FIRESTONE DI MONDS
Annual Report 2006

F I R E S T O N E   D I A M O N D S   P L C

contents

Location of Firestone Projects

Firestone Diamonds plc is a UK-based international diamond mining and exploration company with operations in South Africa, Botswana and the United States.

Firestone's objective is to become a leading mid-tier diamond mining and exploration company. Firestone uses cash flow from its mining operations in South Africa to finance diamond exploration projects in established diamond producing areas with the objective of discovering and developing large scale economic diamond deposits.

Firestone has extensive interests in Botswana, which is the world's largest producer of diamonds, with annual production of over 30 million carats worth over $2.5 billion. Botswana is considered to be one of the best countries in the world to explore for kimberlite – the primary source rock for diamonds.

Firestone is the largest holder of diamond exploration rights around the major Orapa and Jwaneng mines, and controls the entire Tsabong kimberlite field, which is one of the largest diamondiferous kimberlite fields in the world.

Namaqualand, on the west coast of South Africa, has been one of the world's largest alluvial diamond producing regions for the past 60 years. Firestone's Groen River Valley exploration project is being explored by De Beers in joint venture with Firestone. Firestone's operations in Namaqualand include the Bonte Koe, Avontuur and Oena Mines, all of which produce high quality alluvial diamonds, and a growing portfolio of advanced and early stage exploration projects.

Firestone has a highly qualified management team with extensive experience in the financing and development of diamond and other natural resource projects. Firestone is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange and trades under the symbol FDI.L.

Chairman's Statement

Summary

Tsabong

- Prospecting licences granted over the Tsabong kimberlite field in Botswana, one of the largest diamondiferous kimberlite fields in the world, with 70 known kimberlites, of which 17 are diamondiferous
- Potential for significant economic kimberlite discovery
- 10,000 metres of exploration drilling and 6,000 metres of core drilling planned for 2007
- Three large kimberlites discovered in November 2006 – 22, 18 and 15 hectares

Jwaneng and Orapa

- Firestone is the largest holder of diamond exploration rights around the Orapa and Jwaneng mines; holdings doubled to 17,000 square kilometres during the year
- De Beers conducting Zeppelin surveys over Firestone ground in Jwaneng; initial targets to be drilled in H1 2007
- Extensive exploration work carried out by De Beers and Firestone in Orapa area; geophysics and drilling to continue in 2007

Groen River Valley

- Thirteen deposits identified in the project area
- High quality gem diamonds recovered from bulk sampling on HL deposit
- Mobile sampling plant to be erected
- Bulk sampling planned on GR2 deposit in H1 2007

Bonte Koe Mine

- Joint mine development with De Beers
- Operation expected to produce over 600,000 carats over 6 years
- Production commenced in August 2006
- Expected to produce average £3.5 million revenue and £2 million operating profit per annum at full capacity

Financial

- Turnover expected to increase 50% in H1 2007; substantial increase expected for FY 2007
- Liquid assets of £10 million - £4 million in cash and £6 million shareholding in African Diamonds plc

Outlook

- Fundamentals in rough diamond market remain very strong; diamond prices expected to increase in 2007
- Mining operations focused on new opportunities with De Beers close to existing operations
- Applications pending for new exploration areas in Botswana and South Africa

Diamonds from Oena Mine

Dear Shareholder,

The past year has seen good progress in the growth and development of Firestone's exploration and mining project portfolio.

Exploration Highlights

Tsabong, Botswana

The most notable development in respect of Firestone's exploration activities has been the significant expansion of our activities in Botswana. During the year we doubled the size of our licence holdings in the Orapa and Jwaneng areas to 17,000 square kilometres, extending our position as the largest holder of diamond exploration rights around the major Orapa and Jwaneng mines. The granting of licences in October 2006 over 5,000 square kilometres covering the entire Tsabong kimberlite field was an important strategic development for the Company, as Tsabong is one of the largest diamondiferous kimberlite fields in the world. Tsabong contains 70 known kimberlites, of which 17 have been proven to be diamondiferous, including the 180 hectare M1 kimberlite, which is one of the largest known diamondiferous kimberlites.

We believe that the potential for an economic discovery at Tsabong is good. None of the previously known kimberlites have been evaluated on an adequate scale or with modern techniques. A detailed evaluation programme will be carried out on these kimberlites, with approximately 6,000 metres of core drilling planned in 2007 to recover material for microdiamond, mineral chemistry and petrographic analysis. The Company plans to carry out approximately 10,000 metres of exploration drilling on selected kimberlite targets by the end of 2007, and we believe that there is good potential for the discovery of new, large-tonnage diamondiferous kimberlites.

Rapid progress has been made at Tsabong since exploration commenced in November 2006, with the discovery of three large kimberlites, with estimated sizes of 22, 18 and 15 hectares, respectively. This is a significant achievement by our exploration team, and with many more targets to drill we expect to continue to make new discoveries when drilling resumes in January 2007.

With rough diamond prices estimated to have tripled since the Tsabong field was discovered in the early 1980's, the threshold for economic viability in the area has been reduced substantially. 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, and we believe that such an objective is achievable.

Jwaneng & Orapa, Botswana

Good progress was also made at the Company's exploration projects in the Jwaneng and Orapa areas, the major development being the introduction of De Beers' new Zeppelin Airborne Gravity Gradiometer system. The Zeppelin system produces a five to ten-fold improvement in data quality compared to other airborne gravity systems. De Beers started conducting Zeppelin surveys over Firestone's Jwaneng joint venture areas in mid 2006, and drilling of targets identified by these surveys is expected to commence in the first half of 2007. In the Orapa area, drilling continued on targets identified by geophysical surveys conducted by De Beers, and 1 new kimberlite was discovered during the year. Results have been received from analysis of material from kimberlites BK18, BK53 and BK56. No further work is planned on these kimberlites at this time. Further exploration drilling is planned in the Orapa area in 2007.

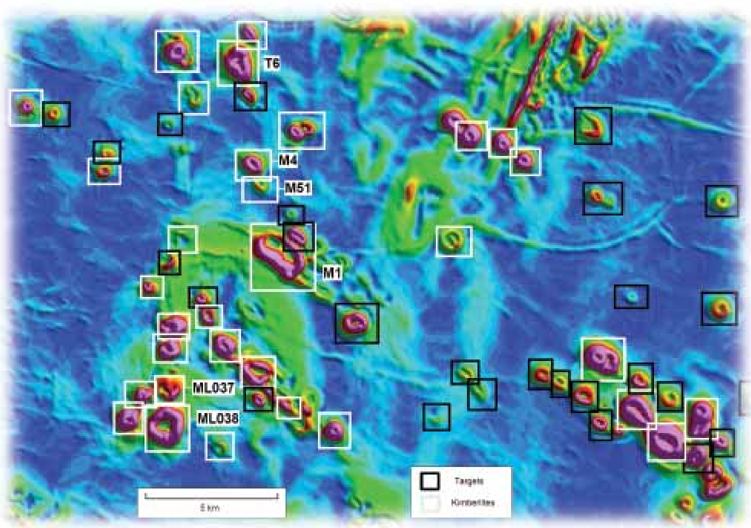
Tsabong village, Botswana

Groen River Valley, South Africa

Exploration continued during the year at the Groen River Valley joint venture project with De Beers in South Africa, where previous exploration has proven the presence of large, high quality diamonds. The HL deposit was the first of thirteen deposits in the project area selected for sampling. Although no diamonds were recovered from large diameter auger sampling carried out on the central part of the HL deposit, bulk sampling on the southern part of the deposit since the end of the year has produced five high quality diamonds weighing 1.11 carats. Evaluation of the other 12 deposits in the project area is continuing, and drilling and sampling will be carried out on the second deposit, GR2, in the first half of 2007. A mobile sampling plant is being erected in the Groen River Valley and is expected to be in operation in Q1 2007. The Company expects that the next phase of sampling in the Groen River Valley will allow the Company to make substantial progress towards establishing the economic potential of the area.

Other projects

The Company is continuing to pursue several other exploration projects. The Company has pending applications for prospecting rights for a number of areas in South Africa and Botswana that are believed to have good exploration potential. It is expected that these applications will lead to new permits being granted in 2007.



Kimberlites and geophysical targets, central Tsabong area

Bulk sample pit, Groen River Valley

Progress at our kimberlite exploration project in the US has been slower than expected, but an update on exploration will be provided in Q1 2007.

