

FIRESTONE DIAMONDS

07

FIRESTONE DIAMONDS plc
Annual Report & Accounts 2007



Firestone Diamonds plc – an emerging force in diamond mining and exploration in Africa

Firestone Diamonds is the most active diamond explorer in Botswana, the world's largest and lowest cost producer of diamonds.



HIGHLIGHTS 2007

Key statistics

Kimberlites in licence area

92

Diamoniferous kimberlites in licence area

23

Exploration licences in Botswana

25,000 sq km

Increase in turnover in 2007

173%

2007 Developments

Tsabong

- prospecting licence granted for entire Tsabong field
- 13 kimberlites discovered
- 83 kimberlites in the field
- bulk sample plant being commissioned

BK11

- prospecting licence granted for BK11 kimberlite in the Orapa field
- evaluation programme under way
- 17 core holes completed
- Bulk sampling to be undertaken in Q1 2008

Orapa

- De Beers continue exploration under JV with Firestone
- New prospecting licences granted

Jwaneng

- De Beers commence geophysical surveys under JV with Firestone
- New prospecting licences granted

Bonte Koe Mine

- Full production reached at De Beers toll treatment mining JV

2008 Outlook

Expect number of kimberlites in the Tsabong field to reach more than 100 in 2008

Plan to drill and process 25–30 100 tonne bulk samples in the Tsabong and Orapa areas

Significant progress expected towards identification of a significant economic kimberlite in Botswana

Pursuing new projects in Botswana

Expect to commence work on Bonte Koe Mine expansion

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CORPORATE OVERVIEW

Firestone Diamonds plc is a UK-based diamond mining and exploration company with operations in Botswana and South Africa, which are the world's largest and fourth largest producers of diamonds, respectively.

Botswana

Botswana is the world's largest and lowest cost producer of diamonds, with annual production worth over \$3.5 billion. Botswana is considered to be one of the most prospective countries in the world to explore for kimberlite – the primary source rock for diamonds, with a ratio of economic kimberlites of more than 5%, compared to the global average of 1%.

Firestone is the largest holder of mineral rights in Botswana's kimberlite fields, with over 25,000 sq km under license, covering the entire Tsabong kimberlite field and much of the areas around the major Orapa and Jwaneng mines. The Tsabong kimberlite field is one of the largest diamondiferous kimberlite fields in the world, and is noted for the exceptionally large size of many of its kimberlites, in particular the 180 hectare MK1 kimberlite, which is one of the largest known diamondiferous kimberlites. Firestone has 92 kimberlites in its license areas, of which 23 have been proven to be diamondiferous and 23 are being advanced to bulk sampling in 2008.

Botswana has been a successful, stable multiparty constitutional democracy since gaining independence in 1966, and is considered to be the leading country in Africa in respect of governance. Transparency International's Corruptions Perception Index ranks Botswana as one of the least corrupt countries in the world (38 out of 179), ahead of countries such as Italy, Czech Republic, Greece and South Africa.

South Africa

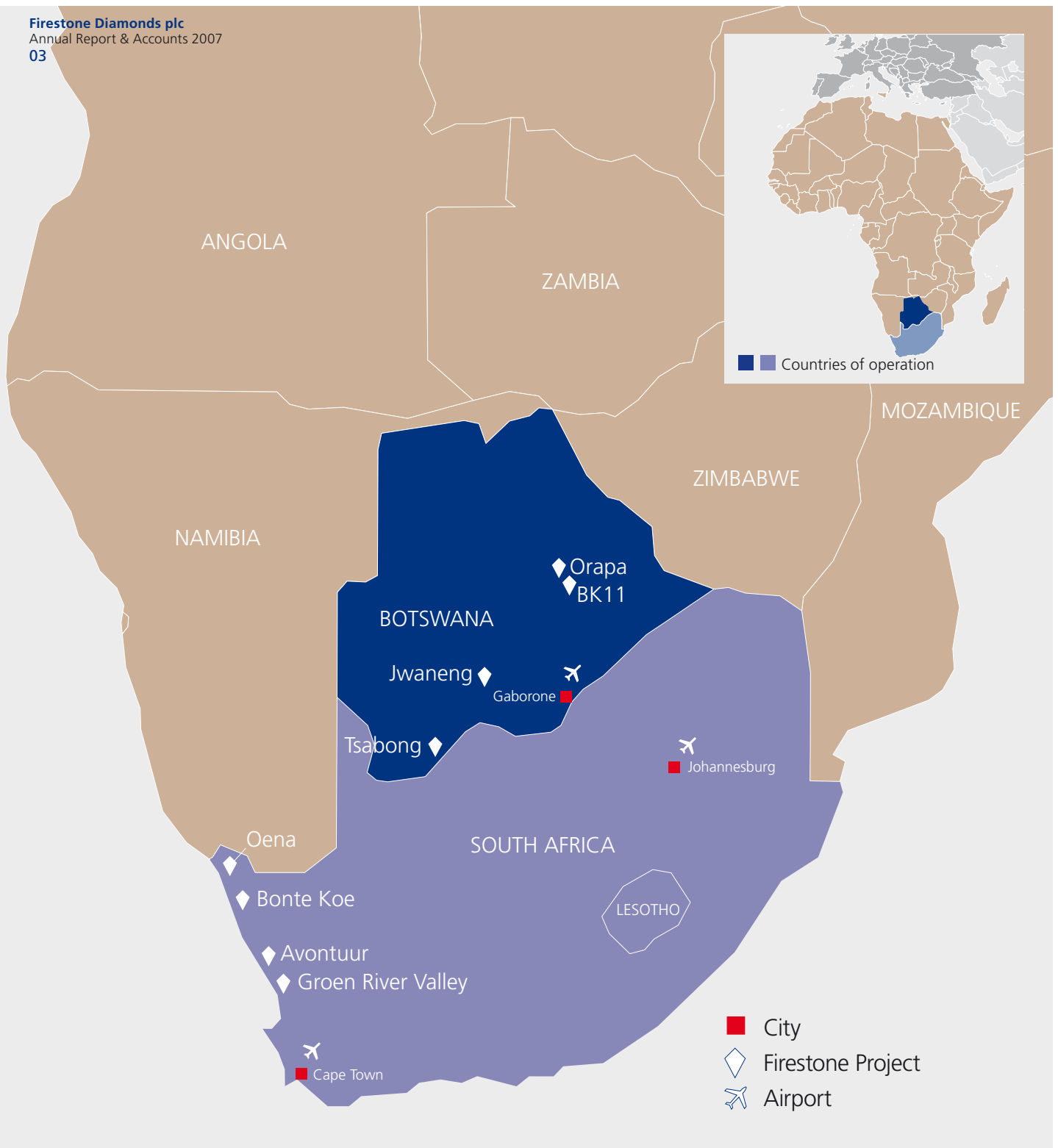
South Africa is the world's fourth largest diamond producer. Firestone's operations in South Africa are located in the Namaqualand region on the west coast. Namaqualand has been one of the world's largest alluvial diamond producing regions for the past 80 years. Firestone's most significant mining operation is its toll treatment operation at the Bonte Koe Mine, which is operated jointly with De Beers, and which provides the Company with guaranteed revenue and cash flow.



Orapa Mine (Debswana),
Botswana

Large diameter
drill rig, Botswana





Bulk sampling plant, Tsabong, Botswana



Overburden stripping, Bonte Koe Mine, South Africa

BOTSWANA KIMBERLITE FIELDS

NAMIBIA

Tsabong project

- 5,000 sq km covering entire kimberlite field
- 100% Firestone

Tsabong field

- 83 kimberlites;
18 diamondiferous
- Firestone evaluating

Gope field

- 1 out of 9 kimberlites economic
- GEM Diamonds updating feasibility on GO25

Jwaneng projects

- 3,000 sq km surrounding Jwaneng Mine in JV with De Beers (De Beers earning 61% for carrying to completion of bankable feasibility)
- 3,000 sq km surrounding Jwaneng (Firestone 100%)

Jwaneng field

- 3 out of 11 kimberlites economic
- Jwaneng Mine ~\$2B revenue p.a., >90% margin

