



Firestone Energy Limited

ACN 058 436 794

PROSPECTUS

For the grant of one free attaching option for every two fully paid ordinary shares issued to an Eligible Participant under the Share Purchase Plan

[The securities to be issued under this Prospectus should be considered speculative]

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay.

IMPORTANT NOTICES

About this Prospectus

This Prospectus is dated 9 May 2011 and was lodged with ASIC on that date. ASIC, ASX or JSE does not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be issued on the basis of this Prospectus after 8 July 2011 which is the expiry date of this Prospectus.

This is a Prospectus for an offer of Options to acquire continuously quoted securities (as defined in the Corporations Act) of the Company and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

Before applying for Options, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits and risks involved. Various risks may affect the future operating and financial performance of the Company and the value of an investment in the Company. Some of these risks are listed in Section 3 of the Prospectus. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

The potential tax effects of participating in the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

The Company will apply for admission of the Options to quotation by ASX and JSE within seven days after the date of this Prospectus.

The Offer is not underwritten.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law and then, only to the extent so required.

Restrictions on the distribution of this Prospectus

This Prospectus does not constitute an offer of Options in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia, New Zealand and South Africa may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on, and observe, those restrictions. The Options have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered in the United States or to, or for the account of or benefit of, US Persons.

Accordingly, this Offer is not to be extended to, and no Options will be issued to, Shareholders having registered addresses outside Australia, New Zealand or South Africa. This Prospectus is sent to those Shareholders for information purposes only. This Prospectus may not be distributed to, or relied on by, persons outside Australia, New Zealand or South Africa.

The Options being offered under the Prospectus are offered in New Zealand in reliance on the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008*.

The Options being offered under the Prospectus are offered in South Africa subject to the approvals of the JSE and the South African Reserve Bank being obtained on or before 5.00 pm (Sydney time) on 3 June 2011 or such later date as the Company may announce. If these regulatory approvals are not obtained on or before this date, the Company will by announcement withdraw the Offer of Options to South African shareholders.

Privacy

If you apply for Options, you will provide personal information to the Company and the Registry. The Company and the Registry collect, hold and use your personal information in order to assess your application, service your needs as an Option holder, provide facilities and services that you request and carry out appropriate administration. Company and tax laws require some of the information to be collected. If you do not provide the information requested, your application may not be able to be processed efficiently, or at all.

The Company and the Registry may disclose your personal information for purposes related to your shareholding or optionholding to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Registry for ongoing administration of the register; and
- printers and mailing houses for the purposes of preparation and distribution of Option holder information and for handling of mail.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by (or on behalf of) the Company or the Registry. You can request access to your personal information by contacting the Company through the Registry as follows:

Computershare Investor Services Pty Limited
Locked Bag 2508 Perth
Western Australia 6001 Australia

By telephone: 1300 850 505 (within Australia)
or +61 3 9415 4000 (outside Australia)

Financial Amounts

All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

Defined terms and abbreviations

Terms and abbreviations used in this Prospectus are defined in the Glossary (see section 6).

Electronic Prospectus

This Prospectus may be viewed in Australia at the Company's website at www.firestoneenergy.com.au

SUMMARY OF THE OFFER

Key investment aspects	
Option issue price	\$nil
Entitlement	one free attaching option for every two fully paid ordinary shares issued to an Eligible Participant under the Share Purchase Plan
Number of Options to be issued under the Offer	Up to 250 million

Key dates	
SPP Record Date	5.00 pm (Sydney time) on 29 April 2011
Announcement of Offer	2 May 2011
Offer opens and Prospectus mailed to Eligible Shareholders	11 May 2011
Closing Date of Offer	5.00 pm (Sydney time) on 3 June 2011
Issue of Options	No later than 14 June 2011
Holding statements for Options mailed	No later than 14 June 2011

These dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable. In particular, the Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and the JSE Listing Requirements, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of Options.

CONTENTS

MESSAGE FROM THE CHAIRMAN

1.	DETAILS OF THE OPTIONS OFFER	6
2.	EFFECT OF OFFER ON THE COMPANY	9
3.	RISK FACTORS	14
4.	OVERSEAS SHAREHOLDERS	18
5.	ADDITIONAL INFORMATION	20
6.	GLOSSARY OF TERMS	28

SCHEDULE

TERMS AND CONDITIONS OF OPTIONS	31
---------------------------------	----

MESSAGE FROM THE CHAIRMAN



Firestone
ENERGY

9 May 2011

Dear Eligible Shareholder

On behalf of the Board of Firestone Energy Limited (**Company**), I am pleased to invite you to subscribe for Options in the Company.

Each Eligible Shareholder who is not a "related party" of the Company will be granted one free attaching Option for every two Shares subscribed for under the Share Purchase Plan (**SPP**). The Options will have an exercise price of \$0.04 per Option for Australian and New Zealand resident shareholders or an exercise price of R0.28 per Option for South African resident shareholders. The Options will expire on 31 May 2014.

Firestone Energy is well positioned to be a constructive and successful participant in the social and economic development of South Africa. Your Company has achieved significant milestones to bring its project to its current exciting stage and has a disciplined well-planned program in place to bring it into first production in 2012.

On behalf of the Board I would like to thank you for your continuing support and I invite you to consider this Prospectus carefully in conjunction with the publicly available information about your Company. I commend the Offer to you.

Yours sincerely

Firestone Energy Limited
David Perkins
Chairman

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 economic empowerment company (BEE) and Sekoko has two directors on the Board of Firestone Energy.

Corporate Details

ASX: FSE

JSE: FSE

Issued Capital:

2,627 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

Contact:

Suite B9, 431 Roberts Road

Subiaco, Western Australia 6008

Tel: +61 (0)8 9287 4600

Web: www.firestoneenergy.com.au

1. DETAILS OF THE OPTIONS OFFER

1.1 Description of the Offer

This is an invitation to persons, other than Related Parties of the Company, who successfully subscribe for Shares under the Share Purchase Plan (**Eligible Shareholders**).

Eligible Shareholders are invited to subscribe for one Option with an exercise price of \$0.04 per Option for Australian and New Zealand resident shareholders or an exercise price of R0.28 per Option for South African resident shareholders (which has been calculated using an average exchange rate of \$1:R7.00), for every two Shares issued under the SPP. The Options will expire on 31 May 2014.

The full terms and conditions of the Options offered under this Prospectus are set out in Schedule 1 to this Prospectus.

