:

Number Under Option	Expiry	Exercise Price
25,875,000	30 June 2014	\$0.06
48,395,000	31 May 2014	\$0.04
40,000,000	19 Sep 2014	\$0.025
300,000,000	31 Jan 2015	\$0.025
<b>414,270,000</b>		

#### DIVIDENDS

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

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

#### 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. For the purposes of this report, Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including any Director of the parent company.

#### Key Management Personnel

##### *i) Directors*

Mr Tim Tebeila	Chairman	
Dr Pius Kasolo	Non-Executive Director	
Mr David Knox	Non-Executive Director	- appointed 14 June 2013
Mr Brian McMaster	Non-Executive Director	- appointed 14 June 2013
Mr Morore Benjamin Mphahlele	Non-Executive Director	
Mr Kobus Terblanche	Non-Executive Director	- resigned 20 June 2013
Mr David Perkins	Non-Executive Director	- resigned 14 June 2013
Mr Jack James	Non-Executive Director	- appointed 5 February 2013, resigned 13 June 2013
Mr Oren Zohar	Non-Executive Director	- appointed 5 February 2013, resigned 13 June 2013
Mr David Hillier	Non-Executive Director	- appointed 5 February 2013, resigned 1 March 2013
Mr Colin McIntyre	Non-Executive Director	- resigned 23 January 2012

##### *ii) Executive Directors*

Mr Stephen Miller	Executive Director	- appointed 14 June 2013
Mr Sizwe Nkosi	Executive Director	- resigned 25 November 2011

##### *iii) Other Executives*

Mr David Knox	Chief Executive Officer	- appointed 20 September 2011, resigned as CEO and appointed Non-Executive Director 14 June 2013
Ms Amanda Matthee	Chief Financial Officer	- appointed 23 August 2012

There were no other changes to Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

#### Policy for determining remuneration

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.

The Board is responsible for determining the remuneration policy for all Directors and Key Management Personnel based upon 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 \$400,000 per annum and was approved by Firestone's shareholders at the 2008 annual general meeting.

The Group does not currently have formal policies around Key Management Personnel remuneration, which are set at market rates.

#### Short Term Cash Incentives

No short term cash incentives were provided to Directors, Key Management Personnel or other executives 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 superannuation or long term leave payments.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### DIRECTORS' REPORT

#### REMUNERATION REPORT (AUDITED) (Continued)

##### 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) was granted to Directors in the current year or previous financial year. In recognition for successfully arranging funding for the Company, Mr David Knox was granted 40 million options on 19 September 2012 when he was Chief Executive Officer. These options have an exercise price of \$0.025, expire 19 September 2014 and vested immediately. The fair value at grant date using a binomial model was 0.194 cents per option and the options represented 19.8% of his total remuneration for the year. No options were exercised or lapsed during the year.

No other Key Management Personnel received share-based remuneration in the current year or previous financial year.

For equity holdings by Key Management Personnel at year end, refer to Note 18.

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

##### Service Contracts

The contract duration, period of notice and termination conditions for Key Management Personnel as at 30 June 2013 are as follows:

##### Service Contracts (continued)

Mr Stephen Miller, the Chief Executive Officer, receives no remuneration and has no service contract.

Ms Amanda Matthee, the Chief Financial Officer, is engaged through an Executive Services Agreement with Firestone Energy Limited subsidiary Checkered Flag Investments 2 (Pty) Limited ("Checkered Flag"). The agreement is for an initial period of two years with an option to extend for a further three years. Termination by Checkered Flag without cause is by four months' notice or payment in lieu thereof. Termination by Ms Matthee is with one month's notice. Ms Matthee receives remuneration of R2,226,000 per annum, reviewable annually, and is eligible for performance-based bonuses and the grant of options upon completion of a bankable feasibility study and upon commencement of production.

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

No members of Key Management Personnel are entitled to post-employment benefits.

##### 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 other than the issue of options to David Knox discussed above.

##### 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.

	2013	2012	2011	2010	2009
Net profit/(loss) after tax	(5,848,203)	(4,530,596)	(4,762,294)	(3,436,308)	(1,316,064)
Working capital	(10,390,105)	(22,203,524)	(2,808,322)	(938,914)	(113,731)
Closing share price (cents)	0.5	0.7	1.6	1.3	3.4
% change in closing share price	(28.6%)	(56.3%)	23.1%	(61.8%)	(26.1%)

**FIRESTONE ENERGY LIMITED**  
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**DIRECTORS' REPORT**

**REMUNERATION REPORT (AUDITED) (Continued)**

*Directors' and Key Management Personnel Remuneration*

Details of the nature and amount of each element of remuneration of the Key Management Personnel of Firestone Energy Limited are set out in the following tables. Each person 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
<b>Specified Directors</b>						
<b>Non-Executive</b>						
T. Tebeila <sup>1</sup>	2013	60,000	-	-	-	60,000
	2012	35,000	-	-	-	35,000
P. Kasolo	2013	50,000	-	-	-	50,000
	2012	50,002	-	-	-	50,002
D. Knox <sup>2</sup>	2013	374,062	-	77,600	-	451,662
	2012	236,250	-	-	-	236,250
B. McMaster <sup>3</sup>	2013	-	-	-	-	-
	2012	-	-	-	-	-
B. Mphahlele	2013	50,000	-	-	-	50,000
	2012	37,501	-	-	-	37,501
K. Terblanche <sup>4</sup>	2013	48,611	-	-	-	48,611
	2012	37,500	-	-	-	37,500
D. Perkins <sup>5</sup>	2013	47,779	-	-	-	47,779
	2012	54,167	-	-	-	54,167
J. James <sup>6</sup>	2013	16,667	-	-	-	16,667
	2012	-	-	-	-	-
O. Zohar <sup>7</sup>	2013	17,671	-	-	-	17,671
	2012	-	-	-	-	-
D. Hillier <sup>8</sup>	2013	3,288	-	-	-	3,288
	2012	-	-	-	-	-
C. McIntyre <sup>9</sup>	2013	-	-	-	-	-
	2012	25,771	2,319	-	-	28,090
S. Nkosi <sup>10</sup>	2013	-	-	-	-	-
	2012	20,835	-	-	-	20,835
<b>Executives</b>						
S. Miller <sup>11</sup>	2013	-	-	-	-	-
	2012	-	-	-	-	-
A. Mathee <sup>12</sup>	2013	203,261	-	-	-	203,261
	2012	-	-	-	-	-
<b>Total Key Management Personnel</b>	2013	871,339	-	77,600	-	948,939
	2012	497,026	2,319	-	-	499,345

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

#### REMUNERATION REPORT (AUDITED) (Continued)

- |                                                                                                           |                                                                                                    |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 1. Resigned 7 January 2011, reappointed 30 November 2011.                                                 | 8. Appointed 5 February 2013, resigned 1 March 2013.                                               |
| 2. Appointed CEO 20 September 2011. Resigned as CEO and appointed Non-Executive Director on 14 June 2013. | 9. Resigned 23 January 2012.                                                                       |
| 3. Appointed 14 June 2013.                                                                                | 10. Appointed 3 November 2010, resigned 25 November 2011. Executive Director until 6 October 2011. |
| 4. Resigned 20 June 2013.                                                                                 | 11. Appointed CEO and Executive Director 14 June 2013.                                             |
| 5. Resigned 14 June 2013.                                                                                 | 12. Appointed CFO on 23 August 2012.                                                               |
| 6. Appointed 5 February 2013, resigned 13 June 2013.                                                      |                                                                                                    |
| 7. Appointed 5 February 2013, resigned 13 June 2013.                                                      |                                                                                                    |

#### Use of Remuneration Consultants

The Company did not use remuneration consultants during the year.

