



ABN 71 058 436 794

Half-Year Financial Report

31 December 2013

FIRESTONE ENERGY LIMITED

CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Miller
Executive Director

Mr Brian McMaster
Non-Executive Director

Mr George Magashula
Non-Executive Director

COMPANY SECRETARY

Jonathan Hart

REGISTERED OFFICE

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SHARE REGISTRY

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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
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STOCK EXCHANGE LISTING

Securities of Firestone Energy Limited are dual listed on the Australian Stock Exchange and the Johannesburg Stock Exchange.

ASX & JSE CODE

FSE

DIRECTORS' REPORT

Your directors present their financial report on the group (referred to hereafter as "the Group") consisting of Firestone Energy Limited ("Firestone" or "the Company") and the entities it controlled at the end of, or during the period to the half-year ended 31 December 2013.

Directors

The names of the Directors of Firestone Energy Limited throughout the reporting period and at the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Stephen Miller
Executive Director

Brian McMaster
Non-Executive Director

George Magashula (*appointed 13 November 2013*)
Non-Executive Director

Timothy Tebeila (*resigned 1 November 2013*)
Non-Executive Chairman

Pius Kasolo (*removed 29 November 2013*)
Non-Executive Director

Benjamin Mphahlele (*removed 29 November 2013*)
Non-Executive Director

David Knox (*removed 29 November 2013*)
Non-Executive Director

Results of Operations

The net loss from continuing operations for the six months to 31 December 2013 was \$2,458,155 (half-year ended 31 December 2012: \$2,884,760).

Review of Operations

Operational overview for the six month period ending 31 Dec 2013

During the period, the Group, 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 period include as follows:

Updated Resource Statement^{1,2}

An updated Independent Competent Persons Resource Statement was released to the market on 24 October 2013 reflecting the increased borehole database following the completion of the 2013 drilling programme on the four farms covered by the Mining Right (Smitspan, Massenberg, Hooikraal and Minnasvlakte), and the two farms held under Prospecting Rights (Vetleegte and Swanepelpan).

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). This represents a substantial increase in the coal resource for the Waterberg Coal 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. The Resource Statement was prepared on behalf of the Waterberg Coal Joint Venture Parties (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.

Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource ¹ (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 ¹ based on minimum thickness cut-off of 0.5m						

Interaction with Lenders

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

Water Use License (IWULA)

The Environmental work for the IWULA submission was completed during the period.

Stakeholder engagement

Generally, throughout the period, regular and productive engagement by the Project technical team with project strategic stakeholders was ongoing. These discussions included, inter-alia, Eskom, the Department of Water Affairs, and Transnet Freight Rail for the timely delivery of services to the project.

Corporate Activities

On 24 September 2013, Firestone advised the market that it had entered into a loan agreement with The Waterberg Coal Company Limited (WCC) whereby WCC would advance up to A\$3 million to be used for FSE's project finance obligations in relation to The Waterberg Coal Project. The loan is unsecured and non-interest bearing.

On 10 October 2013, the Company received notification from WCC that its off-market takeover bid for all the ordinary shares in Firestone had closed. At the conclusion of the offer, WCC's shareholding in FSE was 45.88%.

On 13 November 2013, Firestone announced that Mr Tim Tebeila resigned from the position of Chairman and Non-Executive Director of Firestone. Firestone also advised the market on this date that Mr George Oupa Magashula has been appointed to the position of Non-Executive Director of Firestone.

On 29 November 2013, Mr Ben Mphalee, Mr Pius Kasolo and Mr David Knox were not re-elected at the Company's annual general meeting.

In December 2013, the short term loan from BBY Limited amounting to \$250,000 was repaid.

Significant Events After Balance Date

Refer to Note 10 in the attached financial statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 17 and forms part of this report.

This report is made in accordance with a resolution of directors.

Dated at Perth this 14th day of March 2014.

Signed in accordance with a resolution of the Directors.