1.2 Why should you subscribe for Options?

The Options have a \$nil issue price.

There is no brokerage, commissions or other participation costs payable by applicants in respect of any acquisition of Options under this Options Offer.

The Company will apply for the quotation of all Options issued under this Prospectus on ASX and JSE within seven days after the date of this Prospectus. Subject to approval being granted by ASX and JSE, quotation of the issued Options is expected to commence within five Business Days after their date of issue.

There is no obligation to exercise any Option. If the Option is not exercised, the exercise price is not payable.

1.3 Indicative Timetable

Date	Event
29 April 2011	SPP Record Date
2 May 2011	SPP Announcement to ASX
11 May 2011	Offer opens and documents mailed to Eligible Shareholders
3 June 2011	SPP Offer closes (at 5.00pm Sydney time)
10 June 2011	Expected allotment of Shares under SPP
14 June 2011	Expected grant of Options under SPP
14 June 2011	Expected despatch of holding statements for Shares and Options
16 June 2011	Commencement of trading in Shares and Options on ASX and JSE

These dates are indicative only. The Company may vary the dates and times of this offer or withdraw it without notice. Accordingly, Eligible Shareholders are encouraged to submit their Application Form as early as possible.

1.4 Applying for Options

If you would like to apply for Options, please complete the enclosed combined application form (**Application Form**) which accompanies this Prospectus and return it to the Registry:

By post

Computershare Investor Services Pty Limited
Locked Bag 2508 Perth
Western Australia 6001 Australia

If the number of Options subscribed for is more than the number of Options to which the applicant is entitled to under the Options Offer (including because of scale back of Shares to be issued under the SPP – see section 7 of the SPP offer booklet), the Company reserves the right to return the Application Form and not issue any Options to the applicant or to accept it in respect of a lesser number of Options.

The return of a completed Application Form will constitute the Eligible Shareholder's offer to subscribe for Options on the terms and conditions of this Options Offer. Once an application has been made, it cannot be revoked. No notice of acceptance of the application will be provided.

1.5 Closing Date

Applications must be received by 5.00pm (Sydney time) on 3 June 2011 (**Closing Date**).

The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules, JSE Listing Requirements, any requirements of ASX and the JSE to accept late Applications or to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless the Company decides to accept late Applications or extend the Closing Date, Applications received after the Closing Date may be rejected.

1.6 Issue of Options

The Company will not be obliged to allot any Options and the Applicant will not be entitled to receive or be issued any Options until the Board resolves to allot the Options.

The Directors expect that Options under the Offer will be allotted and issued on or about 14 June 2011. Holding statements in relation to those Options are expected to be dispatched by 14 June 2011.

1.7 ASX and JSE quotation

The Company will apply for admission of the Options to quotation by ASX and JSE within seven days after the date of this Prospectus. Subject to approval being granted by ASX and JSE, it is expected that the quotation and trading of Options issued under the Offer will commence within five Business Days after their date of issue.

1.8 CHES and issuer sponsorship

The Company participates in CHES. All trading on ASX in Shares and in Options will be settled through CHES. ASTC, a wholly-owned subsidiary of ASX, operates CHES in accordance with the ASX Listing Rules and the ASTC Settlement Rules. The Company's Registry operates an electronic issuer-sponsored sub-register and an electronic CHES sub-register. Both these sub-registers constitute the Company's principal register of shareholders.

Holders of Options will not receive a certificate but will receive a statement of their holding. If you are sponsored by a broker or other participant in CHESS, you will receive a CHESS statement which will set out the number of Options issued to you under this Prospectus, provide details of your HIN (holder identification number), and provide the participant identification number of the sponsor.

If you are registered on the issuer-sponsored sub-register, your holding statement will contain the number of Options issued to you under this Prospectus and your SRN (securityholder reference number).

A CHESS statement or issuer-sponsored statement will be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.9 Withdrawal or waiver

The Directors may at any time decide to withdraw this Prospectus and the Offer at any time prior to the allotment of Options or to waive strict compliance with any provision of the terms and conditions of the Offer.

1.10 Risk factors

In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in the Company, which are set out in section 3.

1.11 Taxation implications

The Directors consider that it is not appropriate to give Eligible Shareholders advice regarding the taxation consequences of subscribing for Options under this Prospectus. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences. Accordingly, Eligible Shareholders should consult their own professional tax advisers in connection with subscribing for Options under this Prospectus.

1.12 Enquiries

Enquiries concerning the Application Form should be directed to the Company's Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Enquiries relating to this Prospectus should be directed to the Company by telephone on +61 8 9287 4600.

2. EFFECT OF OFFER ON THE COMPANY

2.1 Use of funds

The funds raised from the exercise of Options (a maximum of \$10 million) will be used to provide equity funding for the development of the Company's Waterberg coal project and to strengthen the Company's financial position.

2.2 Effect on capital structure

The potential effect of the Offer on the capital structure of the Company depends on:

- any new issues of Shares (for example pursuant to the exercise of any existing options) or options, other than under the SPP or this Prospectus;
- the level of subscriptions from Eligible Shareholders under the SPP. Subject to the terms of the SPP Offer booklet, the maximum number of securities that may be issued under the SPP is 500 million Shares and 250 million attaching Options. However, the exact number of Shares (and therefore Options) that will be issued is unknown at the date of this Prospectus; and
- the level of exercise of Options, which in turn depends on the market value of the Company's Shares.

The tables below illustrate the potential effect of the Offer on the capital structure of the Company assuming that:

- no Shares are issued other than under the SPP, nor options granted other than under this Prospectus, before the Closing Date;
- the different subscription levels described in the tables below are achieved; and
- all applicants under the SPP will become entitled to receive Options.

The Company's actual position on completion of the Offer may differ from the position illustrated in the pro forma capital structures below. On the SPP Record Date, there were a total of approximately 6,700 shareholders eligible to participate in the SPP.

Issued Shares — undiluted basis

The below table illustrates the potential effect of the Offer on the capital structure of the Company assuming that none of the Options, the 262,779,767 existing unlisted options or the outstanding convertible notes (which at the noteholders' option could convert to 627,814,164 Shares) at the date of this Prospectus are exercised or converted.