#### Voting and Comments Made at the Company's 2012 Annual General Meeting

The Company received only 1% of "against" votes to its remuneration report on the 2012 year. The Company did not receive any specific feedback at the AGM or during the year on its remuneration policies.

***This is the end of the audited Remuneration Report.***

### LIKELY DEVELOPMENTS

The DFS is expected to be completed in September 2013. It is anticipated that mining activities will commence during first quarter 2014.

### 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 2013 and subsequent to year end.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

### DIRECTORS' INTERESTS

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

Director	Ordinary shares	Unlisted options
Tim Tebeila *	572,645,091	-
David Knox	-	40,000,000

\* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal (Pty) Ltd, whereby Sekoko Coal has 572,645,091 shares in Firestone Energy Limited at 30 June 2013.

No other Directors held shares or options as at the date of this report.

### 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.

### NON-AUDIT SERVICES

During the year the consolidated group paid \$22,351 (2012: \$54,740) to a related entity of the auditor for non-audit services provided as outlined in Note 19 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.

### 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.

### 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### DIRECTORS' REPORT

#### SIGNIFICANT EVENTS AFTER REPORTING DATE

On 30 August 2013, The Waterberg Coal Company Limited agreed to lend the Company up to \$3 million, to be used for the Company's project financing obligations in relation to the Waterberg Coal Project. The loan is interest free, unsecured and is to be repaid within 10 days of the Company making full repayment of the loan from Sekoko (refer to Note 12).

With the exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2013 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.



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**Tim Tebeila**  
**Chairman**  
27 September 2013

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

As lead auditor of Firestone Energy Limited for the year ended 30 June 2013, 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.



WAYNE BASFORD  
Director

BDO Audit (WA) Pty Ltd  
Perth, Western Australia  
27 September 2013



# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### 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	√	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			

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### 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 six (6) Directors. The Board considers that Mr Ben Mphahlele and Dr Pius Kasolo meet the criteria set in Principle 2.1 by the Corporate Governance Council to be considered to be independent Directors.

Both Dr Kasolo and Mr Mphahlele have 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, they are 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### 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 of the Firestone Energy Limited is Mr Tim Tebeila and the CEO is Mr Stephen Miller.

#### (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 2013 are disclosed in (b) above.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### 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 occurred on an informal basis during the financial year ended 30 June 2013.

#### **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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### CORPORATE GOVERNANCE STATEMENT (Continued)

The Company and all its related bodies corporate have established a Diversity Policy.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity, cultural background and the persons skill set.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

The Diversity Policy does not form part of an employee's contract of employment with The Company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the Company with which an employee is expected to comply.

### OBJECTIVES

The Diversity Policy provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

### RESPONSIBILITIES

#### ***The Board's commitment***

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Board.

The Board is responsible for developing measurable objectives and strategies to meet the Objectives of the Diversity Policy (**Measurable Objectives**) and monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below.

The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

#### Strategies

The Company's diversity strategies include:

- recruiting from a diverse pool of candidates for all positions, including senior management and the Board;
- reviewing succession plans to ensure an appropriate focus on diversity;
- identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- developing programs to develop a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development;
- developing a culture which takes account of domestic responsibilities of employees; and
- any other strategies the Board develops from time to time.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### CORPORATE GOVERNANCE STATEMENT (Continued)

#### MONITORING AND EVALUATION

The Chairman will monitor the scope and currency of this policy.

The Company is responsible for implementing, monitoring and reporting on the Measurable Objectives once they are set.

Measurable Objectives if set by the Board will be included in the annual key performance indicators for the Chief Executive Officer / Managing Director and senior executives.

In addition, the Board will review progress against the Objectives (if set) as a key performance indicator in its annual performance assessment.

#### REPORTING

The Board may include in the Annual Report each year:

- the Measurable Objectives, if any, set by the Board;
- progress against the Objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

#### ***Explanation for departure from Recommendations***

While the Company has adopted a diversity policy as mentioned above, the Board do not consider it appropriate to set measurable objectives at this stage of the Company's development. The Board will continue to review the development of Firestone and will adopt measurable objectives at a more 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

### CORPORATE GOVERNANCE STATEMENT (Continued)

#### *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.

#### *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 CEO, Mr Stephen Miller, and the Chief Financial Officer, Ms Amanda Matthee, 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### CORPORATE GOVERNANCE STATEMENT (Continued)

#### *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.

#### **(I) 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.



**FIRESTONE ENERGY LIMITED**  
**Annual Report 30 June 2013**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
Revenue	<b>2(a)</b>	6,893	31,141
Other income	<b>2(b)</b>	24,972	25,212
Administration expenses		(765,809)	(308,365)
Compliance and regulatory expenses		(270,629)	(143,412)
Directors' fees		(294,015)	(263,095)
Employee and consultant expenses		(599,910)	(339,658)
Finance expenses	<b>2(c)</b>	(3,775,315)	(3,078,172)
Legal and professional fees		(835,853)	(337,067)
Rent expenses		(25,300)	(29,900)
Travel and accommodation		(149,693)	(87,280)
<b>Loss before income tax expense from continuing operations</b>		<b>(6,684,659)</b>	<b>(4,530,596)</b>
Income tax benefit	<b>3</b>	836,456	-
<b>Loss after income tax for the year</b>		<b>(5,848,203)</b>	<b>(4,530,596)</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in foreign currency translation reserve		(5,001,988)	(11,613,574)
<b>Total comprehensive loss for the year, net of tax</b>		<b>(10,850,191)</b>	<b>(16,144,170)</b>
<b>Loss per share for the year attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share (cents)	<b>4</b>	(0.19)	(0.15)

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 profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**FIRESTONE ENERGY LIMITED**  
Annual Report 30 June 2013

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**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2013**

	Note	Consolidated	
		2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6(a)	397,940	169,475
Trade and other receivables	7	248,769	163,330
Other assets	8	-	112,250
<b>Total Current Assets</b>		<b>646,709</b>	<b>445,055</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	7	1,564,396	849,475
Interest in joint venture asset	9	77,109,220	76,735,130
Property, plant & equipment	10	4,298,379	4,662,712
<b>Total Non-Current Assets</b>		<b>82,971,995</b>	<b>82,247,317</b>
<b>TOTAL ASSETS</b>		<b>83,618,704</b>	<b>82,692,372</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,900,315	2,019,312
Borrowings	12	8,198,499	20,629,267
<b>Total Current Liabilities</b>		<b>11,098,814</b>	<b>22,648,579</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	12	22,988,316	5,330,870
<b>Total Non-Current Liabilities</b>		<b>22,988,316</b>	<b>5,330,870</b>
<b>TOTAL LIABILITIES</b>		<b>34,087,130</b>	<b>27,979,449</b>
<b>NET ASSETS</b>		<b>49,531,574</b>	<b>54,712,923</b>
<b>EQUITY</b>			
Issued capital	13	79,553,721	76,380,048
Reserves	14	(10,128,682)	(7,621,863)
Accumulated losses		(19,893,465)	(14,045,262)
<b>TOTAL EQUITY</b>		<b>49,531,574</b>	<b>54,712,923</b>

