

30 July 2013

Quarterly Activities Report for the
Period to 30 June 2013

The Board of **Firestone Energy Limited** (ASX/JSE: FSE) (the “Company”, “FSE” or “Firestone”) is pleased to provide Shareholders with its Quarterly Activities Report for the 3 month period ended 30 June 2013.

The Waterberg Coal Project: The Definitive Feasibility Study

During the quarter, the Waterberg Joint Venture Partners continued the progression of the Definitive Feasibility Study (“DFS”) on the proposed development of an opencast mining operation to produce 10 Million tonnes of coal (product) per annum to Eskom for an initial term of 30 years pursuant to the Memorandum of Understanding (“MOU”) that the joint venture entered into with Eskom in March 2012 (as amended).

The production of the DFS is one of the Conditions Precedent in the process of converting the current Eskom MOU to a Coal Supply Agreement. The Chapters of the DFS are in final draft stage, and the technical team are currently interrogating the financial model as prepared by SRK and reviewing the proposed mine plan.

As part of the DFS, the technical team are engaging with strategic stakeholders, including *inter-alia*, Eskom, the Department of Water Affairs, and Transnet Freight Rail about the delivery of services to the project. These discussions regarding proposed arrangements for the delivery of service are progressing well.

Based on current discussions and arrangements; and subject to confirmation of funding arrangements, project start-up and pre-production works is expected to commence in January 2014; and coal production (of product) is expected to commence in the 2nd half of 2015.

Drilling

All Phase 2 drilling to delineate major faults on the Smitspan Project area, and extend the resources on Smitspan and Massenberg, was completed during the June quarter. Drill samples have been submitted to the laboratory; and sample results are expected at the end of July 2013.

A further 55 boreholes are planned in order to upgrade the geological confidence from inferred to indicated levels on the remaining farms. 30 of the holes are scheduled to be drilled on Hooikraal, and the remainder on Massenberg, Swanepoelpan and Vetleegte. The drill rigs are already on site at Massenberg.

About Firestone Energy

Firestone Energy Limited is an independent, Australian exploration and development company listed on the Australian Stock Exchange Ltd (ASX) and the Johannesburg Stock Exchange (JSE). Firestone Energy has entered into a Joint Venture with Sekoko Resources (Pty) Ltd through which Firestone Energy has acquired the right to 60% participation interests in the Waterberg Coal Project located in Lephalele area, Limpopo Province, South Africa.

The first stage of the project is to develop the Smitspan mine which has a substantial measured thermal coal resource and to develop the Vetleegte mine which is a substantial metallurgical coal deposit.

Firestone Energy is committed to becoming a profitable independent coal and energy producer at its projects in South Africa, thereby making a substantial contribution to the social and economic development of the Lephalele area and South Africa.

Corporate Details

ASX: FSE
JSE: FSE

Issued Capital:
3,549 million ordinary shares

Major Shareholders:
The Waterberg Coal Company Ltd
Sekoko Resources (Pty) Ltd
Linc Energy Ltd
BBY Nominees Pty Ltd

Directors and Officers

Non Executive Directors:
Tim Tebeila (Chairman)
Dr Pius Kasolo
Ben Mphahlele
Brian McMaster
David Knox

Officers:
Mr Stephen Miller CEO and Executive Director
Ms Amanda Matthee CFO
Mr David McEntaggart Company Secretary

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Interim Resource Statement

During the June quarter SRK released an Interim Resource Statement¹, covering the Smitspan and Massenberg properties only. The updated Resource Statements² reflect a resource tonnage of 1,090.88 Million tonnes (“Mt”) at Measured Status, 69.04 Mt at Indicated Status, and 23.27 Mt at inferred Status for Smitspan and Massenberg. The balance of the resources on the farms held under Mining Rights and Prospecting Rights are not included in this estimate and reflect further potential.

Geological Model

A new contract has been negotiated with Sable© to maintain and update the Sekoko Geological Database. The updated database will be passed onto Gemecs Pty Limited, who will create a new Geological Model incorporating the data, to be used for both a Resource update and further mine planning and value engineering pursuant to the DFS.

Surface rights

During the quarter, negotiations for the purchase of surface rights, commenced with the surface rights holders. It is expected that agreements with current owners will be finalised during the next quarter.