Mining Operations Highlights

Bonte Koe, South Africa

The primary focus of the Company's mining operations was at Bonte Koe, which is operated by the Company's black-empowerment subsidiary, African Star Minerals. The most important development during the year was the signing of an agreement with De Beers in May 2006 to develop a new mining operation on the Buffels River in South Africa. The new mining operation will be based around the Bonte Koe Mine, and will exploit deposits on the Buffels River over which De Beers holds mining rights.

Under the terms of the agreement Firestone is expanding the capacity of the treatment plant at Bonte Koe in order to process gravel mined by De Beers from the Buffels River. This agreement marks a major milestone for Firestone Diamonds as it provides the Company with assured revenue and cash flow for the duration of the Buffels River project. The new mining operation is expected to produce approximately 600,000 carats over 6 years, and to provide Firestone with average annual revenue of approximately £3.5 million and annual operating profits of £2 million. Firestone's revenue and profits from the project could increase further through a potential increase in mineable resources in the Buffels River area and profit sharing arrangements with De Beers.

Processing of De Beers' gravel commenced on a limited basis in August 2006 and has continued while work on the plant expansion was being undertaken. This work is ahead of schedule, and commissioning is expected to take place in January 2007.

Oena and Avontuur, South Africa

Negotiations with mining contractors to take over operations at the Oena Mine on a revenue-sharing basis continued during the year. There has been considerable interest from potential contractors due to the large gravel resource at Oena and the exceptionally high value of diamonds produced, which was an average of over $1,500 per carat during the year. However, the Company has not yet been able to secure satisfactory terms, and therefore has continued to maintain its own mining operations at Oena. The planned expansion of mining operations at Avontuur was placed on hold pending approval from the Department of Minerals & Energy of the acquisition of the adjoining Hondeklip Bay Mine from Trans Hex, which is now expected in the first half of 2007.

Financial

Turnover for the second half of the year continued in line with the first half, as expected. Although production at Bonte Koe increased during the year, limited mining operations at Avontuur resulted in turnover for the full year being 36% lower compared to the previous year. Operations showed a loss for the year, primarily as a result of increased costs at Bonte Koe relating to the De Beers Buffels River joint venture.

The Company has seen a substantial improvement in turnover since the end of the year, principally as a result of the commencement of production at Bonte Koe from the Buffels River project, and turnover for the first half of the current financial year is expected to increase more than 50% compared to last year. Turnover for the full year is also expected to be substantially higher than last year as the expanded Bonte Koe plant ramps up to full capacity.

During the year Firestone acquired a 6.5% interest in African Diamonds plc in exchange for issuing £2.8 million in new shares. African Diamonds has a joint venture with De Beers over ground which adjoins Firestone's Orapa and Mopipi projects. African Diamonds' share price has increased significantly following positive results from evaluation of the AK6 kimberlite, which is now likely to be developed into a new mine. The Company currently has liquid assets of over £10 million, with £4 million in cash and a shareholding in African Diamonds plc worth approximately £6 million.

Diamond market

After several years of strongly rising prices across all segments of the rough diamond market, prices softened somewhat in 2006, primarily as a result of De Beers selling down their remaining stockpiles at the end of 2005. This primarily affected the lower end of the market, while continued shortages of large, high quality goods, such as those produced at Oena, resulted in further price increases during the year for these goods.

Processing plant, Bonte Koe Mine

The fundamentals of the diamonds business are very positive, with substantial, sustained shortfalls in supply projected for at least the next five to seven years. With De Beers' stockpiles now eliminated, we expect to see rough diamond prices begin another period of sustained increases in 2007.

Outlook

In terms of Firestone's exploration projects, our primary focus for the next year will be on Tsabong. With 70 kimberlites already proven in our licence area and the prospects of more discoveries being made when exploration resumes in 2007, we believe that Tsabong has the potential to produce a major economic discovery. The Company intends to progress exploration and evaluation activities at Tsabong as rapidly as possible and expects to make significant progress towards establishing the economic potential of the area by the end of 2007. The Company will also continue to focus on its other large scale exploration projects around the Orapa and Jwaneng mines and at the Groen River Valley.

The recent commencement of production at the Buffels River project with De Beers was a major milestone for the Company. With full production expected to be reached in 2007, the Company will start to generate significant revenue and cash flow. The attractions of relatively low risk, predictable revenues from joint venture mining projects such as this Buffels River are evident. Having proven that we have the capability to design, build and operate mining operations to the standard required by De Beers, we have shifted the focus for our mining resources to other similar opportunities with De Beers close to our existing operations in Namaqualand. We have made good progress in this regard and hope to be in a position to update shareholders on further developments soon.

The Company's financial position is secure, with a current cash position of over £4 million, approximately £6 million in shares in African Diamonds and increasing cash flow from our mining operations.

Zeppelin geophysical survey, Jwaneng

Diamonds from Bonte Koe

Firestone has made considerable progress over the past year. With a highly prospective exploration project portfolio, the financial resources to develop the portfolio and a very experienced technical and management team in place, we consider the Company to be one of the best positioned junior companies in the diamond sector.

Firestone is well placed to take advantage of what we believe will be several years of rising prices in the rough diamond market. We remain confident about the Company's long term prospects and believe that we can achieve our objective of becoming a leading mid-tier diamond mining and exploration company.

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.

J Kenny

James F. Kenny
Chairman
15 December 2006

Project Overview

Tsabong, Botswana

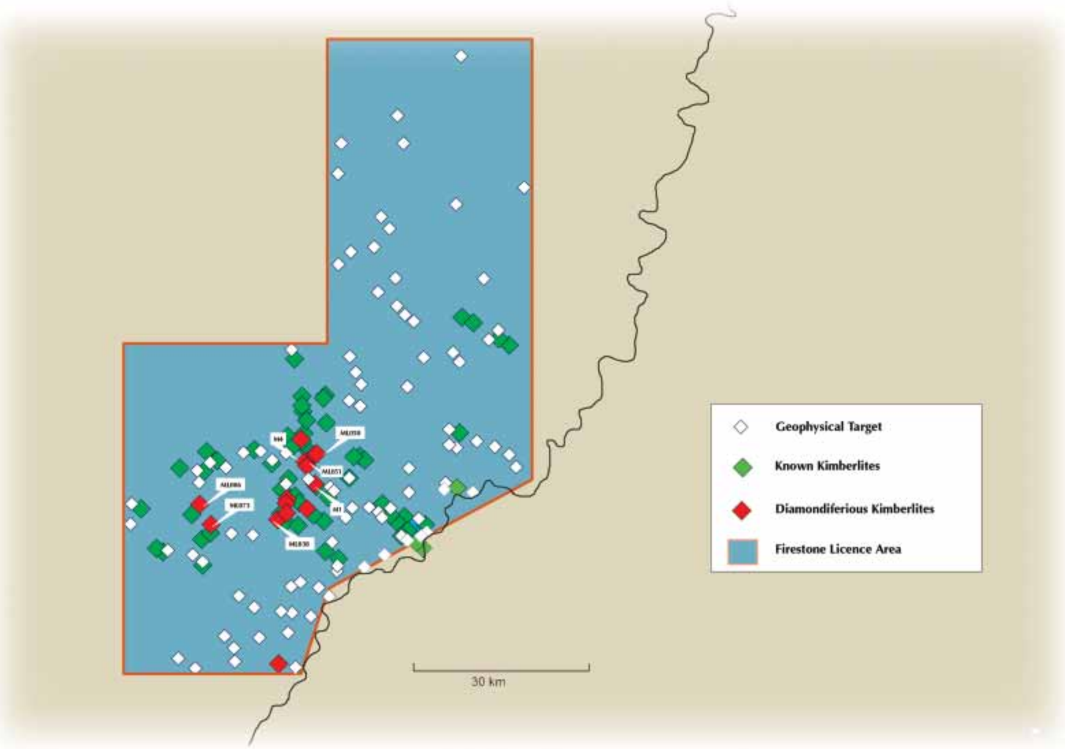
The Tsabong is located in south western Botswana, approximately 280 km south west of the Jwaneng Mine, which is the world's biggest diamond mine. The Tsabong project extends over an area of approximately 5,000 square kilometres, and covers the entire Tsabong kimberlite field.

Tsabong is one of the largest diamondiferous kimberlite fields known, containing 70 kimberlites, of which 17 have been proven to be diamondiferous. Tsabong is noted for the exceptionally large size of many of its kimberlites, in particular the 180 hectare M1 kimberlite, which is one of the largest diamondiferous kimberlites known. The Tsabong field also contains 5 kimberlites each larger than 50 hectares and 30 kimberlites between 20 and 50 hectares in size.

