



MARCH 2015 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 coal project predicated on the proposed off-take arrangements with Eskom ("The Eskom 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 31 March 2015 is set out below.

Project Optimisation Study – The Eskom Project

With the current focus on the Export Project, work on the Eskom project in terms of optimisation and on-going value engineering continues to be on hold until further direction is received from Eskom in terms of advancing the status of negotiations with respect to the Coal Supply Agreement.

The Export Project - Definitive Feasibility Study

Work has continued on a DFS for the Export Project, to be located in the south of the WCP area. The Export Project anticipates the build up to 4 million tonnes per annum (in saleable product) over a six year period. First coal product is forecast, subject to financing arrangements, for the 4th quarter 2016.

Access to Water

As reported on 31 October 2014, WCP Partners have entered into a Memorandum of Understanding with the Lephalale Municipal Council with respect to the Paarl Waste Water Treatment Plant whereby the WCP Partners will take over the management and operation of the water treatment facility for the purpose of supplying water to the WCP.

ASX Release

30 April 2015

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Corporate Details:

Major Shareholders:
The Waterberg Coal Company
Ltd

Directors and Officers:

Non-Executive Directors:

Dr Mathews Phosa (Chairman)
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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During the quarter the Lephalale Municipal Council ratified the Memorandum of Understanding previously entered into by the parties in a council meeting in January 2015.

The Paarl Water Treatment plant has a treatment capacity of 10 million litres per day, or 3.64 million cubic metres per annum. Sufficient water is available for the proposed project development.

Port capacity

As previously advised the WCP Partners entered discussions with RBT Grindrod Terminals regarding port allocation at the Richards Bay Terminal (RBGT) for confirmation of their capacity for the handling and loading of Export coal product. Negotiations are proceeding on the final volumes, the timeline and the contracted price. A formal contract will be executed once final arrangements with off-taking parties have been completed with confirmed volumes for off-takes for the first 5 years.

Project funding – The Export Project

As previously advised, the WCP Partners have commissioned a DFS for a stand-alone Export Project. Accruing from the preliminary results of the DFS, the WCP Partners are in discussions with certain 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 project funding.

Corporate

On 20 January 2015 the company announced to the market the receipt of Tranche 1 funds in the sum of Au\$ 3.13million (after costs). 475,971,429 Convertible Notes of AUS\$0.007 each have been issued to Four Oaks Credit Fund Limited. Proceeds have been allocated to settlement of project related costs.

On 16 March 2015 the Company advised the market that the funding facility made available by the Standard Bank of South Africa (**SBSA**) to its major shareholder, the Waterberg Coal Company Limited (**WCC**) (45.88%), was due for repayment on 9 April 2015. At that time the Company advised the market that WCC were in discussions with respect to refinancing the SBSA facility. At the date of this report these discussions are ongoing.

On 16 March 2015 the Company released its half year financial report.

On 17 March 2015 the Company entered into a trading halt as a consequence of its majority shareholder company, The Waterberg Coal Company Limited advising of group re-financing discussions. Subsequently, the Company then entered into a voluntary suspension of its shares on 19 March 2015 following the trading halt and as at the date of this report remains in voluntary suspension.

Stephen Miller
Managing Director
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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

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 No. 22/2011, on 17/09/11	16/09/2041
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

Properties	Right under which the properties are held	Relevant Joint Venture	Holder	Interest at Beginning and End of Quarter	Issue Date	Expiry Date
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