Stephen Miller
Executive Director

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 2013 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 Joint Ore Reserves Committee (JORC) "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Niekerk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Half-Year Ended 31 December 2013

	Note	December 2013	December 2012
		\$	\$
Continuing operations			
Interest revenue		972	766
Other income		247,393	11,773
Occupancy costs		(668)	(13,800)
Legal and professional fees		(89,685)	(266,763)
Administration costs		(328,784)	(562,299)
Travel and accommodation		(14,197)	(46,025)
Directors' fees		(158,053)	(130,000)
Employee & consultant costs		-	(56,216)
Listing and share registry costs		(84,689)	(96,746)
Share-based payments		-	(189,850)
Finance costs	2	(2,030,444)	(1,535,600)
Loss before income tax		(2,458,155)	(2,884,760)
Income tax expense		-	-
Loss from continuing operations		(2,458,155)	(2,884,760)
Loss for the half-year attributable to the members of Firestone Energy Limited		(2,458,155)	(2,884,760)
Other comprehensive income for the half-year			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translation reserve movements		(1,923,596)	(3,125,467)
Total comprehensive income / (loss) for the half-year attributable to the members of Firestone Energy Limited		(4,381,751)	(6,010,227)
Loss per share			
<i>Loss per share on loss from continuing operations attributable to the ordinary equity holders of the company</i>			
Basic loss per share (cents per share)		(0.07)	(0.09)

For JSE requirements, the Headline Earnings per Share ("HEPS") has been calculated to be the equivalent of the basic loss per share as displayed above.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	December 2013 \$	June 2013 \$
Current assets			
Cash and cash equivalents		75,789	397,940
Trade and other receivables		43,216	248,769
Total current assets		119,005	646,709
Non-current assets			
Receivables		1,521,039	1,564,396
Property, plant and equipment		4,345,235	4,298,379
Interest in joint operation	4	76,177,325	77,109,220
Total non-current assets		82,043,599	82,971,995
Total assets		82,162,604	83,618,704
Current liabilities			
Trade and other payables		3,624,251	2,900,315
Borrowings	5	9,816,375	8,198,499
Total current liabilities		13,440,626	11,098,814
Non-current liabilities			
Borrowings	5	23,572,155	22,988,316
Total non-current liabilities		23,572,155	22,988,316
Total liabilities		37,012,781	34,087,130
Net assets		45,149,823	49,531,574
Equity			
Issued capital		79,553,721	79,553,721
Reserves		(12,052,278)	(10,128,682)
Accumulated losses		(22,351,620)	(19,893,465)
Total Equity		45,149,823	49,531,574

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2013

	Issued capital	Accumulated losses	Share-based payment reserve	Convertible note reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	79,553,721	(19,893,465)	4,615,245	2,073,819	(16,817,746)	49,531,574
Comprehensive income for the half-year						
Loss for the half-year	-	(2,458,155)	-	-	-	(2,458,155)
Foreign currency translation reserve	-	-	-	-	(1,923,596)	(1,923,596)
Total comprehensive income for the half-year	-	(2,458,155)	-	-	(1,923,596)	(4,381,751)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Balance at 31 December 2013	79,553,721	(22,351,620)	4,615,245	2,073,819	(18,741,342)	45,149,823

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Half-Year Ended 31 December 2012

	Issued capital	Accumulated losses	Share-based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	76,380,048	(14,045,262)	4,193,895	(11,815,758)	54,712,923
Comprehensive income for the half-year					
Loss for the half-year	-	(2,884,760)	-	-	(2,884,760)
Foreign currency translation reserve	-	-	-	(3,125,467)	(3,125,467)
Total comprehensive income for the half-year	-	(2,884,760)	-	(3,125,467)	(6,010,227)
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	77,600	-	77,600
Total transactions with owners	-	-	77,600	-	77,600
Balance at 31 December 2012	76,380,048	(16,930,022)	4,271,495	(14,941,225)	48,780,296

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

Half-yearly financial statements for the period ended 31 December 2013

CONSOLIDATED STATEMENT OF CASH FLOWS For the Half-Year Ended 31 December 2013

	December 2013 \$	December 2012 \$
Cash flows from operating activities		
Payments to suppliers and employees	(585,559)	(843,286)
Interest paid	(11,536)	(1,032)
Interest received	972	766
Net cash used in operating activities	<u>(596,123)</u>	<u>(843,552)</u>
Cash flows from investing activities		
Project expenditure – joint operations	(255,469)	(1,209,406)
Payments to acquire fixed assets	(167,317)	-
Net cash used in investing activities	<u>(422,786)</u>	<u>(1,209,406)</u>
Cash flows from financing activities		
Proceeds of borrowings	2,547,757	2,064,982
Repayment of borrowings	(1,850,911)	-
Transaction costs	-	(16,500)
Net cash from financing activities	<u>696,846</u>	<u>2,048,482</u>
Net decrease in cash and cash equivalents	(322,063)	(4,476)
Cash and cash equivalents at 1 July	397,940	169,475
Effect of exchange rate differences on the balance of cash held in foreign currencies	(88)	(316)
Cash and cash equivalents at 31 December	<u>75,789</u>	<u>164,683</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