	Existing Shareholders /Optionholders & Convertible Noteholders		Eligible Shareholders		Total Shares On Issue	Total Options and Convertible Notes
	Shares	Options and Convertible Notes	New Shares Issued Under The SPP	New Options Granted Under This Prospectus		
Pre Offer	2,627,028,020 (100%)	890,593,931	0	0	2,627,028,020	890,593,931
<i>At completion of the offer assuming 125,000,000 shares (25% of the Maximum amount of shares) are subscribed for under the SPP</i>	2,627,028,020 (95.5%)	890,593,931	125,000,000 (4.5%)	62,500,000	2,752,028,020	953,093,931
<i>At completion of the offer assuming 250,000,000 shares (50% of the Maximum amount of shares) are subscribed for under the SPP</i>	2,627,028,020 (91.3%)	890,593,931	250,000,000 (8.7%)	125,000,000	2,877,028,020	1,015,593,931
<i>At completion of the offer assuming 500,000,000 shares (100% of the Maximum amount of shares) are subscribed for under the SPP</i>	2,627,028,020 (84.0%)	890,593,931	500,000,000 (16.0%)	250,000,000	3,127,028,020	1,140,593,931

Issued Shares — fully diluted basis

The below table illustrates the potential effect of the Offer on the capital structure of the Company on a fully diluted basis assuming that all of the Options granted under this Prospectus, the 262,779,767 unlisted options that have been granted at the date of this Prospectus and the outstanding convertible notes (which could convert to 627,814,164 Shares), are exercised and converted.

	Existing Shareholders /Optionholders & Convertible Noteholders		Eligible Shareholders		Total
	Shares	Options and Convertible Notes	New Shares Issued Under The SPP	New Options Granted Under This Prospectus	
Pre Offer	2,627,028,020 (74.7%)	890,593,931 (25.3%)	0	0	3,517,621,951 (100.0%)
<i>At completion of the offer assuming 125,000,000 shares (25% of the Maximum amount of shares) are subscribed for under the SPP and all of the 62,500,000 Options are granted and exercised</i>	2,627,028,020 (70.9%)	890,593,931 (24.0%)	125,000,000 (3.4%)	62,500,000 (1.7%)	3,705,121,951 (100.0%)
<i>At completion of the offer assuming 250,000,000 shares (50% of the Maximum amount of shares) are subscribed for under the SPP and all of the 125,000,000 Options are granted and exercised</i>	2,627,028,020 (67.5%)	890,593,931 (22.9%)	250,000,000 (6.4%)	125,000,000 (3.2%)	3,892,621,951 (100.0%)
<i>At completion of the offer assuming 500,000,000 shares (100% of the Maximum amount of shares) are subscribed for under the SPP and all of the 250,000,000 Options are granted and exercised</i>	2,627,028,020 (61.6%)	890,593,931 (20.9%)	500,000,000 (11.7%)	250,000,000 (5.9%)	4,267,622,133 (100.0%)

2.3 Effect on net assets per share

Pre Offer	Applications For 125,000,000 Shares Under The SPP (25% of the Maximum Amount Of Shares)	Applications For 250,000,000 Shares Under The SPP (50% of the Maximum Amount Of Shares)	Applications For 500,000,000 Shares Under The SPP (100% of the Maximum Amount Of Shares)
	Cents P/S	Cents P/S	Cents P/S
Net Assets Per Share ⁸ (Undiluted basis)	2.32	2.22 ¹	2.03 ²
Net Assets Per Share ⁴ (Fully diluted basis)	2.32	1.68 ^{1,5,9}	1.28 ^{2,6,10}

Notes:

1. \$2.5 million will be raised if 125,000,000 Shares are issued under the SPP at an issue price of \$0.02 per Share.

2. \$5.0 million will be raised if 250,000,000 Shares are issued under the SPP at an issue price of \$0.02 per Share.

3. \$10.0 million will be raised if 500,000,000 Shares are issued under the SPP at an issue price of \$0.02 per Share.

4. Fully diluted basis means the total shares that would be on issue should all existing unlisted options be exercised (262,779,767 Shares) and all outstanding convertible notes be converted into Shares (627,814,164 Shares), plus the Options to be issued as part of the SPP are exercised.

5. Assuming 62,500,000 Options are exercised and that 262,779,767 unlisted options and all outstanding convertible notes currently on issue (which would convert into 627,814,164 Shares) are exercised and converted, respectively.

6. Assuming 125,000,000 Options are exercised and that 262,779,767 unlisted options and all outstanding convertible notes currently on issue (which would convert into 627,814,164 Shares) are exercised and converted, respectively.

7. Assuming 250,000,000 Options are exercised and that 262,779,767 unlisted options and all outstanding convertible notes currently on issue (which would convert into 627,814,164 Shares) are exercised and converted, respectively.

8. Net assets per share means the Company's total assets minus total liabilities as disclosed in the reviewed balance sheet of the Company as at 31 December 2010, divided by the number of Shares on issue.

9. This is the Company's total assets minus the total liabilities as disclosed in the reviewed balance sheet of the Company as at 31 December 2010, adjusted to reflect the receipt of \$2.5 million (the gross proceeds of the SPP), \$2.5 million (the gross proceeds for the exercise of the 62.5 million Options at \$0.04 cents per Option), \$15.5 million (the gross proceeds for the exercise of the 262,779,767 currently existing unlisted options), the receipt of \$2.9 million (for further convertible note issues to the date of this Prospectus, and the conversion of all outstanding convertible notes into 627,814,164 Shares), divided by the number of Shares on issue on a fully diluted basis.

10. This is the Company's total assets minus the total liabilities as disclosed in the reviewed balance sheet of the Company as at 31 December 2010, adjusted to reflect the receipt of \$5.0 million (the gross proceeds of the SPP), \$5.0 million (the gross proceeds for the exercise of the 125 million Options at \$0.04 per Option), \$15.5 million (the gross proceeds for the exercise of the 262,779,767 currently existing unlisted options), the receipt of \$2.9 million (for further convertible note issues to the date of this Prospectus, and the conversion of all outstanding convertible notes into 627,814,164 Shares), divided by the number of Shares on issue on a fully diluted basis.

11. This is the Company's total assets minus the total liabilities as disclosed in the reviewed balance sheet of the Company as at 31 December 2010, adjusted to reflect the receipt of \$10.0 million (the gross proceeds of the SPP), \$10.0 million (the gross proceeds for the exercise of the 250 million Options at \$0.04 cents per Option), \$15.5 million (the gross proceeds for the exercise of the 262,779,767 currently existing unlisted options), the receipt of \$2.9 million (for further convertible note issues to the date of this Prospectus, and the conversion of all outstanding convertible notes into 627,814,164 Shares), divided by the number of Shares on issue on a fully diluted basis.

