



26 July 2010

## ASX Announcement

The Board of Firestone Energy Limited (ASX/JSE: FSE) is pleased to provide Shareholders with its Quarterly Activities Report for the 3 month period ended 30 June 2010.

### HIGHLIGHTS

- First appraisal of DFS completed with positives for a robust case for the establishment of the first stage open cast which can be expanded to meet market demand;
  - Establishment of 1.5mtpa standalone mine viable;
  - NPV @ 10% A\$234.2 million (ZAR 1,499million) \$1AUD=ZAR6.4, and IRR (post tax) of 25%;
  - 120.8 million tonnes of saleable product;
  - Very low waste/coal strip ratio at Smitspan and top coal within 28 vertical meters of the surface; and
  - Additional reserves underneath the Swanepoelpan and Duikerfontein farms not yet valued.
- Drilling program (12 boreholes) on Smitspan completed;
- 5 boreholes drilled on Vetleegte and 2 boreholes drilled on Massenberg;
- The marketing activities of the Waterberg Colliery product are in progress and ongoing;
- The Mining Rights Application was lodged and accepted by the Dept of Mineral Resources (DMR) in early July 2010; and
- The laboratory analysis results are being received and modeled.

### OPERATIONAL DEVELOPMENTS

#### Exploration

The drilling programme was completed on the Smitspan farm, a total of 12 boreholes were drilled, and all holes were logged and sampled and sent to laboratories for analysis. As at 30 June 2010, results for 3 PQ (85mm diameter) boreholes and six large (153mm diameter) boreholes were expected from the laboratories. The results of these boreholes were key for the following reasons:

- Completion of the BFS;
- Update of the Resource Statement; and
- Compilation of the customer bulk sample.

Drilling was also completed on Vetleegte (5 boreholes) and Massenberg (2 boreholes). One hole had no coal intersection but on the remainder, zones 1, 2 and 3 were intersected at expected thicknesses with generally less than 30 metres of overburden cover. These coal zones have been sampled and results are due shortly from the laboratory.

#### About Firestone Energy

Firestone Energy is an independent Australian exploration company focused on developing coal projects in South Africa. The Company is currently exploring the richly endowed Waterberg coal field in the Limpopo Province of South Africa.

The Company is committed to value-added growth through becoming an independent coal and energy producer at its projects in South Africa.

The Company has entered into three joint ventures with Sekoko Resources, a South African black empowerment company (BEE) and Sekoko has two directors on the Board of Firestone Energy.

#### Corporate Details

ASX: FSE  
JSE: FSE

Issued Capital:  
2,331 million ordinary shares

Major Shareholders:  
Sekoko Resources (Pty) Ltd  
Colbern Fiduciary Nominees Ltd  
Bell Potter Nominees Ltd

#### Directors and Officers:

Non Executive Directors:  
John Dreyer (Chairman)  
Timothy Tebeila (Deputy Chairman)  
Amanda Matthee  
Colin McIntyre  
John Wallington

Company Secretary  
Jerry Monzu

Contact:  
Level 1, 63 Hay Street  
Subiaco, Western Australia 6008  
Tel: +61 (0)8 9381 2755  
Web: [www.firestoneenergy.com.au](http://www.firestoneenergy.com.au)

The Vetleegte area has been identified as a potential low volume producer of high grade, low phosphorous coal suitable for use in the local metallurgical market. The laboratory analysis results are being received and the results are being modelled within a geological data base as the key input into the mine planning effort. It is expected that the geological data modelling will be completed during the third quarter of 2010.

### ***Marketing***

During the quarter ended 30 June 2010 the Company's coal marketing and fuel activities focused on key factors such as the reliability and consistency of potential coal supply quantity, quality, price, coal supply contract terms, and transportation options:

- Commercial and technical negotiations with potential off-takers continued. It is hoped that an off-take agreement subject to conditions precedent relating to the compliances to all Acts and mining regulations can be finalised in due course. Management will report on progress achieved during the Q3 of 2010.
- The intention is to secure long term agreements, with the first expected delivery of coal toward the end of 2011.
- The Company continued to engage metallurgical industry players and they have shown interest on our low phosphorus coal. The low phosphorus market has a potential of both supplying coal to their furnaces and also construction of beneficiation plants at mine-mouth to improve supply to this under-serviced market. The Company has agreed to prepare and submit samples of low phosphorus coal as per their request.
- Discussions are ongoing with infrastructure providers to ensure access for initial anticipated coal production in mid to late 2011. Transnet Freight Rail (TFR) has completed a draft pre-feasibility study of the rail connection from Waterberg to Witbank that is likely to further improve the supply of both power station and premium coal to the Witbank market. The Company has a mutually beneficial relationship with TFR where regular updates occur on the status of both the coal mine development and the rail line upgrade programme.
- The current capacity of 91mt in Richards Bay Coal Terminus (RBCT) is not fully utilized leaving a huge appetite for leasing by current RBCT users.