These general purpose financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Firestone Energy Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New accounting standards and interpretations

All new and amended Australian Accounting Standards and Interpretations effective from 1 July 2013 have been adopted, including:

- *AASB 10 Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. The new control model broadens the situations in which an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

- *AASB 11 Joint Arrangements*

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. It removes the option to account for jointly controlled entities using proportionate consolidation. Joint operations, which give the parties rights to the underlying assets and obligations for the liabilities, are accounted for by recognising their share of those assets and liabilities. Joint ventures, which give the parties rights to the net assets of the joint venture and are always structured through a separate vehicle, are accounted for using the equity method.

The Group has reviewed its joint arrangement with Sekoko Coal (Pty) Ltd and determined that it is a joint operation as the parties have joint control and it is unincorporated.

- *AASB 12 Disclosure of Interests in Other Entities*

New disclosures have been introduced regarding the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries. None of these disclosure requirements are applicable to the half-year financial report.

- *AASB Fair Value Measurement*

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. It does not change when an entity is required to use fair value, but rather provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

- AASB 19 *Employee Benefits*

This standard changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be wholly settled within 12 months of the reporting date.

None of these standards had a material effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a loss after tax for the half-year ended 31 December 2013 of \$2,458,155 (2012 half-year: \$2,884,760) and experienced net cash outflows from operating activities of \$596,123 (2012 half-year: \$843,552). There is a working capital deficit at 31 December 2013 of \$13,321,621.

As at the date of this report, the Group has \$11,955 in cash at bank, and has \$504,475 available to draw down under the loan from The Waterberg Coal Company (Waterberg). The Board is aware that it has payments for liabilities where the terms of payment have been negotiated to ensure that they are not payable until such time the Company is in a financial position to do so. These include trade creditors and the Sekoko loan facility.

The Group has financial support from its major shareholder and joint venture partner The Waterberg Coal Company. Waterberg is continuing to discuss with investment groups for the purpose of completing further capital raisings and project financing to continue the exploration program and development and production activities on the Waterberg Coal Project. Discussions with various groups have been ongoing with the result that Waterberg is near completion of fundraising approximately \$2.4 million subsequent to the reporting date. Waterberg is in continued discussions, some of which are reaching their final stages, with investment groups, especially in South Africa, which could lead to further equity raises in the near future.

In considering the above, the Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing additional funds through an equity issue.

Should the Group not obtain funds through an equity issue, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

	Half-year ended December 2013 \$	Half-year ended December 2012 \$
2. EXPENSES – FINANCE COSTS		
Interest expense	1,838,227	1,278,091
Amortisation of transaction costs	192,217	257,509
Total finance costs	2,030,444	1,535,600

3. DIVIDENDS

No dividend has been paid during, or is recommended for, the financial period ended 31 December 2013.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

4. INTEREST IN JOINT OPERATION

The Company is a participant with Sekoko Coal (Pty) Ltd ("Sekoko Coal") in an unincorporated coal project in the Waterberg locality in South Africa. The Company holds a 60% interest and Sekoko Coal a 40% interest, and the project is funded in the same ratio. The Company and Sekoko Coal share joint control, which has been determined by reviewing the terms of the agreements between the parties. The joint operation is carried out through the Company's 100%-owned subsidiaries, Lexshell 126 General Trading (Pty) Ltd and Checkered Flag Investments 2 (Pty) Ltd.

	Half-year ended Dec 2013 \$	Year ended June 2013 \$
Opening balance	77,109,220	76,735,130
Additional project costs	1,068,267	5,258,746
Foreign exchange movements	(2,000,162)	(4,884,656)
Closing balance	76,177,325	77,109,220

5. BORROWINGS

	December 2013 \$	June 2013 \$
Current		
<i>Unsecured loans carried at amortised cost</i>		
Loan – Sekoko ¹	7,407,059	7,948,449
Loan – BBY ²	-	250,000
Loan – The Waterberg Coal Company ³	2,409,316	-
	9,816,375	8,198,499
Non-current		
<i>Loans carried at amortised cost</i>		
Convertible note ⁴	24,748,436	24,356,814
Transaction costs (convertible notes)	(1,525,196)	(1,525,196)
Transaction costs – amortised	348,915	156,698
	23,572,155	22,988,316

1. Interest is charged at the South African prime rate of 8.5% (30 June 2013: 8.5%). The loan is unsecured.
2. These funds were advanced under a short-term funding agreement with BBY Nominees Pty Limited. It was repaid in December 2013.
3. The Waterberg Coal Company Limited has agreed to lend the Company up to \$3 million, to be used for the Company's project financing obligations in relation to the Waterberg Coal Project. The loan is interest free, unsecured and is to be repaid within 10 days of the Company making full repayment of the loan from Sekoko.
4. The total face value of the notes is \$27.145 million and the maturity date 31 January 2017. They bear interest at a fixed rate of 8% per annum. The notes can be converted at any time before the maturity date at a conversion price of \$0.025. They are secured over the assets of the Group.

