ABN 71 058 436 794

Half-Year Financial Report

31 December 2010

FIRESTONE ENERGY LIMITED

CORPORATE DIRECTORY

DIRECTORS

David Perkins
Non Executive Chairman

Pius Chilufya Kasolo
Non Executive Director

Sizwe Nkosi
Non Executive Director

Colin McIntyre
Non Executive Director

Matsidiso Peter Tshisevhe
Non Executive Director

COMPANY SECRETARY

Jerry Monzu

REGISTERED OFFICE

Suite B9, 431 Roberts Road
SUBIACO, WA 6008

Telephone: (08) 9287 4600
Facsimile: (08) 9287 4655

SOLICITORS TO THE COMPANY

Blake Dawson
Level 36, Grosvenor Place
225 George Street
SYDNEY NSW 2000

SHARE REGISTRY

Computershare Investor Services
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA, 6000
Ph 08 9323 2000
Fax 08 9323 2033

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

ASX CODE

“FSE”

JSE CODE

“FSE”

FIRESTONE ENERGY LIMITED
Half-yearly financial statements for 6 months ended 31 December 2010

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the half-year ended 31 December 2010.

Directors

The names of the Directors of Firestone Energy Limited throughout the reporting period and at the date of this report are:

MR John Dreyer *(Resigned 31 January 2011)*
Chairman

MR David Perkins (*Appointed 31 January 2011. Previously appointed as Non-Executive Director on 17 January 2011)*
Chairman

MS Amanda Matthee *(Resigned 30 September 2010)*
Non-Executive Director

MR John Wallington *(Resigned 31 December 2010)*
Non-Executive Director

MR Timothy Tebeila *(Resigned 7 January 2011)*
Non-Executive Director

MR Colin McIntyre
Non-Executive Director

MR Sizwe Nkosi *(Appointed 3 November 2010)*
Non Executive Director

DR Pius Chilufya Kasolo *(Appointed 28 January 2010)*
Non Executive Director

MR Matsidiso Peter Tshisevhe *(Appointed 28 January 2010)*
Non Executive Director

Note: *Directors were in power for the entire period unless otherwise stated.*

Results of Operations

The net loss from continuing operations for the six months to 31 December 2010 amounted to $2,363,693 (Half-year ended 31 December 2009: Net Loss $1,532,146).

Review of Operations

During the half-year ended 31 December 2010, Firestone Energy Ltd has made significant progress on turning its Waterberg Coal Project into a producing coal mine. The Definitive feasibility study was completed, and approved by the board in October 2010. It showed that the Smitspan property has 51mt in proven reserves and 69mt in probable reserves. All properties show a Gross tons in situ of 1.9bn ton and 5.1bn tons of coal zones in compliance with JORC and SAMREC codes.

The Definitive Feasibility study confirms the viability of a robust open cast operation for 21 years with capital and operating cost tolerances of +/- 10% for the complete first phase of the mine life.
More importantly, only 8% of the total resource is modelled to be mined and treated in the first 21 years as per the current DFS.

DIRECTORS' REPORT (CONTINUED)

Application to convert the prospecting right to a Mining Right on seven of the 8 properties was lodged in July 2010. With this an environmental management programme report was completed and submitted, three public consultation meetings were held and revealed no major showstoppers; and social and labour plan (SLP) was completed and submitted. The mining right on seven properties is expected to be approved within the first half of 2011.

The directors believe that Firestone Energy is on target to begin mine construction in the second half of 2011, and are continuing to seek a corner-stone investor for the project.

Sekoko Resources (Pty) Ltd, FSE's major shareholder and 40% partner in the project raised R250m to fund its contribution for the construction of the mine

Firestone has secured office space in the Lephalale town in the vicinity of Waterberg Coalfield. The group has also purchased two surface rights, Smitspan and Hooikraal, using a twelve month payment plan.

The company is working on detailed designs and environmental impact assessments of a rail spur as a mode of delivery.