2.4 Effect on distributions

The Company has not paid a dividend since it was readmitted to ASX on 30 November 2006. The Offer is not expected to affect any distributions that may be made by the Company in the future.

2.5 Effect on financial position

Basis of preparation

To illustrate the effect of the Offer on the Company, the following summary unaudited pro forma historical consolidated balance sheet has been prepared based on the Company's reviewed consolidated balance sheet as at 31 December 2010.

The financial information is presented in an abbreviated form insofar as it does not include all of the disclosures applicable to annual financial reports prepared in accordance with the Corporations Act.

However, the accounting policies adopted in the preparation of the summary pro forma historical consolidated balance sheet are consistent with the accounting policies adopted and described in the Company's annual report for the year ended 30 June 2010 and should be read in conjunction with those reports.

The summary pro forma historical consolidated balance sheet reflects adjustments for the effect of the different subscription levels described below, assuming that all Eligible Shareholders under the SPP are entitled to and subscribe for Options. It has been prepared on a fully diluted basis meaning that it assumes that all 262,779,767 existing unlisted options and the outstanding convertible notes (which could convert into 627,814,164 Shares), are exercised and converted, plus the Options to be granted under this Prospectus, are exercised.

The Company's actual position on completion of the Offer may differ from the position illustrated in the summary pro forma consolidated historical balance sheet.

Further details regarding the Company's cash position are contained in the Company's quarterly cash flow report released to the market on 2 May 2011.

Pro forma unaudited historical consolidated balance sheet

The table below sets out the pro forma unaudited historical consolidated balance sheet prepared on the basis described above.

Pro Forma Unaudited Historical Consolidated Balance Sheet

	31/12/2010 (Reviewed)	Assuming 125,000,000 shares are issued under the SPP and 62,500,000 options are exercised	Assuming 250,000,000 shares are issued under the SPP and 125,000,000 options are exercised	Assuming 500,000,000 shares are issued under the SPP and 250,000,000 options are exercised
Note				
Assets	\$	\$	\$	\$
Current assets				
Cash and cash equivalents	1,607,050	24,973,836	29,973,836	39,973,836
Trade and other receivables	242,435	242,435	242,435	242,435
Prepayments	5,098	5,098	5,098	5,098
Total current assets	<u>1,854,583</u>	<u>25,221,369</u>	<u>30,221,369</u>	<u>40,221,369</u>
Non-current assets				
Property, plant and equipment	83,733	83,733	83,733	83,733
Interest in joint venture	81,754,574	81,754,574	81,754,574	81,754,574
Receivables	116,687	116,687	116,687	116,687
Total non-current assets	<u>81,954,994</u>	<u>81,954,994</u>	<u>81,954,994</u>	<u>81,954,994</u>
Total assets	<u>83,809,577</u>	<u>107,176,363</u>	<u>112,176,363</u>	<u>122,176,363</u>
Liabilities				
Current liabilities				
Trade and other payables	4,717,717	4,717,717	4,717,717	4,717,717
Total current liabilities	<u>4,717,717</u>	<u>4,717,717</u>	<u>4,717,717</u>	<u>4,717,717</u>
Non-current liabilities				
Borrowings	18,017,187	0 ¹	0 ¹	0
Total non-current liabilities	<u>18,017,187</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>22,734,904</u>	<u>4,717,717</u>	<u>4,717,717</u>	<u>4,717,717</u>
Net assets	<u>61,074,673</u>	<u>102,458,646</u>	<u>107,458,646</u>	<u>117,458,646</u>
Equity				
Issued capital	64,104,850	105,488,823 ¹	110,488,823 ¹	120,488,823
Reserves	4,085,888	4,085,888	4,085,888	4,085,888
Accumulated losses	(7,116,065)	(7,116,065)	(7,116,065)	(7,116,065)
Total Equity	<u>61,074,673</u>	<u>102,458,646</u>	<u>107,458,646</u>	<u>117,458,646</u>

Notes:

1. Since the release of the 31 December 2010 reviewed balance sheet, a further \$2.9 million has been received for the issue of convertible notes under the Company's convertible notes programme. These pro forma balance sheets assume at all outstanding convertible notes have now been converted into 627,814,164 Shares.

3. RISK FACTORS

3.1 General

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company and the value of an investment in the Company.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of the Company and cannot be mitigated.

This section describes certain risks associated with an investment in the Company. Prior to making an investment decision, Eligible Shareholders should carefully consider the following risk factors, as well as the other information contained in this Prospectus.

3.2 Retention of key business relationships

The Company's business relies on several contracts and business alliances. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Company, its business, operating results or prospects.

3.3 Ability to attract personnel

The Company's success depends, in part, on its ability to identify, attract, motivate and retain additional suitably qualified management. Competition for suitably qualified staff is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to the Company's development efforts or business development and could materially adversely affect its prospects.

3.4 Profitability

Future operating results depend to a large extent on management's ability to successfully manage expansion and growth, which necessarily requires rapid expansion of all aspects of the business operations, such as revenue forecasting, addressing new markets, controlling expenses, implementing infrastructure and systems and managing its assets. Inability to control the costs and organisational impacts of business growth or an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expense growth or a failure to manage other issues arising from growth could materially adversely affect the Company's operating results.

3.5 Economic risk and external market factors

Factors, such as, but not limited to, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's prospects, operating costs, profit margins and share price. These factors are beyond the control of the Company and the Company cannot, to any degree of certainty, predict how they will impact on the Company.

3.6 War and terrorist attacks

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material

adverse effect on the business, financial condition and financial performance of the Company.

3.7 On-going capital requirements for the Company

While the proceeds of this Offer are intended to adequately satisfy the Company's current capital requirements, if the Company requires access to further funding at any stage in the future, the Company may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this might result in dilution to the then existing Shareholders.

3.8 Foreign currency exchange rate fluctuations

The Company's business is conducted outside Australia and in currencies other than the Australian dollar. Accordingly, the Company's income from, and the value of, those businesses will be affected by fluctuations in the rates by which those currencies are exchanged with Australian dollars.

3.9 Risks specific to the Company

(a) Exploration and mining

Mining exploration is an inherently speculative endeavour and associated with various risks. There can be no assurance that exploration of tenements will result in the discovery of recoverable resources.