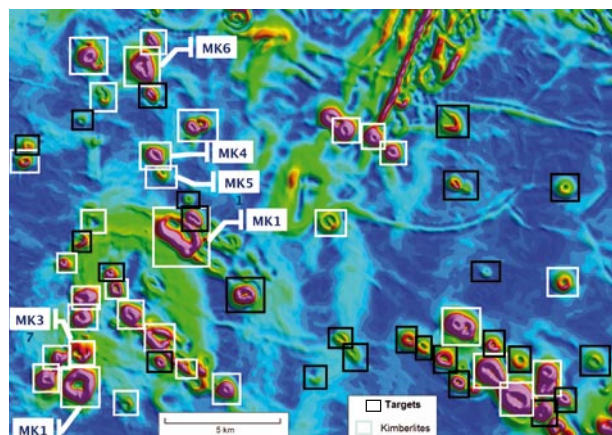
Kokong field

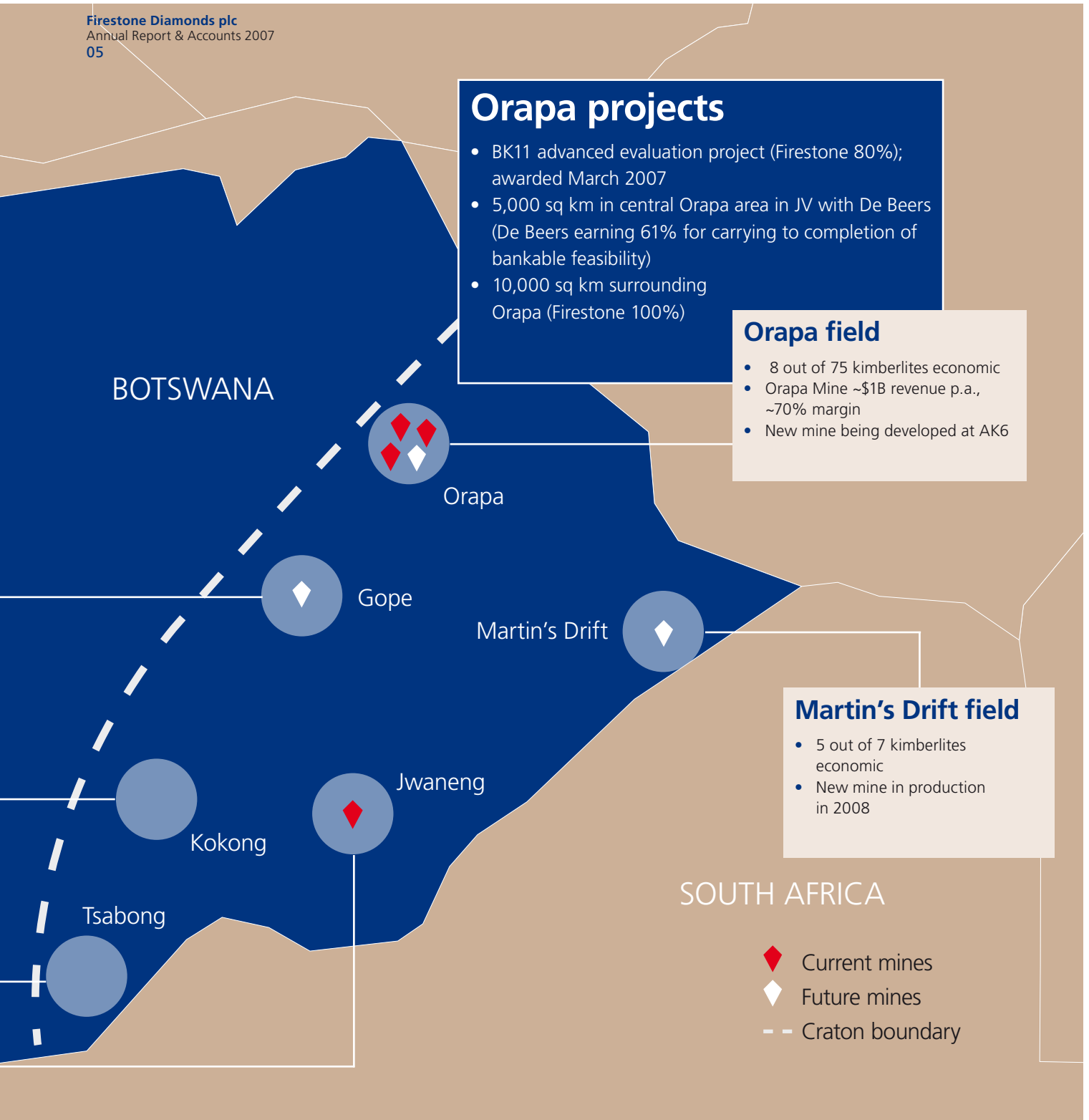
- 79 kimberlites;
19 diamondiferous
- Rio Tinto evaluating



Core drilling, MK1, Tsabong

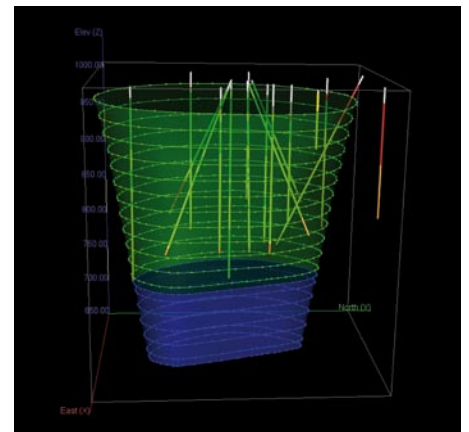
Kimberlites and geophysical targets, central Tsabong area



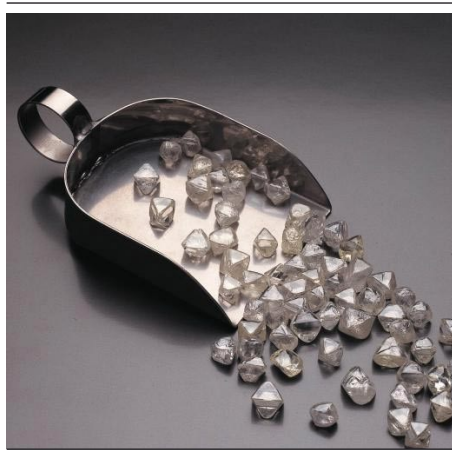


MK45 core – mantle eclogite

BK11 Kimberlite 3D model



CHAIRMAN'S STATEMENT



Dear Shareholder,

The past year has seen continued good progress in Firestone's growth and development. Activities were primarily focused on Botswana, where a number of significant additions were made to the Company's kimberlite project portfolio.

Botswana Tsabong

The most significant development during the financial year was the granting in October 2006 of licences over 5,000 sq km covering the entire Tsabong kimberlite field. Tsabong is one of the largest diamondiferous kimberlite fields in the world and includes the 180 hectare MK1 kimberlite, which is one of the largest known diamondiferous kimberlites. When we applied for these licences we believed that the potential for an economic discovery was good, as the field is located in the same geological setting as the major Orapa and Jwaneng mines and none of the Tsabong kimberlites had ever been evaluated on an adequate scale or with modern techniques. Positive results from work carried out over the past year have strengthened this belief.

Our primary focus at Tsabong has been to identify and evaluate the kimberlites in the field with the best economic potential as rapidly as possible. Approximately 5,300 metres of percussion drilling and 2,800 metres of core drilling have been carried out, and extensive laboratory and kimberlitic indicator mineral ('KIM') chemistry analysis undertaken. Based on the results of this work, 14 high priority kimberlites have been selected for large diameter drill ('LDD') bulk sampling in 2008. MK1 and MK31 are the most significant of these as they are already proven to contain microdiamonds, have good KIM chemistry and are very large, at 180 and 75 hectares, respectively.

A ten tonne per hour bulk sampling plant has been constructed and is currently being commissioned at Tsabong. The bulk sampling plant will be the only sample treatment facility in Botswana outside De Beers and will be a key asset for the Company, as material will be processed rapidly and without the risk of delays from commercial laboratories or contractors. The first bulk sample material is expected to be processed early next year.

There is significant potential for the discovery of new kimberlites at Tsabong. Excellent progress has been made and we are pleased to announce the discovery of two additional kimberlites, bringing the total discovered in the past year to 13 and the total number of known kimberlites in the field to 83. Microdiamond, KIM chemistry and petrographic analysis are currently underway, on the basis of which some of the kimberlites may be added to the high priority list for bulk sampling. With many more geophysical targets to drill, the Company expects to continue to make new discoveries and the number of kimberlites in the field to increase to more than 100 as exploration continues in 2008.

BK11

In March 2007, the Company was awarded a prospecting licence for the BK11 kimberlite, from which previous evaluation work produced grades of up to 16 carats per 100 tonnes. BK11 is situated approximately 20 km south east of Debswana's Orapa Mine and 5 km north east of the AK6 kimberlite, on which De Beers and African Diamonds are developing a new mine. BK11 is estimated to be approximately 8 hectares in size and overburden is shallow, at less than 20 metres. With its location close to the infrastructure around the mines in the Orapa region, the grade required for BK11 to be economically viable is expected to be modest.

Detailed ground geophysical surveys and approximately 3,000 metres of core drilling have been carried out, from which a detailed 3D geological model of the kimberlite has been developed. LDD bulk sampling will be carried out in early 2008 in order to establish a representative grade for the kimberlite and to recover sufficient macro diamonds to provide an estimate of the diamond value. Subject to the results of this work, additional LDD sampling and resource delineation work will be undertaken in 2008.

Orapa and Jwaneng

Continued progress was made in the Jwaneng and Orapa areas, where the Company is the largest holder of diamond exploration rights around the Jwaneng and Orapa mines. Some of these areas are being explored by De Beers in joint venture with Firestone.

De Beers undertook high resolution airborne geophysical surveys over approximately 50% of the Jwaneng joint venture area during the year. These surveys are expected to be completed in 2008 following which drilling of targets will take place. De Beers undertook a number of additional geophysical and geochemical surveys in the Orapa joint venture area during the year, and further exploration drilling is planned in 2008.

The Company also announces that it has been granted new prospecting licences over an area of approximately 1,000 sq km in the Orapa region and approximately 3,000 sq km in the Jwaneng region. These new licenses increase Firestone's position as the largest holder of diamond exploration rights in Botswana's kimberlite fields, with approximately 26,000 square kilometres now under licence. Exploration on these areas will be carried out by Firestone, and work is expected to commence in 2008.

South Africa

Activities in South Africa were primarily focused on the Company's toll-treatment joint venture project with De Beers at the Bonte Koe Mine. Processing of material for De Beers commenced at the start of the year and continued while work was being undertaken to expand the capacity of the plant. The expansion was completed in the second half of the financial year and the plant is now operating at its full design capacity of one million tonnes per annum. This project is very significant for Firestone, as it provides the Company with assured revenue and cash flow for the six year duration of the project. Discussions are currently under way in relation to further increases in production capacity in order to exploit additional De Beers' resources in the area.

Limited work was undertaken at Firestone's other alluvial mining and exploration projects in South Africa during the year. With Botswana being the primary focus for the Company's exploration activities and with the Bonte Koe operation in South Africa now in full production, the Company intends to focus its future activities in South Africa on low risk toll-treatment and joint venture mining opportunities. As a result, the Company has decided to sell or joint venture its other assets in South Africa at the Oena Mine, the Avontuur Mine and the Groen River Valley and has agreed to terminate its joint venture with De Beers at the Groen River Valley.

Financial

Turnover for the year increased 173% to £1.6 million, principally as a result of the commencement of the toll-treatment project at Bonte Koe. The Company produced a profit for the year of £100,000. Revenue for the current financial year is expected to



Tsabong town

CHAIRMAN'S STATEMENT continued



MK45 core – mantle eclogite

continue to rise significantly, with Bonte Koe contributing at full capacity for the whole year. The Company disposed of its interest in African Diamonds plc after the end of the financial year, generating a profit of over £2 million, and intends to use the proceeds to accelerate exploration and evaluation work at Tsabong and BK11.

Outlook

Botswana is the world's largest and lowest cost producer of diamonds and we believe that it is likely that further major economic discoveries will be made there. With 92 known kimberlites in our licence areas, the likelihood of more discoveries being made in 2008 and positive results received from work carried out over the past year, we believe that Firestone has a very good chance of making such a discovery. We intend to substantially increase the pace of our activities in Botswana. We plan to process between 25 and 30, 100 tonne mini bulk samples in 2008, which will allow us to make significant progress towards identifying the economic potential of our kimberlites by the end of the year.

