

DECEMBER 2013 QUARTERLY ACTIVITIES REPORT

During the quarter, Firestone Energy Limited (**FSE** or **The Company**), a party to the Waterberg Coal Project Joint Venture, continued to progress matters relating to the proposed development of an opencast mining operation to produce 10 million tonnes per annum of coal (product) to Eskom, the South African parastatal power utility.

The material matters attended to during the quarter include as follows:

Updated Resource Statement

An updated Independent Competent Persons Resource Statement was released which reflect the increased borehole database following the completion of the 2013 drilling programme and associated sample analysis on the Waterberg Coal Project Properties. The Resource Statement was prepared on behalf of the Waterberg Coal Project Joint Venture Partners (**WCJVP**) by Gemecs (Pty) Limited in their capacity as Independent Competent Persons. For more detailed information on the Independent Competent Persons Resource Statement please refer to the ASX announcement dated 24 October 2013.

The resource statement for the Waterberg Coal Project now stands at 3.88 billion tonnes of coal with coal in the measured category of 2.07 billion tonnes (**Table 1**)¹. This represents a substantial increase in the coal resource for the Project. Previously, SRK Consulting (December 2012) declared a Coal Resource of 1.183 billion tonnes on the two farms Smitspan and Massenberg, of which 1.004 billion tonnes was in the Measured category.

Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource² (Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	2,070.3	57.9	2.2	17.6	10.51	0.96
Indicated	8,56.3	59.4	2.3	17.2	9.96	1.00
Inferred	956.7	58.9	2.2	17.5	10.26	1.03
Total Resources	3,883.3	58.5	2.2	17.5	10.33	0.99
Coal Resource ² based on minimum thickness cut-off of 0.5m						

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 Vetteegte 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

Directors and Officers

Non Executive Directors:
Brian McMaster
George Oupa Magashula

Officers:
Mr Stephen Miller CEO and Executive Director
Ms Amanda Matthee CFO
Mr Jonathan Hart Company Secretary

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Interaction with Lenders

WCJVP mandated The Standard Bank of South Africa Limited (**SBSA**), to arrange project finance for the Project. Accruing from this mandate, SBSA has now appointed Independent Technical Consultants to review all technical matters on behalf of the project financiers.

Plant EPC and Mining Contractor contracts

During the quarter, the project team commenced discussions with local and international process engineering firms for the design, manufacture, supply, delivery, assembly, installation and commissioning of a 22mtpa CHPP project in a phased approach within an EPC framework. The successful EPC bid is expected to be announced during Q1, 2014.

The project team is also examining tender prices from mining contractors to load and haul between 40 million and 60 million cubic metres of material per annum, an exercise which will require a fleet of 40 x 240 tonne trucks.

Water Use License (IWULA)

The Environmental work for the IWULA submission was completed during the quarter. Consultants and the submission is ready to submit to the Department of Water Affairs

Stakeholder engagement

Generally, throughout the quarter, regular and productive engagement by the Project technical team with project strategic stakeholders is ongoing. These discussions include, inter-alia, Eskom, the Department of Water Affairs, and Transnet Freight Rail for the timely delivery of services to the project. These discussions for proposed arrangements for the delivery of service are progressing well.

Corporate Activities

Board Changes

Mr Tim Tebeila and Mr David Knox have announced their retirement from the Board. Mr Ben Mphahlee, Mr Pius Kasolo and Mr David Knox were not re-elected at the Company's annual general meeting and Mr George Oupa Magashula has been appointed to the Board as a Non – Executive.

Funding

The short term loan from BBY Limited amounting to \$250k has been repaid.

Yours sincerely

Stephen Miller
Chief Executive Officer

www.firestoneenergy.com.au

Note 1: Please note that this information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Note 2: Competent Person Statement

Gemecs (Pty) Limited was commissioned by the Waterberg Coal Project Joint Venture Partners, to undertake an Updated Independent Persons Geological Report for the Sekoko Waterberg Coal Project.

The Coal Resources were estimated in accordance with the South African code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code"), Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and South African National Standard (SANS 10320:2004) guidelines.

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Coenraad D van Niekerk, Pr.Sci.Nat (Reg. No 400066/98), M.Sc Hons (Geology), MDP, an employee of Gemecs (Pty) Limited, who is a Fellow of the Geological Society of South Africa. Mr Niekerk is a mining geologist with 38 years' experience in the mining industry, sufficient experience 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. Mr Niekerk consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Appendix 1 – Tenement Table

The Company's interest in the Waterberg Coal Project, located in South Africa:

Properties	Right under which the properties are held	Relevant Joint Venture	Holder	Interest* at beginning and end of quarter	Issue Date	Expiry Date
Vetleegte	Vetleegte Prospecting Right	First Joint Venture	Uzalile Joint Venture (Sekoko Resources and Uzalile)	60%	Granted New Order Prospecting Right No. 651/2006, on 19/10/06	Renewal lodged 19 September 2011 and prior to the expiry date. Section 18(5) of the MPRDA provides that prospecting right in respect of which an application for renewal has been lodged will remain in force until such time as the renewal application has been granted or refused.
Olieboomsfontein	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	60%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05. Renewal on 3 July 2013	3 July 2016
Duikerfontein	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	60%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05. Renewal on 3 July 2013	3 July 2016
Swanepoelpan	Duikerfontein Prospecting Right	First Joint Venture	Sekoko Coal	60%	Granted New Order Prospecting Right No. 681/2007, on 13/10/05	3 July 2016
Smitspan	Mining Right	Second Joint Venture	Sekoko Coal	60%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041
Massenberg	Mining Right	Second Joint Venture	Sekoko Coal	60%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041
Minnasvlakte	Mining Right	Second Joint Venture	Sekoko Coal	60%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041
Hooikraal	Mining Right	Second Joint Venture	Sekoko Coal	60%	Granted New Order Mining Right No. 22/2011, on 17/09/11	16/09/2041

* Firestone Energy has entered into a Joint Venture with Sekoko Coal Pty Ltd through which the Company has acquired the right to a 60% "participation interest" in the project area that forms The Waterberg Joint Venture.

Summary of Expenditure Incurred per Project

Project	Quarter Cash Spend \$A'000
The Waterberg Coal Project	202
Total	202