Even if resources are identified, there is no guarantee that those resources can be economically exploited. Other factors such as adverse weather conditions, operational and technical difficulties, geological conditions, lack of sufficient water or power sources, industrial and environmental accidents, occupational health or safety issues, labour disputes, lack of access to key infrastructure such as railway and port facilities, adverse changes in government policy or legislation or a lack of access to sufficient funding may mean that any resources discovered are not economically recoverable or may otherwise preclude the Company from successfully mining and exploiting those resources.

(b) Exploration and mining tenements

There are also risks relating to having an interest in exploration and mining tenements. Tenements located in the Republic of South Africa are subject to certain legislative conditions, periodic renewal, environmental laws, landowner access negotiation and agreement and other regulations across multiple regulatory bodies who may act at their sole discretion.

Tenements are also subject to meeting certain annual expenditure commitments imposed from time to time to keep them in good standing and any failure to meet such commitments can result in forfeiture of any such tenement(s).

(c) Resources and reserves estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans that may, in turn, adversely affect the Company's operations.

There can be no guarantee that the Company will be able to convert the results from previous or proposed exploration into classification under the JORC Code. The inclusion of resource estimates should not be regarded as a representation that these amounts can be economically exploited and investors are cautioned not to place undue reliance on resource estimates.

(d) **Coal price volatility**

If the Company achieves success leading to mineral production, a significant proportion of the Company's revenues and cash flows are likely to be derived from the sale of coal. In this event, it is likely that the financial performance of the Company will be sensitive to coal prices. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, demand for the commodity, and forward selling and costs of production by other coal producers.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

If coal prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, the Company's exploration and production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's projects may require the Company to revise downwards its coal reserves and will have a material adverse effect on the Company's financial position.

It is difficult to predict accurately future demand and price movements and how such movements may adversely impact the Company's profitability, financial position and performance, prospects, future development and any future production.

(e) **Environmental risk**

Mining operations have inherent risks and liabilities associated with pollution of the environment and disposal of waste products. The Company's activities in the Republic of South Africa will be subject to various laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. Development of any coal resources will be dependent on the project meeting environmental guidelines and gaining approvals from the relevant government authorities. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Despite the Company's best intentions and best efforts to conduct its activities in an environmentally responsible manner, there remains a risk that environmental and/or community incidents may occur that may negatively impact on the Company's reputation or licence to operate.

(f) **Government, regulatory and sovereign risks**

The current and any proposed operations of the Company require government approvals in the form of the grant of mining leases, miscellaneous licences and environmental approvals. There is a risk that onerous conditions may be attached to the approvals or that the grant of approvals may be delayed or not granted. It is also possible that government action, policy change and new legislation in Australia, the Republic of South Africa and other jurisdictions may have a material

adverse effect on the Company's current and future business, operations and financial performance.

For example, current laws may be amended or new laws established to address concerns relating to the use, mining and transportation of mineral resources, the treatment of lands and infrastructure, the production of carbon dioxide, the remediation of mines, tax, royalty and environmental conservation.

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries in Australia and the Republic of South Africa and not just the exploration and mining industries, including, but not limited to, the following:

- general currency exchange rate fluctuations;
- the strength of the equity and share markets in Australia and throughout the world;
- general economic conditions in Australia and the Republic of South Africa and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in any of the Company projects or other contractual relationships to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities;
- political and environmental considerations, as well as the social and economic processes under way in the Republic of South Africa that may adversely impact business operations; and
- industrial disputation or social unrest in the Republic of South Africa, Australia and overseas.

(g) **Joint Venture**

The Company's interest in its coal projects are owned through a joint venture of which the Company owns a 60% interest. Development and management of mining operations will be conducted through a company which is 60% owned by the Company and 40% by its joint venture partner, Sekoko Coal (Proprietary) Limited. Decision taking within this company will be subject to the usual protocols relating to the convening of meetings and maintenance of corporate governance standards across several time zones.

4. OVERSEAS SHAREHOLDERS

4.1 General

This Prospectus and the accompanying Acceptance Form do not, and are not intended to, constitute an offer of Options in any place outside Australia, New Zealand and South Africa in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus or that Acceptance Form. The distribution of this Prospectus and the accompanying form in jurisdictions outside Australia, New Zealand and South Africa may be restricted by law and persons who come into possession of this Prospectus and the accompanying form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Company has decided that it is unreasonable to make offers under this Prospectus to Shareholders with registered addresses outside Australia, New Zealand and South Africa having regard to the number of Shareholders in those places, the number and value of the securities they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale, and no Options will be issued to Shareholders having registered addresses outside Australia, New Zealand and South Africa. This Prospectus is sent to those Shareholders for information purposes only.

However, in limited circumstances the Company may elect to treat as Eligible Shareholders certain institutional Shareholders who would otherwise not be Eligible Shareholders because their registered addresses are not in Australia, New Zealand or South Africa.

4.2 Important information for New Zealand resident shareholders

The Offer to New Zealand shareholders is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 6D of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008*.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Options is not New Zealand dollars. The value of the Options will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Options to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the Options are able to be traded on a securities market and you wish to trade the Options through that market, you will have to make arrangements for a participant in that market to sell the Options on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Options and trading may differ from securities markets that operate in New Zealand.

4.3 Conditional offer to South African resident shareholders

The Options being offered under the Prospectus are offered in South Africa subject to the approvals of the JSE and the South African Reserve Bank being obtained on or before 5.00 pm (Sydney time) on 3 June 2011 or such later date as the Company may announce. If these regulatory approvals are not obtained on or before this date, the Company will by announcement withdraw the Offer of Options to South African shareholders.

On application to the Financial Surveillance Department of the South African Reserve Bank, South African institutional investors, corporates, trusts, partnerships and private individuals may participate in the SPP and the Offer under this Prospectus as they are entitled, for exchange control purposes, to invest in approved inward listed instruments without restriction.

South African institutional investors have an exchange control limit on foreign portfolio investments on their total retail assets of 25% in respect of retirement funds and the underwritten policy business of long-term insurers. Investment managers registered as institutional investors for exchange control purposes, collective investment scheme management companies and the investment-linked business of long-term insurers are restricted to 35% of total retail assets under management.