An extensive exploration programme is being undertaken at Tsabong. Analysis of the currently available aeromagnetic data has identified over 80 well defined geophysical anomalies that have never been drilled. Firestone plans to carry out approximately 10,000 metres of exploration drilling in Tsabong on selected kimberlite targets by the end of 2007. Drilling in November 2006 resulted in the discovery of 3 kimberlites, known as MK71, MK72 and MK73. Modelling of the airborne and ground magnetic data indicates that all 3 kimberlites are large, with estimated surface areas of approximately 15, 22 and 18 hectares, respectively. Microdiamond, mineral chemistry and petrographic analysis of drill chip samples will be undertaken in Q1 2007.

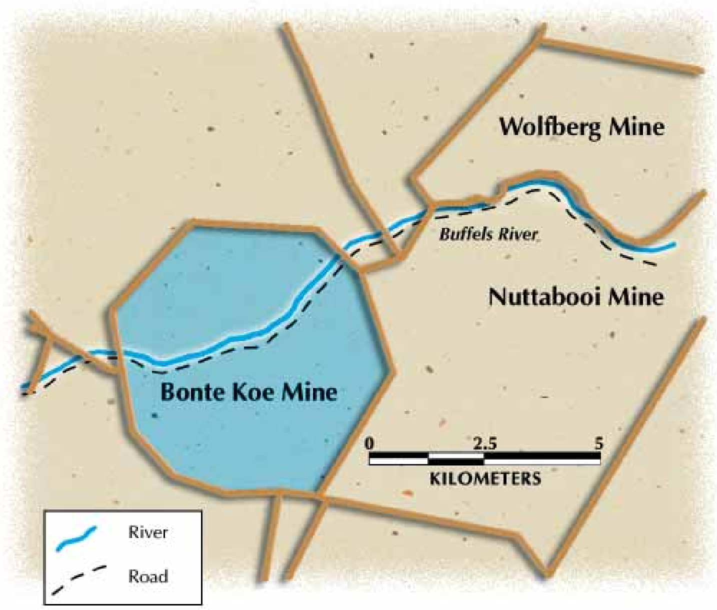
As none of the known Tsabong kimberlites have been evaluated on an adequate scale or using modern techniques, a detailed evaluation programme is planned. The evaluation programme will primarily focus on the highest ranked of the 17 known diamondiferous kimberlites. Work will also be carried out on a number of large kimberlites that have only been sampled by a single discovery hole, and on any new discoveries that show positive microdiamond counts or geochemistry. Approximately 6,000 metres of 80 mm diameter core drilling is planned on the 7 highest priority diamondiferous kimberlites during 2007.

A separate evaluation programme will be carried out on the 180 hectare M1 kimberlite, which is the only kimberlite in the Tsabong field to have been previously sampled for macrodiamonds. As this sampling was carried out on diluted crater facies material from the uppermost por-



Firestone Licences in the Tsabong area tion of the kimberlite, the primary objective of the new programme will be to recover and test material from the deeper tuffaceous and intrusive facies.

Bonte Koe Mine, South Africa



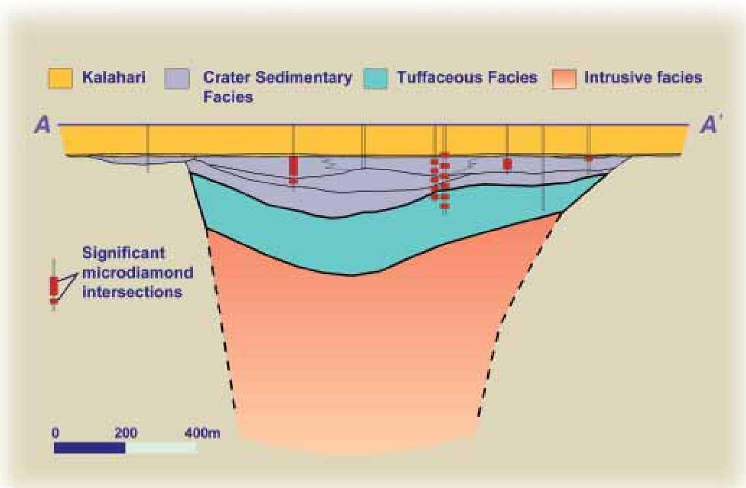
Location of Bonte Koe Mine

The Bonte Koe mine covers an area of approximately 2,500 hectares along the Buffels River in Namaqualand. The Buffels River has been a significant diamond producing area for the past 40 years. Mining operations in the area have produced an estimated total of over 3 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's interest in the Bonte Koe Mine is held through African Star Minerals, the Company's black empowerment subsidiary.

In May 2006 the Company entered into an agreement with De Beers to develop a new mining operation around Bonte Koe to exploit deposits on the Buffels River over which De Beers holds mining rights. Under the terms of the agreement, Firestone will use the plant and infrastructure at Bonte Koe to process gravel mined by De Beers. The DMS concentrate will be transported for diamond recovery at De Beers' nearby Kleinzee Mine. The new operations are expected to produce over 600,000 carats from approximately 5.5 million tonnes of gravel over a six year period. Firestone will be paid approximately R40/tonne per tonne of gravel processed.

Under the terms of the agreement, Firestone is required to upgrade the DMS capacity and the crushing circuit at the Bonte Koe processing plant. This work is nearly complete and commissioning is expected to take place in January 2007. As these modifications did not require the plant to be shut down, processing of De Beers' gravel commenced on a limited basis in August 2006.

The agreement also has a profit sharing provision under which Firestone will have the right to participate in profits generated by the project once De Beers' target return from the project has been reached. There is potential for Firestone's revenues and profits from the project to increase significantly, as it is expected that further resource evaluation work and continued increases in rough diamond prices could result in substantial additional mineable resources being identified in the Buffels River area.



Cross-section, M1 kimberlite

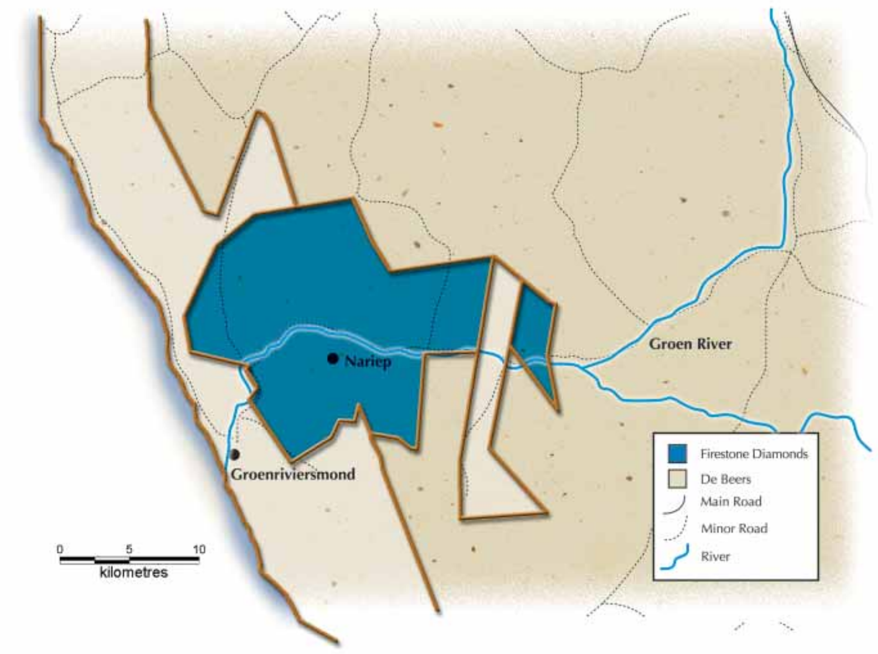
With the plant at Bonte Koe now dedicated to processing De Beers' gravel for the duration of the project, Firestone plans to resume exploiting its own gravel resources at Bonte Koe after processing of De Beers' gravels has been completed. A total of 2,664 carats were recovered from Firestone's own mining operations at Bonte Koe during the year. Diamonds produced were an average size of 0.44 carats per stone, and the average price for diamonds sold was $203 per carat.

Groen River Valley, South Africa

The Groen River Valley exploration project covers an area of approximately 500 square kilometres 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 has entered into a joint venture under which De Beers will finance all exploration and evaluation work up to completion of bankable feasibility in return for a 61% interest in the project.

A programme of drilling and bulk sampling commenced during the year to evaluate the area's economic potential. The first deposit to be sampled was the HL deposit, which is one of five north-south trending Axial Channel deposits in the project area. Although no diamonds were recovered from an initial sample taken during the year from a 32 hole large diameter auger drilling programme on the central part of the HL deposit, subsequent sampling on the southern part of the HL deposit produced five diamonds weighing 1.11 carats. The diamonds recovered were all high quality gemstones. These results are encouraging as they prove that the deposit is diamondiferous, although a full assessment will not be possible until the remaining material from the bulk sample has been processed in 2007.

