

ASX/Media Release – 3 July 2009

**ON TRACK TO BECOME THE NEW FORCE IN COAL:
FINALISATION OF SECOND AGREEMENT WITH SEKOKO RESOURCES, COAL RESOURCES
INCREASED TO 2.9 BILLION TONNES & OPERATIONS UPDATE**

Highlights:

- Finalisation of the second (revised) agreement with Sekoko Coal, over four farms
- Extensive coal resource increase - total in-situ JORC compliant, Indicated & Inferred coal resource, increased by 12% to 2.9 billion tonnes (1.12 billion tonnes of saleable coal after washing) (excludes further in-situ coal resources of 629 million tonnes announced on 12 June 2009¹)
- All coal contained within maximum 130m deep open pit operation from surface
- 136 vertical drill holes over four farms – all holes have intersected coal seams and orebody is open in all directions
- Plans well advanced for commencement of a small scale mining operation by the end of 2009
- Negotiations on funding for BFS for large scale (minimum of 18 million tpa) mining operation making good progress

Revised JV Agreement finalised over four farms

The Directors of Firestone Energy Limited (“Firestone or the Company”) are pleased to announce that the Company and Sekoko Coal (Pty) Ltd (“Sekoko”) have agreed to revised commercial terms in respect of their second Agreement over the farms Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ, and Massenberg 305LQ, announced to the ASX on 1 April 2009, following a 12% increase in the coal resource tonnage from 995.9Bt to 1,122.8Bt of saleable coal after washing.

“The resource upgrade for the four farms that comprise the second Agreement is the result of a change to the method in which the tonnage of coal in each zone is estimated; applying a discount yield factor to the *tonnage*, rather than the *volume* of coal and shale in each zone, results in an increase in the resource estimate by around 12%” Firestone CEO, Mr. Garth Higgo said.

“As a consequence and in fairness to our joint venture partner it was necessary to renegotiate the principal commercial terms of the second Agreement.

The revised terms are binding and will not change should further drilling and/or the receipt of awaited coal quality analyses increase the resource estimate or upgrade part or all of the resource to a higher resource category.”

¹ Within the Velleegte and Olieboomsfontein properties held under the first Joint Venture Agreement with Sekoko Coal Pty Ltd.

Coal Resource

The resource has been estimated in accordance with the SAMREC and JORC codes and the SANS 10320:2004 (South African National Standard) method of classification of thick interbedded coal deposits using some 136 boreholes of which 95 were recently drilled by Sekoko.

All recent boreholes intersected coal and were logged and sampled by suitably qualified independent geologists. The recent borehole data, together with the historic data, have been used to create geological models and allow estimation of the coal resources.

The total coal resource estimate based on the data available at June 2009 (Venmyn) is tabled below whilst coal quality by resource category and farm is tabled at the end of this announcement.

Farm	GTIS Zone Tonnage ¹ Total Mt	GTIS Coal Tonnage ² Inferred Mt	GTIS Coal Tonnage ² Indicated Mt	GTIS Coal Tonnage ² Total Mt
Smitspan 306LQ	1,850.3	150.2	541.2	691.4
Hooikraal 315LQ	136.5	74.3	21.0	95.3
Minnasvlakte 258LQ	736.6	225.9	51.1	277.0
Massenberg 305LQ	187.6	45.0	14.1	59.1
TOTAL	2,910.9	495.4	627.4	1,122.8

¹ Waterberg coal typically occurs interlaminated with shale which for the most part cannot be mined separately from the coal and thus the zone gross in-situ tonnage is the tonnage of coal and shale.

² In the interest of balanced reporting it is the Company's intention to also report the gross in-situ tonnage of coal rather than the tonnage of coal and shale. In order to estimate the gross in-situ tonnage of coal in each zone, rather than the zone tonnage including the rock, each zone tonnage was discounted by the percent yield at a relative density of 1.9gm/cc (in effect removing the influence of the shale) to derive an estimate of the coal tonnage.