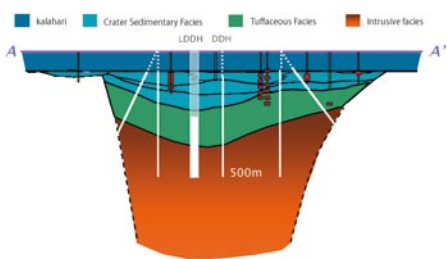
Firestone has made considerable progress over the past year and we are increasingly confident about the Company's long-term prospects. With a highly prospective portfolio in Botswana, the financial resources to develop the portfolio and a very experienced technical and management team in place, we believe that we are well placed to take advantage of what we expect will be several years of rising prices in the rough diamond market.

Finally, I would like to record the Board's appreciation of the continued dedication and commitment of our senior management and staff, who have contributed to the Company's continued growth and development over the past year.

James F Kenny
Chairman

14 December 2007

PROJECT OVERVIEW



MK1 kimberlite cross-section

Tsabong, Botswana

The Tsabong kimberlite field is located in south-western Botswana, approximately 280 km south-west of the Jwaneng Mine, which is the world's most profitable diamond mine, producing over \$2 billion revenue and over \$1.8 billion operating profit per annum. The Tsabong project extends over an area of approximately 5,000 sq km, and covers the entire Tsabong kimberlite field.

Tsabong is one of the largest diamondiferous kimberlite fields in the world, containing 83 known kimberlites, of which 18 have been proven to be diamondiferous. It is noted for the exceptionally large size of many of its kimberlites, in particular the 180 hectare MK1 kimberlite, which is one of the largest known diamondiferous kimberlites. The Tsabong field also contains five kimberlites larger than 50 hectares and 32 kimberlites between 20 and 50 hectares in size.

Firestone is carrying out two parallel work programmes at Tsabong. The first is an intensive evaluation programme on the known diamondiferous kimberlites. The second is an exploration programme targeting new kimberlite discoveries.

The evaluation programme is currently focused on 14 high interest kimberlites that have been selected on the basis of diamond content, kimberlite indicator mineral ('KIM') chemistry and size. A programme of 12,000 metres of core drilling is being undertaken on

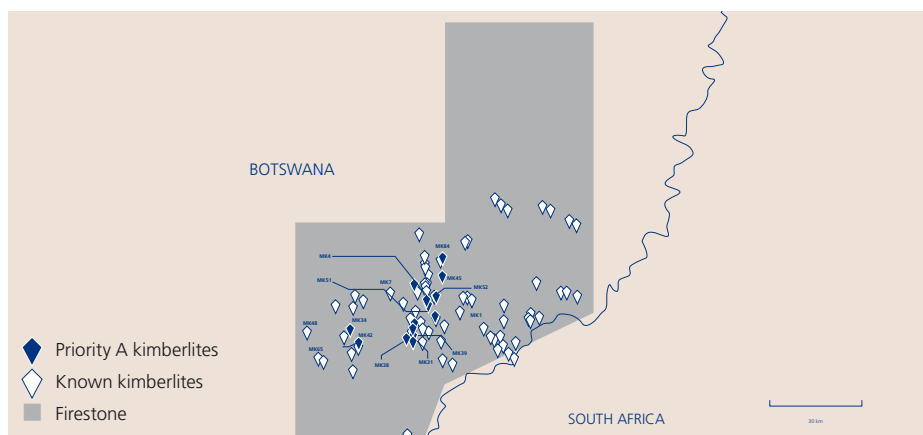
these kimberlites to obtain material for detailed micro-diamond, KIM chemistry and petrographic analyses. This work will allow more accurate assessments of the economic potential of the kimberlites to be made and to select kimberlites for bulk sampling. Bulk samples will be taken by large diameter drilling to provide an indication of grade and diamond value.

The exploration programme is targeting approximately 80 well defined geophysical anomalies that have been identified by interpretation of aeromagnetic survey data over the area. A 10,000 metre exploration drilling programme is currently under way, with 13 kimberlites discovered to date. The Company expects the total number of kimberlites in the Tsabong area to reach more than 100 by the end of 2008.

With rough diamond prices estimated to have tripled since the Tsabong field was discovered in the early 1980s, the threshold for economic viability is modest. A kimberlite in Tsabong with a moderate grade of 20 cpht and average quality diamonds of \$100 per carat would support a large-scale, profitable mining operation. Access to the area is via tarred road from Gaborone and infrastructure in the area is good. Firestone owns a 100% interest in the Tsabong project.

Tsabong Project

- Covers 5,000 square kilometres and entire Tsabong field
- Contains 83 kimberlites, 18 diamondiferous
- Thirteen kimberlites discovered since November 2006
- Expect number of kimberlites in the Tsabong field to reach more than 100 in 2008
- 25–30 bulk samples planned in 2008



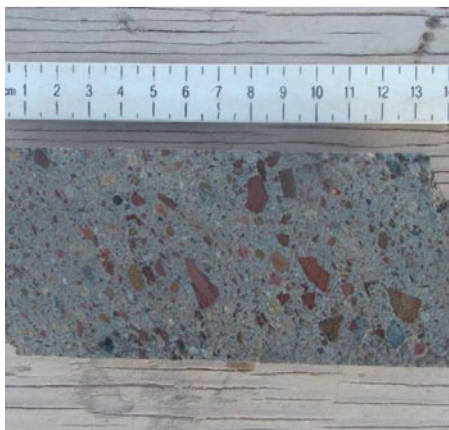
PROJECT OVERVIEW continued

Tsabong Botswana continued

Priority A kimberlites for bulk sampling

Kimberlite	Surface Area	Macrodiamonds recovered	Microdiamonds recovered	Comments
MK 1	180	+	+	Very large size; 13% G10 garnets
MK 31	75	NS	+	Large size
MK 45	25	NS	-	4% G10 garnets; best KIM chemistry
MK 4	20	NS	+	10% G10 garnets
MK 42	20	NS	+	
MK 39	20	NS	+	
MK 38	20	NS	+	24% G10 garnets; best KIM chemistry
MK 7	20	NS	-	Group 1 eclogitic garnets
MK 34	20	NS	+	
MK 52	15	NS	+	
MK 51	10	NS	+	17% G10 garnets
MK 84	10	NS	-	10% G10 garnets; best KIM chemistry
MK 65	10	NS	+	Best diamond results
MK 48	10	NS	+	

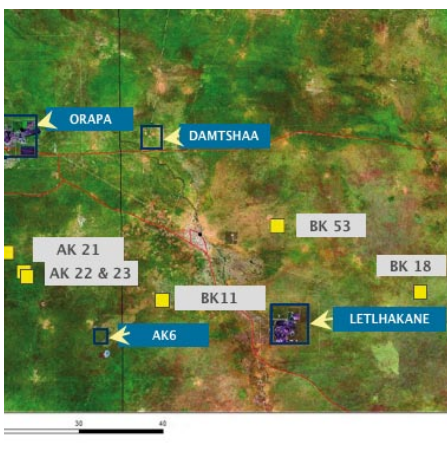
NS = not yet sampled



MK45 core – olivine macrocrysts and graded bedding

MK1 core, 375m depth





Firestone kimberlites in Orapa area

BK11, Orapa kimberlite field, Botswana

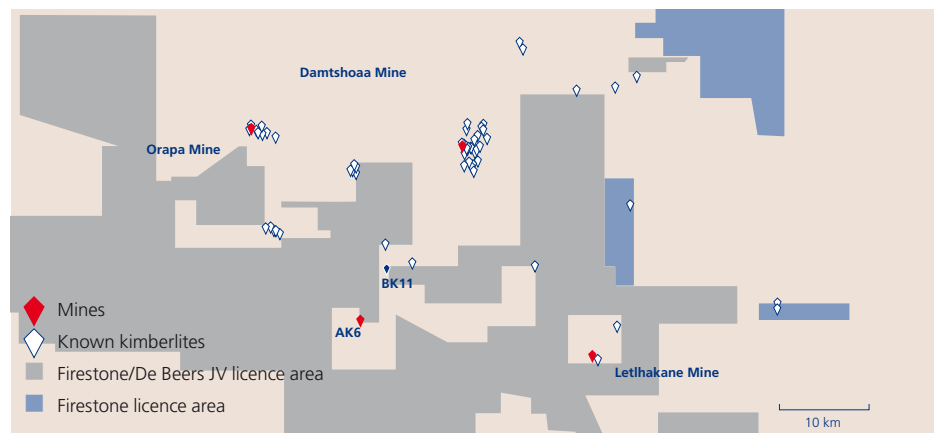
The BK11 kimberlite is located in the Orapa kimberlite field in northern Botswana. With eight economic kimberlites out of the 75 kimberlites discovered in the field to date and a new mine being developed by African Diamonds plc in joint venture with De Beers, the Orapa field has an economic ratio of more than 10%, which is significantly higher than the global average of 1%. The Orapa Mine produces approximately \$1 billion in revenue and \$800 million in operating profit per annum, and is one of the richest diamond mines in the world.

BK11 is located approximately 7 km north-west and 20 km south-east of De Beers' Letlhakane and Orapa mines, respectively, and is within 5 km of the proposed new mine at AK6. BK11 was discovered by De Beers in 1974 but limited evaluation was carried out at the time. The surface area of BK11 is estimated to be 8 hectares, and overburden is shallow at less than 20 metres. Historical sampling on BK11 has produced grades of between 2 and 17 carats per 100 tonnes.

Firestone was awarded a prospecting licence for BK11 in March 2007, and is currently carrying out a detailed evaluation programme to provide better estimates of grade and to recover sufficient macro diamonds to provide an indication of diamond value. Bulk sampling is expected to be completed in early 2008 following which, subject to results, resource delineation work will be undertaken. With the well developed infrastructure in the Orapa area and a new mine being developed 5 km away at AK6, the grade required for BK11 to be economically viable is modest. Firestone owns an 80% interest in BK11.

BK11 Project

- 8 hectare kimberlite
- Located in centre of Orapa mining area
- Historical grades between 2 and 17 carats per hundred tonnes
- Bulk sampling planned in 2008



PROJECT OVERVIEW continued



Orapa Mine (Debswana)

Orapa, Botswana

In addition to the BK11 kimberlite evaluation project, Firestone holds prospecting licences over a total of 15,000 square kilometres in the Orapa area.