Evaluation of the other 12 deposits in the project area is continuing. The next deposit selected for sampling is the GR2 deposit, which is one of four east-west trending Proto Channel deposits in the project area. The GR2 deposit is an attractive exploration target, as previous sampling of Proto Channel deposits in a number of locations elsewhere in the Groen River Valley area has produced grades of 7-13 carats per hundred tonnes, which would be economically viable given the high value of Groen River Valley diamonds. Drilling will be carried out in Q1 2007 to identity a suitable location for bulk sampling pits, and sampling is expected to be completed in Q2 2007.



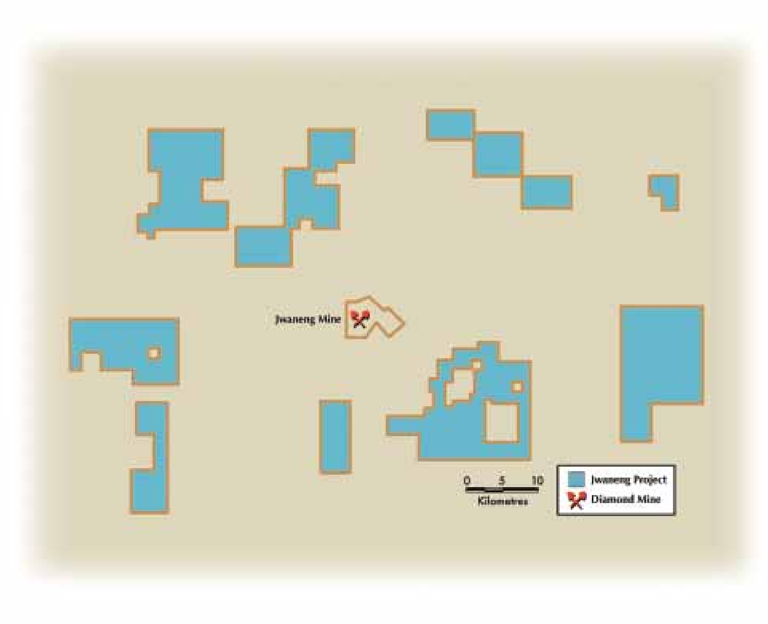
Location of Groen River Valley Project

A mobile sampling plant is in the process of being erected in the Groen River Valley in order to increase the speed of sample processing and is expected to be in operation in Q1 2007. The mobile plant will be located close to the bulk sample pits and will allow gravel to be processed more quickly. Planning for erection of the mobile sampling plant is at an advanced stage, and it is anticipated that the plant will be in full operation in Q1 2007.

Jwaneng, Botswana

De Beers Joint Venture Area

The Jwaneng joint venture project covers an area of approximately 3,700 square kilometers. The project area is located at a distance of between 25 and 75 kilometres from Debswana's Jwaneng Mine, which produces approximately 12 million carats per annum with a value of over $1.5 billion. 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. Firestone has entered into a joint venture under which De Beers will finance all exploration and evaluation work up to completion of bankable feasibility in return for a 61% interest in the project.



Firestone licences in the Jwaneng area

During the year De Beers commenced geophysical surveys in the Jwaneng region using their new Zeppelin Airborne Gravity Gradiometer system, which is the most advanced airborne gravity system available. Results from Zeppelin surveys conducted during the year over De Beers' ground immediately surrounding the Jwaneng Mine have been exceptionally good, showing a five to ten-fold improvement in data quality compared to other airborne gravity systems. De Beers started conducting Zeppelin surveys over Firestone's Jwaneng joint venture areas in mid 2006, and drilling of gravity anomalies identified by these surveys is expected to commence in the first half of 2007.

Firestone Exploration Area

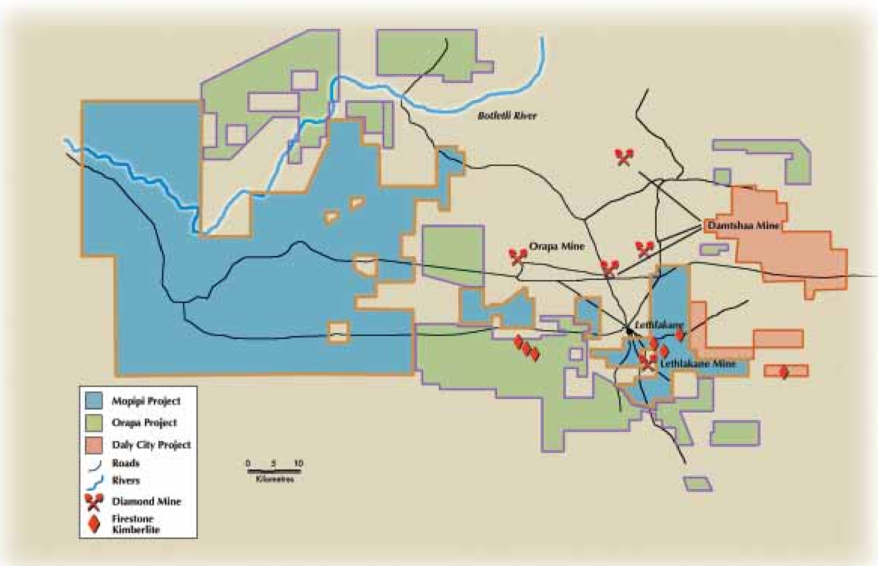
After the end of the year Firestone was awarded eight new prospecting licences in the Jwaneng region. These licences are located to the south and east of the Jwaneng Mine and cover an area of approximately 1,000 square kilometres. The Company is currently drawing up plans for the commencement of field work in this area.

Orapa, Botswana

De Beers Joint Venture Area

The Orapa joint venture project covers an area of approximately 4,900 sq. km close to Debswana's Orapa, Letlhakane and Damtshaa diamond mines, which together produce approximately 17 million carats per annum with a value of about $1.3 billion. Firestone has entered into a joint venture under which De Beers will finance all exploration and evaluation work up to completion of bankable feasibility in return for a 61% interest in the project.

Exploration drilling during the year resulted in the discovery of one kimberlite, BK56, approximately 8 kilometres north west of the Letlhakane Mine. Analysis of samples from BK56 and from kimberlite BK53, which was discovered in the previous year, was carried out. On the basis of these results no further work is planned on these kimberlites at this time. Further exploration is planned in the Orapa area in 2007. This will include indicator mineral sampling to identify kimberlite targets whose geophysical signature is masked by the noise of the basalt country rock, as was the case with BK56, and a ground gravity survey in the areas around the AK6 and AK10 kimberlites.



Firestone licences in the Orapa area

Daly City Ventures

Firestone entered into an agreement in 2005 under which it can earn an 81% interest in Daly City Ventures, which holds a prospecting licence in the Orapa region over an area of approximately 380 sq. km. A high resolution helicopter-borne magnetic and radiometric survey was conducted during the year over an area of 140 square kilometres. A number of potential drilling targets have been identified from analysis of data from this survey. Follow up geochemical sampling has been carried out since the end of the year on these targets in order to prioritise them for drilling. It is expected that that selected targets will be drilled in the first half of 2007.

Firestone Exploration Area

Since the end of the year the Company was awarded nine new prospecting licences in the Orapa region. Eight of the licences are located to the north and west of the Orapa area and cover an area of approximately 7,300 square kilometres. Field work on this area, known as Orapa North, commenced in the second half of 2006. The ninth licence is located to the east of Letlhakane and covers an area of approximately 1,000 square kilometres. The Company is currently drawing up plans for the commencement of field work in this area in 2007.

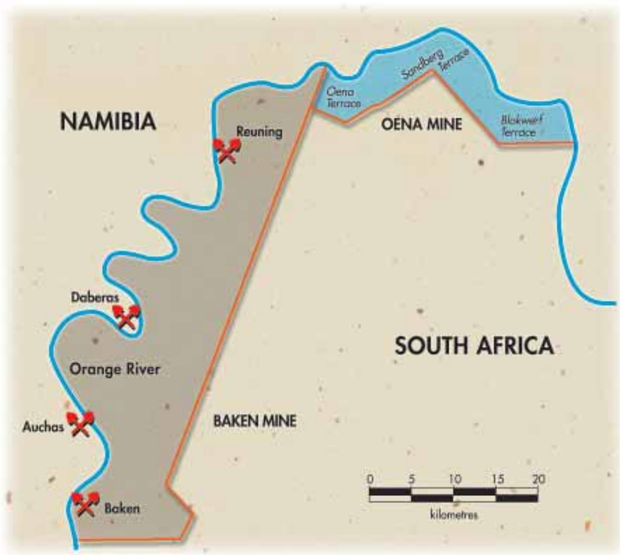
Oena Mine, South Africa

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 $1,000 per carat. Oena covers 8,900 hectares, and extends in a 4.8 kilometre wide strip along 15 kilometres 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.