Post Balance Date Events

1. On 4 January 2011 a general meeting was held to successfully approve the T3 Joint Venture agreement with Sekoko Coal Pty Limited, to acquire additional properties "Swanepoelpan" and "Duikerfontein". In consideration for the acquisition, Firestone Energy must;
   - Pay $100,000 to Sekoko Coal on the execution date of the agreement *(Paid)*
   - Pay $100,000 to Sekoko Coal on or before 1 July 2010 *(Paid)*
   - Pay $1,800,000 to Sekoko Coal before 31 July 2011, and
   - Issue 200m fully paid ordinary shares in Firestone to Sekoko Coal once all the conditions have been met *(Issued 4 February 2011)*.

   The Joint Venture will give Firestone the right to earn a 60% interest in the above mentioned properties.

2. Furthermore, as reported to the ASX, the Company's Joint Venture with Sekoko Coal Pty Limited has signed a legally binding Off-take MOU with the State owned power utility, Eskom Limited on 28 January 2011 which could potentially generate over $1bn in revenues over 21 years.

The agreement specifies the supply of contract coal product from the Waterberg Coal Project to the nearby Eskom owned Coal power station, Matimba, within the same Limpopo region of South Africa.

The first contract supply schedule is as follows;
1 April 2012 – 31 March 2015: 525,000 tonnes p.a.
1 April 2015 – 31 March 2018: 1,000,000 tonnes p.a.

Negotiations are continuing, in good faith, for the objective of entering into a longer term contract from 2018 to 2032.

3. On the 28th of February, The group signed a shareholder's agreement with Sekoko Resources. This agreement proves that FSE has completed its earn-in to the full participation right of 60% of the 8 properties in the Waterberg project (*T1 and T2*) and paves the way for lodging application for transfer of the mineral rights from Sekoko Coal to the incorporated JV company name.

DIRECTORS' REPORT - CONTINUED

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 15 and forms part of this report.

This report is made in accordance with a resolution of directors.

Dated at Perth this 11th day of March 2011

Signed in accordance with a resolution of the Directors.

....
David Perkins
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Half-Year Ended 31 December 2010

		December 2010	December 2009
		$	$
Continuing operations			
Interest revenue		36,030	29,189
Other income		3,545	-
Occupancy costs		(55,962)	(19,371)
Legal fees		(497,465)	(114,232)
Administration costs		(241,825)	(766,825)
Directors fees		(130,000)	(125,002)
Employee & Consultant costs		(39,822)	(169,662)
ASX and share registry costs		(135,270)	(194,532)
Finance cost	2	(1,303,402)	(311,694)
Foreign exchange gain/(loss)		478	139,983
Loss before income tax		(2,363,693)	(1,532,146)
Income tax expense		-	-
Loss from continuing operations		(2,363,693)	(1,532,146)
Loss for the half-year attributable to the members of Firestone Energy Limited		(2,363,693)	(1,532,146)
Other comprehensive income for the half-year			
Foreign currency translation reserve		(2,124,377)	17,941
Total comprehensive income for the half-year attributable to the members of Firestone Energy Limited		(4,488,070)	(1,514,205)
Loss per share			
Loss per share on loss from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share (cents per share)		(0.10)	(0.08)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	December 2010 $	June 2010 $
Current assets			
Cash and cash equivalents	4	1,607,050	2,130,542
Trade and other receivables		242,435	420,031
Prepayments		5,098	-
Total current assets		1,854,583	2,550,573
Non-current assets			
Property, plant and equipment		83,733	113,330
Interest in joint venture	10	81,754,574	79,371,322
Receivables		116,687	147,119
Total non-current assets		81,954,994	79,631,771
Total assets		83,809,577	82,182,344
Current liabilities			
Trade and other payables		4,717,717	3,489,487
Total current liabilities		4,717,717	3,489,487
Non- current liabilities			
Borrowings	3	18,017,187	14,530,114
Total non-current liabilities		18,017,187	14,530,114
Total liabilities		22,734,904	18,019,601
Net assets		61,074,673	64,162,743
Equity			
Issued capital	7	64,104,850	62,704,850
Reserves		4,085,888	6,210,265
Accumulated losses		(7,116,065)	(4,752,372)
Total Equity		61,074,673	64,162,743