On application to the Financial Surveillance Department of the South African Reserve Bank, South African institutional investors who participate in the SPP and the Offer under this Prospectus will be given 12 months to realign their portfolios should they be in excess of their exchange control foreign exposure limits.

Authorised Dealers may invest in approved inward listed instruments subject to the macro-prudential limit as defined in Section B.2(B)(iv) of the Exchange Control Rulings.

5. ADDITIONAL INFORMATION

5.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with less rigorous disclosure requirements if:

- the securities offered by the prospectus were enhanced disclosure securities at all times in the 3 months before the date of the prospectus; and
- during the shorter of the period during which the securities were quoted and the period of 12 months before the date of the prospectus, the company was not subject to certain exemptions or declarations prescribed by the Corporations Act.

Securities are enhanced disclosure securities if:

- the company is included in the official list of ASX; and
- the ASX Listing Rules apply to those securities.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information necessary to make an informed assessment of:

- the effect of the Offer on the Company; and
- the rights and liabilities attaching to the Options offered by this Prospectus.

As the Company has been listed on ASX since 24 June 1993 (and on JSE since October 2008), a substantial amount of information concerning the Company has previously been notified to ASX and JSE and is therefore publicly available.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the Options.

5.2 Regular reporting and disclosure obligations

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities in the Company.

The Company is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

All announcements made by the Company are available from ASX.

5.3 Your right to obtain copies of the Company's documents

Copies of any documents in relation to the Company which are lodged with ASIC may be obtained from or inspected at, an ASIC office.

During the period that the Offer remains open, the Company will provide copies of the following to any person on request, free of charge:

- (a) the Company's annual financial report for the year ended 30 June 2010 being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus;
- (b) the Company's financial report for the half-year ended 31 December 2010 lodged with ASIC after the lodgement of the annual report referred to in paragraph (a) and before the date of lodgement of this Prospectus; and
- (c) any continuous disclosure notices used to notify ASX of information relating to the Company between 17 September 2010 (being the date of lodgement of the financial report referred to in paragraph (a) with ASIC) and the date of lodgement of this Prospectus with ASIC. These notices are listed below:

02/05/2011	Firestone Announces Share Purchase Plan
02/05/2011	March 2011 Qrtly Activities Report and Appendix 5B
27/04/2011	Appendix 3B
18/04/2011	Sekoko Coal Sign Agreements with IDC
23/03/2011	Appendix 3B
23/03/2011	Firestone Energy Limited Investor Presentation
21/03/2011	Firestone Awards Major Contracts
17/03/2011	New Metallurgical Coal Mine
11/03/2011	Half Year Accounts
08/03/2011	Firestone and Sekoko JV Lodge Water Use Licence
02/03/2011	Geological Report Highlights Increased Coal Tonnage
28/02/2011	Firestone and Sekoko Sign JV Agreement
23/02/2011	Appendix 3B
04/02/2011	Acquisition of Properties and Jindal MOU
04/02/2011	Appendix 3B
03/02/2011	Coal Off-Take Agreement - detailed
02/02/2011	Appendix 3B
02/02/2011	Coal Offtake Agreement
31/01/2011	Director resignation and Appointment of New Chairman
31/01/2011	Final Director`s Interest Notice
31/01/2011	Appendix 3X x 2
31/01/2011	Trading Halt
28/01/2011	December 2010 Qrtly Activities report and 5B
28/01/2011	Appointment of Directors
27/01/2011	Amended 3B
25/01/2011	Appendix 3B
17/01/2011	Initial Director`s Interest Notice
07/01/2011	Director Resignation and Appointment and 3Z
04/01/2011	Results of Meeting
04/01/2011	Final Director`s Interest Notice
23/12/2010	Withdrawal of Resolutions from General Meeting

22/12/2010	Appendix 3B
17/12/2010	New Major Shareholder for Waterburg Project
16/12/2010	Director Appointment/Resignation
16/12/2010	Trading Policy
03/12/2010	Notice of General Meeting
23/11/2010	Appendix 3B
19/11/2010	Operations Update
12/11/2010	Operations Update
09/11/2010	Appendix 3B
08/11/2010	Appendix 3B
03/11/2010	3X - Sizwe Nkosi
02/11/2010	Results of Meeting
02/11/2010	AGM Investor Presentation
01/11/2010	Details of Company Address
22/10/2010	Quarterly Activities Report and Cashflow (5B)
13/10/2010	Final Definitive Feasibility Study Completed
06/10/2010	Change in substantial holding
05/10/2010	Appendix 3B
04/10/2010	Third Party Offer to Major Shareholder
01/10/2010	Trading Halt
30/09/2010	Final Director`s Interest Notice
30/09/2010	Change of Director`s Interest Notice
30/09/2010	Resignation / Appointment of a Director
30/09/2010	Response to ASX Price Query
30/09/2010	Notice of Annual General Meeting
22/09/2010	Appendix 3B
20/09/2010	Annual Report to shareholders
20/09/2010	Full Year Statutory Accounts

The full text of these announcements can be found on the ASX website at www.asx.com.au

5.4 Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of the Company:

- (a) this Prospectus; and
- (b) the constitution of the Company.

5.5 Rights and liabilities attaching to Options

The terms and conditions of the Options are set out in **Schedule 1**.

5.6 Rights and liabilities attaching to Shares

This Section contains a summary of the rights and liabilities as at the date of this Prospectus attaching to the Shares to be issued upon exercise of the Options.

This summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from the interaction of the Constitution, ASX Listing Rules, JSE Listing Requirements and ASTC Settlement Rules and statutory and common law requirements.

To obtain a definitive assessment of the rights and liabilities which attach to the Shares in any specific circumstances, investors should seek their own advice.

(a) Voting Rights

At a general meeting, subject to a number of specified exceptions, on a show of hands each Shareholder present in person or by proxy (or, in the case of a corporation, present by duly appointed representative, proxy or attorney) has one vote. On a poll, each Shareholder present in person or by duly appointed representative, proxy or attorney has one vote for each fully paid share held.

(b) Dividends

The Directors may declare a dividend, or determine that a dividend is payable, and may fix the amount, the time for and the method of payment.

Dividends are payable on shares in proportion to the amount of the total issue price paid (but not credited) for the shares. Each partly paid share is entitled to a fraction of the dividend equivalent to the proportion which the amount paid (excluding amounts credited) on the share bears to the total amounts paid and payable, whether or not called, (excluding amounts credited) on the share.