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

**FIRESTONE ENERGY LIMITED**  
Annual Report 30 June 2013

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2013**

		Consolidated	
	Note	2013 \$	2012 \$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(2,370,879)	(1,301,005)
Interest received		6,893	31,141
Interest paid		(1,105)	(202,500)
<b>Net cash used in operating activities</b>	<b>6(b)</b>	<b>(2,365,091)</b>	<b>(1,472,364)</b>
<b>Cash Flows from Investing Activities</b>			
Payments to acquire plant and equipment		(2,733)	(103,575)
Project expenditure – joint ventures		(2,886,867)	(2,473,651)
<b>Net cash used in investing activities</b>		<b>(2,889,600)</b>	<b>(2,577,226)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares, net of issue costs		-	1,966,961
Proceeds from borrowings, net of transaction costs		5,483,659	1,790,433
Repayment of borrowings		-	(1,430,160)
<b>Net cash provided by financing activities</b>		<b>5,483,659</b>	<b>2,327,234</b>
<b>Net decrease in cash held</b>		<b>228,968</b>	<b>(1,722,356)</b>
Cash at the beginning of the financial year		169,475	1,892,188
Effect of exchange rate changes on cash held in foreign currencies		(503)	(357)
Cash at the end of the financial year	<b>6(a)</b>	<b>397,940</b>	<b>169,475</b>

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

**FIRESTONE ENERGY LIMITED**  
Annual Report 30 June 2013

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013**

	Issued capital	Accumulated losses	Share- based payment reserve	Convertible note reserve	Foreign currency translation reserve	Total
<b>Balance at 1 July 2012</b>	<b>76,380,048</b>	<b>(14,045,262)</b>	<b>4,193,895</b>	-	<b>(11,815,758)</b>	<b>54,712,923</b>
<b>Total comprehensive income for the 2013 year</b>						
<i>Loss for the year</i>	-	(5,848,203)	-	-	-	(5,848,203)
<b>Other comprehensive income</b>						
Foreign currency translation	-	-	-	-	(5,001,988)	(5,001,988)
Total comprehensive loss for the year	-	(5,848,203)	-	-	(5,001,988)	(10,850,191)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares in payment of interest	1,716,667	-	-	-	-	1,716,667
Issue of shares in lieu of loan repayment	1,457,006	-	-	-	-	1,457,006
Issue of new convertible notes net of tax	-	-	-	2,073,819	-	2,073,819
Options issued	-	-	533,600	-	-	533,600
Share-based payment reversed for options not issued	-	-	(112,250)	-	-	(112,250)
<b>Balance at 30 June 2013</b>	<b>79,553,721</b>	<b>(19,893,465)</b>	<b>4,615,245</b>	<b>2,073,819</b>	<b>(16,817,746)</b>	<b>49,531,574</b>

**FIRESTONE ENERGY LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013**

	Issued capital	Accumulated losses	Share-based payment reserve	Convertible note reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>73,135,309</b>	<b>(9,514,666)</b>	<b>4,081,645</b>	-	<b>(202,184)</b>	<b>67,500,104</b>
<b>Total comprehensive income for the 2012 year</b>						
<i>Loss for the year</i>	-	(4,530,596)	-	-	-	(4,530,596)
<b>Other comprehensive income</b>						
Foreign currency translation	-	-	-	-	(11,613,574)	(11,613,574)
Total comprehensive loss for the year	-	(4,530,596)	-	-	(11,613,574)	(16,144,170)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares, net of transaction costs	1,966,961	-	-	-	-	1,966,961
Issue of shares in payment of interest	977,778	-	-	-	-	977,778
Conversion of convertible notes	300,000	-	-	-	-	300,000
Share-based payment for options to be issued		-	112,250	-	-	112,250
<b>Balance at 30 June 2012</b>	<b>76,380,048</b>	<b>(14,045,262)</b>	<b>4,193,895</b>	-	<b>(11,815,758)</b>	<b>54,712,923</b>

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

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of Compliance

The financial statements of Firestone Energy Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 27 September 2013 and covers the consolidated entity consisting of Firestone Energy Limited ("the Company") and its subsidiaries ("the Group") 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.

#### New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012:

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This amendment introduces new terminology for the statement of profit or loss and other comprehensive income and income statement. Under the amendments to AASB 101, the statement of profit or loss and other comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 12]

Except as noted, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 30 June 2013 are outlined in the following table.

**FIRESTONE ENERGY LIMITED**  
**Annual Report 30 June 2013**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)**

**(b) Basis of Preparation (continued)**

**New and amended standards adopted by the Group (continued)**

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>Amends the requirements for the classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>AASB 9 requires that gains and losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effect of changes in the liability's credit risk is recognised in other comprehensive income.</p>	1 January 2015	1 July 2015
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a single 'control model' that applies to all entities, whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> <li>• Power over the investee (whether or not power used in practice)</li> <li>• Exposure, or rights, to variable returns from investee</li> <li>• Ability to use power over investee to affect the entity's returns from the investee</li> </ul> <p>It introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders.</p> <p>This standard will have no impact on the Company because the Company does not have 'defacto' control of any entities with less than 50% ownership interest.</p>	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	<p>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).</p> <p>This standard is not expected to have a significant impact on the Group's existing unincorporated joint venture.</p>	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	1 July 2013

**FIRESTONE ENERGY LIMITED**  
Annual Report 30 June 2013

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)**

**(b) Basis of Preparation (continued)**

**New and amended standards adopted by the Group (continued)**

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single framework for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	1 July 2013
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and reduces that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p>	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p>	1 January 2013	1 July 2013



**FIRESTONE ENERGY LIMITED**  
**Annual Report 30 June 2013**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)**

**(b) Basis of Preparation (continued)**

**New and amended standards adopted by the Group (continued)**

<b>Reference</b>	<b>Title</b>	<b>Summary</b>	<b>Application date of standard</b>	<b>Application date for Group</b>
AASB 2012-5	Annual Improvements to the IFRS 2009-2011 Cycle	The items addressed include clarification that items such as spare parts, stand-by or service equipment are required to be classified as property, plant and equipment rather than inventory.	1 January 2013	1 July 2013
IFRS	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	1 January 2015	1 July 2015

Except as noted above, the impact of the adoption of these new and revised standards and interpretations has not been determined by the Group.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 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 2013 of \$5,786,203 (2012: \$4,530,596) and experienced net cash outflows from operating activities of \$2,365,091 (2012: \$1,472,364).

Short term funding of up to \$2.2 million, which at 30 June 2013 had only been drawn down by \$250,000, has been advanced by BBY Nominees Pty Limited pursuant to a Share Subscription Agreement.

On 30 August 2013, The Waterberg Coal Company Limited agreed to lend the Company up to \$3 million, to be used for the Company's project financing obligations in relation to the Waterberg Coal Project. The loan is interest free, unsecured and is to be repaid within 10 days of the Company making full repayment of the loan from Sekoko (refer to Note 12).

Subject to ongoing support from the joint venture partner and major shareholders, the Directors believe that the Group will continue as a going concern and pay its debts as and when they fall due.

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Firestone Energy Limited ("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 Limited.