FIRESTONE ENERGY LIMITED
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Period Ended 31 December 2013

6. SEGMENT INFORMATION

Management has determined that the consolidated group has one reportable segment, being coal exploration in South Africa. As the Group is focused on mineral exploration, the Board monitors the consolidated group based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the consolidated group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Segment information provided to the Board:	December 2013 \$	December 2012 \$
Segment revenue from external sources	-	-
Reportable segment loss	(551,240)	(544,497)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

Total loss for reportable segment	(551,240)	(544,497)
<i>Unallocated:</i>		
Interest revenue	967	612
Other income	-	369
Occupancy costs	(668)	(13,800)
Legal and professional fees	(90,109)	(266,763)
Administration costs	(248,998)	(216,949)
Directors' fees	(158,053)	(130,000)
Employee and consultant costs	(22,483)	(78,164)
Listing and share registry costs	(84,689)	(96,746)
Travel & accommodation	(4,434)	(16,703)
Share-based payments	-	(189,850)
Finance costs	(1,298,448)	(1,332,269)
Loss before income tax from continuing operations	(2,458,155)	(2,884,760)

	December 2013 \$	June 2013 \$
Reportable segment assets	80,497,836	81,364,992

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

The following instruments are not measured at fair value in the statement of financial position. These had the following fair values at 31 December 2013:

	Carrying Amount \$	Fair Value \$
Current assets		
Receivables	43,216	43,216
Non-current assets		
Receivables	1,521,039	1,521,039
Current liabilities		
Trade and other payables	3,624,251	3,624,251

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

8. COMMITMENTS AND CONTINGENCIES

The Group's wholly-owned subsidiary Utafutaji Trading 75 (Pty) Ltd is due to make further payments to purchase the mining tenement properties Swanepoelpan and Massenberg as follows:

Swanepoelpan	<ul style="list-style-type: none">5,000,000 rand (A\$537,317) in February 201417,679,479 rand (A\$1,899,896) in June 2014
Massenberg	<ul style="list-style-type: none">17,250,000 rand (A\$1,853,742) in February 201417,250,000 rand (A\$1,853,742) in August 2014

The February 2014 payments are being renegotiated.

There have been no other significant changes to commitments or contingencies since 30 June 2013.

9. RELATED PARTIES

The Waterberg Coal Company Limited ("WCC") became a related party during the half-year via its significant shareholding (45.88%) and its control of the Firestone board.

WCC agreed to lend the Company up to \$3 million to be used for the Company's project financing obligations in relation to the Waterberg Coal Project. As at 31 December 2013, this loan has been drawn down by \$2,409,316. Refer to Note 5.

FIRESTONE ENERGY LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the Period Ended 31 December 2013

10. SIGNIFICANT EVENTS OCCURRING AFTER BALANCE DATE

In February 2014, the Waterberg Coal Joint Venture Partners announced that they had completed a feasibility study into the development of an opencast mining operation to produce 10 million tonnes of coal per annum for Eskom Holdings Limited for an initial term of 30 years.

With the exception of the above, there have been no matters or circumstances that have arisen since 31 December 2013 that have significantly affected, or may significantly affect:

- (i) The consolidated entity's operations in future financial years, or
- (ii) The results of those operations in future financial years, or
- (iii) The consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Regulations 2001 and any other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year then ended on that date.
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Perth this 14th day of March 2014.



Stephen Miller
Executive Director

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF FIRESTONE ENERGY LIMITED

As lead auditor for the review of Firestone Energy Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Firestone Energy Limited and the entities it controlled during the period.



Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Firestone Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Firestone Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Firestone Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Firestone Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Firestone Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon continued support from Waterberg Coal Company Limited, and future successful raising of necessary funding through equity and project financing, and successful exploration and subsequent development of the consolidated entity's project. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in these financial statements.

BDO Audit (WA) Pty Ltd



Wayne Basford

Director

Perth, 14 March 2014