De Beers joint venture area

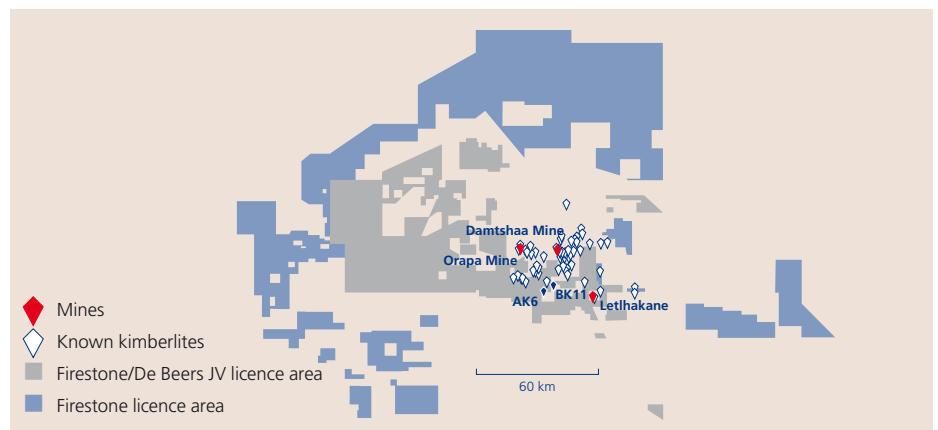
The Orapa joint venture project with De Beers covers an area of approximately 5,000 sq km close to the Orapa and Letlhakane mines. Under the terms of the joint venture, De Beers is financing all exploration and evaluation work up to completion of bankable feasibility in return for a 61% interest in the project. De Beers has carried out more than 50,000 line kilometres of high-resolution airborne and ground geophysical surveys, and drilling to date has discovered four new kimberlites. Follow-up geophysical surveys and exploration drilling are planned to continue in 2008.

Firestone Exploration Area

Firestone was awarded new prospecting licences in 2006 and 2007 over an area of approximately 10,000 sq km in the Orapa region. Field work in this area commenced at the end of 2006 and is continuing, with high resolution geophysical surveys being undertaken over the area to identify drilling targets. Exploration drilling is expected to commence in 2008. Firestone owns a 100% interest in these prospecting licences.

Orapa Projects

- Cover 15,000 sq km
- Contain 8 kimberlites, 4 diamondiferous
- Airborne and ground geophysics under way
- Target drilling to continue in 2008





Jwaneng Mine (Debswana)

Jwaneng, Botswana

Firestone holds prospecting licences over a total of approximately 6,000 sq km in the Jwaneng area. The Jwaneng Mine is the world's biggest diamond mine, producing over \$2 billion revenue and over \$1.8 billion operating profit per annum. Much of the area covered by the Jwaneng prospecting licences has never been fully explored using modern geophysical exploration techniques and is considered to be highly prospective for the discovery of new diamondiferous kimberlites.

De Beers joint venture area

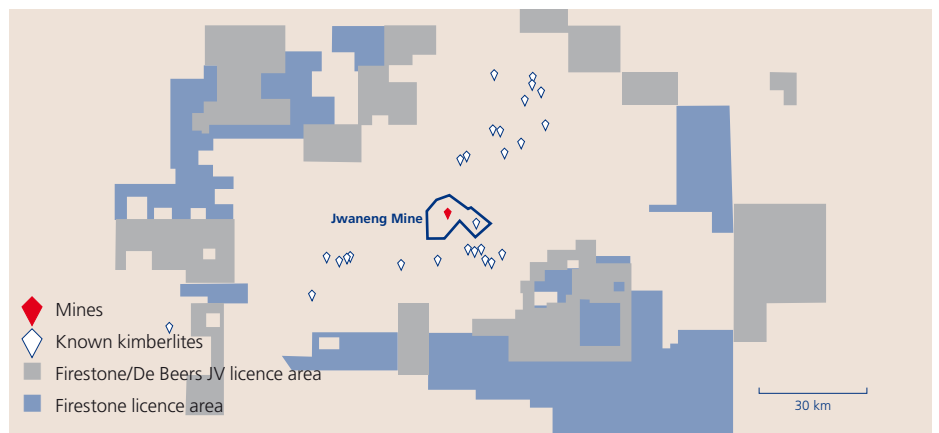
The Jwaneng joint venture project with De Beers covers an area of approximately 3,000 sq km located around the Jwaneng Mine. Under the terms of the joint venture, De Beers is financing all exploration and evaluation work up to completion of bankable feasibility in return for a 61% interest in the project. De Beers is currently undertaking high resolution airborne and ground geophysical surveys in the area, and drilling of targets is expected to commence in 2008.

Firestone exploration area

Firestone was awarded new prospecting licences in 2006 and 2007, over an area of approximately 3,000 sq km in the Jwaneng region. Field work in this area is expected to commence in the first half of 2008, with a high resolution airborne geophysical survey currently planned. Follow-up ground geophysical surveys and drilling of targets is expected to take place in the second half of 2008. Firestone owns a 100% interest in these prospecting licences.

Jwaneng Projects

- Cover 6,000 sq km
- Airborne and ground geophysics under way
- Target drilling to commence in 2008



PROJECT OVERVIEW continued



Processing Plant, Bonte Koe

Bonte Koe Mine, South Africa

The Bonte Koe mine covers an area of approximately 25 sq km along the Buffels River in Namaqualand, a region that has been a significant diamond producing area for the past 40 years. Mining operations in the area have produced an estimated total of over three million carats, with an estimated current value of over \$750 million. The Buffels River area produces diamonds with an average size of approximately 0.4 carats per stone and a value of over \$200 per carat.

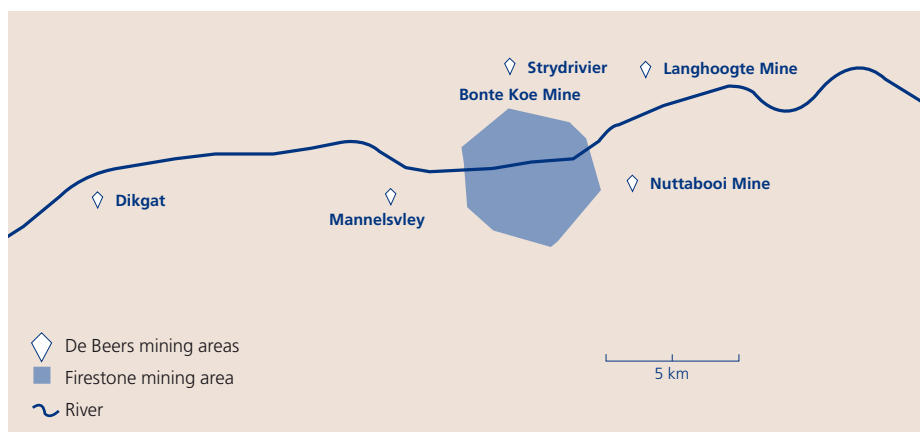
Firestone has entered into an agreement with De Beers to jointly exploit deposits on the Buffels River adjacent to Bonte Koe over which De Beers holds mining rights. Under the terms of the agreement Firestone will use its plant and infrastructure at Bonte Koe to process gravel mined by De Beers on a toll-treatment basis.

The agreement with De Beers is very significant for Firestone as it provides the Company with assured revenue and cash flow for the duration of the Buffels River project. The operation is expected to provide Firestone with average annual revenue of approximately £3.5 million and operating profits of £2 million. Firestone's revenue and profits from the project could increase further through an increase in mineable resources in the Buffels River area, which would extend the life of the project to beyond 2013, and through profit sharing provisions in the agreement with De Beers. Following the completion of a significant expansion to the plant capacity at Bonte Koe in early 2007, the plant is now operating at full capacity. A further expansion to the plant is now being considered.

Firestone's interest in the Bonte Koe Mine is held through African Star Minerals, the Company's black empowerment subsidiary.

Bonte Koe Mine

- Toll-treatment project with De Beers
- Low risk revenue and cash flow until 2013
- Now operating at full capacity, which will produce £3.5 million annual revenue
- Capacity expansion being considered





Mining operations, South Africa

Alluvial Mining and Exploration Projects, South Africa

Following the decision to focus the Company's exploration and development activities on its kimberlite projects in Botswana, the Company has decided to seek expressions of interest in relation to the sale or joint venturing of its Groen River Valley, Oena and Avontuur projects. This process is expected to commence in 2008, during which time operations will continue at these projects on a limited basis.

Groen River Valley

The Groen River Valley exploration project covers an area of approximately 500 sq km of the lower reaches of the Groen River in Namaqualand. A considerable amount of prospecting has been carried out by Firestone, resulting in the identification of the Palaeo river systems which were responsible for transporting the diamonds of large size and high quality that have been mined near the mouth of the Groen River by De Beers and other operators. Firestone owns a 100% interest in the Groen River Valley project.

Oena Mine

The Oena Mine is located on the lower Orange River in a well established diamond producing area which produces diamonds comparable to the best in the world, typically selling at prices over \$1,500 per carat. The Oena mining lease covers 89 sq km, and extends along 15 km of the Orange River. Oena is located upstream of the Auchas Mine, operated by De Beers, and the Baken Mine, operated by Trans Hex, South Africa's second largest diamond producer. Firestone owns an 87.5% interest in the Oena Mine.

Avontuur Mine

The Avontuur Mine covers approximately 26 sq km and is located near the coastal town of Hondeklip Bay in Namaqualand. The Hondeklip Bay area produces diamonds with an average size of approximately 0.2 carats per stone and a value of \$110–\$120 per carat. Firestone owns a 100% interest in the Avontuur Mine.

Alluvial Mining and Exploration Projects

- Groen River Valley, Oena Mine and Avontuur Mine projects to be sold or joint ventured



DIRECTORS AND SENIOR MANAGEMENT



James Kenny, B.A., LL.B., M.Sc.
Chairman

Jim Kenny is a graduate in law and economics from University College, Dublin, and holds a Masters degree in Economics from Columbia University Graduate School of Business Administration, New York. He has over 30 years' experience as chairman and chief executive of several private and publicly quoted companies in natural resources exploration and production in the oil and gas, gold, diamonds, base-metals and industrial minerals sectors.



Philip Kenny, B.E., M.B.A.
Chief Executive Officer

Philip Kenny is a graduate in Mechanical Engineering from University College, Dublin, and holds postgraduate qualifications in Engineering from Trinity College, Dublin and a Master of Business Administration in Finance from Boston College, Massachusetts. He has 25 years' experience in the mining, and oil and gas sectors in Europe, Africa and the US, and has worked for more than 12 years in the diamond mining and exploration business.



Tim Wilkes, B.Sc.
Chief Operating Officer

Tim Wilkes is a graduate in geology from Kingston University, England and has over 26 years' experience on kimberlite and alluvial diamond exploration, evaluation and mining projects worldwide. He spent 18 years with De Beers, where he was the Competent Person and General Manager – Mineral Resource Management, with responsibilities for the management of De Beers' mineral resource portfolio worldwide. He is a member of the sub-committee for diamonds of the South African Mineral Resource Committee (SAMREC).