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-Year Ended 31 December 2010

	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Share based payment reserve $	Total $
Balance at 1 July 2010	62,704,850	(4,752,372)	2,128,620	4,081,645	64,162,743
Comprehensive income for the half-year					
Loss for the half-year	-	(2,363,693)	-	-	(2,363,693)
Foreign currency translation reserve	-	-	(2,124,377)	-	(2,124,378)
Total comprehensive income for the half-year	-	(2,363,693)	(2,124,377)	-	(4,488,071)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	-	-	-
Issue of shares, net of transaction costs	-	-	-	-	-
Conversion of convertible notes[1]	1,400,000	-	-	-	1,400,000
Total transactions with owners	1,400,000	-	-	-	1,400,000
Balance at 31 December 2010	64,104,850	(7,116,065)	4,243	4,081,645	61,074,673

[1] The issued capital is primarily a reduction in debt.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the Half-Year Ended 31 December 2010

	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Share based payment reserve $	Total $
Balance at 1 July 2009	14,781,022	(1,316,064)	1,695,271	4,081,645	19,241,874
Comprehensive income for the half-year					
Loss for the half-year	-	(1,532,146)	-	-	(1,532,146)
Foreign currency translation reserve	-	-	17,941	-	17,941
Total comprehensive income for the half-year	-	(1,532,146)	17,941	-	(1,514,205)
Transactions with owners in their capacity as owners:					
Issue of shares, net of transaction costs	47,923,828	-	-	-	47,923,828
Total transactions with owners	47,923,828	-	-	-	47,923,828
Balance at 31 December 2009	62,704,850	(2,848,210)	1,713,212	4,081,645	65,651,497

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2010

	Note	December 2010 $	December 2009 $
Cash flows from operating activities			
Payments to suppliers and employees		(883,917)	(2,658,155)
Interest Paid		(69,233)	(222,488)
Interest Received		36,030	29,189
Net cash used in operating activities		(917,120)	(2,851,454)
Cash flows from investing activities			
Project expenditure – JV's		(1,909,339)	(6,362,409)
Acquisition of surface rights – JV's		(2,232,441)	(1,177,410)
Payments to acquire fixed assets		-	(9,335)
Sale of office plant and equipment		3,545	-
Net cash used in investing activities		(4,138,235)	(7,549,154)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from the issue of convertible notes		4,676,920	11,680,000
Transaction cost		(116,920)	(1,600,000)
Net cash from financing activities		4,560,000	10,080,000
Net decrease in cash and cash equivalents		(495,355)	(320,608)
Cash and cash equivalents at 1 July		2,130,542	1,870,754
Effect of exchange rate differences on the balance of cash held in foreign currencies		(28,137)	-
Cash and cash equivalents at 31 December	4	1,607,050	1,550,146

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly report for 6 months ended 31 December 2010

1 Basis of preparation of half-year financial report

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Firestone Energy Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Impact of standards issued but not yet applied by the entity

There have been no new accounting standards, or amendments to, that would have any impact on the group.

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a comprehensive loss after tax for the half-year ended 31 December 2010 of $2,363,693 (2009 half-year: $1,532,146) and experienced net cash outflows from operating activities of $917,120 (2009 half-year: $2,851,454).

The Directors believe that there are sufficient funds to meet the Group's working capital requirements. However, as the convertible note facility with BBY has been drawn down by $20.6m of the $25m limit, and the group intends to commence mine construction in the second half of 2011, the Directors recognise that the ability of the Group to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability to secure further working capital by the issue of additional equities, debt, or entering into negotiations with third parties regarding farm out of assets.

