



ANNUAL GENERAL MEETING

2 NOVEMBER 2010



by: **Sizwe Nkosi**



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Competent Persons Statement

Information in this report that relates to exploration results and coal resources on the property Smitspan 306LQ is based on information compiled by Mr Paul S Norman who is employed by Wardell Armstrong LLP and is a Fellow of the Geological Society of London, a Fellow of the Institution of Materials, Minerals and Mining, a Fellow of the Energy Institute, a Chartered Geologist and Chartered Engineer. Mr Norman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the South African Code of the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2007 edition and the 2004 'Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', (The JORC Code). Mr Norman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to coal reserve estimation is based on work completed by Mr Peter I Watkinson who is an employee of Parsons Brinckerhoff and a Member of the Institute of Materials, Minerals and Mining, a Member of the Minerals Engineering Society and a Chartered Engineer. Mr Watkinson 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 by the South African Code of the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code) 2007 edition and the 2004 'Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves', (The JORC Code). Mr Watkinson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





Corporate Information

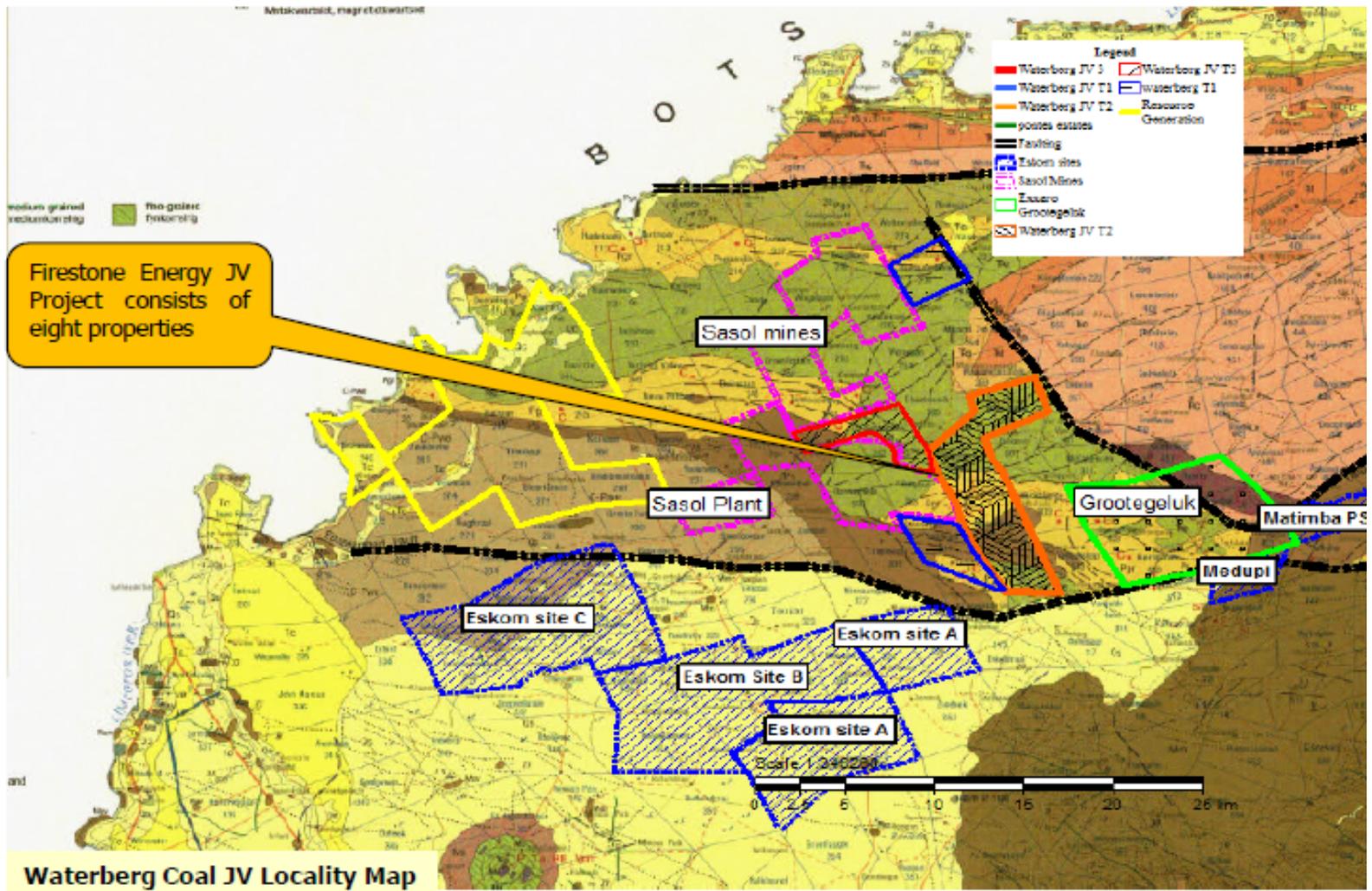
Listings:	ASX, JSE	
Share Price:	2.5 cents	<i>(1 Nov 2010)</i>
Market Cap:	A\$ 59m	