Corporate Activities

There were several board changes during the quarter with the resignation of Mr David Perkins, deputy chairman, Mr Oren Zohar, Mr Jack James and Mr Kobus Terblanche. Mr Brian McMaster, Mr Stephen Miller and Mr David Knox were appointed to the board. Additionally, Mr Stephen Miller was appointed CEO of the Company to replace Mr David Knox.

The Company continued discussions during the quarter with interested parties regarding the future funding for Firestone. Discussions are on-going. The Company received notification during the quarter that the Waterberg Coal Company’s off-market takeover bid for all the ordinary shares in Firestone had been extended to 30 July 2013.

Yours sincerely

Stephen Miller
Chief Executive Officer

www.firestoneenergy.com.au

Footnote:

¹ Competent Persons Statement: Information in this announcement that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ and Massenberg 305LQ is based on information compiled by Mr Sello Nzama. Mr Nzama who is employed by SRK Consulting (Pty) Ltd is a member of the South African Council for Natural Scientific Professions. . Mr Nzama has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code). Mr Nzama consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

² This resource upgrade and attaching report was advised to the market and lodged with ASX on 28th May 2013.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Firestone Energy Limited

ABN

71 058 436 794

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(190)	(3,173)
(b) development	-	-
(c) production	-	-
(d) administration	(604)	(2,109)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST receipts)	75	178
Net Operating Cash Flows	(716)	(5,098)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) properties	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(716)	(5,098)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(716)	(5,098)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, Convertible Notes etc.	-	5,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	250	956
1.17	Repayment of borrowings	-	-
1.18	Capital raising costs	-	(501)
1.19	Other – Interest paid	-	-
	Net financing cash flows	250	5,455
	Net increase (decrease) in cash held	(466)	357
1.20	Cash at beginning of quarter/year to date	912	169
1.21	Exchange rate adjustments to item 1.20 Gain / (Loss)	(19)	(99)
1.22	Cash at end of quarter	427	427

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	239
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to wholly owned subsidiary, Lexshell Pty Limited, of which amounts are paid to third parties to make payments on behalf of Firestone Energy pursuant to its JV agreement with Sekoko Resources - \$235,000

Pmts to Directors as directors fees - \$3,616

Non-cash financing and investing activities

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

N/A

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities The Company has in place a further financing facility (Share Purchase Agreement) with its existing convertible noteholders BBY Nominees Pty Ltd.	2,200	250
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	-
4.3	Production	-
4.4	Administration	225
Total		425

Reconciliation of cash

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

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	175	162
5.2	Deposits at call	252	750
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		427	912

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>	Nil	Nil	
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil	
7.3	+Ordinary securities FSE	3,549,698,723	3,549,698,723	Fully paid

+ See chapter 19 for defined terms.

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<p>+Convertible debt securities <i>(description)</i></p> <p>Ariona Company SA</p> <p>BBY Nominees Pty Ltd</p>	<p>Unlisted Convertible Notes</p> <p>Con Note 2 – \$5million</p> <p>Con Note 3 – \$22.145million</p>	<p>Conversion number into shares</p> <p>200,000,000</p> <p>885,800,000</p>	<p>Repayment dates</p> <p>30 January 2017</p> <p>30 January 2017</p>	
7.6	<p>Changes during quarter (a) Increases through issues</p> <p>Ariona Company SA</p> <p>(b) Decreases through securities matured, converted</p> <p>These notes originally issued to BBY Nominees Pty Ltd were redeemed on 31 Jan 2013</p>				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

				Exercise price	Expiry date
7.7	Options				
	FSEAI	25,875,000	Nil	6.0 Cents	30 Jun 2014
	FSEO	48,395,000	48,395,000	4.0 Cents	31 May 2014
	FSEAA	40,000,000	Nil	2.5 Cents	19 Sept 2014
		300,000,000	Nil	2.5 Cents	31 Jan 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	110,000,000 96,904,767	Nil Nil	6.0 Cents 6.0 Cents	31 May 2013 30 Jun 2013
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:David McEntaggart..... Date:30 July 2013.....
 (Company Secretary)

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a

+ See chapter 19 for defined terms.

mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.