#### (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. This is dependent on the Group continuing as a going concern as noted above in Note 1(b). Further details on this balance can be found in Note 9.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)

#### (d) Critical accounting judgements and significant estimates (continued)

##### *Share-based payments*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 15.

##### *Income Taxes*

Judgement is required in assessing whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

#### (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 reporting 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 recognised from the initial recognition of an asset or liability, excluding a business combination, where there 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 profit or loss and other 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)

#### (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 profit or loss and other 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.

The capitalised exploration and evaluation expenditure relating to a particular area of interest will be transferred to development expenditure when a decision to develop that area of interest is made.

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.

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:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Motor vehicles	5 years
Office furniture & equipment	4 years
Software	3 years
Leasehold improvements	3 years

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)

#### (j) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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

The Group does not currently undertake any hedging.

##### **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 reporting 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 principal payments and amortisation.

##### **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 profit or loss and other 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.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)**

**(l) Financial instruments (continued)**

***Compound financial instruments – Borrowings (continued)***

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.

***Derivatives***

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

**(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 AASB 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.

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.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)**

**(r) Share-based payment transactions**

***Equity-settled transactions***

The Group may provide 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 13 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 result 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 reporting 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 reporting 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.

# FIRESTONE ENERGY LIMITED

## Annual Report 30 June 2013

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued...)

#### (u) Foreign currency translation (continued)

##### *Transactions (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 reporting 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 profit or loss and other 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.

#### (x) 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.

#### (y) 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.

#### (z) Segment reporting

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.



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**2. REVENUE & EXPENSES**

	2013	2012
	\$	\$
<b>(a) Revenue</b>		
Interest received	6,893	31,141
	<u>6,893</u>	<u>31,141</u>
<b>(b) Other income</b>		
Rent income	22,975	22,841
Foreign exchange gain	955	2,094
Other	1,042	277
	<u>24,972</u>	<u>25,212</u>
<b>(c) Finance expenses</b>		
Interest expense	2,536,137	2,433,857
Share-based payment expense for options issued to former holders of convertible notes (refer to Note 15)	456,000	-
Non-cash interest on convertible note	319,258	-
Amortisation of convertible note transaction costs	463,920	644,315
	<u>3,775,315</u>	<u>3,078,172</u>

*Included within the statement of profit and loss and other comprehensive income are the following expenses:*

Superannuation expenses	-	2,319
Depreciation	44,288	57,502
Share-based payment expense for options issued to former CEO (refer to Note 15)	77,600	-

**3. INCOME TAX EXPENSE**

**(a) Income tax recognised in profit or loss**

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

Current income tax	-	-
Deferred income tax	836,456	-
<b>Income tax benefit as per the statement of profit or loss and other comprehensive income</b>	<u>836,456</u>	<u>-</u>

**(b) Income tax recognised directly in equity**

Net deferred tax debited directly to equity	<u>836,456</u>	<u>-</u>
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**3. INCOME TAX EXPENSE (Continued)**

**(c) Numerical reconciliation between income tax expense recognised in profit or loss and the accounting loss before income tax multiplied by the parent entity's statutory income tax rate**

	2013 \$	2012 \$
Accounting loss before tax	6,684,659	4,530,596
Income tax benefit at 30% (2012: 30%)	2,005,398	1,359,179
Foreign tax rate adjustment	(21,112)	(12,289)
Non-deductible amounts:		
Interest paid in shares	(515,000)	(293,333)
Other share-based payments	(160,080)	-
Non-cash interest on convertible notes	(95,777)	-
Other non-deductible expenses	(17,364)	(41,357)
Unrecognised tax losses	(359,609)	(1,012,200)
Income tax benefit attributable to loss from ordinary activities before tax	836,456	-

**(d) Recognised deferred tax balances**

*Deferred Tax Assets*

Recognised revenue tax losses	836,456	-
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*Deferred Tax Liabilities*

Convertible note	(836,456)	-
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**Net deferred tax balances**

	-	-
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**(e) Unrecognised deferred tax balances**

Unrecognised revenue tax losses attributable to members of the Company	17,577,960	15,292,030
Potential tax benefit at applicable tax rates	5,210,778	4,548,345
Net unrecognised deferred tax asset at applicable tax rates	<b>5,210,778</b>	<b>4,548,345</b>

**4. LOSS PER SHARE**

	2013 Cents	2012 Cents
<i>Basic loss per share (cents per share)</i>	(0.19)	(0.15)
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	\$ (5,848,203)	\$ (4,530,596)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	<b>Number 3,156,326,311</b>	<b>Number 2,983,192,306</b>

*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.

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**5. SEGMENT INFORMATION**

**Segment information provided to the Board:**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Revenue from external sources	-	-
Segment loss	(1,294,653)	(688,752)
Segment assets	81,364,992	81,307,190
Segment capital expenditure	5,258,746	2,833,304

Reported segment assets are equivalent to the interest in joint venture (Note 9) plus surface right properties included in Note 10.

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

Segment loss	(1,294,653)	(688,752)
Interest revenue and other income	7,310	32,921
Administration expenses	(314,749)	(142,600)
Finance costs	(3,019,777)	(2,774,086)
Compliance and regulatory expenses	(270,629)	(143,412)
Directors' fees	(294,015)	(263,095)
Employee and consultant expenses	(598,496)	(139,463)
Legal and professional fees	(835,853)	(337,067)
Rent expenses	(25,300)	(29,900)
Travel and accommodation	(38,497)	(45,142)
Loss before income tax	<b>(6,684,659)</b>	<b>(4,530,596)</b>

As the Group is in the exploration phase it has no major customers.

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**6. (a) CASH AND CASH EQUIVALENTS**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<b>397,940</b>	<b>169,475</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group's exposure to interest rate risk is discussed in Note 16. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents noted above.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:

Cash and cash equivalents	397,940	169,475
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**6. (b) RECONCILIATION TO STATEMENT OF CASH FLOWS**

**Reconciliation of loss after income tax to net cash flows from operating activities:**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(6,842,659)	(4,530,596)
<i>Adjustments:</i>		
Depreciation	44,288	57,502
Amortisation of borrowing costs	463,920	644,315
Non-cash interest on convertible note	319,258	-
Share-based payment expense	533,600	-
Interest paid via share issues	2,561,667	977,778
Interest capitalised to Sekoko loan (investing activity)	439,023	271,323
Foreign exchange	(2,337)	357
	(2,325,240)	(2,579,321)
<i>Changes in operating assets and liabilities:</i>		
Increase in receivables	(185,439)	(101,220)
Increase in trade and other payables	145,588	1,208,177
Net cash outflow from operating activities	<b>(2,365,091)</b>	<b>(1,472,364)</b>

**6. (c) NON-CASH INVESTING AND FINANCING ACTIVITIES**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Shares issued to redeem convertible note to ordinary shares	-	300,000
Interest paid via share issues	-	997,778
Convertible notes issued in lieu of interest payments on existing convertible notes	845,000	-
Shares issued to extinguish BBY loan (refer to Note 12)	1,457,006	-
Shares issued in lieu of interest payments on convertible notes existing at 31 January 2013	1,716,667	-

New convertible notes were issued on a 1:1 basis in place of the \$21,300,000 convertible notes existing at 31 January 2013, with the cash exchanged between the other counterparties to the notes, and in lieu of \$845,000 interest payable on the existing convertible notes. Refer to Note 12 for more information about the terms and conditions of the new convertible notes. The carrying value of the new convertible notes was split between debt and equity in accordance with accounting standards.