Jan Louw, B.E.
Director of Operations

Jan Louw is a graduate in Mechanical Engineering from Stellenbosch University, South Africa and has extensive experience in planning, developing and managing large scale open cast mining operations. He worked in senior management positions for Anglo American for 16 years in South Africa and Namibia, and was Mine Manager at Anglo American's Namakwa Sands mining operation in South Africa prior to joining Firestone Diamonds.



James Kenny, B.Comm., M.B.S.
Director

James Kenny holds a Bachelor of Commerce (Honours) and a Master's Degree in Finance from University College Dublin. He has over 18 years' investment banking experience in the natural resources and other sectors. He has worked for Natwest and was a Director of ABN AMRO and ABN AMRO Rothschild. He was the founder and former Chief Executive of Evolution Capital Limited, now part of Evolution Securities plc and is currently a director of Metro Capital Management, Axelon plc and Advantage Partners International.



Hugh Jenner-Clarke, B.Sc., F.G.S.
Director

Hugh Jenner-Clarke is a graduate in geology (Honours) from Imperial College, London. He has over 40 years' experience in the diamond exploration industry as a geologist and exploration manager. He has worked on diamond exploration and mining projects in South Africa, Botswana, Australia, the USA and South America.



Michael Hampton, B.A.
Non-executive Director

Mike Hampton hold a Bachelor of Arts degree from Harvard University. He has an extensive background in financing in the mining, commodities and shipping sectors. He spent 20 years at Chase Manhattan Bank and Swiss Bank in New York, Hong Kong, London and Chicago and has been involved in raising start-up and development capital for clients in the mining sector for over 15 years.



William Douglas Baxter, M.A., M.A.I.
Non-executive Director

Doug Baxter holds a Masters degree in Engineering from Trinity College, Dublin, and is a Fellow of both the Institution of Civil Engineers of Ireland and of the Institution of Civil Engineers (UK). He has over 35 years' experience with Ove Arup & Partners and other companies in major engineering projects in Europe, Asia, the Middle East and Africa.

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 30 June 2007.

Results and dividends

The Group profit for the year after taxation and minority interests amounted to £55,003 (2006: loss as restated £194,598). The directors do not recommend the payment of a dividend.

Principal activity

The principal activity of the Group was diamond exploration and mining. The principal activity of the Company was that of a holding company.

Review of business and future developments

A detailed review of the business and future developments is included in the Chairman's Statement on pages 6 to 8.

Share capital

At 11 December 2007, the Company has been notified of the following interests in the issued ordinary share capital:

	Shares	%
Blenheim Trust Company Limited	7,450,000	12.91
Aurora International Investments Limited	7,200,000	12.91
AXA S.A	5,781,018	10.37
Gartmore Investment Management Plc, Gartmore Investment Limited and Gartmore Fund Managers Limited	5,170,527	9.27
Artemis Investment Management Limited	3,115,000	5.59
JP Morgan Asset Management	3,065,536	5.50

Directors

The directors who served during the period were as follows:

J F Kenny
H C D Jenner-Clarke
P Kenny
M J Hampton
J Kenny Jnr
W D Baxter

Business and financial risks

The business of diamond exploration and mining has a number of inherent risks. These risks include the Company failing to identify economically viable diamond deposits at its exploration projects and the possible failure to produce the expected tonnage, grade or diamond quality at the Company's mining and processing operations. The Board is aware of these risks and regularly reviews progress at all of the Company's projects in order to identify and manage these risks in the most effective manner. The Company takes out suitable insurance against operational risks that are anticipated as being material.

The Company is exposed to a number of different currency risks between the Rand, US Dollar, Sterling and Pula. The Group values and sells its diamonds in US Dollars, but proceeds of sales are received in Rand. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Rand and Sterling/Rand rates. The Group's expenses in Botswana and South Africa are incurred in Pula and Rand, respectively, so any weakening in the Pula or Rand would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Pula or Rand. The Company does not hedge its currency positions other than for short term transfers of funds between currencies which are expected to be reversed within 12 months. The Board monitors and reviews its policies in this regard on a regular basis.

The Group's borrowings are all subject to a floating rate of interest and taken out in Rand. The Group's policy for future borrowings will be to continue to take floating rates unless fixed rate financing is available at particularly attractive rates.

Further details of the Group's financial risk management objectives and policies are set out in note 18 to the financial statements.

Post balance sheet events

After the end of the year Firestone Diamonds plc and its subsidiaries disposed of their interests in African Diamonds plc, which comprised of shares in and derivative contracts over shares in African Diamonds, for total net proceeds of £4.9 million.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Going concern

Following a review of the Company's financial position, the directors have concluded that sufficient financial resources will be available to meet the Company's current and foreseeable working capital requirements. On this basis, they consider it appropriate to prepare the financial statements on a going concern basis.

Payment policy

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 30 June 2007, the Group had an average of 19 days (2006: 22 days) purchases outstanding in trade creditors.

Disclosure of audit information

Each of the directors has confirmed that so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate governance

The directors believe that the Company complies with the principles set out in The Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council so far as they consider is appropriate, having regard to the size and nature of activities of the Group.

Auditors

PKF (UK) LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

P Kenny
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRESTONE DIAMONDS PLC

We have audited the Group and Parent Company financial statements ('the financial statements') of Firestone Diamonds plc for the year ended 30 June 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Project Overview. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 30 June 2007, and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP

Registered Auditors
London, UK

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 £	2006 As restated £
Turnover	2	1,633,393	598,290
Change in stocks of finished goods and in work in progress		85,109	(41,007)
Raw materials and consumables		(274,143)	(189,813)
Staff costs		(319,990)	(165,637)
Depreciation and amortisation		(536,105)	(184,557)
Other operating charges		(664,353)	(588,250)
Operating (loss)		(76,089)	(570,974)
Interest receivable and similar income	3	280,834	209,983
Interest payable and similar charges	4	(134,335)	(136,963)
Profit/(loss) on ordinary activities before taxation	5	70,410	(497,954)
Deferred tax on profit/(loss) on ordinary activities	8	(35,730)	158,497
Profit/(loss) on ordinary activities after taxation		34,680	(339,457)
Minority interests		20,323	144,859
Profit/(loss) for the year	20	55,003	(194,598)
Earnings/(loss) per share			
Basic profit/(loss) per share	9	0.1p	(0.4)p
Diluted profit/(loss) per share	9	0.1p	(0.4)p

Turnover is wholly derived from continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2007

	2007 £	2006 As restated £
Profit/(loss) for the financial year	55,003	(194,598)
Currency translation differences	(1,799,559)	(1,521,627)
Deferred tax on exchange differences	(308,755)	279,173
Total recognised gains and losses for the year	(2,053,311)	(1,437,052)

CONSOLIDATED BALANCE SHEET

30 JUNE 2007

	Notes	2007		2006	
		£	£	£	As restated £
Fixed assets					
Intangible assets	10	11,404,238		9,149,294	
Tangible assets	11	12,568,132		11,255,607	
Investments	12	3,078,550		3,078,550	
		27,050,920		23,483,451	
Current assets					
Stocks	13	275,508		64,570	
Debtors	14	2,510,435		1,886,790	
Cash at bank and in hand		1,118,790		4,750,506	
		3,904,733		6,701,866	
Creditors					
Amounts falling due within one year	15	(2,064,097)		(940,193)	
Net current assets		1,840,636		5,761,673	
Total assets less current liabilities		28,891,556		29,245,124	
Creditors					
Amounts falling due after one year	15	(2,163,178)		(450,130)	
Provisions for liabilities and charges					
Other provisions	16	(338,756)		(580,909)	
Deferred tax	17	(294,161)		(323,328)	
		(632,917)		(904,237)	
Net assets		26,095,461		27,890,757	
Capital and reserves					
Called up share capital	19	11,158,290		11,151,581	
Share premium account	20	19,181,560		19,132,921	
Merger reserve	20	(1,076,399)		(1,076,399)	
Profit and loss account	20	(3,409,640)		(1,356,329)	
Share option reserve	20	452,852		244,385	
Equity shareholders' funds	21	26,306,663		28,096,159	
Minority equity interests		(211,202)		(205,402)	
		26,095,461		27,890,757	

Approved and authorised for issue by the Board on 17 December 2007.

P Kenny
Director

COMPANY BALANCE SHEET

30 JUNE 2007

	Notes	2007		2006	
		£	£	£	£
Fixed assets					
Investments	12		28,511,847		26,212,109
			28,511,847		26,212,109
Current assets					
Debtors	14	149		11,597	
Cash at bank		1,868,099		4,156,226	
		1,868,248		4,167,823	
Creditors					
Amounts falling due within one year	15	(180,388)		(82,841)	
Net current assets			1,687,860		4,084,982
Total assets			30,199,707		30,297,091
Capital and reserves					
Called up share capital	19		11,158,290		11,151,581
Share premium account	20		19,181,560		19,132,921
Profit and loss account	20		(140,143)		12,589
Equity shareholders' funds			30,199,707		30,297,091

Approved and authorised for issue by the Board on 17 December 2007.

P Kenny
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007		2006	
		£	£	£	£
Net cash outflow from operating activities	22		(585,161)		(2,401,275)
Returns on investments and servicing of finance					
Interest received		98,001		209,983	
Interest element of finance lease payments		(30,682)		(34,049)	
Interest paid on loans		(103,653)		(102,914)	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(36,334)		73,020
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		(2,202,029)		(3,569,192)	
Payments to acquire tangible fixed assets		(2,893,420)		(1,112,274)	
Receipts from sales of tangible fixed assets		94,696		118,169	
Net cash outflow from capital expenditure and financial investment			(5,000,753)		(4,563,297)
Net cash outflow before use of liquid resources and financing			(5,622,248)		(6,891,552)
Liquid resources					
Amounts paid into short-term deposits		–		(2,066,694)	
Amounts paid out of short-term deposits		2,066,694		–	
			2,066,694		(2,066,694)
Financing					
Long-term loans		2,132,115		–	
Repayment of long-term loans		(6,847)		(210,854)	
Issue of ordinary share capital		55,348		9,884,975	
Finance lease payments		(219,342)		(104,991)	
			1,961,274		9,569,130
(Decrease)/increase in cash	23 & 24		(1,594,280)		610,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Basis of consolidation

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value, reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary, are taken to the profit and loss account.