Issued Securities:

- Shares 2,361m
- Convertible Note 796m *(Maximum potential convertible notes)*
- Options (average exercise price A\$)
 - 30,000,000 FSEAK – 05 30 November 2012
 - 110,000,000 FSEAM – 06 31 May 2013
 - 96,904,767 FSEAO – 06 30 June 2013
 - 25,875,000 - 06 30 June 2014
- Top 20 Shareholders 64%



Locality



Firestone Energy JV Project consists of eight properties

Waterberg Coal JV Locality Map



Resource Statement

JORC & SAMREC Compliant

- 5.1bn tonnes coal Zones
- 1.88bn tonnes Gross Tons In Situ (GTIS)
- 120mt Saleable reserves (8%)
 - 51mt proven reserves
 - 69mt probable reserves



Excellent Progress

- Mining Right Submitted & Accepted
- Social Labour Plan – Submitted
- Public Participation – 2 meetings held and all queries addressed
- EIA\EMPR Scoping Study submitted and accepted
- WULA Workshop with DWAF – Done
- Site Inspections – ESKOM, DWAF, DEAT, LEDET – complete – No showstoppers
- Rail Spur Design = 7km (\$20m) – Completed
- Definitive Feasibility Study - Completed



Route to Mining

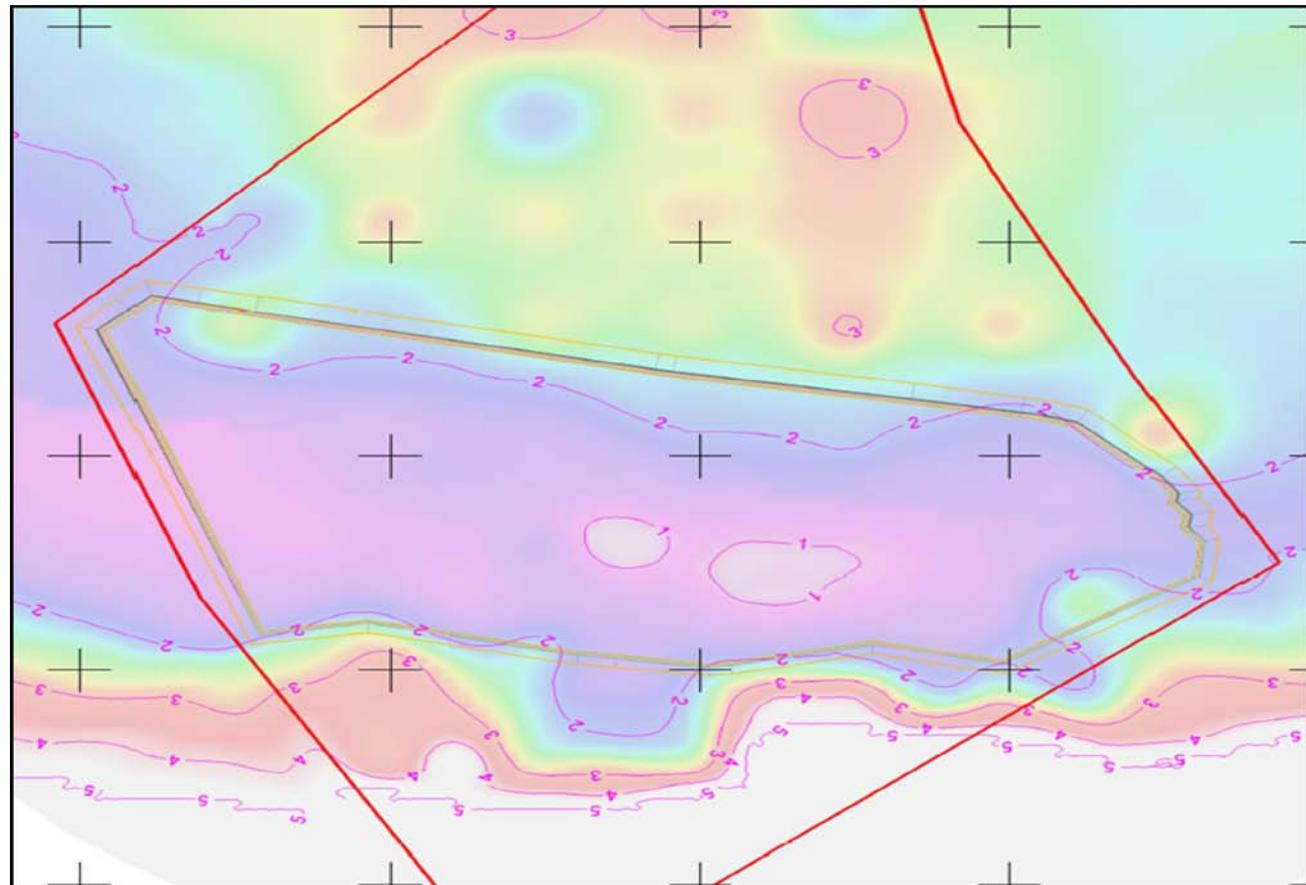
- WULA application – Draft – to be submitted 15 November
- EIA/EMP – Notice issued for comments – 15 November 2010
- submitted to DMR – 15 December 2010
- Coal Supply Agreement – expected December 2010**
- Fund Raising – Mine Construction – February 2010
- EIAROD expected – March 2011
- Mining Rights expected – June 2011
- Box Cut & Overburden stripping – July 2011
- First Coal – April 2012 – off take negotiations