(c) Variation of Rights

The rights attached to shares in any class of shares, unless otherwise provided for by the terms of issue of those shares, may only be varied or cancelled with the consent in writing of the holders of a least three-quarters of the issued shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the shares in that class.

(d) Transfer of Shares

Shares, when granted quotation on ASX, are transferable by:

- (i) a written transfer instrument in the usual or common form or in any form the Directors may approve or in a particular case accept, duly stamped (if necessary), being delivered to the Company;
- (ii) a proper ASTC transfer, which is to be in the form required or permitted by the Corporations Act, the ASX Listing Rules or the ASTC Settlement Rules; or
- (iii) any other electronic system established or recognised by the ASX Listing Rules in which the Company participates in accordance with the operating rules of that system.

The Directors may, subject to the requirements of the Corporations Act and the ASX Listing Rules, refuse to register any transfer of shares in the following circumstances:

- (iv) if the registration would infringe any applicable laws or the ASX Listing Rules;
- (v) if the transfer may be in breach of any restriction agreement entered into by the Company under the ASX Listing Rules in relation to the shares; or
- (vi) if permitted to do so under the ASX Listing Rules.

(e) Issue of further shares

All unissued shares are under the control of the Directors, who may subject to the ASX Listing Rules and the Corporations Act, grant options over the shares, issue or otherwise dispose of the shares on the terms and conditions and for the consideration they think fit. Without affecting any special rights conferred on the holders of any shares, any share may be issued with preferred, deferred or other special rights, conditions or restrictions, whether in regard to dividends, voting, return of share capital, or otherwise, as the Directors may determine.

(f) General Meetings and Notices

Each Shareholder is entitled to receive notice of, and to attend all general meetings of the Company and to receive all notices required to be sent to Shareholders under the constitution, the Corporations Act or the ASX Listing Rules. The Company may serve a notice on a Shareholder by serving it on the Shareholder or by sending it by prepaid post, courier, facsimile transmission or electronic notification addressed to the Shareholder's registered address or the address supplied by the Shareholder to the Company for sending notices to that Shareholder.

(g) Winding Up

Without affecting any special rights conferred on the holders of any shares, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide amongst all or any of the Shareholders in kind all or any part of the Company's assets, as the liquidator thinks fit. The liquidator may not compel a Shareholder to accept any shares or other securities in respect of which there is any liability.

(h) Number of Directors

The Constitution provides that the Board may determine the number of Directors, subject to the number of Directors not being less than 3 nor more than 9. The Company may, by resolution passed at a general meeting, increase the minimum, or increase or reduce the maximum, number of Directors. All Directors are to be natural persons.

(i) Amending the Constitution

The Corporations Act provides that the Constitution may be modified or repealed and replaced by a special resolution passed by the members of the Company.

The Constitution does not provide for any further requirements to be complied with to effect a modification of, or to repeal and replace, the Constitution.

5.7 Directors' interests and benefits

(a) Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of the Company, and no firm in which a Director or proposed Director of the Company is a partner, holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer, or

- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of the Company:

- to induce them to become, or to qualify them as, a Director; or
- for services rendered by them in connection with the formation or promotion of the Company or in connection with the Offer.

- (b) The table below shows the interest of each Director (whether held directly or indirectly) in securities of the Company as at the date of this Prospectus:

Director	Shares	Options	Held beneficially
Mr Colin Arthur McIntyre	27,075,000	3,125,000	Yes
Mr Sizwe Nkosi	100,000	-	Yes
Mr David John Perkins	2,000,000	-	Yes
Mr Matsidiso (Peter) Peter Tshisevhe	-	-	-
Dr Pius Chilufya Kasolo	-	-	-

Directors may hold the relevant interests in Shares shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

Directors who are Eligible Shareholders are Related Parties of the Company and will accordingly not receive an Entitlement to Options.

5.8 Directors' remuneration

- (a) The non-executive Directors are paid for their services as Directors the remuneration, not exceeding in aggregate a maximum sum, which is fixed by a general meeting. The current maximum aggregate sum which Shareholders have fixed to be paid as fees to the non-executive Directors is \$400,000 per annum. This amount was fixed by Shareholders at the 2008 annual general meeting.

The Chairman is paid an annual fee of \$60,000 plus superannuation. Other non-executive Directors are paid annual base fees of \$50,000 each together with committee fees, plus superannuation.

Remuneration payable by the Company to non-executive Directors is not to be by commission on, or percentage of, profits or operating revenue.

- (b) The remuneration of the executive Directors is fixed by the Board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, profits or other operating revenue.

5.9 Officers' indemnities

The Company, to the extent permitted by law, indemnifies every officer of the Company (and may indemnify any auditor of the Company) against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith.

The Company may also make a payment in relation to legal costs incurred by these persons in defending an action for a liability, or resisting or responding to actions taken by a government agency or a liquidator.

5.10 Interests of other persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of the Company holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of the Company or in connection with the Offer.

Blake Dawson have provided various legal services and have or will receive professional fees of approximately \$30,000 for legal work undertaken by them in connection with the Offer and this Prospectus.

Computershare Investor Services Pty Limited has provided registry services in relation to the Offer and has or will receive approximately \$33,000 for these services.

5.11 Costs of the Offer

The total costs of the Offer payable by the Company are estimated as follows:

ASIC lodgement fee	\$2,068
ASX and JSE quotation fees (based on a maximum allocation of Options)	\$38,000
Legal and corporate fees and expenses	\$38,000
Computershare Investor Services Pty Limited's fee	\$33,000
Printing, mailing, advertising, miscellaneous	\$25,000
Total	\$136,068

5.12 Consents

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this section.

Blake Dawson have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as legal advisers to the Company in respect of the Offer in the form and context in which they are named.

Computershare Investor Services Pty Limited has given and, at the time of lodgement of this Prospectus, has not withdrawn its written consent to being named in this Prospectus as the share registry to the Company in respect of the Offer in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the share registry to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

5.13 Governing Law

This Prospectus, the Offer and the contracts formed on acceptance of application under the Offer are governed by the laws of the state of New South Wales. Each applicant submits to the non-exclusive jurisdiction of the courts of New South Wales and any court that may hear appeals from that court.

5.14 Directors' Statement

Each of the Directors has consented to the lodgement of this Prospectus under section 720 of the Corporations Act.

