

3 February 2011 ASX Announcement

Coal Off-take Agreement

Secured Eskom Supply Contract

Further to the announcement made on the 2nd February 2011, the Firestone Energy Limited/Sekoko Joint Venture is pleased to provide the following detail regarding a legally binding Memorandum of Understanding "MOU", signed between Sekoko Coal (Pty) Ltd and the State owned power utility, Eskom Limited, on the 28th January 2011.

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

HIGHLIGHTS

1. The first contract supply schedule is as follows:

Contract Coal Supply Schedule

At an assumed Calorific Value "CV" of 20 MJ/kg (As Received)

Year	Minimum Annual Off-Take (tonnes)
1 April 2012 – 31 March 2015	525,000
1 April 2015 – 31 March 2018	1,000,000

2. Sekoko and Eskom continue to negotiate, in good faith, the objective of entering into a longer term contract extension from 2018 to 2032 (15 years).

About Firestone Energy

Firestone Energy is an independent Australian exploration company focused on developing coal projects in South Africa. The company is currently exploring the richly endowed Waterberg coal field in the Limpopo Province of South Africa.

The Company is committed to value-added growth through becoming an independent coal and energy producer at its projects in South Africa.

The Company has entered into three joint ventures with Sekoko Resources, a South African black empowerment company (BEE) and Sekoko has two directors on the Board of Firestone Energy.

Corporate Details

ASX: FSE
JSE: FSE

Issued Capital:
2,427 million ordinary shares

Major Shareholders:
Sekoko Resources (Pty) Ltd
Colbern Fiduciary Nominees Ltd
Bell Potter Nominees Ltd

Directors and Officers:

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

Company Secretary
Jerry Monzu

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Long Term Coal Supply Schedule

Indicative quantities, at an assumed CV of 20 MJ/kg (As Received):

Year	Indicative Annual Off-Take (tonnes)
1 April 2018 – 31 March 2019	1,000,000
1 April 2019 – 31 March 2020	2,000,000
1 April 2020 – 31 March 2032	2,300,000

Note: This totals a minimum of 35.175 million tonnes over 21 years and does not include any of the better quality and higher CV prime coal product.

3. When such an agreement on the extension is concluded, this agreement will embody the provisions of this MOU (the 'Coal Supply and Off-Take Agreement').

The Chairman of Firestone, Mr David Perkins, said, "This is wonderful news for the companies involved and such a significant milestone lays the foundation to assist in procuring finance and funding for the commencement of mining on the Smitspan farm in the Waterberg coal region".

Note: a) The Smitspan open pit was the basis of the DFS announced to the market in August 2010. This farm is one of eight farms in the JV and has a measured and indicated resource of 714million Coal Gross Tonnes In Situ (taken from 1st of August 2010 Venmyn report);

b) Matimba power station is 20km from the big Smitspan open pit;

c) The Smitspan open pit is also only 8km away from the large Exxaro Coal open pit operations which also has the largest washing and beneficiation plant in the world and has been in operation since 1984.

David J Perkins

Chairman

www.firestoneenergy.com.au

Competent Persons Statement

Information in this announcement that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ, Massenburg 305LQ, Swanepoelpan 262LQ and Duikerfontein 263LQ is based on information compiled by Ms Catherine Telfer who is employed by Venmyn Rand (Pty) Ltd and is a member of The Australasian Institute of Mining and Metallurgy and the Geological Society of South Africa. Ms Telfer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Ms Telfer consents to the inclusion in the announcement of the matters based on her information in the form and context in which it appears.