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**7. TRADE AND OTHER RECEIVABLES**

	2013	2012
	\$	\$
<b>Current</b>		
GST / VAT recoverable	236,732	48,399
Prepayments	12,037	114,931
	<u>248,769</u>	<u>163,330</u>
<b>Non-Current</b>		
Environmental rehabilitation bond	<u>1,564,396</u>	<u>849,475</u>

Information about the Group's exposure to foreign exchange risk and interest rate risk is provided in Note 16.

**8. OTHER ASSETS**

	2013	2012
	\$	\$
Share-based payment deferred	<u>-</u>	<u>112,250</u>

The share-based payment asset represented the deferred expense associated with options to be issued under a 2012 short-term funding agreement with BBY Nominees Pty Limited (refer to Note 15). These options were not issued and the deferred expense was reversed during the current year.

**9. INTEREST IN JOINT VENTURE**

	2013	2012
	\$	\$
Interest in capitalised exploration and evaluation expenditure	<u>77,109,220</u>	<u>76,735,130</u>

	2013	2012
	\$	\$
Opening balance	76,735,130	85,197,758
Additional costs	5,258,746	2,833,305
Foreign currency movements	(4,884,656)	(11,295,933)
Closing balance	<u>77,109,220</u>	<u>76,735,130</u>

The Company is a participant with Sekoko Coal (Pty) Ltd in a coal project in the Waterberg locality in South Africa. The Company holds a 60% interest and Sekoko Coal (Pty) Ltd a 40% interest, and the project is funded in the same ratio. The joint venture operation is carried out through the Company's 100%-owned subsidiaries, Lexshell 126 General Trading (Pty) Ltd and Checkered Flag Investments 2 (Pty) Ltd.

The Joint Venture is unincorporated at 30 June 2013 and is accounted for in accordance with Note 1(g).

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**10. PROPERTY, PLANT AND EQUIPMENT**

	2013	2012
	\$	\$
Office furniture and equipment:		
Cost	170,254	189,433
Accumulated depreciation	(130,302)	(103,536)
	<b>39,952</b>	<b>85,897</b>
Motor vehicles:		
Cost	8,851	9,509
Accumulated depreciation	(6,196)	(4,754)
	<b>2,655</b>	<b>4,755</b>
Property – surface rights:		
Cost	4,255,772	4,572,060
<b>Total property, plant and equipment</b>	<b>4,298,379</b>	<b>4,662,712</b>

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

	2013	2012
	\$	\$
<b>Office furniture and equipment</b>		
Balance at the beginning of year	85,897	45,500
Additions	2,733	103,575
Depreciation expense	(42,524)	(55,509)
Foreign exchange adjustment	(6,154)	(7,669)
Carrying amount at the end of the year	<b>39,952</b>	<b>85,897</b>
<b>Motor vehicles</b>		
Balance at the beginning of year	4,755	7,747
Depreciation expense	(1,764)	(1,993)
Foreign exchange adjustment	(336)	(999)
Carrying amount at the end of the year	<b>2,655</b>	<b>4,755</b>
<b>Property – surface rights</b>		
Balance at the beginning of year	4,572,060	5,321,266
Foreign exchange adjustment	(316,288)	(749,206)
Carrying amount at the end of the year	<b>4,255,772</b>	<b>4,572,060</b>

**11. TRADE AND OTHER PAYABLES**

	2013	2012
	\$	\$
<b>Current</b>		
Trade payables	622,922	626,324
Payables – Sekoko	395,014	185,589
Employee entitlements	34,478	41,891
Accruals	1,847,239	1,064,796
Other	662	100,712
	<b>2,900,315</b>	<b>2,019,312</b>

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 16.

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**12. BORROWINGS**

	2013	2012
	\$	\$
<b>Current</b>		
<i>Unsecured loans carried at amortised cost</i>		
Loan – Sekoko <sup>1</sup>	7,948,449	4,690,858
Loan – BBY	250,000 <sup>2</sup>	260,000 <sup>3</sup>
<i>Loans carried at amortised cost</i>		
Convertible note	-	15,678,409 <sup>5</sup>
	<b>8,198,499</b>	<b>20,629,267</b>
<b>Non-current</b>		
<i>Loans carried at amortised cost</i>		
Convertible note	24,356,814 <sup>4</sup>	21,300,000 <sup>5</sup>
Amount reported as current	-	(15,678,409)
Transaction costs	(1,525,196)	(1,907,500)
Transaction costs – amortised	156,698	1,616,779
	<b>22,988,316</b>	<b>5,330,870</b>

- Interest is charged at the South African prime rate of 8.5% (30 June 2012: 9%). The loan is unsecured.
- These funds were advanced under a short-term funding agreement with BBY Nominees Pty Limited and will be repaid in shares, which will be issued at the lower of the 5 day volume weighted average price leading up to but not including the date of drawdown, or 90% of the closing bid price on the day prior to the drawdown date of the Company's ordinary shares quoted on the ASX. No value for this embedded derivative has been brought to account at 30 June 2013 as it is not material as at that date. Shares will not be issued pursuant to this facility if the issue would cause a note holder to hold more than 19.99% of the Company's shares. The Company is able to terminate the Agreement at no cost. The Company must also meet various performance conditions. It may be in breach of one of the conditions and is seeking to remedy this.
- These funds were advanced under a short-term funding agreement with BBY Nominees Pty Limited and were repaid in shares on 5 February 2013. The loan did not attract interest. Refer also to Notes 8 and 15.
- The total face value of the notes is \$27.145 million and the maturity date 31 January 2017. They bear interest at a fixed rate of 8% per annum. The notes can be converted at any time before the maturity date at a conversion price of \$0.025. They are secured over the assets of the Group.
- The total draw down facility was \$25 million with a maturity date of 3 years from the date of issuing each note. The notes could be converted at any time before the maturity date. Interest was at a fixed rate of 10% per annum. The effective interest rate on the liability was also 10%. The notes commenced maturing in October 2012. For convertible notes issued prior to 13 July 2010, the conversion price was \$0.04. Notes issued subsequent to that date (\$8.2 million notes, of which \$3.7 million were converted) had a conversion price set to the higher of \$0.02 or the 7.5% discount to the 5 day volume weighted average price. All of the notes were rolled into the new convertible note facility.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 16.

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**13. ISSUED CAPITAL**

	2013 \$	2012 \$
3,549,698,723 (2012: 3,113,878,641) fully paid ordinary shares	<b>79,553,721</b>	<b>76,380,048</b>

**Movement in ordinary share capital:**

	No of Shares	\$ Value
<i>Balance at 1 July 2011</i>	2,781,314,361	73,135,309
18 July 2011 – Share Purchase Plan	12,025,000	226,414
3 August 2011 – Note conversion	15,000,000	300,000
8 September 2011 – Share Placement – Linc Energy	150,336,423	1,804,037
22 February 2012 – Shares issued as payment of interest	155,202,857	977,778
Less: share issue costs	-	(63,490)
<i>Balance at 30 June 2012</i>	<b>3,113,878,641</b>	<b>76,380,048</b>
5 February 2013 – Shares issued as payment of interest	241,145,620	1,716,667
5 February 2013 – Shares issued to extinguish BBY loan	194,674,462	1,457,006
<b>Balance at 30 June 2013</b>	<b>3,549,698,723</b>	<b>79,553,721</b>

**Options**

Unissued ordinary shares of the Company under option as at 30 June 2013 are as follows:

Number	Expiry	Exercise Price	Listed / Unlisted
25,875,000	30 June 2014	\$0.06	Unlisted
48,395,000	31 May 2014	\$0.04	Listed
40,000,000	19 Sep 2014	\$0.025	Unlisted
300,000,000	31 Jan 2015	\$0.025	Unlisted
<b>414,270,000</b>			

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

**14. RESERVES**

***Nature and purpose of reserves***

*Share-based payments reserve*

This reserve is used to record the value of:

- i. equity benefits provided to employees, Directors or consultants as part of their remuneration or services to the entity; and
- ii. equity benefits provided as part of financing transactions.

