



SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT

The Waterberg Coal Project (WCP)

Firestone Energy Limited (**FSE**) is a participant in the Waterberg Coal Project (**WCP**) joint venture, situated in the Limpopo Province, South Africa. The Project currently has identified coal resources of 3.883 billion tonnes¹ of coal contained within the granted mining rights; of which 2.070 Billion tonnes are contained within the measured category¹.

The WCP Joint venture entered into a Memorandum of Understanding with Eskom Holdings in March 2012 for the supply and delivery of 10 million tonnes per annum (**mtpa**) of coal from the Project.

In May 2012 the mineral consultancy, SRK Consulting of Johannesburg, South Africa were commissioned by the WCP joint venture partners to undertake a technical and economic feasibility study for the development of the Export Project. In October 2013, SRK Consulting delivered to the project partners the results of the Definitive feasibility study (**DFS**).

A summary of the activities arising from the DFS in the period ending 30th September 2014 is set out below.

Project Optimisation Study – The Eskom Project

WCP's technical team continued with project value engineering and optimisation process during the September quarter. As part of the optimisation process, Engineering, Procurement and Construction Management contractors ARDBEL (a joint venture between ELB Engineering Services and the DRA Group), reviewed the project capital expenditure requirements arising from the SRK Feasibility Study. Significant capital savings have been identified.

With respect to off-take discussions with Eskom; these are on-going and include finalisation of the coal specifications, pricing, delivery dates; and the review by Eskom of the due diligence into the SRK Consulting DFS for the Eskom Project.

The Export Project - Definitive Feasibility Study

During the quarter, Ardbel were commissioned to produce a DFS on the Export Project, to be located in the south of the WCP area. The Export Project anticipates the build up to 2 million tonnes per annum in export production; with first coal produced during the 1st quarter 2016. The

ASX Release

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Corporate Details:

Major Shareholders:
The Waterberg Coal Company Ltd

Directors and Officers:

Non Executive Directors:
Dr Mathews Phosa (Chairman)
George Oupa Magashula
Edwin Leith Boyd

Officers:

Mr Stephen Miller Managing Director
Ms Amanda Matthee CFO
Mr Edwin Leith Boyd Company
Secretary

ASX / JSE Symbol:
FSE

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Ardbel study is due for completion on 31st October 2014. The abbreviated period to complete this study accrues from the significant database and work product that was generated from the Eskom Project DFS, with additional work being carried out with respect to logistics (including rail), coal product off-take arrangements and water.

Access to Water

During the quarter, the technical team engaged with the Lephalale Municipality with regards to the utilisation of the treated water from the Paarl Water Treatment Plant. The plant has a treatment capacity of 10 million litres per day, or 3.64 million cubic metres per annum. The WCP proposes to take over responsibility and management of the operations of the water treatment plant for the purposes of its proposed project development(s). Pursuant to the arrangements tendered to the Lephalale Municipality, a proposal for the refurbishment and upgrade of the plant has been submitted for the Municipality's approval.

Discussions with Exxaro

Pursuant to the optimisation work being undertaken on both the mine plan and infrastructure development; the WCP technical team continued to engage with Exxaro to investigate the potential of sharing of logistics infrastructure. Discussions include WCP gaining short term access to existing infrastructure, the joint development of the Southern logistics infrastructure and the joint development the Northern logistics infrastructure.

Port capacity

During the quarter, WCP entered into discussions with Grindrod to participate in the capacity upgrade at the Navitrade port facility at Richards Bay. The facility, operated by Grindrod Limited, is to be upgraded by an additional 1.0 Mtpa, to 4.5 Mtpa by October 2015. In addition to the Navitrade capacity upgrade, the Project Partners are pursuing other port allocation opportunities.

Project funding – The Export Project

As discussed above, Ardbel has been commissioned to produce a DFS for a stand-alone Export Project. The WCP partners have been in discussions with various Banks with respect to funding arrangements for the proposed development. Pursuant to the discussions to date with such parties, The Snowden Group has been commissioned as Independent Technical Experts to produce a due diligence report for the purposes of Bank funding. It is anticipated that the Snowden report will be available for such purposes during the month of December 2014.

Corporate

On 9 April 2013, WCC drew down on the Convertible Secured Facility, with a face value of A\$35 million, from a syndicate of Lenders with The Standard Bank of South Africa Limited (“Standard Bank”) as facility agent (the “Lenders”).

As set out in an Announcement dated 16th September, WCC had entered into discussions with the Lenders with respect to the restructuring of the Facility; including an extension to the Facility’s maturity date. Shareholders are advised that the Facility matured on 9 October 2014 and in terms of the agreement between the Lenders and WCC, has been extended but without a specified period for repayment.

A portion of capital owing under the Facility, amounting to A\$4.3m, was repaid to the Lenders by WCC.

The revised balance of the Facility as at 17 October 2014 together with accumulated interest is A\$39.3m.

On 16th July 2014, WCC resolved to extend the existing A\$3 million facility to Firestone Energy Limited and to create a new A\$3 million facility.

Stephen Miller
Managing Director
The Waterberg Coal Company Limited

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Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource¹(Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	2070.3	57.9	2.2	17.6	10.51	0.96
Indicated	856.3	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	3883.3	58.5	2.2	17.5	10.33	0.99
Coal Resource ¹ based on minimum thickness cut-off of 0,5m						

Note 1: Competent Person Statement

Gemecs (Pty) Limited was commissioned by the Waterberg Coal Company "WCC", to undertake an Updated Independent Persons Geological Report for the Sekoko 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.

Appendix 1 – Interests in mining tenements held Tenement table

WCC has an interest in the following Exploration and Mining Licences.
Licences are located in South Australia:

Property Name	Tenement	Interest at Beginning and End of Quarter	Status
Lyons	EL 5221	100%	Exploration Licence
Glenloth	EL 5397	100%	Exploration Licence.
Claypan Dam	EL 4445	100%	Exploration Licence

The Company's interest in the Waterberg Coal Project, located in South Africa:

Properties	Right under which the properties are held	Relevant Joint Venture	Holder	Interest at Beginning and End of Quarter	Issue Date	Expiry Date
Vetleegte	Vetleegte Prospecting Right	First Joint Venture	Uzalile Joint Venture (Sekoko Resources and Uzalile)	37.39%	Granted New Order Prospecting Right No. 651/2006, on 19/10/06	Renewal lodged 19 September 2011 and prior to the expiry date. Section 18(5) of the MPRDA provides that prospecting right in respect of which an application for renewal has been lodged will remain in force until such time as the renewal application has been granted or refused.
Olieboomsfontein	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	37.39%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05. Renewal on 3 July 2013	3 July 2016
Duikerfontein	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	37.39%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05. Renewal on 3 July 2013	3 July 2016
Swanepoelpan	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	37.39%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05	3 July 2016
Smitspan	Mining Right	Second Joint Venture	Sekoko Coal	37.39%	Granted New Order Mining Right	16/09/2041

					No. 22/2011, on 17/09/11	
Massenberg	Mining Right	Second Joint Venture	Sekoko Coal	37.39%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041
Minnasvlakte	Mining Right	Second Joint Venture	Sekoko Coal	37.39%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041
Hooikraal	Mining Right	Second Joint Venture	Sekoko Coal	37.39%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041