Phase 1 Mine Area - Strip Ratios

Overburden to
Saleable Tons of 2

- Cost
- Shallow area
- Thick coal beds
- 4.2kms x 2.2kms





Market	Type	Volume Required	Probable Commissioning Dates
Eskom Medupi	4800 MW Power	14mt Coal - Thermal	2012 – 2015
Eskom Coal 3	5000 MW Power	15mt Coal - Thermal	2016 – 2020
IPP	5000 MW Power	15mt Coal - Thermal	2018 – 2022
Sasol	80,000 BBL per day	24mt Coal - Thermal	2016 – 2026
Mpumalanga Power Stations		-	
Met & Coke for Steel Industry	Mostly Imported	+ - 5mt per annum - Imported	Immediately
Low Ash & Phos Coal		-	
- Smelters	High Demand	-	Immediately
- Mining	High Demand	-	Immediately
- Cement	High Demand	-	Immediately
- Agriculture	High Demand	-	Immediately
Gr A + Gr B Thermal	Export Market	130mtpa in 2010	160 mtpa in 2011



Market Commentary

Power Station

- DFS Modelled on Power station customer – Initial Customer
- Two Power stations 12km & 25km close by – Further Power station & IPP in the area
- Attractive NPV & IRR - low cost mine – selective mining
- Core commercial Issues already agreed – Currently negotiating MOU for off-take (CSA)
- Full recovery of costs – Mine, Infrastructure, Rail spur

Met Coal

- Subject of phase 2 BFS – expected BFS completion – End-2011
- Niche Product – Low volumes but attractive revenues in excess of \$100pt – Local market
- Not yet fully modelled but will require approx \$1m to complete separate BFS
- Expected production from 2013
- Major companies- high interest and ready to sign long-term bankable off-takers – on BFS completion