*Convertible note reserve*

The convertible note reserve is used to record the equity component of the convertible notes.

*Foreign currency translation reserve*

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



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### 15. SHARE-BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices (WEAP) of share options granted as share-based payments on issue during the year.

	2013 Number	2013 WEAP	2012 Number	2012 WEAP
Outstanding at 1 July	236,904,767	\$0.06	236,904,767	\$0.06
Granted during the year	340,000,000	\$0.025	-	-
Exercised during the year	-	-	-	-
Expired during the year	(236,904,767)	\$0.06	-	-
Outstanding as at 30 June	340,000,000	\$0.025	236,904,767	\$0.06

The weighted average remaining contractual life for share-based payment share options outstanding as at 30 June 2013 is 1.55 years (2012: 0.89 years).

The range of exercise prices for share-based payment options outstanding as at the end of the year was \$0.025 (2012: \$0.05 - \$0.06).

40,000,000 unlisted 2 year options with an exercise price of 2.5 cents were issued to the Company's then CEO and current Non-Executive Director, Mr David Knox, on 19 September 2012. The fair value of the options was calculated at 0.19 cents per option using a binomial model and the following assumptions:

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

300,000,000 unlisted 2 year options with an exercise price of 2.5 cents were issued to the former holders of the Company's convertible notes on 5 February 2013. The fair value of the options was calculated at 0.15 cents per option using a binomial model and the following assumptions:

Dividend yield (%)	Nil
Expected volatility (%)	100%
Risk-free interest rate (%)	3.00%
Expected life (years)	1.5
Exercise price (cents)	2.5
Share price at grant date (cents)	0.8

25,000,000 3 year options that were to be issued to BBY Nominees Pty Limited under the 2012 Share Subscription Agreement were not issued and the deferred expense reported in 2012 (refer to Note 8) was reversed.

### 16. 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 gearing ratio at 30 June 2013 was 63% (2012: 47%).

The Group'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.

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### 16. FINANCIAL RISK MANAGEMENT (Continued)

#### (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 held as investments prior to being spent on exploration and evaluation activities, environmental bonds, and the Sekoko loan. Deposits and loans at variable rates expose the Group to cash flow interest rate risk. During 2013 and 2012, the Group's deposits at variable rates were denominated in Australian Dollars and South African Rand. The Sekoko loan is denominated in South African Rand.

##### *Sensitivity Analysis – Interest Rate 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.

At 30 June, the Group had the following exposure to Australian short term interest rates and South African prime rates:

	2013 \$	2012 \$
<i>Subject to Interest Rate Risk</i>		
<b>Financial assets</b>		
Cash and cash equivalents	397,940	169,475
Environmental rehabilitation bond	1,564,396	849,475
<b>Financial liabilities</b>		
Borrowings	7,948,449	4,690,858

The following sensitivity analysis is based interest rate risk exposures in existence at the reporting date.

At 30 June the effects on post tax loss and equity from a change in interest rates would be as follows:

<i>Future possible changes in interest rates based on management's estimates:</i>	2013 \$	2012 \$
Interest Rates + 100bp (2012: 100bp)	(59,862)	(36,719)
Interest Rates - 100bp (2012: 100bp)	59,862	36,719

##### *Foreign currency risk*

As a result of significant investment operations by the Company's subsidiaries in South Africa, the Group's balance sheet can be affected significantly by movements in the Australian dollar / South African Rand exchange rate.

Large transactions are denominated in South African Rand. 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.

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### 16. FINANCIAL RISK MANAGEMENT (Continued)

#### (iii) Market risk (continued)

##### *Sensitivity Analysis – Foreign Currency Risk*

At 30 June the Australian dollar equivalents of assets and liabilities held in South African Rand are as follows:

	2013	2012
	\$	\$
<i>Subject to Foreign Exchange Movements</i>		
<b>Financial assets</b>		
Cash and cash equivalents	3,162	7,145
Trade and other receivables	1,734,719	849,475
	1,737,881	856,620
<b>Financial liabilities</b>		
Trade and other payables	465,006	221,693
Borrowings	7,948,449	4,690,858
	8,413,455	4,912,551

The financial assets and liabilities of the subsidiaries are held in the functional currency of the subsidiaries, which is South African Rand. As a result, there is minimal foreign exchange risk in terms of the possible effect on profit or loss.

At 30 June the effects on post tax equity from a change in the Australian Dollar / South African Rand exchange rate would be as follows:

<i>Future possible changes in foreign exchange rates based on management's estimates:</i>	2013	2012
	\$	\$
Exchange Rate + 10% (2012: 10%)	606,875	368,721
Exchange Rate - 10% (2012: 10%)	(741,736)	(450,659)

#### (iv) Credit risk

Credit risk arises from cash and cash equivalents, deposits (including environmental bonds) with banks and financial institutions, as well as credit exposures on outstanding receivables and committed transactions.

Cash transactions are limited to high credit quality financial institutions.

Environmental bonds are held with high credit quality financial institutions. The rights to the bonds are held by the Company's joint venture partner Sekoko Coal (Pty) Ltd, who will remit the funds to the Company upon expiry.

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

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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(v) Liquidity risk (continued)**

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

Year ended 30 June 2013	<6 months	6-12 months	1-5 years	>5 years	Contractual cash flows	Carrying Amount
<b>Financial assets</b>						
Trade & other receivables <sup>1</sup>	236,732	-	1,564,396	-	1,801,128	1,801,128
<b>Financial liabilities</b>						
Trade & other payables	(2,900,315)	-	-	-	(2,900,315)	(2,900,315)
Borrowings <sup>2</sup>	(9,284,299)	(1,085,800)	(32,773,311)	-	(43,143,410)	(31,186,815)
Net maturity	<b>(11,947,882)</b>	<b>(1,085,800)</b>	<b>(31,208,915)</b>	-	<b>(44,242,597)</b>	<b>(32,286,002)</b>
<hr/>						
Year ended 30 June 2012	<6 months	6-12 months	1-5 years	>5 years	Contractual cash flows	Carrying Amount
<b>Financial assets</b>						
Trade & other receivables <sup>1</sup>	48,399	-	849,475	-	897,874	897,874
<b>Financial liabilities</b>						
Trade & other payables	(2,019,312)	-	-	-	(2,019,312)	(2,019,312)
Borrowings <sup>2</sup>	(14,847,776)	(7,324,890)	(5,684,137)	-	(27,856,803)	(25,960,137)
Net maturity	<b>(16,818,689)</b>	<b>(7,324,890)</b>	<b>(4,834,662)</b>	-	<b>(28,978,241)</b>	<b>(27,081,575)</b>

<sup>1</sup> No impairment is required on long term receivables, as they are long term deposits which are interest-bearing.

<sup>2</sup> The convertible note holder has the option to convert the face value of the liability to equity at any time until maturity.