Information in this report that relates to exploration results, coal resources or reserves on the properties Smitspan 306LQ, Hooikraal 315LQ, Minnasvlakte 258LQ and Massenberg 305LQ is based on information compiled by Ms Catherine Telfer who is employed by Venmyn Rand (Pty) Ltd and is a member of The Australian Institute of Mining and Metallurgy and The South African Institute of Mining and Metallurgy. Ms Telfer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Telfer consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Summary of revised Agreement

Under the terms of the revised Joint Venture Agreement, Firestone's wholly owned South African subsidiary, Lexshell 126 General Trading (Pty) Ltd ("Lexshell"), will establish a joint venture whereby Lexshell can earn an initial 30% interest in the Properties in consideration for:

- a cash payment to Sekoko of ZAR13.5 million³ (approximately A\$2.0 million) in cash;

- the issue to Sekoko of new shares in Firestone in the amount of ZAR293 million (approximately A\$43.4 million) at an issue price of A\$0.05 per share, which amounts to approximately 868,176,563 Firestone shares;
- the reimbursement of expenditure of an amount not more than ZAR19.49 million (approximately A\$2.89 million) which has been spent by Sekoko in the exploration and development of the Properties; and
- following the approval of the Bankable Feasibility Study (“BFS”) and decision to mine by the Management Board of the joint venture, a management fee of ZAR50 million (approximately A\$7.41 million) be paid to Sekoko (or its nominee) over a 7 year period from the date of commercial production.

Firestone can earn a further 30% interest (for a total of 60%) upon expenditure of ZAR50 million (approximately A\$7.41 million) to complete the BFS to a level enabling the establishment of a future commercial mining operation.

The transaction will be conditional on (amongst other things), Firestone completing a legal and technical due diligence on the Properties.

³ZAR is South African Rand. The exchange rate assumed for the calculation of the number of shares is ZAR6.75:A\$1.00.

Operations update and BFS

The exploration work programme and mining work programme undertaken by Firestone's joint venture partner, Sekoko, are at an advanced stage. Sekoko anticipates receiving mining permit approval from the Department of Mining and Energy (DME) by mid August 2009.

Plans are well advanced for the Joint Venture to commence a small scale mining operation by the end of 2009, producing approximately 30,000 tonnes per month of thermal coal primarily for potential sale to state electricity provider, Eskom.

Sekoko had approached the Development Bank of South Africa (DBSA) for ZAR100 million funding for the small scale mining operation and the loan approval process is at an advanced stage.

The selected mining area comprises a 4.5ha area of the Smitspan farm, with the full sequence of 11 coal zones and a shallow overburden (approximately 25 - 30 metres with a low strip ratio of 0.7:1). The Joint Venture plans to mine approximately 60,000 tonnes per month of run-of-mine coal, which after washing will yield approx 30,000 tonnes per month of saleable product, of which about a quarter would be high calorific value, low-ash product and three-quarters would be suitable for use as power station feed. The commencement of the small mine is subject to successful feasibility study sign-off and offtake agreements.

The Company is also pleased to report it is making good progress toward securing the A\$25 million necessary to fund the BFS to commence large-scale mining operation in the Waterberg. It is anticipated that funding arrangements will be finalised within 2 months.

Commenting on the developments, CEO, Mr Garth Higgo said:

“We are excited by these developments and very pleased with the progress being made by our Joint Venture partner, Sekoko Coal (Pty) Ltd⁴. The Joint Venture holds the rights to one of the largest land holdings in the highly prospective Waterberg coal region. The planned small scale mining operation will provide the Joint Venture partners with a starter pit for the large scale mining operation we plan to commence in 2011, capable of producing a minimum of 18 million tonnes of saleable coal. As well as

providing us with an early revenue stream, the works and activities associated with the starter pit will help fast track, and provide greater confidence in the BFS”.

“Becoming a fully fledged producer will elevate our standing with Government agencies, which will help us in negotiating future off-take agreements and infrastructure access. The pre-stripping and infrastructure associated with the starter pit will help lay the ground work for the large scale mining operations. Obviously, the additional knowledge acquired of the ore body will provide us with greater confidence in metallurgical performance” Mr Higgo said.

“We are working on securing an off-take agreement with State-owned power producer Eskom to supply the power station, and have received expressions of interest from local merchants in Waterberg and surrounding areas to buy coal” said Tim Tebeila, Executive Chairman of Sekoko Resources.

Corporate Information

A notice of shareholder meeting to approve the transaction is currently being finalised. It is anticipated that the shareholder meeting will be held in late August 2009.

About Firestone Energy

Firestone Energy Limited is a Perth based exploration company listed on the Australian Stock Exchange (ASX: FSE) and the Johannesburg Stock Exchange (JSE:FSE).

Firestone is an exploration company that sources and develops viable mineral projects with a particular focus at this time on coal prospects in the Waterberg Coal Field, South Africa.

The Company has joint ventures with Sekoko Coal over six farms located in the Waterberg coalfield in the Limpopo Province of South Africa. The six farms cover an area of 65.7 km² (6566.4 ha). This coalfield is becoming increasingly important as coal reserves in the Witbank, Highveld and Ermelo coalfields of the Mpumalanga Province, which currently supply the majority of Eskom's coal power stations, become depleted over the next 20-30 years.

