

20 December 2010

ASX Announcement

NEW MAJOR SHAREHOLDER FOR WATERBURG COAL PROJECT

Firestone Energy Limited (ASX / JSE : FSE) has been formally advised by its largest shareholder and Joint Venture partner, Sekoko Coal Pty Ltd "Sekoko", that they have sold 33.3% of their equity in the Waterberg Coal Joint Venture to the Industrial Development Corporation "IDC", a wholly owned South African Government company for ZAR250million.*

This unconditional deal will be completed by an injection of funds by IDC into Sekoko and a new joint owned company will hold FSE shares which have been valued at between **2.9 cents (min) to 4.5 cents (max)** per share for this transaction (based on 90 day VWAP from valuation date).

Highlights:-

- IDC will hold approximately 20% of the coal mining project (including all 8 farms) and will directly hold approximately 12% of FSE.
- IDC are a major resource funding company, based in Johannesburg and have substantial liquid assets available for investment. IDC have a long term history of investing in quality resource assets within South Africa and these include equity in Sasol, Exxaro Coal (who own the adjacent operating Grootelegluk open cast coal mine), Acelor Mittal South Africa, Iscor, Kumba Resources, Kalagadi Manganese and Foskor Ltd.
- IDC will provide funds to Sekoko for the establishment of the new mine as per the terms of the shareholder's agreement within the current FSE/Sekoko Joint Venture which is maintained at 60/40 equity split. Firestone believes that IDC 's presence as a new shareholder will greatly assist the Joint Venture in obtaining finance to start the mining project once an offtake agreement has been signed, and the final BFS has been submitted.

The Non Executive Chairman of FSE, **Mr John Dreyer**, believes this is a very positive step for the coal project whereby Sekoko/IDC can now finance their share of the mine development under the terms and conditions of the Joint Venture agreement. Mr. Dreyer mentioned the necessary changes to the Joint Venture agreement are being drafted and that the IDC deal is subject to the shareholders agreement being signed, when this is completed a further announcement will be then made.

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:
2,401 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)
Colin McIntyre
John Wallington
Sizwe Nkosi

Company Secretary
Jerry Monzu

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In other developments, the discussions on the Eskom offtake agreement are progressing satisfactory and are expected to be concluded shortly.

Further information can be obtained by contacting the person below on +61 (08) 9 2874600.

John Dreyer
Chairman

www.firestoneenergy.com.au

*6.75ZAR=1AUD