



FIRESTONE ENERGY LIMITED
(Incorporated in Australia)
(Registration number ABN 058 436 794)
Share code on the JSE Limited: FSE Share code on the ASX: FSE
ISIN: AU000000FSE6
(SA company registration number 2008/023973/10)
("FSE" or "the Company")

31 October 2013

September 2013 Quarterly Activities Report

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 September 2013.

The Waterberg Coal Project: The Definitive Feasibility Study

As previously advised to the market, SRK Consulting of Johannesburg, South Africa were commissioned by the Waterberg Joint Venture Partners to undertake a Definitive Feasibility Study ("DFS") on a 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 (the South African parastatal power utility) in March 2012 (as amended). During the quarter, the requisite technical work for the DFS was completed.

The project partners expect to publish the findings of the DFS to the market within the next two (2) weeks following compilation of the final outstanding reports.

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.

As part of the DFS, the Project Partners technical team are engaging (on a regular basis) with strategic stakeholders, including *inter-alia*, Eskom, the Department of Water Affairs, and Transnet Freight Rail for the timely 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 April 2014. Based on this timetable, coal production is expected to commence in the third quarter of 2015.

Updated Resource Statement

In the June quarter, the joint venture partners reported that a drilling programme had been completed and an updated geological model was in the process of being completed. This exercise has now been completed. Accruing

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 Lephalale 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 Vettelegte 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 Lephalale area and South Africa.

Corporate Details

ASX: FSE
JSE: FSE

Issued Capital:
3,549 million ordinary shares

Major Shareholders:
The Waterberg Coal Company 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

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from this geological modelling, an updated resource statement was advised to the market on 24th October 2013¹.

The updated Independent Competent Persons Resource Statement reflects the increased borehole database following the completion of the 2013 drilling program on the four farms covered by the Mining Right (Smitspan, Massenberg, Hooikraal and Minnasvlakte), and the two farms held under Prospecting Rights (Vetleegte and Swanepoelpan).

The total GTIS Coal Resource on all six of the properties is 3.883 billion tonnes; of which 2.070 billion tonnes is a Measured Resource (Table 1).

Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource ¹ (Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	2,070.3	57.9	2.2	17.6	10.51	0.96
Indicated	8,56.3	59.4	2.3	17.2	9.96	1.00
Inferred	956.7	58.9	2.2	17.5	10.26	1.03
Total Resources	3,883.3	58.5	2.2	17.5	10.33	0.99
Coal Resource ¹ based on minimum thickness cut-off of 0.5m						

The updated Resource Statement represents a significant increase in the coal resource of the Waterberg Coal Project over the previously disclosed resource statement. SRK Consulting (Pty) Limited (December 2012) declared a GTIS resource of 1.183 billion tonnes on the two farms Smitspan and Massenberg, of which 1.005 billion tonnes was in the Measured category.

The doubling of the Measured Resource to 2.0 billion tonnes gives the Project Partners technical team the flexibility to optimise the SRK Definitive Feasibility Study mine plan, currently set up to supply 10 million tonnes of coal per annum to Eskom. We expect optimisation of the mine plan to have a favourable impact on yields, operating costs, and annual production tonnes.

A further drilling programme comprising 55 boreholes is 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.

Surface rights

During the quarter, arrangements were concluded for the purchase of the surface rights of the farms of Massenberg and Swanepoelpan. As at the current date, the Joint Venture Partners have now either purchased, or completed arrangements to purchase the surface rights of Smitspan, Massenberg, Hooikraal, and Swanepoelpan.

Corporate Activities

During the quarter FSE advised the market that it had entered into a loan agreement with The Waterberg Coal Company Limited (WCC) whereby WCC would advance up to A\$3 million to be used for FSE's project finance obligations in relation to the Waterberg Coal Project. The loan is unsecured and non-interest bearing. During the quarter, FSE drew down on the WCC loan facility.

Subsequent to the end of the quarter (10 October 2013); the Company received notification from The Waterberg Coal Company Limited that its off-market takeover bid for all the ordinary shares in FSE had closed. At the conclusion of the offer, The Waterberg Coal Company Limited's shareholding in FSE was 45.88%.

Yours sincerely

Stephen Miller
Chief Executive Officer

www.firestoneenergy.com.au

Footnote:

¹ Competent Person Statement

Gemecs (Pty) Limited was commissioned by the Waterberg Coal Project Joint Venture Partners, to undertake an Updated Independent Persons Geological Report for the Waterberg Coal Project.

The Coal Resources were estimated in accordance with the South African code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code"), Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and South African National Standard (SANS 10320:2004) guidelines.

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Coenraad D van Niekerk, Pr.Sci.Nat (Reg. No 400066/98), M.Sc Hons (Geology), MDP, an employee of Gemecs (Pty) Limited, who is a Fellow of the Geological Society of South Africa. Mr Niekerk is a mining geologist with 38 years' experience in the mining industry, sufficient experience 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. Mr Niekerk consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

This resource upgrade and attaching report was advised to the market and lodged with ASX on 24th October 2013.

Johannesburg
31 October 2013

Sponsor
River Group

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 September 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(30)	(30)
(b) development	(356)	(356)
(c) production	-	-
(d) administration	(264)	(264)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST receipts)	66	66
Net Operating Cash Flows	(582)	(582)
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)	(582)	(582)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(582)	(582)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, Convertible Notes etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	356	356
1.17	Repayment of borrowings	-	-
1.18	Capital raising costs	-	-
1.19	Other – Interest paid	-	-
	Net financing cash flows	356	356
	Net increase (decrease) in cash held	(226)	(226)
1.20	Cash at beginning of quarter/year to date	398	398
1.21	Exchange rate adjustments to item 1.20 Gain / (Loss)	5	5
1.22	Cash at end of quarter	177	177

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	75
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 - \$75,000

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	3,000 [^]	356 -
3.2 Credit standby arrangements	-	-

[^] The Company has in place a project financing loan facility with its major shareholder The Waterberg Coal Company Limited.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	200

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	177	146
5.2 Deposits at call	-	252
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	177	398

Changes in interests in mining tenements

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	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.

Appendix 5B
Mining exploration entity quarterly report

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			
7.5	+Convertible debt securities <i>(description)</i> Ariona Company SA BBY Nominees Pty Ltd	Unlisted Convertible Notes Con Note 2 – \$5million Con Note 3 – \$22.145million	Conversion number into shares 200,000,000 885,800,000	Repayment dates 30 January 2017 30 January 2017
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	Options			Exercise price Expiry date
	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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter				
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: Stephen Miller
 (Executive Director)

Date: 31 October 2013.....

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 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.

+ See chapter 19 for defined terms.

- 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.