⁴ About Sekoko Coal

Sekoko Coal (Pty) Ltd is a black-owned junior exploration company based in South Africa. The Company's primary goal is to explore for and develop coal in the Limpopo Province, currently the focus is both in the Waterberg and Soutpansberg/Tuli coalfields.

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Coal Resources and Coal Qualities (after de-shaling)

Farm Name	Resource Category	Zone	GTIS Coal Tonnage Mt
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Minnasvlakte	Indicated	All	51.1
	Inferred	All	225.9
Total Average Minnasvlakte			277.0

Smitspan	Indicated	All	541.2
	Inferred	All	150.3
Total Average Smitspan			691.5

Massenberg	Indicated	All	14.1
	Inferred	All	45.0
Total Average Massenberg			59.0

Hooikraal	Indicated	All	21.1
	Inferred	All	74.3
Total Average Hooikraal			95.3

TOTAL AVERAGE RESOURCE			1,122.8
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AIR DRIED QUALITIES AT RD=1.9				
CV (MJ/kg)	Ash (%)	Vol (%)	Sulphur (%)	Moisture (%)

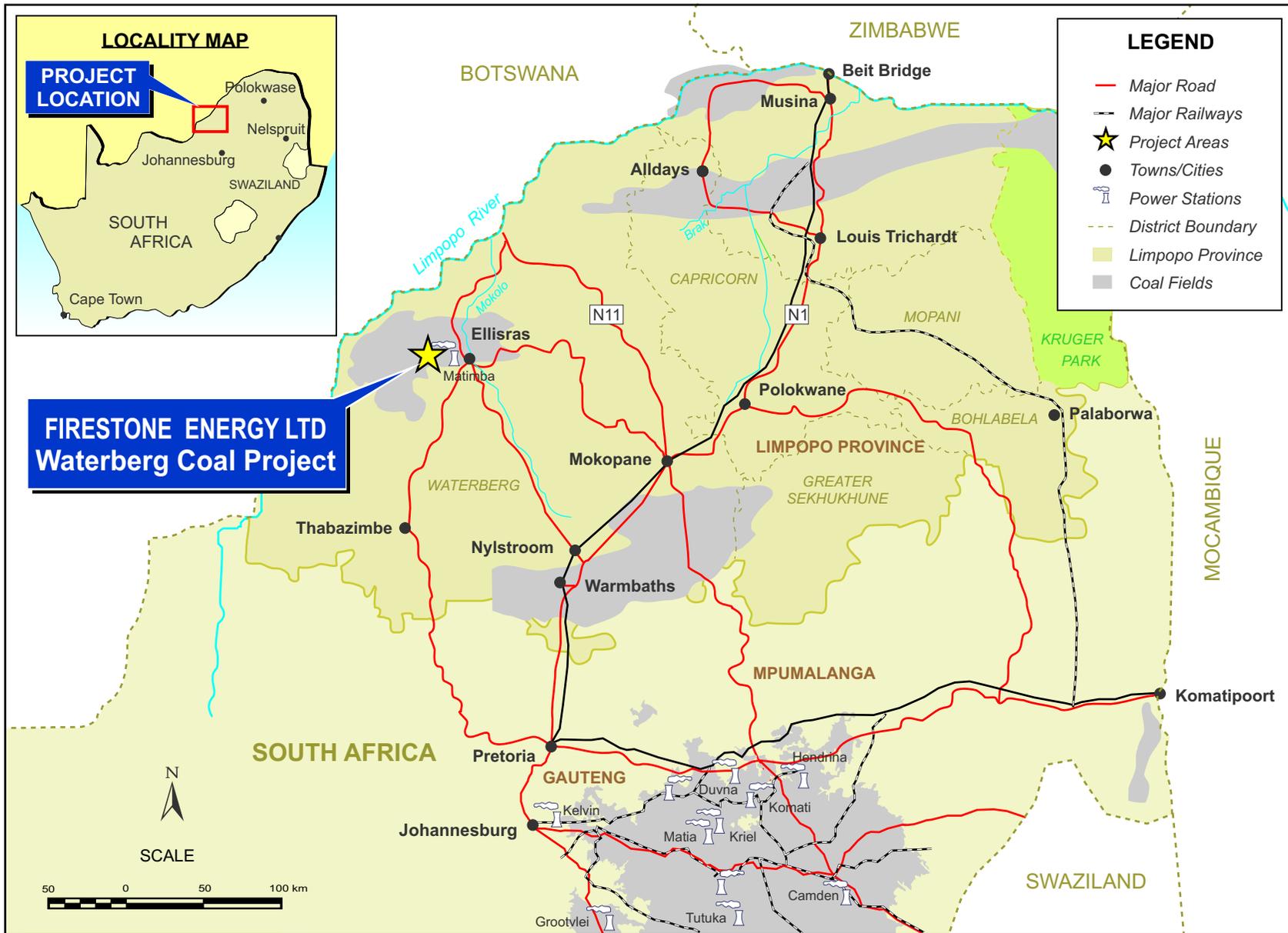
20.97	31.38	26.74	0.82	2.28
21.34	30.31	27.19	0.90	2.32
21.27	30.52	27.10	0.88	2.31

