

7 May 2015

ASX Limited
Level 40 Central Park
152 – 158 St George’s Terrace
PERTH WA 6000

Attn: Ben Tippett

By email: Ben.Tippett@asx.com.au

Dear Ben

Response to ASX Queries in Respect of FSE’s March Quarter 2015 Appendix 5B

Firestone Energy Limited (**FSE** or **Company**) holds a 60% interest in the substantial Waterberg Coal JV Project (**WCP**) located in the Limpopo Province of South Africa.

The Waterberg Coal Company Limited (**WCC**) holds 45.88% of the Company’s issued capital, thereby controlling its activities and financing. WCC, which has had access to funding, has been the primary provider of financing for the Company’s WCP advancement expenditure commitments since gaining control of FSE in September 2013.

Since that time, the Company has reported, in each of the last 7 quarterly Appendix 5B reports submitted, relatively low cash balances. As a controlled entity dependent on its parent company for financing, the Company does not consider the level of its reported cash balances to be at all unusual.

The Company also directs attention to a number of recent activity reports and announcements both it, and WCC, have released on ASX’s platform which have referenced the WCP development activities, financial restructuring of the group as well as FSE’s dependence on WCC for its future financing.

The Company’s responses to your direct questions are as follows:

ASX Q1. *It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter (and at the rate anticipated for the next quarter) indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company’s position.*

Response: The Company raised loan funds through the issue of convertible note facility during the quarter (as announced on 21 January 2015). These funds have been applied in the main to settling South African WCP creditors, partial repayment of loans and for general administration purposes in South Africa. Notwithstanding this, the Company has been, and at present remains, dependent on WCC completing its previously announced financial restructuring activity.

ASX Q2. *Does the Company expect that in future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter, and if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate.*

Response: The Company, as a partner in the Waterberg Coal Group (WCG), is aware of, supportive of, and actively assisting WCC in its financial restructuring negotiations activity. As a consequence, the Company has every confidence that current, advanced negotiations being held by WCC with a number of significant international 3rd party interests in relation to the development and funding of the Waterberg Coal Project (WCP), will be successful in the near term.

ASX Q3.. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives.*

Response: The Company has, above, broadly outlined the steps on foot to develop the Waterberg Coal Project and bring it into production.

ASX Q4. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1.*

Response: Yes

ASX Q5. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.*

Response: The Company holds a valuable 60% interest in the WCP for which a definitive feasibility study has been completed. Prospective financial investors and other stakeholders are currently engaged in undertaking due diligence for funding and otherwise investing in the WCP. The Company, its parent company WCC and other parties to the WCG have every confidence that the project is demonstrably fundable and expects to be producing and selling export grade coal during 2016.

Yours faithfully



E L (Lee) Boyd
Company Secretary
Firestone Energy Limited



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5 May 2015

Lee Boyd
Company Secretary
Firestone Energy Limited
PO Box 540
Subiaco WA 6904

Dear Mr Boyd

FIRESTONE ENERGY LIMITED (“Company”)

I refer to the Company’s Quarterly Report in the form of Appendix 5B for the period ended 31 March 2015, released to ASX Limited (“ASX”) on 30 April 2015 (the “Appendix 5B”).

ASX notes that the Company has reported the following.

1. Receipts from product sales of nil.
2. Net negative operating cash flows for the quarter of \$246,000.
3. Cash at end of quarter of \$190,000.
4. Estimated cash outflows for the next quarter of \$300,000 on exploration and administration.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter (and at the rate anticipated for the next quarter) indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company’s position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company’s compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to **Ben.Tippett@asx.com.au**. It should not be sent to the ASX Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **3.00 pm WST on Thursday 7 May 2015**.

If you have any queries please let me know.

Yours sincerely,

[sent electronically without signature]

Ben Tippett
Adviser, Listings Compliance (Perth)