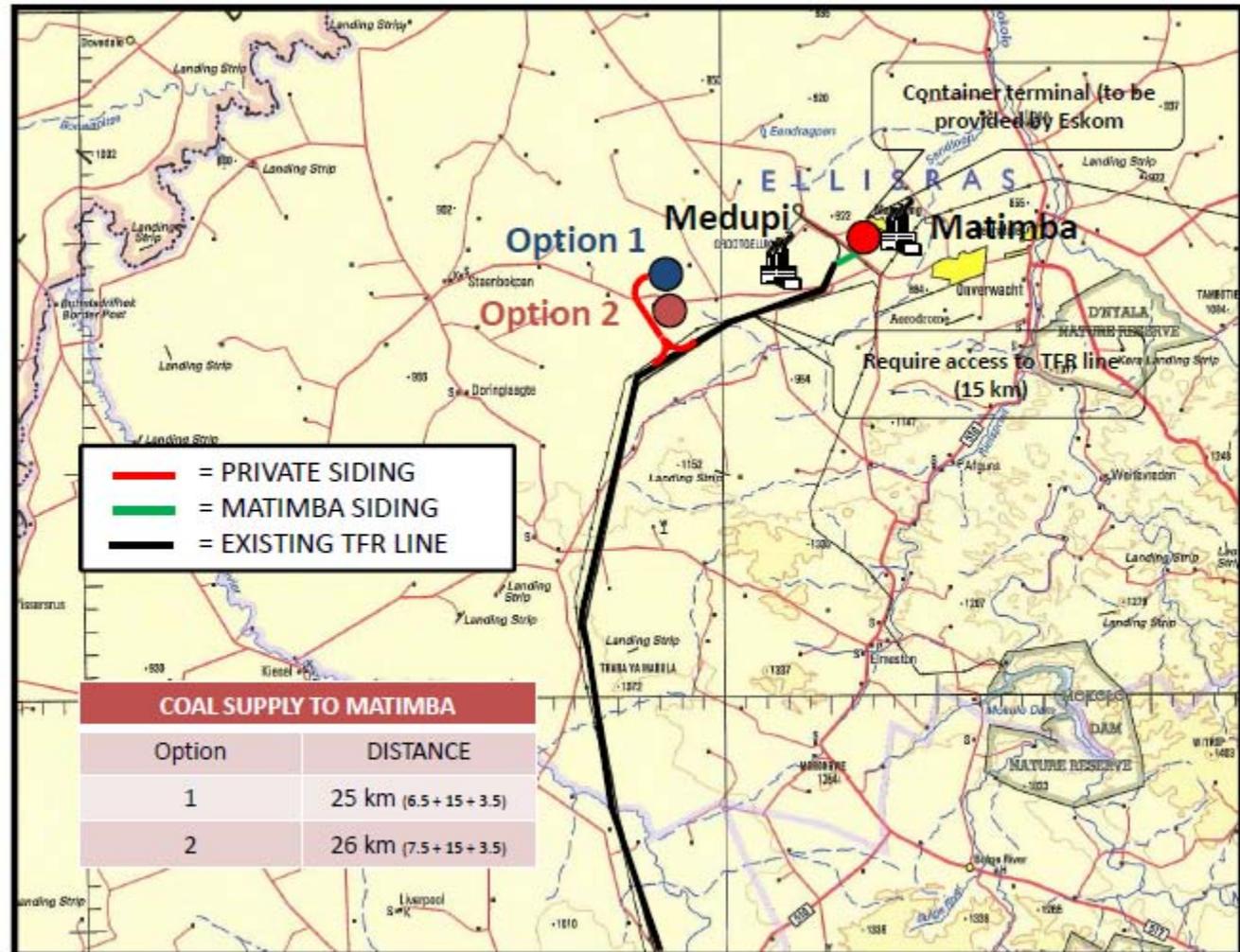
Export Coal

- Supply to be ready from 2013 – subject to rail and Port allocations



FSE Own Rail Spur

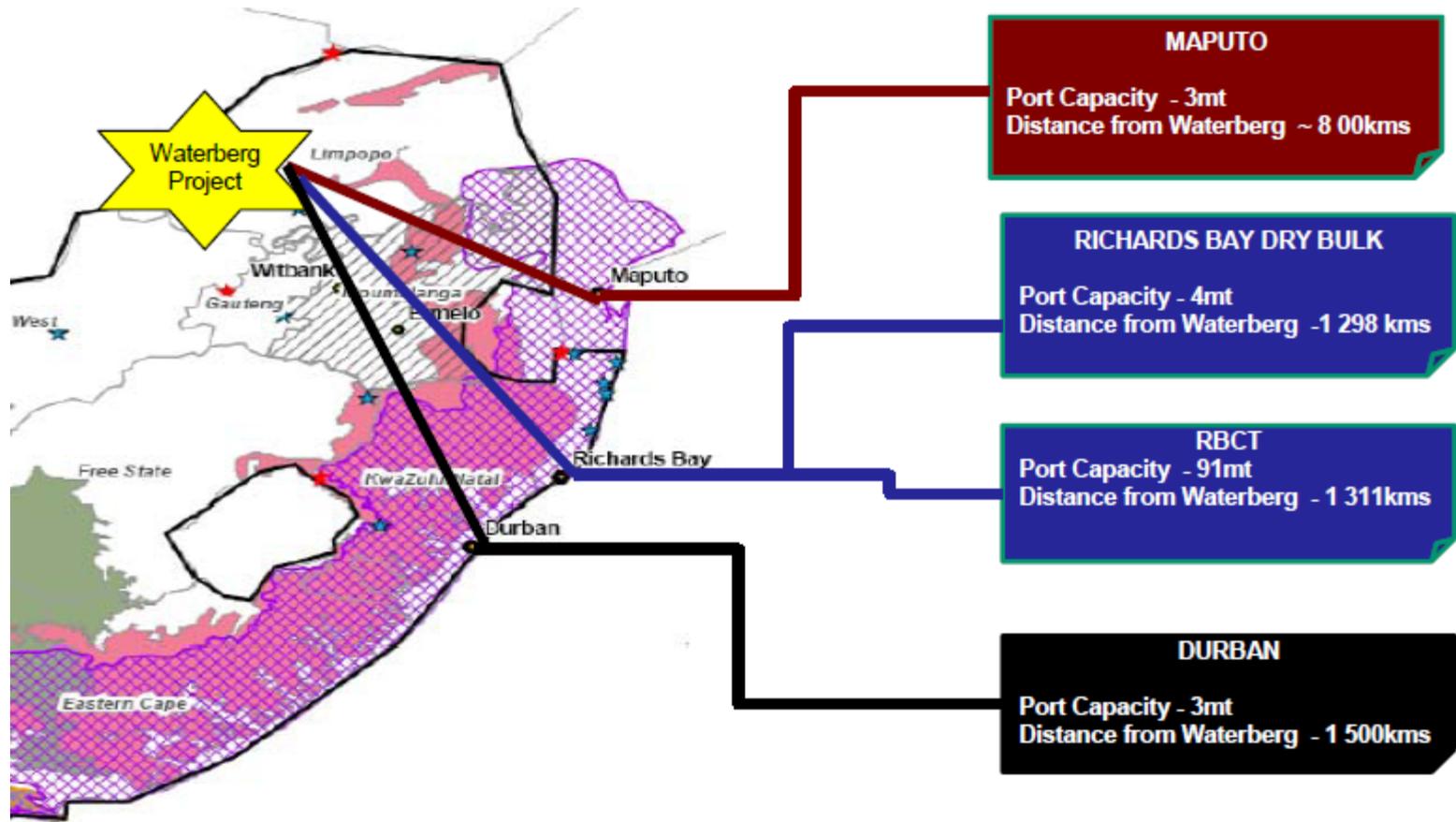
- Only 7km connection
- To cost Approx \$20m
- Incl. Rapid Loader Equipment
- Cost fully recoverable from off-take



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Port
Locality





Firestone Energy Limited

for more information call
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firestoneenergy.com.au