The Consolidated Profit and Loss Account and Consolidated Balance Sheet include the financial statements of the Company and its subsidiary undertakings up to 30 June 2007. The results of subsidiaries acquired are included in the Consolidated Profit and Loss Account from the date on which control passes. Intra-group sales and profits are eliminated fully on consolidation.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented in respect of the Company. The Company's loss for the year is £152,732 (2006: a profit of £223,505).

(c) Turnover

Turnover represents the value of diamonds sold and services provided, net of sales taxes. For diamond sales, turnover represents the invoiced value of diamond sales and is recognised at the date on which the sale occurs. For toll treatment services, turnover represents the value of services provided based on volumes process under the contract during the period.

(d) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired and is amortised through the profit and loss account over its useful economic life on a depletion percentage basis related to the associated mining property.

Provision is made for any impairment in the carrying value of goodwill to the extent that the asset's recoverable amount is reduced below its carrying value.

(e) Intangible assets

Costs relating to the acquisition, exploration and development of mineral properties are capitalised until such time as an economic reserve is defined and mining commences or the mining property is abandoned.

Provision is made for impairment to the extent that the asset's carrying value exceeds its net recoverable amount.

Capitalised exploration and development costs have been reclassified as tangible fixed assets for those projects currently in production.

(f) Tangible assets

Expenditure on additions and improvements is capitalised as incurred. Fixed assets are included at historical cost.

Tangible fixed assets are depreciated over their estimated useful lives on a straight-line basis, except mining property and exploration and development costs, which are depreciated on the depletion percentage basis. The following annual rates of depreciation have been used.

Mining equipment	-10%
Plant and equipment	-10%
Motor vehicles	-20%

Provision is made for impairment to the extent that the asset's carrying value exceeds its net recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

1 Accounting policies (continued)

(g) Investments

Investments are stated at cost less any provision for impairment.

(h) Stocks

Stocks, consisting of cut and uncut diamonds, have been valued at estimated market values prevailing at 30 June 2007, with the amounts so determined reduced by the application of anticipated margins. The use of this method results in a carrying value of stock which approximates to the lower of cost and net realisable value.

(i) Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Differences on exchange arising from the translation of the opening balance sheets of foreign subsidiaries at the period end are taken directly to reserves. Revenues, costs and non-monetary assets are translated at the exchange rates ruling at the transaction date.

Profits and losses arising from currency transactions and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account.

(j) Deferred tax

As required by FRS 19 – 'Deferred tax', full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computations, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

Deferred tax assets and liabilities are undiscounted and are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Recognition of deferred tax assets is limited to the extent that the Group is more likely than not to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

(k) Liquid resources

In accordance with FRS 1 – 'Cash Flow Statements', for cash flow purposes, cash includes net cash in hand and bank deposits payable on demand within one working day, and liquid resources include all of the Group's other bank deposits.

(l) Pension costs

The Group operates a money purchase pension scheme. Contributions are charged to the profit and loss account in the period to which they relate. Contributions to employees' personal pension schemes are charged to the profit and loss account in the period in which they are incurred.

(m) Finance leases

Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

(n) Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not, they are included in shareholders' funds.

1 Accounting policies (continued)

(o) Share-based payments

The fair value at the date of grant of share-based remuneration is calculated using an appropriate valuation model and charged on a straight-line basis over the vesting period of the award to the profit and loss account or capitalised as a component of deferred exploration and evaluation costs, in line with the activities of the employees. The charge takes account of the estimated number of shares that will vest based on non-market performance conditions.

The Company adopted Financial Reporting Standard 20 – ‘Share-based payments’ during the period. This represents a change in accounting policy resulting in a charge of £20,847 being made to the profit and loss account and an amount of £187,620 being capitalised as deferred exploration for the year ended 30 June 2007.

Retrospective application resulted in a charge of £24,439 against opening profit and loss account reserves and an increase in the carrying value of deferred exploration costs of £219,946 at 1 July 2006 and the comparative information has been restated to reflect these amounts.

(p) Provision for rehabilitation costs

A provision for environmental rehabilitation costs is recognised to the extent that an obligation has been incurred at the balance sheet date to undertake rehabilitation work arising from the Group’s activities.

2 Segmental information

Turnover, operating results and net assets are substantially attributable to activities in southern Africa.

3 Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	98,001	209,983
Exchange gain	182,833	–
	280,834	209,983

4 Interest payable and similar charges

	2007 £	2006 £
Interest on finance leases	30,682	34,049
Interest payable on other loans	103,653	102,914
	134,335	136,963

5 Profit/(loss) on ordinary activities before taxation

	2007 £	2006 £
The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	511,338	122,515
– leased	–	43,516
Amortisation of intangible fixed assets	24,767	18,526
Profit on disposal of fixed assets	(22,664)	(7,971)
Auditors’ remuneration	38,473	24,437
– audit of the Company	33,193	6,639
– tax services	5,434	4,641
– other services	–	–

The Board reviews the nature and extent of non-audit services to ensure that independence is maintained.

Depreciation of £191,375 (2006: £324,783) has been capitalised as part of deferred development and exploration costs, of which £nil (2006: £nil) relates to leased assets.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

6 Staff costs

	2007 £	2006 £
Staff costs, including directors, for the period amounted to:		
Wages and salaries	912,285	1,188,060
Social security costs	19,249	6,966
Pension costs	55,688	72,998
Share-based payments	208,467	244,385
	1,195,689	1,512,409

In the year ended 30 June 2007 staff costs included above of £875,699 (30 June 2006: £1,346,772) were capitalised as part of deferred development and exploration costs.

The average number of employees during the period was as follows:

	2007 No.	2006 No.
Operations	88	72
Administration	17	9
	105	81

7 Directors' emoluments

	2007 £	2006 £
Emoluments in respect of qualifying services	343,593	306,535

The emoluments of the highest paid director were £135,000 (2006: £135,000). Directors' emoluments are comprised of both actual and deferred emoluments (see note 16). No directors were accruing benefits under any pension schemes (2006: nil).

8 Taxation

(a) Analysis of (credit)/charge in year

	2007 £	2006 £
Corporation tax	-	-
Deferred tax (overseas) – current year	35,730	(158,497)
	35,730	(158,497)

(b) Factors affecting tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2007 £	2006 £
Profit/(loss) on ordinary activities before tax	70,410	(473,515)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2006: 30%)	21,123	(142,055)
Effects of:		
Income/(expenses) not (taxable)/deductible for tax purposes	-	(17,502)
Capitalised expenses deductible for tax purposes	(428,524)	(456,599)
Loss brought forward offset in current year	-	(71,749)
Exchange losses deductible for tax purposes	(463,400)	(146,609)
Depreciation (less than)/in excess of capital allowances	98,680	(66,036)
Current year tax losses to carry forward	772,121	900,550
Current tax charge for the year	-	-

8 Taxation (continued)

The tax charge in future years will be affected by the rate at which the Group generates profits and by the utilisation of existing losses.

9 Earnings/(loss) per share

Basic earnings/(loss) per share is based on a profit of £55,003 (2006: loss of £194,598 as restated) and a weighted average number of shares in issue of 55,758,177 (2006: 52,383,903).

Diluted earnings per share is based on the weighted average number of shares in issue for the period plus potential dilutive ordinary shares arising from share options for the period of 6,617,699. The effect of potential ordinary shares for the year ended 30 June 2006 reduces the loss per share and is therefore anti-dilutive.

10 Intangible fixed assets

Group	Goodwill £	Deferred exploration and development costs £	Exploration data and prospecting rights £	Provision for rehabilitation costs £	Total £
Cost					
At 1 July 2006 as restated	2,102,553	6,452,497	615,013	45,439	9,215,502
Additions	–	2,497,313	–	83,711	2,581,024
Exchange difference	–	(298,360)	–	(4,613)	(302,973)
At 30 June 2007	2,102,553	8,651,450	615,013	124,537	11,493,553
Amortisation					
At 1 July 2006	44,751	–	–	21,457	66,208
Charge for the year	13,050	–	–	11,717	24,767
Exchange difference	–	–	–	(1,660)	(1,660)
At 30 June 2007	57,801	–	–	31,514	89,315
Net book value					
At 30 June 2007	2,044,752	8,651,450	615,013	93,023	11,404,238
At 30 June 2006	2,057,802	6,452,497	615,013	23,982	9,149,294

11 Tangible fixed assets

Group	Exploration and development costs £	Mining property £	Mining equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost						
At 1 July 2006	6,498,068	503,188	680,179	5,133,023	243,278	13,057,736
Additions	–	–	208,982	2,558,107	126,331	2,893,420
Disposals	–	–	(238,337)	–	(32,118)	(270,455)
Exchange difference	(436,809)	(33,825)	(45,178)	(398,571)	(22,375)	(936,758)
At 30 June 2007	6,061,259	469,363	605,646	7,292,559	315,116	14,743,943
Accumulated depreciation						
At 1 July 2006	271,181	74,592	249,425	1,056,636	150,295	1,802,129
Charge for the year	102,062	–	197,892	356,980	45,779	702,713
Disposals	–	(168,678)	–	(29,743)	(198,421)	–
Exchange difference	(20,128)	(5,014)	(17,311)	(77,688)	(10,469)	(130,610)
At 30 June 2007	353,115	69,578	261,328	1,335,928	155,862	2,175,811
Net book value						
At 30 June 2007	5,708,144	399,785	344,318	5,956,631	159,254	12,568,132
At 30 June 2006	6,226,887	428,596	430,754	4,076,387	92,983	11,255,607

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

11 Tangible fixed assets (continued)

The net book value of the Group's tangible assets includes £nil (2006: £32,134) of plant and equipment and £nil (2006: £5,552) of motor vehicles, in respect of assets held under finance leases, on which depreciation of £nil (2006: £43,516) has been charged in the year.

12 Investments

Group	Interest in prospecting licences £	Quoted investments £	Total £
At 1 July 2006 and 30 June 2007	230,439	2,848,111	3,078,550

Company Interest in subsidiary undertakings	Value of shares £	Value of shares to be issued £	Total £
Cost			
At 1 July 2006	18,696,934	7,515,175	26,212,109
Additions	–	2,299,738	2,299,738
Transfer	7,515,175	(7,515,175)	–
At 30 June 2007	26,212,109	2,299,738	28,511,847

Advances from the Company to Firestone Diamonds Limited are converted into equity in Firestone Diamonds Limited at regular intervals. At 30 June 2007, there was no balance outstanding between the companies.