6. GLOSSARY OF TERMS

\$ or dollars	Australian dollars
Application Form	The combined application form to acquire Shares under the SPP and the Options under this Prospectus
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
ASTC Settlement Rules	The operating rules of ASTC
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the market operated by ASX
ASX Listing Rules	The official listing rules of ASX
Board or Board of Directors	The board of directors of the Company
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CHESS	Clearing House Electronic Subregister System
Closing Date	5.00pm (Sydney time) on 3 June 2011 (or as determined under section 1.5)
Company	Firestone Energy Limited ACN 058 436 794
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of the Company
Electronic Prospectus	The electronic copy of this Prospectus located at the Company's website at www.firestoneenergy.com.au .
Eligible Shareholders	A Shareholder who is allotted and issued shares under the SPP
Entitlement	The entitlement of an Eligible Shareholder to subscribe for one Option for every two Shares successfully subscribed for under the SPP.
JORC	The Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organisations.
JORC Code	The code prepared by JORC in late 2004, which defines criteria for public reporting of mineral resources and ore reserves.

JSE	JSE Limited and, where the context requires, the market operated by JSE
JSE Listing Requirements	The official Listing Requirements of the JSE
Offer	The offer of Options on the terms and conditions of this Prospectus to Eligible Shareholders in accordance with their Entitlement
Opening Date	11 May 2011
Options	The options to subscribe for unissued Shares to be granted under the Offer on the terms and conditions set out in Schedule 1 to this Prospectus
Prospectus	This prospectus, dated 9 May 2011 and lodged with ASIC and includes any supplementary or replacement prospectus
R or Rand	South African Rands
Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Regulations	<i>Corporations Regulations 2001</i> (Cth)
Related Party	<p>In relation to the Company, the meaning in section 228 of the Corporations Act, which provides that:</p> <p>(1) An entity that controls a public company is a related party of the public company.</p> <p>(2) The following persons are related parties of a public company:</p> <ul style="list-style-type: none"> (a) directors of the public company; (b) directors (if any) of an entity that controls the public Company; (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity; (d) spouses and de facto spouses of the persons referred to in paragraphs (a), (b) and (c). <p>(3) The following relatives of persons referred to in (2) are related parties of the public company:</p> <ul style="list-style-type: none"> (a) parents; (b) children.

- (4) An entity controlled by a related party referred to in (1),(2) or (3) is a related party of the public company unless the entity is also controlled by the public company.
- (5) An entity is a related party of a public company at a particular time if the entity was a related party of the public company of a kind referred to in (1), (2), (3) or (4) at any time within the previous 6 months.
- (6) An entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company of a kind referred to in (1), (2), (3) or (4) at any time in the future.
- (7) An entity is a related party of a public company if the entity acts in concert with a related party on the understanding that related party will receive a financial benefit if the public company gives the entity a financial benefit.

Shareholders	Holders of Shares in the Company
Shares	Fully-paid ordinary shares in the capital of the Company
SPP or Share Purchase Plan	The Company's share purchase plan dated 11 May 2011
SPP Record Date	5.00pm (Sydney time) on 29 April 2011
US Persons	The meaning given to that term by regulations made under the US Securities Act 1933 (as amended)

SCHEDULE 1

TERMS AND CONDITIONS OF OPTIONS

The options to be granted under this Prospectus will be granted on the following terms and conditions:

1. Subject to adjustment in accordance with these terms and conditions, the holder is entitled to subscribe for the allotment and issue of one fully paid ordinary share in the Company upon payment of the Exercise Price before the Expiry Date (**Option**).
2. The Options will have an exercise price of \$0.04 per Option for Australian and New Zealand resident Optionholders or an exercise price of R0.28 per Option for South African resident Optionholders (**Exercise Price**).
3. An Option is exercisable at any time after the date of grant and on or before 5.00pm (Sydney time) on 31 May 2014 (**Expiry Date**). Options that are not exercised by the Expiry Date lapse.
4. The Company will at least 10 Business Days before the Expiry Date send notices to the Option holder stating the name of the Option holder, the number of Options held and the number of securities to be issued on exercise of the Option, the exercise price, the due date for payment and the consequences of non-payment.
5. No certificate will be issued if the Options are granted quotation on ASX or JSE, as the case may be.
6. Each Option may be exercised by giving notice in writing to the Company at its registered office accompanied by the Option certificate and payment of the required Exercise Price. All cheques must be payable to the Company and be crossed not negotiable.
7. The Option holder may not exercise less than **1000** Options at any one time, unless the Option holder has less than **1000** Options in which event the Option holder must exercise all their Options together.
8. After an Option is validly exercised, the Company must:
 - (a) issue and allot the Share within 10 Business Days of the exercise of the Option; and
 - (b) subject to the securities of the Company being listed on ASX and JSE and to any restrictions imposed on the Options or shares issued upon exercise of the Options under the ASX Listing Rules or the JSE Listing Requirements, do all such acts, matters and things to obtain the grant of quotation for the Shares on ASX or JSE no later than 3 Business Days after the date of issue and allotment of the Shares.
9. Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in all respects.
10. Options may be transferred in the same manner as Shares unless classified as restricted securities under the ASX Listing Rules or JSE Listing Requirements and may be exercised by any other person or body corporate.
11. An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that:
 - (a) an Option has been exercised; and
 - (b) a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.

The Company must give notice to the Option holder of any new issue not less than 6 Business Days before the record date for determining entitlements to the issue.

12. If the Company makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - (a) the number of Shares which must be issued on the exercise of a Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (b) no change will be made to the Exercise Price.
13. If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner required by the ASX Listing Rules and JSE Listing Requirements or which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of a Option will remain unchanged.

CORPORATE DIRECTORY

DIRECTORS

David Perkins
Non Executive Chairman

Sizwe Nkosi
Executive Director

Pius Chilufya Kasolo
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

Phone (08) 9287 4600
Fax (08) 9287 4655

SECURITIES EXCHANGE LISTINGS

Australian Securities Exchange
ASX CODE "FSE"

Johannesburg Stock Exchange
JSE CODE "FSE"

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

Phone (08) 9323 2000
Fax (08) 9323 2033

AUDITORS

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

JSE SPONSOR

River Group
Parc Nouveau Building
225 Veale Street, Brooklyn, Pretoria
(PO Box 2579, Brooklyn Square, 0075)

TRANSFER SECRETARIES (RSA)

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

This page is intentionally left blank

This page is intentionally left blank