### ***Mining Rights Application***

The application for Mining Rights for the Waterberg Colliery submitted by the Company's Black Economic Empowerment partner was accepted by the Department of Minerals and Energy (DME) in July 2010. The Mine Works Program has been recommended by the DME and work continues on the Social and Labour Plan and completion of an Environmental Impact Assessment.

The consultation process continues to ensure that all parties are involved, including local communities, farmers and authorities. Final approval of the Mining Right is contingent on acceptance of a Mine Works Programme, Environmental Impact Assessment (EIA)/Environment Management Plan (EMP), Social and Labour Plan.

### ***Feasibility Studies***

The initial draft of the Definitive Feasibility Study (DFS) was completed during the June quarter 2010. Management is in the process of reviewing the draft DFS with a view to further develop cost estimates and sensitivity analyses for the project as the basis for detailed engineering and project financing.

## **CORPORATE**

### **Cornerstone Investor**

A number of potential cornerstone investors accessed the Company's data room and the process of identifying long term investors for the project is ongoing. The Company will update investors at the end of the third quarter 2010.

### **Cash Balance**

As at the end of June 2010 the Firestone Energy Group had a consolidated cash balance of A\$2.1m.

### **Expenditure**

During the June quarter A\$1.3mln was spent on exploration activities and A\$300k was expended on administration costs by the Company.

### **Directors**

Mr. John Wallington stepped down as Managing Director on 14 June 2010, he remains a Non-Executive Director of the Company and he is still actively involved in driving the BFS process through to completion.

### **Outlook**

The evaluation of the Waterberg Coal Project will continue with a view to receiving necessary regulatory approvals. Negotiations with potential developers, financiers and off-take parties will be progressed as the final Feasibility Study is advanced.

### **For further information please contact:**

**Mr. John Dreyer**  
Chairman

**Mr. Jerry Monzu**  
Company Secretary

**Tel: +61 8 9381 2755**

**Fax: +61 8 9381 4799**

**[www.firestoneenergy.com.au](http://www.firestoneenergy.com.au)**

### **Competent Persons Statement**

Information in this announcement that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ and Massenburg 305LQ is based on information reviewed by Mr James Andrew Johnson who is employed by Sekoko Resources (Pty) Ltd and is a fellow member of The South African Institute of Mining and Metallurgy. Mr Johnson 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 the Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Mr Johnson consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

# 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 2010**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(1,342)	(4,157)
(b) development	-	-
(c) production	-	-
(d) administration	(290)	(1,701)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	64
1.5 Interest and other costs of finance paid	-	(27)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	(193)
<b>Net Operating Cash Flows</b>	<b>(1,617)</b>	<b>(6,014)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	(10,033)
(b) equity investments	-	-
(c) other fixed assets	-	(9)
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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(10,042)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,617)</b>	<b>(16,056)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,617)	(16,056)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,422	18,602
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(100)
1.18	Dividends paid	(60)	(1,885)
1.19	Other – Interest paid	(300)	(300)
	<b>Net financing cash flows</b>	<b>2,062</b>	<b>16,317</b>
	<b>Net increase (decrease) in cash held</b>	<b>445</b>	<b>261</b>
1.20	Cash at beginning of quarter/year to date	1,684	1,870
1.21	Exchange rate adjustments to item 1.20	-	(2)
1.22	<b>Cash at end of quarter</b>	<b>2,129</b>	<b>2,129</b>

**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	1,411
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees - \$69K.  
 Payments to Sekoko Resources (director related entity) pursuant to JV agreements and for costs incurred for and on behalf of FSE - \$1,342K

**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	\$25,000	\$15,900
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,700
4.2 Development	
4.3 Production	
4.4 Administration	300
<b>Total</b>	<b>2,000</b>

### 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	2,129	1,684
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,129</b>	<b>1,684</b>

### 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		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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 <b>Preference securities</b> <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 <b>+Ordinary securities</b> FSE	2,331,300,664	2,331,300,664		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	3	Nil	\$500,000 each	\$500,000 each
7.7 <b>Options</b> FSEAK FSEAM FSEAO FSEAI	30,000,000 111,000,000 96,904,767 25,875,000	Nil Nil Nil Nil	<b>Exercise price</b> 5 Cents 6 Cents 6 Cents 6 Cents	<b>Expiry date</b> 30 Nov 2012 31 May 2013 30 Jun 2013 30 Jun 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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## 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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 27 July 2010  
Company Secretary

Print name: Mr Jerry Monzu

## 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.
- 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.

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