**17. COMMITMENTS**

**(i) Operating Lease Commitments**

The company has no operating lease commitments.

**(ii) Other Commitments**

A production royalty, equivalent to ZAR0.50 (A\$0.06) per tonne of coal sold, is payable to Sekoko Coal (Pty) Ltd during the term of the mining operations to a maximum aggregated amount of ZAR45 million (A\$4.97 million).

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**18. RELATED PARTY TRANSACTIONS**

**(a) Key management personnel remuneration**

	2013	2012
	\$	\$
Short-term employee benefits	871,339	497,026
Share-based payments	77,600	-
Post-employment benefits	-	2,319
	<b>948,939</b>	<b>499,345</b>

**(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 key management personnel of Firestone Energy Limited, including their personally related parties, are set out below:

2013	Balance at the start of the year	Granted as remuneration	Options Exercised	Options Expired	Balance at the end of the period	Vested and exercisable at 30 June
<b>Directors</b>						
T Tebeila	110,000,000 *	-	-	(110,000,000) *	-	-
S Miller <sup>1</sup>	-	-	-	-	-	-
P Kasolo	-	-	-	-	-	-
D Knox <sup>2</sup>	-	40,000,000	-	-	40,000,000	40,000,000
B McMaster <sup>1</sup>	-	-	-	-	-	-
B Mphahlele	-	-	-	-	-	-
K Terblanche <sup>3</sup>	-	-	-	-	-	-
D Perkins <sup>3</sup>	-	-	-	-	-	-
J James <sup>1,3</sup>	-	-	-	-	-	-
O Zohar <sup>1,3</sup>	-	-	-	-	-	-
D Hillier <sup>1,3</sup>	-	-	-	-	-	-
<b>Executives</b>						
A Matthee <sup>1</sup>	-	-	-	-	-	-
	<b>110,000,000</b>	<b>40,000,000</b>	<b>-</b>	<b>(110,000,000)</b>	<b>40,000,000</b>	<b>40,000,000</b>

*Note 1 - appointed during the financial year*

*Note 2 - resigned as CEO and appointed Non-Executive Director on 14 June 2013. Options granted 19 September 2012.*

*Note 3 - resigned during the financial year*

\* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal (Pty) Ltd. Sekoko Coal held 110,000,000 options in Firestone Energy Limited, which expired on 30 May 2013.

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**18. RELATED PARTY TRANSACTIONS (Continued)**

**(b) Key management personnel equity holdings (continued)**

*(i) Option holdings – Unlisted (continued)*

2012	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
<b>Directors</b>						
T Tebeila <sup>1</sup>	-	-	-	110,000,000 *	110,000,000 *	110,000,000 *
D Perkins	-	-	-	-	-	-
P Kasolo	-	-	-	-	-	-
B Mphahlele <sup>1</sup>	-	-	-	-	-	-
K Terblanche <sup>1</sup>	-	-	-	-	-	-
S Nkosi <sup>2</sup>	-	-	-	-	-	-
C McIntyre <sup>2</sup>	3,125,000	-	-	(3,125,000)	-	-
<b>Executives</b>						
D Knox <sup>1</sup>	-	-	-	-	-	-
	<b>3,125,000</b>	<b>-</b>	<b>-</b>	<b>106,875,000</b>	<b>110,000,000</b>	<b>110,000,000</b>

Note 1 - appointed during the financial year

Note 2 - resigned during the financial year

\* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal (Pty) Ltd, whereby Sekoko Coal has 1,052,645,091 shares and 110,000,000 options in Firestone Energy Limited at 30 June 2012.

*(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:

2013	Balance at the start of the period	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the period
<b>Directors</b>					
T Tebeila	1,052,645,091 *	-	-	(480,000,000)	572,645,091 *
S Miller <sup>1</sup>	-	-	-	-	-
P Kasolo	-	-	-	-	-
D Knox <sup>2</sup>	-	-	-	-	-
B McMaster <sup>1</sup>	-	-	-	900,000	900,000
B Mphahlele	-	-	-	-	-
K Terblanche <sup>3</sup>	-	-	-	-	-
D Perkins <sup>3</sup>	2,500,000	-	-	(2,500,000)	-
J James <sup>1,3</sup>	-	-	-	-	-
O Zohar <sup>1,3</sup>	-	-	-	-	-
D Hillier <sup>1,3</sup>	-	-	-	-	-
<b>Executives</b>					
A Matthee <sup>1</sup>	-	-	-	31,133,437	31,133,437
	<b>1,055,145,091</b>	<b>-</b>	<b>-</b>	<b>(450,466,563)</b>	<b>604,678,528</b>

Note 1 - appointed during the financial year

Note 2 - resigned as CEO and appointed Non-Executive Director on 14 June 2013

Note 3 - resigned during the financial year

\* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal (Pty) Ltd, whereby Sekoko Coal has 572,645,091 shares in Firestone Energy Limited at 30 June 2013.

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**18. RELATED PARTY TRANSACTIONS (Continued)**

**(b) Key management personnel equity holdings (continued)**

(ii) *Share holdings (continued)*

2012	Balance at the start of the period	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the period
<b>Directors</b>					
T Tebeila <sup>1</sup>	-	-	-	1,052,645,091 *	1,052,645,091 *
D Perkins	2,500,000	-	-	-	2,500,000
P Kasolo	-	-	-	-	-
B Mphahlele <sup>1</sup>	-	-	-	-	-
K Terblanche <sup>1</sup>	-	-	-	-	-
S Nkosi <sup>2</sup>	150,000	-	-	(150,000)	-
C McIntyre <sup>2</sup>	27,450,000	-	-	(27,450,000)	-
<b>Executives</b>					
D Knox <sup>1</sup>	-	-	-	-	-
	<b>30,100,000</b>	-	-	<b>1,025,045,091</b>	<b>1,055,145,091</b>

Note 1 - appointed during the financial year

Note 2 - resigned during the financial year

\* Balance includes amounts nominally held through directorship of a related entity, Sekoko Coal (Pty) Ltd, whereby Sekoko Coal has 1,052,645,091 shares and 110,000,000 options in Firestone Energy Limited at 30 June 2012.

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.

**(c) Investments in Controlled Entities**

Subsidiaries of Firestone Energy Limited are set out below:

	Place of Incorporation	Equity holding	
		2013 %	2012 %
<i>Parent Entity:</i>			
Firestone Energy Limited	Australia	n/a	n/a
<i>Controlled Entities:</i>			
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.

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.

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**18. RELATED PARTY TRANSACTIONS (Continued)**

**(d) Other transactions and balances with related parties**

(i) Sekoko Coal (Pty) Ltd

Sekoko Coal (Pty) Ltd is a related party to the Group, through its common director Mr Tim Tebeila, who effectively controls Sekoko.

Firestone Energy Limited, through Checkered Flag Investments 2 (Pty) Ltd and Lexshell 126 General Trading (Pty) Ltd, has management control of all JV planning and expenditure.