At 30 June 2007, the Company held 100% of the ordinary shares of Firestone Diamonds Limited, a company incorporated in the British Virgin Islands, whose principal activity was that of a holding company. Firestone Diamonds Limited had the following subsidiary undertakings:

Name	Holding	Business activities	Country of incorporation
Fortuna Investment Holdings Limited	100%	Dormant	British Virgin Islands
Asam Resources SA (Proprietary) Limited	100%	Diamond exploration and mining	South Africa
Cornerstone (RSA) Limited	100%	Dormant	British Virgin Islands
Surf Zone Diamonds (Proprietary) Limited*	100%	Diamond exploration and mining	South Africa
Oena Mine (Proprietary) Limited	87.5%	Diamond exploration and mining	South Africa
Kuboes Diamante (Proprietary) Limited	87.5%	Diamond exploration and mining	South Africa
African Star Minerals (Proprietary) Limited	75%	Diamond exploration and mining	South Africa
Bonte Koe Mynbou Ondernemings (Eiendoms) Beperk**	75%	Diamond exploration and mining	South Africa
Firestone Diamonds (Botswana) (Pty) Ltd	100%	Diamond exploration and mining	Botswana
Daly City Ventures (Pty) Ltd	51%	Diamond exploration and mining	Botswana
Monak Venture (Pty) Ltd	80%	Diamond exploration and mining	Botswana

* Held by Cornerstone (RSA) Limited.

** Held by African Star Minerals (Proprietary) Limited.

All material subsidiaries are included in the consolidated financial statements.

In the opinion of the directors, the aggregate value of shares in subsidiary undertakings is not less than the amount at which they are stated in these financial statements.

Distributions by the Company's South African subsidiaries are subject to exchange control approval in that country.

13 Stocks

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Cut and uncut diamonds held-for-sale	275,508	–	64,570	–

14 Debtors

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Amounts falling due within one year:				
Trade debtors	764,993	–	558,831	7,477
Advances to directors	1,247	–	12,304	1,908
Other debtors	1,569,469	149	750,000	–
Deferred tax	174,726	–	565,655	2,212
	2,510,435	149	1,886,790	11,597

The deferred tax asset is recoverable after more than one year.

15 Creditors

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Amounts falling due within one year:				
Bank overdraft	11,044	–	–	–
Bank loans	624,842	–	199,202	–
Obligations under finance leases	–	–	134,298	–
Trade creditors	1,318,037	180,388	296,059	82,841
Other creditors	–	–	172,347	–
Taxation and social security	–	–	7,435	–
Accruals and deferred income	110,174	–	130,852	–
	2,064,097	180,388	940,193	82,841

Amounts falling due after more than one year:

Bank loan	2,163,178	–	365,086	–
Obligations under finance leases	–	–	85,044	–
	2,163,178	–	450,130	–

The bank loan is secured by a charge over certain plant and machinery of a subsidiary, African Star Minerals (Pty) Limited. The loan is subject to interest as explained in note 18(c).

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Obligations under finance leases are payable as follows:				
Within one year	–	–	134,298	–
Between one and two years	–	–	56,231	–
Between two and five years	–	–	28,813	–
	–	–	219,342	–

Finance leases are secured on the relevant underlying assets.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

15 Creditors (continued)

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Bank loans payable by instalments may be analysed as follows:				
Repayable in one year or less	624,842	–	199,202	–
Repayable between one and two years	635,886	–	199,204	–
Repayable between two and five years	1,527,292	–	165,882	–
	2,788,020	–	564,288	–

16 Other provisions

Group	Rehabilitation costs £	Directors' emoluments £	deferred Total £
At 1 July 2006	45,439	535,470	580,909
Charge for the year	83,711	306,837	390,548
Payments	–	(628,089)	(628,089)
Exchange difference	(4,612)	–	(4,612)
At 30 June 2007	124,538	214,218	338,756

Rehabilitation costs

The following bonds are held by subsidiaries in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2002.

Subsidiary	Rand value	Sterling value
Surf Zone Diamonds (Proprietary) Limited	R100,000	£7,065
Kuboes Diamante (Proprietary) Limited	R500,000	£35,320
Asam Resources SA (Proprietary) Limited	R310,000	£21,898
African Star Minerals (Proprietary) Limited	R852,971	£60,255
Total provision	R1,762,971	£124,538

Rehabilitation work is planned as an integral part of the mining operations as land disturbed by mining is backfilled, and will include surface profiling of the backfilled areas at a later date. The financial implications of these activities are considered by the directors to be of minimal consequence and inseparable from the normal running costs of the operation.

Accordingly, a total provision for rehabilitation work of R1,762,971 (£124,538) has been raised as a long-term liability. The deferred assets which arise are being amortised over 10 years.

Directors' deferred emoluments

The directors' entitlement to a portion of their emoluments is dependent upon certain conditions in respect of the Company's cash position and profitability being met, and this portion is treated as deferred emoluments.

17 Deferred tax

The deferred tax included in the balance sheet is as follows:

	2007 £	2006 £
Included in debtors	(174,726)	(565,655)
Included in provision for liabilities and charges	294,161	323,328
	119,435	242,327

17 Deferred tax (continued)

Group	At 1 July 2006 £	Movement in year £	Currency translation movement £	At 30 June 2007 £
Accelerated capital allowances	(6,444)	4,518	279	(1,647)
Deferred exploration costs	2,739,977	(121,183)	(197,459)	2,421,335
Tax losses	(2,975,860)	461,150	214,457	(2,300,253)
	(242,327)	344,485	17,277	(119,435)

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2007, will be remitted to the UK in the foreseeable future. Accordingly, no provision has been made for deferred tax on these balances.

18 Foreign currency and interest rate risks and exposures

(a) Objectives, policies and strategies

Currency rate risk

Loans between companies which are members of the Firestone Diamonds Group are made in the operating currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances from time-to-time.

Part of the Group's revenue derives from the sale of rough and polished diamonds by its South African operating subsidiaries. While proceeds of sales are received in Rand/Pula, diamonds are sold in US Dollars, with the subsidiary proceeds being calculated on the basis of the US Dollar sales price and the US Dollar/subsidiary exchange rate prevailing on the date of the sale. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Rand/Pula and Sterling/Rand/Pula rates.

The Group's expenses in South Africa and Botswana are incurred in Rand and Pula, respectively. Any weakening in the Rand or Pula would result in a reduction in expenses in Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Rand or Pula, which would increase local operating expenses in Sterling terms.

(b) Currency exposures

As at 30 June 2007 the Group held no monetary assets or liabilities in currencies other than the functional currency of the operating units involved.

(c) Interest rate risk

Group borrowings are all subject to a floating rate of interest and taken out in Rand only. The Group's policy for future borrowings will be to take floating rates unless fixed rate financing is available at particularly attractive rates.

The maturity profile of financial liabilities of the Group (Company: £nil) is as follows:

	2007 £	2006 £
Within one year	635,886	333,500
Between one and two years	635,886	255,435
Between two and five years	1,527,292	194,695
Greater than five years	–	–
	2,799,064	783,630

The fair value of all financial liabilities is approximately equal to book value due to their short-term nature and the fact that they bear interest at floating rates based on the local bank rate, which at the year end was 12.5% (2006: 8.5%).

The only financial asset held by the Group at 30 June 2007 subject to interest rate risk was cash and deposits totalling £1,118,790 (2006: £4,750,506).

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

18 Foreign currency and interest risks and exposures (continued)

Of this, at 30 June 2006, £2,066,694 was held on deposit earning interest at fixed rates with a weighted average interest rate of 4.3% which was fixed for a weighted average period of one month. There were no such deposits at 30 June 2007.

(d) Fair value of financial instruments

	2007 Book value £	2007 Fair value £	2006 Book value £	2006 Fair value £
Cash at bank and in hand	1,118,790	1,118,790	4,750,506	4,750,506
Quoted investments	2,848,111	5,415,934	2,848,111	7,513,999
Bank loans and overdrafts	(2,799,064)	(2,799,064)	(564,288)	(564,288)
Obligations under finance leases	–	–	(219,342)	(219,342)
Derivative financial instruments	–	931,849	–	19,604
Foreign exchange contracts	–	–	–	113,094
	1,167,837	2,803,811	6,814,987	11,613,573

(e) Gains and losses on hedges

In the prior year, forward exchange contracts were used to hedge foreign exchange exposures on forecast receipts in foreign currencies. The unrecognised gains arising on these contracts at 30 June 2006 were £113,603 and were recognised in the year ending 30 June 2007. There were no forward exchange contracts outstanding at 30 June 2007.

As permitted under FRS 13, short-term debtors and creditors have not been included in the above analyses.

19 Share capital

Group and Company	2007		2006	
	Number	£	Number	£
Authorised				
Ordinary shares of 20p each	99,750,010	19,950,002	99,750,010	19,950,002
Redeemable preference shares of £1 each	49,998	49,998	49,998	49,998
	99,800,008	20,000,000	99,800,008	20,000,000
			Number	£

Allotted, called up and fully paid

At 1 July 2006		55,757,901	11,151,581
Shares issued in the year on exercise of options		33,544	6,709
At 30 June 2007		55,791,445	11,158,290

Share based payments

The Company operates two unapproved share option schemes for employees and directors – a Basic Share Option Scheme and a Performance Related Share Option Scheme. The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)	Number of options
Outstanding at start of year	52	10,810,000	52	10,921,000
Exercised during the year	54	(50,000)	41	(96,000)
Forfeited during the year	90	(35,000)	34	(25,000)
Granted during the year	96	265,000	148	10,000
Outstanding at end of year	54	10,990,000	52	10,810,000
Exercisable at end of year	48	10,268,333	52	10,560,000

19 Share capital (continued)

The options exercisable at 30 June 2007 have an exercise price in the range of 33p to 148p (2006: 33p to 148p) and a weighted average contractual life of 6.36 years (2006: 7.15 years). The weighted average share price at the date of exercise of options exercised during the year was 165p (2006: 137p).