	December 2010 $	December 2009 $
2. Expenses		
Interest Expense	976,329	222,488
Amortisation of transaction costs	327,073	89,206
Total finance costs:	1,303,402	311,694

	December 2010 $	June 2010 $
3. Borrowings		
Loans carried at amortised cost		
Convertible Notes (Face Value)	19,200,000	15,923,080
Transaction Costs – Carrying Amount	(1,182,813)	(1,392,966)
	18,017,187	14,530,114

These transaction costs are being amortised over the life of each note as part of the effective interest rate. The facility has been drawn down by an amount of $20.6million, with $1.4million already converted to equity. Firestone Energy has drawn down $4,676,920 during the 6 months ended 31 December 2010 (*December 2009*: $7,489,206)

The total draw down facility is $25 million with a maturity date of 3 years from the date of issue. The notes can be converted at any time before the maturity date and bears interest at a rate of 10% per annum.

4. Cash & Cash Equivalents		
Cash at bank	1,607,050	2,130,542

5. Dividends

No dividend has been paid during or is recommended for the financial period ended 31 December 2010.

6. Commitments and Contingencies

There have been no significant changes to commitments since 30 June 2010, with the exceptions to the approval of the T3 transaction with Sekoko Coal Pty Limited which was approved by the shareholders of Company on 4 January 2011. Under the agreement, Firestone have further obligations to pay a cash payment of $1.8m by 31 July 2011 and issue 200m fully paid ordinary shares to Sekoko Coal. The shares have been issued on 4 February 2011. At 31 December 2010 this amount is a contingent liability, and has become a commitment post balance date.

7. Issued Capital

Reconciliation of movement in issued capital attributable to equity holders of the Company.

	31 December 2010 Shares	$
(a) Movements in Ordinary Shares		
At 1 July 2010 – Opening Balance	2,331,300,464	62,704,850
4 Oct – Note conversion	30,000,000	600,000
8 Nov – Note conversion	39,411,766	800,000
Ordinary shares at 31 December 2010	2,400,712,230	64,104,850
(b) Movements in Options		
At 1 July 2010 – Opening Balance	262,779,767	4,081,645
Options at 31 December 2010	262,779,767	4,081,645

The unlisted options on issue as at 31 December are as follows;

Number under option	Expiry date	Exercise price of option
30,000,000	30-Nov-12	$0.05
110,000,000	31-May-13	$0.06
96,904,767	30-Jun-13	$0.06
25,875,000	30-Jun-14	$0.06

No option holder has any right under the options to participate in any other share issue of the Company.

Reconciliation of movement in issued capital attributable to equity holders of the Company.

	31 December 2009 Shares	$
(a) Movements in Ordinary Shares		
At 1 July 2009 – Opening Balance	1,354,951,295	14,781,022
16 Sep - Loan converted	15,172,606	545,000
16 Sep – Loan converted	67,000,000	2,680,000
30 Sep - Issued	868,176,563	43,408,828
30 Sep - Issued	25,000,000	1,250,000
30 Sep - Issued	1,000,000	40,000
Ordinary shares at 31 December 2009	2,331,300,464	62,704,850
(b) Movements in Options		
At 1 July 2009 – Opening Balance	262,779,767	4,081,645
Options at 31 December 2009	262,779,767	4,081,645

9. Events occurring after Balance Date

- On 4 January 2011 a general meeting was held to successfully approve the T3 Joint Venture agreement with Sekoko Coal Pty Limited, to acquire additional properties "Swanepoelpan" and "Duikerfontein". In consideration for the acquisition, Firestone Energy must;
  - Pay $100,000 to Sekoko Coal on the execution date of the agreement *(Paid)*
  - Pay $100,000 to Sekoko Coal on or before 1 July 2010 *(Paid)*
  - Pay $1,800,000 to Sekoko Coal before 31 July 2011, and
  - Issue 200m fully paid ordinary shares in Firestone to Sekoko Coal once all the conditions have been met *(Issued 4 February 2011)*.

  The Joint Venture will give Firestone the right to earn a 60% interest in the above mentioned properties.