The following transactions have taken place with Sekoko Resources Pty Ltd, the parent entity of Sekoko Coal (Pty) Ltd:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Transactions</b>		
Management fees	132,228	149,359
Reimbursement of expenditure incurred on behalf of joint venture with Checkered Flag and Sekoko	163,803	81,246
Reimbursement of expenditure incurred in relation to planned joint venture with Lexshell and Sekoko	4,974,433	3,628,524
<b>Amounts owed to Sekoko as at 30 June</b>		
Payables	395,014	185,589
Borrowings (refer to Note 12)	7,948,449	4,690,858
	<b>8,343,463</b>	<b>4,876,447</b>

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

(ii) BBY Limited

Until Firestone Energy Limited's non-executive Deputy Chairman David Perkins resigned on 14 June 2013, BBY Limited and its subsidiary BBY Nominees Pty Limited (collectively "BBY") were related parties Mr Perkins is also a director of BBY Limited. BBY is the nominee and representative for the holders of the convertible notes and provided the short-term loan advanced under the Share Subscription Agreement. For further details of the convertible note facility and the loan, refer to Note 12.

**19. AUDITOR'S REMUNERATION**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Amounts paid or payable to BDO Audit (WA) Pty Ltd:		
Audit or review of the financial reports of the Group	50,780	51,414
Other services by BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd	22,351	54,740
Audit and other services provided by BDO South Africa	26,743	37,527
	<b>99,874</b>	<b>143,681</b>



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**20. CONTINGENT LIABILITIES**

The consolidated entity had no contingent liabilities at 30 June 2013.

**21. PARENT ENTITY INFORMATION**

**(a) Summary financial information**

	2013 \$	2012 \$
<b>Assets</b>		
Current assets	472,854	437,243
Non-current assets	74,693,484	77,299,613
Total assets	<u>75,166,338</u>	<u>77,736,856</u>
<b>Liabilities</b>		
Current liabilities	2,650,168	17,693,424
Non-current liabilities	22,988,316	5,330,870
Total liabilities	<u>25,638,484</u>	<u>23,024,294</u>
<b>Equity</b>		
Issued capital	79,553,721	76,380,048
Reserves	6,689,065	4,193,895
Accumulated losses	(36,714,932)	(25,861,381)
Total equity	<u>49,527,854</u>	<u>54,712,562</u>
<b>Loss for the year</b>	(10,853,551)	(18,020,843)
<b>Total comprehensive loss</b>	(10,853,551)	(18,020,843)

**(b) Contingent liabilities of the parent entity**

Firestone Energy Limited had no contingent liabilities as at 30 June 2013.

**(c) Commitments of the parent entity**

Firestone Energy Limited had no commitments as at 30 June 2013.

**22. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 30 August 2013, The Waterberg Coal Company Limited agreed to lend the Company up to \$3 million, to be used for the Company's project financing obligations in relation to the Waterberg Coal Project. The loan is interest free, unsecured and is to be repaid within 10 days of the Company making full repayment of the loan from Sekoko (refer to Note 12).

With the exception of the above, no other matters or circumstances have arisen since 30 June 2013 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.

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**DECLARATION BY DIRECTORS**

The Directors of the company declare that:

1. The financial statements and accompanying notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 2013, 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.



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**Tim Tebeila**  
**Chairman**

27 September 2013

## 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 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 group'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 group'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 2013 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.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the group incurred a net loss of \$6,622,659 during the year ended 30 June 2013 and, as of that date, the group experienced net cash outflows from operating activities of \$2,365,091. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

## Opinion

In our opinion, the Remuneration Report of Firestone Energy Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Wayne Basford

Director

Perth, Western Australia

Dated this 27th day of September 2013

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**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 30 August 2013.

**Distribution of equity security holders**

Ranges	Number of Holders	Number of Shares	% of issued Capital
1 - 1,000	1,809	773,552	0.02
1,001 – 10,000	1,360	4,532,462	0.13
10,001 - 100,000	1,243	62,908,796	1.77
100,001 – 1,000,000	931	315,346,307	8.88
1,000,000 - and over	182	3,166,137,606	89.19
<b>Total</b>	<b>5,525</b>	<b>3,549,698,723</b>	<b>100</b>

There are 4,227 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	BBY NOMINEES PTY LTD	600,844,061	16.93
2	SEKOKO RESOURCES PTY LTD	520,000,000	14.65
3	AET SFS PTY LTD <ARIONA SBSA>	480,000,000	13.52
4	AET SFS PTY LTD <RANGE SBSA>	476,061,100	13.41
5	LINC ENERGY LIMITED	283,336,423	7.98
6	BIOTRACE TRADING 316 (PTY) LTD	60,896,890	1.72
7	UZALILE INVESTMENTS PTY LTD	55,000,000	1.55
8	SUNGU SUNGU RESOURCES	27,099,352	0.76
9	SANPOINT PTY LTD <FIORE FAMILY FUND A/C>	25,000,000	0.70
10	FMR INVESTMENTS PTY LIMITED	18,001,750	0.51
11	UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	14,378,563	0.41
12	PHASHA INVESTMENT HOLDINGS (PTY) LT	14,254,000	0.40
13	MR DARYL PONSFORD	14,000,000	0.39
14	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	12,027,916	0.34
15	MR TERENCE EDWARD STANTON + MS GRACE MURIEL STANTON <TE&GMSTANTON SUPER FUND A/C>	12,000,000	0.34
16	CITICORP NOMINEES PTY LIMITED	11,985,242	0.34
17	MR MICHAEL SKELLERN	10,300,000	0.29
18	MR EMILE ALFRED NESSIM	10,000,000	0.28
19	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	9,467,685	0.27
20	SEPHOR INVESTMENTS LIMITED 60 MARKET SQUARE	9,000,000	0.25
	<b>Total</b>	<b>2,663,652,982</b>	<b>75.04</b>

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**ASX ADDITIONAL INFORMATION**

**Quoted and unquoted equity securities**

Equity Security	Quoted	Unquoted
Ordinary Shares	3,549,698,723	-
Options	48,395,000	365,875,000

**Substantial shareholders**

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

Shareholder	Number of shares
The Waterberg Coal Company Limited	1,599,994,177
Sekoko Resources (Pty) Ltd	572,645,091
BBY Nominees Pty Limited	600,844,062
Linc Energy Limited	<u>283,336,423</u>

**Option holdings at 30 August 2013**

	<u>Number of Holders</u>	<u>Number of Options</u>
<b>Listed Options expiring 31 May 2014 exercisable at 4 cents (FSEO)</b>	<b>317</b>	<b>48,395,000</b>
<b>Holdings of more than 20%</b> Nil		-
<b>Unlisted Options expiring 30 Jun 2014 exercisable at 6 cents (FSEAI)</b>	<b>10</b>	<b>25,875,000</b>
<b>Holdings of more than 20%</b> Nil		-
<b>Unlisted Options expiring 19 Sept 2014 exercisable at 2.5 cents</b>	<b>1</b>	<b>40,000,000</b>
<b>Holdings of more than 20%</b> Mr David Knox	<b>1</b>	<b>40,000,000</b>
<b>Unlisted Options expiring 31 January 2015 exercisable at 2.5 cents</b>	<b>1</b>	<b>300,000,000</b>
<b>Holdings of more than 20%</b> BBY Nominees Pty Ltd	<b>1</b>	<b>300,000,000</b>

**Voting rights**

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

**Stock Exchange**

The Company is 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.

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**ASX ADDITIONAL INFORMATION**

**On-market buy-back**

There is no current on-market buy-back.

**Firestone's interests in mining tenements**

<b>Country / Location</b>	<b>Tenement</b>	<b>Interest *</b>
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%

\* Firestone Energy has entered into a Joint Venture with Sekoko Coal Pty Ltd through which the Company has acquired the right to a 60% “participation interest” in the project area that forms The Waterberg Joint Venture.