As at 30 June 2007, options granted under the Basic Share Option scheme were outstanding over a total of 3,245,000 (2006: 3,065,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30/6/07	Share options held at 30/6/06	Exercise price
26/1/00	26/1/01 to 26/1/10	30,000	30,000	51.5p
25/2/00	25/2/01 to 25/2/10	1,360,000	1,360,000	76.5p
30/1/01	30/1/02 to 30/1/11	15,000	15,000	69p
22/7/02	22/7/03 to 22/7/12	70,000	100,000	66.5p
18/12/03	18/12/04 to 18/12/13	30,000	50,000	36p
8/4/04	8/4/05 to 8/4/14	1,000,000	1,000,000	37p
22/12/04	22/12/05 to 22/12/14	500,000	500,000	110p
4/4/06	4/4/07 to 4/4/16	10,000	10,000	148p
13/9/06	13/9/07 to 13/9/16	195,000	–	89.5p
30/4/07	30/4/08 to 30/4/17	35,000	–	139p

As at 30 June 2007, options granted under the Performance Related Share Option Scheme were outstanding over a total of 7,745,000 (2006: 7,745,000) ordinary shares as follows:

Date of grant	Exercise period	Share options held at 30/6/07	Share options held at 30/6/06	Exercise price
8/4/03	8/4/04 to 8/4/13	1,085,000	1,085,000	33p
9/1/04	9/1/05 to 9/1/14	2,400,000	2,400,000	36p
21/1/04	21/1/05 to 21/1/14	1,360,000	1,360,000	41p
8/4/04	8/4/05 to 8/4/14	2,000,000	2,000,000	37p
3/8/04	3/8/05 to 3/8/14	250,000	250,000	70p
3/5/05	3/5/06 to 3/5/15	650,000	650,000	130p

Share option settlement scheme

In order to minimise the share capital dilution that would arise on the exercise of options, the Company has decided to implement a share option settlement scheme. Under this scheme the Company will, at the time of exercise of any options, agree to issue shares to the option holder with a value equal to the difference between the market value of the shares and the option exercise price on the date of exercise. On the basis of this scheme, the effective dilution resulting from all outstanding basic and performance related options as of 30 June 2007 at the closing share price on 30 June 2007 of 157p per share was 7,282,245 shares.

Long term incentive plan

During the year the Company decided to establish a Long Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP makes up to 2,000,000 shares available to participants, of which 1,000,000 will be subject to the share price reaching £3 by the end of 2009, and 1,000,000 will be subject to the share price reaching £4 by the end of 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 JUNE 2007

19 Share capital (continued)

Fair value

The fair value of services received in return for share options and other share-based incentives granted is measured by reference to the fair value of share options and incentives granted. This estimate is based on a Black-Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company. The weighted average fair value of options granted during the year was 43p (2006: 66p). The weighted average fair value of LTIP shares granted during the year was 31p (2006: nil). The assumptions used were as follows:

	2007	2006
Weighted average share price	117p	141p
Weighted average option exercise prices	96p	148p
Expected volatility	43%	43%
Expected life	5 years	5 years
Risk free rate	5.2%	5.2%
Expected dividends	none	none

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from July 2003 to the date of grant.

20 Reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £	Share option reserve £
At 1 July 2006	19,132,921	(1,076,399)	(1,331,890)	–
Prior year adjustment – share options	–	–	(24,439)	244,385
At 1 July 2006 as restated	19,132,921	(1,076,399)	(1,356,329)	244,385
Profit for the year	–	–	55,003	–
Currency translation differences	–	–	(1,799,559)	–
Deferred tax on exchange differences	–	–	(308,755)	–
Increase in share premium	48,639	–	–	–
Credit arising on share options	–	–	–	208,467
At 30 June 2007	19,181,560	(1,076,399)	(3,409,640)	452,852
Company				
At 1 July 2006	19,132,921	–	12,589	–
Loss for the year	–	–	(152,732)	–
Increase in share premium	48,639	–	–	–
At 30 June 2007	19,181,560	–	(140,143)	–

21 Reconciliation of movements in shareholders' funds

	Group 2007 £	Group 2006 £
Profit/(loss) for the year	55,003	(194,598)
Other gains and losses in the year	(2,108,314)	(1,242,454)
	(2,053,311)	(1,437,052)
New share capital subscribed	55,348	12,733,085
Movement on share options	208,467	244,385
Net (reduction in)/addition to shareholders' funds	(1,789,496)	11,540,418
Opening shareholders' funds	28,096,159	16,555,741
Closing shareholders' funds	26,306,663	28,096,159

22 Net cash flow from operating activities

	2007 £	2006 As restated £
Operating (loss)	(76,089)	(570,974)
Depreciation of tangible fixed assets	511,338	166,031
Profit on sale of tangible fixed assets	(22,664)	(7,971)
Amortisation of intangible fixed assets	24,767	18,526
Share option charge	20,847	24,439
Increase/decrease in stocks	(217,553)	38,959
Increase in debtors	(1,089,202)	(905,558)
Increase/(decrease) in creditors	263,395	(1,164,727)
Net cash inflow/(outflow) from operating activities	(585,161)	(2,401,275)

23 Analysis of net funds

	At 1 July 2006 £	Cash flow £	Non-cash changes £	Movement on exchange £	At 30 June 2007 £
Cash at bank and in hand	2,683,812	(1,583,027)	–	18,005	1,118,790
Bank overdrafts	–	(11,253)	–	209	(11,044)
Cash	2,683,812	(1,594,280)	–	18,214	1,107,746
Liquid resources	2,066,694	(2,066,694)	–	–	–
Bank loans	(564,288)	(2,125,268)	–	(98,464)	(2,788,020)
Finance leases	(219,342)	219,342	–	–	–
Total	3,966,876	(5,566,900)	(80,250)	(1,680,274)	

24 Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
(Decrease)/increase in cash in the year	(1,594,280)	610,884
Finance leases net movement	219,342	104,991
Cash (inflow)/outflow from (increase)/decrease in loans	(2,125,268)	210,854
Cash outflow from use of liquid resources	–	2,066,694
Cash inflow from withdrawal of liquid resources	(2,066,694)	–
Movement on exchange	(80,250)	28,147
Movement in net funds in the year	(5,647,150)	3,021,570
Net funds at 1 July 2006	3,966,876	945,306
Net funds/(debt) at 30 June 2007	(1,680,274)	3,966,876

25 Capital commitments

At 30 June 2007, the Group had authorised and contracted for capital commitments of £nil (2006: £nil).

26 Related party transactions

During the year ended 30 June 2007, Firestone Diamonds plc and its subsidiaries paid £5,284 (2006: £14,572) for consulting fees, staff costs, rent and other operating costs to Asam Minerals CC, Solarscreen Cape CC and Solarscreen Prospecting CC, companies in which Mr H Jenner-Clarke, who is a director of Firestone Diamonds plc, has an interest.

27 Post balance sheet events

After the end of the year Firestone Diamonds plc and its subsidiaries disposed of their interests in African Diamonds plc, which

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at MWB Business Exchange, 60 Cannon Street, London EC4N 6NP on 31 January 2008 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 30 June 2007, the directors' report and the auditors' report on those accounts.
2. To reappoint PKF (UK) LLP as auditors to hold office from the conclusion of this Meeting until the conclusion of the next general meeting of the Company at which accounts are laid, and to authorise the directors to fix their remuneration.
3. To reappoint Mr J F Kenny, retiring by rotation in accordance with the Company's articles of association, as a director of the Company.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution:

4. That the directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities pursuant to section 80 of the Companies Act 1985 (the 'Act') up to an aggregate nominal amount of £8,000,000 for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement.
5. That, subject to the passing of resolution 4 above, the directors be generally authorised pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act), pursuant to the authority conferred by that resolution as if section 89(1) of the Act did not apply to the allotment. This authority will expire 15 months after the date of the passing of this resolution or at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement and will be limited to:
 - (a) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company and, in accordance with their rights the directors so determine, holders of other equity securities of any class made in proportion (as nearly as may be) to their existing holdings of ordinary shares or (as the case may be) other equity securities of the class concerned (so that any offer to holders of other equity securities of any class shall be on the basis of their rights to receive such offer and, failing which, shall be on the basis that their holdings had been converted into or that they had subscribed for ordinary shares on the basis then applicable) but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:
 - (i) to deal with equity securities representing fractional entitlements; and
 - (ii) to deal with legal problems under the laws of any territory, or the requirements of a regulatory body; and
 - (b) allotments of equity securities for cash otherwise than pursuant to sub-paragraph (a) up to an aggregate nominal amount of £4,000,000.

By Order of the Board
P Kenny
14 December 2007

Registered office:
1 Park Row
Leeds LS1 5AB

Notes:

1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be delivered to Firestone Diamonds plc, 4th Floor, 26-28 Hammersmith Grove, London W6 7BA not less than 48 hours before the time fixed for holding the Meeting. A form of Proxy is included with this notice. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11.00 a.m., 29 January 2008 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the Register of Members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting

Form of Proxy – Firestone Diamonds plc

For use at the Annual General Meeting to be convened for 11.00 a.m., 31 January 2008

I/We
(BLOCK CAPITALS)

of _____

being (a) member(s) of the above named Company hereby appoint the Chairman of the Meeting or _____ (see Note 1) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at MWB Business Exchange, 60 Cannon Street, London EC4N 6NP on 31 January 2008 at 11.00 a.m. and at every adjournment thereof and I/we direct my/our proxy to vote as indicated below.

		For	Against	Withheld
Resolution 1	To receive the Company's annual accounts for the financial year ended 30 June 2007, the directors' report and the auditors' report on those accounts.			
Resolution 2	To reappoint PKF (UK) LLP as auditors and authorise the directors to fix their remuneration.			
Resolution 3	To reappoint J F Kenny as a director.			
Resolution 4	To authorise the directors to allot shares.			
Resolution 5	To disapply statutory pre-emption rights.			

Please indicate with a cross in each appropriate box how you wish your votes to be cast on each resolution. Unless so instructed, your proxy will vote or abstain at his/her discretion, as he/she will on any other matter (including amendments to resolutions) which may properly come before the Meeting. This Form of Proxy will be used only in the event that a poll be directed or demanded.

Signed: _____ Date: _____
(See Notes 3 and 5)

Notes:

1. If you wish to appoint some other person as your proxy, please delete the words 'the Chairman of the Meeting or' and insert the full name of your proxy in the space provided.
2. To be valid, the completed Form of Proxy must be lodged with the Company's Registrars not less than 48 hours before the time fixed for holding the Meeting.
3. In the case of a corporation, the Form of Proxy should be under the common seal or under the hand of a duly authorised officer or attorney.
4. A proxy need not be a member of the Company.
5. Any one of two or more joint holders may sign, or vote in person or by proxy, but if more than one of the joint holders is present at the Meeting or represented by proxy, only the holder whose name stands first in the Register of Members shall be entitled to vote.
6. Completion of this Form of Proxy will not prevent a member from attending the Meeting and voting in person should he/she so wish.
7. Any alterations made to this Form of Proxy should be initialled.

Please tear out and return in envelope supplied.



COMPANY INFORMATION

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Brewin Dolphin
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Brewin Dolphin
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PR Consultants

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