

## INVESTOR UPDATE



Dear Shareholder,

I would like to take this opportunity to personally update you on recent exciting developments which I expect will have a transformational impact on our Company.

### On Track for First Production in 2012

We are on target to begin overburden stripping later this year and are progressing well for our targeted first production at Waterberg in 2012. A number of significant milestones have been achieved to date:

- A significant JORC resource of 1.88 billion tonnes of high quality coal
- A coal supply MOU signed with Eskom for over half a million tonnes in the first year of production
- Ordered long lead time items to ensure progress continues as planned
- Appointed major contractors for wash plant, rail and infrastructure
- Lodged mining and water rights applications

The completion of these milestones has significantly de-risked the Waterberg project and underpins the Board's confidence that first production will occur as planned in 2012.

Our discussions with South Africa's Department of Mineral Resources regarding mining and water rights are progressing well and we expect those applications to be approved in the next one to two months along with the awarding of mining contractor.

We are also confident of procuring the remaining necessary funding for the Waterberg project. This is based on the commercial appeal of the project, as highlighted in our Definitive Feasibility Study, and the encouraging progress of negotiations with potential funding partners.

### Secured Coal Offtake Agreement

The binding memorandum of understanding (MOU) signed with Eskom, South Africa's public electricity generation utility has ensured we have a buyer for our coal from the commencement of first production at Waterberg. This is a key agreement for the Company.

Beyond initial production, the MOU has contracted the Waterberg project to supply Eskom with energy coal to 2018, with the option for further supply out to 2032.

Further, we intend to approach Prime Coal users to discuss offtake potential for our higher quality coal.

### Compelling Project Economics

Independent experts Parsons Brinckerhoff have completed a Definitive Feasibility Study into the Waterberg project. They confirmed the JORC coal resource will support an initial mining plan yielding 120 million tonnes of total coal production over a mine life of 21 years.

Importantly, the Definitive Feasibility Study also estimated a net present value of the Project of \$234 million, with an attractive internal rate of return of 25 per cent. These independent estimates of the value and financial returns of the project indicate that there is significant valuation upside within Firestone, given our market capitalisation is currently only \$50 million.

### About Firestone Energy

Firestone is an exploration and development company focused on the development of coal projects in South Africa. Our key asset is in the highly prospective Waterberg coal field located in South Africa where our joint venture has eight farms covering an area of almost 8,000 hectares with a JORC resource of over 1.8 billion tonnes.

We have a joint venture with Sekoko Resources. Sekoko Resources is a South African-based black-owned energy and minerals company developing the coal, magnetite iron ore and PGMs Projects in the in the Limpopo Province of South Africa.

The Joint Venture is now ready to begin development of its first mine which will be on the property known as Smitspan and which has a total JORC resource of over 700 million tons.

#### Corporate Details:

ASX: FSE

JSE: FSE

#### Issued Capital:

2,696 million ordinary shares

#### Major Shareholders:

Sekoko Resources (Pty) Ltd  
BBY Nominees Ltd  
Colbern Fiduciary Nominees Ltd  
Bell Potter Nominees Ltd

#### Directors and Officers:

Non Executive Directors:  
David Perkins (Chairman)  
Dr Pius Kasolo  
Colin McIntyre  
Peter Tshisevhe

#### Executive Directors:

Sizwe Nkosi

#### Company Secretary:

Jerry Monzu

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### New Equity Partner Validates Project's Commercial Appeal

The Industrial Development Corporation of South Africa (IDC) will become a significant shareholder and cornerstone investor in Firestone and the Waterberg project.

IDC is a 100 per cent South African state owned self-funding institution, established in 1940. IDC has invested over \$937 million in mining and energy related projects over the last two years and has funded numerous successful green-field and brown-field projects over the past 70 years.

IDC's involvement in the project combined with the strong support of Firestone's joint venture partner, Sekoko, demonstrates the strong commercial appeal of the Company and the transformational impact the Waterberg project will have on Firestone.

### Promising Long Term Growth Prospects

The International Journal of Coal Geology estimates the Waterberg region could hold up to 44% of South Africa's bituminous coal resources, indicating we are in a very promising area for further exploration beyond first production. Encouragingly, we have already identified a second metallurgical coal deposit on our land. When developed this second mine will lead to a material uplift in the scale of the Waterberg project.

The cashflow generation forecast from the Waterberg project will enable us over time, to internally fund an active exploration program and also pay dividends to shareholders.

### Opportunity for Shareholders to Participate

Firestone shareholders are being given the opportunity to increase their exposure at an exciting time in the Company's development.

Through the Shareholder Purchase Plan (SPP), eligible shareholders are able to increase their investment in Firestone at an attractive time in the Company's history.

The SPP offer closes at 5:00pm (Sydney time) on Friday 3 June 2011. Offer documents were mailed to shareholders on or about 11 May 2011. If you have not received your offer documents or if you have any questions in relation to the offer, please contact the SPP information line on 1800 505 206 (within Australia) or +61 2 8256 3354 (outside Australia).

### Boardroom Radio Interview

To hear the recent Boardroom Radio interview, please visit:  
[www.brr.com.au/event/81262](http://www.brr.com.au/event/81262)

### Firestone's Long-term Vision

Firestone's vision is to be a long-term, profitable producer of thermal and metallurgical coal from the Waterberg region while bringing sustainable economic and social benefits to the people of the Waterberg region and South Africa.

It is only with our shareholders' continuing support that we will achieve our goal. I would like to thank you for your support of the Company and I encourage you to take part in the SPP.

Yours sincerely,  
**David Perkins** Chairman

### The Waterberg Region



**Extent of property:** Eight farms in the JV covering 7,979 hectares.

**Reserves and resources:** Measured resource at Smitspan now estimated at 97.15Mt

**Life of mine:** 21 years at an average stripping ratio of 2.13g/t