Negotiations with mining contractors to take over operations at the Oena Mine on a revenue-sharing basis continued during the year, with the objective of significantly increasing earthmoving and processing capacity at the mine. There has been considerable interest from potential contractors due to the large gravel resource at Oena and the exceptionally

Overburden stripping, Bonte Koe

high value of diamonds produced, which was an average of over $1,500 per carat during the year. However, the Company has not yet been able to secure satisfactory terms, and therefore has continued to maintain its own mining operations at Oena. Production at Oena during the



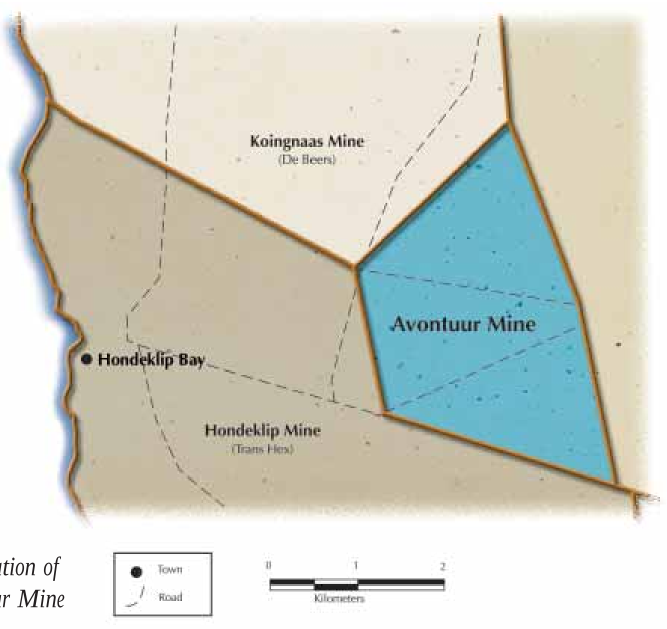
Location of Oena Mine

year period was 358 carats. A number of high value diamonds were recovered during the year, including stones of 20.24 and 18.99 carats that were valued at $5,600 and $3,800 per carat, respectively.

Avontuur Mine, South Africa

The Avontuur Mine covers approximately 2,600 hectares 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. Firestone has entered into an agreement with Trans Hex to acquire the adjacent Hondeklip Bay Mine and to manage Marine Concession 7a, which covers a 1 kilometre wide strip that extends approximately 33 kilometres along the coast at Hondeklip Bay.

Production at Avontuur for the first half of the year was 805 carats. The average price for run of mine production at Avontuur was unchanged at approximately $120 per carat. During the second half of the year the Company's operations in Hondeklip Bay were temporarily suspended pending approval from the Department of Minerals & Energy of the acquisition of the Hondeklip Bay Mine, which is now expected in the first half of 2007.



Location of Avontuur Mine

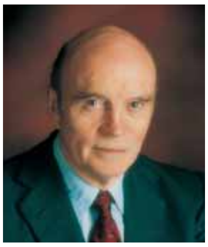
US Exploration Project

Firestone's US kimberlite exploration project is situated on the North American Laurentia craton, which is the largest area of prospective diamond potential in the world. Firestone's US Project is located in what is considered to be the best part of this area in terms of geological potential. In 2004 the Company entered into a joint venture over the US Project with American Diamonds Inc, under the terms of which ADI can earn a 60% interest in the project through the expenditure of $1 million.

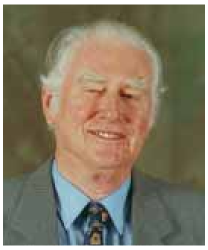
Exploration drilling, Orapa

Exploration at the Company's kimberlite exploration project in the United States indicates that at least one previously unknown kimberlite field is located in the project area, and that some of these kimberlites may be diamondiferous. Results from follow-up sampling have identified a number of high priority target areas for further exploration, which will include airborne geophysical surveys to select targets for drilling.

Management & Advisors








From Top to bottom:

*James F. Kenny,
Chairman;*

*Philip Kenny,
Chief Executive;*

*Tim Wilkes,
Chief Operating Officer;*

*Jan Louw,
Director of Operations;*

*Hugh Jenner-Clarke,
Director;*

*Kovilan Govender,
Senior Geologist*

Directors and Senior Management

James Flannan Kenny, B.A., LL.B., M.Sc., Executive Chairman
Philip Kenny, B.E., M.B.A., Chief Executive
Tim Wilkes, B.Sc., Chief Operating Officer
Jan Louw, B.E., Director of Operations
Hugh Clifford David Jenner-Clarke, B.Sc., F.G.S., Director
James Kenny Jnr., B.Comm., M.B.S., Director
Michael James Hampton, B.A., Director
William Douglas Baxter, M.A., M.A.I., Director

Nominated Advisor

Brewin Dolphin Securities Limited
48 St. Vincent Street
Glasgow G2 5TS

Nominated Broker

Bell Lawrie White
48 St. Vincent Street
Glasgow G2 5TS

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Solicitors

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Bankers

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Registered Office

1 Park Row
Leeds LS1 5AB

Registered Number

3589905

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds LS1 5AB

Directors' Report - for the year ended 30 June 2006

The directors present their report together with the audited financial statements for the year ended 30 June 2006.

Results and Dividends

The group loss for the year after taxation and minority interests amounted to £170,159 (2005: loss £204,321). 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 4 to 8.

Share Capital

On 4 September 2005, share options were exercised resulting in the issuing of 36,000 ordinary shares at an option price of 44.5 pence and 20,000 ordinary shares at an option price of 36 pence. In October 2005, the company issued 1,876,624 ordinary shares to Leon Daniels on behalf of Firestone Diamonds Limited in relation to the acquisition by Firestone Diamonds Limited of 4,879,220 shares in African Diamonds plc. In November 2005, the company completed the placing of 7,692,308 new ordinary shares at a price of 130 pence per share, raising £10,000,000 before the deduction of related expenses. On 20 December 2005, share options were exercised resulting in the issuing of 10,000 ordinary shares at an option price of 44.5 pence, 20,000 ordinary shares at an option price of 36 pence and 15,000 ordinary shares at an option price of 33 pence. In December 2005, the company issued 250,000 new ordinary shares at a price of 129 pence per share to employees as part of their remuneration.

At 14 December 2006, the company has been notified of the following interests in the issued ordinary share capital:

	Shares	**%**
Elfin Trust Company Limited	7,200,000	12.91
Aurora International Investments Limited	7,200,000	12.91
Gartmore Investment Management Plc, Gartmore Investment Limited and Gartmore Fund Managers Limited	5,672,732	10.17
AXA S.A	5,645,000	10.12
Artemis Investment Management Limited	3,115,000	5.59
Leon Daniels	1,790,085	3.21
FMR Corp. and Fidelity International Limited	1,681,900	3.02

Directors

The directors who served during the period and their beneficial interests and those of their families in the ordinary share capital of the company were as follows:

	At 30 June 2006		**At 30 June 2005**	
	Ordinary Shares	**Share Options**	**Ordinary Shares**	**Share Options**
J F Kenny	505,765	700,000	505,765	700,000
H C D Jenner-Clarke	586,057	700,000	586,057	700,000
P Kenny *	538,806	700,000	538,806	700,000
M J Hampton	106,875	220,000	106,875	220,000
J Kenny Jnr *	157,023	400,000	157,023	400,000
W D Baxter	10,000	-	10,000	-

* Potential beneficiaries of a discretionary trust, controlling 7,200,000 ordinary shares. Further details of share options are shown in note 19 to the financial statements.

Business and Financial Risks

The business of diamond mining and exploration has a number of inherent risks. These risks include the possible failure of Company's resources at its mining operations to produce the expected tonnage, grade and diamond quality, and the Company failing to identify economically viable diamond deposits at its exploration projects. 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 and Sterling. 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 South Africa are incurred in Rand, so any weakening in the 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 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.

The group has made a strategic investment in African Diamonds plc. The Board considers the risk to this investment to be low, as African Diamonds is in the process of building a new diamond mine in joint venture with De Beers, and its share price is unlikely to fall below the price at which the group acquired the shares.

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

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 judgments 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;
- 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.

