

31 January 2013

Quarterly Activities Report for the Period to 31 December 2012

Firestone Energy Limited (ASX/JSE: FSE) (the “Company” or “FSE”) is pleased to provide shareholders with its Quarterly Activities Report for the 3 month period ended 31 December 2012.

Technical Activities: the Waterberg Coal Project

During the quarter, the technical team of the Waterberg Joint Venture continued to progress the Bankable Feasibility Study for the proposed coal mine to supply 10 million tones of thermal coal to Eskom per annum.

Eskom and Sekoko Resources agreed to extend the completion date of the Bankable Feasibility Study to 31 March 2013. This extension allows additional time for the joint venture to complete additional drilling and technical components required to support the Bankable Feasibility Study.

Drilling to delineate the faults on Smitspan and Stage 1 drilling to upgrade the resource of Smitspan and Massenbergs was completed during the quarter. Laboratory analysis of the results are expected during the first quarter of 2013.

The various specialist studies required for the completion of the Bankable Feasibility Study, namely environmental, rail, infrastructure, geo-technical and hydrology studies, commenced during the quarter, and are currently well underway. The environmental consultants have commenced with the Public Involvement Process required in order to amend the Existing Environmental Right Management Programme.

An extensive drilling programme on Massenbergs has now commenced, in order to upgrade the resource status of the property. The Waterberg Joint Venture technical team continue to actively engage with all stakeholders including Eskom, Transnet Freight Rail, and all relevant Regulatory Authorities.

Corporate Activities

Transactions with Ariona Company SA (“Ariona”)

During the quarter, the Company held a General Meeting for the suite of transactions with Ariona. The shareholders of FSE approved the transactions between the Company and Ariona, and the parties have advanced toward closing the transactions designed to improve the financial position of the Company.

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 Velleegte 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
Mr Jerry Monzu Company Secretary

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Web: www.firestoneenergy.com.au

On 17 December 2012, the Company announced that it had revised the Investment Agreement to allow for changes to the proposed settlement terms with Ariona. As part of the changes to those terms, the Company received A\$600,000 of working capital from Ariona which will form part of the total investment amount of A\$39.645 million to be provided as per the Investment Agreement. The first stage of financial settlement is now scheduled to take place on 31 January 2013.

The Company has also retained access to the balance of the A\$2.2 million working capital facility which was announced on 22 March 2012.

The funding provided into the Company has allowed the Company to focus on its core activities on completing the Bankable Feasibility Study for the Waterberg Coal Project, in conjunction with its joint venture partner, Sekoko Resources (Pty) Ltd.

Take-over Proposal

On 17 December 2012, Range River Gold Limited (RNG.AU) (“**Range River**”) announced to the ASX an unsolicited, conditional proposal to acquire all of the ordinary shares in FSE by way of an off-market takeover offer (“**Range River Offer**”)

After the quarter, on 30 January 2013, Range River announced the Bidders’ Statement for FSE.

The Board is unanimous in its view that FSE shareholders should take no action and not make any decision in relation to their shareholding in the Company until the Board has had the opportunity to consider the Bidders’ Statement provided by Range River. Following careful consideration of the Range River Offer, the Board will determine and advise FSE shareholders of its recommendation.

Yours sincerely,



David Knox

Chief Executive Officer

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About Sekoko Resources

Sekoko Resources (Pty) Ltd is a South African-based black-owned energy and minerals company developing the coal, magnetite iron ore and PGMs Projects in the Limpopo Province of South Africa. This includes a significant exploration program and development of the Waterberg Coal Joint Venture Project based on significant Coal Zone Resources.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Firestone Energy Limited

ABN

71 058 436 794

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(907)	(1,318)
(b) development	-	-
(c) production	-	-
(d) administration	(444)	(797)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST receipts)	31	80
Net Operating Cash Flows	(1,320)	(2,035)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) properties	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,320)	(2,035)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,320)	(2,035)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, Convertible Notes etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,348	2,065
1.17	Repayment of borrowings	-	-
1.18	Capital raising costs	-	-
1.19	Other – Interest paid	-	-
	Net financing cash flows	1,348	2,065
	Net increase (decrease) in cash held	28	30
1.20	Cash at beginning of quarter/year to date	161	169
1.21	Exchange rate adjustments to item 1.20 Gain / (Loss)	(24)	(34)
1.22	Cash at end of quarter	165	165

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	937
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to wholly owned subsidiary, Lexshell Pty Limited, of which amounts are paid to third parties to make payments on behalf of Firestone Energy pursuant to its JV agreement with Sekoko Resources - \$937k

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities The Company has in place a further financing facility (convertible notes) with its existing convertible noteholders.	2,200	1,457
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1	200
4.2	-
4.3	-
4.4	200
Total	400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1	144	134
5.2	21	27
5.3	-	-
5.4	-	-
Total: cash at end of quarter (item 1.22)	165	161

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil	Nil		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3 +Ordinary securities FSE	3,113,878,641	3,113,878,641		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.5	+Convertible debt securities (description)	Unlisted Convertible Notes Con Note 1 – 12 FSEAQ Con Note 2 – 3 FSEAS Con Note 3 – 3 FSEAU Con Note 4 – 3 FSEAY Con Note 5- 3 FSEAW Con Note 6 – 3 FSEAZ Con Note 7 – 3 FSEAA Con Note 8 - 1 x (\$500k) 4 x (\$100k) Con Note 9 - 9 x (\$100k) Con Note 13 - 6 x (\$100k) Con Note 14 – 6 x (\$100k) Con Note 15 – 6 x (\$100k) Con Note 16 – 6 x (\$100k) Con Note 17 – 9 x (\$100k) Con Note 20 – 6 x (\$100k) Con Note 21 – 3 x (\$100k) Con Note 22 – 3 x (\$100k)	Conversion number-Variable per Note Repayment dates – 2 October 2012 16 November 2012 18 December 2012 21 January 2013 23 February 2013 23 March 2013 30 April 2010 04 June 2013 04 June 2013 13 July 2013 8 November 2013 23 November 2013 22 December 2013 24 January 2014 22 February 2014 24 May 2014 22 June 2014 19 October 2014		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options			Exercise price	Expiry date
	FSEAM	110,000,000	Nil	6.0 Cents	31 May 2013
	FSEAO	96,904,767	Nil	6.0 Cents	30 Jun 2013
	FSEAI	25,875,000	Nil	6.0 Cents	30 Jun 2014
	FSEO	48,395,000	48,395,000	4.0 Cents	31 May 2014
	FSEAA	40,000,000	Nil	2.5 Cents	19 Sept 2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
	FSEAK	30,000,000	Nil	5.0 Cents	30 Nov 2012
7.11	Debentures (totals only)				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
Company Secretary

Date: 31 January 2013

Print name: Mr Jerry Monzu

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.