

19 November 2012

## Financial Restructure Update

The Board of **Firestone Energy Limited** (ASX/JSE: FSE) (the “**Company**” or “**Firestone**”) is pleased to update shareholders with the progress of the financial restructuring and the Investment Agreement that it has executed with Ariona Company SA (“**Ariona**”).

As previously communicated to the market on 7 May 2012, Firestone announced it entered into an Investment Agreement with Ariona for a financial restructure of Firestone. The Company has received shareholder approval for the proposed financial restructure which included A\$40.7 million funding facility from Ariona.

Ariona has since requested, and the Board of Firestone have approved, a term sheet to effect a variation to the Investment Agreement to reflect the changed settlement terms, which can be summarised as follows;

Settlement is now to occur in a two stage process, namely;

- Stage 1 settlement involves Firestone issuing approximately A\$26million of new convertible notes (“NCN’s”) to Ariona which will comprise:
  - the injection of A\$4million of cash into Firestone; and
  - the replacement of the A\$22.1million of existing convertible notes (“ECNs”).
- Stage 1 Settlement is to occur within 2 Business days of all parties entering into a Deed of Variation reflecting the variations agreed in the Termsheet;  
Stage 2 Settlement which is scheduled to occur before 7 December 2012, involves Firestone issuing approximately A\$12.50million of NCNs to Ariona which will be applied to additional working capital.
- In addition, Ariona will interim fund the working capital requirements of Firestone by providing A\$250,000 per week, up to a maximum of A\$1 million.

The working capital component of the Ariona amended settlement will be loaned to Firestone on an interest free and unsecured basis until the stage 1 settlement occurs. In the event that stage 1 settlement does not occur then the amount of working capital loaned (of up to A\$1million) will convert into equity at the prevailing market price on the date of conversion. Upon completion of the stage 1 settlement process the full amount of working capital that has been drawn down (of up to A\$1 million) will roll into the NCN’s.

### About Firestone Energy

Firestone Energy Limited is an independent, Australian exploration and development company listed on the Australian Stock Exchange Ltd (ASX) and the Johannesburg Stock Exchange (JSE). Firestone Energy has entered into a Joint Venture with Sekoko Resources (Pty) Ltd through which Firestone Energy has acquired the right to 60% participation interests in the Waterberg Coal Project located in Lephalale area, Limpopo Province, South Africa.

The first stage of the project is to develop the Smitspan mine which has a substantial measured thermal coal resource and to develop the Vetleegte mine which is a substantial metallurgical coal deposit.

Firestone Energy is committed to becoming a profitable independent coal and energy producer at its projects in South Africa, thereby making a substantial contribution to the social and economic development of the Lephalale area and South Africa.

### Corporate Details

ASX: FSE  
JSE: FSE

Issued Capital:  
3,114 million ordinary shares

Major Shareholders:  
Sekoko Resources (Pty) Ltd  
Linc Energy Ltd  
BBY Nominees Pty Ltd  
Bell Potter Nominees Ltd

### Directors and Officers

**Non Executive Directors:**  
Mr Tim Tebeila (Chairman)  
David Perkins (Deputy Chairman)  
Dr Pius Kasolo  
Ben Mphahlele  
Kobus Terblanche

**Officers:**  
Mr David Knox CEO  
Ms Amanda Matthee CFO  
Mr Jerry Monzu Company Secretary

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## **Conditions**

The variation of the Investment Agreement to a two stage settlement process (but not the interim funding) is subject to a number of conditions, the principal ones being:

- a review to ensure that it is compliant with the shareholder approvals received at a General Meeting of the Firestone held on 5 October 2012; and
- execution of a formal Deed of Variation by 28 November 2012.

The net effect of the variations on Firestone are that:

- The Company will receive A\$17.55million of net new funding compared with A\$18.55 million under the current Investment Agreement; and
- All the net new funding will be received by 7 December 2012 rather than over 12 months from 5 October 2012 i.e. by 5 October 2013. The two stage settlement provides more working capital for Firestone in this calendar year which will be applied to the advancement of the Waterberg Coal Project.

Yours sincerely,



**David Knox**

**Chief Executive Officer**

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