- Furthermore, as reported to the ASX, the Company's Joint Venture with Sekoko Coal Pty Limited has signed a legally binding Off-take MOU with the State owned power utility, Eskom Limited on 28 January 2011 which could potentially generate over $1bn in revenues over 21 years.
  The agreement specifies the supply of contract coal product from the Waterberg Coal Project to the nearby Eskom owned Coal power station, Matimba, within the same Limpopo region of South Africa.

  The first contract supply schedule is as follows;
  1 April 2012 – 31 March 2015: 525,000 tonnes p.a.
  1 April 2015 – 31 March 2018: 1,000,000 tonnes p.a.

  Negotiations are continuing, in good faith, for the objective of entering into a longer term contract from 2018 to 2032.

- On the 28th of February, The group signed a shareholder's agreement with Sekoko Resources. This agreement proves that FSE has completed its earn-in to the full participation right of 60% of the 8 properties in the Waterberg project (*T1 and T2*) and paves the way for lodging application for transfer of the mineral rights from Sekoko Coal to the incorporated JV company name.

10. Interest in Joint Venture

As at 31 December 2010, the Company had entered into two Joint Venture Agreements with Sekoko Coal (Pty) Ltd for a coal project in the Waterberg locality in South Africa.

At the half-year, both Checkered Flag and Lexshell (wholly owned subsidiaries) have a participation interest of 54% in the projects relating to the jointly controlled operation (T1 and T2). The Company has the rights to earn up to an interest of 60% in each Joint Venture agreement.

	Half-year ended Dec 2010 $	**Year ended June 2010 $**
Opening balance	79,371,322	19,645,502
Acquisition costs	-	48,548,836
Project costs	2,232,541	4,157,437
Surface rights	2,275,088	6,586,198
Foreign exchange movements	(2,124,377)	433,349
Closing balance	81,754,574	79,371,322

The above amounts include both Joint Venture agreements, T1 and T2.

11. Segment Information

Management has determined that the consolidated group has one reportable segment, being coal exploration in South Africa. As the company is focused on mineral exploration, the Board monitors the consolidated group based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the consolidated group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Segment information provided to the Board:

	December 2010 $	December 2009 $
Revenue from external sources	-	-
Reportable segment loss	(510,864)	(258,384)
Reportable segment assets	81,754,574	71,269,680

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

	December 2010 $	December 2009 $
Total loss for reportable segment	(510,864)	(258,384)
Unallocated:		
Interest revenue	36,030	29,189
Other income	3,545	-
Occupancy costs	(55,962)	(19,371)
Legal fees	(140,746)	(114,232)
Administration costs	(241,826)	(508,441)
Directors fees	(130,000)	(125,002)
Employee & Consultant costs	(77,336)	(169,662)
ASX and share registry costs	(135,270)	(194,532)
Finance cost	(1,111,742)	(311,694)
Foreign exchange gain/(loss)	478	139,983
Loss before income tax from continuing operations	(2,363,693)	(1,532,146)

12. Related Party Transactions

During the period, there has been a significant change with non-executive directors. Newly appointed directors shall be remunerated consistently with the past directors, as disclosed in the 30 June 2010 financial statements. There are no other material changes to related parties since 30 June.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    b. give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended on that date.

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

David Perkins
Director

Dated at Perth this 11th day of March 2011

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

11th March 2010

The Directors
Firestone Energy Limited
PO Box 8115
Subiaco East WA 6008

Dear Board Members,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF FIRESTONE ENERGY LIMITED

As lead auditor of Firestone Energy Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review

This declaration is in respect of Firestone Energy Limited and the entities it controlled during the period.

BM Veigh

Brad McVeigh
Director

BDO

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF FIRESTONE ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Firestone Energy Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Firestone Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Firestone Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Firestone Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that Firestone Energy Limited incurred a net comprehensive loss of $4,488,070 (2009: $1,514,205) during the half-year ended 31 December 2010 and a net cash outflow from operating activities of $917,120 (2009: $2,851,414). Firestone Energy Limited is in the process of developing a mine and requires significant investment to develop the mine. All of these conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 11th day of March 2011