

30 July 2013

Quarterly Activities Report for the
Period to 30 June 2013

The Board of **Firestone Energy Limited** (ASX/JSE: FSE) (the “Company”, “FSE” or “Firestone”) is pleased to provide Shareholders with its Quarterly Activities Report for the 3 month period ended 30 June 2013.

The Waterberg Coal Project: The Definitive Feasibility Study

During the quarter, the Waterberg Joint Venture Partners continued the progression of the Definitive Feasibility Study (“DFS”) on the proposed development of an opencast mining operation to produce 10 Million tonnes of coal (product) per annum to Eskom for an initial term of 30 years pursuant to the Memorandum of Understanding (“MOU”) that the joint venture entered into with Eskom in March 2012 (as amended).

The production of the DFS is one of the Conditions Precedent in the process of converting the current Eskom MOU to a Coal Supply Agreement. The Chapters of the DFS are in final draft stage, and the technical team are currently interrogating the financial model as prepared by SRK and reviewing the proposed mine plan.

As part of the DFS, the technical team are engaging with strategic stakeholders, including *inter-alia*, Eskom, the Department of Water Affairs, and Transnet Freight Rail about the delivery of services to the project. These discussions regarding proposed arrangements for the delivery of service are progressing well.

Based on current discussions and arrangements; and subject to confirmation of funding arrangements, project start-up and pre-production works is expected to commence in January 2014; and coal production (of product) is expected to commence in the 2nd half of 2015.

Drilling

All Phase 2 drilling to delineate major faults on the Smitspan Project area, and extend the resources on Smitspan and Massenberg, was completed during the June quarter. Drill samples have been submitted to the laboratory; and sample results are expected at the end of July 2013.

A further 55 boreholes are planned in order to upgrade the geological confidence from inferred to indicated levels on the remaining farms. 30 of the holes are scheduled to be drilled on Hooikraal, and the remainder on Massenberg, Swanepoelpan and Vetleegte. The drill rigs are already on site at Massenberg.

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:
3,549 million ordinary shares

Major Shareholders:
The Waterberg Coal Company Ltd
Sekoko Resources (Pty) Ltd
Linc Energy Ltd
BBY Nominees Pty Ltd

Directors and Officers

Non Executive Directors:
Tim Tebeila (Chairman)
Dr Pius Kasolo
Ben Mphahlele
Brian McMaster
David Knox

Officers:
Mr Stephen Miller CEO and Executive Director
Ms Amanda Matthee CFO
Mr David McEntaggart Company Secretary

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Interim Resource Statement

During the June quarter SRK released an Interim Resource Statement¹, covering the Smitspan and Massenberg properties only. The updated Resource Statements² reflect a resource tonnage of 1,090.88 Million tonnes (“Mt”) at Measured Status, 69.04 Mt at Indicated Status, and 23.27 Mt at inferred Status for Smitspan and Massenberg. The balance of the resources on the farms held under Mining Rights and Prospecting Rights are not included in this estimate and reflect further potential.

Geological Model

A new contract has been negotiated with Sable© to maintain and update the Sekoko Geological Database. The updated database will be passed onto Gemecs Pty Limited, who will create a new Geological Model incorporating the data, to be used for both a Resource update and further mine planning and value engineering pursuant to the DFS.

Surface rights

During the quarter, negotiations for the purchase of surface rights, commenced with the surface rights holders. It is expected that agreements with current owners will be finalised during the next quarter.

Corporate Activities

There were several board changes during the quarter with the resignation of Mr David Perkins, deputy chairman, Mr Oren Zohar, Mr Jack James and Mr Kobus Terblanche. Mr Brian McMaster, Mr Stephen Miller and Mr David Knox were appointed to the board. Additionally, Mr Stephen Miller was appointed CEO of the Company to replace Mr David Knox.

The Company continued discussions during the quarter with interested parties regarding the future funding for Firestone. Discussions are on-going. The Company received notification during the quarter that the Waterberg Coal Company’s off-market takeover bid for all the ordinary shares in Firestone had been extended to 30 July 2013.

Yours sincerely

Stephen Miller
Chief Executive Officer

www.firestoneenergy.com.au

Footnote:

¹ Competent Persons Statement: Information in this announcement that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ and Massenberg 305LQ is based on information compiled by Mr Sello Nzama. Mr Nzama who is employed by SRK Consulting (Pty) Ltd is a member of the South African Council for Natural Scientific Professions. . Mr Nzama has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (The JORC Code). Mr Nzama consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

² This resource upgrade and attaching report was advised to the market and lodged with ASX on 28th May 2013.