Directors' Report - (continued)

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 the 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 2006, the group had an average of 22 days (2005: 47 days) purchases outstanding in trade creditors. Creditor days are not presented for the company.

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
15 December 2006

Auditors' Report - for the year ended 30 June 2006

We have audited the group and parent company financial statements ('the financial statements') of Firestone Diamonds plc for the year ended 30 June 2006 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 and the chairman's statement. 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 judgments 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

- 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 2006 and of the group's loss 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.

London, UK
15 December 2006

PKF (UK) LLP
Registered Auditors

Consolidated Profit and Loss Account - for the year ended 30 June 2006

	Notes	2006 £	2005 £
Turnover		598,290	940,706
Change in stocks of finished goods and in work in progress		(41,007)	(11,728)
Production		557,283	928,978
Raw materials and consumables		(189,813)	(148,795)
Staff costs		(141,198)	(388,975)
Depreciation and amortisation		(184,557)	(236,359)
Other operating charges		(588,250)	(371,186)
Operating Loss		(546,535)	(216,337)
Interest receivable and similar income	3	209,983	43,177
Interest payable and similar charges	4	(136,963)	(149,409)
Loss on ordinary activities before taxation	5	(473,515)	(322,569)
Deferred tax on loss on ordinary activities	8	158,497	96,899
Loss on ordinary activities after taxation		(315,018)	(225,670)
Minority interests		144,859	21,349
Loss for the year	20	(170,159)	(204,321)
Loss per share			
Basic loss per share	9	(0.3)p	(0.5)p
Diluted loss per share	9	(0.3)p	(0.5)p

Turnover is wholly derived from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 June 2006

	2006 £	2005 £
Loss for the financial year	(170,159)	(204,321)
Currency translation differences	(1,521,627)	(824,826)
Deferred tax on exchange differences	279,173	125,705
Total recognised gains and losses for the year	(1,412,613)	(903,442)

Consolidated Balance Sheet - 30 June 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible assets	10		8,929,348		5,950,744
Tangible assets	11		11,255,607		11,625,753
Investments	12		3,078,550		230,439
			23,263,505		17,806,936
Current assets					
Stocks	13	64,570		105,793	
Debtors	14	1,886,790		598,898	
Cash at bank and in hand		4,750,506		2,112,261	
		6,701,866		2,816,952	
Creditors					
Amounts falling due within one year	15	(940,193)		(1,940,437)	
Net current assets			5,761,673		876,515
Total assets less current liabilities			29,025,178		18,683,451
Creditors					
Amounts falling due after one year	15		(450,130)		(718,815)
Provisions for liabilities and charges					
Other provisions	16	(580,909)		(1,056,289)	
Deferred tax	17	(323,328)		(375,309)	
			(904,237)		(1,431,598)
Net assets			27,670,811		16,533,038
Capital and reserves					
Called up share capital	19		11,151,581		9,167,594
Share premium account	20		19,132,921		8,383,823
Merger reserve	20		(1,076,399)		(1,076,399)
Profit and loss account	20		(1,331,890)		80,723
Equity Shareholders' Funds	21		27,876,213		16,555,741
Minority equity interests			(205,402)		(22,703)
			27,670,811		16,533,038

Approved and authorised for issue by the Board on 15 December 2006

P Kenny
Director

Company Balance Sheet - 30 June 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Fixed Assets					
Investments	12		**26,212,109**		**15,957,061**
			26,212,109		**15,957,061**
Current Assets					
Debtors	14	**11,597**		**4,120**	
Cash at bank		**4,156,226**		**1,461,326**	
		4,167,823		**1,465,446**	
Creditors					
Amounts falling due within one year	15	**(82,841)**		**(82,006)**	
Net Current Assets			**4,084,982**		**1,383,440**
Total Assets			**30,297,091**		**17,340,501**
Capital and Reserves					
Called up share capital	19		**11,151,581**		**9,167,594**
Share premium account	20		**19,132,921**		**8,383,823**
Profit and loss account	20		**12,589**		**(210,916)**
Equity Shareholders' Funds			**30,297,091**		**17,340,501**

Approved and authorised for issue by the Board on 15 December 2006

P Kenny
Director

Consolidated Cash Flow Statements - for the year ended 30 June 2005

	Notes	2006 £	2006 £	2005 £	2005 £
Net cash (outflow)/inflow from operating activities	22		**(2,401,275)**		**1,382,286**
Returns on investments and servicing of finance					
Interest received		**209,983**		**43,177**	
Interest element of finance lease payments		**(34,049)**		**(46,790)**	
Interest paid on loans		**(102,914)**		**(87,378)**	
Net cash inflow/(outflow) from returns on investments and servicing of finance			**73,020**		**(90,991)**
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		**(3,569,192)**		**(2,411,052)**	
Payments to acquire tangible fixed assets		**(1,112,274)**		**(1,804,860)**	
Receipts from sales of tangible fixed assets		**118,169**		**-**	
Net cash outflow from capital expenditure and financial investment			**(4,563,297)**		**(4,215,912)**
Net cash outflow before use of liquid resources and financing			**(6,891,552)**		**(2,924,617)**
Liquid resources					
Amounts paid into short term deposits		**(2,066,694)**		**-**	
Net cash outflow from use of liquid resources			**(2,066,694)**		**-**
Financing					
Repayment of long term loans		**(210,854)**		**(121,008)**	
Issue of ordinary share capital		**9,884,975**		**4,943,319**	
Finance lease payments		**(104,991)**		**(52,483)**	
			9,569,130		**4,769,828**
Increase in cash	23 & 24		**610,884**		**1,845,211**

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. 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 profit for the year is £223,505 (2005 : a loss of £80,827).

(c) Turnover

Turnover represents the invoiced value of diamonds sold in 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 will be 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.

(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 2006, 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 anticipates 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.

2 Segmental Information

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

3 Interest Receivable and Similar Income

	2006	2005
	£	£
Bank interest receivable	209,983	43,177

4 Interest Payable and Similar Charges

	2006	2005
	£	£
Interest on finance leases	34,049	46,790
Interest payable on other loans	102,914	102,619
	136,963	149,409

5 Loss on Ordinary Activities Before Taxation

	2006	2005
	£	£
The loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets - owned	122,515	112,753
- leased	43,516	40,984
Amortisation of intangible fixed assets	18,526	82,622
Profit on disposal of fixed assets	(7,971)	-
Auditors' remuneration - for audit services payable to group auditors	24,437	14,850
- for tax services payable to group auditors	6,639	10,340
- for other services payable to group auditors	4,641	-

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

Depreciation of £324,783 (2005: £282,411) has been capitalised as part of deferred development and exploration costs, of which £nil (2005: £49,900) relates to leased assets.

6 Staff Costs

	2006	2005
	£	£
Staff costs, including directors, for the period amounted to:		
Wages and salaries	1,188,060	1,014,781
Social security costs	6,966	33,834
Pension costs	72,998	54,438
	1,268,024	1,103,053

In the year ended 30 June 2006 staff costs included above of £1,065,457 (30 June 2005: £627,302) were capitalised as part of deferred development and exploration costs.

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

	2006	2005
	No.	No.
Operations	72	119
Administration	9	11
	81	130

7 Directors' Emoluments

	2006	2005
	£	£
Emoluments in respect of qualifying services	306,535	352,301

The emoluments of the highest paid director were £135,000 (2005: £142,500). Directors' emoluments are comprised of both actual and deferred emoluments (see note 16). No directors (2005: nil) were accruing benefits under any pension schemes.

8 Taxation

	2006	2005
	£	£
(a) Analysis of credit in year		
Corporation tax	-	-
Deferred tax (overseas) – current year	(158,497)	(96,899)
	(158,497)	(96,899)

(b) Factors affecting tax credit 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:

	2006	2005
	£	£
Loss on ordinary activities before tax	(473,515)	(322,569)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2005: 30%)	(142,055)	(96,771)
Effects of:		
(Income)/expenses not (taxable)/deductible for tax purposes	(17,502)	66,345
Capitalised expenses deductible for tax purposes	(456,599)	(968,118)
Loss brought forward offset in current year	(71,749)	-
Exchange losses deductible for tax purposes	(146,609)	-
Depreciation (less than)/in excess of capital allowances	(66,036)	23,122
Current year tax losses to carry forward	900,550	975,422
Current tax charge for the year	-	-

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 (see note 17).

9 Loss per Share

Basic loss per share is based on a loss of £170,159 (2005: loss of £204,321) and a weighted average number of shares in issue of 52,383,903 (2005: 43,837,579).