19.96	33.66	25.83	0.91	2.47
20.93	31.13	26.37	0.94	2.52
20.16	33.14	25.94	0.92	2.48

17.29	39.93	20.84	0.65	2.44
17.30	40.23	20.72	0.66	2.50
17.30	40.16	20.75	0.66	2.49

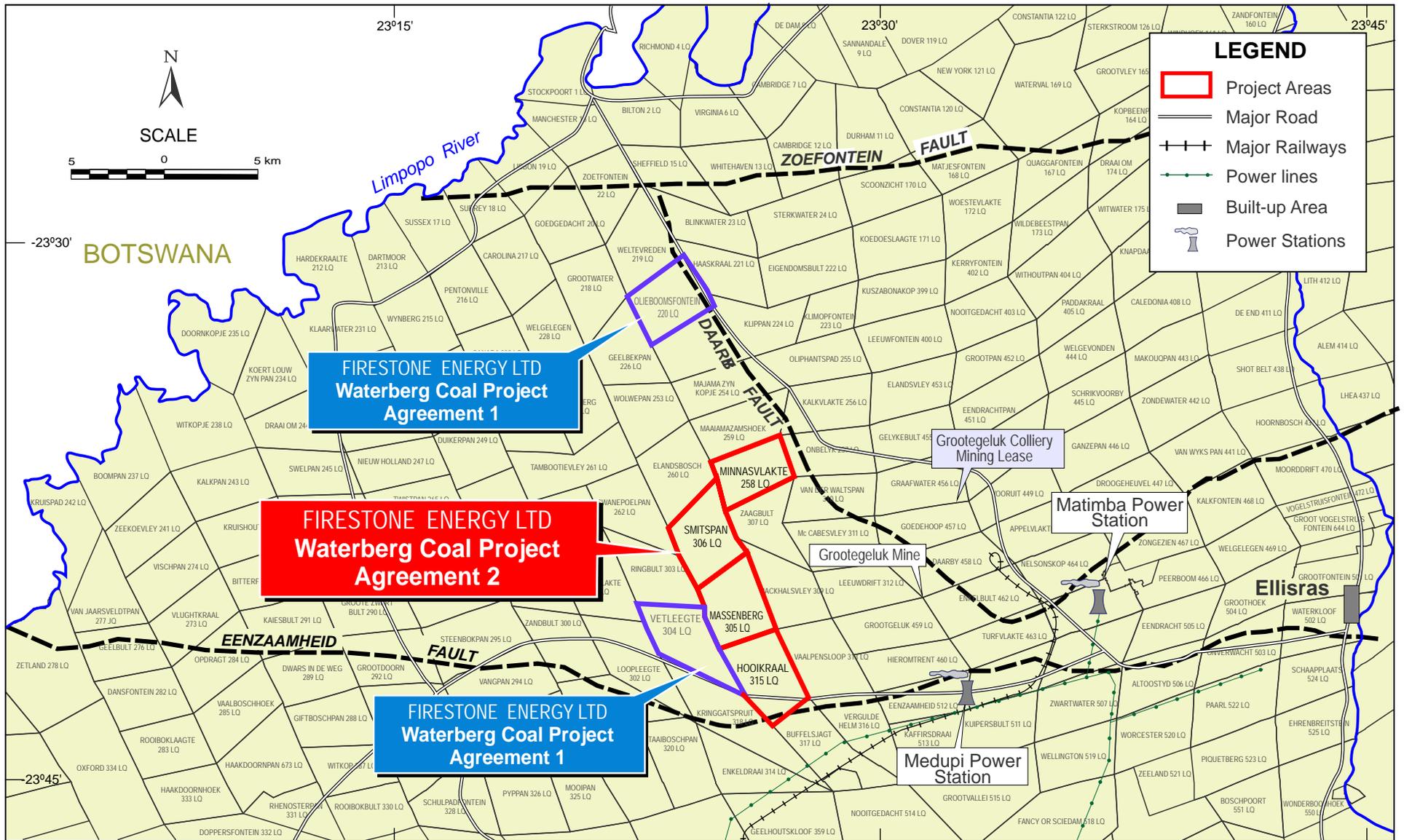
21.50	28.74	22.25	0.62	2.50
22.14	27.16	22.26	0.64	2.56
21.98	27.56	22.26	0.63	2.54