The diluted loss per share has been calculated on the same basis as basic loss per share because the effect of the potential ordinary shares (share options) reduces the net loss per share and is therefore anti-dilutive.

10 Intangible Fixed Assets

	Goodwill	Deferred exploration and development costs	Exploration data and prospecting rights	Provision for rehabilitation costs	Total
Group	**£**	**£**	**£**	**£**	**£**
Cost					
At 1 July 2005	**2,102,553**	**3,233,420**	**615,013**	**50,158**	**6,001,144**
Additions	**-**	**3,570,616**	**-**	**-**	**3,570,616**
Exchange difference	**-**	**(571,485)**	**-**	**(4,719)**	**(576,204)**
At 30 June 2006	**2,102,553**	**6,232,551**	**615,013**	**45,439**	**8,995,556**
Amortisation					
At 1 July 2005	**31,949**	**-**	**-**	**18,451**	**50,400**
Charge for the year	**13,050**	**-**	**-**	**5,476**	**18,526**
Exchange difference	**(248)**	**-**	**-**	**(2,470)**	**(2,718)**
At 30 June 2006	**44,751**	**-**	**-**	**21,457**	**66,208**
Net book value					
At 30 June 2006	**2,057,802**	**6,232,551**	**615,013**	**23,982**	**8,929,348**
At 30 June 2005	**2,070,604**	**3,233,420**	**615,013**	**31,707**	**5,950,744**

11 Tangible Fixed Assets - Group

	Exploration and development costs	Mining property	Mining equipment	Plant and equipment	Motor vehicles	Total
Group	**£**	**£**	**£**	**£**	**£**	**£**
Cost						
At 1 July 2005	**7,172,961**	**555,449**	**524,402**	**4,689,734**	**225,671**	**13,168,217**
Additions	**-**	**-**	**223,047**	**1,171,274**	**44,850**	**1,439,171**
Disposals	**-**	**-**	**-**	**(136,076)**	**-**	**(136,076)**
Exchange difference	**(674,893)**	**(52,261)**	**(67,270)**	**(591,909)**	**(27,243)**	**(1,413,576)**
At 30 June 2006	**6,498,068**	**503,188**	**680,179**	**5,133,023**	**243,278**	**13,057,736**
Accumulated depreciation						
At 1 July 2005	**258,342**	**81,653**	**225,900**	**823,327**	**153,242**	**1,542,464**
Charge for the year	**40,412**	**718**	**48,193**	**388,245**	**13,246**	**490,814**
Disposals	**-**	**-**	**-**	**(25,873)**	**-**	**(25,873)**
Exchange difference	**(27,573)**	**(7,779)**	**(24,668)**	**(129,063)**	**(16,193)**	**(205,276)**
At 30 June 2006	**271,181**	**74,592**	**249,425**	**1,056,636**	**150,295**	**1,802,129**
Net book value						
At 30 June 2005	**6,226,887**	**428,596**	**430,754**	**4,076,387**	**92,983**	**11,255,607**
At 30 June 2005	**6,914,619**	**473,796**	**298,502**	**3,866,407**	**72,429**	**11,625,753**

The net book value of the group's tangible assets includes £32,134 (2005: £650,512) of plant and equipment and £5,552 (2005: £39,889) of motor vehicles, in respect of assets held under finance leases, on which depreciation of £43,516 (2005: £90,884) has been charged in the year.

12 Investments

Group

	Interests in prospecting licences	Quoted investments	Total
	£	£	£
At 1 July 2005	230,439	-	230,439
Additions	-	2,848,111	2,848,111
At 30 June 2006	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 2005	12,518,726	3,438,335	15,957,061
Additions	2,739,873	7,515,175	10,255,048
Transfer	3,438,335	(3,438,335)	-
At 30 June 2006	18,696,934	7,515,175	26,212,109

Advances from the company to Firestone Diamonds Limited are converted into equity in Firestone Diamonds Limited at regular intervals. The balance outstanding as of 30 June 2006 was converted into shares on 5 December 2006.

At 30 June 2006, 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

* 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 2006	Company 2006	Group 2005	Company 2005
	£	£	£	£
Cut and uncut diamonds held for sale	64,570	-	105,793	-

14 Debtors

	Group 2006	Company 2006	Group 2005	Company 2005
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	558,831	7,477	441,451	-
Advances to directors	12,304	1,908	1,247	-
Other debtors	750,000	-	-	4,120
Deferred tax	565,655	2,212	156,200	-
	1,886,790	11,597	598,898	4,120

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

15 Creditors

	Group 2006	Company 2006	Group 2005	Company 2005
	£	£	£	£
Amounts falling due within one year:				
Bank loans and overdrafts	199,202	-	219,893	-
Obligations under finance leases	134,298	-	228,247	-
Trade creditors	296,059	-	672,004	-
Other creditors	172,347	-	706,823	-
Taxation and social security	7,435	-	19,431	-
Accruals and deferred income	130,852	82,841	94,039	82,006
	940,193	82,841	1,940,437	82,006
Amounts falling due after more than one year:				
Bank loan	365,086	-	604,572	-
Obligations under finance leases	85,044	-	114,243	-
	450,130	-	718,815	-

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).

Obligations under finance leases are payable as follows:

Within one year	134,298	-	228,247	-
Between one and two years	56,231	-	102,238	-
Between two and five years	28,813	-	12,005	-
	219,342	-	342,490	-

Finance leases are secured on the relevant underlying assets.

Bank loan maturity analysis:

Repayable in one year or less	199,202	-	219,893	-
Repayable between one and two years	199,204	-	219,893	-
Repayable between two and five years	165,882	-	384,679	-
	564,288	-	824,465	-

16 Other Provisions

Group

	Rehabilitation costs	Directors' deferred emoluments	Total
	£	£	£
At 1 July 2005	50,158	1,006,131	1,056,289
Charge for the year	-	290,015	290,015
Payments	-	(760,676)	(760,676)
Exchange difference	(4,719)	-	(4,719)
At 30 June 2006	45,439	535,470	580,909

Rehabilitation Costs:

Surf Zone Diamonds and Kuboes Diamante have established environmental rehabilitation bonds of R100,000 (£7,573) and R500,000 (£37,866) respectively in accordance with the requirements of the Mineral and Petroleum Resources Development Act 2002. These are currently the only required impositions to comply with environmental legislation in respect of the Avontuur Mine and the Oena Mine. 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 R600,000 (£45,439) 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/or 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:

	2006	2005
	£	£
Included in debtors	(565,655)	(156,200)
Included in provision for liabilities and charges	323,328	375,309
	(242,327)	219,109

Group	At 1 July 2005	Movement in year	Currency translation movement	At 30 June 2006
	£	£	£	£
Accelerated capital allowances	(29,328)	20,125	2,759	(6,444)
Deferred exploration costs	2,535,726	721,928	(517,677)	2,739,977
Tax losses	(2,253,331)	(900,550)	449,824	(2,704,057)
	253,067	(158,497)	(65,094)	29,476
Exchange losses	(33,958)	(279,173)	41,328	(271,803)
	219,109	(437,670)	(23,766)	(242,327)

The directors do not anticipate that accumulated reserves of overseas subsidiaries at 30 June 2006 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.

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, diamonds are sold in US Dollars, with the Rand proceeds being calculated on the basis of the US Dollar sales price and the US Dollar/Rand 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 and Sterling/Rand rates.

The group's expenses in South Africa are incurred in Rand. Any weakening in the 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 Rand, which would increase South African operating expenses in Sterling terms.

b) Currency exposures

As at 30 June 2006 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:-

	2006	2005
	£	£
Within one year	333,500	448,140
Between one and two years	255,435	322,131
Between two and five years	194,695	396,684
	783,630	1,166,955

The fair value of all financial instruments 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 10.5% (2005: 8.5%).

The only financial asset held by the group at 30 June 2006 was cash and deposits totalling £4,750,506 (2005: £2,112,261). Of this, £2,066,694 (2005: £nil) was held on deposit earning interest at fixed rates with a weighted average interest rate of 4.3% (2005: nil) which was fixed for a weighted average period of one month (2005: nil).

(d) Fair value of financial instruments

	2006 Book Value £	2006 Fair Value £	2005 Book Value £	2005 Fair Value £
Cash at bank and in hand	4,750,506	4,750,506	2,112,261	2,112,261
Quoted investments	2,848,111	7,513,999	-	-
Bank loans	(564,288)	(564,288)	(824,465)	(824,465)
Obligations under finance leases	(219,342)	(219,342)	(342,490)	(342,490)
Derivative financial instruments	-	19,604	-	-
Foreign exchange contracts	-	113,094	-	-
	6,814,987	11,613,573	945,306	945,306

(e) Gains and losses on hedges

Forward exchange contracts have been used to hedge foreign exchange exposures on forecast receipts in foreign currencies. The unrecognised gains arising on these contracts in the year were £113,603 (2005: £nil) and are expected to be recognised in the year ending 30 June 2007.

As permitted under FRS13, short term debtors and creditors have not been included in the above analyses.

19 Share Capital

Group and Company	2006 Number	2006 £	2005 Number	2005 £
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
Ordinary shares of 20p each	99,800,008	20,000,000	99,800,008	20,000,000

Allotted, called up and fully paid:	Number	£
At 1 July 2005	45,837,969	9,167,594
Shares issued in the year	9,919,932	1,983,987
At 30 June 2006	55,757,901	11,151,581

On 4 September 2005, share options were exercised resulting in the issuing of 36,000 ordinary shares at an option price of 44.5 pence and 20,000 ordinary shares at an option price of 36 pence. In October 2005, the company issued 1,876,624 ordinary shares to Leon Daniels on behalf of Firestone Diamonds Limited in relation to the acquisition by Firestone Diamonds Limited of 4,879,220 shares in African Diamonds plc. In November 2005, the company completed the placing of 7,692,308 new ordinary shares at a price of 130 pence per share, raising £10,000,000 before the deduction of related expenses of £369,109. On 20 December 2005, share options were exercised resulting in the issuing of 10,000 ordinary shares at an option price of 44.5 pence, 20,000 ordinary shares at an option price of 36 pence and 15,000 ordinary shares at an option price of 33 pence. In December 2005, the company issued 250,000 new ordinary shares at a price of 129 pence per share to employees as part of their remuneration.

Share options

The company operates two unapproved share option schemes for employees and directors. As at 30 June 2006, options granted under the Basic Share Option scheme were outstanding over a total of 3,025,000 (2005: 3,061,000) ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Number of shares	Exercise price
26 January 2000	26 January 2001	26 January 2010	30,000	51.5p
25 February 2000	25 February 2001	25 February 2010	1,360,000	76.5p
30 January 2001	30 January 2002	30 January 2011	15,000	69p
22 July 2002	22 July 2003	22 July 2012	60,000	66.5p
18 December 2003	18 December 2004	18 December 2013	50,000	36p
8 April 2004	8 April 2005	8 April 2014	1,000,000	37p
22 December 2004	22 December 2005	22 December 2014	500,000	110p
4 April 2006	4 April 2007	4 April 2016	10,000	148p

During the year options granted under the Basic Share Option Scheme were exercised as follows:

Date of grant	Date Exercised	Number of shares	Exercise price
26 January 2000	4 September 2005	36,000	44.5p
26 January 2000	20 December 2005	10,000	44.5p
18 December 2003	4 September 2005	20,000	36p
18 December 2003	20 December 2005	20,000	36p

During the year, options granted under the Basic Share Option Scheme were relinquished as follows:

Date of grant	Date Relinquished	Number of shares	Exercise price
18 December 2003	18 June 2006	10,000	36p

Since the end of the year, 230,000 options were granted under the Basic Share Option Scheme at an option price of 89.5 pence.

As at 30 June 2005, options granted under the Performance Related Share Option Scheme were outstanding over a total of 7,745,000 (2005: 7,760,000) ordinary shares as follows:

Date of grant	Exercisable from	Exercisable to	Number of shares	Exercise price
8 April 2003	8 April 2004	8 April 2013	1,085,000	33p
9 January 2004	9 January 2005	9 January 2014	2,400,000	36p
21 January 2004	21 January 2005	21 January 2014	1,360,000	41p
8 April 2004	8 April 2005	8 April 2014	2,000,000	37p
3 August 2004	3 August 2005	3 August 2014	250,000	70p
3 May 2005	3 May 2006	3 May 2015	650,000	130p

During the year options granted under the Performance Related Share Option Scheme were exercised as follows:

Date of grant	Date Relinquished	Number of shares	Exercise price
8 April 2003	20 December 2005	15,000	33p

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, thereby reducing the number of shares issued in relation to the options. On the basis of this scheme, the effective dilution resulting from all issued basic and performance related options as of 30 June 2006 at the closing share price on 30 June 2006 of 113.5p per share was 5,934,890 shares.

Long term incentive plan

Since the year end, the company has decided to establish a Long Term Incentive Plan (LTIP) for the benefit of senior management. The LTIP will make 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.

The company's share price ranged between 110p and 165p during the year. The closing share price as at 30 June 2006 was 113.5p per share.

20 Reserves

	Share premium account	Merger Reserve	Profit and loss account
Group	£	£	£
At 1 July 2005	**8,383,823**	**(1,076,399)**	**80,723**
Loss for the year	**-**	**-**	**(170,159)**
Currency translation differences	**-**	**-**	**(1,521,627)**
Deferred tax on exchange differences	**-**	**-**	**279,173**
Increase in share premium	**10,749,098**	**-**	**-**
At 30 June 2006	**19,132,921**	**(1,076,399)**	**(1,331,890)**
Company			
At 1 July 2005	**8,383,823**	**-**	**(210,916)**
Profit for the year	**-**	**-**	**223,505**
Increase in share premium	**10,749,098**	**-**	**-**
At 30 June 2006	**19,132,921**	**-**	**12,589**

21 Reconciliation of Movements in Shareholders' Funds

	Group 2006 £	Group 2005 £
Loss for the year	(170,159)	(204,321)
Other gains and losses in the year	(1,242,454)	(699,121)
	(1,412,613)	(903,442)
New share capital subscribed	12,733,085	4,943,319
Net addition to shareholders' funds	11,320,472	4,039,877
Opening shareholders' funds	16,555,741	12,515,864
Closing shareholders' funds	27,876,213	16,555,741

22 Net Cash Flow from Operating Activities

	2006 £	2005 £
Operating loss	(546,535)	(216,337)
Depreciation of tangible fixed assets	166,031	153,737
Amortisation of intangible fixed assets	18,526	82,622
Profit on disposal of fixed assets	(7,971)	-
Decrease in stocks	38,959	11,278
(Increase)/decrease in debtors	(905,558)	5,396
(Decrease)/increase in creditors	(1,164,727)	1,345,590
Net cash inflow/(outflow) from operating activities	(2,401,275)	1,382,286

23 Analysis of Net Funds

	At 1 July 2005 £	Cash flow £	Non-cash changes	Movement on exchange £	At 30 June 2006 £
Cash at bank and in hand	2,112,261	610,884	-	(39,333)	2,683,812
Cash	2,112,261	610,884	-	(39,333)	2,683,812
Liquid resources	-	2,066,694	-	-	2,066,694
Bank loans	(824,465)	210,854	-	49,323	(564,288)
Finance leases	(342,490)	104,991	-	18,157	(219,342)
Total	945,306	2,993,423	-	28,147	3,966,876

24 Reconciliation of Net Cash Flow to Movement in Net Funds

	2006 £	2005 £
Increase in cash in the year	610,884	1,845,211
Finance leases net movement	104,991	52,483
Cash outflow from decrease in loans	210,854	121,008
Cash outflow from use of liquid resources	2,066,694	-
Movement on exchange	28,147	(13,837)
Movement in net funds in the year	3,021,570	2,004,865
Net funds/(debt) at 1 July 2005	945,306	(1,059,559)
Net funds at 30 June 2006	3,966,876	945,306

25 Capital Commitments

At 30 June 2006, the group had authorised and contracted for capital commitments of £Nil (2005: £Nil).

26 Related Party Transactions

During the year ended 30 June 2006, Firestone Diamonds plc and its subsidiaries paid £14,572 (2005: £12,177) 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.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at MWB Business Exchange, 78 Cannon Street, Fourth Floor, London EC4N 6NQ on 29 January, 2007 at 12.00 p.m. for the following purposes:

Ordinary Business

1. To receive the Company's annual accounts for the financial year ended 30 June 2006, 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 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 £5,000,000 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, if 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 £2,000,000.

By Order of the Board	**Registered office:**
P Kenny	**1 Park Row**
15 December 2006	**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 12.00 p.m., 27 January 2007 (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 12.00 p.m., 29 January, 2007

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, 78 Cannon Street, Fourth Floor, London EC4N 6NQ on 29 January, 2007 at 12.00 p.m. and at every adjournment thereof and I/we direct my/our proxy to vote as indicated below.

		For	Against
Resolution 1	To receive the Company's annual accounts for the financial year ended 30 June, 2006, 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. 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.

fold along dashed line

Affix postage stamps here

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