20.39	32.53	25.74	0.88	2.44
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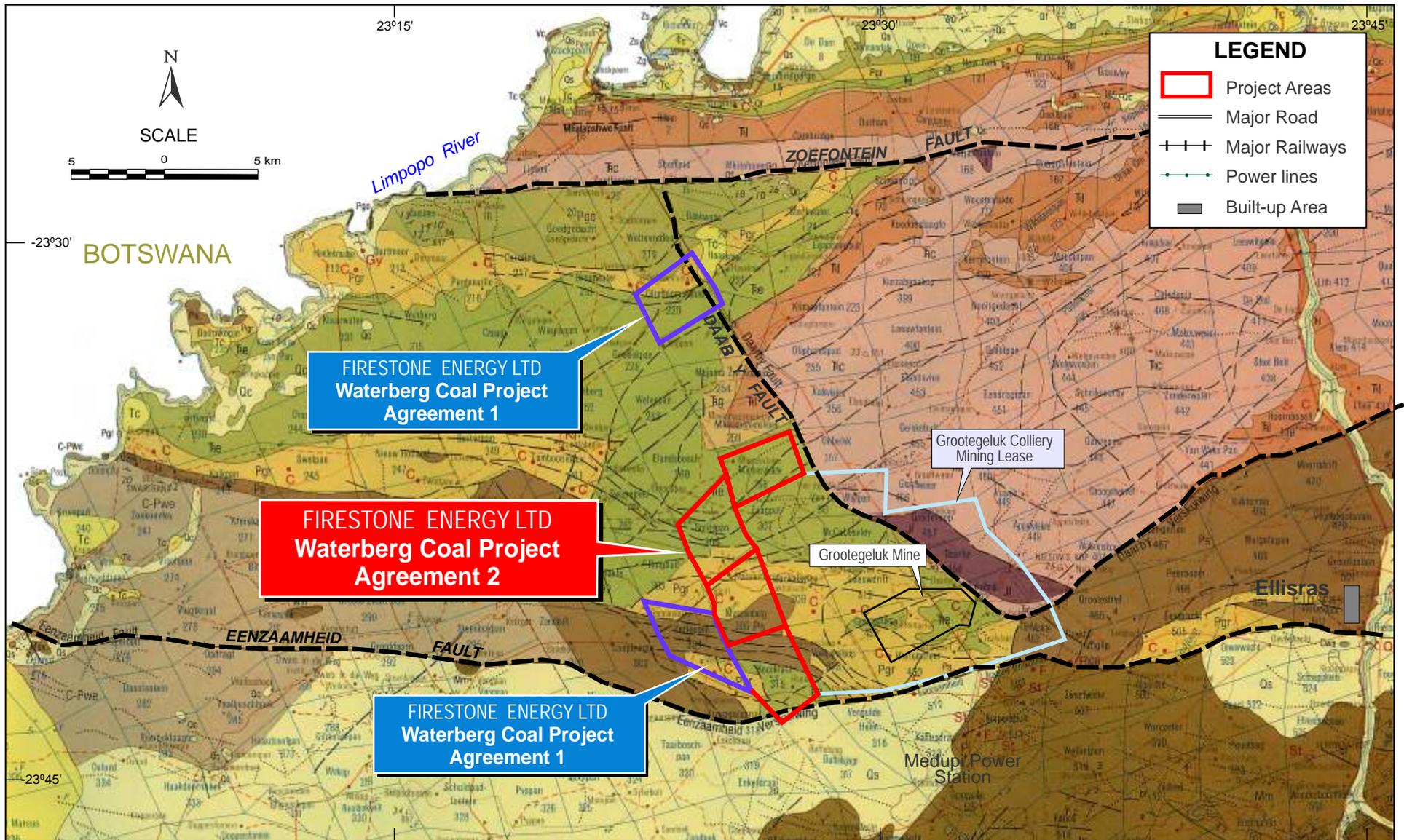
**Location map of
WATERBERG COAL PROJECT
Limpopo Province**

Figure 1



**Location map of
PROJECT AREA LEASES
Limpopo Province**

Figure 2



**Location map of
PROJECT AREA LEASES
Geological Setting
Limpopo Province**

Figure 3